

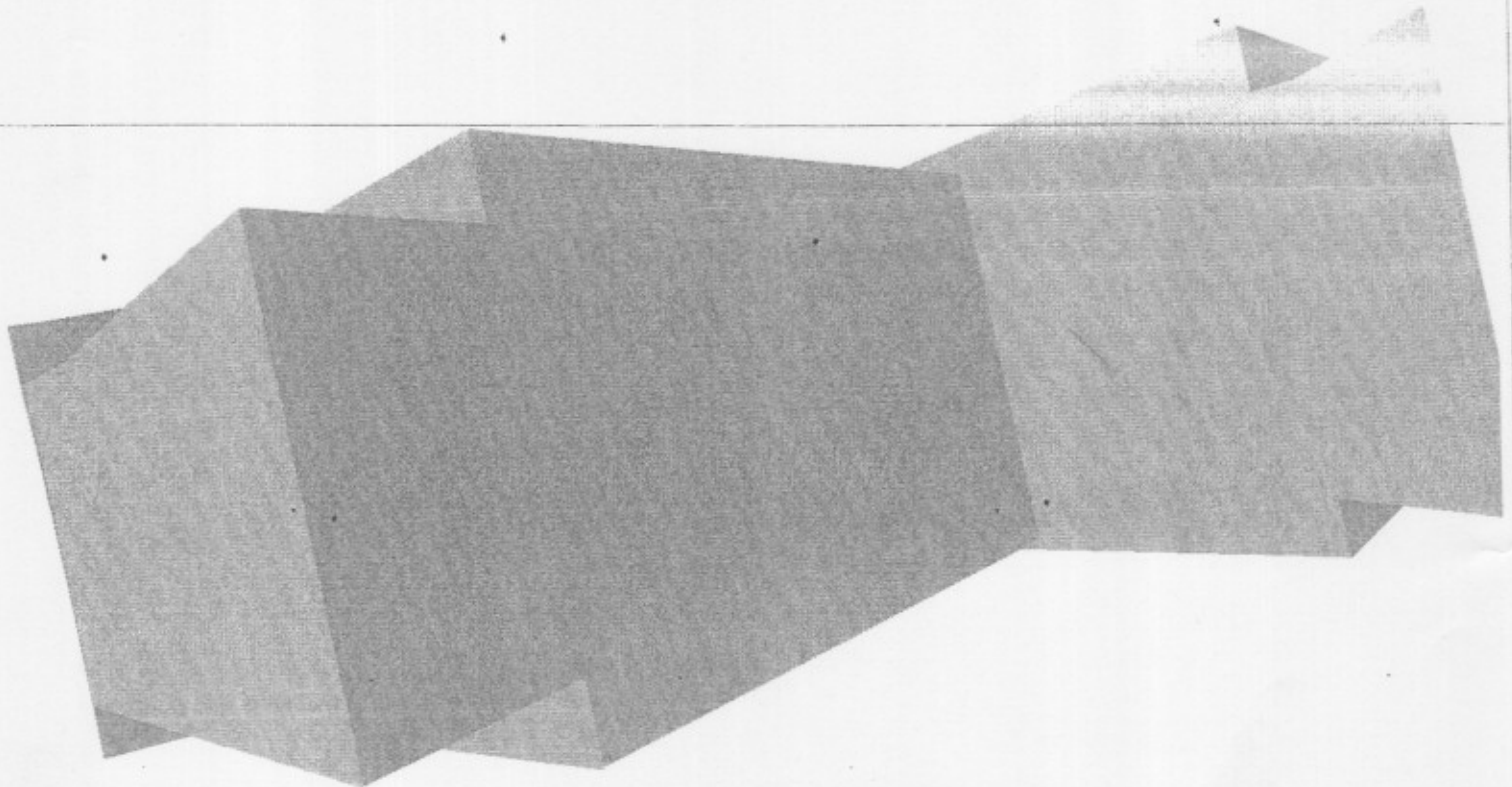


Province of the  
EASTERN CAPE  
Department of Housing, Local Government and  
Traditional Affairs

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# Report to the Select Committee on Local Government and Administration

Municipalities receiving support and  
interventions



## Introduction

The Department of Local Government and Traditional Affairs (DLGTA) is mandated to provide support to municipalities in the Province of the Eastern Cape. In many instances the support provided is of a non-intrusive nature given the standing of municipalities as independent entities in terms of the Constitution.

Notwithstanding the above some municipalities require more intensive support and as a last resort, an intervention in terms of S139 of the Constitution.

## **Ngquza-Hill**

The history and background to this municipality has been well documented. The erstwhile political tensions and instabilities have given way to an improved situation within the Municipality. These improvements that have been recorded are

- <sup>Improvements</sup> Political stability is prevailing
- The municipality is currently operating normally and all S.57 Managers have been appointed.
- Proof of skills in the municipality is the adoption of 21 policies that have been developed internally without the services of consultants.
- All Standing Committees (5) in line with the number of S.57 Managers are functional
- Rules of Order and Delegations are in place
- The Council meets on quarterly basis and other committees meet on monthly basis.

At this stage there are 2 pending court cases one regarding the CFO's dismissal and that of the Manager Protection Services which are scheduled for February 2008

Notwithstanding the normal operations of the municipality the department should continuously render some support to this municipality to be able to deal with some other challenges and to specifically improve revenue collection and service delivery.

In the main the Department is satisfied with the progress that was made in this municipality. It presents a case study of a successful intervention.

## Mnquma

The Mnquma municipality has been beset with a number of challenges. These challenges related to numerous aspects around good governance and legislative compliance. In the main the following are the key challenges faced by Mnquma:

- Municipal officials were on strike resulting in poor service delivery
- Office of the Mayor and the car of the legal advisor to the municipality were burnt
- The municipality was experiencing serious financial problems and there were allegations of financial mismanagement
- No approved employment contracts for the Section 57 managers
- No standing committee meetings were held for nine months due to the prevailing political instability
- Many posts were filled without following the correct policies and procedures.
- Very poor revenue collection
- Creditors such as the Receiver of Revenue, DBSA and DWAF are owed millions by the municipality.
- Annual Financial Statements in respect for the 2004/05 financial year were not yet complete (the only municipality in the province not to do so).
- Received disclaimer for the two previous years.

As a result of the above, the DLGTA undertook an intervention in terms of Section 154 to address these challenges experienced. A technical steering committee established to coordinate the support that the department is providing to the Mnquma Local Municipality. The role and responsibility of the technical committee is:

- To coordinate the support that is provided to the Mquma Local Municipality by external institutions through the Section 154 Intervention.
- Reporting and communication to and with the MEC, the Mquma Local Municipality Mayor and any other stakeholders
- To lobby and mobilise financial and other resources
- To project manage the entire Section 154 Intervention

The work of the Technical committee has given rise to the following support initiatives being provided :

1. An operational plan was developed and it includes critical outputs identified to effect positive changes in the administration and service delivery functions of the Municipality.
2. Annual Financial Statements in respect of the 2005/06 financial year were completed by 15 December 2006.
3. Performance Contracts of the Municipal Manager and Section 57 Managers have been signed and were submitted to the department.
4. Feasibility study for a centralised municipal office has been completed.
5. Valuation roll has almost been finalized.
6. A disc containing the asset register has been obtained from previous service provider.
7. A workshop has been held for the cashiers at which they were trained in the total procedure of handling cash as well as all the internal controls. Chief cashier has been trained in day-end procedures and balancing.
8. IRP5s for the 2006 tax year have been issued and new tax tables implemented.
9. Staff has been trained on all aspects of the payroll.
10. A new ledger has been created.
11. 2006/07 budget has been captured on the financial system.
12. The CFO post has been filled.

13. Political stability has been restored.

14. R1 730 000.00 allocated for 2007/8 to assist with financial related projects viz. Financial Statements, Asset Register, ICT, Updating of Books and Accounts and Internal Controls

Even though much work has been done in this municipality more still needs to be done. The following areas still require work which we will further undertake during the 2008/09 financial year :

- A fully functional organogram to be populated in terms of powers and functions.
- Huge debt to pay various creditors.
- To give an updated report to the MEC and the Political Leadership of the municipality.
- To organize funding to build new offices.

#### **King Sabata Dalindyebo**

The KSD municipality has been beset by a range of challenges emanating largely out of tensions around political and administrative blurring of functions, powers and responsibilities. As a result of our investigations and support being provided to KSD the following issues were found:

- Political instability and allegations made by 6 section 57 managers of political interference in administration.
- Bloated staff structure and the need to create and instill a work ethic amongst staff members.
- Strained relationships between the politicians of the municipality and the administration
- Termination of the Employment Contract of the MM and allegedly unprocedural suspension of some S.57 managers.
- Irregular appointment of an Acting MM – challenged by S.57 Managers.
- Dilapidated infrastructure and lack of funding to rehabilitate and maintain it (need approximately R360 Million).
- Unreliable billing system – statements of which were even challenged by Councillors of KSD
- Financial Management problems and low levels of revenue collections.

- Lack of capacity to render services to the residents.
  - Weak revenue base and ineffective credit control and debt management policies.
  - Poor customer care.
  - Governance and Public Participation which is not adequate.
  - The taking over of the water service provision function by the OR Tambo District Municipality which lacks internal capacity has created problems in that service levels are very poor and KSD is not prioritized despite being the economic hub of the region.
  - Continuous outages of electricity – this affected and still affects the investor confidence.
  - The IDP is not adequately aligned to the budget.
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- The IDP does not incorporate various sector plans such as for example Local Economic Development, Infrastructure Plan and Housing Development Plan etc.
  - There is no Geographic Information system to assist the municipality in planning.

In addressing these issues we have deemed it necessary to launch the process of intervention in terms of S139. Currently the support being provided to KSD can be summarized as follows:

1. The investigation team duly conducted an investigation on 9-10 January 2007.
2. A draft report was compiled and submitted to the interviewees on 26 January 2007. They were given a period of time to submit further evidence and/or comments to the investigation team which period has since lapsed. The investigation team has studied the documentation presented to it and prepared its final report.
3. It is currently awaiting a date from the municipal council and the MEC on which the final report can be presented. *Was presented*
4. Ms. Vuyo Zitumane has been contracted by DHLGTA and seconded to KSD as Caretaker Municipal Manager. She assumed her duties on 1 February 2007.
5. In an effort to enhance KSD's revenue DHLGTA is currently assisting the municipality to enter into Service Level Agreements with departments such as for example Health and Arts, Culture and Sports on whose behalf KSD is currently rendering services.
6. Currently officials from DHLGTA are assisting with a number of projects in particular those that relate to institutional capacitation to improve proper administration and governance.

7. The department together with National Treasury has also given support in ensuring the municipality appoints a Municipal Manager. *Since CMA contract ended, MM appointed in 2007*

In view of the above the Department is also facilitating the following :

- The MEC to convene a council meeting and present the final report of the investigating team that the former MEC appointed in terms of S.106 of the Municipal Systems Act of 2000.
- The Provincial Treasury to join the DHLGTA in rendering support at KSD.
- To engage both OR Tambo and KSD to review the S.78 Assessment process with regard to the provision of water services within KSD municipality – the MEC to be fully involved.
- To assist the Caretaker MM in appointing a CFO, a position very critical, in particular at this time of the Financial Year end, budgetary process and compilation of AFSs as well as poor financial management, revenue collection and formulation, implementation and enforcement of policies and by-laws.
- The DHLGTA to expedite the engagement of the Provincial Treasury in providing funding for infrastructure rehabilitation and development as resolved by the Provincial EXCO
- Prioritisation of KSD by various Programmes within DHLGTA and the coordination and integration of Support programmes in addition to the current support being rendered which is far from enough.
- To regard the current support as a Project of Restructuring Process in order to benefit from the National Restructuring Grant funded by National Treasury.
- To galvanise support for data cleansing project and implement an effective and accurate Billing System.
- To assist the municipality in creating conducive environment for Economic Development – This calls for a Council ready to drive KSD towards that direction and eliminate as much as possible all political challenges.
- To galvanise support to help KSD establish Geographic Information System (GIS). This is critical for spatial planning.

In moving forward, our intervention into KSD must address some key challenges that we have found. These challenges may be summarized as follows :

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1. KSD is highly indebted whilst collects very little own revenue. It is extremely dependant on its equitable share portion in order to be viable.
  2. Water Services provision by the O.R.T District Municipality has reduced KSD's revenue base.
  3. A contract to update the valuation roll is currently the subject of court action to the benefit of ratepayers thus denying the municipality the revenue it so desperately needs to improve service delivery.
  4. The Chief Financial Officer has resigned followed shortly thereafter by the resignation of his deputy. The result is that low level functionaries are having to deal with the complex financial situation prevailing at KSD.
  5. The municipality has incurred approximately R15 million in expenditure on court cases most of which are human resource related.
  6. A leadership crisis ( both political and administrative) exists.
  7. Councillors are still talking of KSD being "indigent" whilst the buying power and economic potential in KSD is real.

The process of invoking s139 is still proceeding. We are at a stage where we are awaiting the response from the KSD Municipality which we expect by the end of January 2008. Further steps in relation s139 will then be taken.