

# ANNUAL REPORT

2 0 0 2



FREE STATE PROVINCE



## VISION & MISSION

### STRATEGIC INTENTIONS:

- Support, capacitate and strengthen Local Government and Traditional Authorities,
  - Monitor Local Government and Traditional Authorities,
- Enhance financial and economic viability of local government and traditional authorities,
  - Promote and facilitate intergovernmental relations,
- Facilitate enactment and implementation of legislation on Local Government and Traditional matters,
  - Facilitate municipal infrastructure development,
- Facilitate and co-ordinate the provision of quality affordable housing,
  - Develop initiatives that promote integrated planning,
  - Promote sustainable land development,
- Facilitate and co-ordinate the compilation of Land Development Objectives and the Integrated Development Process,
  - Facilitate land reform, and
  - Sustainable corporate services

### MISSION STATEMENT:

Support, strengthen and ensure sustainable and developmental local government and traditional authorities, Facilitate and co-ordinate an integrated housing and infrastructure development through sound financial management practices and the effective utilization of human and material resources.

### VISION STATEMENT:

Facilitate and promote effective, efficient and viable local government, housing delivery, infrastructure and services in terms of the needs of the community.

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LOCAL GOVERNMENT & HOUSING

FREE STATE PROVINCE

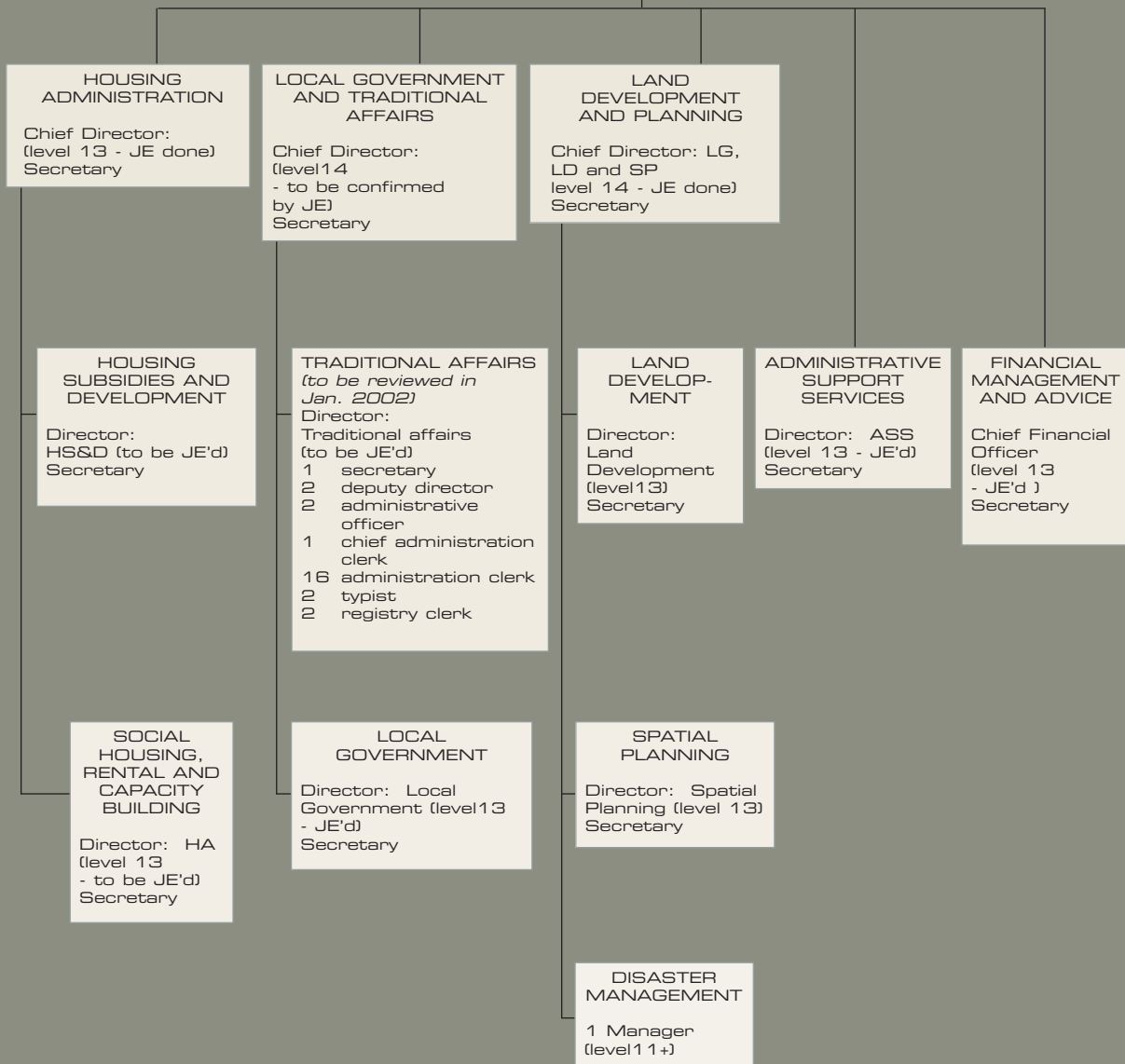
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**MEMBER OF THE EXECUTIVE COUNCIL  
LOCAL GOVERNMENT AND HOUSING**

**OFFICE OF THE MEC**  
 1 Head of Office (salary level 12 - 13)  
 1 Appointments Secretary (salary level 9 - 12)  
 1 Media Liaison Officer (salary level 9 - 12)  
 1 Secretary/Receptionist (salary level 3 - 7)  
 1 Registry Clerk (salary level (2 - 7)  
 1 Driver/Messenger (salary level 1 - 5)

**DEPARTMENT OF LOCAL GOVERNMENT  
AND HOUSING**  
 Head: Local Government and Housing

**OFFICE OF THE HOD**  
 1 Personal Assistant (level 9/10 - to be JE'd)  
 1 Secretary  
 1 Admin. Clerk  
 1 Messenger/Driver





LOCAL GOVERNMENT & HOUSING

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# MEC SPEAKS

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# MEC

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## WORK IN PROGRESS

The year ending has been a critical one for our department and all our directorates needed to focus on the work we do in servicing municipalities. In the overall we finalised our organizational Structure enabling us to progress in the New Year with employing key staff.

The ongoing transformation of government regarding demographic representation embracing technology, training of staff continues to inform our work and will be making significant progress.

Focused work is underway to remedy financial weaknesses identified by the auditor general to improve our overall accountability and prudence in the handling of public resources.

We have also prioritised gender work within and outside of the Department, however we will report further on this matter in our next report.

We hope to report dramatically on reporting on transversal co-operation within the department as well as across departments. We intend to have such collaboration at municipality level including and with in the intergovernmental relations arena.

HIV/Aids remains our number one concern and programs of awareness, empowering employees with knowledge, encouraging a caring attitude which ought to include volunteering to educate and help others is ongoing.

Linking our daily work with accurate, reliable reporting to the legislature remains a challenge management needs to improve dramatically. This is so as to enable the legislature to measure accurately our progress towards departmental transformation as well as our support for and monitoring of municipal transformation including service delivery in an integrated manner.



# OVERVIEW BY HOD

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The Department derives its mandate from chapter 7 of the Constitution specifically Section 155(6) which provides that, the Department must

Provide for monitoring and support of Local Government

Promote the development of Local Government Capacity in order to enable municipalities to perform their functions effectively.

This mandate posed a daunting task and challenge to the department as we had to fulfil this mandate despite limitations that included amongst others, a number of vacant posts and to an extent limited financial resources.

During the year under review high on our agenda was the acceleration of the transformation in municipalities and the reduction of municipal service debt. The Municipal Service Debt could be appropriately located in the following arenas:

- Affordability and reasonableness of Taxes and Tariffs.
- Appropriateness of service levels
- Effectiveness of income collection

While we robustly dealt with the problems that affected service delivery and those which negatively impacted on the financial viability of municipalities, we simultaneously had to find solutions with a view of laying a solid and sound base for municipalities to deal with the ailing or financial problems municipalities are faced with. The Information Technology aspect presented a major challenge for the Department and the municipalities as we had to move with speed in ensuring that we move along with modern Technology and do business in the most efficient and effective way.

The Municipal Systems Act requires of municipalities to prepare Integrated Development Plans (IDP) that will guide the generation and the utilization of resources in fulfilling their constitutional obligations. The Department being mindful of these challenges put in place support mechanisms to assist municipalities in preparing their IDP's. Despite the concerted efforts on our part very few municipalities completed and adopted their IDP's by the end of March which led to the extension of the date to enable the municipalities to comply with the submission date. The non compliance with the date initially set raised some serious concern in view that the IDP's were to inform the municipal budgets. The major challenge faced was the process of linking the IDP's with the PMS, in particular setting the key performance indicators and the IDP is inextricable, this called for robust capacity building programmes for municipalities.

The Development of Social Housing Policy with its focus in the inner city development programme saw the Department, and the municipality of Mangaung in partnership with the Private Sector concluding a Cooperative agreement. The introduction of Section 10A and 10B of the Housing Act Amendment Act No.4 of 2001 brought about some long awaited relief in the Housing Administration. This amendment curbed the fraudulent practices. The amendment restricted the beneficiaries from selling their property for a period of 8 years. The state reserved the Right of First Option on the Sale of Property for the value not greater than the total sum of the subsidy grant. In our quest to deliver affordable housing and House the Nation we rallied our efforts and collaborated with other stakeholders. To this end the Department in partnership with the National Urban Reconstruction and Housing Agency (NURCHA) is continuing to instill pride of property ownership by encouraging equity contribution in Housing Construction. This endeavour ensures that families become consumers capable of making choices rather than turn themselves into passive beneficiaries. Our endeavours continued unabated to foster collaboration with other stakeholders. Our partnership with GTZ (The German Technical Co-operation) continues to produce good results. The GTZ/UUDP provides technical support and capacity building in different areas within the province.

The rural Housing Project in Qwa Qwa continued to experience several problems. We took serious account of these problems, as they would influence future successes of similar projects. These problems include, amongst others the land status and unavailability of Permission to Occupy (PTO's) certificates. The political interference by some ward councillors and beneficiaries double dipping by obtaining property while they already possessed property elsewhere.

Other Housing Programmes in particular Project Linked Subsidies suffered a severe setback due to non-performance on the part of some contractors and developers. This conduct of some of these developers did not only deprive the beneficiaries of their constitutional rights to shelter but placed the department in unenviable position as we under-spent by R186 million. Our frustrations were further compounded by the lack of serviced, planned and surveyed sites. Most of the land where development was to take place either belonged to Central Government or Private Individuals. We took solace in PHP (People Housing Process) as delivery of houses multiplied in there tens as reinvigorate the culture of Vukuzenzele. The people of the Free State both women, youth and the elders rolled their sleeves up and participated in PHP. This commitment did not only yield mass production of Housing units but better and quality housing units were delivered in the Province.

The Special Programme Unit never stopped to serve the Department and actively participated in a number of programmes with other departments in their quest to ensure that we comply and excel in all spheres be it Gender, Disability or HIV/Aids programmes, you name it.

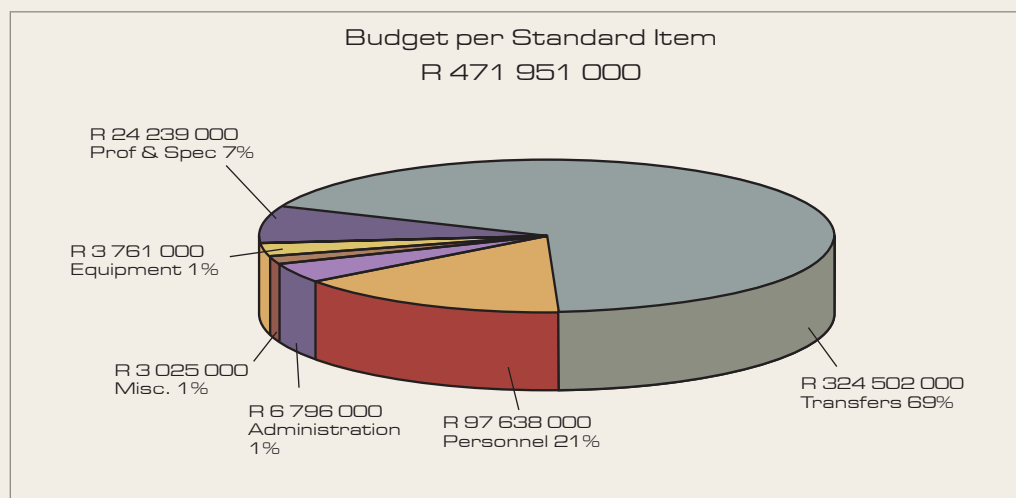


Date: 31 July 2002

## REVIEW OF THE BUDGET

### 1. Review of the Budget for the Year ended 31 March 2002

#### Amount Appropriated

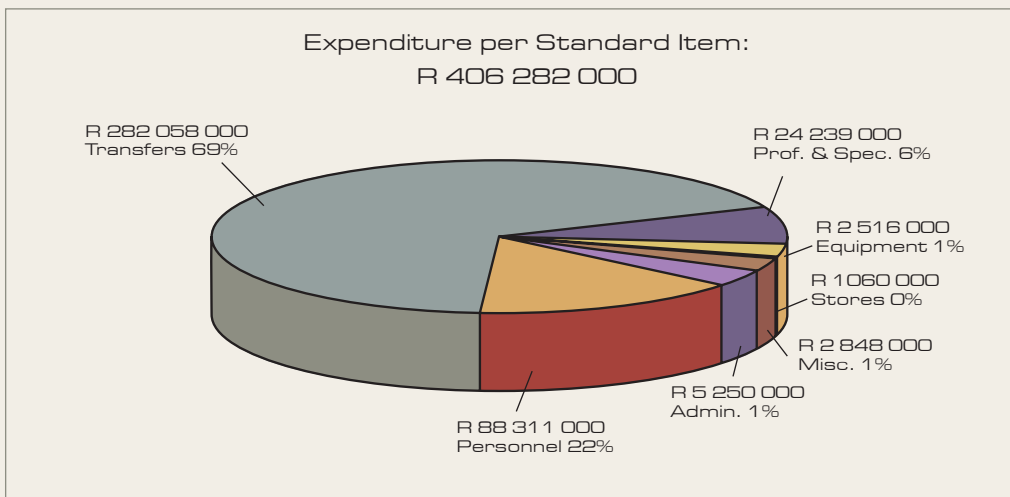


The Department is committed to service delivery through housing development programmes, infrastructure development and support to municipalities. To achieve this objective, 69% of the budget is allocated to transfer payments. Included in the 69% are allocations regarding the housing fund, infrastructure development, management support and financial assistance rendered to municipalities. Included in the personnel budget was an amount of R 59 182 000.00 that was allocated for the salaries of the officials working in the former R 293 Towns. For the next financial year, the total budget of the former R 293 Towns will be appropriated in the adjustment budget under the Office of the Premier and will the Department of Local Government and Housing not be responsible for any expenditure relating to these officials that are additional to the establishment of the Office of the Premier.

#### ACTUAL EXPENDITURE

The total actual expenditure for the financial year ended 31 March 2002, amounts to R 406 282 000.00 (excluding authorised losses). Taken the total budget as well as authorised losses (R 294 000.00) into account, a surplus of R 66 244 000.00 was generated. Taken the amount requested to be rolled over due to contractual commitments into account, the amount still available to be utilised by the Provincial Treasury is:

Budget amount	R 471 951 000.00
Less: Actual Expenditure	R 406 282 000.00
Authorised Losses	R 294 000.00
Total Surplus before revenue	R 65 375 000.00
Plus: Revenue to be surrendered	R 869 000.00
Total Surplus	R 66 244 000.00
Less: Amounts to be rolled over	R 58 144 000.00
Total Surplus including revenue still to be surrendered	R 8 100 000.00
Less: Revenue to be surrendered	R 869 000.00
Surplus to be utilised	R 7 231 000.00



In line with the core business of the Department, 69% of the total actual expenditure was related to housing delivery, infrastructure development and support to municipalities.



LOCAL GOVERNMENT & HOUSING

# HUMAN RESOURCE MANAGEMENT 2 0 0 2

LOCAL GOVERNMENT & HOUSING

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FREE STATE PROVINCE

# HUMAN RESOURCE MANAGEMENT

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FREE STATE PROVINCE



## Human Resource Management

### ANNUAL REPORT INPUTS – ADMINISTRATIVE SUPPORT SERVICES

#### VOTED FUNDS

Total amount appropriated for the financial year 2002/2002	R 471 951 000
Responsible MEC	S. L Tsenoli
Accounting Officer	M. S Msibi

#### SUMMARY OF PROGRAMMES

Table 1

Outcomes and Services delivery indicators are dealt with in the different program reviews.

#### 2 - Expenditure

Table 2.1 – Personnel costs by programme, 2001/2002

Prog-ramme	Total expenditure	Personnel expenditure	Administrative expenditure	Professional and special services	Personnel cost as a percent of total expenditure	Average personnel cost per employee
1	7969085.16	5499207.40	1127406.72	238436.18	69%	112228.72
2	2464536.26	714874.42	219119.28	1449821.31	29%	119145.74
3	8632959.01	4934718.40	254498.80	2991436.98	57.2%	154210
4	4972479.11	3674656.04	807468.79	98224.63	73.9%	122488.53
5	11618843.00	8337095.42	1228583.75	871496.69	71.8%	109698.62
6	0	0	0	0	0	0
7	0	0	0	0	0	0
8	47379287.17	4553229.24	204083.98	18552269.88	9.6%	126478.59
9	0	0	0	0	0	0
10	3597333.84	2855174.35	507298.80	32808.37	79.4%	167951.45
11	7192471.91	6276565.40	392844.02	4876.88	87.3%	224163.05
Total	93826995.46	36845520.67	4741304.14	24239370.92	39.27%	130196.19

Table 2.2 – Personnel costs by salary level, 2001/2002

Salary levels	Personnel expenditure
Salary levels 1-2	1380 000.00
Salary levels 3-5	3344 000.00
Salary levels 6-8	17604253.67
Salary levels 9-12	11600 000.00
Salary levels 13-14	2386 000.00
SMS level 15	531 267.00
TOTAL	36845520.67

Table 2.3 – Overtime, allowances and benefits by programme 2001/2002

Program	Overtime		Allowances		Benefits	
	Amount	% of personnel cost	Amount	% of personnel cost	Amount	% of personnel cost
1	0	0	350115.92	6.4%	462021.99	8.4%
2	0	0	6718.00	0.9%	145230.52	20.3%
3	0	0	89949.00	1.8%	951960.00	19.3%
4	0	0	107676.00	2.9%	664071.00	18%
5	0	0	179847.00	2.1%	1623687.00	19.5%
6	0	0	0	0	0	0
7	0	0	0	0	0	0
8	0	0	150850.00	3.3%	831757.00	18.3%
9	0	0	0	0	0	0
10	2142.00	0.0008%	94173.30	0.03%	545361.23	0.2%
11	40667.33	0.007%	1809422.16	0.3%	795726.59	0.1%
Total	42809.33	0.001%	2788751.38	0.08%	5019815.33	0.1%

Table 2.4 – Overtime, allowances and benefits by salary level 2001/2002

Salary Levels	Overtime		Allowances		Benefits	
	Amount	% of personnel cost	Amount	% of personnel cost	Amount	% of personnel cost
1-2	0	0				
3-5	39511.42	0.11%				
6-8	2442.86	0.01%				
9-12	855.06	0.002%				
13-14	0	0				
15	0	0				
Total	42809.33	0.12%	2788751.38	0.08%	5019815.33	0.1%

### 3 – Employment and vacancies

Table 3.1 – Approved establishment by programme

Programme	Approved establishment		Medium-term estimate	
	1 April 2001	31 March 2002	31 March 2003	31 March 2004
1	84	84	86	86
2	17	17	41	41
3	55	55	43	43
4	42	42	47	47
5	103	103	117	117
6	0	0	00	0
7	0	0	00	0
8	49	49	85	85
9	0	0	00	0
10	39	39	64	64
11	81	81	43	43
Total	470	470	526	526

Table 3.2 – Employment and vacancies by programme, 31 March 2002

Programme	Establishment	Number of employees	Vacancy rate	Additional to the establishment
1	84	49	41.7%	0
2	17	6	64.7%	0
3	55	32	41.8%	0
4	42	30	28.6%	0
5	103	76	26.2%	1
6	0	0	0	0
7	0	0	0	0

Programme	Establishment	Number of employees	Vacancy rate	Additional to the establishment
8	49	36	26.5%	0
9	0	0	0	0
10	39	17	56.4%	0
11	81	28	66.3%	8
Total	470	274 (without additional people)	41.8%	9 (283)

Table 3.3 – Employment and vacancies by salary band, 31 March 2002

Salary band	Establishment	Number of employees	Vacancy rate	Additional to the establishment
1-2	12	9	0	8
3-5	159	44	71.7%	1
6-8	213	160	24.9%	
9-12	82	54	34.1%	
13-14	8	6	25%	
15	1	1	0	
Total	470	274	41.8%	9 (283)

Table 3.4 – Employment and vacancies by critical occupation, March 2002

Critical occupation	Establishment	Number	Vacancy rate	Additional to the establishment
Management (level 13-14)	9	7	22.2%	0
Information Technology Human Resources	4	2	50%	0
Development	7	3	57.1%	0
Technical Advisory Services	9	5	44.4%	0
Total	29	17	41.4%	0

#### 4 – Job Evaluation

Table 4.1 – Job Evaluation, 1 April 2001 to 31 March 2002

Salary level	Establishment	Posts upgraded		Posts downgraded		
		Number of jobs	Number	% of total evaluated	Number	% of total
1-2	7	0	0	0	0	0
3-5	159	0	0	0	0	0
6-8	213	6	0	0	0	0
9-12	82	41	7	15.2%	0	0
13-14	8	10	1	10%	0	0
15	1	1	0	0	0	0
Total	470	58	8	13.8%	0	0

Table 4.2 – Profile of employees absorbed in an upgraded post, 1 April 2001 to 31 March 2002

Total number of employees absorbed in an upgraded post				
Beneficiaries	African	Asian	Coloured	White
Female	0	0	0	1
Male	3	0	0	4
Employees with disability	0	0	0	0

4 finalised with effect from 1/2/2002

4 still to be performance assessed with effect from 1/2/2002  
[1 BM/2WM/1WF=4]

Table 4.3 – Remuneration levels that exceeded the grade determined by job evaluation, 1 April 2001 to 31 March 2002

NONE

Table 4.4 – Profile of employees whose remuneration levels exceeded the grade determined by job evaluation, 1 April 2001 to 31 March 2002

NONE

5 – Employment changes

Table 5.1 – Appointments, promotions and terminations, 1 April 2001 to 31 March 2002

	Employees as on 1 April 2001	Appointments 1 April 2001	Promotions	Terminations and transfers	Net % change
African	180	4	6	10	40%
Male	118	1	3	9	11.1%
Female	62	3	3	1	300%
Asian	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
Coloured	3	2	0	0	0
Male	1	2	0	0	0
Female	2	0	0	0	0
White	154	0	8	8	0
Male	59	0	2	4	0
Female	95	0	6	4	0
Employees with disability	6	0	0	0	0
Total	343	6	14	18	0

Table 5.2 – Annual turnover rates by salary band

Salary band	Appointments	Terminations and transfers	Turnover rate
1-2	0	0	0
3-5	3	1	7.1%
6-8	1	11	7.4%
9-12	2	5	12.1%
13-14	0	1	25%
15	0	0	0
Total	6	18	8.1%

Table 5.3 – Annual turnover rates by critical occupation

Occupation	Appointments	Terminations	Turnover rate and transfers
Management (level 13-14)	0	0	0
Information Technology	0	1	0
Human Resources Development	0	0	0
Technical Advisory Services	0	0	0
Total	0	1	0

Table 5.4 – Reasons why staff are leaving the department

Termination type	Number	Per 100 000 employees
Death	1	353
Resignation	4	141
Expiry of contract	0	N/A
Dismissal – operational changes	0	N/A
Dismissal – misconduct 0	N/A	
Dismissal – inefficiency 0	N/A	
Discharge due to ill-health	1	353
Retirement	2	706
Other	10	353

## 6 – Affirmative Action

Table 6.1 – Progress made with respect to affirmative action, 2001/2002 (below SMS)

	Progress – 2001/02			Medium Term Targets (if any)			
	1 April 2001	Target set for 31 March 2002	Actual at 31 March 2002	Variance	March 2003	March 2004	March 2004
African	180	391	147	244	432		
Male	118	190	88	102	211		
Female	62	201	59	142	221		
Asian	0	0	0	0	2		
Male	0	0	0	0	1		
Female	0	0	0	0	1		
Coloured	3	14	6	8	17		
Male	1	6	2	4	8		
Female	2	8	4	4	9		
White	154	56	130	-74	64		
Male	59	27	49	-22	31		
Female	95	29	81	-52	33		
Employees with disability	6	9 (included above)	6 (included above)	3	11 (included above)		
Total	343	470	283	141	526		

Done in terms of the race and gender distribution in the Free State

Table 6.2 – Progress made with respect to affirmative action, senior management service, 2001/2002

	Progress – 2001/02			Medium Term Targets (if any)			
	1 April 2001	Target set for 31 March 2002	Actual number at 31 March 2002	Variance	March 2003	March 2004	March 2004
African	6	7.6	5	2.6	10		
Male	6	3.7	5	-1.3	4.9		
Female	0	3.9	0	3.9	5.1		
Asian	0	0	0	0	0		
Male	0	0	0	0	0		
Female	0	0	0	0	0		
Coloured	0	0.3	0	0.3	0.36		
Male	0	0.1	0	0.1	0.18		
Female	0	0.2	0	0.2	0.19		
White	2	1.1	2	-0.9	1.44		
Male	2	0.5	2	-1.5	0.71		
Female	0	0.6	0	0.6	0.73		
Employees with disability	0	0.2	0	0.2	0.24		
Total	8	18.2	7	11.2	12.04		

Done in terms of the race and gender distribution in the Free State.

Table 6.3 – Progress made with respect to affirmative action, 2001/2002  
(below SMS)

	Progress – 2001/02			Medium Term Targets (if any)			
	1 April 2001	Target set 31 March 2002	Actual number 31 March 2002	Variance	March 2003	March 2004	March 2004
African	180	391	147	244	432		
Male	118	190	88	102	211		
Female	62	201	59	142	221		
Asian	0	0	0	0	2		
Male	0	0	0	0	1		
Female	0	0	0	0	1		
Coloured	3	14	6	8	17		
Male	1	6	2	4	8		
Female	2	8	4	4	9		
White	154	56	130	-74	64		
Male	59	27	49	-22	31		
Female	95	29	81	-52	33		
Employees with disability	6	9 (included above)	6 (included above)	3	11 (included above)		
Total	343	470	283	141	526		

## 7 – Performance rewards

Table 7.1 – Performance rewards by race, gender and disability, 1 April 2001 to 31 March 2002

	beneficiary profile		cost		
	Number of beneficiaries	Number of employees	% of total within group	Cost	Per capita cost
African	3	147	2.04%	19951.61	6650.54
Male	2	88	2.3%	4330.61	2165.31
Female	1	59	1.7%	15621.00	15621.00
Asian	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
Coloured	0	6	0	0	0
Male	0	2	0	0	0
Female	0	4	0	0	0
White	7	130	5.4%	51094.05	7299.15
Male	1	49	2.04%	3387.00	3387.00
Female	6	81	7.4%	47707.05	7951.17
Employees with disability	0	6 (included above)	0	0	0
Total	10	283	3.5%	71045.66	7104.57

Table 7.2 – performance rewards per salary level, 1 April 2001 to 31 March 2002

Salary level	beneficiary profile			cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost	Per capita cost
1-2	0	17	0	0	0
3-5	1	45	2.2%	874.91	874.91
6-8	8	160	5%	54549.75	6818.72
9-12	1	54	1.9%	15621.00	15621.00
13-14	0	6	0	0	0
15	0	1	0	0	0
Total	10	283	3.5%	71045.66	7104.57

Table 7.3 – Performance rewards by critical occupations, 1 April 2001 to 31 March 2002

Critical occupation	Number of beneficiaries	beneficiary profile		cost	
		Number of employees	% of total within group	Cost	Per capita cost
Management (level 13-14)	0	7	0	0	0
Information Technology	0	2	0	0	0
Human Resources Development	0	3	0	0	0
Technical Advisory Services	1	5	20%	11165.40	11165.40
Total	1	15	20%	11165.40	11165.40

## 8 – Foreign workers

Table 8.1 – Foreign workers, 1 April 2001 to 31 March 2002

NONE

## 9 – Sick leave

Table 9.1 – Sick leave, 1 April 2001 to 31 March 2002

Grade salary	Total days	Per cent	Number of	% of total	Average	Estimated cost
1-2	64	35%	6	30%	10.67	88
3-5	932	40%	100	65.36%	9.32	58589
6-8	559	37%	65	69.89%	8.60	29185
9-12	504	42%	45	77.59%	11.20	30565
13-14	13	50%	2	33.33%	6.5	36
15	0	0%	0	0	0	0
Total	2072	40%	218	65.86%	0.66	118462

Table 9.2 – Disability leave (temporary or permanent), 1 April 2001 to 31 March 2002

Grade salary	Total days	Per cent	Number of	% of total	Average	Estimated cost
1-2	0	0	0	0%	0	0
3-5	8	0	1	0.65%	8	2
6-8	18	0	1	1.08%	18	19
9-12	0	0	0	0	0	0
13-14	0	0	0	0	0	0
15	0	0	0	0	0	0
Total	26	0	2	0.60%	0.01	21

Table 9.3 – Annual leave, 1 April 2001 to 31 March 2002

Grade salary band	Total days taken	Number of employees in grade	Average per employee
1-2	312	17	18.4
3-5	1334	45	29.6
6-8	4885	160	30.5
9-12	1615	54	29.9
13-14	189	6	31.5%
15	22	1	22
Total	8357	283	29.5%

Table 9.4 – Leave payouts

Reason	Total amount	Number of employees	Average per employee
Non-utilisation of leave for current cycle	188	9	20
Leave accrued before 30 June 2001	0	0	0
Total	188	9	20

## 10 – Labour Relations

Table 10.1 – Collective agreements, 1 April 2001 to 31 March 2002

Subject matter	Date
Human Resources Plan to place officials in the process of re-structuring and job evaluation	2001
Workplace skills plan	2001
Employment Equity Plan	2001
Total number of collective agreements	3

Table 10.2 – Misconduct and discipline

Outcomes of disciplinary hearings	Number	% of total
Verbal warning	Various in directorates but not formally registered at the Labour relations Section, in the vicinity of 50 verbal warnings were handled or advised on.	10.6%
Written warning	2	0.4%
Final written warning	3*	0.6%
Not guilty	0	
Case withdrawn	0	
Dismissal	(* 2 amended to final written warnings after taking all circumstances into consideration)	
Total	5	1.1%

The department assisted other departments with 20 cases performing duties of either Presiding Officer or Investigating officer.

## 11 – Skills development

Table - 11 1- Skills development by salary band, 1 April 2002 to 31 March 2002

Salary band	Internal training			External training		Expenditure
	Training day equivalents	Average day per employee	Training day equivalents	Average day per employee	Total expenditure	Average per employee
1-2	3	3	3	3	1784.97	203.4
3-5	5	5	3	3	25115.66	3681.4
6-8	5	5	3	3	43510.00	2295
9-12	5	5	3	3	60000.00	11335
13-14	5	3	2	2	28000.00	297
15	3	3	3	3	15200.00	49.51
Total	26	24	16	17	173610.63	1786131

Table - 11 2- Skills development by race, gender and disability, 1 April 2002 to 31 March 2002

	Internal training		External training		Expenditure	
	Training day equivalents	Average day per employee	Training day equivalents	Average day per employee	Total expenditure	Average per employee
African	10	10	10	10	58832	14214
Male	5	5	5	5	26599	8230
Female	5	5	5	5	32233	5984
Asian	0	0	0	0	0	0
Male	0	0	0	0	0	0
Female	0	0	0	0	0	0
Coloured	3	3	3	3	1696.50	16.57
Male	0	0	0	0	0	0
Female	3	3	3	3	1696.50	16.57
White	10	10	10	10	84825	15748
Male	5	5	5	5	32233	5984
Female	5	5	5	5	52592	9764
Employees with a disability	3 (included above)	3 (included above)	3 (included above)	3 (included above)	3393	66.31
Total	23	23	23	23	148746.50	30044.88

Table 11.3 – Skills development by type of training, 1 April 2001 to 31 March 2002

Type of training	Number of beneficiaries	Training		% of total	Expenditure	
		Training day equivalents	Average days per		Total expenditure	Average per beneficiary
Internal training	123	5	5	8.1%	* cannot quantify and estimate	*
Formal training	242	3	3	2.5%	136852	10787
Computer training	57	2	2	7.1%	32233	5984
Management development training	85	5	5	11.8%	48068	13308
Office-based training	0	0	0	0	0	0
Policy-specific training	158	2	2	2.5%	89350	4598
ABET	18	3	3	33.3%	1784.97	0
Other	0	0	0	0	0	0
Total	683	20	20	5.9%	308387.97	74677

\* Type and nature of training includes training provided by SAMDI, Department of Finance and departmental trainers, inter alia. Fees are therefore nominal.

Table 11.4 – Total expenditure on skills development by programme, 2001/2002

Programme	Expenditure 2001.02		Medium-term expenditure estimates			
	Original estimate	Actual expenditure	Variance	2002/3	2003/4	2004/5
1-11	386000	173610.63	212389.37			
	1438672	1379884.64	58787.64			
Total	1824672	1553495.20	271177.01			

Table 11.5 – Bursaries granted by salary level, 1 April 2001 to 31 March 2002

Salary level	Number of beneficiaries	Beneficiary profile		Cost	cost Per capita cost
		Number of employees in salary band	% of total in salary band		
1-2	0	17	0	0	0
3-5	9	45	20%	22745	2527.22
6-8	17	160	10.6%	71806.50	4223.91
9-12	8	54	14.8%	24760.50	3095
13-14	0	6	0	0	0
15	0	1	0	0	0
Total	34	283	12.01%	119312	3509.18

Table 11.6 – Bursaries granted by race, gender and disability, 1 April 2001 to 31 March 2002

Salary level	Number of beneficiaries	Beneficiary profile		cost Cost	Per capita cost
		Number of employees in salary band	% of total in salary band		
African	33	147	22.4%	115370	759.00
Male	16	88	18.18%	54849.50	9237.80
Female	17	59	28.8%	60.520.50	18049.90
Asian	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
Coloured	0	6	0	0	0
Male	0	2	0	0	0
Female	0	4	0	0	0
White	1	130	0.8%	3942	25.00
Male	1	49	2.04%	3942	69.00
Female	0	81	0	0	0
Employees with disability	0	6 (included above)	0	0	0
Total	34	283	12.01%	119312	1252.70

## 12 – Injury on duty

Table 12.1 – Injury on duty, 1 April 2001 to 31 March 2002

Nature of injury on duty	Number	% of total
Required basic medical attention only	3	0.9%
Temporary total disablement		
Permanent disablement		
Fatal		
Total	3	0.9%



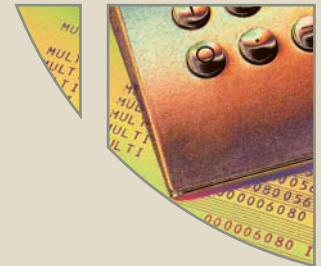
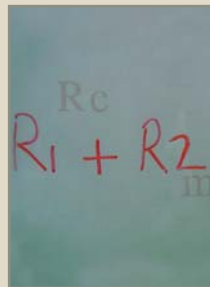
LOCAL GOVERNMENT & HOUSING

# FINANCIAL MANAGEMENT

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FREE STATE PROVINCE

# FINANCIAL MANAGEMENT

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## FINANCIAL MANAGEMENT AND ADVICE

### 1. DEPARTMENTAL ACCOUNTING FUNCTIONS

The day-to-day operations within the Financial Management and Advice are handled in accordance with the prescripts and guidelines as stipulated in the Public Finance Management Act 1999, (Act 1 of 1999), the Treasury Regulations as well as the Division of Revenue Act. Through internal control systems and procedures as well as monthly reporting, the Department ensures that all resources purchased and utilised and all services rendered are effective, efficient and economical. In terms of the implementation of the Public Finance Management Act 1999, (Act 1 of 1999), the Department has taken the following actions during the financial year under review:

- The Departmental Establishment was approved and the post of Chief Financial Officer will be filled within the next financial year.
- The National Treasury for the drafting of a Fraud Prevention Plan granted extension. The Department had already conducted a risk assessment and will the Fraud Prevention Plan be finalised within the next financial year.

### 2. THE TRANSFER OF R293 STAFF TO MUNICIPALITIES:

The December 2000 Local Government elections had a profound effect on the negotiations to have former R293 staff transferred to Municipalities, mainly because former Transitional Local Councils were amalgamated in to new Municipalities that had a definite effect on previous discussions and negotiations. Since the beginning of 2001 a fresh round of negotiations took place to determine the way forward in the new municipal dispensation. The MEC, Local Government and Housing published a Transfer Notice in terms of the Transfer of Staff to Municipalities Act, 1998 (Act No. 17 of 1998), in the Official Gazette of Friday, 24 August 2001. From a total of 2 076 staff members, 1 183 opted for transfer to a Municipality. Since the said date all staff transferred to Municipalities will have no further associations with the Free State Provincial Government. The R 293 staff situation on 1 September 2001 can thus be summarised as follows:

Former Transitional Local Council:	In the new Municipal dispen- sation part of:	Total number of R293 staff:	Number of R293 staff that opted for transfer:	Balance to be retained by the Province:
Botshabelo	Mangaung	1 500	930	570
Tshiame	Maluti a Phofung	68	31	37
Phuthaditjhaba	Maluti a Phofung	454	216	238
Thaba Patchoa	Kopano	33	6	27
Oppermans Gronde	Letsemeng	21	0	21
<b>TOTAL</b>		<b>2 076</b>	<b>1 183</b>	<b>893</b>

The Interdepartmental Management Committee was informed accordingly and arrangements are being made to deploy the remaining staff elsewhere within the Province in especially labour intensive Departments. The Department had successfully transferred all staff classified as R293 personnel to the Mangaung Municipality. It is envisaged that with the

inception of the 2002/2003 financial year on 1 April 2002 each Department in the Province will operate a separate bank account. Therefore this Department will with effect from the said date be relieved of all further associations with former R293 staff remaining in the service of the Free State Provincial Government.

### 3. Management Support Programs at selected Municipalities

Section 155(6) of the Constitution read with section 105(1) Municipal Systems Act, 2000 obliges the MEC for Local Government to monitor municipalities and assess the support required for these municipalities to be strengthened for manage their own affairs, exercise their powers and functions and fulfil their executive obligations.

A Local Government Support Grant was again allocated to provide assistance to municipalities confronted with financial difficulties over the medium term.

The grant is aimed at supporting efforts to restructure the institutional and financial arrangements so that those municipalities are in a position to fulfil their executive obligations and play their developmental role in a democratic society. The main focus areas with the Local Government Support Grant during the year under review were the following:

- Providing technical expertise to municipalities;
- Implementation of projects that would have a positive impact on liquidity, with the ultimate objective of stabilising municipalities to become sustainable entities in the end;
- Providing limited financial assistance in emergency situations to municipalities with outstanding statutory obligations where some support or intervention programs have been instituted.

Although the need assessments of municipalities differ, the following issues amongst others were concentrated on:

- Development/approval of a cash funded operational budget and a capital budget supportive of the integrated development plan;
- Ensuring financial reporting processes take place accurately and timely;
- Approval and implementation of consolidated credit control and indigent support policies;
- Approval of debt restructuring plans by creditors and the implementation thereof by municipal councils;
- The development of a stable and sustainable financial foundation;
- Identification and implementation of projects that would have a positive impact on the cash flow of municipalities;
- Compliance with all applicable financial management legislation and compliance with generally accepted financial management practices, which include the adoption of three-year budgets and Generally Accepted Municipal Accounting Practices (GAMAP) when promulgated in legislation.

Future support will continue to focus the enhancement of financial and administrative capacity. However, support of a more comprehensive nature is envisaged. The emphasis will shift from a supply – orientated approach to a demand driven process.

## MUNICIPAL BUDGETS

The National Department of Finance considers municipal budgets to evaluate expenditure limits for approval. Budget reforms that will have an impact on Municipal finances in general are being phased in. In due course it will be expected of Municipalities to compile multi-year budgets as part of the reforms.

## FINANCIAL ASSISTANCE

Since the rationalisation and amalgamation of former transitional local government structures, the Department experienced a drastic decline in the number of applications for emergency financial assistance from new municipalities. A portion of R 3, 1 million from the Local Government Support Grant was allocated to Municipalities in financial difficulties during the year under review.

## 4. THE CONSOLIDATED MUNICIPAL INFRASTRUCTURE PROGRAM

### THE AIM OF THE CMIP

The CMIP aims to provide at least a basic level of services to low income households on the one hand while on the other hand it is aimed at contributing to other government strategies and intervention policy objectives which include: SMME development; utilisation and empowerment of affirmative business Enterprises, targeting the most vulnerable communities and sectors of society such as women, youth, the disabled for job creation. The CMIP programme provides grant funding for the installation, upgrading and rehabilitation of internal bulk and connector infrastructure. CMIP also provides for the rehabilitation of internal services were appropriate.

### THE OBJECTIVES OF THE PROGRAMME

The primary objectives of the Consolidated Municipal Infrastructure Programme are:

- To provide funding to Municipalities to minimize municipal backlogs through the provision of at least a basic level of infrastructure services to poor households;
- To support urban renewal and development;
- To support integrated sustainable rural development;
- To support local economic development; and
- To support the housing programme of government.

### Financial information

Conditional Grant	Total Allocation	Total Transfers
Consolidated Municipal Infrastructure Programme	R81,093,043.00	R67,688,470.32

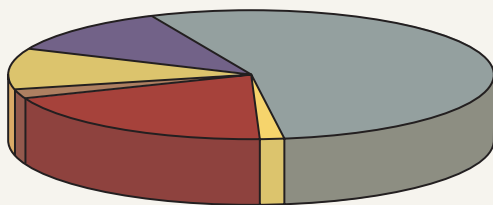
An amount of R81,093,043.00 was allocated towards projects for the 2000/2001 financial year of which R67,688,470.32 was paid out to local municipalities. An amount of R13,404,572.68 was not transferred from the Department Provincial and Local Government due to the delay of certain projects as a result not being in place. R67,688,470.32 of the CMIP funds were paid over to the District Municipalities and various local municipalities.

## FINANCIAL MANAGEMENT

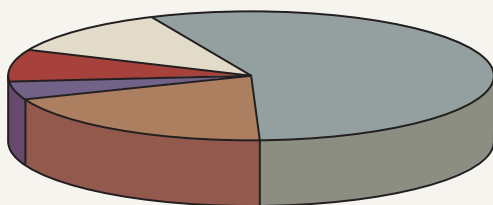
PROJECT RELATED INFORMATION

82 Projects to the value of R168,764,385.00 were identified for the 2001/2002 financial year; 37 of the 84 projects approved for the 2001/2002 financial year were completed. Currently the Department is still in the process of implementing 23 projects, which are on design/tender phase, and 16 projects are under construction. It is foreseen that the 29 projects, which are on design/tender phase, will be on construction within 2 to 4 months.

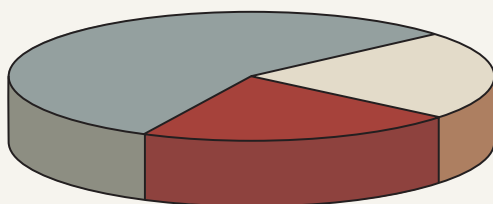
The following project types were implemented:



NO	Funds Allocated to 2001/2002	Up to March - 02
Completed Project Categories		
23	Water	R 19,919,671.51
6	Sanitation	R 4,455,523.37
8	Roads	R 10,047,870.43
2	Solid Waste	R 479,314.03
3	Storm Water	R 2,667,376.72
1	Cemetery	R 789,633.24
43	Total	R 38,359,389.30

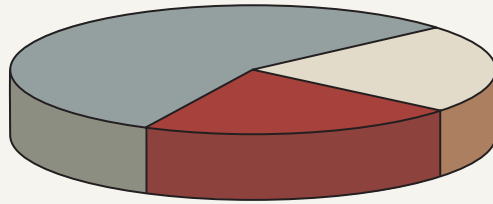


NO	Funds Allocated to 2001/2002	Up to March - 02
On-Going Project Categories		
22	Water	R 80,914,301.71
10	Sanitation	R 16,187,531.00
4	Roads	R 4,735,995.82
6	Solid Waste	R 8,932,662.80
1	Community Lighting	R 140,000.00
5	Storm Water	R 19,494,505.03
39	Total	R 130,404,996.36



Employment Opportunities (Person Days)	Up to March -2002
Women	52,167
Youth Woman	32,862
Youth Men	56,369
Men	156,839
Total	298,237

Training Provided



15. Training Provided (Training Days)	Up to March - 02
Women	3,484
Youth	3,934
Men	27,753
Total	35,171

INVOLVEMENT OF SMMES

As part of the CMIP 49 SMMEs were employed and an amount of R2,639,145 has been paid out to date on on-going projects.

2001/2002 Allocations

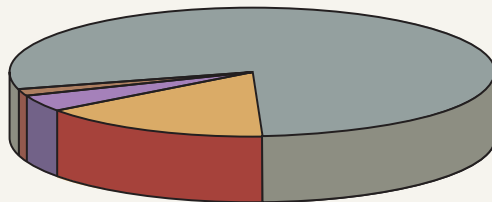
It is the Departments objective to facilitate the implementation of basic services to communities within the framework of available funds on a continuous basis. Funds have already been allocated towards the District Municipalities for 2001/2002. The following allocations were made:

• Xhariep District Municipality	R 6,920,635.94
• Motheo District Municipality	R 3,790,000.00
• Mangaung Municipality	R 6,631,000.00
• Lejweleputswa District Municipality	R 16,154,000.00
• Matjhabeng Municipality	R 5,264,000.00
• Thabo Mofitsanyana District Municipality	R 26,069,407.06
• Northern Free State District Municipality	R 8,142,000.00

The District Municipalities identified projects and these funds will be distributed to the different municipalities.

2001/2002 Provincial Budget

In addition to the Conditional Grant an amount of R21,548,000.00 was allocated towards projects from the Provincial Budget for 2001/2002. 12 Projects were approved for the following:



NO	Projects that were implemented	2001/2002
6	Water	R 15,775,234.55
4	Sanitation	R 4,158,925.78
1	Electricity	R 300,000.00
1	Basic Internal Services	R 1,313,839.67
12	Total	R 21,548,000.00

4 of these projects have been completed, 6 are on construction and 2 on pre-implementation stage.

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# LOCAL GOVERNMENT DIRECTORATE

## PROGRAMME PERFORMANCE

### PROGRAMME 10

#### LOCAL GOVERNMENT ESTABLISHMENT

##### ACHIEVEMENTS

###### TO FACILITATE ENACTMENT AND IMPLEMENTATION OF LEGISLATION ON LOCAL GOVERNMENT

The Free State Privileges and Immunities of Municipal Councillors Bill: The Bill has been submitted to the Legislature for enactment. The Bill regulates the freedom of speech during council and committee meetings. Certain immunities, like the fact that a councillor is not exposed to civil or criminal charges due what he or she has said during council meetings, and which are of public interest, are ensured.

Proposed amendment of sections 100 and 139 of the Constitution: The main issue here was that presently the two sections stipulate that municipalities are subject to the intervention of the provincial executives in terms of section 139, while provincial executives were put in the same position by section 100. The proposed amendments, it was humbly submitted, would, amongst others, bring about shared powers between national and provincial governments and thereby cause confusion when a decision was to be made on who would intervene, should the necessity arise.

Proposed amendment of section 84 of the Local Government: Municipal Structures Act, No 117 of 1998: Comments were made on the proposal dealing with the assigning of powers and functions of municipalities.

Proposals to amend the Local Government Ordinance, 1962 (Ordinance No 8 of 1962): Proposals have been made to amend the Ordinance by deleting all stipulations dealing with establishment and structures of municipalities and financial matters, as these have been addressed in national legislation such as the Municipal Structures and Systems Acts. It was furthermore proposed that better provision be made for the alienation of its property by a council, and to better stipulate the processes and conditions for a council when entering into a contract.

Adoption of by-laws: In order to address the confusion with the adoption of by-laws by municipalities, a circular was drafted in which all the steps to be taken are indicated and explained.

Advice to municipalities: Several municipalities were given solid advice on the interpretation of the Local Government Regulations: Standing Rules and Orders in order to obviate possible litigation.

###### TO SUPPORT, CAPACITATE AND STRENGTHEN LOCAL GOVERNMENT

Ward Committees: In an effort to deepen our democracy and to ensure participation from the communities, the department facilitated the

process of establishment of ward committees within all municipalities. Ward Committees not only provide a vehicle for participation and involvement of communities but provide an advisory role to the functioning of the councils.

**Division of powers and functions:** The division of powers and functions between category B and category C municipalities was addressed during the year under review. Chapter 5, sections 83 and 84 of Municipal Structures Act, provides for division of powers and functions to all municipalities. The above process followed amalgamation of municipalities and was fraught with a number of challenges. One of the critical challenges was that there should be no interruption of services during amalgamation of municipalities. As a result, the department had to organise multiple consultative meetings and workshops between all the stakeholders including the Municipal Demarcation Board (MDB). The process has been managed successfully.

**Outreach programmes:** During March 2001 road shows were undertaken by the department in collaboration with FRELOGA in the five districts to inform councillors and municipal staff on the challenges facing them with regard to the Municipal Systems Act.

Municipal functionaries attended a number of short courses, workshops, symposia, seminars, etc. during the year under review. Highlights are:

- Introduction to the Municipal Systems Act
- Roles, Responsibilities and Functions of Mayors, Speakers and Municipal Managers
- Training of Intervention Teams in conflict resolution

The following groundbreaking conferences were held:

- 1st Local Government Review Conference with the aim to communicate and share experiences regarding the transformation of Local Government since 5 December 2001.
- Structured Conflict Resolution on Local Government Level for the New Millennium with the aim to sensitise role-players on local government level regarding the possible negative impact of conflict in their sphere of government.

**EXCELLENCE AWARD:** The Letsemeng Local Municipality was awarded the prestigious ZK Matthews Award as the best performing council in the country in terms of, inter alia, accountability to the community, clean administration, sound financial practices and tangible improvements in the quality of life of the community.

**HEALTHY CITY PROJECT:** Tangible support has been given to the Mangaung Local Municipality to the amount of R100 000 as part of our contribution towards the Healthy City Project.

**INFORMATION AND COMMUNICATION TECHNOLOGY (ICT):** The department anchored projects and supported municipalities on the integration of (financial and human resources) systems and ICT

deployment. This pre-empted several municipalities from falling victim to unscrupulous vendors.

The process of supporting municipalities resulted in the appointment of a consultant to assist in developing a Local Government ICT plan.

A joint partnership between the department, FRELOGA and the DBSA convened a province-wide Local Government ICT conference on 18-19 October 2001. Among the conference resolutions was:

- to embrace a Shared Services Centre model
- to establish a provincial committee comprising of leading national departments
- to establish a coordinating structure at district government level

## TO MONITOR LOCAL GOVERNMENT

**PERFORMANCE MANAGEMENT SYSTEM:** The Municipal Systems Act, 2000, contains core elements of the new performance management system (PMS). All our municipalities have been encouraged to embrace the new regime of performance management that is linked to their integrated development plans (IDPs). PMS is a responsibility for the councillors and municipal officials. The councillors, especially Executive Mayors, Mayors and Speakers should see themselves as catalysts in this process as they have to give political support and direction to the managers. We are all charged with the responsibility to account to the communities for the quality of services we render.

Three pilot municipalities, namely Manguang Local Municipality, Maluti-a-Phofung Local Municipality and the Northern Free State District Municipality, were identified for the new PMS. These municipalities are supported through on-site assistance, funding (each has been granted R 160 000.00 towards drawing up their PMS), and targeted training for both councillors and municipal officials.

Five workshops have been held on PMS and were attended by all municipalities. All municipalities have further been provided with guides for municipal performance management.

**MONITORING TOOL:** A comprehensive monitoring tool was developed based on the following focus areas: Administrative Infrastructure, Institutional Transformation, Service Delivery and Local Governance. The monitoring is done through questionnaires and on-site visits:

- Four comprehensive reports on the performance of our municipalities have been produced.
- These reports not only identify gaps in respect of capacity, but are also a valuable source of information for input into the President's Coordinating Council.

Table 8.1 Monitoring of Municipal Key Focus Areas (as at 1 February 2002)

	INDICATOR	POSITION	%
1.	Sufficient office accommodation	25 have sufficient office accommodation	100
2.	Nature of the offices	20 have own buildings, 5 rent additional buildings	80 20
3.	Furniture and technology	15 have all needed furniture, 10 still need furniture/technology	60 40
4.	Development of a delegation framework	20 completed framework, 4 started, 1 has not started.	80 16 4
5.	Rationalisation of by-laws	2 are almost complete, 20 are about halfway, 3 have not started	8 80 12
6.	Rationalisation/development of standing orders	24 have standing orders, 1 is still busy adopting	96 4
7.	Development of financial delegations	23 completed, 2 still busy	92 8
8.	Development of financial control systems	15 completed, 5 nearly complete, 2 halfway, 3 has not begun	60 20 8 12
9.	Development of accounting policies	10 completed, 4 almost finished, 5 almost halfway, 6 only begun	40 16 20 24
10.	Development of the Amalgamation Plan	10 completed, 2 almost finished, 13 almost halfway	40 8 52
11.	Has Amalgamation plan been consolidated into district plans?	7 Yes, 18 No.	28 72
12.	Development of consolidated Amalgamation Plan	4 DCs Yes, 1 DC No	80 20
13.	Formulation of comprehensive IDPs	1 complete, 24 almost complete	4 96
14.	Progress with the development of PMS	25 just started	100
15.	Progress with framework for amalgamating staff	1 completed, 6 almost complete, 14 almost halfway, 1 has not started, 3 DCs NA	5 26 64 5
16.	If framework completed, how far is development of new organogram?	3 completed, 10 almost completed, 10 almost halfway, 2 not started	12 40 40 8
17.	Appointment of municipal manager and other staff	24 municipal managers appointed. 1 manager still to be appointed 25 still busy negotiating the finalisation of appointment of other staff	96 4 0

INDICATOR	POSITION	%
18.Free Water	11 render services,	55
	3 almost ready,	15
	4 almost halfway to readiness,	20
	2 have not started,	10
	5 DCs NA	0
19.Free Electricity	1 renders services,	5
	1 almost ready,	5
	18 has not started,	90
	5 DCs NA	0
20.Free waste removal	2 render services,	10
	1 almost ready,	5
	1 halfway to readiness,	5
	16 has not started,	80
	5 DCs NA	0
21.Free sanitation	2 render services,	10
	2 halfway to readiness,	10
	16 has not started,	80
	5 DCs NA	0

## TO PROMOTE AND FACILITATE INTERGOVERNMENTAL RELATIONS (IGR)

IGR refer to the creative mechanisms to maintain co-operative relationships and co-ordination among and between spheres of government.

**MECLOGA:** This intergovernmental structure between the MEC and the Free State Local Government Association was launched this year and is functional.

**IGR TRAINING:** Municipal functionaries attended the first Winter School in Intergovernmental Relations (IGR) hosted by the PAIR Institute at the University of Pretoria.

**MIR TRAINING:** Municipal functionaries attended a Municipal International Relations (MIR) workshop hosted by SALGA.

**IGR WORKSHOPS:** During May 2001 information/briefing sessions were held in the five districts on co-operative governance.

**IGR UNITS:** Municipalities have been encouraged to establish IGR units/components and many have done so. The Mangaung Local Municipality is a case in point.

**PROVLOC:** The department participates actively in this Provincial/Local Government intergovernmental structure.

## CHALLENGES

### DEVELOP AND IMPLEMENT A PROVINCIAL CAPACITY BUILDING STRATEGY

The National Capacity Building Strategy for Good Local Governance has been finalised. The aim of the strategy is to overcome the capacity

constraints, both of the system and entities involved in it, to make local government institutions more efficient, effective and sustainable.

Five areas of strategic support have been identified:

- Political leadership and community empowerment
- Developmental Local governance
- Administrative systems and service delivery
- Financial System and structures
- IGR and Legislative framework

To give effect to the implementation of this national strategy, the department must develop a provincial capacity building strategy which is in line with the national strategy.

The President's Coordinating Council (PCC) has also identified five key strategic objectives relating to local government transformation:

- Building a strong local government sphere and enhancing its status within a stable co-operative governance framework
- Building stable institutional and administrative systems in local government
- Deepening local democracy and accountability  
Improving and accelerating service delivery and economic development
- Building financially viable local government

#### PROMOTE AND ESTABLISH A KNOWLEDGE SHARING FACILITY

This programme, in collaboration with DPLG, has as purpose the systematic sharing of knowledge, best practices and lessons learned between local governments and between spheres of government in order to accelerate the local government transformation process.

#### DEVELOP AND PUBLISH STANDARD BY-LAWS

The compilation of a list in order of priority of by-laws which should be promulgated by the MEC as standard draft by-laws to assist municipalities with the rationalisation of their by-laws is a mammoth task. The assistance by municipalities will be crucial in this regard.

#### ESTABLISHMENT OF THE PROVINCIAL LOCAL GOVERNMENT, WATER AND RELATED SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY (LGWSETA)

The provincial structure of the LGWSETA has not yet been established and this hampers training of local government councillors and officials. The national body has, however, indicated that the process will be finalised during the course of 2002.

#### AUTHORISATIONS ON DIVISION OF POWERS AND FUNCTIONS BETWEEN LOCAL AND DISTRICT MUNICIPALITIES

The finalisation of the division of powers between categories B and C municipalities must be completed by 5 December 2002. In particular, the functions relating to electricity, water supply, sanitation and municipal health services have to be assessed to merit authorisation to a municipality.



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# SPATIAL PLANNING

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## SPATIAL PLANNING

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## SPATIAL PLANNING DIRECTORATE

## PROGRAMME 3:

The purpose of the Directorate is to create sustainable, productive, healthy, balanced, integrated and safe urban and rural environments and to integrate economic, sectoral, spatial, environmental and institutional strategies through a participatory spatial planning process and effective land use control.

The main functions of the Directorate are to render professional advice regarding the physical and spatial elements of land development, to manage the IDP process, to collect and update data, supply information, do research and play a supportive role in the preparation of the Integrated Development Plan for the Free State.

The achievements in this regard are as follows:

## LAND DEVELOPMENT CONTROL

To maintain a balanced and sustainable urban environment effective land use management is a necessity. In this regard the Townships Board was advised by means of comprehensive planning reports on the following town planning issues:

TABLE: DEVELOPMENT CONTROL	
Subdivisions	131
Consolidations	79
Removal of restrictions	72
Township establishments	18
Rezoning	124
Amendments of the General Plan	34
Inclusions	3
Amendments of the Layout Plan	7
Amendments of the Town Planning Scheme	14
Annulments	0
TOTAL	482

- Eight town planning schemes which were facilitated by the department are in various stages of completion, namely:

Bethulie	Marquard
Edenburg	Paul Roux
Fauresmith	Verkeerdevelei
Koffiefontein	Warden

Two town-planning schemes were evaluated by the Directorate, namely: Gariepdam and Harrismith.

- Guide Plans

The department is responsible for the evaluation of applications for land use changes as well as the administrative procedures of the three (3) guide plan areas in the Free State, namely Vaal River Complex (1982); Bloemfontein and Environs (1986) and Free State Gold Fields (1994).

TABLE: GUIDE PLAN APPLICATIONS	
Amendment of Guide Plans	2
Consistency	4
Subdivisions	21
TOTAL	27

- Subdivision of Agricultural Land

The Subdivision of Agricultural Land Act, 1970 (Act 70 of 1970) has been repealed by Parliament. The Subdivision of Agricultural Land, Repeal Act, 1998 (Act 64 of 1998) will come into effect on a date to be determined by the President. Once this comes to effect, applications for subdivision of agricultural land in the Free State will be dealt with in terms of section 20 of the Townships Ordinance, 1969 (Ordinance 9 of 1969) in conjunction with the prescribed Chapter 1 Principles of the Development Facilitation Act, 1995 (Act, 67 of 1995). 44 Applications have been evaluated in terms of the subdivision of Agricultural Land Act.

- Permit applications

18 Permit applications according to the Physical Planning Act, 1967 for the change of land use on agricultural land have been recommended for approved.

- Private Township Establishment

Two private township establishment applications have been received and evaluated (Township Ordinance 1969)

- Environment

This department continually gives advice to and consults with applicants and government institutions to ensure the integration of environmental policies and legislation with regard to spatial planning matters. The department has been actively involved with the compilation of the Environmental Implementation Plan in terms of the National Environmental Management Act, 1998 (NEMA)

## DEVELOPMENT PROJECTS:

### PROMOTION OF LOCAL ECONOMIC DEVELOPMENT

- The Department is involved with the Department of Provincial and Local Government with the allocation of funds and approval of projects to promote local economic development in the Free State.

- The monitoring of existing projects: Welkom, Harrismith, Botshabelo, Virginia, Dealesville, Hobhouse, Jagersfontein, Ladybrand, Philippolis, Senekal and Zastron.
- Two of the LED projects were invited to exhibit their products at the LED Fair in October 2001, Dealesville (Salt Lakes) and the Zastron (Charcoal Project).
- A representative from this Department attended the Provincial Workshop on LED during 7-8 February 2001 as well as 27-29 June 2001. She also attended the Infrastructure Planning and Partnerships for Local Economic Development Workshop presented by University of Harvard during 27 – 31 August 2001.
- LED Training workshops were conducted by the National Department in Bloemfontein for representatives from all Municipalities of the Free State. This was done during 17 – 19 July 2001.
- The LEDF Provincial Co-ordinating Committee evaluated 83 applications for new projects and the recommendations were approved for the following projects to start in the financial year 2001/2002:

Maluti a Phofung	(Phuthaditjhaba)	Diary Project	R1 245 000
Nala	(Wesselsbron)	Pride of Community	R1 377 289
Mangaung	(Thaba Nchu)	Letsema Project	R1 500 000
Kopanong	(Gariep Dam)	Hydro Weavers	R 136 882

- Originally the R1 500 000 was allocated for a Tiger-Eye Project, Bloemfontein. The Council did experience some problems and applied for the transfer to the Letsema Agricultural Project in Thaba Nchu.

#### TENURE UPGRADING IN THABA NCHU

± 9000 transfers (out of 14 500) have been done on this project. Some problems regarding the Land Rights investigation have delayed this process, but the Department of Land Affairs is busy with the updating and rectifying of this Land Rights Register and Data Base.

#### SOCIAL PLAN FUND

This Fund is an integral part of the National Social Plan, which is the outcome of the 1998 Job Summit. The Fund provides financial assistance of R50 000.00 to each municipality affected by large-scale job losses to conduct local economic regeneration studies and develop “early warning systems” for potential local economic problems. The towns that did conduct these studies do get preference in the allocation of the LED Fund.

During this year the District Municipality of Thaba Mafutsanyana received a grant of R50 000.00 from the Department of Provincial and Local Government to conduct a social plan study.

#### Land use surveys completed

- Bloemfontein
- Excelsior
- Kroonstad
- Harrismith
- Vrede
- Boshof
- Marquard
- Bultfontein
- Viljoenskroon
- Wepener

## INTEGRATED DEVELOPMENT PLANNING PROCESS IN THE FREE STATE

### LAND DEVELOPMENT OBJECTIVES (LDOs)

The Free State Integrated Development Planning Process started in 1998 with the setting of Land Development Objectives (LDOs) in all-99 local authorities of which 15 were Rural Transitional Councils. The Department of Local Government and Housing assisted all municipalities to an amount of R124 500.00 towards the setting of their LDOs. An Inter Departmental Assessment Committee assessed all LDO final documents and recommendations were made to the MEC for Local Government and Housing. 95 LDO documents were subsequently approved, three municipalities only did work plans and 1 LDO namely, Harrismith is still outstanding. The final document of Harrismith was not approved by the MEC of Local Government and Housing due to various reasons.

### INTERIM INTEGRATED DEVELOPMENT PLANS (IIDPs)

After the municipal elections in December 2000, Municipalities were requested to establish Interim IDPs for all the newly established Municipalities, both Local and District. This process had to be finalized by the end of March 2001 to be able to use this information to inform the municipal budgets until such time as the new elaborated IDP process is finalized towards the end of March 2002. Interim IDPs has the following in view:

- collate existing LDOs of concerned municipalities
- extract projects from these LDO documents and reprioritise them
- align these projects with budgets, according to the principles of the IDP process
- make proposals to the District Councils to align projects with the District Council's budget.

All 25 new municipalities did submitted interim IDPs and copies were forwarded to the National Department of Local and Provincial Government in Pretoria (DPLG).

### INTEGRATED DEVELOPMENT PLANS (IDPs)

The IDP co-ordinator in the Department of Local Government and Housing (Spatial Planning) has the responsibility to:

- co-ordinate training
- provide financial support
- provide general IDP guidance
- facilitate co-ordination and alignment between district municipalities
- facilitate resolution of disputes between municipalities
- facilitate alignment between IDPs and sector department policies
- assess IDPs.

The elaborated IDP process started on 1 July 2001 and should be finalised by 31 March 2002.

To assist the IDP co-ordinator with the above tasks an Interdepartmental Alignment and Assessment Committee was formed in the Free State and had its first meeting on 18 September 2001. The members of this

committee are responsible to give feedback on Departmental involvement in IDPs at Municipal level. 32 Departmental officials were trained by DPLG in this regard.

At Municipal level training of IDP managers /municipal managers took place in June – July 2001. This training was a national initiative and DPLG together with GTZ funded this training. There were also training given to sector personnel and councillors in all municipalities, which will go a long way to capacitate municipalities in their IDP process.

All 25 municipalities have started the IDP process. A total of 20 Process Plans and 5 Framework Plan were submitted to the IDP co-ordinator for submission to DPLG. On a provincial level an Interdepartmental Alignment Committee was established to assist the municipalities with the alignment between sector departments and services providers concerning budgets and projects at all levels. The other aim of the committee is to give advice when problems are experienced. It is foreseen that most municipalities would make use of consultants because although training has taken place, most municipalities do not have the capacity to do the IDP's in-house without any technical assistance.

Financially the Department of Local Government and Housing has budgeted an amount of R1.4 million towards assisting Municipalities with their IDPs. The payments to municipalities will only be made towards the end of the process when draft IDPs are in place and will also be dependent on the amount of money received from DPLG towards IDPs.

Monitoring at Municipal level will be outsourced and consultants will soon be appointed to do monitoring. An amount of R300 000 for the Free State, donated by the Netherlands, was transferred to this department by DPLG towards this monitoring system.

## INFORMATION AND RESEARCH

The Spatial Planning Directorate is involved in a Geographical Information System (GIS) development process. The effort aims to support, capacitate and strengthen Local Government and Traditional Authorities in the Free State. Development of a web-enabled GIS that will be used as a tool to provide information for management decision purposes is envisaged.

The main problems are the availability of data, the need for a sophisticated GIS tool and the need for GIS expertise. The main function of the GIS will be to act as a information management tool for the Department of Local Government and Housing. The State Information Technology Agency (SITA) has been approached with a request to assist with the development of a web-enabled GIS. A project charter for the development of a web-enabled GIS has been submitted. This project charter, which is still to be approved by the HOD, outlines the process that will be followed to develop a web-enabled GIS. Representatives of the Department of the Premier have been involved in this project from the outset and will continue to provide assistance throughout the project's life cycle. This project, if accepted, will serve as the cornerstone for the development and implementation of one coherent GIS for the Free State Provincial Government, in line with SITA's national GIS strategy.

## SPATIAL PLANNING

The software, Regis, which is at present in use, is out-dated, no longer supports and does not have a web-enabled option. Purchase of new software must be considered. The final decision on which GIS software to purchase, will be made after SITA has tested software and after liaison between SITA and the DLGH.

Ongoing projects are the updating of Town Planning Schemes, development of a filing system of GIS files and collection of data relevant for spatial planning. Cadastral information from the Free State Office of the Surveyor General forms the basis of the GIS and is updated on a six monthly basis.

## MANAGEMENT REPORT

### GENERAL REVIEW OF FINANCIAL AFFAIRS

- The Land Use Management Bill will be enacted within the financial year 2002/2003 and municipalities will need to implement certain sections of the Act. Many smaller local municipalities will be assisted and capacitated to do this. This component will be responsible for assistance and strategic decisions in this regard will have to be taken.

- About 21% or R2,3 million of the budget was not utilised during 2001/2002, the reason for this is that Integrated Development Plans, towards which R1,4 million was budgeted, were not finalised by 31 March 2002 and the funds were rolled over to the 2002/2003 financial year. The fact that only 75% of the personnel budget was utilised (saving of R900 000) can be attributed to the fact that about 12 posts were not filled awaiting the finalisation of the Departments new revised structure and post establishment.

Services rendered (Please refer to the former part of this report)

### CAPACITY CONSTRAINTS

The new GIS system that was planned for and not yet finalised put a constraint on the effective functioning of the Information Division.

### DONOR FUNDS

None applicable.

### TRADING ENTITIES

None applicable.

### TRANSFER PAYMENTS

None applicable.

### PUBLIC PRIVATE PARTNERSHIP

None applicable.

### CORPORATE GOVERNANCE ARRANGEMENTS

Risk management and fraud prevention policies are to be put in place during 2002.

### DISCONTINUED ACTIVITIES

None applicable.

### NEW OR PROPOSED ACTIVITIES

None applicable.

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FREE STATE PROVINCE

## HOUSING

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## FREE STATE HOUSING REPORT FOR THE YEAR 2001-2

Housing development is at the core of human settlement thus our aim remains establishing a sustainable housing process which will eventually enable communities to have secure tenure, within a safe and healthy environment ensure viable communities, in a manner that will make a positive contribution to a non-racial, non-sexist, democratic and integrated society within an acceptable framework. Hence our slogan "Towards Sustainable Human Settlements".

The fragmented housing environment inherited from the previous political dispensation has not been completely effaced thus cannot be ignored. Hence imposing a challenge of facilitating the provision of adequate housing within the diverse needs of the homeless and those who are inadequately housed.

The Department's vision of creating sustainable human settlements has continued to be a driving force to eradicate poverty and homelessness to the people of the province. In partnership with other stakeholders the Housing Department has accelerated the delivery of durable and quality housing thus ensuring that:

- Beneficiaries get value for money
- Best workmanship and adherence to quality standards.
- Black economic empowerment is realized for women and youth.
- There is consumer education for the beneficiaries; and
- Capacity building is in place for local government and provincial officials.

### ACHIEVEMENTS

With funds received from the National Department of Housing the Housing Directorate was able to allocate 12 800 and 6 908 project-linked subsidies for the financial years 1999/2000 and 2000/2001 respectively in different towns in the Province. These subsidies were used to develop housing through the developer-driven process and more than 76 000 units have been completed to date.

Concurring with the Reconstruction and Development Programme 1460 units were set aside for construction by women.

Free State Province has piloted the Institutional Subsidy Programme through the 300 subsidies allocated and completed in the Matjhabeng Municipality area. This project was also women-driven and is identified as one of the best projects.

The South African Municipal Workers Union and the National Union of Mineworkers from Matjhabeng was allocated 1000 institutional subsidies to pilot on a partnership between Trade Unions, employers and the Province.

In its quest to accelerate delivery, the Department with an amount of R21 m allocated to facilitate individual subsidies where 400 subsidies were converted to Developer-Driven Individual Subsidies (DDIS) benefiting

Hoopstad and Bultfontein with each town allocated 200 subsidies. The other 1 320 individual subsidies were allocated towards existing properties of which 868 units were registered in the names of beneficiaries.

At the end of the reporting period 932 houses in the rural areas of Qwa-Qwa were completed with 22 units under construction. That resulted in 1 200 jobs created, of which 300 were for women thereby empowering the local people. Furthermore a large amount of money was invested in the area by means of subsidies. This project, which was aimed at alleviating the urgent housing needs in the QwaQwa rural areas and to unlock permanent housing for the poor, can be considered a successful pilot project.

During the financial year 2000/2001 subsidies allocated towards the People's Housing Process realized 700 units completely constructed.

Housing Support Centres are still carrying on with the sterling work having started with 6 support center projects and has now gone to sixty seven projects.

Hostel Upgrading has been undertaken in three major municipalities with the one in Sasolburg being a Pilot providing for the demolition of an old dilapidated hostel complex and conversion into 217 individual family units. Its success will be replicated elsewhere in the Province.

Dark City Hostel in Bloemfontein is near completion and will accommodate 360 families, and Hostels B, C, E and F in Welkom have been completed resulting in 538 family units.

Having identified a need to remove dysfunctional elements to realize the vision of sustainable housing, the National Department of Housing set aside funds for projects within human settlements guidelines that can contribute to the establishment of more viable sustainable settlements. The targeted projects should assist in overcoming disparities and dislocations created by unequal distribution of resources and apartheid-based planning and development practices.

Two projects were identified and approved resulting in the Mangaung Activity Corridor receiving an amount of R 18 315 000.00 for a period of three financial years while on the other hand Maluti-A-Phofung receiving R685 410,00 for the Waste Management project's feasibility study.

Some of the Rental Housing Stock created through past legislations is still maintained by the Department. In an attempt to alleviate the problem the Department concluded a verbal cooperative agreement with the ward councillor and the chairperson of the Mangaung Local Municipality Housing Portfolio Committee in terms whereof problems concerning the payment of rentals, evictions and all related issues concerning tenants in Erlichpark will be handled together. This lightened the department's onerous duty of dealing with individual tenants who either refused to pay rentals or were genuinely not in position to pay.

In view of transferring rental stock to the municipalities in whose areas of jurisdiction some are located, negotiations of said transfers are underway in Sasolburg (Metsimaholo Municipality). Same will commence between the Department and the Mangaung Local Municipality.

## DEVELOPMENTS IN HOUSING POLICY

### HOUSING ACT

The Housing Act (107) was amended and has come into operation from 1 February 2002 resulting in the following important achievements:

#### PHASING OUT OF PROVINCIAL HOUSING BOARD

The amendment to section 8 of the Act repealed the operations of the Provincial Housing Boards allowing the Member of the Executive Council responsible for housing to assume the functions of the defunct Board. The Department, in line with the National Department of Housing, also amended the Provincial Housing Act (No. 6 of 2001) that abolishes the Board.

#### RESTRICTION ON SALE OF STATE SUBSIDISED HOUSING

New amendments were introduced in the legislation (section 10A and 10B of the Housing Amendments Act no. 4 of 2001) to curb eminent fraudulent practices. The amendments restrict the beneficiary a right of first option on the sale of the property for the value not greater than the total sum of the subsidy granted.

#### APPLICATION OF THE NATIONAL HOME BUILDERS REGISTRATION COUNCIL (NHBRC) WARRANTY SCHEME

With effect from 1 April 2002 the warranty scheme of NHBRC will apply to state subsidized housing. This move will ensure that all the developers and contractors involved in the provision of low cost housing register with NHBRC. The beneficiaries will be required to contribute an amount of R2 479,00 except in the case of those beneficiaries that receive welfare grants (R570, 00). The contributing beneficiaries will receive an increased subsidy of R 20 300,00.

#### RENTAL HOUSING

The Rental Housing Act of 1999 (Act 50 of 1999) provides for the establishment of partnerships between Government and the Private Sector in an attempt to encourage investment in rental housing. It further provides for the governance of the relations between landlords and tenants. Municipalities are responsible for establishing Rental Housing Information Offices (RHIOs) to advise and educate communities on their rights and obligations relating to rental housing and to link with the Rental Housing Tribunal in terms of referring issues of dispute.

#### RENTAL HOUSING TRIBUNAL

The submission requesting approval to establish a Rental Housing Tribunal served before the Executive Council which adopted the Regulations promulgated in terms of the Rental Housing Act 50 of 1999.

#### SOCIAL HOUSING POLICY

There will soon be a Social Housing Policy as well as an Act (Bill) that will regulate the establishment of Social Housing Institutions. Both the policy and the Bill will be focused on the regeneration of the inner city

## HOUSING

programmes. In tandem with the envisaged policy, the Department, the Mangaung Municipality and the Private Sector have concluded a cooperative agreement in terms where of a Social Housing Pilot is established to provide 250 units.

The National Department of Housing together with the Social Housing Foundation formed a Core Team that will lead deliberations on the development of a policy document on Social Housing. The First workshop was held on 3 December 2001. This policy will provide firm guidelines to institutions in lieu of the pilots that have been operating in the country for the last five years.

#### REVISION OF THE HOSTEL POLICY

Hostel Upgrading in the province is undertaken according to the Policy for the Upgrading of Public Sector Hostels Initiative Operations Manual, based on allocation of subsidies. A National Task Team is presently considering and evaluating draft policies on hostel upgrading that will translate into National Policy in this regard. Free State was one of the three provinces identified for the revision of the policy and the tender to the consulting firm for the Free State version amounted to R293 515.58

Amongst our recommendations we advocated that the Hostel Upgrading be synthesized with the Institutional subsidy scheme as well as the Social Housing programme to realize maximum impact.

#### PARTNERSHIPS

##### PARTNERSHIP WITH NURCHA

The Department, in conjunction with the National Urban Reconstruction and Housing Agency (NURCHA), is continuing to instill pride of property ownership by encouraging equity contribution in housing construction. In principle, this ensures that families become consumers capable of making choices rather than being passive beneficiaries.

#### HOUSING CAPACITY BUILDING PROGRAMMES

In partnership with the University of the Free State, the department has embarked on capacity building programmes in the following fields:

- Housing Policy Development and Management Programme
- Institutional Development for Housing and Urban Management
- Project Management
- Financial Management
- Social Housing Education
- Consumer Education
- Housing Subsidy System Training
- MS-based Project Management
- On Line Computer Training Programme

Achievers in these programmes are certified and graduation/certification ceremony was held in April 2002.

Housing Support Organisations involved in the People's Housing Process will soon benefit in training in Financial Administration, Project

Management, Construction Management and Tendering Process fields. About 150 candidates are envisaged to participate.

#### UUDP/GTZ PARTNERSHIP

The partnership between the German Technical Cooperation (GTZ) and the Department through Urban Upgrading Development Programme (UUDP) continues to produce good results. GTZ/UUDP provides technical support and capacity building in different areas of housing within the province. GTZ is also involved in the facilitation of People's Housing Process in Botshabelo, Reitz, Zastron and Theunissen. The programme is in its Consolidation Phase and will be terminated in March 2003.

The attached table stipulates activities in which GTZ/UUDP is involved. Refer to annexure 1 on page 49.

#### HOUSING LEKGOTLA

The Department held its Second Annual Housing Lekgotla at Matjhabeng on 27 and 28 April 2001. This initiative provided a platform to consult and interact with the different stakeholders. This consultation process creates a platform to observe and share good practices as well as to identify shortfalls and inadequacies.

This Lekgotla also confirmed that the draft Housing Strategy was in sync with the reality and the context of housing in the Province.

#### NEW INTERPHASE PROGRAMMES

Software was installed by the National Department of Housing on the Debtor System. New functions were created on the system that makes it easier and quicker to attain certain level of performance. Before the new inter-phase functions, changes of the tenant's particulars were done manually and this often led to wrong information being captured on the system. The capturing is now done quicker and accurately.

#### CHALLENGES

##### RENTAL STOCK

The Department will need to engage in vigorous programmes to improve payment of rentals from people residing in the Department managed properties. Despite the verbal cooperative agreement with the ward councillors, especially in Mangaung, the spectre of non-payment still remains. The problem is compounded by the fact that low income groups are accommodated in the said houses. Consequently, it is impossible to charge the rent at going market rate of charge interest on arrears as is provided for by the Public Finance Management Act.

The Department successfully carried out evictions of tenants refusing to make any effort to pay rentals but only to experience illegal occupancies. In some instances the task of both allocating and evicting is rendered impossible by political parties that threaten confrontation should these tasks be carried out.

## HOSTEL UPGRADING

Further funding is still needed to complete hostel upgrading in Bloemfontein. Four hostel complexes have been identified in Welkom for upgrading and funds will have to be allocated in future. An approximate amount of R16 302 400.00 will be needed to upgrade the said facilities.

Hostel upgrading in the province is done on the basis that beneficiaries rent and do not own. Municipalities in which hostel upgrading took place are now responsible for the maintenance of these complexes as hostel dwellers do not pay the rent or services charges.

## RURAL HOUSING

The rural housing project in Qwaqwa experienced several problems. These problems should be taken into account, as they will influence future successes of similar projects. These are: the land status and the subsequent unavailability of Permission to Occupy (PTO's) certificates; political interference by some ward councillors.

### Annexure 1

Integration of Housing Sector Plan with IDP	Support the scaling up of the Shallow Sewer Technology in housing delivery	FreeState Housing Strategy	Mobility facilitation Programme in low income housing	Savings schemes beneficiary education	Buffer Strip Development in Theunissen	Promotion of Best Practice in housing delivery
Clear out understanding of Housing Sector Plan Workshop and pilot the idea with Mohokare Municipality.	Request feedback on the response from DWAF regarding shallow-sewer technology. Agree with the consultant and the district/local council in Reitz/Petsana on the way forward.	Briefing with MEC Broad circulation of the document and feedback. Endorsement by legislature Pilot strategy implementation through interim operation plan. Integration of housing strategy with Provincial Housing Plan.	Liaise with Afribike for identification on of more sites in the Free State. Seek MEC participation in the official launch of Afribike in the Free State Formalised partnership with Department of Roads & Transport.	Explore collaboration with NURCHA and NHFC saving schemes Support the piloting of Beneficiary Education Program of NDOH in the Free State.	Offer support to council on marketing the buffer strip. Promote private sector (mining industry) participation in the housing component of the Buffer strip development.	Support Province in identification on and selection and promoting best practices. Support the incorporation of select best practices into the NDOH database.



LOCAL GOVERNMENT & HOUSING

# LAND USE ADMINISTRATION

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FREE STATE PROVINCE

## LAND USE ADMINISTRATION

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## ACTIVITY REPORT FOR THE PERIOD 2001/2002

### Programme 4

The purpose of this Directorate is to process all land use changes and land development applications in the Free State. The Directorate also deals with the conversion of leasehold to ownership rights for all areas in the Free State.

A major function of the Directorate is to expedite applications within the legislative framework in order to cause as little time lapse as possible before the developer can proceed with the development or the individual to have his house transferred as a full title property.

The legislative framework within which the Directorate operates is as follows:

- The Townships Ordinance 9 of 1969
- The Removal of Restrictions Act 84 of 1967
- The Less Formal Township Establishment Act 113 of 1991
- The Physical Planning Act 125 of 1991
- The Development Facilitation Act principles
- Annexure F as a remnant of the revoked Black Communities Development Act 4/1984
- Conversion of Certain Rights into Leasehold or Ownership Rights Act 81 of 1988
- During the period under discussion the Directorate handled the following applications:

Subdivisions	125
Consolidations	75
Removal of restrictions	78
Township establishments	15
Rezoning	128
Amendments of the General Plan	34
Inclusions	2
Amendments of the Town Planning Scheme	14
TOTAL	471

The Townships Board which also resorts under this Directorate had 22 scheduled meetings and 29 inspections and hearings where objections had been heard. It is interesting to note that hearings are now also taking place in historically disadvantaged areas as the residents become more aware of their rights and how development works. Another interesting aspect is that consolidations are now taking place in these residential areas as people begin to build bigger houses.

The economic slump had its affect on applications considered and in general the applications considered are fewer than in the previous year. The establishment of businesses is fewer than previously, but town house development is more frequent as single erven are too expensive to service and maintain. Subdivisions are also taking place more and this leads to more compact cities as intensification takes place.

Numerous developments have taken place such as a shopping centre in Kroonstad, a truck stop in Sasolburg and then various smaller business ventures in bigger towns. Investigations at four towns took place to initiate the process of converting leasehold into freehold rights. In this regard title conditions have also been prepared for numerous beneficiaries in Lindley, Kroonstad and Vrede. The particular sub-directorate dealing with these functions has also successfully mediated illegal evictions and illegal occupation of land in Bothaville and Bloemfontein.

Unfortunately the economic slump causes a decline in applications processed by the Directorate, but that does not mean that work necessarily becomes less. Officials at all levels have received computer training and also management and leadership training that will be required for their work.

The sub-directorate dealing with land development is also involved in the assessment of Land Development Objectives and Integrated Development Plans for each local and district municipality. The contributions made at these assessment and alignment committees are of value as the processes of future land development applications are also largely based on information contained in these documents.

The Directorate is also involved in the commenting on the new-fangled Land Use Management Bill and in this regard information sessions have been attended and comments conveyed to the national Department of Land Affairs.

In the majority of towns in the Free State land use control still takes place in terms of different documents and the Directorate has encouraged local municipalities to address this issue with earnest. In the period under discussion two town-planning schemes incorporating the previously "White" and "Black" areas into one document have been approved. These towns are Harrismith and Gariep Dam. This Directorate also played a leading role in the compilation of these documents as they were the first to really deal with this problem.

The Directorate is continually looking into processes that could be expedited and is also at present focusing on the future legislation and the role it will have to play in training and assisting the local municipalities as more and more functions are being assigned to them.



LOCAL GOVERNMENT & HOUSING

# DISASTER MANAGEMENT

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FREE STATE PROVINCE

## DISASTER MANAGEMENT

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DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
DISASTER MANAGEMENT

ACTIVITIES FOR THE YEAR 2001/2002

DATE	ACTIVITIES	PROGRESS/RESULTS
June-November 2001	1. Conducted and facilitated IDP Workshops at Lejweleputswa District Municipality. 2. Presented guidelines on how to formulate a Disaster Management (D/M) Plan including Contingency Plans for specific and individual management of disasters in their district. 3. Assisted in the establishment of District Disaster Management Committee.	Busy with the drafting of the plan.
June-November 2001	Attended Public Safety Portfolio Committee meetings at Lejweleputswa. The committee serves as a district disaster committee as well as Community Policing Forum due to the nature of cross cutting issues between disaster management and public safety forums.	Ongoing process.
April 2001 – March 2002	Attended POCOC and JOCOM meetings at the SAPS headquarters with delegates from the Airforce, SANDF, NIA, SAPS and other departments. Discussions were on public safety and provincial security programmes.	Ongoing
February 2002	Capacity building to the Thabo Mofutsanyana District Municipality on formulation of a Disaster Management Plan for the purpose of Integrated Planning. Also assisted in the formation of disaster management teams in the district.	The district is in the process of developing a plan.
March 2002	Started with stock audit of the communication equipment throughout the Province.	Ongoing
August 2001	Incident damage assessment in Moqhaka area (Kroonstad) caused by windstorm accompanied by rain. 60 houses damaged. Trees were uprooted leading to electrical damage and power cuts. 6 people sustained minor injuries.	The municipality managed to deal with the situation. The incident was reported to DPLG.
December 2001	Assessment of flood damage at Nala Municipality (Bothaville). Approximately 200 houses were flooded.	No houses/equipment were washed away. Lejweleputswa District Municipality involved.
March 2002	Assessment of reconstruction process relating to floods damaged areas in Maluti-a-Phofung Municipality.	Housing – 500 houses completed and occupied at Disaster Park. A further 500 in the process of being built. Infrastructure development at Disaster Park is still in progress (Road network, Road collector, Stormwater). Repair to Schools = 75% complete. Roads and Bridges = 100% complete. Clinic erection = complete. Sports Complex and Drainage System at the stadium = complete.

May 2001	Hazmat incident N1-South: Assessment of accident between Trompsburg and Springfontein in which a driver of a truck died and large quantity of soda and caustic pearls were spilled on the road and adjacent veld. The route was closed for more than a day.	The incident was reported to DPLG.
November 2001	Severe rainstorm in Wepener area damaged the main water pipe that provides the town with water. This led to reservoirs running dry after two days.	The directorate requested SANDF to assist with provision of water to the area for three days.
December 2001	A windstorm caused damage to the southern suburbs of Mangaung leading to roofs being blown off, trees uprooted, electricity and telephone lines damaged. Approximately 100 houses were damaged.	Mangaung Municipality managed to deal with the situation.
December 2001	A windstorm followed by heavy rain in Kroonstad (Moghaka Municipality) damaged houses, telephone cables and lack of supply of water in the Kroonstad area.	Moghaka Municipality managed to deal with the situation.
December 2001	Structure fire in which a whole block, that included a cafe and a furniture shop were affected.	Acquisition or upgrade of improved fire engines was recommended.
January 2002	On Saturday, January 2002 at 16:00 a JOC was formed to address water crisis in Jagersfontein caused by the cleaning of De Beers mine dumps, which led to water table dropping to about 70m and reservoirs went dry.	SANDF had to deploy water tankers to supply water for 4 days.
March 2002	Heavy rainfalls and storm winds erupted in Kutlwanong – Odendaalsrus, leading to damage to 20 houses and 75 informal houses. This resulted in some of the residents being homeless.	Provincial Disaster Management in consultation with Lejweleputswa Municipality formed a JOC for possible relief measures.
August 2001	Transfer of staff and equipment of Thaba Nchu Fire Station from the Department to Mangaung Local Municipality.	Finalization of transfer.
April 2001 – March 2002	Participated in South African Road Agency meetings with regard to safety and accidents prevention on N1 and N8 national roads.	Ongoing
April 2001 – March 2002	Hosting and co-ordinating Provincial Disaster Management Committee with a view to develop a uniform Provincial Disaster Management Plan.	Ongoing
April 2001 – March 2002	Provision of workshops on National Veld and Forestry Act and the establishment of Fire Protection Association to Landowners.	Ongoing
December 2001	Provided presentation to Mantsopa Municipality officials on Disaster Bill Management and Contingency Plans. Attended the D/M meeting with the Portfolio Com. The Bill was withdrawn after being presented to the Fiscal Financial Committee for inputs.	Busy developing their own plan. District Municipalities shall in future receive conditional grants for District Management for a period of two years.



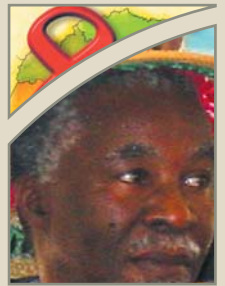
LOCAL GOVERNMENT & HOUSING

# TRADITIONAL AFFAIRS

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FREE STATE PROVINCE

# TRADITIONAL AFFAIRS

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## Traditional Affairs

The final phase of the White Paper Process on Traditional Leadership was characterized by the demands from sectors of Traditional Leadership relating to their powers and functions. Vigorous consultations and processes were engaged into in an attempt to finalise the matter within clear defined parameters. The Bill on Powers and Functions of the Traditional Leaders was withdrawn in order to enrich the process and we hope the process will soon reach finality. Discussions and consultations between the Department and the Office of the Premier are at an advanced stage to finalize the issue pertaining to the location of the House of Traditional Leaders. This effort will bring about synergy and proper co-ordination within the spheres of Government.

New challenges presented themselves as the Department continued in its endeavour to provide administrative and policy development service on matters relating to Traditional Leaders and their related institutions (House of Traditional Leaders and Tribal Councils) which includes amongst others:

- Upgrading of salaries and allowances of Headmen and Clerical Staff of Tribal Councils
- Recognition of the representatives of Makhlokoe Tribal Council and Batlokoa ba Makgalong
- Chieftainship of Thibella Tribal Council
- Upgrading of Subsidy Grant to Tribal Councils
- The Status Quo relating to the Khoisan Communities in the Provinces.

### ACHIEVEMENTS

- The issue relating to the succession rights of Thibella Chieftainship has been successfully dealt with and the report has reached its final stage. Recommendations will soon be implemented.
- Cases that needed to be mediated in the Province were attended to and relationship between councillors and Traditional Leaders is improving though much may be achieved through constant engagements
- Problems encountered in the past relating to the payments of allowances of the Tribal Councils has been eradicated.

The challenges presented by the Traditional Leaders relating to recognition and subsequent payment of salaries to representatives of some tribal councils will require some Amendment to the 1994 Act and since this is a Policy matter some research will be conducted in the year ahead. While this issue receives attention a number of options are considered to give immediate relief to the plight of Traditional Leaders.

Date: 08 August 2002

December 2001	Provided presentation to Motheo District Municipality officials on Disaster Management Bill and Contingency Plans.	Busy developing their own plan.
March 2002	Attended Northern Free State District Municipality's IDP workshop in Kroonstad.	Ongoing
April 2001 – March 2002	Provided training on Fire Prevention and Fire Fighting to 282 provincial employees and disaster management volunteers.	Ongoing
April 2001 – March 2002	1. Provided training on Disaster Management to 34 provincial employees and disaster management volunteers.  2. Provided training on Veld and Forestry Act to 234 landowners.	Ongoing  Ongoing

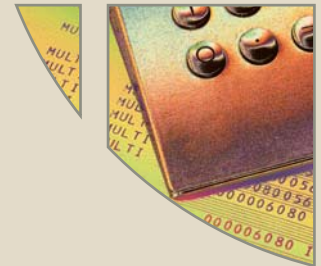
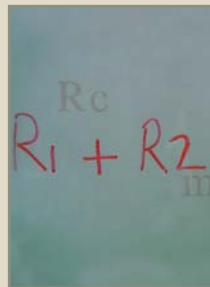


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FREE STATE PROVINCE

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# DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING

## VOTE 8

### MANAGEMENT REPORT

For the year ended 31 March 2002

Report by the Accounting Officer to the Executive Authority and Provincial Legislature of the Free State Province.

### 1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

A total amount of R 375 107 000 was appropriated in the main budget of the Department with an additional amount of R 96 844 000 (included improvement of conditions of service) appropriated in the adjustment budget. The total budget for the financial year ended 31 March 2002 amounting to R 471 951 000. The total expenditure for the financial year amounting to R 406 576 000 that left the Department with a surplus of R 65 375 000. Included in the surplus is R 58 144 000 already committed in terms of contractual obligations. (See paragraph 3) The balance of the surplus is mainly due to a saving under personnel expenditure as a result of the approval of the new departmental structure late in the financial year. During the next financial year a number of critical posts will be filled within the Department.

### BUDGET RECONCILIATION

	R'000
Amount appropriated, excluding rollover	375,107
Plus: Improvement in conditions of service	1,598
Plus: Adjustment estimate	95,246
Rollover from previous year	58,398
Additional funds	36,848
<b>SUB-TOTAL</b>	471,951
Less: Total Expenditure	(406,576)
Authorised programme	(406,282)
Authorised losses	(294)
Surplus per Appropriation account	65,375
Less: Rolled over/carried forward	58,144
<b>Amount to be utilised</b>	7,231

## 2. SERVICES RENDERED BY THE DEPARTMENT

### Tariff Policy

The Department for the financial year ended 31 March 2002 surrendered the following services:

- a) Amendment to the Town-planning scheme by rezoning.
- b) Removal of restrictions.
- c) Alterations to or suspension of restrictions.

A tariff policy regarding the fees payable in regard to the following three sets of Legislation had been developed:

- a) Removal of Restrictions Act, 1967 (Act No. 84 of 1967)
- b) Townships Ordinance, 1969 (Ordinance No. 9 of 1969)
- c) Development Facilitation Act, 1995 (Act No. 67 of 1995)

With any application received in regard to the above-mentioned legislation, an application fee of R 2 000 is charged together with an undertaking to pay any cost exceeding R 2 000 when the advertisement is placed in a newspaper. The procedure to calculate the actual cost of an application is as follows:

- a) All Land Development advertisement costs/accounts are calculated in the same way except those that are advertised in the Provincial Gazette.
- b) Read all the lines in the placed advertisements from Newspaper Agencies.
- c) Check the total cost of all the advertisements placed as given on the account.
- d) Determine the cost of each line by dividing the total cost by the number of the lines.
- e) Determine the cost of the heading lines (title) by multiplying the number of headings by the cost for each line.
- f) Determine the cost to be paid by each applicant for heading lines.
- g) Determine the cost of the first advert, which is equal to the number of lines on the first advert multiplied, by the cost of each line. Add to this amount the cost in regard to the headlines.
- h) Determine the cost of the second advert the same as in point (g).

The policy is currently under review and might change as from the financial year ending 31 March 2003.

## 3. UNDER/(OVER) SPENDING R'000

An under expenditure of R 65 375 has occurred by the Department. The saving occurred under the following standard items:

	R'000
a) Personnel	9 327
b) Administration	1 546
c) Inventories	274
d) Equipment	1 245
e) Professional and Special Services	10 656
f) Transfer Payments	42 444
g) Miscellaneous	177
h) Special functions: Authorised losses	(294)
Total amount	R 65 375

Approval was requested from Provincial Treasury in accordance with Treasury Regulations Chapter 6, section 6.4 and section 30(2)(g) and section 31(2)(g) of the Public Finance Management Act, No. 1 of 1999 for funds to an amount of R 58 144 to be rolled over from the financial year ending 31 March 2002 to the financial year ending 31 March 2003. All funds requested for roll over are in regard to conditional grants and/or commitments already contractually entered into. The amount requested is made up as follows:

	R'000
a) Human Settlement Redevelopment Programme	5 000
b) Municipal Infrastructure Programme	22 541
c) Informal Settlements	428
d) Flood Victims: Housing Projects	2 200
e) Municipal Infrastructure Programme: Capacity Building	4 720
f) Management Support Teams	12 148
g) Investigation into Housing Projects	200
h) Free State Housing Prioritisation Model	200
i) Personnel Expenditure: Former R 293 Towns	7 564
j) Integrated Development Programme	300
k) Provincial Integrated Development Programme	1 400
l) Approved Pool Vehicles: Housing Administration	440
m) Computer Equipment already ordered	1 003
Total amount	R 58 144

#### 4. Capacity constraints

Adequate infrastructure is in place to deal with issues of capacity in the Department of Local Government and Housing as the Skills Development Act and accompanying legislation's places responsibility squarely on the Department to ensure development of human resources. Funds were appropriated in terms of the Skills Development Levies Act to build capacity in the Department. The Department has reviewed its organisational structure and strategic plan to bring them in line with the current realities with a view to maximises service delivery. As the new organisational structure was only approved in the last part of the financial year, most of the Directorates within the Department performed its functions with a shortage of personnel. As all functions were performed as expected within the Department, most personnel were responsible to perform additional functions. The Department will however fill a big number of vacant posts within the financial year ended 31 March 2003.

## 5. OTHER ORGANISATIONS TO WHOM TRANSFER PAYMENTS HAVE BEEN MADE

The main functions performed by the Department are to:

- a) Support, strengthen and ensure sustainable and developmental Local Government and Traditional Authorities
- b) Facilitate and co-ordinate integrated housing and infrastructure development.

As a result of the main functions of the Department, transfer payments are made to the following organisations:

- a) District Municipalities
- b) Local Municipalities
- c) Developers

## 6. CORPORATE GOVERNANCE ARRANGEMENTS

### 6.1 Management process to minimise conflict of interest

A clear division of tasks within the Department was developed with the establishing of the newly developed organisational structure as well as the reviewed strategic plan of the Department. The rotation of personnel was minimised to ensure continuity within functions and where a shortage of staff was experienced that resulted into an official performing more than one function, closed supervision was exercised.

### 6.2 Implementation of a Code of Conduct

The code of conduct has been marketed and the awareness of its existence was immensely promoted during the financial year. Due to this, a peaceful atmosphere and sound labour relations prevail in the Department.

### 6.3 Safety and healthy Environment

The act in this regard was well marketed and all the appropriate committees were established. Areas designated as smoking places have been identified and the Department of Public Works, Roads and Transport is busy changing these areas as required.

## 7. DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

### a) Former R 293 Personnel

The Member of the Executive Council, Local Government and Housing published a Provincial Notice in terms of Section (2)(1) of the Transfer of Staff to Municipalities Act, 1998 (Act No. 17 of 1998) in the Official Gazette on 24 August 2001. On 1 September 2001 a total number of 900 officials related to the former R 293 Towns, (Botshabelo, Tshiamo, Thaba Patchoa and Oppermansgronde) were transferred to the respected Municipalities. To ensure the transfer of these officials, all promotions, performance appraisals, merit awards were updated and paid together with the leave gratuities of the said personnel. A total

number of 645 officials were not transferred and although being on the establishment of the Office of the Premier, they were paid until 31 March 2002 under Programme 7 of the Department of Local Government and Housing. As from 1 April 2002 the Office of the Premier will handle all payments regarding the remaining 645 officials.

#### b) Selosesha Fire Station

On 1 September 2001 all 29 firemen at the Selosesha Fire Station were also transferred to the Mangaung Municipality. To ensure the transfer of these officials, all promotions, performance appraisals, merit awards were updated and paid together with the leave gratuities of the said personnel. All fire-fighting equipment, emergency medical equipment, office equipment as well as the following vehicles were transferred to the Municipality:

a) Nissan 4X4	GKB001FS
b) Toyota Venture	GKB003FS
c) Nissan LDV	GKB009FS
d) Mazda Ambulance	GKB008FS
e) Nissan Fire Tanker	GKB005FS
f) Land Rover	GKB011FS
g) Dinghy and Trailer	GKB010FS
h) Iveco	GKB004FS
i) Mazda 4X4	GKB002FS
j) Toyota Tanker	GKB006FS

As all these assets were transferred previously from the North West Provincial Government as well as the fact that most of the equipment was very old, approval was obtained from the Provincial Treasury to transfer them together with the function without any cost to the Mangaung Municipality. Realistic current values were not available for this equipment and therefore they are not disclosed as a note to the financial statements.

#### c) Consolidated Municipal Infrastructure Projects

As from the beginning of the financial year, all Consolidated Municipal Infrastructure Projects' allocations were made to the 5 District Municipalities. Due to capacity constraints within the District Municipalities, all funds were still handled for the greater part of the financial year by the Department of Local Government and Housing. The Department however capacitated the District Municipalities as well as two Municipalities and as from February 2002 they handled the financial administration. For the new financial year, all funds will flow directly from the Department of Provincial and Local Administration to the various District Municipalities. As from 1 April 2002 the Department of Local Government and Housing will monitor the process as follows:

- a) Bi-monthly progress meetings.
- b) Monthly progress of expenditure against allocations.
- c) Submission of monthly, quarterly, bi-annual and annual reports.
- d) Monthly meeting will be held with the Department of Provincial and Local Government.
- e) Monthly cash flows will be evaluated against expenditure.
- f) Monthly site meetings.

The Capacity Building Grant will still be appropriated within the Department of Local Government and Housing to ensure that capacity is built within the various District Municipalities.

## 8. NEW/PROPOSED ACTIVITIES

As a result of the review of the organisational structure and the strategic plan of the Department of Local Government and Housing to align it with the Provincial Development plan, the following areas were identified as new/proposed activities from the financial year ended 31 March 2003:

- a) Restructuring of Special Programmes.
- b) Establishing a Legal Service for the Department.
- c) Establishment of Land Use Tribunals.
- d) Training of Municipal Officials on Land Use regulations.
- e) Language Management and Development within Municipalities.
- f) Establishing of an Interdepartmental Provincial Task Team on farm problems.
- g) Establishing of Municipal excellence awards.

## 9. PROGRESS WITH FINANCIAL MANAGEMENT IMPROVEMENTS

During the financial year ended on 31 March 2002, great emphasis was on improving internal control within the Department of Local Government and Housing. Meetings were held on a monthly basis regarding internal control and new systems put in place (revenue collection regarding Land Use) was closely monitored. During January 2002 consultants were also appointed to perform a total risk assessment and to compile a fraud prevention plan. Extension in this regard was obtained from the National Treasury and will a Fraud Prevention Plan be in place early within the next financial year. As the Free State Provincial Legislature repeal its resolution regarding centralised Audit Committees, the Department will ensure that an Internal Audit Unit will be established within the first part of the next financial year. On the new organisation structure the post of Chief Financial Officer was also created and will this post be filled within the next financial year.

## APPROVAL

The attached annual financial statements set out in pages 79 to 97 have been approved by the Accounting Officer.



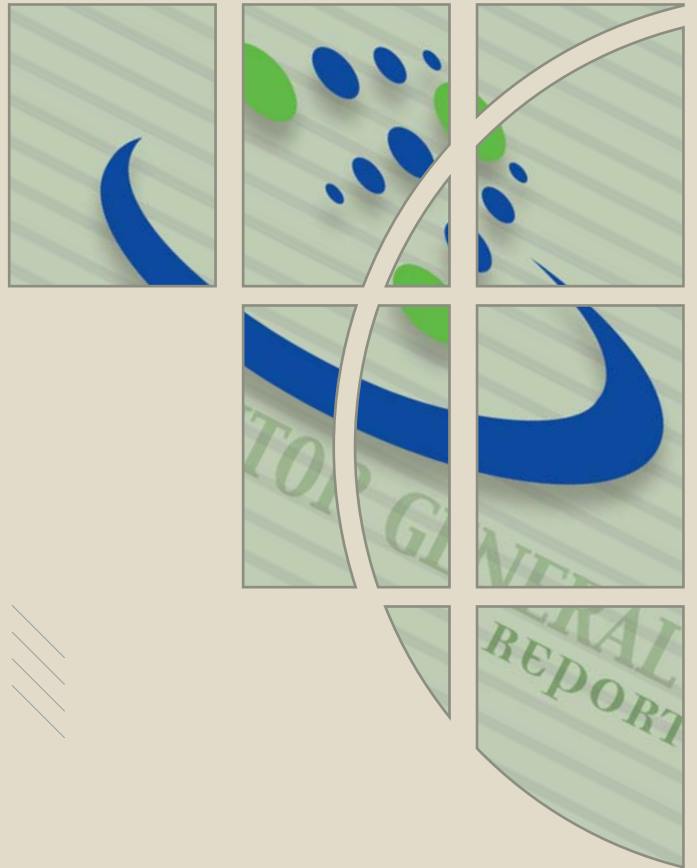
Mr. M S Msibi  
Deputy Director General  
(Accounting Officer)

Date: 31/05/2002

LOCAL GOVERNMENT & HOUSING

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AUDITOR GENERAL

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FREE STATE PROVINCE





REPORT

OF THE

AUDITOR-GENERAL

TO THE

FREE STATE PROVINCIAL LEGISLATURE

ON THE

FINANCIAL STATEMENTS OF VOTE 8 –  
LOCAL GOVERNMENT AND HOUSING

FOR THE

YEAR ENDED 31 MARCH 2002

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AUDITOR GENERAL

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REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF VOTE 8 - LOCAL GOVERNMENT AND HOUSING FOR THE YEAR ENDED 31 MARCH 2002

## 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 79 to 97 for the year ended 31 March 2002, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

## 2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

## 3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Department of Local Government and Housing at 31 March 2002 and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice.

## 4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

### 4.1 Matters affecting financial statements

#### 4.1.1 Revenue

With reference to paragraph 3.1.2 of the previous report, the accuracy of the income of R363 420 (2001: R441 933) regarding

A U D I T O R   G E N E R A L

rezoning fees could not be verified whilst the management of revenue did not in all instances ensure the completeness and timeous collection of revenue due to the department as no reconciliation of the rezoning fees register to the Financial Management System (FMS) was performed, receipt numbers were not recorded in the register, details of outstanding fees could not be provided and regular follow-up of the outstanding revenue and those referred to the State Attorney was still not instituted.

#### 4.1.2 Accounts receivable

Included in accounts receivable were fraudulently cashed cheques (R143 599) and personnel debt (R242 910) outstanding as far back as 1995. The recoverability of these amounts appears to be doubtful.

#### 4.2 Matters not affecting financial statements

##### 4.2.1 Weaknesses in internal control

An effective, efficient and transparent system of internal control as required by section 38(1)(a)(i) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), was not maintained in all instances. Apart from the deficiencies mentioned elsewhere in this report, the following serve as examples of other deviations that were revealed. If not corrected it could ultimately result in losses for the department.

- (a) A credit control policy for the proper management of accounts receivable could not be submitted for audit purposes. Examples where debtors increased to R503 798 (2001: R272 201) were revealed and an effective policy to recover debtors is seriously required.
- (b) Commitment registers were not in all instances checked for correctness on a regular basis.
- (c) Although the total approved budgeted amount was correctly disclosed in the financial statements, the individual amounts allocated to the different programmes on the Financial Management System (FMS) were incorrect.
- (d) During the audit it was noticed that a total amount of R294 322 was paid to staff members working for another department. If this amount is not recovered it could be seen as fruitless expenditure for the department.
- (e) Although reconciliation's were done, monthly salary expenses as per PERSAL did not in all instances reconcile with amounts debited on the Financial Management System (FMS). This matter was reported on in the previous two audit reports.

##### 4.2.2 Assets

- (a) With reference to paragraph 3.1.3(a) of the previous report, the assets register was not continuously updated with the movement of assets. Various differences between the register and actual items were also found during the physical verification of assets.

- (b) Assets identified for disposal and unused assets were not disposed of. At the time of the audit various items were found which were apparently redundant. This matter was also reported on in paragraph 3.1.3(b) of the previous report.

#### 4.2.3 Radios in possession of other persons

According to paragraph 3.5 of the 1999/2000 audit report, the department indicated that 559 radios with a total value of R289 559 existed, whereas a subsequent physical verification by the department during March-April 2000 indicated 576. The original number of radios was, however, 949. Notice has been taken that the department is busy to resolve and dispose of the absolute items.

#### 4.2.4 Services rendered by personnel at municipalities

##### (a) Transfer and costs involved

With reference to paragraph 3.4.1 of the previous report as well as resolution no. 55 of the Provincial Public Accounts Committee (PROPAC) that was Tabled and adopted by the Legislature on 6 December 2001, the transfer process should be finalized as soon as possible but not later than 31 March 2002. The majority of staff members have been transferred with effect from 1 September 2001. The cost for the year under review amounted to R51 461 274 (2001: R62 754 469) which includes R11 706 238 for leave gratuities paid to municipalities.

Notice has been taken that the department requested the Treasury to transfer all funds on its budget to the Office of the Premier with effect from the 2002/03 financial year, as the department does not consider the accounting of this matter to be its responsibility.

##### (b) Possible fruitless expenditure

Notice has been taken that the Office of the Premier is busy with a continuing process to place officials and try to keep track of where officials work, although proved to be difficult. The Office of the Premier identified 35 (2001: 79) staff members that were paid but were apparently at home. Calculated at their salary notch at 31 March 2002, these instances represented expenditure of approximately R1,3 million (2001: R2,4 million) per annum. If confirmed, fruitless expenditure for the two years could amount to approximately R3,7 million. The matter was brought to the attention of the accounting officer for handling in terms of section 38(1)(g) of the PFMA, but at the time of writing this report, comments were not yet received.

#### 4.2.5 Non-compliance with laws and regulations

##### Virement

In terms of section 43 of the PFMA, an accounting officer may utilise the saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within the same vote, but the amount utilised may not exceed 8% of the amount appropriated under the main division. In seven of the eleven programmes where virement was approved, the

limit of 8% was exceeded. However, the actual expenditure realized were significantly less than amounts envisaged in the application for the approved virement.

#### 4.2.6 Financial management

##### Internal audit and audit committees

In terms of section 38(1)(a)(ii) of the PFMA the accounting officer of a department must ensure that the department has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with sections 76 and 77 of the PFMA and the Treasury Regulations. The department has established neither an internal audit unit nor an audit committee yet. Cognisance is taken of the fact that the Free State Provincial Executive Council approved in resolution no. 56/2002 dated 10 April 2002 that:

- Executive Council resolution no. 149 (dealing with a centralised internal audit unit based in the Department of Finance and Expenditure) be withdrawn;
- The departments be allowed to establish their own internal audit units; and
- The Departments of Education, Health, Social Development and Public Works, Roads and Transport each be allowed to appoint their own audit committees. The other Departments are to appoint one audit committee, which will be shared.

This matter was also reported in paragraph 3.2 of the previous report.

#### 4.3 Reference to other audits

##### Performance audit

In terms of PROPAC resolution no. 55 paragraph 3(b), Tabled and adopted by the Legislature on 6 December 2001, a performance audit on management support teams is currently conducted and will be reported on separately.

#### 5. APPRECIATION

The assistance rendered by the staff of the department during the audit is sincerely appreciated.



B J K van Niekerk  
for AUDITOR-GENERAL

Bloemfontein  
30 July 2002

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS  
for the year ended 31 March 2002

The financial statements have been, unless otherwise indicated, prepared in accordance with the following policies, which have been applied consistently in all material respects. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act 1999, (Act 1 of 1999) (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Public Finance Management Act 1999, (Act 1 of 1999) (as amended by Act 29 of 1999), and the Division of Revenue Act, Act 1 of 2001.

1. Basis of preparation

The financial statements have been prepared on the cash basis of accounting except where stated otherwise. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. This basis of accounting measures financial results for a period as the difference between cash receipts and cash payments.

2. Revenue

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the adjustment estimate. Interest received is recognised upon receipt of the funds, and no accrual is made for interest from the last receipt date to the end of the reporting period. Unexpended voted funds are surrendered to the Provincial Revenue Fund.

Dividends received are recognised as revenue in the financial statements to the department, however it is also recognised as an expense in the same year, as the dividends are paid over to the Provincial Revenue Fund.

3. Expenditure

Capital and current expenditure is recognised in the income statement when the payment is made. Interest is also recognised when paid and no accrual for interest is made between the payment date and the reporting date.

4. Unauthorised, irregular and fruitless and wasteful expenditure

Unauthorised expenditure means:

- the overspending of a vote or a main division within a vote, or
- expenditure that was not made with the purpose of a vote or in the

## VOTE 8

case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party, authorised by the Free State Provincial Legislature, or funded from future voted funds.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act,
- the State Tender Board Act, or any regulations made in terms of this act, or
- any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is treated as expenditure in the income statement until such expenditure is either not condoned by Provincial Treasury, at which point it is treated as a current asset until it is recovered from a third party.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party.

## 5. Debts written off

Debts are written off when identified as irrecoverable. No provision is made for irrecoverable amounts.

The procedure that is followed to identified debt as irrecoverable is:

- Accounts are monthly send to all debtors.
- If no response is received from debtors, the cases are handed over to the State Attorney.
- In cases where the address of the debtor is incorrect, the latest information is requested from the Department of Internal Affairs.
- Cases to be written off are submitted to the Deputy Director General for approval after the State Attorney had recommended that the amount be written off.
- Debt that could not be traced due to supporting documents are submitted to the Deputy Director General for approval to be written off.
- All amounts written off are in terms of the Financial Delegations approved by the Deputy Director General.

## 6. Assets

Physical assets (fixed assets, moveable assets and inventories) are written off in full when they are paid for and are accounted for as expenditure in the income statement.

VOTE 8

7. Receivables

Receivables are not normally recognised under the cash basis of accounting. However, receivables included in the balance sheet arise from cash payments that are recoverable from another party.

8. Payables

Payables are not normally recognised under the cash basis of accounting. However, payables included in the balance sheet arise from cash receipts that are due to either the Provincial Revenue Fund or another party.

9. Provisions

Provisions are not normally recognised under the cash basis of accounting. Provision is only made in regard to unauthorised expenditure that occurred during previous financial years.

10. Lease commitments

Lease commitments for the period remaining from the accounting date until the end of the lease contract are disclosed as a note to the financial statements. These commitments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

11. Subsequent payments

Payments are made after the accounting date that relates to goods and services received before or on the accounting date are disclosed as a note to the financial statements. These payments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

12. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is expensed in the income statement in the reporting period that the payment is made. Short-term employee benefits, that give rise to a present legal or constructive obligation, are deferred until they can be reliably measured and then expensed. Details of these benefits and the potential liabilities are disclosed as a note to the financial statements and are not in the income statement.

Termination benefits

Termination benefits are recognised and expensed only when the payment is made.

## VOTE 8

## Retirement benefits

The department provides retirement benefits for its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the Provincial Revenue Fund and not in the financial statements of the employer department.

## Medical benefits

The department provides medical benefits for all its employees through defined benefit plans. These benefits are funded by employer and/or employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for medical benefits in the financial statements of the department.

Retirement medical benefits for retired members are expensed when the payment is made to the fund.

## 13. Capitalisation reserve

The capitalisation reserve represents an amount equal to the value of the investments and/or loans capitalised, or deposits paid on behalf of employees of a foreign mission, for the first time in the previous financial year. On disposal, repayment or recovery, such amounts are transferable to the Revenue Fund.

## 14. Recoverable revenue

Recoverable revenue represents payments made and recognised in the income statement as an expense in previous years, which have now become recoverable from a debtor due to non-performance in accordance with an agreement. Repayments are transferred to the Revenue Fund as and when the repayment is received.

## 15. Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the department may reasonably have available for reporting.

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8

INCOME STATEMENT (STATEMENT OF FINANCIAL PERFORMANCE)  
for the year ended 31 March 2002

REVENUE	Note	2001/02 R'000	2000/01 R'000
Voted Funds			
- Conditional grants	1	360,441	375,698
- Portion of equitable shares		111,510	88,163
Non Voted Funds			
- Other receipts	2	869	1,148
<b>TOTAL REVENUE</b>		<b>472,820</b>	<b>465,009</b>
<b>EXPENDITURE</b>			
Personnel	3	88,311	100,569
Administrative expenditure		5,250	3,822
Inventory		1,060	983
Equipment	4	2,516	923
Professional and special services	5	24,239	17,933
Transfer payments	6	282,058	277,117
Miscellaneous	7	2,848	3,070
Special functions: authorised losses	8	294	31
<b>TOTAL EXPENDITURE</b>		<b>406,576</b>	<b>404,448</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>66,244</b>	<b>60,561</b>
<b>ANALYSIS OF NET SURPLUS FOR THE YEAR</b>			
Voted funds to be surrendered to Revenue Fund			
- Gross funds to be surrendered	14	65,375	59,413
Revenue to be surrendered to Revenue Fund	15	869	1,148
		<b>66,244</b>	<b>60,561</b>

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8  
BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
as at 31 March 2002

ASSETS	Note	2002 R'000	2001 R'000
<b>Current assets</b>		75,796	72,881
Unauthorised, irregular, and fruitless and wasteful expenditure	9	3,503	3,503
Cash and cash equivalents	10	53,233	62,781
Receivables	11	13,820	1,776
Prepayments and advances	12	12	43
Investments	13	5,228	4,778
<b>Total assets</b>		<u>75,796</u>	<u>72,881</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		75,736	72,633
Voted funds to be surrendered	14	65,375	59,413
Revenue funds to be surrendered	15	119	-
Payables	16	6,739	9,717
Provisions	17	3,503	3,503
<b>Total liabilities</b>		<u>75,736</u>	<u>72,633</u>
<b>NET ASSETS/EQUITY</b>			
Recoverable revenue		60	248
<b>Total net asset/equity</b>		<u>60</u>	<u>248</u>

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 March 2002

	Note	2001/02 R'000	2000/01 R'000
<b>Recoverable revenue</b>			
Opening balance		248	248
Transfer to revenue fund	15	188	-
Closing balance		<u>60</u>	<u>248</u>

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8

CASH FLOW STATEMENT  
for the year ended 31 March 2002

	Note	2001/02 R'000	2000/01 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash flow generated by operating activities	18	65,961	60,293
Cash generated (increase)/decrease working capital	19	(15,441)	3,368
Voted funds and Revenue funds surrendered	20	(60,351)	(1,148)
<b>Net cash flow available from operating activities</b>		<b>(9,831)</b>	<b>62,513</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of equipment	4	283	268
<b>Net cash flows from operating and investing activities</b>		<b>(9,548)</b>	<b>62,781</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(9,548)</b>	<b>62,781</b>
Cash and cash equivalents at beginning of period	10.1	62,781	-
Cash and cash equivalents at end of period	10.1	53,233	62,781

**DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING**  
**VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 31 March 2002**

1 Conditional grants Received from	Purpose	Voted amount	Actual expenditure 2001/02	Variance (over)/under	%	Actual expenditure 2000/01
		R'000	R'000	R'000		R'000
Department of Housing	Housing Fund	251,846	251,846	-	100.00%	218,306
Department of Housing	Human Settlement Grant	5,000	-	5,000	0.00%	-
Department of Housing	Capacity Building	1,439	1,380	59	95.90%	662
Department of Provincial and Local Government	Capacity Building	6,016	1,296	4,720	21.54%	-
Department of Provincial and Local Government	Personnel R 293 Towns	47,176	47,176	-	100.00%	62,753
Department of Provincial and Local Government	Integrated Development Plans	300	-	300	0.00%	-
Department of Housing	Housing Flood Victims	2,200	-	2,200	0.00%	-
Department of Provincial and Local Government	Management Support Teams	34,260	22,112	12,148	64.54%	11,338
Department of Provincial and Local Government	Consolidated Municipal Infrastructure Projects	11,578	11,578	-	100.00%	49,348
North West Province	Tribal Council Trust Funds	626	626	-	100.00%	-
		<u>360,441</u>	<u>336,014</u>	<u>24,427</u>	<u>93.22%</u>	<u>342,407</u>

1.1 Explanations of variances

Department of Housing:	Human Settlement Grant:	Funds were only disbursed to the Free State Province at the end of February 2002. These funds are already committed in two projects and were requested to be rolled over.
Department of Housing:	Capacity Building:	Due to the allocation regarding the Housing Fund, as well as the number of projects, it was not always possible for officials to attend all training courses.
Department of Provincial and Local Government:	Capacity Building:	The saving is due to the changes in the process regarding the handling of Consolidated Municipal Infrastructure Projects. The total allocation is handled by District Municipalities and a business plan was approved late in the financial year to allocate these funds to the 5 different District Municipalities. These funds were requested to be rolled over.
Department of Provincial and Local Government:	Integrated Development Plans:	This amount was already committed to monitor the implementation of the Integrated Development Programmes within the various Municipalities of the Province. As all funds are committed the total amount was requested to be rolled over.
Department of Housing:	Housing Flood Victims:	During the flood disaster in 2000 a total number of households had to be relocated. As the funds were only allocated during the end of the financial year as well as the fact that township establishment must still take place, the funds could not be spent. The amount was requested to be rolled over to the next financial year.
Department of Provincial and Local Government:	Management Support Teams:	These funds are earmarked to assist Municipalities facing various difficulties. As the financial year of Municipalities only ended on 30 June 2002, all funds could not be spent. The amount saved were requested to be rolled over to the next financial year.

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
For the year ended 31 March 2002 (continued)

2 Other receipts	Notes	2001/02 R'000	2000/01 R'000
<b>Descriptions</b>			
Gifts, donations and sponsorships received	2.1	42	-
Refund: Previous year		84	339
Salary recover previous financial year		17	114
Interest received		-	1
Fees: Establishment of Townships		12	20
Rezoning fees		364	442
Amendment fees		6	8
Consolidation fees		36	24
Interest		37	8
Interest subsidised vehicles		6	27
Loan debt new subsidised transport		85	165
Other receipts		180	-
		<u>869</u>	<u>1,148</u>
<b>2.1 Gifts, donations and sponsorships received in cash</b>		<b>2001/02 R'000</b>	<b>2000/01 R'000</b>
MEC budget speech cash contributions		42	-
		<u>42</u>	<u>-</u>
<b>2.2 Gifts, donations and sponsorships received in kind excluding RDP funds by the department (Value not included above)</b>		<b>2001/02 R'000</b>	<b>2000/01 R'000</b>
Television (37 cm Hitachi Fijian)                      FVH Productions		1	-
		<u>1</u>	<u>-</u>
<b>3 Personnel</b>		<b>2001/02 R'000</b>	<b>2000/01 R'000</b>
Basic salary costs		54,163	73,880
Pension contributions		8,203	11,105
Medical and contributions		2,623	2,840
Other salary related costs		23,322	12,744
		<u>88,311</u>	<u>100,569</u>
Average number of employees		<u>283</u>	<u>343</u>
<b>4 Equipment</b>	<b>Notes</b>	<b>2001/02 R'000</b>	<b>2000/01 R'000</b>
Current (Rentals, maintenance and sundry)		2,233	655
Capital	4.1	283	268
		<u>2,516</u>	<u>923</u>
<b>4.1 Capital equipment analysed as follows:</b>		<b>2001/02 R'000</b>	
Vehicles		283	
		<u>283</u>	

## DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING

## VOTE 8

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2002 (continued)

5 Professional and special services	Current expenditure	Capital expenditure	2001/02 R'000	2000/01 R'000
Private transport contractors	61	-	61	-
Other consultive services	13	-	13	53
Contractors and other services	19,069	-	19,069	2,368
Boards/committee members	104	-	104	119
Councils/committee's/commissions	231	-	231	11,501
Other consultants	3,480	-	3,480	3,077
Courier services	2	-	2	1
Other councils/commissions	3	-	3	32
Attorney general	-	-	-	16
Auditors remuneration	1,275	-	1,275	764
Law services	1	-	1	2
	<u>24,239</u>	<u>-</u>	<u>24,239</u>	<u>17,933</u>

6 Transfer payments	Current expenditure	Capital expenditure	2001/02 R'000	2000/01 R'000
<b>Transferee</b>				
Conditional grants - paid to				
Management support programme	5,486	-	5,486	-
Consolidated municipal infrastructure project	1,184	15,244	16,428	53,333
Housing funds	-	251,846	251,846	218,306
Traditional affairs	627	-	627	-
Grant in aid	6,000	-	6,000	2,420
Other transfers	1,671	-	1,671	3,058
	<u>14,968</u>	<u>267,090</u>	<u>282,058</u>	<u>277,117</u>

7 Miscellaneous	Notes	2001/02 R'000	2000/01 R'000
Stabilisation fund		-	789
Gifts, donations and sponsorships made	7.1	100	-
Civil pension claims		2,743	2,281
Other		5	-
		<u>2,848</u>	<u>3,070</u>

7.1 Gifts, donations and sponsorships paid in cash by the department (items expensed during current year)	Current expenditure	Capital expenditure	2001/02 R'000	2000/01 R'000
<b>Nature of gifts, donations and sponsorships</b>				
Mangaung Municipality: Healthy city project      Cash donation	100	-	100	-
	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>

8 Special functions: Authorised losses	Notes	2001/02 R'000	2000/01 R'000
Material losses through criminal conduct	8.1	75	3
Other material losses written off	8.2	5	14
Debts written off	8.3	214	14
		<u>294</u>	<u>31</u>

VOTE 8  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
For the year ended 31 March 2002 (continued)

8.1 Material losses through criminal conduct	Current expenditure	Capital expenditure	2001/02 R'000	2000/01 R'000
<b>Nature of losses</b>				
Criminal behaviour/ Negligent other personnel	75	-	75	-
Criminal behaviour/Negligent personnel	-	-	-	3
	<u>75</u>	<u>-</u>	<u>75</u>	<u>3</u>
<b>8.2 Other material losses written off in income statement in current period</b>				
<b>Nature of losses</b>				
Vehicle collisions (Own damage)	3	-	3	11
Other losses: Sundry items	1	-	1	3
Government vehicles	1	-	1	-
	<u>5</u>	<u>-</u>	<u>5</u>	<u>14</u>
<b>8.3 Debts written off</b>				
<b>Nature of losses</b>				
Other losses: debt	214	-	214	14
	<u>214</u>	<u>-</u>	<u>214</u>	<u>14</u>
<b>9 Unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure</b>				
	<b>Notes</b>		<b>2001/02 R'000</b>	<b>2000/01 R'000</b>
Unauthorised expenditure in respect of previous years not yet approved	9.1		3,503	3,503
			<u>3,503</u>	<u>3,503</u>
<b>9.1 Unauthorised expenditure in respect of previous years not yet approved</b>				
<b>Year disallowed</b>		<b>Incident</b>	<b>2001/02 R'000</b>	<b>2000/01 R'000</b>
Overspending 1998/1999 financial year		Salary payment of former R 293 personnel	3,503	3,503
			<u>3,503</u>	<u>3,503</u>
<b>10 Cash and cash equivalents</b>				
			<b>2001/02 R'000</b>	<b>2000/01 R'000</b>
Paymaster general account	10.1		53,233	62,781
			<u>53,233</u>	<u>62,781</u>
<b>10.1 Reconciliation of paymaster general account/ Exchequer account</b>				
			<b>2001/02 R'000</b>	<b>2000/01 R'000</b>
Paymaster general account balance			55,835	66,634
Add: Outstanding deposits			(2)	-
Sub total			<u>55,833</u>	<u>66,634</u>
Deduct:			2,600	3,853
Orders payable outstanding			2,608	14,521
PMG adjustment account			-	(3)
Persal ACB/BDB			-	3
Petty cash advance			(8)	(8)
Funds requisition			-	(10,698)
ACB control account			-	38
<b>Balance above</b>			<u>53,233</u>	<u>62,781</u>

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
For the year ended 31 March 2002 (continued)

11 Receivables - Current	Notes	2001/02 R'000	2000/01 R'000
Staff debtors	11.3	597	726
Other loans and debtors	11.4	13,223	1,050
		<u>13,820</u>	<u>1,776</u>
11.1 Amounts of R 89 000 included above may not be recoverable, but has not been written off in the income statement.			
11.2 Age analysis		2001/02 R'000	2000/01 R'000
Less than one year		13,169	1,495
One to two years		91	92
More than two years		560	189
		<u>13,820</u>	<u>1,776</u>
11.3 Staff debtors		2001/02 R'000	2000/01 R'000
Salaries		1	31
Deductions		4	242
Persal		592	453
		<u>597</u>	<u>726</u>
11.4 Other debtors		2001/02 R'000	2000/01 R'000
General suspense account		12,901	798
Fraudulent cashed cheques		175	153
Transfer central debt		1	-
General disallowance		1	15
Dishonoured cheques		2	-
Claims recoverable dept/prov		143	84
		<u>13,223</u>	<u>1,050</u>
12 Prepayments and advances		2001/02 R'000	2000/01 R'000
Subsistence and transport		3	29
Subsistence and transport: advances		9	14
		<u>12</u>	<u>43</u>
13 Investments		2001/02 R'000	2000/01 R'000
<b>Investee</b>	<b>Nature of investment</b>		
Corporation for Public Deposits	Advances	5,228	4,778
		<u>5,228</u>	<u>4,778</u>

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
For the year ended 31 March 2002 (continued)

	Note	2001/02 R'000	2000/01 R'000
<b>14 Voted funds to be surrendered</b>			
Opening balance		59,413	35,369
Transfer from income statement		65,375	59,413
Paid during the year	20	(59,413)	(35,369)
Closing balance		<u>65,375</u>	<u>59,413</u>
<b>15 Revenue funds to be surrendered</b>			
Transfer from income statement for revenue to be surrendered		869	1,148
Transfer from recoverable revenue		188	-
Paid during the year	20	(938)	(1,148)
Closing balance		<u>119</u>	<u>-</u>
<b>16 Payables - Current</b>			
<b>Description</b>	<b>Notes</b>	<b>2001/02 R'000</b>	<b>2000/01 R'000</b>
Advances received	16.1	1,409	3,861
Other payables	16.2	5,330	5,856
		<u>6,739</u>	<u>9,717</u>
<b>16.1 Advances received</b>			
Advances from departments		1,409	3,861
		<u>1,409</u>	<u>3,861</u>
<b>16.2 Other payables</b>			
General deposit account		60	1,063
Salary reversal ACB & tax departmental		-	15
Trust funds		5,228	4,778
Unclaimed salaries and wages		17	-
Income tax		2	-
Debtors: PMG		10	-
Cheque/EFT payments		13	-
		<u>5,330</u>	<u>5,856</u>
<b>17 Provisions</b>			
<b>Purpose of provision</b>			
Unauthorised expenditure 1998/1999		3,503	3,503
		<u>3,503</u>	<u>3,503</u>
<b>17.1 For each class of provision listed above:</b>			
		<b>2001/02 R'000</b>	
Opening balance		3,503	
Closing balance		<u>3,503</u>	

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING

VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2002 (continued)

18 Net cash flow generated by operating activities	Notes	2001/02 R'000	2000/01 R'000
Net surplus as per Income Statement		66,244	60,561
Adjusted for items separately disclosed		(283)	(268)
Purchase of vehicles	4.1	<u>(283)</u>	<u>(268)</u>
Net cash flow generated by operating activities		<u>65,961</u>	<u>60,293</u>

19 Cash generated (utilised) to (increase)/decrease working capital	2001/02 R'000	2000/01 R'000
(Increase)/decrease in receivables	(12,044)	(1,776)
(Increase)/decrease in prepayments and advances	31	(43)
(Increase)/decrease in investments	(450)	(4,778)
Increase/(decrease) in payables	<u>(2,978)</u>	<u>9,965</u>
	<u>(15,441)</u>	<u>3,368</u>

20 Voted funds and Revenue funds surrendered	Notes	2001/02 R'000	2000/01 R'000
Voted funds surrendered	14	(59,413)	-
Revenue funds surrendered	15	<u>(938)</u>	<u>(1,148)</u>
		<u>(60,351)</u>	<u>(1,148)</u>

21 Contingent liabilities				As at 31 Mar-02	As at 31 Mar-01
Liable to	Nature of contingent liability	Notes			
Housing loan guarantees	Employees	21.1	1,120	1,267	1,267
<b>Actual 2002: R'000</b>			<u>1,120</u>	<u>1,267</u>	

21.1 Housing loan guarantees		Opening balance	Guarantees issued during the financial year	Guarantees released during the financial year	Closing balance
Name of financial institution					
Standard Bank		133	48	76	105
Nedbank		15	-	15	-
First Rand Bank		38	-	23	15
ABSA		331	-	29	302
Fidelity		21	-	21	-
BOE Bank		153	-	20	133
Saambou Bank		377	14	77	314
Permanent Bank		191	88	36	243
Free State Development Corporation		8	-	-	8
		<u>1,267</u>	<u>150</u>	<u>297</u>	<u>1,120</u>

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
For the year ended 31 March 2002 (continued)

## 22 Subsequent payments not recognised in income statement

## 22.1 Listed by standard item

	2001/02 R'000
Administrative expenditure	24
Inventory	47
Equipment	7
Professional and special services	39
	<u>117</u>

## 22.2 Listed by programme level

	2001/02 R'000
1 Administration	64
2 Technical Advisory Services	2
3 Spatial Planning	1
4 Land Use Administration	2
5 Housing	42
11 Traditional Affairs	6
	<u>117</u>

## 23 Short term employee benefits

	2001/02 R'000
Leave entitlement	510
Thirteenth cheque	684
	<u>1,194</u>

## 24 Commitments

## Liable to

## Approved and contracted

	Current expenditure	Capital expenditure	2001/02 R'000
Human settlement redevelopment programme	-	5,000	5,000
Municipal infrastructure programme	-	22,541	22,541
Informal settlements	-	428	428
Flood victims: housing projects in Qwa Qwa	-	2,200	2,200
Municipal infrastructure programme: capacity building	4,720	-	4,720
Management support programmes	12,148	-	12,148
Investigation into housing related projects	200	-	200
Computer equipment already ordered	-	1,003	1,003
Free State housing prioritisation model*	200	-	200
<b>Approved and contracted</b>	<u>17,268</u>	<u>31,172</u>	<u>48,440</u>

## Approved but not yet contracted

Personnel expenditure: former R 293 towns	7,564	-	7,564
integrated development programme	300	-	300
Provincial integrated development programme	1,400	-	1,400
Approved pool vehicles: Housing Administration Directorate	-	440	440
<b>Approved but not yet contracted</b>	<u>9,264</u>	<u>440</u>	<u>9,704</u>
	<u>26,532</u>	<u>31,612</u>	<u>58,144</u>

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
For the year ended 31 March 2002 (continued)

25 Leases	Property	Equipment	2001/02 R'000
Later than 1 year and not later than 5 years	-	448	448
Future finance charges	-	-	-
Present value of lease liabilities	-	448	448
<hr/>			
<b>26 Key management personnel</b>			
<b>26.1 Remuneration</b>			<b>2001/02 R'000</b>
1 Deputy Director General			531
6 Directors			2,321
1 Deputy Director			207
			<hr/>
			3,059
<hr/>			
<b>26.2 Other remuneration and compensation provided to key management</b>			<b>2001/02 R'000</b>
Allowance to Deputy Director General as head of the Department			53

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING  
VOTE 8APPROPRIATION STATEMENT  
for the year ended 31 March 2002  
R'000

Programme	Adjustment estimate 2002	Virement 2002	Amount Voted 2002	Expenditure 2002	Savings (Excess) 2002	%	Amount Voted 2001	Expenditure 2001
1 Administration	8,912	(64)	8,848	7,999	849	9.60%	8,199	6,099
2 Technical Advisory Services	3,627	(963)	2,664	2,466	198	7.43%	3,546	2,156
3 Spatial Planning	13,054	(2,122)	10,932	8,635	2,297	21.01%	11,246	9,224
4 Land Use Administration	8,000	(2,340)	5,660	4,972	688	12.16%	7,033	4,694
5 Housing	21,016	(6,960)	14,056	11,632	2,424	17.25%	16,146	12,893
6 Housing Aid and Financing	260,485	-	260,485	251,846	8,639	3.32%	218,306	218,306
7 Urban and Rural Planning and Development	50,362	8,820	59,182	51,605	7,577	12.80%	76,680	62,753
8 Local Government Management	48,880	(1,668)	47,212	26,664	20,548	43.52%	31,441	20,267
9 Auxiliary and Associated Services	37,686	12,220	49,906	28,984	20,922	41.92%	71,999	56,636
10 Local Government Establishment	7,184	(2,813)	4,371	3,603	768	17.57%	6,513	3,539
11 Traditional Affairs	12,745	(4,110)	8,635	7,876	759	8.79%	12,752	7,850
12 Special functions: Authorised losses	-	-	-	294	(294)	-	-	31
<b>Total</b>	<b>471,951</b>	<b>-</b>	<b>471,951</b>	<b>406,576</b>	<b>65,375</b>	<b>13.85%</b>	<b>463,861</b>	<b>404,448</b>
<b>Economic classification - Actual expenditure</b>	<b>Adjustment estimate 2002</b>	<b>Virement 2002</b>	<b>Amount Voted 2002</b>	<b>Expenditure 2002</b>	<b>Savings (Excess) 2002</b>	<b>%</b>	<b>Amount Voted 2001</b>	<b>Expenditure 2001</b>
Current								
Personnel	104,014	(6,376)	97,638	88,311	9,327	9.55%	125,175	100,569
Transfer payments	31,466	454	31,920	14,968	16,952	53.11%	2,547	0
Other	49,945	(934)	49,011	35,924	13,087	26.70%	44,111	26,494
Capital								
Transfer payments	285,816	6,766	292,582	267,090	25,492	8.71%	291,306	277,117
Acquisition of capital assets	710	90	800	283	517	64.63%	722	268
<b>Total</b>	<b>471,951</b>	<b>-</b>	<b>471,951</b>	<b>406,576</b>	<b>65,375</b>	<b>13.85%</b>	<b>463,861</b>	<b>404,448</b>
<b>Standard items - actual expenditure</b>	<b>Adjustment estimate 2002</b>	<b>Virement 2002</b>	<b>Amount Voted 2002</b>	<b>Expenditure 2002</b>	<b>Savings (Excess) 2002</b>	<b>%</b>	<b>Amount Voted 2001</b>	<b>Expenditure 2001</b>
Personnel	104,014	(6,376)	97,638	88,311	9,327	9.55%	125,175	100,569
Administrative	6,651	145	6,796	5,250	1,546	22.75%	5,950	3,822
Inventories	1,197	137	1,334	1,060	274	20.54%	1,026	983
Equipment	2,823	938	3,761	2,516	1,245	33.10%	2,773	923
Professional and special services	36,194	(1,299)	34,895	24,239	10,656	30.54%	30,511	17,933
Transfer payments	317,282	7,220	324,502	282,058	42,444	13.08%	293,853	277,117
Miscellaneous	3,790	(765)	3,025	2,848	177	5.85%	4,573	3,070
Special functions: Authorised losses	-	-	-	294	(294)	-	-	31
<b>Total</b>	<b>471,951</b>	<b>-</b>	<b>471,951</b>	<b>406,576</b>	<b>65,375</b>	<b>13.85%</b>	<b>463,861</b>	<b>404,448</b>

NOTES TO THE APPROPRIATION STATEMENT  
for the year ended 31 March 2002

1. EXPLANATIONS OF MATERIAL VARIANCES FROM AMOUNT VOTED (AFTER VIREMENT):

1.1 Per Programme:

- 1 Administration: The main savings are regarding vacant posts not filled as well as the advertising of post that did not take place due to the Departmental Structure that was only approved at the end of the financial year.
- 2 Technical Advisory Services: The main savings are regarded vacant posts not filled as well as the provision made for new personnel regarding administrative costs.
- 3 Spatial Planning: The main savings is regarding the integrated Development Plans that were not finalised and the funds were therefore requested to be rolled over. A further saving also occurred due to the fact that all computer equipment ordered could not be delivered.
- 4 Land Use Administration: The main saving occurred due to the fact that all computer equipment ordered could not be delivered as well as less expenditure regarding the Townships Board.
- 5 Housing: The main saving is regarding vacant posts not filled, government vehicles not purchased as well as funds not utilised in regard to the informal Settlements that could not be finalised.
- 6 Housing Aid and Financing: The main saving due to the Flood Victims Grant and Human Settlement Grants not spend (See Note 1 to the Financial Statements.)
- 7 Urban and Rural Planning and Development: The main saving is regarding personnel expenditure that was less than budgeted for. As the conditional grant was included in the equitable share of the Province for the next financial year, these funds were requested to be rolled over.
- 8 Local Government Management: The main saving is regarding the Management Support Grant as well as the Management fees regarding Municipal Infrastructure. (See Note 1 to the Financial Statements.)
- 9 Auxiliary and Associated Services: The main savings is due to the underexpenditure regarding Municipal Infrastructure as a result of contractually committed projects that did not progress as planned.
- 10 Local Government Establishment: The main saving is due to vacant posts not filled as well as administration costs budgeted for new personnel.
- 11 Traditional Affairs: The main savings are computer equipment that was not delivered as well as the Citizens Projects regarding Disaster Management that were not funded.

1.1 Per standard item:

- Personnel: The main saving is regarding vacant posts not filled due to the fact that the new Departmental Structure that was only approved late in the financial year. The personnel expenditure regarding the former R 293 town officials were also less than budgeted.
- Administrative: The main saving is regarding the administrative cost's provision that was made for new personnel that was not appointed.
- Inventories: The main saving is regarding stationery that was purchased due to problems experienced with suppliers.
- Equipment: The main saving is regarding computer equipment that was not delivered as well as pool vehicles that were not purchased.
- Professional and special services: The main saving is regarding Management Support Programmes where the funds were requested to be rolled over. (See Note 1 to the Financial Statements.)
- Transfer payments: The main saving is regarding committed Municipal Infrastructure Projects that did not progress as planned.
- Miscellaneous: The main saving is regarding the pension payment of the officials that were dissolved by the Development Board.

2. RECONCILIATION OF APPROPRIATION STATEMENT TO INCOME STATEMENT:

	2001/02 R'000	2000/01 R'000
<b>Total revenue per income statement</b>	<b>869</b>	<b>1,148</b>
<b>Less: Other receipts</b>	<b>869</b>	<b>1,148</b>
	<b>-</b>	<b>-</b>
<b>Total expenditure per income statement</b>	<b>406,576</b>	<b>404,448</b>
<b>Actual expenditure per appropriation statement</b>	<b>406,576</b>	<b>404,448</b>