

# OR Tambo District Municipality progress on water and sanitation projects

Select Committee on Appropriations  
- 16 September 2020



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# Outline

- Purpose of presentation
- Support provided to the O.R. Tambo district municipality
- Performance of conditional grants
- Status quo of projects visited
- Conclusion

# Purpose of presentation

To present to honourable members of Select Committee on Appropriation (SeCOA) on the progress made by OR Tambo District municipality on the implementation of water and sanitation projects visited by the committee in 2018

# Background

- During 2016/17 financial year, National Treasury stopped R90 million of the Municipal Infrastructure Grant allocation against O.R. Tambo district municipality
- The Select Committee on Appropriations conducted a hearing on the matter on 6<sup>th</sup> June 2017 subsequent to a petition (dated 3 May 2017) by the Mayor of O.R. Tambo District Municipality
- The reasons for the MIG funding reduction was due to, improper reporting and non-registration of projects by the ORTDM and the slow take-off of projects. The reduction was done in compliance with the Division of Revenue Act of 2016
- Several other engagements were held by political principals and administration which culminated in the Select Committee scheduling a visit to the O.R. Tambo district municipality
- A Task Team comprising of key stakeholders on the matter was set-up and was chaired by the Director General of Provincial Treasury. This Task Team also had several engagements on site and off site and agreed on a Support Programme Action Plan for the Select Committee and also for the O.R. Tambo district municipality

# Support provided to the district

- In response to the Support Programme Action Plan (Action Plan), CoGTA, PT, DCoG, MISA and the O.R. Tambo district municipality officials conducted number of site visits

NO.	PROJECT NAME	PROGRESS (%)	DATE VISITED	Contractual Dates		COMMENTS
				START	END	
1	Mangxamfu Water Supply Scheme	85%	01/08/18	July 2015	Sep 2018	Project was not functional at the time
2	Tsolo Waste Water Treatment Works (WWTW)	83%	01/08/18	Aug 2016	April 2019	Project was behind schedule
3	Libode Waste Water Treatment Works Phase 1A	20%	02/08/18	29 Jan 2018	12 March 2019	Unresolved dispute over the land by the Mdlankomo-Moyeni community
4	Nyandeni Ward 4 Sanitation	100%	02/08/18	11 April 2018	11 July 2018	Contractor was dealing with snaglist for additional scope
5	Libode-Ngqeleni Corridor Project					
5.1	KSD PI Bulk Water Package 6: Libode Corridor	66%	02/08/18	March 2017	July 2019	None performance of Contractor was sighted
5.2	KSD PI Bulk Water Package 7: Ngqeleni Corridor	62%	02/08/18	July 2016	May 2019	None performance of Contractor was sighted
5.3	Coffee Bay Regional Water Supply	70%	03/08/18	2014	May 2018	Project was scheduled to start in 2012, but litigation delayed it to 2014
5.4	KSD Upper Mhlahlane Waste Water Treatment Works: Phase 3A	98%	03/08/18	July 2015	Aug 2018	Project was at the final stage.

# Municipal Infrastructure Grant Performance

Financial Yr	Allocation	Adjustments	Transferred	Expenditure	Unspent CG	Exp(%)
2016/17	609,099	-90,000	519,099	519,099	90,000	100%
2017/18	645,218		645,218	645,218	0	100%
2018/19	619,684		619,684	619,684	0	100%
2019/20	633,395		633,395	292,911	340,484	46%
<b>Total</b>	<b>1,898,297</b>	<b>-90,000</b>	<b>2,417,396</b>	<b>1,557,813</b>	<b>340,484</b>	<b>82%</b>

- The municipality has been spending 100 percent of the MIG allocation since the stopping of R90 million in 2016/17 financial year
- The 2019/20 performance are preliminary numbers as reported by the municipality and published on section 71 4<sup>th</sup> quarter publication

# Infrastructure grants performance 3yr horizon

<b>2017/18</b>				<b>% of exp to</b>
<b>Financial Yr</b>	<b>Allocation</b>	<b>Expenditure</b>	<b>Unspent CG</b>	<b>allocation</b>
WSIG	124 000	124 000	0	100%
RBIG	309 707	309 707	0	100%
MIG	645 218	645218	0	100%
<b>Total</b>	<b>1 078 925</b>	<b>1 078 925</b>	<b>0</b>	<b>100%</b>

<b>2018/19</b>				<b>% of exp to</b>
<b>Financial Yr</b>	<b>Allocation</b>	<b>Expenditure</b>	<b>Unspent CG</b>	<b>allocation</b>
WSIG	213 913	81 765	132 148	38%
RBIG	309 707	309 707	0	100%
MIG	619 684	619684	0	100%
<b>Total</b>	<b>1 143 304</b>	<b>1 011 156</b>	<b>132 148</b>	<b>88%</b>

<b>2019/20</b>				<b>% of exp to</b>
<b>Financial Yr</b>	<b>Allocation</b>	<b>Expenditure</b>	<b>Unspent CG</b>	<b>allocation</b>
WSIG	100 000	94618	5 382	95%
RBIG	209 698	78475	131 223	37%
MIG	633 395	292 911	340 484	46%
<b>Total</b>	<b>943 093</b>	<b>466 004</b>	<b>477 089</b>	<b>49%</b>

# Progress made on Projects visited by the select committee



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# Status quo of projects visited

- The Multi-Sectoral-Task-Team (CoGTA, MISA, PT, SALGA, DWS) has visited the municipality, on 2<sup>th</sup> to 4<sup>th</sup> September 2020 to verify status quo of projects.
- The task team were split into three (3) as projects were located in Mhlontlo, Nyandeni & King Sabatha Dalidyebo. The project which have been visited with the progress or status quo are as follows:
- Mhlontlo (approximately **99%** complete)
  - ✓ Mangxamfu Water Supply Phase 2 A (100%);
  - ✓ Mangxamfu Water Supply Phase 2B (100%);
  - ✓ Tsolo Waste Water Treatment Works (100%);
  - ✓ Tsolo WWTW and raw water pump station (Phase 2) (97%).

# Status quo of projects visited

- Nyandeni (approximately **96%** complete)
  - ✓ Nyandeni Ward 4 Sanitation (100%);
  - ✓ Libode Waste Water Treatment Works Phase 1A (93%);
  - ✓ KSD PIP Bulk Ngeleni and Libode Corridor (4 Sub-projects) (Water Package 6: Libode Corridor) (96%);
  - ✓ KSD PIP Bulk Ngeleni and Libode Corridor (6 Sub-projects) (Water Package 6: Ngqeleni Corridor) (98%).
- King Sabatha Dalindyebo (approximately **98%** complete)
  - ✓ Coffee Bay Regional Water Supply Phase 3A (97%);
  - ✓ KSD Upper Mhlahlane Waste Water Treatment Works: Phase 3A (99%).

# Other matters for the select committee to note

**Financial Health (Fragile)** - adopted a balanced budget with an insignificant surplus of R40 million. Collection rate remain low 61 per cent 2018/19,63 per cent 2020/21.All Financial indicators declining. There is a decrease in the liquidity ratio from 1.03 in the 2017/18 to 0.86 in the 2018/19 financial year and this places the municipality at a high risk because the ability to honor financial obligations may be threatened and that requires a closer attention.

**Financial Governance (Distressed)** - the district achieved a qualified audit opinion for the past 6 year. An increase in number of issues raised by AG is a concern. There audit action plan that the municipality adopt is not addressing issues raised by auditor general. The effect of audit committee with regard to the implementation of the audit plan does not produce good results. A reduction in the level of UIFW from with irregular expenditure of R1.4 b (R3.2 b 2017/18)

**Institutional Aspects (Fragile)** - the municipality is under the administrative leadership of the acting MM. The Accounting officer was suspended on the 17 June 2020. The top structure of the organogram is filled with gender distribution of 50/50 and the senior managers have been with the municipality for some years however, there is no alignment between the institutional arrangement and the overall performance of the municipalities .Of concern is the high wage bill. The district is characterized by bloated organizational structure which is not fit for size and purpose. Excessive use of consultants. The mandate of Ntinga entity- duplication of duties and responsibilities which contribute to the high wage bill. Implementation of Mscoa is a challenge

**Service Delivery (Decline)** - a decline on the target met on basic service delivery imperatives,63.5 per cent was recorded in 2016/17,72 per cent in 2017/18 and 61 per cent in 2018/19 due to land claims and SMMEs distruptions. The level of losses and unaccounted water. No strategy provided on Asset Management.

# Other matters for the select committee to note

The leadership of the municipality must take decisive actions to deal with the following indicators:

- The municipality must put a moratorium to put the recruitment process on hold for any vacant positions until the finalization of the organizational structure review
- The district must review its service delivery model with regard to high level of contracted services
- The district must improve the collection rate of 61 per cent and generate more cash to build future reserves by using the following
- The municipality must come up with the strategy to reduce high level of unaccounted water
- Review the work done by the debt collector to determine value for money for the service and analyse the viability of undertaking the service internally using (Ntinga entity)
- Come up with relevant strategies to respond to COVID-19 pandemic for payments of services using the other payments methods than long queue at the municipal buildings
- With regard to the implementation of mSCOA office of the Municipal Manager must lead the mSCOA steering committee and ensure that all that all mSCOA challenges are dealt with.

# Conclusion

- The honorable members should note the following:
  - The district municipality has spent their MIG allocations from 2017/18 to 2018/19 financial years, with the 2019/20 financial year performance yet to be verified during the unspent conditional grants process which is currently unfolding
  - WSIG has not been fully spent for the past two financial years
  - RBIG has not been fully spent in 2019/20 financial year on
  - There has been progress on projects since the visit in 2018, however, some projects have not been completed or commissioned
  - Number of projects were not complete as per the initial planned dates, the latest completion date was May 2019. Covid-19 may have caused some delays

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