



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

EC COGTA PRESENTATION

NCOP - 09 JUNE 2023

SERVING OUR COMMUNITIES BETTER



PURPOSE

This presentation seeks to apprise the members of the NCOP on the:

- Municipal Infrastructure Grants,
- 2023/24 MIG budget allocation and project category commitments, as well as;
- The current status quo and support that is currently rendered to the Dysfunctional Municipalities in the Eastern Cape Province.

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MUNICIPAL INFRASTRUCTURE GRANTS, 2023/24 MIG BUDGET ALLOCATION AND PROJECT CATEGORY COMMITMENTS

INTRODUCTION

From the Municipal Infrastructure Grant (MIG) national allocation of **R17,5 billion for 2023/24**, Eastern Cape Province has been allocated **R3,64 billion** for implementation of projects to improve the lives of the poor through the provision of infrastructure.

Based on the analysis of the council's approved Project Implementation Plans (PIPs), the Eastern Cape Province municipalities have committed MIG in the 2023/24 financial year, against the national trends as follows:

- National: Water projects: 39% **Provincial: Water projects: 44%**
- National: Roads projects: 28% **Provincial: Roads projects: 27%**
- National Sanitation projects: 19% **Provincial: Sanitation projects: 20%**
- National: Community facilities 14% **Provincial: Community facilities 8%**
- ❖ The EC Water allocation is 5% above the national allocation, due to high historical water backlogs
- ❖ The EC Roads allocation is consistent with the national trend
- ❖ The EC Sanitation allocation is consistent with the national trend
- ❖ The EC Community Facilities are 6% less than national, due to high historical water backlogs

Below is the breakdown per district, outlining the number of projects and budget commitment per infrastructure category:

SARAH BAARTMAN DISTRICT

Municipalities	Water			Sanitation			Roads			Public Amenities			Total All.		No. proj. to be completed by June 2024
	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	Per (%)	No. of proj.	Infrastructure Allocation ("000")	Project Status
Dr Beyers Naude	3	R2 300	10%	1	R275	1%	3	R12 095	51%	3	R7 804	33%	10	R22 477	4
Blue Crane Route	1	R496	2%	0	R0,00	0%	7	R16 157	67%	6	R6 400	26%	14	R23 054	0
Makana	3	R11 469	40%	0	R0,00	0%	3	R8 374	29%	3	R7 191	25%	9	R27 036	6
Ndlambe	0	R0,00	0%	2	R8 057	25%	5	R11 432	36%	2	R10 960	34%	9	R30 449	7
Sundays River Valley	1	R1 000	3%	3	R13 000	43%	2	R10 099	34%	2	R4 325	14%	8	R28 424	4
Kouga	0	R0,00	0%	5	R28 042	75%	2	R7 356	20%	1	R100	0%	8	R35 498	2
Kou-Kamma	0	R0,00	0%	1	R15 897	90%	1	R795	5%	0	R0,00	0%	2	R16 693	1
Sarah Baartman District	8	R15 267	8%	12	R65 273	34%	23	R66 311	34%	17	R36 781	19%	60	R183 634	24

- Sarah Baartman is the only district that has few backlogs although the infrastructure is old but needs upgrade as a result is receiving small allocation compared to other districts
- Sanitation and roads infrastructure are allocated a considerable amount compared to other infrastructure categories.
- The district is still having challenges on the maintenance of wastewater treatment works and there is a need for an MIG % (as it was case during COVID-19) to be used for maintenance of WWTW and WTW to avoid contamination of drinking water.

AMATHOLE DISTRICT

Municipality	Water			Sanitation			Roads			Public Amenities			Total All.		No. proj. to be completed by June 2024
	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	Project Status
Amahlathi							5	R26 310	84%	5	R5 017	16%	10	R31 327	10
Great Kei							3	R9 155	77%	3	R2 779	23%	6	R11 932	6
Mbhashe							17	R37 838	56%	5	R30 083	44%	22	R67 913	12
Mnquma							12	R70 769	90%	1	R7 750	10%	13	R78 519	9
Ngqushwa							3	R9 973	40%	9	R14 885	60%	12	R24 885	12
Raymond Mhlaba							3	R12 000	27%	12	R32 070	73%	15	R44 070	15
Amathole District	21	R408 101	83%	12	R83 039	17%				33		0%		R491 141	20
Amathole District	21	R408 101	83%	12	R83 039	17%	43	R166 045	22%	68	R92 584	12%	78	R749 787	84

- Amathole District Municipality as a Water Service Authority (WSA) has allocated most of its MIG allocation towards water infrastructure due to huge backlogs.
- Local municipalities prioritised roads projects because of huge backlogs due to poor maintenance of existing infrastructure.

CHRIS HANI DISTRICT

Municipality	Water			Sanitation			Roads			Public Amenities			Total All.		No. proj. to be completed by June 2024
	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	Project Status
Inxuba Yethemba							5	R16 555	66%	2	R8 949	36%		R25 104	2
Intsika Yethu							6	R48 419	100%					R48 419	6
Emalahleni							14	R30 122	80%	4	R7 390	20%		R37 512	9
Dr AB Xuma							8	R43 256	100%					R43 256	8
Sakhisizwe							6	R19 913	100%					R19 913	6
Enoch Mgijima							8	R55 159	90%	6	R6 000	10%		R61 159	9
Chris Hani	16	R161 195	49%	14	R167 494	51%								R328 690	21
Chris Hani District	16	R161 195		14	R167 494		47	R213 424		12	R22 339			R564 053	61

- Although Chris Hani District Municipality has a huge backlog of water, the allocation is divided into half between water (49%) and sanitation (51%).
- All Chris Hani Local municipalities have allocated most of the MIG allocation on roads which disadvantage other projects categories on public amenities.

JOE GQABI DISTRICT

Municipality	Water			Sanitation			Roads			Public Amenities			Total All.		No. proj. to be completed by June 2024
	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	(%)	No. of proj.	Infrastructure Allocation ("000")	Project Status
Elundini							8	R35 299	69%	2	R16 043	31%		R51 343	1
Senqu							1	R11 000	25%	5	R32 216	75%		R43 216	4
Walter Sisulu							4	R17 780	89%	3	R2 139	11%		R19 919	5
Joe Gqabi	11	R129 206	72%	4	R50 000	28%								179206	5
Joe Gqabi District	11	R129 206		4	R50 000		13	R64 079		10	R50 398			R293 684	15

- Elundini and Walter Sisulu Local municipalities allocated big amount of MIG on roads which disadvantage other projects categories on public amenities.
- Joe Gqabi District Municipality allocated big amount of MIG allocation on water projects which will address huge backlog of water in the district.

O. R. TAMBO DISTRICT

Municipalities	Water			Sanitation			Roads			Public Amenities			Total All.		No. proj. to be completed by June 2024
	No. of proj.	Infra. Allocation ("000")	(% alloc)	No. of proj.	Infra. Allocation ("000")	(% alloc)	No. of proj.	Infra. Allocation ("000")	(% alloc)	No. of proj.	Infra. Allocation ("000")	(% alloc)	No. of proj.	Infra. Allocation ("000")	
Ingquza Hill							2	R51 636	84%	3	R9 975	16%	5	R61 611	5
Port St Johns							6	R37 580	81%	3	R8 952	19%	9	R46 532	9
Nyandeni							11	R53 962	78%	9	R14 938	22%	20	R68 900	20
Mhlontlo							12	R44 778	90%	5	R5 061	10%	17	R49 839	17
KSD							24	R90 064	92%	5	R15 437	16%	29	R98 118	29
O.R. Tambo	18	R399 400	55%	30	R327 208	45%							48	R726 608	48
OR Tambo District	18	R399 400	55%	30	R327 208	45%	0	R278 020	26%	0	R54 363	5%	48	R1 051 608	48

- O. R. Tambo DM has allocated towards water and sanitation 55% and 44% respectively, understandably as the district has high water backlogs of 60%.
- Local municipalities prioritised roads projects because of huge backlogs due to poor maintenance of existing infrastructure.

ALFRED NZO DISTRICT

Municipalities	Water			Sanitation			Roads			Public Amenities			Total All.		No. projects to be completed by June 2024
	No. of proj.	Infra. Allocation (“000”)	(% alloc)	No. of proj.	Infra. Allocation (“000”)	(% alloc)	No. of proj.	Infra. Allocation (“000”)	(% alloc)	No. of proj.	Infra. Allocation (“000”)	(% alloc)	No. of proj.	Infra. Allocation (“000”)	
Matatiele							8	R37 553	68%	3	R18 027	32%	11	R55 580	11
Umzimvubu							8	R29 943	54%	8	R25 124	34%	16	R56 686	16
WMM							11	R52 561	96%	1	R2 000	4%	12	R54 561	12
Ntabankulu							6	R28 731	95%	1	R1 481	5%	7	R30 212	7
Alfred Nzo	17	R421 135	98%	1	R4 806	1%							18	R9 806	18
Alfred Nzo District	17	R421 135	67%	1	R4 806	1%	33	R148 788	24%	8	R33 605	16%	64	R206 845	64

- Alfred Nzo District Municipality is one of the districts in the province that has a huge backlogs of water at 54%, therefore an allocation of 98% will assist in expediting the eradication of the backlog.
- Local municipalities prioritised roads projects because of huge backlogs due to poor maintenance of existing infrastructure.

PROVINCIAL OVERVIEW COMMITMENTS

Municipalities	Water			Sanitation			Roads			Public Amenities			Total All.		No. projects to be completed by June 2024
	No. of proj.	Infra. Allocation ("000")	(% alloc)	No. of proj.	Infra. Allocation ("000")	(% alloc)	No. of proj.	Infra. Allocation ("000")	(% alloc)	No. of proj.	Infra. Allocation ("000")	(% alloc)	No. of proj.	Infra. Allocation ("000")	
Sarah Baartman District	8	R15 267	8%	12	R65 273	36%	23	R66 311	36%	17	R36 781	20%	60	R183 632	120
Amathole District	21	R408 101	54%	12	R83 039	11%	43	R166 045	22%	68	R92 584	12%	78	R749 769	222
Chris Hani District	16	R161 195	29%	14	R167 494	30%	47	R213 424	38%	12	R22 339	4%		R564 452	89
Joe Gqabi District	11	R129 206	44%	4	R50 000	17%	13	R64 079	22%	10	R50 398	17%		R293 683	38
OR Tambo District	18	R399 400	55%	30	R327 208	31%	0	R278 020	26%	0	R54 363	5%	48	R1 058 991	96
Alfred Nzo District	17	R421 135	69%	1	R4 806	1%	33	R148 788	24%	8	R33 605	6%	64	R608 334	123
Provincial Total	91	R1 534 304	43%	73	R697 820	20%	159	R936 667	27%	115	R 290 070	8%	250	R3 458 861	688

- Alfred Nzo District Municipality is one of the districts in the province that has a huge backlogs of water at 54%, therefore an allocation of 98% will assist in expediting the eradication of the backlog.
- Local municipalities prioritised roads projects because of huge backlogs due to poor maintenance of existing infrastructure.



2023/24 FY MIG IMPLEMENTATION READINESS



SARAH BAARTMAN DISTRICT

Municipality	2023/24 FY Allocation (000)	Total no. of project	Project registration status		Planned Expenditure		% Split of projects		Project Procurement		
			No. of Registered Projects	Non- registered projects	On Registered projects	On Non- Registered project	Registered projects	Non- registered projects	Total number of projects that have not started	Total number of projects that have started	Concluded or continued from previous year
Dr Beyers Naude	R23 871	7	5	2	R19 434	R4 437	81%	19%	0	5	2
Blue Crane Route	R24 268	12	12	0	R24 268	R0	100%	0%	1	8	3
Makana	R28 455	8	6	2	R25 532	R2 923	90%	10%	0	5	3
Ndlambe	R31 956	6	6	0	R31 956	R0	100%	0%	2	3	1
Sundays River Valley	R29 921	8	5	3	R26 453	R3 468	88%	12%	1	6	1
Kouga	R37 367	8	8	0	R37 367	R0	100%	0%	1	5	2
Koukamma	R17 570	2	2	0	R17 570	R0	100%	0%	0	2	0
Total	R193 408	51	44	7	R182 580	R10 828	94%	6%	5	34	12



CHRIS HANI DISTRICT

Municipality	2023/24 FY Allocation ('000)	Total no. of projects	Project registration status		Planned Expenditure		% Split of projects		Project Procurement		
			No. of Registered Projects	Non-registered projects	On Registered projects	On Non-Registered project	Registered projects	Non-registered projects	Total number of projects that have not started	Total number of projects that have started	Concluded or continued from previous year
					(000).	(000).					
Inxuba Yethemba	R26 425	7	7	0	R26 425	R0	100%	0%	3	1	3
Intsika Yethu	R50 975	6	6	0	R50 975	R0	100%	0%	6	0	0
Emalahleni	R39 487	16	16	0	R39 487	R0	100%	0%	6	4	6
Dr AB Xuma	R45 533	8	6	2	R33 243	R12 290	73%	27%	0	5	3
Sakhisizwe	R20 962	6	6	0	R20 962	R0	100%	0%	0	0	6
Enoch Mgijima	R54 386	14	14	0	R54 386	R0	100%	0%	5	0	9
Chris Hani	R345 989	38	36	2	R345 989	R0	100%	0%	9	4	25
Total	R583 757	95	91	4	R571 467	R12 290	98%	2%	29	14	52

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AMATHOLE DISTRICT

Municipality	2023/24 FY Allocation (000)	Total no. of Projects	Project registration status		Planned Expenditure		% Split of projects		2023-24 Procurement		
			No. of Registered Projects	Non-registered projects	On Registered projects	On Non-Registered project	Registered projects	Non-registered projects	Total number of projects that have not started	Total number of projects that have started	Concluded or continued from previous year
Mbhashe	R67 911	22	21	1	R66 363	R1 548	98%	2%	7	13	2
Mnquma	R78 519	15	15	0	R78 519	R0	100%	0%	2	13	0
Great Kei	R11 932	6	6	0	R11 932	R0	100%	0%	2	4	0
Amahlathi	R31 472	9	8	1	R31 327	R145	100%	0%	1	5	3
Ngqushwa	R24 855	7	7	0	R24 855	R0	100%	0%	0	4	3
Raymond Mhlaba	R44 069	15	12	3	R38 994	R5 075	88%	12%	14	0	1
Amathole	R491 143	34	34	0	R491 143	R0	100%	0%	1	18	15
TOTAL	R749 901	108	103	5	R743 133	R6 768	99%	1%	27	57	24

JOE GQABI DISTRICT

Municipality	2023/24 FY Allocation (000)	Total no. of Projects	Project registration status		Planned Expenditure		% Split of projects		2023-24 Procurement		
			No. of Registered Projects	Non- registered projects	On Registered projects	On Non- Registered project	Registered projects	Non- registered projects	Total number of projects that have not started	Total number of projects that have started	Concluded or continued from previous year
Elundini	R43 748	10	10	0	R43 748	R0	100%	0%	7	0	3
Senqu	R43 216	6	5	1	R33 216	R10 000	77%	23%	1	0	5
Walter Sisulu	R19 919	4	4	0	R19 919	R0	100%	0%	4	0	0
Joe Gqabi	R179 206	15	15	0	R179 206	R0	100%	0%	1	0	14
Total	R286 089	35	34	1	R276 089	R10 000	97%	3%	13	0	22

ALFRED NZO DISTRICT

Municipality	2023/24 FY Allocation (000)	Total no. of Projects	Project registration status		Planned Expenditure		% Split of projects		2023-24 Procurement		
			No. of Registered Projects	Non-registered projects	On Registered projects	On Non-Registered project	Registered projects	Non-registered projects	Total number of projects that have not started	Total number of projects that have started	Concluded or continued from previous year
Matatiele	R55 588	11	11	0	R55 588	0	100%	0%	8	1	2
Umzimbuvu	R55 074	16	16	0	R55 074	0	100%	0%	15	0	1
Winnie MM	R54 561	6	6	0	R54 561	0	100%	0%	4	0	2
Ntabankulu	R30 211	7	7	0	R30 211	0	100%	0%	5	0	2
Alfred Nzo	R470 895	21	17	4	R430 895	R40 000	86%	14%	7	4	10
Total	R666 329	61	57	4	R626 329	R40 000	90%	10%	39	5	17

OR TAMBO DISTRICT

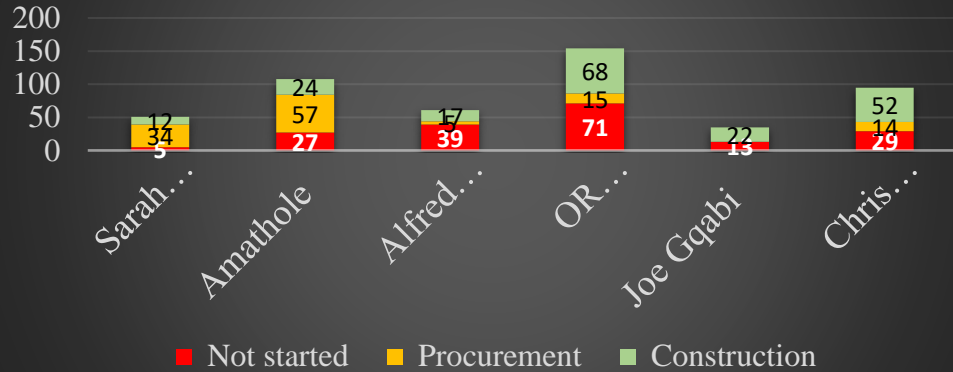
Municipality	2023/24 FY Allocation (000)	Total no. of projects	Project registration status		Planned Expenditure		% Split of projects		2023/24 Procurement		
			No. of Registered Projects	Non- registered projects	On Registered projects	On Non- Registered project	Registered projects	Non- registered projects	Total number of projects that have not started	Total number of projects that have started	Concluded or continued from previous year
Ingquza Hill	R61 447	25	21	4	R46 831	R14 616	76%	24%	18	5	2
Port St Johns	R46 629	9	9	0	R46 629	0	100%	0%	9	0	0
Nyandeni	R68 899	20	19	1	R63 899	R5 000	93%	7%	7	3	10
Mhlonlto	R49 838	17	16	1	R49 532	R306	99%	1%	11	0	6
KSD	R98 117	29	29	0	R98 117	0	100%	0%	4	7	18
OR Tambo	R726 608	54	54	0	R726 608	0	100%	0%	22	0	32
Total	R1 051 538	154	148	6	R1 031 620	R19 922	98%	2%	71	15	68

PROVINCIAL OVERVIEW READINESS FOR 2023/24

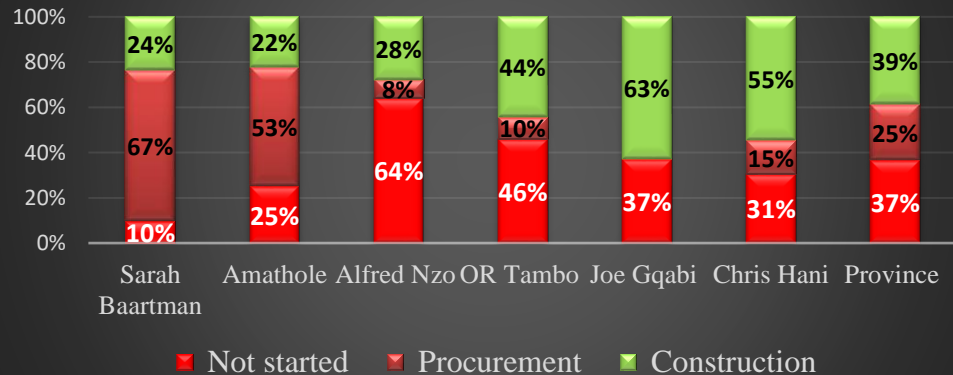
Municipality	2022/23 FY Allocation (000)	Total no. of projects	Project registration status		Planned Expenditure		% Split of projects		Total number of projects that have not started	Total number of projects that have started	Concluded or continued from previous year
			No. of Registered Projects	Non-registered projects	On Registered projects	On Non-Registered project	Registered projects	Non-registered projects			
					(000).	(000).					
Sarah Baartman	R193 408	51	44	7	R182 580	R10 828	94%	6%	5	34	12
Amathole	R749 901	108	103	5	R743 133	R6 768	99%	1%	27	57	24
Alfred Nzo	R666 329	61	57	4	R626 329	R40 000	90%	10%	39	5	17
OR Tambo	R1 051 538	154	148	6	R1 031 620	R19 922	98%	2%	71	15	68
Joe Gqabi	R286 089	35	34	1	R276 089	R10 000	97%	3%	13	0	22
Chris Hani	R583 757	95	91	4	R571 467	R12 290	98%	2%	29	14	52
Total	R3 531 022	504	477	27	R3 431 218	R99 808	97%	3%	184	125	195

PROVINCIAL OVERVIEW READINESS FOR 2023/24

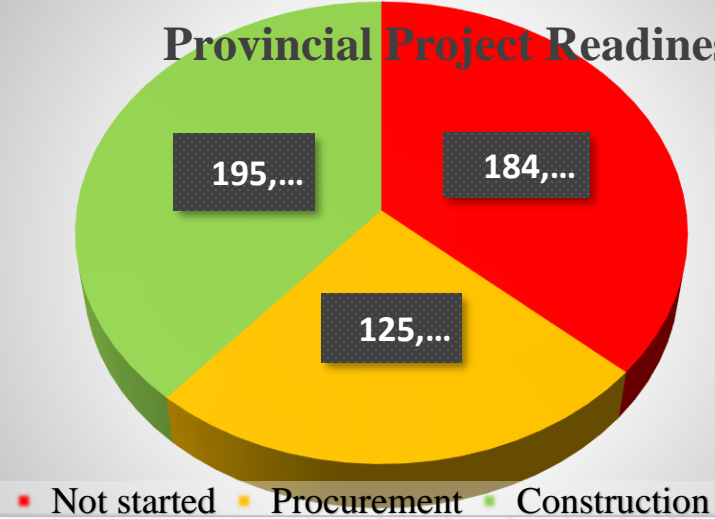
Project Status (numbers)



Project Status (%)



Provincial Project Readiness



- A total of 504 projects will be implemented through MIG in 2023/24 FY in the EC Province.
- 195 projects translating to 39% are currently on implementation
- 125 (25%) projects are on procurement while 184 projects translating to 36% are still on registration stage.
- Joe Gqabi and Chris Hani Districts are leading wrt implementation readiness at 63% and 55% respectively.
- Alfred Nzo and OR Tambo Districts have the highest number of projects that have not gone through procurement sitting at 64% and 46% respectively.

STATE OF READINESS CHALLENGES

STATE OF READINESS CHALLENGES

- Late registration of projects, delayed prioritisation for confirmation into the 2023/24 PIP
- Submission of project implementation plans with unregistered projects
- Lack of forward planning by municipalities, where project designs and procurement are done same financial year of implementation.
- Late start of projects thus subjecting municipality to invocation of DORA S18 (stopping) and 21 (unspent conditional grants).
- Lack of compliance & enforcement of DORA MIG framework requirements

REMEDIAL MEASURE (Risk Adjusted Strategy)

- Between Nov and Feb 2024 prioritisation must be concluded
- No PIP shall be accepted and approved by COGTA with unregistered projects beyond Feb,
- PIPs must be submitted to COGTA in Feb, project design and procurement must start in February and concluded in May.
- All municipalities shall start construction in July and by end December must have spent 60% and by end June 100%
- Introduce Policy Compliance Management framework.



SUPPORT TO DYSFUNCTIONAL MUNICIPALITIES

The 11 Dysfunctional Municipalities in the Province were identified jointly by the department and Provincial Treasury. The conclusion was reached after the municipalities were assessed along the 4 pillars outlined here below as follows:

- ❖ **Institutional Arrangements**
- ❖ **Governance (Political & Administrative)**
- ❖ **Financial Health**
- ❖ **Service Delivery**

After having analysed the report of the assessment, the below slides make a reflection on the nature of support that is provided to these municipalities and the support is based on the peculiar case of each municipality.

AMATHOLE DM – THE MUNICIPALITY IS CURRENTLY UNDER SECTION 139(5) INTERVENTION AND THE FRP IS IN PLACE AND BEING IMPLEMENTED. IT COVERS A WIDE RANGE OF ACTIVITIES TO BE DONE SO AS TO RESTORE THE FINANCIAL HEALTH OF THE MUNICIPALITY.

Below is a high level progress:

- Litigation register is maintained and monitored;
- Institutional risk register has been reviewed;
- The system of delegations is in place;
- Placement policy was tabled at the Local Labour Forum;
- Bulk Water agreements are in place;
- A revised Internal Audit Action Plan was submitted to EMC on the 25th January 2023 for implementation until the end of the financial year.

- The report of functionality of Council structures is submitted to Council on a quarterly basis;
- The process to review the approved 2018 structure is still underway. The reviewed Organogram is expected to be approved in May 2023 with the reviewed IDP and Budget for 2023/2024;
- The liquidity ratio has dropped from 0,93 to 0,4 against the Treasury norm of 1 to 3 months;
- ADM has embarked on issuing summons but not yielded any positive results;
- The Infrastructure Assets Register is not yet updated with movements for 2022/2023 FY;
- Even though ADM has the following payment options: EFT, Pay@, over the counter, post office, there seem to be slow movement in terms of the collection rate;
- Council approved 14% water tariff increase in draft budget; and
- Policies have been reviewed and draft policies approved by Council.

BELOW ARE THE RISKS THAT THE MUNICIPALITY IS STILL CONFRONTED WITH:

- **Inadequate contract management**
- Costly ICT system
- Inadequate leave management as a result leave provision increase from R140 million in 2021 to R143 million in 2022
- Change management not implemented
- **Reviewed organizational structure not yet approved**
- Transfer and secondment policy is not yet approved
- **Illegal connections pose a serious risk**
- **Revenue enhancement strategy still in draft form.**
- **Slow movement in conducting meter audits**

- High contingent liabilities (R186 million), cases are dealt with by ADM Legal Services. Total contingent liabilities R186 million.
- **Slow spending on conditional grants present a risk** to service delivery and potential financial losses due to stopping (MIG expenditure was 33 per cent, which is below the norm of 45 per cent as per the conditions, RBIG at 44.7 per cent and WSIG at 0 per cent as at December 2022).
- Revenue generation capabilities are under threat due to the fact that, the municipality has reduced collection rate to below 25%.
- Affected by the labour unrest as no meter readings were done during this period (a flat rate was, as a result, charged).
- **The DM is struggling to honor its debt settlement agreements with major creditors** (Amatola Water, ESKOM, Tech Mahindra and others).
- The Municipality still on planning phase on conducting a meter audit.
- **Collection rate is low.** The debtors book is increasing even with the services of a debt collector.
- The infrastructure Assets Register is not yet updated with movements for 2022/23 FY.

This is one of the municipalities that have been identified to benefit from the support that the PMU of the department has initiated to motivate for township establishment from DBSA non-lending support.

- The municipality was supported in reviewing its organogram which was the main cost driver in the budget of the municipality. The municipality was further encouraged to do away with standardisation.
- The municipality is being assisted with its Revenue Management Business process mapping for all revenue management functions and dependents so as to ensure that the municipality is able to meet its financial obligations.
- The municipality was supported to engage its creditors to enter into affordable payment arrangements.
- The municipality was supported in the establishment of a Disciplinary Board to deal with financial misconduct in the municipality.
- Continued support is provided in as far as monitoring of grant expenditure so as to enhance the efficiencies in project and contracts management of capital grants projects implemented by the municipality.
- The municipality has been assisted in the development of the Stutterheim Precinct Master Plan.

RAYMOND MHLABA LOCAL MUNICIPALITY

- The municipality has been assisted with its Revenue Management Business process mapping for all revenue management functions and dependents so as to ensure that the municipality is able to pay the amount of money owed to Eskom.
- The municipality has been supported to engage its creditors to enter into affordable payment arrangements.
- Intensive support has been rendered in as far as payments of service providers by way of verifying projects through site visits with a view to enhance the efficiencies in project and contracts management of capital grants projects that are implemented by the municipality.

MAKANA LM: THE MUNICIPALITY IS CURRENTLY UNDER SECTION 139(5) INTERVENTION AND THE FRP IS IN PLACE AND BEING IMPLEMENTED. IT COVERS A WIDE RANGE OF ACTIVITIES TO BE DONE SO AS TO RESTORE THE FINANCIAL HEALTH OF THE MUNICIPALITY.

Below are high level activities performed :

- An unauthorised, irregular, fruitless and wasteful expenditure (UIFWE) Reduction Strategy, and policy has been developed and approved by Council and is being implemented.
- MPAC Terms of reference approved and is functional.
- System of delegation is in place.
- Supplier performance is monitored on a monthly basis through the Budget Steering Committee (BSC).
- Draft litigation strategy developed and litigation register is maintained and monitored.
- Risk management strategy and policy are in place.

- Functional internal audit unit, risk management unit and audit committee.
- Audit action plan had been developed but not yet finalized.
- Institutional calendar is in existence and MANCO meets weekly.
- Councilors were workshopped on ICT Governance Framework and other IT related policies.
- Has payment plans with ESKOM, AGSA and SALGA and is honoring the commitments.
- Discussions with DWS for payment plans are underway.
- Revised SCM policy has been approved.

RISKS CONFRONTING THE MUNICIPALITY

- Irregular expenditure has increased due to inadequate contract management and utilization of expired contracts.
- MPAC not investigating historical UIFWE.
- DC Board not functional, thus lack of consequence management.
- No By Laws have been promulgated and gazette.
- Although ICT policies have been developed, they are not yet approved.
- Library services is an underfunded mandate (R4 million funding instead of the R12 million cost).
- Change management not implemented.
- There is some improvement in records management but this area still remains a high risk.

RISKS CONFRONTING THE MUNICIPALITY

- The municipality is battling to manage and control overtime.
- Although the municipality submitted the funded budgeted, it's struggling to implement the budget due the cash flow challenges (Cash collection was at 60% at mid year).
- Net debtors are increasing.
- Municipality battling to pay creditors timeously due to cashflow problems.
- Slow grant funding spending.
- SALGA has reviewed the structure in term of norms and standards and found it not to be compliant.
- Landfill sites pose a serious risk.

Chris Hani DM

- **Chris Hani DM** was put under section 139 intervention by the EXCO but the municipality has since rejected the intervention. The municipality is improving in reducing its creditors and spending on conditional grants. The spending on conditional grants is so impressive that the municipality received additional funding in all the grants allocated to the district municipality. It has also improved its audit outcomes from a disclaimer to a qualified audit opinion for the 2012/22 audit. However, revenue collection remains a challenge as collection levels are below 10%.

Sakhisizwe LM

- **Sakhisizwe** has appointed senior management, and this resulted in stability at that level. The ESKOM debt has reduced significantly while the municipality has adopted a funded budget for the past 2 years. There is also improvement in the spending of conditional grants. The audit outcomes have stagnated at a qualified opinion and shows a regression from the unqualified opinions

ENOCH MGIJIMA LM IS UNDER SECTION 139(7) INTERVENTION WHICH IS DRIVEN BY NATIONAL

- The municipality continues to be confronted by challenges and this has resulted in the municipality being taken over by the National Government.
- There are still persistent infrastructure challenges in the municipality to the extent that the electricity function is severely affected.
- Financial challenges are still an issue with the municipality owing just over a R1 billion to ESKOM.
- The audit outcomes have stagnated to a qualified opinion over the past 2 years from a disclaimer that the municipality was attaining since its inception in 2016.
- Spending on conditional grants remain an issue and the municipality lost approximately R20 million on MIG and INEP during the 2022/23 stopping.
- This grant funding is much needed for the infrastructure backlog in the municipality. It is hoped that the national intervention will bring much needed relief to the state of finances and service delivery at the municipality.

BELOW ARE HIGH LEVEL PROGRESS -

- On the 9th of March 2023, the National Treasury MFRS team invited the Provincial Treasury (PT) FRP representatives to an FRP introductory meeting at Walter Sisulu Local Municipality.
- NT MFRS unit informed the meeting that the FRP process will be led by National Treasury, working with the service provider. However, at all times Provincial Treasury's support will required throughout the process. And this is as per the legislative requirements of MFMA.
- *The NT MFRS team confirmed that a service provider (Propelius) had been appointed and the team was introduced to the municipality and the Provincial Treasury.*
- The NT MFRS team informed the meeting that the service provider would draft the Status Quo Assessment report, which will subsequently inform the final FRP of Walter Sisulu Local Municipality and will be discussed at the next engagement with the municipality. We thus await a date for the next engagement with the municipality.
- Work streams for the 4 pillars will be established once the status quo assessment has been completed by the MFRS unit.

BELOW ARE HIGH LEVEL PROGRESS -

- The NT MFRS team has requested progress reports and supporting documentation from the PT team for additional inputs in the preparation of the Status Quo Assessment report. These were subsequently provided.
- The NT MFRS unit has developed the FRP roadmap and was presented at the introductory meeting. It was then resolved that it would be presented at the next Council sitting for adoption.
- A workshop for the Status Quo Assessment was held on 18 April 2023 and various stakeholders were invited.
- The draft Status Quo assessment report was presented by NT MFRS.
- The draft FRP is being developed by NT MFRS.

THE MUNICIPALITY IS UNDER SECTION 139(5) INTERVENTION AND THE FINANCIAL RECOVERY PLAN HAS NOT YET BEEN FINALISED BY NATIONAL TREASURY (MFRS UNIT)

Below are high level progress:

- A full update of progress was prepared and presented on the 11th of March 2023 where all pillars were assessed as being distressed.
- On the 1st of March 2023, the National Treasury MFRS team invited the Provincial Treasury (PT) FRP representatives to an FRP introductory meeting at OR Tambo District Municipality.
- The NT MFRS team confirmed that a service provider (Open Waters) had been appointed and was introduced to the municipality and the Provincial Treasury.
- The NT MFRS team informed the meeting that the service provider would draft the Status Quo Assessment report, which will subsequently inform the final FRP of OR Tambo District Municipality and will be discussed at the next engagement with the municipality. We thus await a date for the next engagement with the municipality.
- FRP Roadmap suggests it will be signed by MEC Finance in June 2023.

- **Ingquza Hill LM** is starting to stabilize at senior management level with the appointment of the MM and CFO in recent years.
- The municipality has been adopting a funded budget, however, the spending on conditional grants remains a challenge.
- The audit outcomes have also regressed and the municipality is currently stagnating on a qualified opinion for the past 2 years.

PROGRESS ON SUPPORT PROVIDED TO DYSFUNCTIONAL MUNICIPALITIES

- The PMU is supporting municipalities to package proposals for funding by DBSA. Forty (40) proposals have been developed and submitted to DBSA for funding in the areas of Infrastructure planning, Revenue Enhancement, Township Establishment, SDF/LSDF development & Precinct Plans, Asset Care etc.
- Four (4) projects have been approved and service providers introduced in municipalities namely, 2 x renewable energy feasibility study and 2 x Revenue Enhancement Support projects for KSDLM and WSLM respectively.
- A support package has been developed in partnership with the National Business Initiative (NBI) based on the Disaster Mitigation Plan of the NMBM. The package includes **Water Conservation and Demand management** to mitigate drought situation experienced by the Metro.

PROGRESS ON SUPPORT PROVIDED TO DYSFUNCTIONAL MUNICIPALITIES

- Nine municipalities, which received bad audit opinions namely Dr Beyers, Enoch Mgijima, Walter Sisulu, Raymond Mhlaba, KSD, Makana, Inxuba Yethemba, Amahlathi and Sundays River Valley LMs have been engaged to participate in a financial management support programme implemented in partnership with the NBI, which commenced in October 2021.
- The Programme includes group coaching; practical on the job exercises; one- on – one onsite mentoring as well as expert advise from highly qualified financial managers to be available for 8-hours a day and five days a week.
- COGTA in partnership with the NBI supported Amahlathi, Enoch Mgijima and WSLMs with the installation of COVID_19 facilities (*foot operated taps & hand washing facilities*) wherein 206 facilities were donated by the private sector and 143 were installed across the 3 municipalities.

PROGRESS ON SUPPORT PROVIDED TO DYSFUNCTIONAL MUNICIPALITIES

The department has collaborated with National Business Initiative and will be offering financial management support in the following areas:

- Revenue management and enhancement;
- Training of Supply Management Officials and bid Committees;
- Asset Management;
- Records Management; and
- Explore better management of bulk purchases (Water & Electricity).

Cogta and NBI have committed the following:

- Lead the development of financial recovery plan and its implementation;
- Provide experienced financial manager(s) to serve as mentors that will support on the improvement of the identified areas; and
- Provide group as well as individual training and skills transfer sessions to beneficiary municipal officials.

PROGRESS ON SUPPORT PROVIDED TO DISTRESSED MUNICIPALITIES

Eskom Active Partnering

The Department formed a task team with Eskom and Treasury to embark on an active partnering initiative to assist municipalities that have serious challenges with the Eskom debt repayment. The ESKOM Active partnering has since been included in the 2023 MFMA circular 124 on Municipal Eskom Debt relief. The aim of the active partnering was to:

- Improve municipal revenue;
- Promote culture of services by municipalities;
- Decrease the debt burden;
- Assist municipalities with network, customer data and metering; and
- Assist municipalities to have cost reflective tariffs.

PROGRESS ON SUPPORT PROVIDED TO DISTRESSED MUNICIPALITIES

In addition to the above, the EC has workshopped all the Eskom debt owing municipalities in May 2023 on the MFMA Circular 124 including conditions to be complied with when making the Eskom Debt Relief Applications.

SARS Partnering

The Department partnered with the South African Revenue Services to assist municipalities that are having difficulties in paying statutory obligations on time. SARS offered services to municipalities such as:

- **Partnership on education-** Roadshows and education programmes aimed at tax compliance matters such as vat returns submissions.
- Revenue Drive cooperation: consistent pay over PAYE on time to avoid unnecessary interests and penalties imposed by SARS to Municipalities.

RECOMMENDATIONS & CONCLUSION

It is recommended that:

- The NCOP should note the report regarding the 2023/24 MIG Infrastructure Categories, number of projects, budget commitment, the state of readiness of the MIG projects, as well as the support and other initiatives that were done by COGTA in support of the dysfunctional municipalities.
- The meeting should also note the challenges and remedial measures employed by EC –COGTA and its sector partners, by introducing the Risk Adjusted Strategy (RAS) to mitigate and eventual completely arrest under-spending of conditional grants by municipalities.
- The Implementation Protocol & Work Plans have been signed-off between COGTA MEC and Mayors and Municipal Managers of all affected parties/state organs to commit to the RAS.
- RAS Implementation Protocol be rolled out to all conditional grant receiving municipalities and the Provincial Municipal Support Technical Task Team (PMST3) to monitor the RAS implementation monthly.



THANK YOU