

## **MEC Maile statement giving an update on progress made in Emfuleni through the provincial government intervention**

**February 2021**

### **1. Introduction**

Welcome to this press briefing where we will be giving you an update on the progress we have made through our intervention in Emfuleni Municipality. It is common cause that on 13 June 2018, the Gauteng Executive Council (EXCO) took a decision to invoke the provisions of section 139(1)(b)(i) and 5(a) of the Constitution of the Republic of South Africa, Act No. 108 of 1996, regarding Emfuleni Municipality.

The initial intervention did not produce the desired outcomes unfortunately, with the Municipality continuing to experience serious challenges that required a stronger, firmer hand in order to turn things around. The situation necessitated that EXCO review its intervention and subsequently resolved to appoint a new team of Administrators, for a duration subject to the progress made in turning around the situation at the Municipality.

The team of Administrator were given powers, in line with their terms of reference, to focus on three specific areas towards turning the Municipality around:

- Supply chain management
- Finance, and
- Infrastructure / Service Delivery.

The purpose of this press briefing is to give an update on the progress that has been made as this team of Administrators have gone about their work, to turn Emfuleni Municipality around and look to bring about a tangible change to the lived reality of the long-suffering people of Emfuleni.

### **2. Financial Management**

One of the biggest challenges to the municipality's financial viability and sustainability is the issue of historical debt to large creditors such as Eskom and Rand Water. The Administrators

met with Rand Water and agreed to pay the outstanding amount owed to Rand Water. A payment agreement was reached where current amounts and long outstanding amounts are being dealt with. The administrators are managing the payments accordingly.

In addition, Rand Water further advised the municipality to continue paying its current account and ensure that it is up to date with the payment. With regards to the amount in arrears, Rand Water is prepared to negotiate with the municipality on how to pay that off. The Administrators also had a positive meeting with the CEO of Eskom and his senior management team. The municipality was encouraged to continue to pay its current account, the recurring account arrears can be negotiated at a later stage. A plan is being formulated to address the Eskom debt, in light of all that.

The municipality's debt currently stands at a whopping R4,6 billion, with the following notable large creditors: Eskom-R3,2 billion as at end of January 2021, of which R2.7 billion is older than 90 days; Rand Water- R1.3 billion, of which R880 million is older than 90 days; Red Ants- R35,7 million. We basically have three creditors above the R30 million mark, totalling roughly R4.5 billion.

Creditors with a balance between R1million and R30 million total R107 million, made up of 36 creditors, with the biggest amount owed here being R11.2 million. Those with a balance

between R300 000 and R1 million total R21 million, made up of 35 creditors. Those with a balance of less than R300 000, total R3.9 million made up of 64 creditors. ON this issue of smaller creditors, payments are being done based on cash available, with smaller creditors being paid first. Payment principles are based on fair payment to all creditors (rotational payments). We have plans in place to pay creditors with balances below R1 million in full within 3 months and creditors up to R30 million within 6 months.

A payment agreement has been reached with Rand Water and though we are already behind due to account attachments and access to cash problems, we are gradually catching up as cash becomes more readily available. We are currently performing a payment schedule to agree with Eskom. Current accounts are not up to date due to account attachments and access to cash, but even here we are gradually catching up on the backlog, as cash becomes available.

A discussion was held with Eskom regarding the issue of large power users, in general, and Cape Gate, in particular. A principled agreement was reached for Eskom and the municipality to work together to find solutions to this very serious problem facing the municipality. On Cape Gate, it was agreed that the municipality, Eskom and Cape Gate will work together to make a submission to NERSA to try and save Cape Gate from closing down and saving +/-2000 jobs in the area. A NERSA hearing was held this past Friday, at which the Administrators attended and presented on behalf of the municipality. NERSA is now looking at the information that has been put at its disposal through all the representations and will make a decision at an indeterminate future date.

Some of the large power users, who were threatening to take their operations elsewhere, with large job losses resulting, have changed their minds, in light of the good work that the Administrative team is doing to turn the municipality around.

Basic cost containment measures have been put in place, based on the National Treasury circular. During the adjustment budget process, large items of savings will be identified, but for the time being, austerity measures are being implemented, with the requisite savings. We are also conducting an analysis on payments made regularly in the last six months, in order to identify cost saving opportunities and cut out all unnecessary, irregular expenditure. We have also conducted a review of all the contracts in the municipality in order to ascertain whether there was value for money. A Contract Management Task Team was set up, for active contracts needs assessment analysis, led by the Administrators.

One of the challenges that the team of Administrators have been faced with, is the issue of the municipality's bank account, with the municipality's primary account and associated account having been attached by the Beijing Fuxing Xiao-Cheng Technology Company LTD in lieu of a default judgement granted by the High Court [case number: 9623/2020]. The default judgement plunged the municipality into a financial and administrative crisis, as:

- Revenue generation dropped drastically, further harming the municipality's ability to perform its constitutional obligations.
- Service delivery provision to residents was severely affected; and
- The municipality defaulted in paying its creditors for services rendered.



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After going through legal processes, we managed to reverse that situation and are currently busy finalising a process to change signatories on the municipal accounts so that the team of Administrators can have full access and can proceed with the work to turn the municipality around without being hindered by municipal officials, who were largely part of the problem in the first place. Engagements have taken place with the various banking institutions, where the municipality has bank accounts, in order to finalise the status of Emfuleni's bank accounts.

The Administrators have established an Integrated Revenue War Room that meets twice a month. Provincial COGTA has also appointed a revenue expert to work with the team in Emfuleni on revenue generation and they have adopted an Integrated Revenue Action Plan to improve revenue generation for the municipality.

At the recent Revenue War Room, led by the Administrators, decisions relating to revenue enhancement were taken, and are as follows:

### **Electricity:**

- Meter conversion project to convert all conventional post-paid meters to prepaid
- Ensure that all large power users' meters are smart and can be remotely read
- The above stated projects will eliminate estimations
- Save costs by stopping manual meter readings
- Save costs by stopping billing
- Eliminate 60 days lagging days from reading a meter, to sending a bill to receiving payment
- Have servers relating to metering managed and controlled by the municipality
- Add more vending points
- 30,000 conventional residential meters to be converted to prepaid
- Replace faulty prepaid meters



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### **Water:**

- Metsi a Lekoa to produce a detailed strategy to install water meters in the townships
- Meter audits to be done in suburbs
- LPU's meters to be audit

The municipality is taking stride towards resolving the unfunded budget, with initiatives to stop the many financial leaks now bearing fruit. Cost reflective tariffs are being developed and credit control measures have been introduced, along with the tightening of financial controls and strengthening of processes and systems.

### **3. Infrastructure and Service Delivery**

A meeting was held with the Department of Water and Sanitation(DWS) to discuss the Vaal River System project. The DWS is providing the municipality with eight sewer unblocking trucks, with a total cost of R14 million and a further R8 million will be spent by the DWS on civil, electrical and mechanical related services in the municipality. Another R50 million will be spent on unblocking sewer bulk lines.

A detailed list of the roads and stormwater drainages system for refurbishment has been developed and costed. The province has prioritised these projects in terms of hierarchy and categorised them in terms of high-low priority. The total cost for all these projects was R173 million, which has already been approved.

The integrated plan on upgrading, repairing and resealing of roads infrastructure and streets was rolled out on the 19<sup>th</sup> of August 2020. For the 2020/21 financial year; R52 million has been set aside for rehabilitation and resealing of roads, covering major roads in Vanderbijlpark and Vereeniging; pothole patching, which will cover townships and suburbs, areas such as Vanderbijlpark, Vereeniging, Sebokeng; maintenance of existing gravel roads as well as maintenance and upgrading of storm water systems. A total of R400 million is actually required to address the urgent resurfacing maintenance needs of tarred roads. The actual roads and stormwater backlog, as indicated in the previous Integrated Development Plans, requires more than R5 billion.

R40 million has been set aside for 2020/21 for the implementation plan to address electricity distribution losses, looking at things like vending data cleansing, integration of solar and vending system, meter audits, faulty and old smart meter replacement, Installation of meters in unmetered areas, repair of damaged meter boxes and Illegal connection removal operations.

The province has set aside an amount of R53 million for waste collection, which should restore the weekly collection across the municipality. The Gauteng Department of Agriculture and Rural Development (GDARD) will be procuring trucks on behalf of Emfuleni Municipality for purposes of waste management and collection, as part of improving service delivery and addressing the waste backlog. The trucks will be delivered no later than March 2021. Through the national Department of Water & Sanitation, the old and ailing sewage and sanitation infrastructure will be upgraded and replaced with new infrastructure. Emergency projects have been identified including the sewer blockages, financial resources are still to be confirmed from COGTA.

The Municipal Infrastructure Support Agent (MISA) is providing much needed technical support and assistance to ensure that infrastructure projects, operations and maintenance are fully delivered in Emfuleni. The appointment of MISA as an implementing agent for infrastructure projects should be concluded very soon, along with

further engagement with the DBSA, as we look to tap into the R1.2 billion that has been committed out of R5 billion from national, specifically for infrastructure projects.

The Service Delivery War Room has looked into allegations that smart meters are being bridged by municipal officials. The War Room has developed monitoring measures in order to ensure that smart meters are not tampered with. A total of 6500 smart meters were found to have been bridged. The bridged smart meter customers are being charged on an estimated bill. To date, 3650 smart meters have been replaced. The remaining 2850 bridged smart meters are part of electricity losses reduction and will be replaced.

Work-streams are in place to ensure that there is a seamless and properly coordinated implementation of the rollout of the Financial Recovery Plan for the Municipality. One of the key aims of the Financial Recovery Plan is to: stabilise the municipality in the short term to ensure that the municipality fulfills its executive obligations in terms of the



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Constitution; meet its obligations to provide basic services to the ratepayers and financial commitments to its creditors.

Supply Chain has been centralised with new Bid Committees appointed and procurement plans are in place to drive smooth operations. CoGTA, National Treasury, Provincial Treasury, Sedibeng District Municipality and Emfuleni Local Municipality constitute the committees. There has been a continuous regression in audit opinions, because of the lack of adherence to good governance principles. Work is being done by the Administrators, working closely with the Auditor-General's office, to turn the tide around.

A significant number of labour disputes have been resolved and a new organogram has been developed, with consultations with relevant stakeholders ongoing, especially labour.

#### **4. Conclusion**

We would to take this opportunity on behalf of provincial government to express our deepest condolences to the family of Mr. Willy Bhila, (Deputy Director General (DDG) responsible for Policy; Research; Traditional Leadership and Municipal Governance) and formerly the Lead Administrator in our intervention in Emfuleni till very recently, who passed away after a short illness due to Covid-19 related complications. He was a seasoned bureaucrat who carried out his responsibilities with dedication and hard work. We will honour his memory best by continuing to work tirelessly in order to turnaround the performance of municipalities in the province.

We are encouraged by the sterling work done thus far by our seasoned team of Administrators who are experts in their own right and will continue to work with them in order to improve the conditions of the residents of Emfuleni and come to a place where the municipality can stand on its own, deliver on its constitutional obligations to citizens and be financially viable and sustainable.

Thank you.

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