

FINANCIAL RECOVERY PLAN

Prepared for the

**CITY OF MATLOSANA
LOCAL MUNICIPALITY**

DECEMBER 2023



provincial treasury
Department:
Provincial Treasury
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

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1. ENDORSEMENTS

APPROVAL BY MEMBER OF THE EXECUTIVE COUNCIL (MEC)

I, Ms. Motlalepula Rosho MEC for Finance in the North West Province approves this Financial Recovery Plan for City Of Matlosana Local Municipality in terms of section 143(1) of the Municipal Finance Management Act, No. 56 of 2003 ("the MFMA"), as a binding Financial Recovery Plan for the discretionary intervention approved by the Provincial Cabinet on the XXXXXX in terms of section 137 of the MFMA and section 154 of the Constitution of the Republic of South Africa, 1996.

MOTLALEPULA ROSHO
MEC FOR FINANCE
NORTHWEST PROVINCIAL GOVERNMENT

DATE: _____

NOTING BY THE MUNICIPAL COUNCIL

The approved Financial Recovery Plan was tabled in the City Of Matlosana Local Municipality Municipal Council on and Council noted that in terms of section 145 of the MFMA the Municipality must implement this approved Financial Recovery Plan; that all revenue, expenditure and budget decisions must be taken within the framework of, and subject to the limitations of, the recovery plan; and the Municipality must report monthly to the MEC for finance on the implementation of the plan. The Financial Recovery Plan binds the municipality in the exercise of both its legislative and executive authority, including the approval of a budget and legislative measures giving effect to the budget, but only to the extent necessary to achieve the objectives of the recovery plan.

CLLR. J TSOLELA
MAYOR
CITY OF MATLOSANA LOCAL MUNICIPALITY

DATE: _____

2. ABBREVIATIONS

No	Abbreviation	Full Form
1.	AFS	Annual Financial Statements
2.	AG	Auditor General
3.	DBSA	Development Bank of Southern Africa
4.	EXCO	Executive Committee
5.	FRP	Financial Recovery Plan
6.	HRD	Human Resources Development
7.	ICT	Information and Communications Technology
8.	IDP	Integrated Development Plan
9.	KPA	Key Performance Area
10.	KPI	Key Performance Indicator
11.	LLF	Local Labor Forum
12.	MEC	Member of the Executive Council
13.	MFMA	Municipal Financial Management Act
14.	MFRS	Municipal Financial Recovery Services
15.	MLM	Matlosana Local Municipality
16.	<i>m</i> SCOA	Municipal Standard Chart of Accounts

No	Abbreviation	Full Form
17.	NERSA	National Energy Regulator of South Africa
18.	NT	National Treasury
19.	MPAC	Municipal Public Accounts Committee
20.	PER	Provincial Executive Representative
21.	PMS	Performance Management System
22.	SAPS	South African Police Service
23.	SCM	Supply Chain Management
24.	SQR	Status Quo Report
25.	UIF&W	Unauthorised, Irregular and Fruitless and Wasteful Expenditure

3. MAJOR SOURCES OF INFORMATION AND DOCUMENTATION

No.	Document Source
1.	5-Year Integrated Development Plan 2022 – 2027
2.	Service Delivery and Budget Implementation Plan (SDBIP) 2021/22
3.	Audit Reports by the Auditor-General of South Africa
4.	The Mid-year Budget and Performance Assessment Report and the Medium-Term Revenue and Expenditure Framework (MTREF) Budget
5.	Financial Ratios in accordance with MFMA Circular 71
6.	2021/22 Annual Report
7.	2022/23 Municipal mSCOA Strings to Date
8.	2022/23 Audited Financial Statements
9.	2021/22 Audited Financial Statements
10.	2020/21 Audited Financial Statements
11.	Management Engagement
12.	The Municipal Website
13.	Various Municipal Documents Including, but not limited to Policies, Procedures
14.	Working Session with the Following Streams: Governance, Organisational/ Institutional, Service Delivery, and Finance
15.	Oversight Reports 2021/22
16.	MPAC Report

4. EXECUTIVE SUMMARY

The City of Matlosana requested the Provincial Treasury to assist with the development of the voluntary Financial Recovery Plan aimed at addressing the financial crisis through Council resolution No 2022.88/ 2022. It is against this background that the North West Provincial Treasury is providing support in line with Section 154 of the Constitution, wherein the national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their affairs, to exercise their powers and to perform their functions. The Provincial Treasury prepared the Financial Recovery Plan in line with the requirements of Section 142 of the MFMA which will be used as an instrument to secure the Municipality's ability to meet its obligations to provide basic services and its financial commitments, as well as to place the Municipality in a sound and sustainable financial condition.

In this regard, the Provincial Treasury provided the required support to:

- Determine the reasons for the crisis in the financial affairs;
- Assess the municipality's financial state;
- Prepare an appropriate recovery plan for the municipality in line with Section 137 of the MFMA;
- Recommend appropriate changes to the municipality's budget and revenue-raising measures that will give effect to the recovery plan, and
- Submit these to the MEC for Finance in the Province.

The Status Quo Assessment Report was utilised by the Provincial Treasury MFRS to prepare this Financial Recovery Plan.

The intervention occurred in response to the crises the City of Matlosana is facing including difficulties due to lack of long-term financial sustainability.

The deepening crisis at the City of Matlosana Local Municipality is characterized by a lack of accountability and ineffective oversight due to a lack of consequence management.

Unauthorised, Irregular Fruitless, and Wasteful Expenditure (UIF&W) is constantly increasing as the MPAC is not investigating all the UIF&W timely. Furthermore, consequence management has not yet been implemented on investigated cases relating to UIF&W.

The Auditor-General South Africa (AGSA) has noted repeat findings emanating from UIFW, distribution losses, and ICT governance related issues and issued Material Irregularities on:

The Accounting Officer did not take all reasonable steps to ensure that payments for bulk electricity of R 252 million and Water R 70 million purchases were made within 30 days of receiving the relevant invoice or statement, contrary to section 65(2)(e) of the MFMA. Non-payment of creditors ESKOM and MIDVAAL within 30 days, resulting in interest being charged.

The Municipality has a market where fresh produce is sold daily and market dues are payable to the municipality at an agreed percentage of the total turnover. All money due to the Municipality for the sales at the fresh produce market was not collected, which is in contravention with section 65(2)(f) of the MFMA, Money owed to the municipality by the fresh produce from 2017-2018 was not collected resulting in a financial loss.

Poor contract management resulting from an SCM process not being followed and high contingent liabilities.

AGSA raised that the effectiveness of the Audit Committee and internal audit's role as an assurance provider was compromised by management's inability to adequately address and react to the internal audit's findings and recommendations as well as non-compliance with laws and regulations.

The ICT department is not fully capacitated to address ICT infrastructure challenges and support. The IT Governance and IT Strategic plan is not in place and there is no Disaster Recovery Plan as well as an Off-Site Back Up for the Fresh Produce Market system.

The report on compliance with mSCOA regulations and implementation indicates that the Municipality has not fully complied with mSCOA regulations. The Asset Management module is not functional (Asset Register is not yet integrated into the system) and supply chain management modules are partially used.

The Municipality adopted an unfunded budget for the past 5 financial years including for the financial period of 2021/22 and 2022/23. This, therefore, indicates that the Municipality is unable to service its creditors within 30 days due to inadequate cash flow, while the Municipality is unable to collect outstanding debts due to the low collection rate and inadequate political will to implement the credit control policy.

The Municipality has a number of vacancies in critical decision-making positions and experienced delays in filling these critical positions impacting the implementation of service delivery decisions. Four (4) senior management positions are currently vacant.

Grant management: Underspensing/under-utilization of grants resulting in the stopping of grants and rejection of rollover applications as a results of poor project planning and delays in procurement process thereby impacting service delivery.

The municipality is also facing high water (58% - 2022/23) and electricity distribution losses (38% - 2022/23). Aging road infrastructure with a lack of plans to repair/ replace - the municipality is not maintaining the roads under its responsibility and internal roads are in a bad state. Poor road conditions also further impact service delivery and local economic development negatively Revenue and billing challenges including the issues of less-than-optimal revenue collections. Inadequate water-waste Sanitation Services (sewerage)- The City's scores (44%) according to the Green Drop score which is, categorised in the yellow band which means very inadequate performance and needs targeted turn-around interventions. The City is currently not able to perform corrective maintenance hence the performance is steadily declining annually.

The FRP will be used as an instrument to address the financial crisis in the municipality as well as to ensure that the municipality regains its financial health within the shortest timeframe whilst ensuring that all issues which adversely affect the financial health of the municipality are comprehensively addressed.

The FRP adopts a strategic, focused approach that is time-bound yet comprehensive enough to ensure that the underlying causes of the crisis are adequately addressed. To achieve this objective, the FRP presents a phased approach to recovery, differentiating between issues to be addressed in the short, medium, and long term.

The FRP is divided into three distinct but interdependent phases. These include a Rescue Phase (Phase 1) which focuses primarily on cash and restoring the cash position of the municipality, followed by a Stabilisation Phase (Phase 2) which expands on the financial indicators to be monitored and emphasizes key governance and institutional issues which must simultaneously be addressed and finally, a Sustainability Phase (Phase 3) to ensure that indicators are developed that will give effect to the long-term financial sustainability of the municipality. The approach is designed to ensure that financial recovery is not only achieved but more importantly, the Plan is institutionalized.

PART ONE

5. MUNICIPAL OVERVIEW

BACKGROUND

The City of Matlosana Local Municipality is part of Dr Kenneth Kaunda District Municipality. The City of Matlosana Local Municipality (previously City Council of Klerksdorp) is a Category B municipality situated within the Dr Kenneth Kaunda District in the Northwest Province. It is one of the three municipalities that make up the district, accounting for a third of its geographical area. The City of Matlosana includes Klerksdorp, Jouberton, Alabama, Orkney, Kanana, Stilfontein, Khuma, Tigane and Hartbeesfontein. Matlosana is the largest of all towns in the North West Province. The main economic sectors are distributed as follows, mining, manufacturing, agriculture, services, construction, and transport.

The City of Matlosana is situated approximately 164 km South West of Johannesburg, on the N12 highway, and covers about 3 625km². It is one of the Council's strategic objectives to promote forthcoming initiatives from the N12 Treasure Corridor, to ensure local economic development and industrialization for Klerksdorp.



Figure 1: Map of juristic areas within the Dr. Kenneth Kaunda District Municipality

According to estimates based on the population growth rate of SA Statistics (1.04%) and the Matlosana Socio-Economic Report, the City of Matlosana has a total population of 438 486 people, of whom 103 407 (92%) are urbanised and 35 079 (8%) are rural (Mining villages form part of the urban areas). The largest population concentrations are in Jouberton (31%), Kanana, Khuma, and Tigane, which represent 67% of the total urban population. The City of Matlosana has a population density of 123 persons per km² people of which 92% are urbanised and 8% rural.

The municipality has faced a series of challenges over time, encompassing institutional issues, notable vacancies in crucial positions, elevated levels of irregular expenditure, and difficulties in meeting financial obligations to essential creditors like Eskom and Midvaal.

It is against this background that the City of Matlosana requested the provincial treasury to assist with the development of the voluntary financial recovery plan aimed at addressing the financial crisis through Council resolution. The North West Provincial Treasury is extending its support in accordance with Section 141(1) of the Municipal Finance Management Act (MFMA).

The objectives of this support are to:

- Determine the reasons for the crisis in the financial affairs.
- Assess the municipality's financial state.
- Prepare an appropriate recovery plan for the municipality in line with Section 137 of the MFMA.
- Recommend appropriate changes to the municipality's budget and revenue-raising measures that will give effect to the recovery plan; and
- Submit these to the MEC for Finance in the province.

The Status Quo Assessment Report was utilised by the Provincial Treasury MFRS to prepare this Financial Recovery Plan.

6. STATUTORY AND LEGISLATIVE CONTEXT OF THE REPUBLIC OF SOUTH AFRICA, 1996 (ACT NO 108 OF 1996)

The intervention was instituted in terms of S154 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read in conjunction with Section 141(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). (1) Any suitable qualified person may, on request by the provincial executive, prepare a financial recovery plan for a discretionary provincial intervention referred to in section 137.

6.1 STATUTORY AND LEGISLATIVE CONTEXT

Chapter 13 of the MFMA deals with the resolution of financial problems in municipalities and outlines the processes that must be followed in terms of discretionary interventions invoked in terms of S137 of the MFMA.

S135(1) of the MFMA places the responsibility on the Municipality to avoid, identify and resolve financial problems.

S137(1) If the conditions for Provincial intervention in a Municipality in terms of section 139(1) of the Constitution are met and the provincial executive decides in terms of section 136(2) of this Act to intervene in the Municipality, the Provincial Executive may take any appropriate steps referred to in section 139(1) of the Constitution. Including—

- a) assessing the seriousness of the financial problem in the Municipality;
- b) seeking solutions to resolve the financial problem in a way that would be sustainable and would build the Municipality's capacity to manage its financial affairs;
- c) determining whether the financial problem, singly or in combination with other problems, is sufficiently serious or sustained that the Municipality would benefit from a Financial Recovery Plan and, if so, requesting any suitably qualified person-
 - i. to prepare an appropriate financial recovery plan for the Municipality.
 - ii. to recommend appropriate changes to the Municipality's budget and revenue-raising measures that will give effect to the recovery plan; and
 - iii. to submit the recovery plan and any recommendations referred to in subparagraphs (i) and (ii) to the MEC for local government in the province within a period determined by the MEC; and;
- d) Consulting the Mayor of the Municipality to obtain the Municipality's co-operation in resolving the financial problem and if applicable, implementing the financial recovery plan.

Section 142 (1) of the MFMA specifies the criteria for Financial Recovery Plans irrespective of whether the plan is Mandatory or Discretionary. In this regard, the following subsections are important:

S142 (1) states that a Financial Recovery Plan must be aimed at securing the Municipality's ability to meet its obligations to provide basic services or its financial commitments, and such a plan, whether for a Discretionary or Mandatory intervention —

- a) Must —
 - i. Be designed to place the municipality in a sound and sustainable financial condition as soon as possible.

- ii. State the principal strategic objectives of the plan, and ways and means for achieving those objectives.
- iii. Set out a specific strategy for addressing the municipality's financial problems, including a strategy for reducing unnecessary expenditure and increasing the collection of revenue, as may be necessary.
- iv. Identify the human and financial resources needed to assist in resolving financial problems, and where those resources are proposed to come from.
- v. Describe the anticipated timeframe for the financial recovery, and milestones to be achieved; and
- vi. Identify what actions are necessary for the implementation of the plan, distinguishing between actions to be taken by the Municipality and actions to be taken by other parties.

Section 142(2) (b) states that in addition, a financial recovery plan —

a) For a Discretionary intervention **must** —

- i. Set spending limits and revenue targets.
- ii. Provide budget parameters that bind the municipality for a specified period or until stated conditions have been met; and
- iii. Identify specific revenue-raising measures that are necessary for financial recovery, including the rate at which any municipal tax and tariffs must be set to achieve financial recovery.

In conclusion, because this is a voluntary Financial Recovery, the MEC for Provincial Treasury has taken the lead in supporting the Municipality and will be reporting on the outcome of the assessment of the City of Matlosana Local Municipality to the municipality and the Cabinet member responsible for local government.

6.2 OVERVIEW OF THE FINANCIAL RECOVERY PLAN

This Financial Recovery Plan is prepared in accordance with the requirements of the Municipal Finance Management Act, 2003. The Financial Recovery Plan is aligned with the 4 pillars used by the National Treasury to assess municipal sustainability. These 4 pillars are: Governance, Institutional Stability, Financial Management, and Service Delivery.

The strategic objective of this financial recovery plan is to address the current financial distress by focusing on improving the short-term financial liquidity of the municipality and by improving the long-term financial sustainability of the municipality. This will be achieved in a phased approach, as indicated previously in this document, with a focus on high level targets to be achieved in each phase. Issues pertaining to governance, institutional stability, and service delivery will also be addressed in so far as it undermines the financial recovery of the municipality.

The financial recovery plan adopts a strategic, focused approach that is time-bound yet comprehensive enough to ensure that the underlying causes of the crisis are adequately addressed. To achieve this objective, the financial recovery plan presents a phased approach to recovery, differentiating between issues to be addressed in the short, medium, and long term. The recovery plan is divided into three distinct but interdependent phases.

The graphic diagram below indicates the three phases:



Minimal set of key indicators across all four pillars necessary to neutralise financial turbulence (6-12 months):

Focus is on cash and short-term liquidity: Funded Budget, Cost Containment, Cash Flow Management, Trading Debtors and collections, Creditor Management, Cash-backed CGs

Include service delivery projects with high visibility

The key issues in this phase are to strengthen the control environment in the municipality, improve collection of revenue and renegotiate the payment plans with the main creditors which includes but not limited to Midvaal

Phase 1



To address the underlying causes of failure focusing on eradicating problems at the root (12-24 months): "Plugging the holes and fixing the leaks"

The key indicators of this phases are ensuring that the municipality can deliver sustainable services and implements the plans as set. Focus will be on accurate and consistent billing, implementation of the capital bankable projects that will have a direct impact on the sustainable service delivery, ensuring that the implementation of the organisational structure that is responsive to the powers and functions of the municipality and which is feat for purpose; ensure that the service delivery Department is fully capacitated to repair and maintain the municipality's assets; ensuring full implementation of mSCOA; and monitoring expenditure against budget.

Phase 2



To ensure financial and service delivery sustainability and prevent a regression (Subject to progress in Phase 2)

The municipality is expected to conform to norms set for financial ratios and to ensure that plans are put in place to buffer the municipality in the event of national or provincial economic and fiscal shocks.

Phase 3

To facilitate implementation, the Financial Recovery Plan is divided into three key phases, namely:

- a. **Rescue Phase** (Phase 1) which focuses primarily on cash and restoring the cash position of the municipality. In this phase, the focus is primarily on cash and restoring the cash position of the Municipality. The indicators for the Rescue Phase include a funded budget (or demonstrating that the Municipality is on a credible path to a funded budget), monitoring of the daily cash and cash balances, cost containment measures, focusing on improving the debtor's collection rate, the ring-fencing of conditional grants and ensuring that creditors are paid timeously and that negotiations are entered into to settle any outstanding debt. There is some focus on service delivery and governance matters, however, these are limited to addressing the most visible and easy to resolve issues. However, as resources become available through better cash management, the collection of outstanding debt, and the prioritisation of expenditure, service delivery issues can be addressed more comprehensively to secure the revenue base. This is a short-term phase and is anticipated to last 6-12 months from the approval date of the FRP.
- b. **Stabilisation Phase** (Phase 2) expands on the financial indicators to be monitored and emphasises key governance and institutional issues which must simultaneously be addressed. The bulk of the recovery process takes place in the second phase of the recovery plan. This phase is referred to as the stabilisation phase. In this phase, a strong focus on cash, finances, and financial management is still maintained but greater attention is placed on the underlying service delivery, governance, and institutional matters perpetuating the financial crisis in the Municipality, such as the design of a fit for purpose organogram, plans to address the repairs and maintenance and renewal of infrastructure for the water and electricity network through which the Municipality loses significant revenues, ensuring that the property valuation roll is updated and that all customers are billed according and other similar measures. This phase is expected to last between 12 to 24 months or longer depending on progress made by the municipality.
- c. **Sustainability Phase** (Phase 3) to ensure that indicators are developed that will give effect to the long-term financial sustainability of the Municipality. Phase 3 of the recovery plan precedes the exit of the Provincial Intervention Team. Before concluding the intervention, there must be a reasonable assurance that measures implemented in Phases 1 and 2 are sustainable and that the Municipality is committed to ensuring the implementation of good practice. In this phase, it is also important to include indicators that affect the long-term financial sustainability of the Municipality. These would be derived from the strategic development review of the municipality and the long-term financing strategy.

In each of the phases and each of the pillars, appropriate targets have been selected to guide the recovery process. These targets have been identified as most appropriate given the nature of issues confronting the municipality. These targets indicate high-level outcomes that must be achieved but do not specify the steps to be taken or the methods to be used to achieve those outcomes. The choice of methods is at the discretion of the MEC and the Intervention Team who will be monitoring the progress made in achieving the set targets.

The approach is designed to ensure that financial recovery is not only achieved but more importantly, that progress is institutionalised and sustained within the City of Matlosana Local Municipality.

Various meetings were held by the functional workstreams in the process to verify the status quo assessment to assess the municipality's financial state that informed the baseline findings, recovery strategies, and activities. This status quo assessment was signed off on in October 2023, through which several challenges were identified. This report quotes facts from the status quo assessment in terms of section 142 of the MFMA to identify the root causes of the financial challenges that the Municipality is facing.

6.3 PREPARATION, CONSULTATION AND APPROVAL OF THE VOLUNTARY FINANCIAL RECOVERY PLAN

PREPARATION

This voluntary Financial Recovery Plan was developed in adherence to the principles outlined in section 142 of the MFMA. In a discretionary intervention, S141 any suitably qualified person may, on request by the provincial executive, prepare a financial recovery plan for a discretionary provincial intervention referred to in section 137.

To begin, a Status Quo Assessment, as detailed in Annexure B, was conducted. This assessment encompassed a concise diagnostic evaluation, the identification of primary findings that contributed to the municipality's financial crisis, an analysis of the underlying root causes, and the formulation of proposed strategies to rectify the situation.

The status quo assessment was conducted by two functional work-streams composed of officials from CoGTA, NT, PT, Provincial CoGTA, SALGA, and the relevant sector departments and officials from the City of Matlosana Local Municipality. An Implementation Plan (refer to Annexure A) was developed for all three phases which are the Rescue Phase, Stabilisation Phase, and Sustainability Phase.

CONSULTATION

In preparing this Financial Recovery Plan, the MFMA requires the Municipal Financial Recovery Service (MFRS) to consult with the Municipality, the Municipality's suppliers, and creditors, the MECs for Finance and Local Government in the Province and organized labour (MFMA: S141(3)(a)).

The MFRS team completed the preparation of a draft revised FRP, in accordance with the MFMA requirements for such a plan. This draft plan drew inputs from the North West Provincial Government (NWPG) and documents supplied by the Municipality.

Consultations and engagements with suppliers, creditors, and organised labour were conducted in line with the objectives of the financial recovery.

Stakeholder	Date(s)
Northwest CoGTA and Provincial Treasury consultation (Commencement meeting)	18 April 2023
Municipality, CoGTA, PT (Status Quo Assessment Presentation)	1 June 2023 and 28 June 2023 07 and 19 December 2023 01 February 2023
City of Matlosana Local Municipality Council (MLM) (Draft FRP)	01 February 2023
Principal suppliers and creditors (Draft FRP)	
Organised Labour (Draft FRP)	
Public advert on Newspaper	

Furthermore, fourteen (14) days before the finalization of the Financial Recovery Plan, the MFRS unit, as per S141(3)(c), invited comments on the financial recovery plan from the Municipality, the MECs for Finance and Local Government in the North West Province, organized local government (Provincial SALGA), organized labour and the Municipality's suppliers and creditors. The MFRS Unit also, as required in terms of the MFMA, published in a local newspaper, the _____ on _____, (local Newspaper) and on the Municipality's website (www.matlosana.gov.za), details of where copies of the draft financial recovery plan can be accessed for free and invited

comments from the public.

APPROVAL

This Plan will be submitted for approval to the MEC for Finance as per section 143 (1) of the MFMA.

6.4 IMPLEMENTATION OF THE VOLUNTARY INTERVENTION AND FINANCIAL RECOVERY PLAN

The relevant Provincial Government (North West Provincial Treasury) has provided support to the City of Matlosana Municipality through section 154 of the Constitution, wherein the National Government and provincial governments, by legislative and other measures, must support and strengthen the capacity of Municipalities to manage their affairs, to exercise their powers and to perform their functions.

The Provincial Treasury will prepare the Financial Recovery Plan in line with the requirements of Section 142 of the MFMA which be used as an instrument to secure the Municipality's ability to meet its obligations to provide basic services and its financial commitments, as well as to place the Municipality in a sound and sustainable financial condition.

Since this intervention is voluntary, the Municipality is committed to executing the Financial Recovery Plan (FRP). The FRP outlines financial constraints by establishing expenditure limits and revenue objectives. It also establishes budgetary guidelines that obligate the Municipality and specify particular revenue-generation measures required for financial recuperation, as mandated by section 142(2)(a) of the MFMA.

The Municipality is also required in terms of section 146(1)(c) of the MFMA to report monthly to the MEC for Finance on the implementation of the FRP. Given that a Provincial Executive Representative (PER) has been deployed, reporting to the MEC for Finance will be done via the PER.

It must be emphasised that the strategies set out in this FRP relate to activities that must be institutionalised and performed by various municipal officials, as part of their routine duties and tasks. Those appointed to such positions, even in acting capacities, must be given specific roles and responsibilities, which must be captured in a revised performance agreement. The PER will oversee this process.

The Provincial Executive Council assumed responsibility for the implementation of the plan in terms of section 139(5) (c) of the Constitution and to this end appointed the PER to discharge this responsibility on behalf of the Provincial Executive. The role and powers of the PER are set out in

the “**GUIDELINES ON ROLES AND RESPONSIBILITIES FOR KEY IMPLEMENTATION ROLE-PLAYERS DURING SECTION 139 MUNICIPAL INTERVENTIONS**”.

The financial resources required to support the implementation of the Plan will be realised through restructuring of the budget, implementing the revenue collection strategy and revenue enhancement initiatives, and a commitment to stringent expenditure controls, with particular emphasis on the elimination of non-essential expenditure, limitations on the appointment of general workers and non-revenue generating activities. Additional financial support for some projects will be mobilised from stakeholders such as DBSA. Furthermore, the provincial support package will be aligned with the FRP strategies.

6.5 MONITORING AND OVERSIGHT OF THE INTERVENTION AND THE FINANCIAL RECOVERY PLAN

The Political Oversight Committee will direct the intervention, monitor progress, and unblock any political challenges. The said committee will be constituted as follows:

- a) The Premier
- b) MEC of Finance
- c) MEC for CoGTA
- d) Executive Mayor
- e) Speaker

The intervention in the City of Matlosana LM will be subject to oversight by a **Technical War Room Oversight Committee** to be established by the HoD (PT), that will direct the intervention, monitor progress, unblock and escalate any political challenges that may hinder the success of this intervention and will report directly to the MECs for Finance and CoGTA in the Province (COGTA) jointly and separately.

Provincial Executive Representatives for City of Matlosana LM have been appointed as full-time deployment to City of Matlosana LM. Their mandate is to oversee the intervention and implementation of the FRP. Going forward they will also be the point of entry at the Municipality.

The **Technical War Room Executive Oversight Committee** will be established consisting of:

- a) The HOD: Finance, Northwest (Chairperson).
- b) The HOD: CoGTA, Northwest.
- c) The Provincial Commissioner of Police.
- d) Head: NT MFRS
- e) The Provincial Executive Representatives (PERs’)

- f) The Municipal Manager and his/her senior managers
- g) Representatives from sector to be co-opted, as and when necessary.

Being mindful of the risk areas identified during the status quo assessment and development of the FRP and its Implementation Plan for the City of Matlosana LM, it is recommended that the activation of the required FRP activities focus on the following two distinct levels which run in parallel, each with its own implementation team being:

- a) **Strategic level being called the Stability and Sustainability Task Team:** A strategic and tactical team (40 % outsourced and 60% inhouse) to address the stabilisation and sustainability activities related to establishing a soundly governed Municipality. This team will be operational for a period of three-years, where-after the municipal leadership will take over the full responsibility.

- b) **Operational and tactical level being called the Rescue Task Team:** A tactical and operational team (80 % outsourced and 20% in house) to address the rescue activities within the municipality, namely the immediate and continuous provision of basic municipal services. This team will be operational for a period of three years, where- after the capacitated municipal resources appointed through the Stability and Sustainability team will take over the full responsibility.

6.6 RISKS ASSOCIATED WITH THE IMPLEMENTATION OF THE FINANCIAL RECOVERY PLAN

Several risks have been pinpointed that require mitigation to ensure the effective implementation of the financial recovery plan. These risks are chiefly associated with financial management, budgeting, fiscal discipline, and governance. It is recommended that a risk matrix be created, and suitable measures to counter these risks be put into action. The responsibility of developing this risk management matrix falls upon the Accounting Officer.

Pillar 1 Governance	Pillar 2 Institutional and Human Resources
<ul style="list-style-type: none"> • Lack of consequence management to individuals regarding UIFW and non-adherence to policies and procedures. • Supply chain management processes not adhered to, and • Litigation issues due to SCM challenges 	<ul style="list-style-type: none"> • Lack of accountability due to the non-filing of critical posts. • Performance Management System not cascaded to lower levels. • Potential resistance to change by certain internal and external stakeholders.
Pillar 3 Financial Management	Pillar 4 Service Delivery
<ul style="list-style-type: none"> • Unfunded budget for the past 5 years. • Tariffs are not cost reflective. • Poor debtors' collection rate. • Breaches in the financial control environment. • Failure to implement cost containment measures. • Lack of adequate consequence management to contravention of policies. • No adherence to policies, especially SCM policies 	<ul style="list-style-type: none"> • Old and aging infrastructure. • Backlogs in service delivery. • Underspending on capital budget. • High water and electricity distribution losses. • Lack of overall service delivery due to cash flow problems • Service delivery vehicles shortage • Lack of long-term maintenance plans.

Type of Communication	Communication Schedule	Typical Communication	Who initiates	Recipient
Consultation with all the stakeholders	At the commencement of the FRP.	Face to face meeting or virtual.	NW COGTA, NWPT, MFRS	Creditors, SALGA Organized labour
Phase 1 Rescue Phase	Weekly to track progress and review all financial policies and strategies.	Email & Virtual Meetings.	NW COGTA, NWPT, MFRS	CMLM(BTO), SALGA NWPT & NW COGTA
Phase 2 Stabilization Phase	Bi-weekly: to review and assess adherence to reforms established in phase 1	Face to face meetings or Virtual	NW COGTA, NWPT, NT-MFRS	Council, HOD-NWPT, NW COGTA, SALGA
Phase 3 Sustainability Phase	Monthly engagement to review whether performance targets are met	Face to face meeting Or Virtual	CMLM Senior Management	Council, NWPT, NW COGTA SALGA, MFRS
Handover	After 36 months	Face to face engagement	MFRS	Council, SALGA, Organized labour, creditors, NWPT and NW COGTA

6.7 COMMUNICATION PLAN

For the plan to be institutionalised, a change management and communication plan will need to be developed for both internal and external stakeholders. It is proposed that the Municipal Manager in consultation with the Provincial Executive Representatives draft an internal and external communication plan to support effective communication throughout the intervention.

Internally, there would need to be a collaborative approach and the functioning and operations in silos will need to be challenged. It is also only fair that all external stakeholders including suppliers, customers, and the general community that calls the City home are made aware of the FRP, the circumstances that lead to it, and how they will be affected. These individuals also have a vested interest in how the Municipality intends to overcome these challenges. Honesty is key to this process.

PART TWO:

7. THE STATUS QUO ASSESSMENT

During the development of this Status Quo Assessment Report, various information sources were used that vary from physical documents to Municipal employees' engagements.

The following supporting documents were utilised; but not limited to:

- Audit reports by the Auditor-General of South Africa 2022/23, 2021/22, 2020/21.
- Annual reports 2020/21 to 2021/22.
- The Mid-year Budget and Performance Assessment Report and the Medium-Term for 2021/22 & 2022/23.
- Medium Term Revenue and Expenditure Framework (MTREF) Budget assessment.
- The Integrated Development Plan 2022 – 2027.
- Financial Ratios in accordance with MFMA Circular 71.
- Audited Annual Financial Statements 2022/23, 2021/22, 2020/21 and 2019/20.
- Municipal Fixed Asset Register.
- The Municipal Website.
- Various municipal documents such as reports, policies, procedures, etcetera.

KEY ISSUES IDENTIFIED

The Status Quo Assessment will be ordered in terms of the following categories:

- a) Governance.
- b) Institutional and Human Resources.
- c) Financial Management; and
- d) Service Delivery.

The following table summarises the key challenges emanating from the Status Quo Assessment

The key findings of the Status Quo Assessment were categorised according to these four pillars. Reference is made to the Status Quo Assessment Report for detailed assessment review and the Implementation Plan (Annexure A).

7.1 GOVERNANCE

This part of the assessment report relates to all governance related matters within the Municipality in so far as it relates to how these matters are being managed and implemented.

GOVERNANCE PILLAR	
FOCUS AREA	TOP FINDINGS
Governance Model (Council and Committees)	<ul style="list-style-type: none"> • Non-compliance with the Municipal Systems Act (MSA) due to debt owed by Council Members amounting to R1,5 million as of 30 June 2023. • MPAC is functional however not all cases of UIFW are investigated and timeously furthermore consequence management implemented. • Audit Committee recommendations not fully implemented by management including non-compliance with laws and regulations compromising the effectiveness of the Audit Committee and the role of internal audit as assurance providers. • Risk Management Committee - Insufficient progress on the action plans to mitigate risks identified on financial, SCM/Procurement. • Municipal Council did not perform adequate oversight and monitor management action plans to address audit findings, especially on unauthorised, irregular, fruitless, and wasteful expenditure (UIFW) and material irregularity.
Contract Management	<ul style="list-style-type: none"> • A Contract Management Committee is established but not effective. • Poor contract management resulting from SCM processes not being followed and high contingent liabilities. • The AGSA raised findings in respect of contracts awarded to contractors not registered with the Construction Industry Development Board (CIDB), persons in service of the Municipality doing business with the Municipality failed to declare an interest, and some of the invitations to tender for

GOVERNANCE PILLAR	
FOCUS AREA	TOP FINDINGS
	procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content.
Litigation and Contingent Liability	<ul style="list-style-type: none"> • Ineffective management of litigation and contingent liability. • Litigation against the Municipality mainly caused by contractual issues resulting in a high risk of financial exposure should the claimants win their cases against the municipality. • The annual financial statement for the financial year 2022/23 of the municipality indicates that the contingent liability declared is R693 million which has increased from R603 million in the financial year 2021/22, the financial risk exposure is still high. • The top five (5) of the litigations totaling R617 million (89%) of total litigation relate to service level agreement (SLA) termination disputes and loss of income by plaintiffs.
Unauthorized, irregular, fruitless, and wasteful expenditure (UIF&W) and consequence management	<ul style="list-style-type: none"> • Rising UIF, the Annual Financial Statement (AFS) for the financial year 2022/23 of the municipality indicates that the historical UIF&W expenditure noted is as follows: <p>2021/2022</p> <ul style="list-style-type: none"> • Unauthorized expenditure: R4.3 billion. • Irregular expenditure: R3.9 billion. • Fruitless and Wasteful expenditure: R198 million. <p>2022/2023</p> <ul style="list-style-type: none"> • Unauthorized expenditure: R 4.5 billion. • Irregular expenditure: R 3.9 billion. • Fruitless and Wasteful expenditure: R 432 million.

GOVERNANCE PILLAR	
FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> • The municipality has seen an increase in unauthorized expenditure and non-compliance to Section 32 of the MFMA. • Not all cases of UIF&W expenditure are investigated timeously. • There is no consequence management implemented for investigated cases of UIFW by the Accounting Officer. • The municipality has established a disciplinary board but terms of reference have not been approved by the Council.
Audit Action Plans	<ul style="list-style-type: none"> • The Municipality audit action plans are not effective as evidenced by repeat findings from the AGSA audit with respect to UIFW, distribution losses, material misstatements, and ICT governance. The AGSA issued Material Irregularity in respect of non-compliance with section 65(2)(e) of MFMA regarding non-payment of ESKOM and MIDVAAL within 30 days resulting in interest being charged. • The AGSA also raised Material Irregularity regarding Fresh Produce Market dues not being collected and non-performance of bank reconciliations resulting in financial losses.
System of Delegations	<ul style="list-style-type: none"> • Council's failure to abide by the MFMA Circular 73 which stipulates A Municipality must periodically review its system of delegations for validity and completeness and specific responsibility must be assigned to an official to manage, maintain, and monitor delegations in the municipality. A Municipality's delegations must be aligned with measurable objectives and the organisational structure.
ICT Management	<ul style="list-style-type: none"> • The ICT department is not fully capacitated to address ICT infrastructure challenges and support. • Lack of ICT change management policy or procedure. • The IT Governance and IT Strategic plan is not in place and there is no Disaster Recovery Plan as well as an Off-Site Back Up for the Fresh Produce Market system.

GOVERNANCE PILLAR	
FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> • The report on compliance with mSCOA regulations and implementation indicates that the Municipality has not fully complied with mSCOA regulations. • The Asset Management module is not functional (Asset register not yet integrated into the system) and supply chain management modules are partially used.
Immovable Property Management	<ul style="list-style-type: none"> • The assets of the municipality are subjected to high levels of vandalism and theft resulting in financial losses. • Rentals of Municipal properties are not market related.
By-Laws enforcement	<ul style="list-style-type: none"> • Spatial planning and Land use management by-law last updated 2016. • Ineffective enforcement of by-laws for illegal dumping; no effective sanctions for non-compliance.

7.2 INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES

This section of the financial recovery plan status quo assessment mainly focuses on areas of Institutional Arrangements and Human Resources.

INSTITUTIONAL PILLAR	
FOCUS AREA	TOP FINDINGS
Operating Model and Organisational Structure	<ul style="list-style-type: none"> • The organizational structure was approved in April 2017. The reviewed structure is still to be approved by the Council, thus the organisational structure which is currently in place is outdated and not reflecting the needs of the Municipality and must be aligned to the new Municipal Staff Regulations which came into effect in 2022. • Delays in filling vacant critical leadership and professional positions hamper decision making, service delivery, and operations of the Municipality. • Key s56 senior managers are engaged in an acting capacity – for example, five directors are acting. These are: <ul style="list-style-type: none"> • Corporate Services, • Community Development, • Technical & Infrastructure, • Public Safety, and • Local Economic Development. • High vacancy rate of critical positions within the Municipality. • Ineffective recruitment processes - highlighted by delays in filling the critical positions within the Municipality. • Inadequate staff for the ICT function, resulting in the failure to fully support the operating model which is highly dependent on technology.
Employee Costs and Overtime Costs	<ul style="list-style-type: none"> • The overall employee cost ratio for the 2021/22 financial year was 17.14% of total expenditure compared to 19.81% during the 20/21 financial period.

INSTITUTIONAL PILLAR

FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> • Even though the ratio was below the 25% - 40% benchmark set in the MFMA Circular No. 71, the low percentage was due to vacancies in critical positions. There is a risk that once the critical positions are permanently filled, the employee cost ratio will increase. • Excessive overtime - during the 2022 financial year, overtime was R61 809 667 (2021: R55 990 580), a 10% increase in overtime compared to the 2021 financial year. Overtime costs continued to increase in the 2023 financial year, reported to be R69 475 476, a further 12,4% increase compared to the 2022 financial period. • Poor internal control systems to manage overtime and leave related costs.
<p>Skills and Competence</p>	<ul style="list-style-type: none"> • An Annual Skills Audit was not fully conducted. The following two directorates: Technical & Infrastructure and Community Development conducted the audits. • The Municipality underspent on its skills development budget, utilising only 57% of the budget (R1.260 million of R2.212 million). • The annual Workplace Skills Plan (WSP) is in place, but not fully implemented. • Reliance on consultants and service providers. • Skills and competencies not in line with the Municipal needs.
<p>Staff Discipline, Labour Relations, and Disciplinary Board</p>	<ul style="list-style-type: none"> • Ineffective disciplinary processes with numerous incidents of financial misconduct resulting in high UIF&W expenditure, fraud, and theft that have been documented. The resolution period is often prolonged in these cases. • Delays in appointing the Presiding Officers and Prosecutors contributed to extended timelines to resolve disciplinary cases. There is a lack of internal capacity to handle internal disciplinary matters.

INSTITUTIONAL PILLAR

FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> • The Disciplinary Board was not effective in dealing with financial misconduct. The Disciplinary Board Terms of Reference were not finalised, despite the Disciplinary Board being appointed on 29 November 2022 under Council Resolution CC 202/2022. • No employee surveys were conducted to ascertain employee morale and motivation. • No training on the Code of Conduct was conducted for municipal employees.
Performance Management Systems (PMS)	<ul style="list-style-type: none"> • The performance management framework is in place however it is not cascaded down to other staff levels below the s56/57 managers. There should be adoption and implementation of the Performance Management System at all levels of the municipality.
Key HR Policies:	<ul style="list-style-type: none"> • The key policies were updated and reviewed in the last financial year, but the following policies were identified as not updated: Abuse Policy, Incapacity, Task Job Evaluation Policy, Ill Health and Injury Policy, Harassment Policy, Alcohol and Drug Policy. • Policies lacked accountability provisions. Lack of accountability promotes unethical behaviour and poor performance.
Consequence Management	<ul style="list-style-type: none"> • Misconduct cases were not being effectively managed and consequence management was not effective. The Disciplinary Board was not effective. • The Consequence Management Framework is not effectively implemented. Lack of implementation of the Consequence Management Framework leads to ineffective performance management and lack of accountability.

INSTITUTIONAL PILLAR

FOCUS AREA	TOP FINDINGS
HR Strategy	<ul style="list-style-type: none"><li data-bbox="408 349 1444 488">• The Integrated Human Resource Strategy (IHRMS) was in place and was approved. However, gaps were identified in the budgeting and setting of Key Performance Actions (KPA).<li data-bbox="408 555 1444 636">• Inadequate human capital required to support the strategy due to high vacancies and unfilled positions at decision making level.
Physical verification of staff and qualifications	<ul style="list-style-type: none"><li data-bbox="408 685 986 719">• Verification of employees not conducted.<li data-bbox="408 786 1106 819">• Verification of staff qualifications is not conducted.<li data-bbox="408 887 1145 920">• Recruitment of unqualified and incompetent persons.
Records Management	<ul style="list-style-type: none"><li data-bbox="408 965 1444 1093">• An approved Record management Policy is in place; however, a file management plan is not in place and the Policy was not reviewed annually as scheduled.

7.3 FINANCIAL MANAGEMENT

This section of the Financial Recovery Plan status quo assessment mainly focuses on areas of Financial Management.

FINANCE PILLAR	
FOCUS AREA	TOP FINDINGS
Budget/Unfunded Budget	<ul style="list-style-type: none"> • The municipality adopted an unfunded budget for the past 5 financial years including for the financial period of 2022/23. The main causes of these unfunded has been: <ul style="list-style-type: none"> ○ Unrealistic revenue estimates ○ Poor revenue collections compared to budgeted ones. ○ Poor expenditure management ○ Forecasted cashflow surpluses that are insufficient to cover the outstanding creditor balances from prior financial periods. • Tariffs are not cost reflective. The municipality has not conducted a tariff study and has consequently been charging non-cost-reflective tariffs. • Municipality should Prepare budgets in accordance with S18(a) which stipulates that budget can only be funded through realistic projected revenue to be collected and Implement interventions to improve accuracy of billing and collections. • Cost of supply study should be done to ensure that tariffs charged are cost reflective.
Revenue Management	<ul style="list-style-type: none"> • Persistent under collection of revenue for the past two years below the National Treasury norm of 95%: <ul style="list-style-type: none"> ○ Audited collection rate for 2020/21: 52%. ○ Audited collection rate for 2020/22: 44% ○ Audited collection rate for 2022/23: 38% • There are delays in the replacement of meters, Illegal connections, and meter tampering hindering billing.

FINANCE PILLAR	
FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> • Disruptions and the municipality not fully implementing credit and debt control. • The municipality should enforce strict credit controls and collection measures. • Incomplete revenue base due to differences between valuation roll and financial system.
Customer Care and Data Accuracy	<ul style="list-style-type: none"> • No customer care system in place in the municipality. • The municipality consumer data is inaccurate and incomplete. • The municipality has a customer care policy however the policy seems not to be fully adhered to. • Delays in resolving customer queries.
Indigent Management	<ul style="list-style-type: none"> • In 2021/22 the municipality set a target of approving 25 000 households for basic services, however only 22 886 were reportedly approved. • Slow registration of indigents due to the non-responsiveness of the community.
Supply Chain Management and Value for money procurement	<ul style="list-style-type: none"> • The SCM unit is not centralised. • High levels of Unauthorised, Irregular, Fruitless, and Wasteful expenditure due to non-compliance with SCM laws and regulations. • Lack of suppliers' performance monitoring and evaluation, and contract management. • The SCM structure is not fully capacitated and SCM Module in the Financial System is not used. This has contributed to the increase in UIF&W.

FINANCE PILLAR	
FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> Delays in the procurement process for goods and services, mainly for conditional grants funded projects resulting in municipality losing such funds due to poor performance.
Cost Containment Measures	<ul style="list-style-type: none"> The municipality has a cost containment policy, however, there are no monitoring strategies and controls in place to ensure that the policy is adhered to. There is no/slow progress in the implementation of the approved budget funding plan for 2023/24 for example in the following activities: <ul style="list-style-type: none"> Targeted revenue activities such as additional customers, stand to be billed in the identified areas with an estimated revenue inflow of R23 million. There is no indication if the cost saving measures of R3 million were realised from the wet fuel. The Municipality only budgeted R15 million for the repairs and maintenance of transport, however, it estimated an inflow of R100 million. The Municipality identified travelling and subsistence as a cost cutting measure however no progress was reported.
Debt Restructuring	<ul style="list-style-type: none"> The Municipality has defaulted on the payment arrangements of Eskom and Midvaal the major creditors are Eskom are sitting at R1,6 and R1,2 billion respectively. The Municipality applied to the National Treasury for debt relief on Eskom debt in line with MFMA Circular no.124 of which the Municipality is currently not complying with the conditions as set out which can result in the National Treasury terminating the debt relief approval.

FINANCE PILLAR	
FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> The Municipality is obligated to meet the conditions of the debt relief and must monthly submit a report to the National Treasury and relevant Provincial Treasury reporting on its compliance with the conditions for Municipal Debt Relief by no later than 10 working days after the end of each month to ensure the relief does not lapse due to non-compliance with any of the conditions set out.
Creditor Management	<ul style="list-style-type: none"> The Municipality is not able to generate sufficient revenue and cash to cover its monthly expenses. The Municipality is incurring interest on unpaid creditors resulting in fruitless and Wasteful expenditure. Inability to pay creditors within 30 days of receipt of invoice. The municipality is significantly outside the recommended norm for creditor payments highlighting high levels of cashflow risk and an inability to meet its short-term obligations as and when they arise.
Grant Management	<ul style="list-style-type: none"> The Municipality has failed to spend 100% of conditional grants for the past five years resulting in the Municipality losing money during the stopping/ reallocation process and surrendering the money to NFR due to non-approval of roll over. Unspent conditional grants of R236.9 million were reported in the last 5 years, the lowest being 2021/22. The following grants were stopped due to underspending in March 2023 which linked to service delivery projects: <ul style="list-style-type: none"> MIG R11 million out of the total allocation of R100.2 million INEP R4.5 million out of the total allocation of R16 million WSIG R4.5 million out of the total allocation of R15.7 million

FINANCE PILLAR	
FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> ○ EEDSM R2 million out of the total allocation of R5.5 million ○ NDPG R9 million out of the total allocation of R30 million ● Municipality applied for roll over amounting to R165 million and only R107 million was approved while 58 million reverted to the National Fiscus.
AFS preparations	<ul style="list-style-type: none"> ● The Municipality is reliant on the consultants for the preparation of AFS and no skills transfer.

Analysis of key financial ratios and norms:

The following table provides an analysis of all critical financial ratios that are used to monitor the financial performance of the municipality. These uniform financial ratios and norms are determined under Circular 71 published in 2014 of MFMA. These ratios and norms assist in the assessment of the performance of the municipality.

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
<p>Capital Expenditure to Total Expenditure – indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services.</p> <p>Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100</p> <p>The norm is 10% - 20%.</p>	<p>4.7%</p>	<p>3.9%</p>	<p>This reflects lower spending by the municipality in infrastructure. Both the lower level of spending and budget underutilisation hold potential risks to service delivery.</p>

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
<p>Impairment of PPE and Investment Property and Intangible Assets (Carrying Value)</p> <p>Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/ (Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100</p> <p>The norm is 0%</p>	0%	0%	<p>The norm is 0%.</p> <p>Metric is normal at 0% in 2021/22 and 2020/21. Therefore, there appears to be a lower risk to service delivery due to excessive impairment of assets (impairment can be regarded in this case as a misjudgement of the economic benefits expected to be derived from an asset).</p>
<p>Repairs and Maintenance to Property, Plant, and Equipment, and Investment Property – measures the level of repairs and maintenance to ensure adequate repairs and maintenance to prevent breakdowns and interruptions to service delivery.</p> <p>The norm is 8%.</p>	2.7%	3.9%	<p>The municipality only spends about 3.9% (below the norm) on repairs and maintenance of existing infrastructure; the low spending may result in the conditions of the assets further deteriorating resulting in significant impairment losses.</p>

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
<p>Annual Collection Rate - indicates the level of payments as a percentage of revenue billed on credit.</p> <p>The norm is 95%.</p>	52%	44%	<p>The collection rate for the Municipality is fluctuating and was at its lowest in the 2021/22 financial period at 44%. The calculated collection rate for 2021/22 which is well below the norm is signifying an indication that revenue collection of the municipality requires urgent attention and corrective measures should be implemented. According to the Mid-Term Assessment of Provincial Treasury, the Municipality seems to be focused more on writing off the debt than on debt collection strategies.</p>
<p>Bad Debts Written-off as % of the Bad Debt Provision</p> <p>The Ratio compares the - value of Bad Debts Written-off on Consumer Debtors to Bad Debts Provided for Consumer Debtors to ensure that the Provision for Bad Debts is sufficient.</p> <p>The norm is 100%.</p>	Ratio not provided	3%	<p>This is because the Municipality provides for bad debts each year and does not write off bad debts.</p> <p>Compared to the norm, the ratio of 0% is unrealistic and not consistent with the low collection rates</p> <p>This is an indication of non-adherence to the debt write off policy.</p>

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
<p>Debtors Management Net Debtors Days – indicates the average number of days taken for debtors to pay their accounts.</p> <p>The norm is 30 days.</p>	79 days	73 days	<p>The net debtor's days are 73 days above the norm in 2021/22(2020/21: 79 days) This indicates that the Municipality is exposed to significant cash flow risk.</p> <p>The Municipality is experiencing challenges in the collection of outstanding debtors. The Municipality's ability to collect from debtors is poor as reflected by a low collection rate of 44% in 2021/22.</p> <p>A significant amount of potential cash is tied up in consumer debtors and the Municipality must improve its revenue and cash flow management. This can be achieved by fully implementing the collection policy.</p>
Liquidity Management			
<p>Cash/ Cost Coverage Ratio (Excluding Unspent Conditional Grants)</p>	1 month	1 month	<p>The Municipality has managed to maintain the ratio above the recommended 1 month. This indicates that the Municipality will be able to meet its monthly fixed operating commitments from cash and short-term investments for about a month, without collecting any additional revenue.</p>

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
<p>The Ratio indicates the - Municipality or Municipal Entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue.</p> <p>The norm is 1-3 months</p>			
<p>Current Ratio - this ratio indicates the extent to which current assets can be used to settle short-term liabilities. If current assets do not exceed current liabilities, it means a liquidity problem i.e., insufficient cash to meet financial obligations.</p> <p>The norm is 1.5 - 2:1.</p>	0.48	0.33	The Municipality for the past five (5) years has not attained the recommended rate. This indicates that the Municipality will not be able to pay its debt as it falls due. Given that the collection rate of the Municipality is also very poor. This puts the Municipality at a greater risk of not being able to service its short-term debt from its funds.
Liability Management			
<p>Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure – indicates the cost required to service the borrowing. It assesses the borrowing or payment obligation expressed as a percentage of total operating expenditure.</p> <p>The norm is 6% - 8%</p>	Ratio not provided	0%	The ratios for both years are below the norm indicating that the Municipality can take on additional financing from borrowing to invest in infrastructure projects or it could relate to cash flow problems where it is unable to access borrowed funds, or the funding decisions of the municipality impacts these levels.

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
			However, given the low cash generating ability and the 2 loans the municipality has with DBSA and Redefine of R36 975 258 as of 30 June 2022, the municipality debt. does not have the capacity to take on more
<p>Debt (Total Borrowings)/ Revenue - indicates the extent of total borrowings to total operating revenue.</p> <p>The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities. Alternatively stated, the ratio indicates the affordability of the total borrowings.</p> <p>The norm is 45%.</p>	1%	1%	<p>The ratio is less than 45% for both years implying that the Municipality still can take increased funding from borrowings,</p> <p>However, given the low cash generating ability and the 2 loans the municipality has with DBSA and Redefine of R36 975 258 as at 30 June 2022, the municipality cannot take on more debt.</p>
Efficiency			
<p>Net Operating Surplus Margin – measures the net surplus or deficit as a percentage of revenue.</p>	Ratio not provided	-6%	<p>Municipalities should at least recover operational costs for the trading services being delivered.</p> <p>The ratios for both years are less than 0% implying that the municipality is operating at a deficit. Measures must be implemented to address this situation to ensure sustainable service delivery. The accurate costing of services linked to cost-reflective tariffs will be required.</p>

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
<p>The norm is > 0%</p>			<p>In the case of an operating deficit, it is critical to ascertain the extent to which the accounting policy, i.e., the revaluation method has impacted the calculations to avoid any distortions in interpretation of the outcome. Refer to Circular 58 section 4.3 regarding revaluation in terms of GRAP 17 and treatment of depreciation and GRAP 24.</p> <p>The net operating deficit confirms the high level of reliance that the municipality places on National Government support to sustain service delivery.</p>
<p>Electricity Distribution Losses (%)</p> <p>The purpose is to measure the percentage loss of potential revenue from Electricity Services through electricity units purchased and generated but not sold because of losses incurred.</p> <p>The norm is 7% - 10%</p>	<p>34%</p>	<p>38%</p>	<p>The distribution losses are high as they are above the norm and this could be attributable to the internal usage not being accounted for, illegal connections, unbilled consumption, and incorrect allocation of electricity to invalid indigents.</p>

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
<p>Water Distribution Losses (Percentage)</p> <p>The purpose of this ratio is to determine the percentage loss of potential revenue from water service through kilolitres of water purchased but not sold because of losses.</p> <p>The norm is 15% - 30%.</p>	42%	51%	The distribution losses are high as they are at the higher end of the norm and this could be attributable to the internal usage not being accounted for, illegal connections, unbilled consumption, and lack of monitoring of water supplied
Revenue Management			
<p>Revenue Growth (%) – measures the growth in revenue year on year.</p> <p>The norm is at the rate of CPI</p>	Ratio not provided	20%	Both the nominal growth rates for 2021/22 and 2020/21 are above the average CPI for the RSA of 6%.
<p>Revenue Growth (%) - Excluding Capital Grants</p> <p>Measures the growth in revenue excluding capital grants year on year.</p> <p>The norm is > 5%.</p>	Ratio not provided	19%	

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
Expenditure Management			
<p>Creditors Payment Period This ratio indicates the average number of days taken for trade creditors to be paid.</p> <p>The norm is 30 days.</p>	389 days	446 days	<p>The ratio is significantly above the norm of 30 days for both 2020/21 and 2020/22 and 446 days and 389 days respectively. The municipality is not able to settle creditors within normal credit terms, this is an indication that the Municipality is experiencing cash flow problems.</p>
<p>Irregular, Fruitless and Wasteful and Unauthorized Expenditure to Total Expenditure – this ratio measures the extent of irregular, fruitless and wasteful and unauthorized expenditure to total expenditure.</p> <p>The norm is 0%.</p>	Ratio not provided	8%	<p>The norm is 0%</p> <p>Since the ratios for both 2020/21 and 2021/22 are above 0%, all UIF&W should be investigated.</p> <p>Recurrence of UIF&W shows the failure of adherence to Supply Chain Policy to UIF&W</p>
<p>Remuneration (Councillor Remuneration and Employee Related Costs) as % of Total Operating Expenditure - Indicates the extent to which expenditure is applied to the payment of personnel.</p> <p>The norm is 25% - 40%.</p>	18%	16%	<p>The ratio refers to the employee cost of the municipality to the total operating expenditure, the ratio of 16% (2020/21:18%) shows the spending on remuneration is below the norm. This may be attributed to the high vacancy rate in the municipality.</p>

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
<p>Contracted Services as a % of Total Operating Expenditure - indicates the extent to which the Municipality resources are committed towards contracted services to perform Municipal related functions.</p> <p>The norm is 2%-5%.</p>	Ratio not provided	2%	
Budget Implementation			
<p>Capital Budget Implementation Indicator - Measures the extent to which Budgeted Capital Expenditure has been spent during the financial year, under review.</p> <p>The norm is 95% to 100%</p>	Ratio not provided	80%	For the two years under review, the municipality is 100% reliant on grant funding given that it cannot afford to finance capital expenditure from internally generated funds. Although other metrics indicate that the municipality can potentially apply for debt, it cannot service debt given the lack of cash generating ability and reliance on funding from National Government
<p>Operating Expenditure Budget Implementation Indicator</p> <p>The norm is 95% to 100%</p>	Ratio not provided	117%	The 2021/22, overspending may indicate inaccurate budgeting or poor financial management, although the magnitude is not significant. This is an acceptable deficiency in budgeting processes and monitoring control with respect to budget control.

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization			
Operating Revenue Budget Implementation Indicator The norm is 95% to 100%	Ratio not provided	101%	A ratio of 101% year on year points towards inaccurate budgeting and is not an indicator of cash generation due to the low collection rate.
Billed Revenue Budget Implementation Indicator - Measures the extent of Actual Service Charges and Property Rates Revenue received to Budgeted Service Charges and Property Rates Revenue during the financial year, under review. The norm is 95% to 100%	Ratio not provided	87%	

7.4 SERVICE DELIVERY

The critical key issues identified from the status quo assessment regarding service delivery matters inclusive of the additional observations from the FRP consultants, are the following:

SERVICE DELIVERY PILLAR	
FOCUS AREA	TOP FINDINGS
Loss Control - Water	<p>Water losses currently stand at 58%, exceeding the desired range of 15% to 30%, resulting in financial losses. The Municipality should promptly investigate the causes of these losses and develop a strategy to reduce them.</p> <ul style="list-style-type: none"> • Poor maintenance of the municipality's aging infrastructure contributes to high water losses. The Municipality must conduct a condition assessment and allocate funds for repairs and replacements. • Insufficient motor vehicles and tools for addressing burst pipes are causing issues. • The Municipality cannot accurately account for water consumption because the water billed is significantly less than the water purchased. It has been observed that water provided to informal settlements and construction sites is being sourced from fire hydrants. • The municipality has not implemented effectively any water conservation and water demand management strategy. • The municipality is not conducting monthly service delivery performance assessments (MISA template) • Demand system input reduction strategies not effectively implemented <ul style="list-style-type: none"> • Inadequate Pressure and Network Zone Management • Inadequate Pro-active leak detection and repair • Inadequate Pipe Replacement of old pipes

SERVICE DELIVERY PILLAR

FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> • Inadequate Routine or domestic leak repairs • Inadequate Standpipe Audit and Disconnections • Inadequate Replacement of Faulty Water Meters • Inadequate Billed metered consumption audit • Inadequate Metering Unmetered Sites • Inadequate implementation of prepaid metering program <p>The municipality is not targeting the reduction of water losses from 58% - 30%</p>
<p>Loss Control- Electricity Technical Losses</p>	<ul style="list-style-type: none"> • In terms of Municipal Finance Management Act (MFMA) Circular No. 71: Uniform Financial Ratios and Norms, dated January 2014, the industry norm pertaining to electricity losses is between 7% to 10% • The Municipality has a loss of revenue due to high electricity losses of about 38% which is above the norm. • The Municipality does not have a credible electricity loss reduction strategy. • The Municipality's electrical infrastructure is not being maintained; there is no electricity infrastructure maintenance plan. • The Municipality has problems with accuracy and consistency of meter readings, this leads to false data that affects revenue planning and monitoring. • Meter audits are not being conducted frequently within the municipality. • The municipality is not conducting monthly service delivery performance assessments (MISA template)
<p>Non-technical losses due to meter tampering, illegal connections</p>	<ul style="list-style-type: none"> • High number of illegal connections of electricity and water. • No effective strategy in place to reduce non-technical losses.

SERVICE DELIVERY PILLAR	
FOCUS AREA	TOP FINDINGS
Unmetered consumption	<ul style="list-style-type: none"> • High revenue losses due to non-metered consumption in municipal buildings. • The Municipality is unable to identify billing issues on individual accounts and hence cannot act on billing irregularities.
Solid Waste Management (Waste Collection and Landfills)	<ul style="list-style-type: none"> • High levels of waste in the municipality especially in informal settlements and illegal dumping sites. • Lack of specialized waste management vehicles to service all areas. • Inadequate consequence management to perpetrators of illegal dumping. • Landfill sites are not maintained to legislative standards.
'SMART' technologies	<ul style="list-style-type: none"> • Slow rate of adoption of SMART technologies.
Fleet Management	<ul style="list-style-type: none"> • The municipality does not have enough fleet to service municipality needs. • Aged fleet resulting in high maintenance costs. • Working/performing vehicles is at 50% as of year end 2022. • Organogram has no fleet Manager hence no leadership in the direct management of the fleet. • There is no fleet management policy. • There is also inadequate funding for fleet maintenance and procurement.
Sanitation Services	<ul style="list-style-type: none"> • The 4 Wastewater treatment facilities are registered but have no operating licenses which have serious legislative implications. • Municipality provides sewer reticulation services however they are characterised by the high operating costs of pumps and associated machinery. • The sanitation infrastructure is ageing and lacks maintenance. • Green Drop report has marked the Orkney site as critical (two years running). • Vandalism of infrastructure at Orkney and Stilfontein sites.

SERVICE DELIVERY PILLAR	
FOCUS AREA	TOP FINDINGS
	<ul style="list-style-type: none"> • Sanitation services are impacted by the challenges that impact water services as the sewer network cannot operate as designed without sufficient water supply. • There is no Sanitation Infrastructure Maintenance Policy
Housing Delivery	<ul style="list-style-type: none"> • Housing Demand backlog as a percentage of demand- 22% • The Housing waiting list is about 45,500. • Slow progress in delivery of houses
Asset Management	<ul style="list-style-type: none"> • The mSCOA Asset Management module is not being utilised in the Municipality. • Municipality does not have Infrastructure Management master plans.
Capital Projects and Grant Funded Projects	<ul style="list-style-type: none"> • Poor contract management is causing project delays or non-delivery. • Grant funds not being fully utilized affecting future budgets

PART THREE

8. THREE PHASE RECOVERY PLAN

As discussed earlier in this FRP, to ensure that financial recovery is not only achieved but more importantly, that progress is institutionalised and sustained within the City of Matlosana LM, the FRP adopts a strategic, focused approach that is time-bound yet comprehensive enough to ensure that the underlying causes of the crisis are adequately and for that purpose, the FRP distinguishes between the following activation phases:

- a) Rescue.
- b) Stability.
- c) Sustainability.

The FRP Implementation Plan, found in the Excel document labelled Compile a schedule of all accounts in arrears of Councillors and officials and enter into payment arrangements.

Annexure A.1, which is appended to this report, furnishes comprehensive information for each Pillar's focus area. This information encompasses key activities, recommended actions, responsible individuals or entities, necessary support, specified target dates, Key Performance Indicators, and the Portfolio of Evidence.

8.1 PHASE 1: MUNICIPAL RESCUE PHASE (6-12 MONTHS)

Considering that this intervention has been initiated as a result of a crisis in the financial affairs of the municipality, in this phase of the recovery plan, emphasis will be placed on the cash and cash position of the municipality, as well as restoring some of the basic principles of good financial management. The strong emphasis on improving the cash position is to create an availability of resources to address some of the most immediate and visible service delivery challenges. However, an emphasis on cash and municipal finances does not preclude the Provincial Intervention team from addressing governance and institutional issues.

In this phase, emphasis also leans towards "quick wins" - what are the issues that require relatively little effort or resources to be addressed but would make meaningful inroads towards the overall recovery process. The phase is expected to last for 6-12 months. A few critical, high-level indicators have been selected to guide this phase of the recovery plan. Progress on meeting these indicators will be monitored monthly by the MFRS team. It is recommended that the Rescue Task Team focus on the following issues:

GOVERNANCE PILLAR

FOCUS AREA	RESCUE PHASE ACTIVITIES
UIFW Expenditure	<ul style="list-style-type: none"> • Investigate and deal with all instances of UIF&W expenditure and other issues of maladministration and/or wrongdoing on time and establish if any municipal officials should be held liable for UIF&W expenditure in line with section 32 of the MFMA and Circular 68 • Review and provide support to implement the Standards Operating Procedures for procurement. • Monthly Reporting on UIF & W • Review existing UIF&W expenditure reduction plan for more effective implementation
Governance and Legislative Matters	<ul style="list-style-type: none"> • Enforcement of the Code of Conduct for Councillors. • Institute debt collection measures to recover all debt owed by Municipal Councilors and officials • Monitor Councillor and staff current accounts for Municipal services rendered • Accelerate the approval of the Disciplinary Board Terms of Reference and ensure the Board is effective in dealing with disciplinary cases.
Contract Management	<ul style="list-style-type: none"> • Preparation and submission of monthly contract performance monitoring report • Audit, all contracts and value for money assessment including evergreen or irregular month-to-month contracts for goods and services. • Review and terminate evergreen or irregular month- to-month contracts for goods and services and consider signing long-term contracts. • Update contract register.
Powers and Functions	<ul style="list-style-type: none"> • Investigate and conduct cost-benefit analysis on functions belonging to other Departments but performed by the Municipality.
Litigation and Contingent Liabilities	<ul style="list-style-type: none"> • Negotiate payment arrangements with all long outstanding creditors before instituting legal proceedings • Update litigation register and reflect total contingent liability. • Determine the total comparative legal costs incurred in the past three financial years to establish the litigation costs and causes
Consequence Management	<ul style="list-style-type: none"> • Implement consequence management by, among other things, enforcing schedule 2 of the Local Government Municipal Systems Act.

INSTITUTIONAL PILLAR

FOCUS AREA RESCUE PHASE ACTIVITIES

Performance Management	<ul style="list-style-type: none"> • Cascade the performance management system to all staff below s56/57 managers (bottom-up approach). • Ensure each employee has signed a job description with KPA & KPIs.
Staff Verification	<ul style="list-style-type: none"> • Conduct regular verification of the qualifications of all the employees • Evaluate employee numbers based on the new structure to identify any extra, ghost, and unqualified employees.
Recruitment and selection	<ul style="list-style-type: none"> • Improve the recruitment processes. Ensure the Recruitment Policy and procedures are up to date and efficient. • Develop the recruitment and selection procedure manual or SOP
Organisational Structure	<ul style="list-style-type: none"> • Accelerate the approval of the organisational structure by the Council to align with the Municipal Staff regulations and the IDP and Municipality strategic objectives. • Immediately hire senior managers to permanently fill the acting roles and critical positions in accordance with the revised organisational structure
Overtime	<ul style="list-style-type: none"> • Review and implement all HR financial related policies with the help of SALGA and COGTA. • Enforcement of the Overtime policy. • Conduct staff verification. • Introduce measures and procedures to approve, and monitor overtime work and compensations – use Divisional Agreement and BCEA to guide internal processes.
Training and Development	<ul style="list-style-type: none"> • Train the Municipal Disciplinary Board in line with the Financial Misconduct Regulations. Consult with COGTA regarding training plans for the Disciplinary Board • Examine contracts with service providers or employees to see if the Municipality can bring some of these tasks in-house and save money on external services. • Develop procedure manuals to give guidance to management when implementing approved policies.

FINANCIAL MANAGEMENT PILLAR

FOCUS AREA RESCUE PHASE ACTIVITIES

<p>Funded budget</p>	<ul style="list-style-type: none"> • Perform a project-based needs analysis based on mSCOA project segments and its accompanying ITEM segment in mSCOA. Expenditure projects should be prioritised and must be limited to the critical needs of the municipality also within the framework of realistically anticipated revenue, cash-backed surpluses not yet committed, and borrowed funds, only for capital projects. • Conclude payment arrangements with creditors and consider these renegotiated amounts in the budget. • Develop cost-containments measures and quantify expected savings to include in budget considerations. • Review revenue baseline revenue budget to ensure that it is realistic and achievable. • Develop and/or review and implement key budget-related policies in line with the financial environment, including: <ul style="list-style-type: none"> - Tariff policy - Cash Management and Investment policy - Asset Management policy - Fleet Management policy - Budget implementation policy - Funding and reserves policy - Travel, Accommodation and Subsistence policy - Cost Containment policy - Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy - Indigent policy - Debt and credit control policy - Property rates policy
<p>Revenue Management value chain</p>	<ul style="list-style-type: none"> • Development of cost-reflective tariffs • Tariffs loaded on the system to be reviewed and signed off by the reviewer. • Meter audits to be performed.

FINANCIAL MANAGEMENT PILLAR

FOCUS AREA RESCUE PHASE ACTIVITIES

	<ul style="list-style-type: none"> • Monthly billing reconciliations to be performed and signed off by the preparer and reviewer. Training on billing systems is to be provided by the Service provider if required. • Correction of differences identified between the valuation roll and the financial system. • Development of policy/procedures for the reporting by the community for illegal tampering of meters • Weekly meetings between infrastructure and finance. Infrastructure to inform finance of any faulty meters/new meters installed. • Meter listing of infrastructure to be reconciled with a billing system. • Develop complaint management system (Develop a register of queries lodged to track the turnaround time in resolving them (Spreadsheet) • Develop SOP with a standard form to ensure that all new connections link the finance and Technical department to avoid connections without a deposit and connection fee. • Implement internal control measures to reconcile, verify, and review all electricity-related revenue streams. • Training on the use of financial systems and procedures for uploading municipal information, including valuation rolls, tariff lists, etc. • Assess the financial system to ensure that it complies with the needs of the municipality. • Implement a clear process for the review and monitoring of the implementation of the financial system by consultants, including the development of a skills transfer plan • Compilation and approval of way-leave policy
<p>Cost reflective tariffs</p>	<ul style="list-style-type: none"> • Develop and approve tariff setting model including the phase-in strategy to implement findings of tariff tool. Revised tariffs are to be approved with the budget. • Update and approval of tariff policy. Training to be provided to relevant employees on cost-reflective tariff setting to implement principles

FINANCIAL MANAGEMENT PILLAR

FOCUS AREA RESCUE PHASE ACTIVITIES

Financial reporting and AFS preparation	<ul style="list-style-type: none"> • A targeted Audit Action Plan must be developed, implemented, and monitored by senior officials. • Develop and/or strengthen internal control procedures to improve the consistency and quality of information. • Evaluate the competency and skills of the staff relating to the specific roles and responsibilities required for the position held. • Implement best practice operating procedures and monitoring tools to ensure that all legislative timelines are achieved. • Engage with the service provider to analyse and identify the root cause for billing complications (consider the different systems follow different processes, i.e., similar issues identified at other municipalities using the same system/s. The root cause was however found to be a combination of a lack of system knowledge combined with incorrect operating/accounting practices). • Develop and implement best-practice standard operating procedures in terms of the full revenue function.
Daily cash and cash balances	<ul style="list-style-type: none"> • Consequence Management for misappropriation of funds • Cash management policy to be compiled and approved with the budget process. (for strict controls on receipting and banking) The municipality should undertake cash flow management and investment framework/policy as per Section 13 of the MFMA • Bank reconciliation of all municipal bank account monthly
Expenditure management	<ul style="list-style-type: none"> • Ring fence grant funds through a grant management policy. • Cost containment policy to be complied with and approved within the 23/24 Adjustment budget. • Payment arrangement to be signed with Eskom and Midvaal
Debtors' management and indigent management	<ul style="list-style-type: none"> • Land ownership: Monthly reconciliation to be performed between deeds, asset register, and billing system (erf number) for completeness of properties and to resolve disputes.

FINANCIAL MANAGEMENT PILLAR

FOCUS AREA RESCUE PHASE ACTIVITIES

	<ul style="list-style-type: none">• Electricity of government institutions to be cut, after a letter has been sent to make payment by a certain due date.
Ring fencing of conditional grants	<ul style="list-style-type: none">• All conditional grants should be ring-fenced. The target amount is equivalent to all the capital grants anticipated during the period under review.• Provide training in capital grant funding conditions and guidelines.
Municipal debt relief	<ul style="list-style-type: none">• The monitoring compliance with the conditions of the municipal debt relief on a monthly basis to ensure NT terminates the debt relief approval due to non-compliance with any of the conditions set out.

SERVICE DELIVERY PILLAR

FOCUS AREA	RESCUE PHASE ACTIVITIES
Repairs Maintenance of Service Delivery Infrastructure	<ul style="list-style-type: none"> • Attend to all reported water faults and leakages and sanitation spillages, and blockages. • Prioritize the repair of all visible water losses and sewer spillages and respond to any breaks in services. • Perform all repairs on street lighting. • Develop and implement an electricity loss management system. • Attend to all reported storm water drainage issues and clean related blocked drains. • Undertake road maintenance by focusing on the fixing of potholes, curb-side maintenance, and other visible issues. • Urgent maintenance on priority surfaced and gravel roads.
Fleet Management	<ul style="list-style-type: none"> • Auction off redundant equipment in line with legislation and policy. • Investigate fleet requirements and associated maintenance costs. • Conduct awareness campaigns on illegal dumping and enforce municipal by-laws. • Prioritize using the correct fleet for waste collection to ensure compliance with health and safety requirements
Land Use and Waste Management	<ul style="list-style-type: none"> • Address building contraventions and enforce the building by-laws. This includes compliance with zoning status. • Prioritize compliance with all environmental requirements for the landfill sites.
Illegal Connection	<ul style="list-style-type: none"> • Implement measures to deal with illegal connections and formulate an effective strategy
Facilities and Investment Properties	<ul style="list-style-type: none"> • Update all records of contracts/leases entered to use municipality facilities and buildings. • Review contracts and tariffs on municipal buildings being leased and hired. • Urgent maintenance of municipal buildings and facilities. • Investigate the cause of underspending and reduction of grant funds and develop a plan to address the shortcomings.

SERVICE DELIVERY PILLAR	
FOCUS AREA	RESCUE PHASE ACTIVITIES
Meter Audit	<ul style="list-style-type: none"> • Audit water and electricity meters. • Replace malfunctioning meters. • Capture non-metered households and Municipal buildings. • Develop and maintain a register of all bulk water and electricity meters and install check meter

8.2 PHASE 2: STABILIZATION/RECOVERY PHASE (12-24 MONTHS)

In this phase of the recovery process, the focus is intended to shift from quick and visible wins to addressing and institutionalizing the achievements of Phase 1. Financial targets under Phase 1 will still be monitored and additional targets may be added as necessary from the work undertaken in Phase 1.

This phase is largely about the improvement of efficiencies and systemic improvements across the municipality to ensure best practices around governance and institutional matters are identified and implemented.

This requires a systematic approach to redesign processes and policies to change the work climate within units and realignment of responsibilities and delegation to enhance governance and productivity.

8.2.1 FINANCIAL TARGETS (STABILISATION/RECOVERY PHASE):

FINANCE PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
Budget and budget related policies	<ul style="list-style-type: none"> • Monitor the implementation of MTREF Budget, budget policies, bylaws, IDP by tracking resolutions. • Monitor implementation of budget related policies.
Cashflow management	<ul style="list-style-type: none"> • Implement and monitor compliance with the Cost Containment Policy. • Ring fence revenue from the supply of bulk water towards the payment of the outstanding debt from Midvaal Water. • Hold officials accountable for not implementing Cash Flow Committee resolutions.

FINANCE PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
Trading debtors and collection rate	<ul style="list-style-type: none"> • Implement the credit control and debt collection policy. • Review debtors' book and implement prioritised debt collection. • Focus collection on Provincial government and Business, etc. • Ensure government debts are paid as per the payment agreement. • Ensure local municipalities' debts are paid as per the payment agreement. • Ensure businesses and other debts are paid as per the payment agreement. • Ensure household debts are paid as per the payment agreement. • Repair and replacement of faulty meters. • Identification and registration of Indigent Households for free basic services (to reduce debtors).
Revenue Management	<ul style="list-style-type: none"> • Monitor water and electricity distribution losses by performing post billing reconciliations. • Strictly monitor the implementation of the Revenue Enhancement Strategy • Monitor implementation of the debtor's collection policy • Monitor the debt collector's performance and implement consequences for poor performance.
Expenditure management	<ul style="list-style-type: none"> • Expenditure management (including SCM, value for money, cost containment, efficiency, and effectiveness). • Cash management (ensuring that procurement is based on realistic cashflows). • Maintain robust cash management tool. • Compile a cash-flow projection for the financial year upon completion of the 2022/23 Budget, showing realistic monthly projections. • Management of the cash-flow daily with weekly reporting to the MM and management meetings. • Ensure that all contracts are current. Continue to review committed contracts to determine which contracts have lapsed or which can be cancelled without the risk of legal action against the City of Matlosana Local Municipality.

FINANCE PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
	<ul style="list-style-type: none"> Continue to investigate contingent liabilities and meetings with claimants to be held where legal action can be suspended to resolve claims amicably.
Supply Chain Management	<ul style="list-style-type: none"> Properly capacitate the SCM for critical vacant positions Develop Standard Operating Procedures. Review and update all financial internal controls including procurement, contract, and supplier management. Training of Bid Committees. Improve SCM System. Undertake a strategic review of SCM and SCM functions across the organization with NT support. Enforce compliance with SCM regulations and other guidelines such as MFMA Circular No 62. 100% compliance to the SCM legislation and related policies

GOVERNANCE PILLAR

FOCUS AREA	STABILITY PHASE ACTIVITIES
Governance legislative matters	<ul style="list-style-type: none"> • Compile a schedule of all accounts in arrears of Councillors and officials and enter into payment arrangements. • The Audit Committee should schedule engagements that align with Council meetings and oversight committees to discuss, report, and advise the Council on governance and all matters affecting the efficient and effective running of the municipality
Contract management	<ul style="list-style-type: none"> • Identify goods and services required on an ongoing basis and appoint service providers on longer-term contracts. • Confirm mandate for contract management committee (maybe part mandate of the BAC) and train members on relevant contract management matters.
Risk management	<ul style="list-style-type: none"> • Municipality to facilitate training and workshop on risk management as well as adherence to risk framework and charter. • Develop a business continuity plan and disaster recovery plan.

INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES PILLAR

FOCUS AREA	STABILITY PHASE ACTIVITIES
Operating Model and Organisational structure	<ul style="list-style-type: none"> • Thoroughly assess and appraise the job descriptions of all employees within the organizational structure. Ensure all employees have approved job descriptions with key performance indicators. • Request and ensure adequate budgeting to support the revised organisational structure. • Perform a Salary Benchmarking exercise to ensure employees are paid based on the correct grading. • Improve the culture of accountability. • Undertake a cost benefit analysis before outsourcing.
Employee and Overtime Costs	<ul style="list-style-type: none"> • Conduct a staff complement evaluation against organisational needs as per the revised Organisational Structure to establish the excess staff. • Improve internal control systems to effectively manage leave and overtime expenses.

INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES PILLAR

FOCUS AREA	STABILITY PHASE ACTIVITIES
	<ul style="list-style-type: none"> ● Monitor the implementation of Overtime; Travelling & Subsistence allowance; Acting, Stand-by and Shift policies. Put in place the Standard Operating Procedures (SOPs) ● Perform regular verification of staff against the payroll. ● Procurement of the Electronic clocking system.
Skills and Competencies	<ul style="list-style-type: none"> ● Ensure that all affected employees (BTO/SCM) and managers are assisted to meet the minimum competency levels as required by the regulations. ● Conduct an enterprise-wide skills audit using the Department of Cooperative Governance Gap Skills tool. ● Conduct a verification of the qualifications of all the employees. ● Conduct training and review the municipal training needs on an ongoing basis. ● Ensure adequate funding for the skills development and WSP implementation budgets. ● Empower and equip the training committee.
Staff Discipline. Labour Relations and Disciplinary Board	<ul style="list-style-type: none"> ● Engage and utilise officials from other government departments, municipalities, and or SALGA databases to assist in conducting disciplinary proceedings on behalf of the Municipality. ● Conduct workshops to explain the Code of Conduct for all staff and Councillors. ● Improve on monitoring of processes and all cases of misconduct to be reported. ● Ensure compliance with the regulations. ● Review the Disciplinary Board Terms of Reference. ● Conduct employee surveys to ascertain accountability culture, staff morale, and working relationship between employees and management.
Performance Management Systems (PMS)	<ul style="list-style-type: none"> ● Improve performance planning, implementation, and reporting. ● Appoint S.56 senior managers permanently. ● Develop a remediation plan to deal with the performance gaps.

INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES PILLAR

FOCUS AREA	STABILITY PHASE ACTIVITIES
	<ul style="list-style-type: none"> ● Implement consequence management for inadequate performance and non-compliance. ● Cascade the performance management system to all staff below s56/57 managers (bottom-up approach). ● Ensure each employee has signed a job description with KPA & KPIs.
Key HR Policies:	<ul style="list-style-type: none"> ● Develop procedure manuals to give guidance to management when implementing approved policies. ● Workshop Senior managers, managers, divisional heads, and supervisors on approved policies for effective implementation. ● Review HR Policies.
Consequence Management	<ul style="list-style-type: none"> ● Implement the Consequence Management Framework. ● Conduct workshops to explain the Code of Conduct for all staff and Councillors. ● Improve on monitoring of processes and all cases of misconduct to be reported. ● Train and empower Presiding Officers and Prosecutors.
HR Strategy	<ul style="list-style-type: none"> ● Continuously review the IHRMS and involve all employees in strategy formulation. ● Provide adequate training and upskilling. ● Always align the HR strategy with the IDP.
Physical verification of staff and qualifications	<ul style="list-style-type: none"> ● Conduct an enterprise-wide skills audit using the Department of Cooperative Governance Gap Skills tool. ● Physically verify municipal employees and identify ghost workers. ● Perform background checks at all levels, including contractors. ● Verify qualifications for all employees.
Records Management	<ul style="list-style-type: none"> ● Review and update the record management policy annually. ● Develop an approved file plan.

SERVICE DELIVERY PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
Masterplans	<ul style="list-style-type: none"> • Hire specialized advisors to create comprehensive Master Plans for all infrastructure sectors that are in accordance with the Integrated Development Plan (IDP) and Spatial Development Framework (SDF). • Implement the GIS system and appoint suitably qualified personnel to manage the GIS system.
Asset Management	<ul style="list-style-type: none"> • Development and implementation of maintenance plans for all asset classes. • train staff on utilisation of assets module in mSCOA.
Water Losses	<ul style="list-style-type: none"> • Investigate the elements of the Water losses and Develop a Strategy to address high water losses. • Institute a call centre to effectively track burst pipes and other faults that cause water losses. • Develop a security plan to protect municipal water infrastructure. • Perform conditional assessment of infrastructure and budget for repairs and replacement. • Purchase required tools of trade and plan for maintenance thereof. • Develop Water Services Development Plan (WSDP) and align to the IDP • Disconnect illegal connections.
Electricity Losses	<ul style="list-style-type: none"> • Develop a strategy for reducing electricity loss. • Develop an electricity infrastructure maintenance plan. • Plan to introduce smart meters to alleviate illegal bridging of meters. Improved billing system and control. • Conduct a meter audit within the municipality and perform regular meter audits continuously. • Disconnect illegal connections.
Non-technical losses due to meter tampering, illegal connections	<ul style="list-style-type: none"> • Consumer education programs about dangers and repercussions of illegal connections and meter tampering, political office to assist. • review by-laws to further enforce consequence management to offenders of illegal connections and meter tampering

SERVICE DELIVERY PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
Unmetered consumption	<ul style="list-style-type: none"> • MM to take a proactive position and instruct the technical department to install meters in all Municipal buildings. • Accounting system providers to train revenue personnel on the identification of customer account problems and resolve them.
Waste and Refuse Removal / Solid Waste Infrastructure	<ul style="list-style-type: none"> • Review By-laws to deal with offenders of illegal dumping of waste. • Prioritise funds for the rehabilitation of dysfunctional landfill sites. • Purchase of specialised refuse removal trucks to increase the capacity of waste removal. • Purchase of a specialised refuse plant to increase the capacity of refuse functions at landfill sites.
Planning and building control	<ul style="list-style-type: none"> • Public awareness of procedures and processes for building control. • Strengthen Inter-governmental Relations (IGR) capacity. • Council to review and adopt new bylaws to ensure that the instruments can be used effectively and aid revenue collection. • Introduce staff development plan.
Fleet management	<ul style="list-style-type: none"> • Develop Municipal Fleet Management Strategy. • Prioritise investment in vehicles as per requirement in the Municipality. • Develop and implement a fleet Maintenance plan.
Traffic, Security and Municipal Court	<ul style="list-style-type: none"> • Perform regular roadblocks to increase traffic fine collections. • Fix or buy new traffic enforcement cameras. • Initiate internal training programs for traffic officers.
Parks and cemeteries	<ul style="list-style-type: none"> • Prioritise investment in new equipment and train the staff available to use the equipment. • Create and implement awareness programs with the aid of political office on Deforestation of biodiversity. • Engage environmentalists/consultants to formulate a strategy to run the nature reserve better

SERVICE DELIVERY PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
Security services	<ul style="list-style-type: none"> • Establish a task team to engage with other levels of government policing and security organs to address security challenges being faced in the municipality. • Implement security measures at strategic facilities i.e., substation
Local economic development	<ul style="list-style-type: none"> • Activate the LED Forum to spur economic development through sustainable LED projects that are implemented in cooperation between the public and private sectors.
Fire + Disaster Management	<ul style="list-style-type: none"> • create awareness programs with regard to fire and safety especially in informal settlements as most people use paraffin in those areas. • Develop disaster management programs for communities

8.3 PHASE 3: SUSTAINABILITY PHASE (BEYOND 24 MONTHS OR TERMINATION OF PHASE 2)

The Sustainability Phase ensures that indicators are developed that will affect the long-term financial sustainability of the Municipality. Phase 3 of the recovery plan precedes the exit of the Provincial Executive representative. Before concluding the intervention, there must be a reasonable assurance that measures implemented in Phases 1 and 2 are sustainable and that the municipality is committed to ensuring the implementation of good practice. In this phase, it is also important to include indicators that affect the long-term financial sustainability of the municipality. The Municipality is expected to conform to norms set for financial ratios and to ensure that plans are put in place to buffer the municipality in the event of national or provincial economic and fiscal shocks. These would be derived from the strategic development review of the municipality and the long-term financing strategy.

In each of the phases and each of the pillars, appropriate targets have been selected to guide the recovery process. These targets have been identified as most appropriate given the nature of issues confronting the municipality. These targets indicate high-level outcomes that must be achieved but do not specify the steps to be taken or the methods to be used to achieve those outcomes. The choice of methods is at the discretion of the PER/MM and Senior Managers who will be monitored on the progress made in achieving the set targets.

FINANCIAL MANAGEMENT PILLAR	
FOCUS AREA	SUSTAINABILITY ACTIVITIES
Budget and Budget related policies	<p>Compile a 2025/26 MTREF funded budget</p> <p>Council should improve on monitoring and implementation of MTREF Budget, budget policies, bylaws, IDP by tracking resolutions.</p> <p>Review of all services to establish which services are to be continued with, curtailed, and or restructured</p> <p>High cost drivers of the budget such as personnel budget should be critically looked at to reflect actual posts, including new critical positions (Zero-based Budgeting).</p> <p>Provincial Treasury verifies compliance and funding status; and Implement recommendations from Provincial Treasury during the budget assessment including the Recovery Plan</p>
Financial Control	<p>Improved internal controls and regular internal control audits by the internal audit</p> <p>Reconciliations prepared every month.</p>
AFS Preparation	<p>Continuous training of the internal staff by the service provider and transfer of skills.</p> <p>In-house preparation of the AFS.</p>
SCM	<p>Review of SCM and policies, update the deviation register and UIF&W registers every month</p> <p>Functional MPAC investigating transgressions to SCM policy and NT guidelines</p> <p>Functional Disciplinary Board</p>
Revenue Management	<p>Narrow the gap in the cost reflective tariffs implementation and consistent implementation of credit control and debt collection policies</p>
Expenditure and Creditors	<p>Maintain expenditure levels according to the FRP targets</p> <p>Control of expenses using the cost containment policy</p>

8.4 PHASE 1, 2 AND 3: BUDGET PARAMETERS AND FINANCIAL TARGETS

FINANCIAL FORECASTING MODEL FOR IMPLEMENTATION OF THE FINANCIAL RECOVERY PLAN

BUDGET ITEM	2023/24 BUDGET PARAMETERS	2024/25 BUDGET PARAMETERS	2025/26 BUDGET PARAMETERS	ASSUMPTIONS
Service charges – Water	<p>Water losses are currently reported at 58% largely due to poor maintenance. The current collection is just over 40%. Implement the credit control and debt management policy and review tariffs to be cost-reflective.</p> <p>To commence Water Billing to all consumers from July 2025 going forward.</p> <p>Reduce water losses by 15% and increase Collection rate - 65%</p>	<p>2023/24 + CPI + Growth (in accordance with consumer demand and revised tariff structure.</p> <p>Collection rate - 75%</p> <p>Reduce Water losses – 25%</p>	<p>2023/24 + CPI + Growth (in accordance with consumer demand and revised tariff structure.</p> <p>Collection rate - 85%</p> <p>Reduce Water losses – 35%</p>	<p>Council will review and approve the tariff policy to be cost reflective and implement the credit control and debt collection policy. Smart meters will be installed and water infrastructure will be maintained</p>

BUDGET ITEM	2023/24 BUDGET PARAMETERS	2024/25 BUDGET PARAMETERS	2025/26 BUDGET PARAMETERS	ASSUMPTIONS
Service charges - Electricity	<p>The municipality has not indicated a clear strategy to deal with future energy security, considering SSEG and risk mitigation for loadshedding. The revenue recovered from consumers for electricity is insufficient to service ESKOM.</p> <p>Increase electricity revenue collection by 95%</p> <p>Reduce electricity losses by 50%</p>	<p>2023/24 + CPI + Growth (in accordance with consumer demand and revised tariff structure.</p> <p>Collection rate - 95%</p> <p>Reduce Electricity losses – 80%</p>	<p>2023/24 + CPI + Growth (in accordance with consumer demand and revised tariff structure.</p> <p>Collection rate - 100%</p> <p>Reduce Electricity losses – 90%</p>	<p>The Council will review and approve the tariff policy to be cost reflective and implement the credit control and debt collection policy. Smart meters will be installed and water infrastructure will be maintained</p>

BUDGET ITEM	2023/24 BUDGET PARAMETERS	2024/25 BUDGET PARAMETERS	2025/26 BUDGET PARAMETERS	ASSUMPTIONS
Interest Earned	Increase interest earned by reducing high levels of cash in the current account and opening call accounts for higher interest earnings. Increase interest earned by 5%	FY 2024/25 average increase of 10% on interest earned	FY 2025/26 average increase of 20% on interest earned	Implementation of the investment policy
Operational Revenue	Charge all previously not billed facilities. Increase the rentals from municipal facilities by 100%	2024/25 Budget + CPI	2024/25 Budget + CPI	The number of properties is going to stay the same over the FRP implementation period. Market related rentals are charged. Rental escalations from FY2024/25 and FY2025/26 at the CPI Rate.
Transfer and subsidies – Operational	The grant received is going to be fully utilised - 100%	The grant received is going to be fully utilised - 100%	The grant received is going to be fully utilised - 100%	The grant received is going to be fully utilised - 100%

BUDGET ITEM	2023/24 BUDGET PARAMETERS	2024/25 BUDGET PARAMETERS	2025/26 BUDGET PARAMETERS	ASSUMPTIONS
Employee related costs	2021/22 + 2022/23 CPI + 2022/23 CPI Reduce Travel Allowances - 50% Reduce overtime by - 50%. Introduce shifts to the Technical Dets Limit the basic salary increments to CPI	2023/24 + CPI	2024/25 + CPI	2021/22 + 2022/23 CPI + 2022/23 CPI Reduce Travel Allowances - 50% Reduce overtime by - 50%. Introduce shifts to the Technical Dets Limit the basic salary increments to CPI
Remuneration of Councilors	As per Gazetted maximums	As per Gazetted maximums	As per Gazetted maximums	As per Gazetted maximums
Inventory consumed	Inventory consumed will not be negative (increasing surplus). It will be limited to the 2022/23 budget.	Inventory consumed will not be negative (increasing surplus). It will be limited to the 2022/23 budget adjusted for CPI in subsequent years subject to FRP Progress	Inventory consumed will not be negative (increasing surplus). It will be limited to the 2022/23 budget adjusted for CPI in subsequent years subject to FRP Progress	Inventory consumed will not be negative (increasing surplus). It will be limited to the 2022/23 budget.

BUDGET ITEM	2023/24 BUDGET PARAMETERS	2024/25 BUDGET PARAMETERS	2025/26 BUDGET PARAMETERS	ASSUMPTIONS
Depreciation and amortisation	Apply the provisions of GRAP Standards	Apply the provisions of GRAP Standards	Apply the provisions of GRAP Standards	Apply the provisions of GRAP Standards
Contracted services	Reduce 2023 /24 FY less 40% of Bulk purchase related expenditure Eliminate Professional Services in the financial year 2023/24. FRP Technical implementation team to assist in the preparation of AFS	Reduce 2024 /25 FY less 40% of Bulk purchase related expenditure Eliminate Professional Services in the financial year 2023/24. FRP Technical implementation team to assist in the preparation of AFS and Asset registers	Reduce 2025 /26 FY less 60% of Bulk purchase related expenditure Eliminate Professional Services in the financial year 2025/26. FRP Technical implementation team to assist in the preparation of AFS and Asset registers.	BTO employees will perform all the professional services that were being outsourced with the assistance of the Intervention team

BUDGET ITEM	2023/24 BUDGET PARAMETERS	2024/25 BUDGET PARAMETERS	2025/26 BUDGET PARAMETERS	ASSUMPTIONS
Irrecoverable debts written off	2023/24 FY Less 20% Improved debt collection	2024/25 FY Less 50% Improved debt collection	2025/26 FY Less 70% Improved debt collection	Irrecoverable debt will be per the financial system and figures provided by the NWPT Commentary in the budget analysis presentations. These figures are based on the 2023 financial statements
Unspent Conditional Grants	CGs 100% cash-backed. The whole grant will be fully utilised	CGs 100% cash-backed. The whole grant will be fully utilised	CGs 100% cash-backed. The whole grant will be fully utilised	CGs 100% cash-backed. The whole grant will be fully utilised

PART FOUR:

9. MONTHLY REPORTING ON ACHIEVEMENT OF TARGETS: CITY OF MATLOSANA LOCAL MUNICIPALITY

The following approach to reporting and oversight will be required:

The PER/MM must submit monthly progress reports to MEC of Finance, PT and the Municipal Council, and:

- Conducts necessary quality assurance processes to verify performance.
- Confirms/certifies that decisions of the Council/EM/Mayor are consistent with the FRP
- Maintains a record of decisions on FRP implementation.

The MM must submit quarterly implementation progress reports to the Executive Committee and Council.

- PT must conduct quarterly reviews on the effectiveness of the FRP and whether the root causes are progressively being addressed.
- The PER/MM must submit a Portfolio of Evidence for claimed performance every quarter to PT and MFRS for review.
- The MM and heads of the directorate must sign individual performance scorecards/ agreements for each financial year that incorporates the FRP.
- The SDBIP and IDP and 'Strategic Plan' must be revised for alignment with the FRP.
- All monthly FRP reports must be tabled and discussed in monthly Top Management meetings.
- No decision (Executive, Legislative, or Administrative) should be approved by the Council, Executive Mayor, and Accounting Officer that contravenes or defeats the FRP and its objectives.
- The MM must assign an official in his office to coordinate implementation and reporting on the FRP.
- The MM must sign off all FRP implementation progress reports before submission to PT, Executive Committee, and Council.

IT IS SUGGESTED THAT A SCHEDULE OF REPORTING AND COMMITTEE MEETING DATES BE APPROVED AT THE FIRST TECHNICAL WAR ROOM MEETING PER EXAMPLE BELOW:

No	Report for the month OF	Report due from MM, Provincial Executive Representative & Intervention Team ON	The report considered by Technical War Room ON	Considered by NWPG
1	March 2024	12 April 2024	19 April 2024	24 April 2024
2	April 2024	09 May 2024	16 May 2024	22 May 2024
3	May 2024	14 June 2024	21 June 2024	26 June 2024
4	June 2024	12 July 2024	19 July 2024	24 July 2024
5	July 2024	14 August 2024	19 August 2024	22 August 2024
6	August 2024	13 September 2024	18 September 2024	23 September 2024
7	September 2024	14 October 2024	17 October 2024	22 October 2024
8	October 2024	14 November 2024	19 November 2024	22 November 2024
9	November 2024	10 December 2024	17 January 2025	20 January 2025
10	December 2024	13 December 2024	20 December 2024	27 December 2024

PART FIVE:

10. REPORTING FRAMEWORK: PROGRESS AGAINST TARGETS

The municipality must report monthly on each key activity included in the FRP Implementation Plan (Annexure A). The implementation plan will be used as the basis to develop a progress reporting dashboard with the following fields:

(Example only for illustrative purposes)

PER IMPLEMENTATION PLAN:	FRP INFORMATION:
Phase	Financial Rescue
Pillar	Institutional
Focus area	Overtime
Key Activity	Time and attendance.
Problem Statement	Employees do not sign an attendance register or any form of verification that they are physically available at work
Responsible	MM was supported by PER and the rescue task team (for alignment with FRP IP responsibilities)
Start Date	At the initiation of the rescue phase probably 1 July 2023
End Date	During rescue phase
Key Performance Indicator	Attendance registers are to be placed at strategic points and managed
Financial Target	Not quantifiable but will be in the case of most other pillars
Progress Report by Municipality:	
Steps taken	Registered procured and placed at strategic points
Progress made	Daily monitoring and sign off
Financial impact recorded	Reduction of employee related costs
Other noteworthy developments	Improved time and attendance

PART SIX:

11. STRATEGIC ASSESSMENT AND CORRECTIVE ACTIONS AS REQUIRED

The Municipal Manager should ensure that throughout intervention all the relevant stakeholders are continuously kept in the loop regarding progress with the intervention. He or she should ensure regular reporting to the municipality as well as to provincial and national treasury and reports should be available to SALGA. The Municipal Manager should also regularly update stakeholders within the municipalities including community organisations, local media, and municipal departments to ensure transparency in the process. This should include aspects of financial turnaround and the cash-flow position of the municipality in the context of the intervention.

PART SEVEN:

RECOMMENDATIONS

The following recommendations are made for consideration:

- The City of Matlosana Local Municipality Discretionary Financial Recovery Plan be submitted to the MEC of Finance for approval in terms of Section 143(1) of the MFMA.
- The City of Matlosana Local Municipality must fully implement all recommended measures set out in the approved Financial Recovery Plan as required in terms of section 146 of the MFMA.
- The North West Provincial Support Package for the City of Matlosana Local Municipality be aligned with the priorities as set out in Phase 1: Financial Rescue.
- An Oversight Committee be established to direct the intervention, monitor progress, and unblock any political challenges that may hinder the success of this intervention.
- The Municipal Manager drafts an internal and external communication plan to support effective communication throughout the intervention.

CONCLUSION

The intervention was necessitated by the financial crisis at the City of Matlosana Local Municipality. The intervention was further reinforced by the key issues identified in the status quo assessment under governance, institutional, financial management, and service delivery pillars. It is anticipated that the implementation of this plan will result in resolving the financial affairs of the municipality, and the municipality will be able to meet its obligations for providing basic services.

ANNEXURE A: FRP IMPLEMENTATION PLAN

ANNEXURE B: STATUS QUO ASSESSMENT REPORT

ANNEXURE A.1: FRP IMPLEMENTATION PLAN EXCEL