MSUKALIGWA MUNICIPALITY

PRESENTATION: **SELECT COMMITTEE OF FINANCE**

Presented by: **MUNICIPAL MANAGER T H KUBHEKA**

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INTRODUCTION

- Msukaligwa municipality is situated in the Mpumalanga Province and forms part of the Gert Sibande District Municipality
- The former local authorities of Ermelo/Wesselton, Breyten, Davel, Chrissiesmeer, Lothair and Sheepmoor, including the farm areas were amalgamated to form one municipality
- Large coal mining activities within the area supply coal to various Eskom electricity generating plants as well as exportation through Richards Bay harbour
- Various agriculture activities are operational in the surrounding areas

LEGISLATIVE REQUIRMENTS

- According section 152 (1) of the Constitution of the Republic of South Africa the objects of local government are:
  - To provide democratic and accountable government for local communities
  - To ensure provision of services to communities in a sustainable manner
  - To promote social and economic development
  - To promote a safe and healthy environment
  - To encourage the involvement of communities and community organizations in all matters of government
- Section 152 (2) contemplate that a municipality must strive within its financial & administrative capacity to achieve the objects mentioned above.

DEMOGRAPHIC PROFILE

- The municipality has a total population of 124,819 people with the total area of 31 846 square kilometers (2001 SA Statistics)
- The majority of the population is black Africans (111415=89.4%) Coloured (378=0.3%) Asian (824=0.6%) Whites (12195=9.7%)

SOCIO ECONOMIC PROFILE

- The socio economic profile of the municipality (Statssa 2001) showing employment active residents at a level of 28083, unemployed at 17361, and not economically active at 31209.
- HIV Aids statistics – 37% prevalence of HIV Aids
- Local Aids Council is established and render services to Aids affected people
- LED forum is established with representation of the business community and working together to the development of the town
- Educational facilities (Primary schools – 71; High schools – 6; Combined schools – 12; Secondary schools – 10; Tertiary – 1; Training centres (Adult education) – 9; Private schools – 3; Total of 112)
- Newly established settlement ie. Ermelo ext. 32. 33, 34 and New Ermelo has the total number of + 2134 housing units with only one primary school (Backlog of on e highschool)

MUNICIPAL OVERVIEW CONT.

HOUSEHOLD INCOME (Statssa 2001)

- The highest number of households on the income bracket of zero to R800 per month, followed by the monthly income between R800 – R3,200.
- The total number of households below the income of R3,200 per month = 24 977 (84% of the total)
- The number of households in the no-income bracket counts 5,861 = ±20% of total

MONTHLY IMPUTED HOUSEHOLD INCOME	HOUSEHOLDS
None - R800	15 289
R800 - R3 200	9 688
R3 200 and more	4 711
Total	29 688

IDP ALIGNMENT WITH PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY

- As Local Municipality our planning processes are guided by the District Growth and Development Strategy which in turn is aligned to the PGDS and the NSDP
- Participation from Sector Departments in the development of our IDP is not satisfactory
- The Municipality participates in all IGR activities

OPERATIONAL BUDGET

OPERATING REVENUE SOURCE		YEAR 2006/7	CURRENT FINANCIAL YEAR 2007-2008			MTREF		
		ACTUAL AUDITED	APPROVED BUDGET	ADJUSTED BUDGET	ACTUAL MARCH 2008	2008/9	2009/10	2010/11
ASSESSMENT RATES		27,804,969	37,408,180	35,908,180	26,300,630	37,553,390	39,318,399	41,127,046
SERVICE CHARGES		80,941,178	87,963,315	88,890,480	65,405,002	96,823,157	101,870,291	106,967,547
FINES & LICENSES		2,317,162	3,414,455	3,204,000	1,071,666	3,353,840	3,511,471	3,673,000
INTEREST		9,987,935	9,484,329	9,623,630	7,202,846	10,201,041	10,680,379	11,171,782
RENTAL FACILITIES		1,099,260	1,398,654	1,259,341	799,058	1,334,901	1,398,888	1,464,268
AGENCY SERVICES		2,278,117	2,035,000	2,040,000	1,024,767	2,162,400	2,264,033	2,368,178
GOV. GRANTS & SUBS		68,474,679	49,084,324	51,170,745	44,824,538	59,853,986	73,125,663	88,212,528
OTHER INCOME		10,685,552	7,289,343	9,102,094	5,603,844	9,489,220	9,943,358	10,407,498
INCOME FOREGONE	3		-7,106,365	-7,106,365	-5,143,364	-5,890,495	-6,167,348	-6,451,046
INTERNAL TRANSFERS	2		14,597,980	14,823,596	9,652,594	12,816,044	15,254,131	17,069,239
TOTAL INCOME		203,588,852	205,569,215	208,915,701	156,741,581	227,697,484	251,199,265	276,010,040

OPERATING EXPENDITURE TYPE		YEAR 2006/7	CURRENT FINANCIAL YEAR			MTREF		
		ACTUAL AUDITED	APPROVED BUDGET	ADJUSTED BUDGET	ACTUAL MARCH 2008	2008/9	2009/10	2010/11
EMPLOYEE RELATED COST		66,848,704	82,772,350	82,985,554	58,780,926	89,641,697	95,502,798	99,747,929
COUNCILLOR RELATED COST		6,198,183	5,882,235	5,928,735	4,446,661	6,468,425	6,772,441	7,083,973
GENERAL EXPENDITURE		23,640,929	31,332,747	33,057,888	18,695,452	39,900,991	44,694,052	52,851,339
BULK PURCHASES		35,276,610	31,100,000	32,780,000	24,480,471	36,150,000	40,324,000	46,005,000
CONTRACTED SERVICES		10,640,505	16,220,864	15,775,113	8,327,308	10,859,151	11,976,864	12,476,884
REPAIR & MAINTENANCE		7,164,162	9,816,156	10,165,627	5,746,229	11,516,737	15,359,796	15,515,967
DEPRECIATION	1	15,214,730	15,462,520	15,462,520	11,596,890	16,390,271	17,367,587	18,337,939
PROVISIONS		14,129,308	11,740,439	11,740,439	9,700,267	11,836,594	12,437,397	13,046,364
INTERNAL TRANSFERS	2		14,560,866	14,835,545	9,654,668	12,828,707	15,299,282	18,958,885
TOTAL EXPENDITURE		179,113,131	218,888,179	222,731,421	151,428,872	235,592,573	259,534,217	284,024,080

1 - Includes depreciation charges for externally funded assets; Offset by transfer from reserve accounts.

2 - Internal transfers included in budget; AFS nett figures

3 - Income foregone in terms of MFRA

STAFF ACCOMPLISHMENT

- Msukaligwa Municipality got an approved and an ideal organisational structures.
- The approved structure is approved annually with councils budgetary processes.
- The current approved structure consist of 730 positions
- 574 filled
- 156 vacant (Since the placement process has been finalised in March 2008, these positions will be urgently filled in terms of priority)
- The ideal structure to be informed by future growth on income consist of 1348 positions.
- Current staff budget R82,985,554

IMPACT LEGISLATIVE REQUIREMNETS ON STRUCTURE

- Staff accomplishment is 38.05% of budget. The impact of legislative requirements impacts on the percentage spend of the Municipality.
- The following divisions had to be established irrespective of the affordability thereof and the impact on the total staff budget versus the operational budget.
- The following divisions were established
  - Supply Chain Management unit R 1,259,852 p/a
  - Budget office R 880,378 p/a
  - Internal Audit/Risk Management R 671,148 p/a
  - This reflect an additional 1,26% of the total operational cost

CAPITAL BUDGET

CAPITAL BUDGET INFORMATION									
	Year 2006/2007	Current Financial Year 2007/8					MTREF		
	Actual Audited	Approved Budget	Adjusted Budget	Note	Actual March 2008	Actual April 2008	2008/9	2009/10	2010/11
	33,422,674	28,563,000	32,163,000		8,404,047	9,210,552	46,338,355	50,095,940	46,090,020
FUNDING SOURCE									
MIG		13,111,000	13,411,000	1	5,193,372	5,844,146	19,541,000	23,772,000	19,462,000
DME/INEP		1,152,000	3,952,000	2	2,703,197	2,744,037	3,720,000	4,791,000	5,395,000
OWN		1,300,000	1,300,000	3	507,478	622,369	8,577,355	8,032,940	7,733,020
DISTRICT MUNIC.		13,000,000	13,000,000	4	GSDM - DIRECT		13,000,000	13,000,000	13,000,000
DWAF			500,000	5	0	0	0	0	0
EDI / ESKOM							1,500,000	500,000	500,000

NOTE 1	MIG EXPENDITURE - SEE ATTACHED SCHEDULE ON PROJECT RESULTS
NOTE 2	PROJECT ALMOST FINALISED
NOTE 3	PURCHASES DONE DURING APRIL - PAYMENT DUE ON RECEIPT OF INVOICES
NOTE4	DISTRICT MUNICIPALITY DIRECT PROJECT MONITORING AND MANAGEMENT
NOTE 5	DWAF - WAITING APPROVAL OF BUSINESS PLAN

Attached as per Annexure A the progress report on capital projects funded from MIG

MIG 08/09 WAY FORWARD / CORRECTIVE ACTION

- Progress and/or program plan for the next financial year;
  - The PMU under the PMU manager, has been established with the responsibility of planning and driving all the municipal projects
  - MIG Projects for 2008/2009 has already been approved
  - Tenders published February 2008 to invite bids for consulting Engineers
  - Bids closed end March 2008
  - Evaluation committee recommend preferred consulting supplier database for approval by Bid Adjudication 22 April 2008
  - Adjudication Committee approve consulting Engineering supplier database 29 April 2008.
  - MIG approved Projects to be allocated to consulting engineers before 9 May 2008 for projects in the 2008/2009 financial year
  - Engineering designs to be completed end May 2008 for tender invitation
  - Bids to be invited beginning June 2008
  - Bids to be awarded end June 2008 for implementation 1 July 2008
  - SDBIP strengthened with procurement plans with specific milestones to be included in the performance management agreements of management
- All resources involved with MIG funded projects will receive training on project management methodologies before end of June 2008. Service provider to present training already appointed.

DEBTORS INFORMATION

- Debtors in arrears and collection achievements
  - The escalation of debtors outstanding shows a decreasing trend since July 2007
  - Payment rates increased from 82.4% (2006/7) to 88.4% (2007/8)
  - Debtors balances, including balances from indigent accounts.
    - 2006 = R123,788,601
    - 2007 = R145,634,405
    - March 2008 = R162,573,237
    - Government and Provincial Accounts outstanding: R5,637,128. Provincial Government indicated total payment of mentioned accounts in arrears to the municipality by the end of March 2008. The list of accounts were submitted to the Provincial Department (Payment yet not received)
  - After an exercise that has been conducted out of the age analysis the municipality opted to appoint an independent debt collection company
  - With the appointment of a debt collection company, Msukaligwa has succeeded to collect an amount of R1,187,000 since November 2007. The payment rate shows a positive trend and the goal is to decrease outstanding debtors extensively.

DEBTORS INFORMATION

Debtors age analysis as at end of March 2008

Income source	0 - 30 days Amount *000	%	31 - 60 days Amount *000	%	61 - 90 days Amount *000	%	Over 90 days Amount *000	%	Total Amount *000
Water	2,095	8.2	937	3.7	652	2.5	21,903	85.6	25,587
Electricity	3,751	12.3	2,010	6.6	1,029	3.4	23,637	77.7	30,427
Property Rates	3,012	10.9	971	3.5	715	2.6	23,022	83.1	27,720
Sew erage, Refuse & other services including indigent accounts	3,006	3.8	1,292	1.6	1,191	1.5	73,350	93	78,839
Total	11,864	7.3	5,210	3.2	3,587	2.2	141,912	87.3	162,573

COMPLIANCE WITH MUNICIPAL FINANCE MANAGEMENT ACT

- The municipality fully complies to the stipulations, regulations and circulars relating to the following chapters of the MFMA
  - Chapter 3 – Municipal Revenue
  - Chapter 5 – Cooperative Governance
  - Chapter 6 – Debt
  - Chapter 7 – Responsibilities of Mayor
  - Chapter 8 – Responsibilities of Municipal Manager
  - Chapter 9 – Municipal Budget and Treasury Offices
  - Chapter 11 – Goods and Services
  - Chapter 4 – Municipal Budgets – Working with Provincial Treasury so as to comply fully with Budget formats

The municipality do not have any entities as regulated by Chapter 10

COMPLIANCE WITH MUNICIPAL FINANCE MANAGEMENT ACT (Cont.)

- In compliance with these chapters, the municipality:
  - Compiled, approved and annually reviews a Register of Delegated Powers and Functions
  - Provides assistance to personnel to improve competency levels
  - Supply Chain Management Policy was adopted by Council
  - Establish a three-part bid committee system.
  - Fully compliant with promulgated Supply Chain Regulations
  - An internal audit unit has been established with appointment of two officials to be capacitated on internal audit functions and risk management functions
  - Msukaligwa elected to be part of the district wide audit committee established by the Gert Sibande District Municipality.

COMPLIANCE WITH MUNICIPAL FINANCE MANAGEMENT ACT (Cont.)

- Conformity exist within the following stipulations on report and reportable matters
  - Section 8 to 11 – Report to National Treasury and the Auditor-General on primary bank account or change to bank account.
  - Section 13(3) and (4) – Bank or investment balances to the Auditor-General
  - Section 52(d) – A quarterly budget and financial report by the Executive Mayor to Council

COMPLIANCE WITH MUNICIPAL FINANCE MANAGEMENT ACT (Cont.)

(continued)

- Section 71 – Monthly budget statement to Provincial and National Treasury (Msukaligwa to sign off monthly reports to PT & NT for full compliance)
  - Provincial Treasury should give feedback on performance information on monthly reporting
- Section 72 – Midyear budget and performance assessment by Accounting Officer
- Section 75 – Prescribed information placed on official website
- Section 121 and 127 – Annual Report that includes:
  - The annual financial statements
  - The annual performance report (Section 46 of MSA)
  - The Auditor-General report (Section 45 (b) of MSA)

COMPLIANCE WITH MUNICIPAL FINANCE MANAGEMENT ACT (Cont.)

(continued)

- Sections 122 to 126 – Annual Financial Statements
- Although being a Low Capacity Municipality the AFS has been compiled in terms of GAMAP/GRAP and comply to:
  - All prescribed accounting practices as per Government Notice 522 per Government Gazette 30013
  - All disclosures as prescribed
  - AFS were submitted to the Auditor General for auditing within the time limit.
- The Auditor-General issued an unqualified report.
- 2004/2005 Unqualified report
- 2005/2006 Unqualified report
- 2006/2007 Unqualified report

POLICIES AND BY-LAWS

- Council has approved and published the following financial (budget) related policies and by-laws as contained in the Municipal framework:
  - Credit Control and Debt Collection policy
  - Tariff policy
  - Property rates policy
  - Indigent policy
  - Supply chain management policy
  - Preferential Procurement Policy
  - Asset management policy
  - Banking and Investment policy
  - Travelling and Subsistence policy
  - Bursary policy
  - By-laws related to all mentioned policies
- All policies and By-laws were presented for public scrutiny and input.
- Budget related policies are revised annually and presented for public comment