

FINAL 2021/22 FINANCIAL RECOVERY PLAN

CITY OF MATLOSANA MUNICIPALITY

1. INTRODUCTION

City of Matlosana has for the past five (5) financial years' (2014/15 to 2020/21) experience financial difficulties resulted from unfunded budget for number of reasons. Municipality was put under section 139 administration by North West Provincial administration as a result management experience challenges in preparation of credible and funded budget. Municipality 's exposure on unrealistic anticipated revenue and unsustainable expenditure commitment were some of the reasons municipality did not have funded budgets.

To this end, Municipality current leadership have carefully considered all factors that unadorned the institution to sustainably operate and optimally provides uninterrupted services to its communities in exchange for constant payment of services. Though little has been achieved in galvanizing the communities to pay services, it is worth noting that slight improvement on revenue collection has been realized.

In terms of section 64 (1) of the Municipal Finance Management Act No 56 of 2003 requires the Accounting Officer should take all reasonable steps to ensure effective revenue collection systems. Therefore, Municipality reported low Revenue and Debt collection rate of 56 % and 0,3 % respectively particularly in 2019/2020. These unpleasant state of affairs necessitated Accounting Officer to establish Multi-Disciplinary committee to develop, advice and implement revenue management strategy in an endeavor to improve financial situation of the Municipality for service delivery provision. This was also prompted by difficulties in payment of bulk services such as Eskom and Midvaal.

To this end, management held a strategic planning session on the 17th of March 2021 which resolved to develop Financial Recovery plan to address all challenges that are impediment for municipality to becomes financial sustainable and stabilize our liquidity position post COVID 19 Lockdown.

2. DISCISSIONS

City of Matlosana table 2021/2022 unfunded budget of R 191 Million in the A9 Cash flow statement schedule as per Municipal Budget Reporting Regulation. The projected deficit resulted from 2020/2021 R1,3 Billion outstanding working capital which derives from long outstanding debt with Eskom R 700 Million and Midvaal R 600 Million.

This phenomenon presented municipality with financial difficulties which necessitated management during its strategic management session to develop and adopt financial recovery plan centered around two (2) Revenue Enhancement fundamental areas:

- a) **Installation of smart metering throughout the entire KOSH area. This project will approximately cost +/- R 1,8 Billion which includes the followings:**

Activities	Proposed Cost	Timeframe	Cost for 2021/2022	Responsible Person
Funding for electricity infrastructure project (Anti Tempering boxes, smart metering and improved service networks)	R 250 Million	5 Years	R 20 Million	Mr. David Rannona
Energy Efficiency	R 68 Million	10 Years	R 10 Million	Mr. David Rannona
Revenue enhancement mechanisms on smart metering	R 10	10 Years	R 2 Million	Mr. David Rannona
Revenue improvement of Medium voltage network	R 58 Million	6 Years	R 12 Million	Mr. David Rannona
Automated meter reading system	R 2 Million	2 Years	R 1 Million	Mr. David Rannona and Mr. Oupa Kgoete
Total	R 418 Million		R 43 Million	

- b) **War on leaks**

Activities	Proposed Cost	Time frame	Cost for 2021/2022	Responsible Person
Replacement of Asbestos Cement Pipes in KOSH Area	R 900 Million	10 Years	R 250 Million	Mr. Tholo
Upgrading of the Telemetry System	R10 Million	2 years	R 5 Million	Mr. Tholo
Replacement of Stuck Meters	R 50 Million	3 years	R 16.7 Million	Mr. Tholo
Repair of leakages at Indigent Customers Households	R 90 Million	3 years	R 30 Million	Mr. Tholo
Sealing and repair of Water Storage Reservoirs and associated works	R 37.5 Million	3 years	R 12.5 Million	Mr. Tholo
Total	R 2, 6 Billion		R 314 Million	

3. Operating Revenue

Revenue Enhancement Measures

Operating Revenue Activities	Reasons for Non-achievements	Actions to address Non – achievement or Challenges	Amount	Achievements/ Non-Achievement	Time Frame	Person Responsible
1. Replacement of conventional meters with prepaid meters	Still in the procurement stage	To expedite the procurement process prior end of the tender validity period	R 5 Million	In progress	31 July 2021	Ms. NT Kegakilwe
2. Intensify debt collection of R 5,6Billion debt through debt collectors	Late handover of accounts to our debt collectors	Developed new debt collection tender with improved specifications and more functions to litigate defaulters	R 800 Million	In progress	01 July 2021	Mr. Kevin Weitsz
3. Improvement and capacitation of In-house credit control	Staff turnover due to resignation and unfilled vacant positions	To capacitate our in-house debt collection team	R 150 Million	Post have been advertised and to be filled by 31 July 2021	31 July 2021	Mr. Aaron Sebetlele
4. Improvement of timely and accurate billing	Lack of capacity in terms adequate warm bodies in billing section	Appoint additional warm body to billing section by 31 July 2021	R 3 Million	In progress	31 July 2021	Mr. Aaron Sebetlele

	Lack of commitment by current service provider for meter reading	Appointment of meter reading service provider	R 50 Million	Service provider has been already appointed to commence 01 July 2021	Appointed to commence 01 July 2021	Ms. Theodora Kegakilwe
5. Data cleansing	Lack of funding to improve credibility and quality of financial information	Sourced funding from DBSA to assist on data cleansing and support services	DBSA	Service provider has been already appointed to commence 01 July 2021	01 July 2021	Mr. Oupa Kgoete
6. Tariffs restructuring and modelling	Lack of funding to improve credibility and quality of financial information	Sourced funding from DBSA to assist on data cleansing	DBSA	Service provider has been already appointed to commence 01 July 2021	01 July 2021	Mr. Oupa Kgoete
7. Reduction of Electrical and Water losses through various interventions (Smart metering, procurement of anti-tempering devices & installation of water pressure valves)	Lack of Funding	<ul style="list-style-type: none"> i. Procurement in the advanced stage for appointment of service provider for supply and install smart metering and anti-tempering devices ii. Installation of water pressure valves project has commenced and significant volume of water losses has been dealt with. iii. Installation of new meters for new township 	DBSA	Procurement of service provider to assist in installation of smart metering project. The project will be a multi-year project	01 October 2021	Mr. Oupa Kgoete

		development and leakages				
8. Provide incentives scheme to customers for encouraging them to pay outstanding debt	To give customers yet another opportunity to settle their accounts	Notification to the public on yet again an opportunity to settle their account.	R 50 Million	To submit an item to council for another opportunity to settle their outstanding debt	01 July 2021	Mr. Kevin Weitsz
9. To provide amnesty to customers	To provide amnesty to 4500 customers in the entire Kosh area that were never included in the municipal billing	To issue a notice to all identified customers that were never included in the municipal billing system	R 15 Million	To submit an item to council for another opportunity to settle their outstanding debt	01 July 2021	Mr. Kevin Weitsz
Total			R 1.6 Billion			

4. Operating Expenditure

Cost Cutting Measures	Reasons for Non-achievements	Actions to address Non – achievement or Challenges	Amount	Achievements /Non-Achievement	Time Frame	Person Responsible
Reduction of Overtime by 50 % of monthly total overtime spend	There was no proper supervision and enforcement of strict controls with our workforce	1.Overtime policy has been reviewed. Supervisors must present to their respective 2. Directors and Deputy Director why officials should work overtime. Those reasons need to be justified.	R 15 Million	Not yet Achieved	01 December 2021	All Managers and Supervisors
Reduce provision of paraffin to some other areas of our communities	Everyone even those who don't necessarily need paraffin were benefiting due to undue pressure from politicians	Only indigent from the farms and without electricity will be given paraffin	R 10 Million	60 % percent of R 30 Million Budgeted will be saved	31 July 2021	Mr. Kevin Weitz
Cutting unnecessarily travelling and accommodation	Strick control were not implemented on travelling and accommodation	To implement austerity measures	R 18 Million	45 % of the budgeted travelling and accommodation will be saved	01 July 2021	All Managers
Cutting spending on repairs and maintenance t Such as Fleet and General maintenance.	Only seriously needed fleet will be repaired and those that we can do without will be done next financial year.	To implement strict austerities measures	R 50 Million	50 % of the R 100 million on Repairs will be saved	01 July 2021	Mr. Ratidzai Madimutsa & Mr Oupa Kgoete

To renegotiate with all operational contract for scale down their services and support(Printing, Telephones, Audit Support, security , IT Support and others)	Only services that we cannot do without	To implement strict austerities measures	R 100 000 Million	45 % of R 500 Million will be saved in the next six)6) months	01 July 2021	Mr Oupa Kgoete & Ms Lesego Seametso
Total			R 193 Million			

5. Conclusion

- a) The revenue enhance will ultimately contribute additional R 1,6 Billion
- b) The austerities will assist municipality to safe R 193 Million in the current financial year
- c) In respect to Capital project all none of the project are funded internally or using council funding.