

**FINANCIAL PLAN
PROGRESS REPORT**

**Lekwa-Teemane Local
Municipality**

NW396

1. INTRODUCTION

1.1 BACKGROUND

The Municipality is currently struggling with the debt Collection and the Credit Control becomes very difficult in the areas where Eskom is Supplying as the Communities are not paying their Monthly bills for water and other services. The Table below indicates the status of the debtors to date and the challenges that the Municipality is currently facing.

The Municipality has implemented the 50% payment incentive to the qualifying customers, and this has only yielded minimum benefits due to the affordability of the Customers. The Municipality has during the Public Participation encouraged communities to service their account and report any irregularities relating to their account. The farmers were engaged, and their long-standing disputes has been resolved and the bona fide farmers will receive their 70% Rebates and their accounts and pay them as they are due, the average billing of the farmers per month amounts to R496 000 per month and this will assist the Municipality a lot in terms of revenue enhancement and improving the financial viability.

The Municipality has reached an agreement with the farmers whereby the amount of R 11 935 428,24 will be payable to the Municipality with respect of the assessment rates for the financial years 2018/19/, 2019/20 and 2022/21. The resolution was taken in 2013 however it was never implemented by the Municipality. This will assist in the revenue enhancement of the Municipality.

The indigent debtors have been written off by council subject to verification as per the register and this will ensure a realistic debt book of the Municipality as required by GRAP 1 on fair presentation. The Municipality after detailed consultation with the Office of the Auditor General decided to remove the Bulk Water Creditors amounting to. R 304 million in the books of the Municipality the matter is settled by the Court. The matter will however remain disclosed as the Contingent Liability. The Bulk Water Creditors is unfortunately affecting the Funding of the Budget of the Municipality.

The Municipality has also implemented the Cost cutting measures in terms of the Consulting and the System support or accounting support as the Municipality feels those expense could be done without, and the contract will be expiring on the 30 June 2022. The Municipality has approached the High Court to recoup the Moneys that Sedibeng owes the Municipality to the tune estimated at 68 million.

In conclusion the Financial Plan will be monitored through the Management meeting and will be reported to council on monthly basis as we present the section 71 Reports.

1.2 THE PURPOSE OF THE FINANCIAL PLAN

The plan seeks to address the unfunded budgets in the municipality....

2. KEY FOCUS AREAS OF THE FINANCIAL PLAN

2.1 REVENUE

PRIORITY AREA	FOCUS AREA	ACTIVITY	TIME FRAME (Start & end date)	RESPONSIBLE PERSON	COST & FUNDING SOURCE	OUTCOME	PROGRESS REPORT
Revenue	Government Property Audit	Auditing of all the Government Properties within the Boundaries of the Municipality and recouping all the property rates that was not paid by the department due to registration problems.	01 July 2022 to 30 June 2023	CFO and Technical Services Director	Own Funding. The Municipality will pay a commission of 20% on the recovery	The property rates register will be purified.	National Cogta has appointed a service provider to deal with Revenue Enhancement Project Plan, Public Works is doing their own investigations regarding property ownership and transfer thereof. Engagements have already started with the municipality with the Office of the

							Mayor and we anticipate that the process would be finalized by July 2023.
Revenue	Indigent Subsidy	Engage the Local District Municipality to transfer the water and sanitation allocation to the Local Municipality. Registering of the indigents debtors to ensure the credibility of the data	30 October 2022 to Ongoing activity	Municipal Manager	None	Correct indigent register and credible indigent register	The cost of the Municipality subsidy. The Local Municipality is currently affording the communities free social packages while the Indigent Portion is only received by the District Municipality (Dr Ruth Segomotsi Mompati District Municipality). The Municipality is currently spending R 12 million per annum amount on the water and sewer subsidy and the District Municipality is not paying the Free Basic Portion for those services. There is an SLA in

							place which was signed by both the DRSM and Lekwa on the provision of bulk sewer services in May 2023
Revenue	Electricity	<p>Installation of smart prepaid meters in the Industrial areas and residential areas in the following townships:</p> <ul style="list-style-type: none"> • Christiana Town • Geluurksoord Township • Bloemhof Town <p>We also need to apply for license at NERSA for those prepaid meters as a regulatory requirement.</p>	01 July 2022 Ongoing	CFO and Technical Services Director	The meters are from a self-funded model.	Reduction of Electricity theft and Distribution losses associated with this.	A purchase order for 100 prepaid meters was issued and meters were delivered in May 2023. Another order for additional 250 meters will be issued in July 2023
Revenue	All service charges	Perform the following activities within - Verifying the duplicated	01 June	CFO and Revenue Manager	Own Funding	Credible data will lead to boost in the	Data cleansing has been done on 60% of the accounts. Updating of customer

		services and meters on the system.	2022 and ongoing			customer making payments because of the accuracy of the accounts.	details has also been done on the same accounts
Revenue	Other Income	<p>The Christiana Park and Resort has about 52 chalets and 12 camping sites and is municipal property. The original lease expired more than 6 years ago. The current occupants of the 52 chalets do so permanently but do not reside there except on holidays. There is a committee that manages the day to day activities. The current rental is R 1650 all inclusive of services. The municipality only gets paid for services rendered which is electricity, water and sewerage.</p> <p>The municipality needs to start collecting the outstanding rentals and put mechanisms in place</p>	September 2022 to ongoing	CFO and Community services director	No cost	Ensuring that revenue of the municipality is collected	Discussions are ongoing between the municipality and current management of the resort. Finalisation expected in August 2023

		to do so. Either the facility is managed by an external service provider with a management fee or it the municipality takes over the running of the facility					
Revenue	Christiana Golf Course Revenue	Collecting the revenue from the Christiana Golf Course in the Form of Leases and services charges	01 September 2022 Ongoing	CFO and Community Services Director.	No Cost	Ensuring that Revenue of the Municipality is collected and having the Leases in the	Council resolved that a new lease should be entered into as a matter of urgency. The new lease agreement will be concluded in July 2023
Revenue	Bloemhof Golf Course	Collecting the revenue from Bloemhof Golf Course. Currently the municipality does not receive any income from this facility. No lease agreement is in place.	01 July 2022 Ongoing	CFO and Community Services Director.	No Cost	Ensuring that Revenue of the Municipality is collected and having the Leases in the Municipal Infrastructure	Council resolved that a new lease should be entered into as a matter of urgency. The new lease agreement will be concluded in July 2023

						managed by third party.	
Revenue	Christiana Vehicle Testing Station	Collecting the revenue from Christiana Vehicle Testing Station. This facility was closed down in 2016 and has since then not brought any income to the municipality. It is in the process of being opened	01 July 2022 ongoing	CFO and Community Services Director.	R125 000	Ensuring that Revenue of the Municipality is collected	Pending the appointment of a vehicle examiner. Recruitment processes are at shortlisting stage
Revenue	Other Income	Collecting Revenue from the Municipal Farms. All the tenants on municipal farms have not paid any rental since 2008. They owe the municipality a combined R2 000 000 as of September 2019. No lease agreements are in place	01 September 2022 to ongoing	CFO and Community Services Director.	No Cost	Ensuring that Revenue of the Municipality is collected and having the Leases in the Municipal Infrastruct	New lease agreement will be drafted after the second round of meeting with all affected farmers in July 2023. The first meeting was held in May 2023 where farmers indicated

						ure managed by third party.	some concerns which are still to be ironed out
Revenue	Other Revenue	Resolving the long-standing farmers disputes and ensuring that property rates act is implemented as well as the 2012/13 council resolutions	1 M ay2022 ongoing	CFO and Revenue Manager as well as the Municipal Manager	No costs	Implementing the Property rates act correctly on the farmers and related council resolutions.	The meeting with the agricultural farmers resolved that the farmers will be committed in paying their annual property rates without default. The expected amount of the farmers is R 4,5 Million per annum. An amount of R 5 million has already been paid to the municipality in the 2021/22 financial year

Revenue	Compilation new Valuation Roll	Implementing of a new valuation roll to ensure that the properties are billed correctly,	1 st July 2022	CFO Revenue Manager	R1 893 643,	Credible valuation roll to be implemented	The effect of the implementation is not known now. The reconciliation of the financial system and the valuation roll and the financial system assisted the Municipality improving the collection rate.
Revenue	Valuation roll	Reconciliation of the Valuation roll with the financial systems Data Cleansing - Reconciliation of the consumers' data to the billing system, valuation roll and Deed's office. Reconciling the appeals and developments with the Valuation roll to ensure that they are reflected correctly in the financial system	1 June 2022 to ongoing	CFO And Revenue Manager	No Cost	Credible Billing system	The effect of the implementation is not known now. The reconciliation of the financial system and the valuation roll and the financial system assisted the Municipality improving the collection rate

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Revenue	Revenue (Data Cleansing)	<p>Restrict the services on unpaid accounts through implementation of the strict credit control and handing over to the attorneys</p> <p>Timely and correct meter readings by resolving disputes. Meter tampering reports provided on a monthly basis by the service provider</p> <p>Imposing penalties and tampering fees for the meters that are found to be tampered</p> <p>Aligning the Municipality Tariffs with NERSA Tariffs.</p>	1 June 2022 to ongoing	CFO Budget Manager	No cost (Employee Costs)	Improved Credit control and Debt Collection	The effect is not quantifiable now. The cut-offs have been implemented on a regular basis however challenges are being experienced with regards to electricians who must implement these cut-offs. The progress is slow as a result of the municipality not having enough electricians to service both technical services and assist also with implementation of cut-offs on electricity, same for water restrictions.
Revenue	Electricity	Audit of the large Powers users account	1 June 2022	Service Provider		Auditing the Large Power users. The	<p>The Municipality has identified the Large Power users who were under-billed over a certain period and journals were passed to adjust the readings.</p> <ul style="list-style-type: none"> • Amount of

							<p>R 3 000 000 has been paid over to the Municipality as results of that activity</p> <ul style="list-style-type: none">• The total amount that is still collectable by the Municipality after finalizing agreements with the remaining LPU amounting to R 9.4 million.• To date some of the large power users have made payment arrangements on their arrear accounts
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							and there is one (GWK) that has already finished paying up the arrear amount.
Revenue	Electricity	Recovery of the current and old electricity charges for electricity used by Sedibeng water on water treatment pumps	1 November 2019 to 30 June 2022	Municipal Manager and the Chief Financial officer	No cost attached to the negotiations.	Collecting all the debts incurred by Sedibeng water on electricity and clearing the debtors. The balance is R22 Millions.	<p>The Municipality will potentially generate the amount of R3.5 per month. The amount will equate to R 68 million if successfully collected.</p> <p>The Municipality has escalated the matter to the Department of Local Government and the summons have been issued to the Sedibeng and District Municipality.</p> <p>The office of Local Government and the District Municipality.</p> <p>This matter is still under legal process</p>

2.2 EXPENDITURE AND COST CONTAINMENT MEASURES

PRIORITY AREA	FOCUS AREA	ACTIVITY	TIME FRAME (Start & end date)	RESPONSIBLE PERSON	COST & FUNDING SOURCE	OUTCOME	PROGRESS REPORT
Employee sRelated Costs	Overtime	Eliminatio n of non-essential overtime	1 July 2022 and Ongoing	CFO and other Senior Managers and supervisors	Own funding	Reduced expenses on the Overtime	There has been a reduction on the overtime since January 2023.
EmployeeRelated Costs	Travel and subsistence	Reduction of the Travel and subsistence allowance	1 July 2022 and Ongoing	CFO and other Senior Managers	R150 000 Own Funding	Reducti on on the travel and subsistence allowan ce	Redu ction in travel allowance from R 200k a mont h to belo

							w R 50k a mont h
Contracted Services	Legal services	The amounts of the legal services to be expended has been reduced with the intention of cost containing	1 July 2022 and Ongoing	Corporate Director and the CFO	Own funding	Reduction of the Legal fees.	Budget for legal fees has been reduced.
Contracted Services	Audit Fees and Consultancy fees	The consultancy fees will be reduced.	1 July 2022 and Ongoing	Chief Financial Officer and the Director	Own funding	The contracted services have been reduced	Cost of consulting reduced by R 1.5 mill annually. Plans to build internal capacity to reduce cost of consulting are underway

Other Operating Expenses	Reduction of the Operating Expenses	The reduction of the repairs and maintenance on the vehicle by replacing the	1 July 2022	Chief Financial Officer Director Technical Services Community Services	Own funding	The repairs and maintenance due to breakdown will be eliminated. The Municipality will enter into lease agreement for the new vehicles to replace the redundant	The municipality opted for procuring new service delivery bakkies as opposed to leasing due to the long term cost of leasing which may be unaffordable as opposed to buying.

2.3 DEBT COLLECTION STRATEGY

Activities	Timeframe	Financial impact
Outreach programmes	Runs throughout the financial year	Increase in number of households and businesses that pays on time
Repairs and or replacement of broken meters	As and when basis	Reduction in customer queries and increase in number of customers paying their accounts
Offering payment incentives, e.g interest discounts and 50% discounts	Runs throughout the financial period	Recovery of historic debt
Handing over historic accounts of more that a year to debt collectors	Handed over in April 2023	Recovery of historic debt

2.4 INDIGENTS

Activities	Timeframe	Financial impact
<ul style="list-style-type: none">• Review indigent policies to refrain from providing free for all consumers (revenue forgone)• Indigent registration and verification process• Update indigent register	Review done in May 2023, registration process started in May and is still ongoing.	Increase in EQS to subsidize indigents and data cleansing to ensure FBS are received by only those who qualify

2.5 DATA CLEANSING

- Municipality is busy with data cleansing on all customer accounts. The idea is to have accurate and reliable data of all customers within Lekwa-teemane LM who are consuming services for billing and collection purposes

2.6 REPAIRS AND MAINTENANCE OF INFRASTRUCTURE ASSETS

- We have spent a combined figure of R 5 million in the 2023/24 financial year on maintenance of roads, electricity meters and bulk sewer infrastructure.

2.7 CASH FLOW MANAGEMENT

- Monthly cashflow projection are made and spending mostly in line with the projections unless in emergency situations.

2.8 COST REFLECTIVE TARIFFS

- The tariffs of the municipality are cost reflective in a sense that treasury guidelines are taken into consideration when estimating tariffs for any financial year.
- In line with the guideline from treasury, the municipality has been charging or increasing the cost of selling electricity, meaning revenue tariffs, at the same percentage with the cost to the municipality to get the bulk supply of electricity from Eskom, meaning the municipality is operating at a break-even, however, due to the high theft of electricity or illegal connections and or culture of non-payment, the municipality is making a loss.

3. CONCLUSION

The municipality has established a revenue enhancement committee which is chaired by the Accounting Officer. The main objective of the committee is to monitor the implementation of the financial plan. There will be a monthly progress report to treasury starting July 2023 on the financial plan.