FINANCIAL RECOVERY PLAN

CITY OF MATLOSANA

AUGUST 2025

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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ABBREVIATIONS

The following is a list of abbreviations used in this document:

ABBREVIATION	DEFINITION
AG	Auditor General (South Africa)
CFO	Chief Financial Officer
COGTA	Cooperative Governance and Traditional Affairs
CoM	City of Matlosana
FRP	Financial Recovery Plan
ICT	Information Communication and Technology
IDP	Integrated Development Plan
SDBIP	Service Delivery and Budget Implementation Plan
MTREF	Medium Term Revenue and Expenditure Framework
MFRS	Municipal Finance Recovery Service
MM	Municipal Manager
MPAC	Municipal Public Accounts Committee
SALGA	South African Local Government Association
PT	North West Provincial Treasury
SQA	Status Quo Assessment Report
CoM	City of Matlosana
PER	Provincial Executive Representative
Department	Directorate / Unit

EXECUTIVE SUMMARY:

City of Matlosana Local Municipality (formerly the City Council of Klerksdorp) is a Category B municipality situated within the Dr Kenneth Kaunda District Municipality in the North West Province. It is one of three municipalities that make up the district, accounting for approximately one-third of its geographical area.

Towns within the municipal jurisdiction include Klerksdorp, Jouberton, Alabama, Orkney, Kanana, Stilfontein, Khuma, Tigane, and Hartbeesfontein. Klerksdorp is the largest town within the municipality and one of the largest in the North West Province. The main economic sectors in the municipality include mining, manufacturing, agriculture, services, construction, and transport.

In December 2023, the North West Provincial Treasury assisted the City of Matlosana by developing a Voluntary Financial Recovery Plan (FRP) at the behest of the latter experiencing financial problems. The Provincial Treasury assisted the municipality in line with Section 154 of the Constitution and Section 142 of the Municipal Finance Management Act No 56 of 2003 (MFMA).

Even though the City of Matlosana Local Municipality has been implementing the existing voluntary FRP, it continues to face a persistent fiscal and service delivery crisis, which undermines the effective and efficient performance of its functions and constitutional mandate. In its audit report on the City of Matlosana's annual financial statements for the year ended 30 June 2024, the Auditor General (AGSA) highlighted financial challenges within the municipality, noting that material uncertainty exists that may cast significant doubt on its ability to continue as a going concern. The financial crisis in the municipality persists, and the implementation of the voluntary FRP has been ineffective.

The municipality's high distribution loss of 43% in electricity and 59% for water has resulted in the municipality's inability to service its bulk accounts with an outstanding debt amounting to R2.5 billion to Eskom and R2.2 billion to Midvaal water company as of 28 February 2025. Management's failure to adhere to supply chain management (SCM) policies led to irregular expenditures of R3.0 billion in the 2022/2023 fiscal year and R3.3 billion in the 2023/24 Fiscal year. The situation remains critical, with the municipality running an unfunded budget in 2024/25 due to underfunded functions such as libraries, museums, licensing services, and fire and disaster management services, resulting in operating deficits of R123.0 million in FY2023/24.

Trading services recorded operating deficits of R415.0 million in FY2023/24, with further deterioration projected to R418.7 million in the 2024/25 adjusted budget. City of Matlosana failed to implement its credit control and debt management strategies, such as disconnections, resulting in a debtors' balance of R9.2 billion, of which 94.57% (R8.7 billion) has been impaired as at 30 June 2024. Debtors' balance rose to R10.5 billion as at 31 March 2025. The collection rate is an average of 66% as of 28 February 2025, reflecting ongoing challenges in revenue recovery. The City of Matlosana is paying excessive overtime, amounting to R65.8 million in FY2023/24, compared to R69.5 million in FY2022/23. This discrepancy is exacerbated by a lack of tools of trade, aged infrastructure due to poor maintenance, theft, and vandalism.

Political and management instability have further exacerbated the financial crisis in the City of Matlosana. The then Executive Mayor resigned in June 2024 amid allegations of corruption. The new Executive Mayor took office in July 2024, and there are already allegations of financial misconduct against him, as reported by the media. The council appointed an Ad-Hoc Investigation Committee in May 2025 to investigate the allegations. After conducting its investigations, the Ad-Hoc Investigation Committee recommended disciplinary action against the mayor after it found that he had interfered with the municipality's supply chain management system, thus contravening section 118 of the MFMA as well as Item 12 of the Code of Conduct for Councillors.

In July 2024, the municipality suspended the MM pending investigations into alleged acts of serious/financial misconduct. However, the MM was reinstated to her position in December 2024 after a forensic investigation found that she had not committed any serious/financial misconduct. A similar pattern occurred with the CFO, who was arrested in 2024 on charges of corruption and fraud. The municipality suspended the CFO pending investigations into allegations of serious/financial misconduct. Following a forensic investigation, the CFO was reinstated to her position. However, in April 2025, the municipality instituted disciplinary proceedings against the CFO for other acts of misconduct, and the proceedings are still pending, including criminal charges against the CFO still pending before the courts.

The municipality has a shrinking revenue base due to a high rate of unemployment, which results in widespread non-payment of municipal consumer accounts. Additionally, the municipality is responsible for servicing growing informal settlements without corresponding revenue. As a result, it lacks adequate resources to implement some of the FRP activities. CoM's organizational structure is outdated and no longer fit for purpose, necessitating a review.

Despite qualifying for the National Treasury's Eskom Debt Relief Program, the municipality is struggling to meet the program's conditions. The reasons for this struggle include inadequate skills within the municipality, which are also a contributory factor to the failure of the existing financial crisis. The municipality's shrinking revenue base, due to a high rate of unemployment, widespread non-payment of municipal consumer accounts, and the responsibility for servicing growing informal settlements without corresponding revenue, is also a significant challenge.

Considering the deepening financial crisis at the City of Matlosana, the North West Provincial Government, through Section 140 of the Municipal Finance Management Act (MFMA), confirmed that the City of Matlosana met the criteria of a municipality in financial crisis. As a result, the North West Provincial Executive initiated a mandatory intervention by invoking Section 139(5)(a) and (c) of the Constitution to stabilise and restore the municipality's financial health.

On 27 September 2024, the MEC for Finance, Economic Development, and Tourism in the North West Province wrote to the Minister of Finance, requesting the Municipal Financial Recovery Service (MFRS) to prepare a mandatory Financial Recovery Plan for the City of Matlosana.

Section 141(2) of the Municipal Finance Management Act (MFMA) provides that only the Municipal Finance Recovery Service (MFRS) within the National Treasury may prepare a Financial Recovery Plan (FRP) for a mandatory provincial intervention. Accordingly, the Provincial Executive Council (PEC) requested the MFRS to:

- Determine the root causes of the financial crisis;
- Assess the financial state of the municipality;
- Prepare an appropriate financial recovery plan;
- Recommend necessary changes to the municipality’s budget and revenue-raising measures to support the recovery plan; and
- Submit these recommendations to the Member of the Executive Council (MEC) for Finance in the province.

To address the factors that contributed to the ineffective implementation of the existing voluntary Financial Recovery Plan (FRP), the mandatory FRP developed through the current process will include SMART-compliant strategies specifically designed to rectify the shortcomings of the previous plan, where applicable. Specific, Measurable, Attainable, Relevant, and Time-bound key performance indicators will motivate municipal officials to ensure the FRP’s success. Furthermore, as this FRP will constitute a legally binding mandatory intervention, it is expected that officials will implement it with greater diligence and accountability.

The MFRS Team prepared a Status Quo Assessment Report, which outlined the underlying cause of the municipality’s financial crisis. The SQA report and further engagements with stakeholders formed the basis for the preparation of this Mandatory FRP. The Mandatory FRP will outline a strategic, focused approach that is time-bound yet comprehensive enough to ensure that the underlying causes of the financial crisis are adequately addressed. The status quo assessment focused on the four pillars: Financial Management, Governance, Institutional, and Service delivery. For each pillar, a diagnostic analysis was performed, followed by the identification of failures and root causes.

The key drivers identified for the FRP to be successful are:

- Water and Electricity Loss Management
- Compliance with the Eskom Debt Relief conditions
- Improving billing and collection of outstanding debts, improving Creditors Management
- Strict reduction in spending and reprioritisation of spending.
- Implementation of revenue enhancement strategies
- Metering of unmetered properties.
- Change Management.
- Cost-effective organizational structure design
- Robust indigent registration.
- Ring fencing of bulk purchase revenue collections.
- Full utilisation of allocated grants to improve service delivery.

PART ONE - LEGISLATIVE CONTEXT, INTERVENTION AND OVERSIGHT:

BACKGROUND

An assessment conducted by the National Treasury identified 43 municipalities across the country as experiencing financial and service delivery crises. The City of Matlosana is one of eight (8) municipalities in the North West Province classified as being in financial crisis.

As a result, the Provincial Executive Committee (PEC), in a meeting held on 26 August 2024, resolved to place the municipality under mandatory intervention in terms of section 139(5)(a) and (c) of the Constitution, read together with section 139 of the Municipal Finance Management Act (MFMA).

It is worth noting that prior to being placed under mandatory intervention, the City of Matlosana had been under a voluntary Financial Recovery Plan (FRP) prepared by the North West Provincial Treasury (NWPT) in December 2023. The National Treasury has since commenced with the preparation of the mandatory FRP for the City of Matlosana.

1.1 STATUTORY AND LEGISLATIVE CONTEXT

THE CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA, 1996 (ACT NO.108 OF 1996)

The intervention was instituted in terms of S139 (5)(a) and (c) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read in conjunction with Section 139 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

S139(5)(a) of the Constitution reads as follows: “The provincial executive must impose a recovery plan aimed at securing the municipality’s ability to meet its obligations to provide basic services or its financial commitments, which:

i. is to be prepared in accordance with the national legislation; and
ii. binds the municipality in the exercise of its legislative and executive authority but only to the extent necessary to resolve the crisis in its financial affairs.”

Section 139(5)(c) stipulates that if the Municipal Council is not dissolved in terms of paragraph (b), it assumes responsibility for the implementation of the recovery plan to the extent that the municipality cannot or does not otherwise implement the recovery plan.

In terms of the Constitution, the North West Provincial EXCO has an obligation to ensure that a recovery plan is prepared that is aligned to the applicable national legislation, which, in this context, is Chapter 13 of the Municipal Finance Management Act, 2003. The recovery plan must also restrict the authority of the Council and the Executive in any matter or area that impacts the finances of the municipality.

The North West Provincial EXCO is responsible for monitoring and ensuring that the financial recovery plan is implemented by the City of Matlosana. Failure to implement the recovery plan may result in a national intervention in terms of S139 (7) of the Constitution.

THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO. 56 OF 2003)

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 mandatory interventions invoked in terms of S139(5) of the Constitution.

- S139 (1) of the MFMA places the responsibility on the Provincial EXCO to request the Municipal Financial Recovery Services (MFRS) unit in the National Treasury to prepare a financial recovery plan, which considers the reasons for the financial crisis and an assessment of the municipality's financial status (status quo assessment).
- Only the MFRS may prepare a financial recovery plan for a mandatory provincial intervention referred to in S139.
- S139(1)(a)(iv) also empowers the MFRS to recommend appropriate changes to the budget and revenue-raising measures that will support the implementation of the recovery plan.
- In terms of S139(1)(b), the mayor of the municipality must be consulted on the recovery plan to obtain cooperation (political support) for the implementation and ensure that the budget and any other legislative measures to support the implementation of the recovery plan are approved.

Section 142 of the MFMA specifies the criteria for financial recovery plans irrespective of whether the plan is discretionary or mandatory in nature. In this regard, the following subsections are important:

S142 (1) 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 mandatory or discretionary intervention –

(a)Must **–**
<u>Identify the financial problems</u> of the municipality;

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

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

(a) For a mandatory intervention, **<u>must</u>** –

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.

Regarding the implementation of the financial recovery plan in mandatory provincial interventions, the municipality's attention is drawn to the following provisions of S146 of the MFMA.
S146 (1) If the recovery plan was prepared in a mandatory provincial intervention referred to in section 139 –

(a) The municipality **must** implement the approved recovery plan.

(b) all revenue, expenditure and budget decisions must be taken within the framework of, and subject to the limitations of, the recovery plan; and

(c) The municipality **must** report monthly to the MEC for Finance in the province on the implementation of the plan in such manner as the plan may determine.

In conclusion, unlike a voluntary or discretionary financial intervention, the National Treasury, through the Municipal Financial Recovery Service must develop the financial recovery plan for the City of Matlosana Local Municipality. The plan must bind the municipality in terms of its spending and budget parameters, and the municipality is obligated to ensure that such a recovery plan is implemented within the timeframes outlined.

1.2 OVERVIEW OF THE FINANCIAL RECOVERY PLAN

This FRP is prepared in accordance with the requirements of Chapter 13 of the Municipal Finance Management Act, 2003.

Additionally, this FRP is aligned with the 4 pillars used by the National Treasury to assess municipal sustainability. These 4 pillars are: Governance, Institutional Stability, Financial Health, and Service Delivery. The strategic objective of this FRP is to address the current financial distress by focusing on improving the short-term financial liquidity and 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 to the extent that they undermine the financial recovery of the municipality.

To facilitate implementation, the financial recovery plan is divided into three key phases, namely:

Phase 1: Rescue Phase

In this phase, the focus is primarily on cash and restoring the cash position of the municipality. The indicators for rescue phase include reduction of the budget deficit, 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, collection from government departments, engaging with farmers to settle their accounts and ring fencing of revenue collected from the sale of water and electricity to service bulk accounts as well as settling other creditors other than ESKOM and Midvaal. 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 between 6-8 months from the approval date of the

FRP.

Phase 2: Stabilisation Phase

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 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 debtor collectors collects the bulk of the outstanding debtors, creditors are paid within 30 days and that all customers are billed accordingly and other similar measures.

This phase is expected to last between 09 and 24 months or longer, depending on progress made by the municipality.

Phase 3: Sustainability Phase

Prior to concluding the intervention, there must be a reasonable assurance that measures implemented in Phases 1 and 2 are sustainable, that the municipality is committed to ensuring the implementation of good practice.

In this phase, it is also important to include indicators that give effect to 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 provide an indication of 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 Municipality, which will be monitored on the progress made in achieving the set targets.

1.3 PREPARATION, CONSULTATION, AND APPROVAL OF THE MANDATORY FINANCIAL RECOVERY PLAN

PREPARATION

In accordance with S141(2) of the MFMA concerning the development of Mandatory Financial Recovery Plans, the National Treasury's Municipal Financial Recovery Services Unit developed this FRP through direct engagement with the municipality, Provincial Treasury, NW Provincial Cogta, MISA< labor unions, creditors, and principal suppliers, among other Midvaal water services. A comprehensive process was employed in preparing this Mandatory FRP, as guided by S139 of the Constitution in conjunction with section 142 of the MFMA.
First, a Status Quo Assessment was conducted, involving a thorough diagnostic review to identify the main issues causing CoM's financial crisis and their root causes. All information in the SQA is derived from verifiable documents provided by the municipal administration. Based on these findings, appropriate strategies have been proposed according to the three phases outlined previously. An Implementation Plan (see Annexure A) was also created, covering the Rescue, Stabilisation, and Sustainability Phases.

CONSULTATION

In line with the requirements of the MFMA Chapter 13, the MFRS team have the preparation of a draft financial recovery plan.

In preparing this financial recovery plan, the National Treasury's MFRS held consultations with various stakeholders as mentioned below:

Date	Purpose	Stakeholder
07 April 2025	Introductory meeting	Provincial Treasury and the Municipality
8-9 of May 2025	SQA Workshop	Municipal officials
13-14 May 2025	Workstreams meetings	municipality, Provincial Treasury, Organizational Labour
03 June 2025	SQA Workshop	Council
06 June 2025	Verification of source documents	CFO
10-12 June 2025	Final draft SQA	CoM Management
13 June 2025	SQA	Creditors engagement
18 June 2025	Site Visits	LLF Site visit
4-6 August 2025	Consultation on draft FRP	Management, Council, Organised Labour, Creditors, PT, Cogta, Misa, Salga

The MFRS wrote to stakeholders on 14 August 2025 to provide them with a copy of the draft FRP and invite them to submit comments in terms of Section 141(3)(c)(i) of the MFMA by 27 August 2025. These letters were sent to:

- The Executive Mayor, City of Matlosana
- The Speaker City of Matlosana
- MEC of Finance, NW provincial government,
- MEC of Cogta NW provincial government
- The Municipal Manager
- South African Local Government Association
- IMATU representatives,
- SAMWU representative,
- Eskom
- Midvaal Water services

The FRP was published for a period of 14 days to gather public comments.

APPROVAL

This FRP is submitted to the MEC of Finance in the North West Province for approval in terms of section 143(2) of the MFMA.

1.4 IMPLEMENTATION OF THE MANDATORY INTERVENTION AND FINANCIAL RECOVERY PLAN

Since this is a mandatory intervention, the municipality must implement the FRP. All revenue, expenditure, and budget decisions must be taken within the framework of and subject to the limitations of the financial recovery plan (MFMA: S146(1) (a)and(b)). In terms of section 146(1)(c), the municipality is also required to report monthly to the MEC for finance in the province on the implementation of the FRP in such manner as the FRP may determine.

It must be emphasised that the strategies outlined 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 assigned specific roles and responsibilities, which should be outlined in a revised performance agreement. The Municipal Manager will oversee this process.

The **financial resources** required to support the implementation of the Plan, will be realised through restructuring of the budget, reprioritisation and containment of expenditure (with particular emphasis on the elimination of non-essential expenditure), implementing the revenue collection strategies and revenue enhancement initiatives, limitations on appointment of staff and non-revenue generating activities and ensuring effective administration and control of the Municipality's bank accounts in line with the FRP. Additional financial support for some projects will be mobilised from stakeholders. Furthermore, provincial section 154 support will be aligned with the FRP strategies.

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

The intervention will be subject to oversight by a Political Oversight and Monitoring Committee, which will report directly to the Premier and the provincial executive council. The Political Oversight Committee will direct the intervention, monitor progress, and address any political challenges that may hinder its success.

The Political Oversight Committee will consist of the following representatives:
MEC for Finance (Chairperson)
MEC for COGTA (co-Chair)
Executive Mayor
Speaker

A Technical War Room Committee should be established to support the political oversight committee and to be constituted by the following:
The HOD: Finance, NW (Chairperson).
The HOD: CoGTA, NW
Head: NT MFRS and any other representative.
The Municipal Manager and his/her senior managers.
Representatives from the sector departments are to be co-opted, as and when necessary.

1.6 RISKS ASSOCIATED WITH THE IMPLEMENTATION OF THE FINANCIAL RECOVERY PLAN

The following risks have been identified, which must be mitigated for the successful implementation of the financial recovery plan. These risks relate primarily to financial administration, budgeting, financial discipline, and governance. It is proposed that a risk matrix be developed and that appropriate mitigation measures be instituted. The Municipal Manager must develop the risk management matrix.

The emerging risks identified include, amongst others:

Pillar 1 Financial Management:
- **Unreliable financial data:** Inaccurate or outdated data can result in flawed budgeting and forecasting.
- **Cash flow shortages:** Insufficient liquidity may delay implementation of critical recovery actions.
- **Ineffective internal controls:** Increase the risk of waste, leakage, and UIF&W expenditures.
- Attachment of bank account due to nonpayment of major creditors.
- Nonpayment of salaries due to ineffective credit control and debt collection mechanisms.
- Suppliers are demanding upfront payment due to late or non-payment of services rendered on the credit terms.
- Consumers are boycotting paying for the services due to persistent service delivery failures, leading to a liquidity crisis.
- Grants not used for the intended purpose.
- Inability to utilise allocated grants, resulting in the withholding of unspent grants and affecting the ability to deliver services to communities.
- Interest charges on outstanding debts may hamper the municipality's ability to manage its cash flows.

Pillar 2 Service Delivery:

- Absence of a comprehensive strategy to address illegal connections and tampering, alongside an ineffective plan to mitigate water and electricity losses.
- Neglecting maintenance and timely replacement of aging infrastructure.
- Insufficient enforcement of by-laws against non-paying customers and a lack of follow-through.
- Failure to execute infrastructure maintenance plans. Most infrastructure plans are outdated, pointing to a lack of repairs and maintenance, and are incoherent.

Pillar 3 Governance:

- Resistance from the community and other stakeholders to the implementation of some of the FRP strategies.
- Legal challenges to the FRP development and implementation process.
- Litigations due to failure to follow SCM regulations and policies may impact the municipality's ability to implement FRP activities.
- Failure to implement consequence management.
- Shortage of skilled personnel within the municipality may inhibit the municipality's ability to implement some of the FRP strategies
- Shrinking revenue base due to unemployment among residents and the liquidation of companies within the municipal jurisdiction.

Pillar 4 Institutional and Human Resources:

- CoM does not have a documented operating model.
- Capacity gaps in critical service delivery positions (e.g., handymen, foreman (sewer), general workmen, plumbers, and senior technical assistant) remain a challenge.
- Outdated policies and lack of key policy documents.
- Weak payroll controls (e.g., excess overtime, unmonitored acting allowances, housing, and travelling).
- Performance management is not cascaded to employees.
- Risk of ghost workers due to poor employee data management.

1.7 COMMUNICATION PLAN

It is proposed that the Municipal Manager drafts an internal and external communication plan to support effective communication throughout the intervention. Change management may also be used to support, deepen, and institutionalise implementation.

Type of Communication	Communication Schedule	Typical Communication Mechanism	Who initiates	Recipient
Consultation with all the stakeholders	At the commencement of the FRP	Face-to-face meeting or virtual meeting	NWPT, CoGTA, NT MFRS, NW SALGA,	Creditors, SALGA, Organised labour Business Sector Community
Phase 1 Rescue Phase	Weekly to track progress and review all financial policies and strategies	Email and virtual meetings	NWPT, CoGTA, NT MFRS, NW SALGA	CoM (BTO MANAGERS), SALGA, NWPT
Phase 2 Stabilization Phase	Bi-weekly: to review and assess adherence to reforms established in phase 1	Face-to-face meeting or virtual meeting	NWPT, CoGTA, NT MFRS, NW SALGA	Council, NWPT, SALGA
Phase 3 Sustainability Phase	Monthly engagement to review whether performance targets	Face-to-face meeting or virtual meeting	CoM Senior management	Council, NWPT, SALGA, NT-MFRS.

Type of Communication	Communication Schedule	Typical Communication Mechanism	Who initiates	Recipient
	are met			
Handover	After 36 months	Face-to-face meeting	NT-MFRS	Council, NWPT, SALGA Organised labour, Creditors, NT-MFRS.

PART TWO – DIAGNOSTIC ASSESSMENT:

2.1 A STATUS QUO ASSESSMENT

Overview of demographics and economy in City of Matlosana Local Municipality (See Status Quo Assessment Report for detailed analysis)

<u>Geographic Profile</u>

City of Matlosana is situated approximately 164 km south-west of Johannesburg along the N12 highway and spans an area of about 3,625 km^2. One of the Council's strategic objectives is to promote initiatives emerging from the N12 Treasure Corridor, driving local economic development and industrialization in Klerksdorp.

The municipality is classified as a Category B municipality by the Municipal Demarcation Board, in accordance with Section 4 of the Local Government: Municipal Structures Act, 1998.

City of Matlosana forms part of the Dr Kenneth Kaunda District Municipality in the North West Province. Formerly known as the Klerksdorp Municipality, its name was officially changed to the City of Matlosana on 1 July 2005.

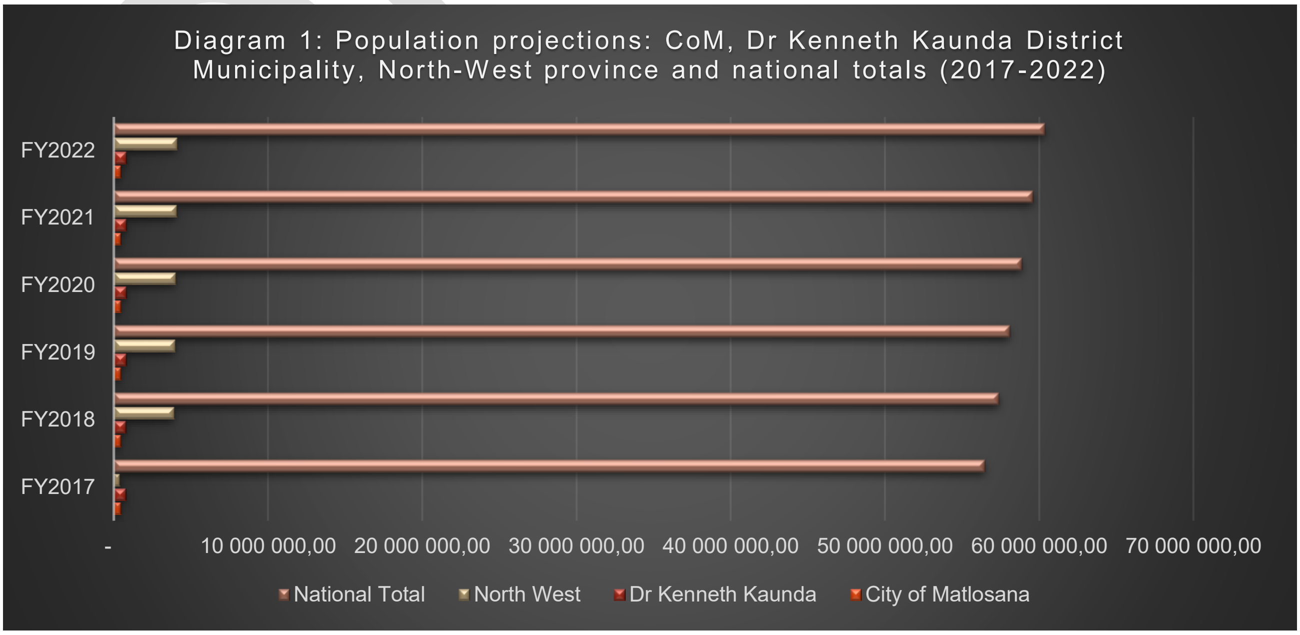
The municipality includes the areas of Klerksdorp, Jouberton, Alabama, Orkney, Kanana, Stilfontein, Khuma, Tigane, and Hartbeesfontein, and is the largest town in the North West Province.

The map overview for the City of Matlosana is as follows:

The second-largest town is Potchefstroom, located adjacent to the municipality, approximately 50 km northeast of Klerksdorp. The area has strong physical and socio- economic linkages and economic interactions with Gauteng, as well as other main towns like Potchefstroom, Rustenburg, Welkom, Ventersdorp, and Ottosdal.

Demographic Profile

According to IHS Markit Regional data (2022) City of Matlosana contributes 56per cent of the population in the Dr Kenneth Kaunda District Municipality. Diagram 1 below outlines population projections and illustrate the position of the CoM in terms of district, provincial and national projections. The CoM accommodated 0.8per cent of South Africa's total population in 2017 with 425 000 people. Weigh against Dr Kenneth Kaunda's average yearly growth rate of 1.48per cent, the growth rate in City of Matlosana 's population at 1.11per cent was marginally lower than that of the district municipality.



The population prediction of CoM displays a projected average annual growth rate of 1.1per cent between 2017 and 2022. The average yearly growth rate in the population over the projection period for Dr Kenneth Kaunda District Municipality, North-West Province, and South Africa is 1.2 per cent, 1.3 per cent per cent and 1.3 per cent per cent respectively. The North-West Province is expected to have an average growth rate of 1.3per cent which is very comparable to that of the CoM. South Africa as an aggregate is estimated to have an average twelve-month growth rate of 1.3per cent which is very similar to that of the CoM's projected growth rate.

The increase in CoM's population has seen informal settlements mushrooming within the municipality's jurisdiction. This puts pressure on the municipality's service delivery capacity because it must provide services to the informal settlements. Most of the informal settlements are located in areas where there is no existing infrastructure to deliver services hence, the municipality must expend considerable monetary resources to deliver services to residents.

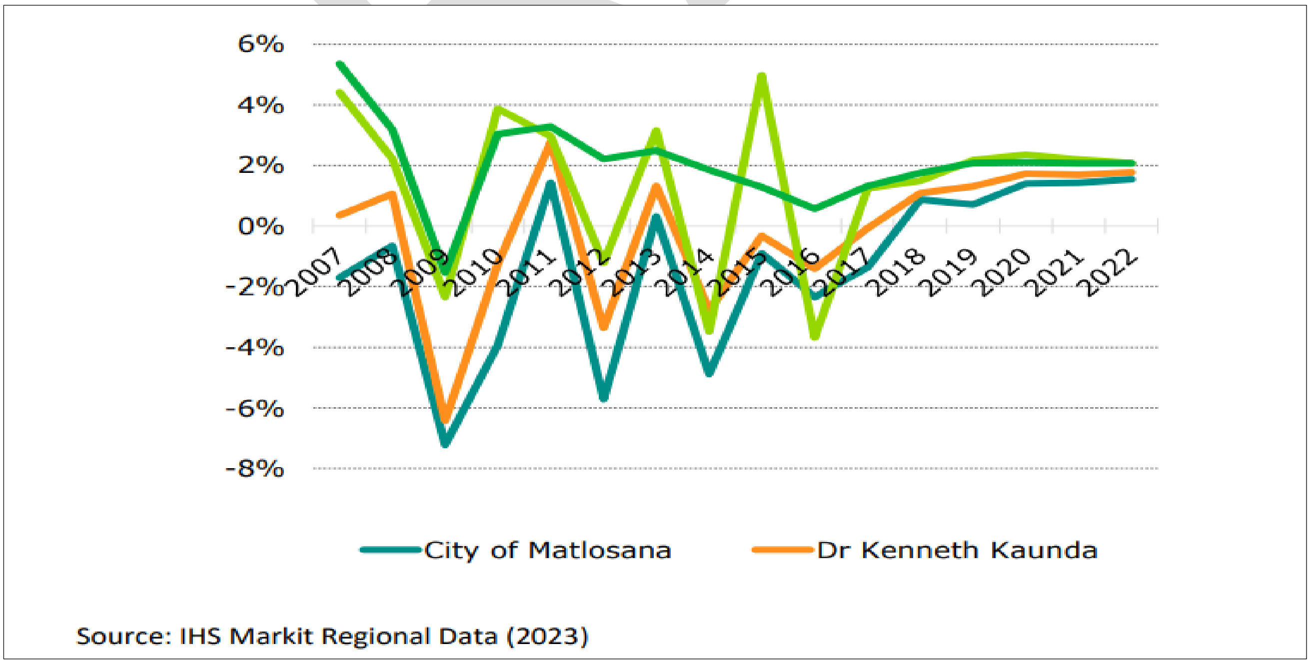
Economic profile

The economic status of the CoM is assessed by comparing it on a spatial basis with its neighbouring localities, specifically the Dr Kenneth Kaunda District Municipality in North-West Province, and South Africa.

The CoM does not function in isolation from Dr Kenneth Kaunda, North-West Province, South Africa, and it is vital to have dependable information on its economy for efficient planning through their Integrated Development Plan. Information is required that will enable the municipality to plan and implement policies that will boost economic growth of the people and industries in the municipality correspondingly.

The CoM grew at an average annual rate of 1.19per cent from 2017 to 2023. The average annual growth rate in the GDP of Dr Kenneth Kaunda District Municipality and North-West Province is 1.51per cent and 2.06per cent respectively. South Africa was predicted to grow at an average yearly growth rate of 2.02 per cent, which is greater than that of the CoM.

Gross Domestic Product (GDP): CoM, Dr Kenneth Kaunda, North-West and national totals (2007-2023)

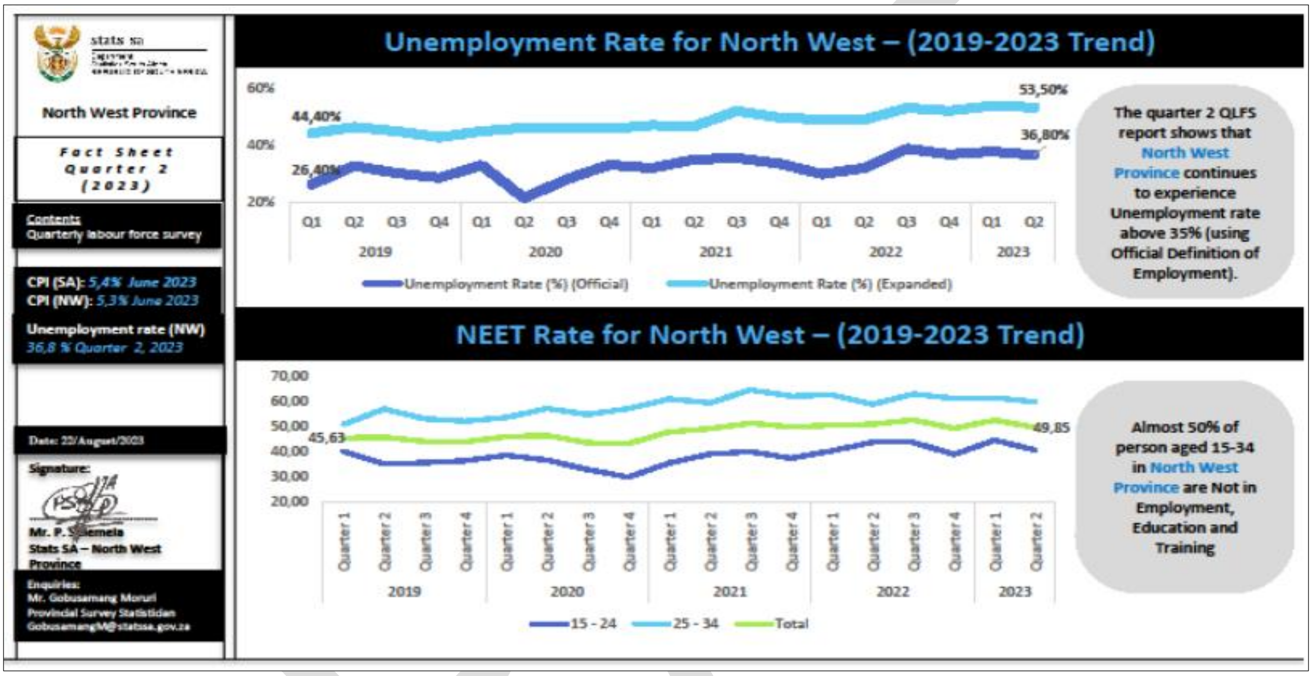


In 2023, CoM's estimated GDP is projected to be R 21 billion (constant 2010 prices), or 54.2 per cent per cent of the total GDP of the Dr Kenneth Kaunda District Municipality.

Economically Active Population (EAP)

The economically active population (EAP) is a good indicator of how many of the overall working age population are contributing to the labour market of a region. If an individual is economically active, he or she forms part of the labour force.

The CoM's EAP was 151 000 in 2017, which is 35.59per cent of its total population of 425 000, and approximately 57.68per cent of the aggregate EAP of the Dr Kenneth Kaunda District Municipality. From 2007 to 2017, the average annual reduction in the EAP in the CoM was 0.39 per cent, which is 0.545 percentage points less than the growth in the EAP of Dr Kenneth Kaunda's for the equivalent period. This is mainly due to the closing of the mines in the area.



The economic profile of the City of Matlosana in the North West province of South Africa reflects a mix of sectors and challenges. Historically, Matlosana has been a significant mining hub, particularly for gold and uranium, which has contributed to its economic vitality. However, in recent years, the city has diversified its economy to include sectors such as agriculture, manufacturing, retail, and services.

Mining remains a key driver of the local economy, providing employment opportunities and generating revenue. However, the sector faces challenges such as declining ore grades, rising production costs, and regulatory constraints, which impact its long-term sustainability. Agriculture also plays a vital role in Matlosana's economy, with the region's fertile land supporting the cultivation of crops such as maize, sunflower, and sorghum. Additionally, livestock farming contributes to the agricultural sector, providing employment and food security for local communities.

The manufacturing industry in Matlosana encompasses various sub-sectors, including food processing, metal fabrication, and machinery production. While manufacturing offers employment opportunities and contributes to the city's GDP, it faces challenges such as competition from imports, infrastructure constraints, and skills shortages. The retail and services sectors in Matlosana cater to the needs of the local population and contribute to economic activity. The city is home to shopping centers, restaurants, hotels, and other businesses that serve residents and visitors alike.

Despite its economic potential, Matlosana faces challenges such as high unemployment of above 50%, inequality, and inadequate infrastructure. The high rate of unemployment contributes to an increase in the number of indigents within the municipality, and it also increases the risk of non-payment on municipal accounts due to a lack of sufficient household income to meet their living expenses. Efforts to address these challenges include investment in skills development, infrastructure upgrades, and an initiative to promote entrepreneurship and small business development. Overall, Matlosana's economic profile reflects a dynamic mix of sectors with opportunities for growth and development.

2.2 KEY ISSUES IDENTIFIED

The status quo assessment was developed following the four municipal sustainability pillars:

a) Governance

b) Institutional stability and capability

c) Financial health

d) Service Delivery

In this financial recovery plan, the following information sources were utilised:

- Voluntary Financial Recovery Plan;
- Voluntary FRP Implementation Plan;
- NWPT budget assessment reports 2022/23, 2023/24 & 2024/25;
- NT Municipal debt write-off and impending termination letter dated 16 December 2024;
- Bulk purchases reconciliations;
- Audit reports by the Auditor-General of South Africa 2020/21-2023/24;
- Annual reports 2019/20 – 2023/24;
- Service Delivery and Budget Implementation Plan 2024/25;
- Integrated Development Plan 2024/25;
- Financial Ratios in accordance with MFMA Circular 71 2020/21 – 2023/24;
- Annual Financial Statements 2022/23 & 2023/24;
- Municipal Fixed Asset Register;
- Council Resolutions; minutes of Council meetings and Portfolio Committee; and
- Various municipal documents such as reports, policies, procedures, etcetera

However, the following supporting documents were requested from management, but they were not received:

- Large water consumers.
- Fleet repairs and maintenance breakdown from 01 July 2024 to 30 April 2025.
- List of illegal vouchers from 1 July 2024 to 30 April 2025.
- Procedures followed by the municipality to write off indigent debtors.
- Redefine statement as at 30 April 2025.
- List for amounts paid on the Cemetery, Fleet, Grants, and Investments modules from 1 July 2024 to 30 April 2025.
- Trading services performance as at 30 June 2023.
- Deceased estates age analysis as at 30 June 2022, 30 June 2023, 30 June 2024, and 30 April 2025.
- Data cleansing reports.
- Maintenance of streetlights, plant hire, grass cutting, fuel expense, meter readers, refuse removal truck hire expenditures from 1 July 2023 to 30 April 2025.
- Income and expenditure on the library services as a standalone service. The analysis presented in this report is based on information contained in the municipality's 2023/24 annual report, which combines the library service and the museums.
- Expenditure information on the motor vehicle licensing services. The information presented in this report on the motor vehicle licensing service is based on the municipality's 2023/24 annual report.

- Lease agreements for agricultural land and residential properties.
- Revenue from the enforcement of bylaws from 1 July 2024 to 30 April 2025.
- Confirmation that rental income from the renting of commercial buildings, agricultural land, and residential flats is market-related.
- Security assessment conducted prior to the conclusion of SLAs that were about to expire as of June 2025.

As drawn from the status quo assessment report utilised to prepare this financial recovery plan, the key findings that were identified per pillar are illustrated below:

2.2.1 FINANCIAL MANAGEMENT

The critical key issues identified during the status quo assessment regarding the financial management pillar, as well as additional observations from the FRP preparation, are the following:

Focus Area	Findings
Budget Management **(Funding Status,**	• CoM has been adopting unfunded budgets for the past five years, 2025/26 inclusive, as an operating deficit of R 3.8 billion for the 2025/26 financial year and R 3.5 billion for the 204/25 financial year. FY2025/26: (R3.8 billion). • The municipality is failing to meet bulk purchases revenue targets as well as settling the bulk accounts due to unsustainable high distribution losses amounting to 43 per cent per cent and 59 per cent per cent for electricity and water respectively in the FY2023/24. • Significant discrepancies were noted between the municipality's FY2024/25 adjustment budget calculations and the Provincial Treasury's recalculations, resulting in the amendment of the budget. • A budget funding plan is in place for FY2024/25. However, its targets are unrealistic, and there is slow implementation due to a lack of ownership of the targets set and budgetary constraints.
Budget Related Policies	• Though budget-related policies are in place, they are only reviewed during the budgetary process for procedural purposes. • Implementation of budget-related policies remains a challenge due to a lack of involvement of process owners in policy development and understanding of internal policies.
Revenue Management	• The City of Matlosana's (CoM) revenue enhancement initiatives, as envisaged in the Voluntary Financial Recovery Plan (FRP), have been poorly executed and monitored. As a result, CoM collected only R220.3 million from these initiatives between July 2024 and April 2025, representing just 2.1 per cent per cent of the municipality's gross debtors, which amounted to R10.5 billion as of 31 March 2025. • 56,539 and 6,953 properties have been billed based on estimates for several years for water and electricity, respectively. This is mainly due to unmetered houses and broken meters, as well as the existing meter readers not performing readings accurately and resorting to estimating, resulting in inaccurate monthly accounts. • The billing system is inaccurate. CoM is overbilling customers due to unresolved property rates reconciling items amounting to R72.5 million as at 31 March 2025, caused by the Valuer's delays in submitting changes on the GVR to the municipality. • Inadequate and ineffective implementation of the credit control and debt collection policy has resulted in a significant increase in gross debtors over the past five years, rising by 104.4 per cent per cent from R4.5 billion as at 30 June 2020 to R10.5 billion as at 31 March 2025. • As the debtors are rising, the debt impairment provision rose from R4.0 billion in the FY2019/20 to R8.7 billion in the FY2023/24, indicating that the recoverability of the debt is doubtful. • The collection rate averaged 66 per cent as at 28 February 2025, which is below the norm. The poor collection rate is further exacerbated by the municipality's delay

Focus Area	Findings
	in allocating work to the panel of service providers appointed in November 2024 for debt collection services. • Government departments owed the municipality R105.9 million as at 31 March 2025, of which R56 million was in dispute. • Farmers owing the municipality R115.9 million as of May 2025 are requesting a write-off of their arrears before committing to settle their current accounts.
Customer care and data accuracy	• Customer care personnel with the revenue management unit lack the necessary skills and competencies due to inadequate training, resulting in delays in resolving customer queries and a lack of willingness to settle the accounts
Cost-reflective tariffs	• Wastewater and electricity tariffs are not cost-reflective, resulting in operating deficits of (R121.9 million) and (R521.5 million) respectively as of the 2024/25 adjustment budget. • Despite having an electricity cost of supply study, the municipality is yet to apply to NERSA for approval. • No cost of supply study has been performed for wastewater. • Water and solid waste tariffs are cost-reflective. • The municipality is poorly managing operating expenditure at the fresh produce market. It lacks adequate initiatives to increase revenue, resulting in operating deficits over the past five years as outlined below: o FY2019/20: (R100.8 million) o FY2020/21: (R3.3 million) o FY2021/22: (R22.4 million) o FY2022/23: (R8.2 million) o FY2023/24: (R1.1 million)
Indigent Management	• Slow registration of indigents due to low KPIs set by the municipality at 25,000 registrations in the FY2024/25, given the eligible households within the municipality's jurisdiction, as well as a high unemployment rate of more than 50 per cent. • As of 30 April 2025, indigent debtors owed R688.2 million, of which 88 per cent of debtors were in the over 90 days category, due to some indigents consuming outside the free basic services incentives in terms of water and electricity.
Supply chain management, compliance, and value for money procurement	• Some directorates procure goods or services outside the SCM unit, resulting in the abuse of Regulation 36(1) and increase in irregular expenditure. • Emergency acquisitions are made after normal operating hours by directorates, resulting in the abuse of the deviation criteria and ultimately irregular expenditure. • The ineffectiveness of bid committees has resulted in contracts and quotations being awarded to service providers in contravention of SCM regulations and policies, as the bidders were not in compliance with tax matters, did not score the highest points in the evaluation processes, and were not registered with CIDB. • Goods and services with a transaction value that qualifies for competitive bidding are procured without inviting competitive bids. • The municipality has been appointing the same service providers from the panels of service providers, in contravention of the SCM Policy, which requires rotational appointments through the panel system.
Financial control environment and preparation of AFS	• Audit committee and internal audit's findings and recommendations are not adequately addressed by management. • Monthly reconciliations are not performed on all major transactions, indicating weaknesses in financial reporting. • Overreliance on the work of consultants with no evidence of adequate skills transfer to municipal officials. • Inaccurate placement of municipal officials within BTO, resulting in outsourcing of services that can be performed in-house, such as financial statements preparation.
Cash Flow Management and Cost Containment	• Current assets exceeded current liabilities by R3.0 billion in FY2023/24, indicating that the municipality is unable to settle its short-term obligations. • There are no effective cash flow management practices. • The Cash/Cost Coverage Ratio was 0 months in FY2022/23 and FY2023/24, which is below the 1-month norm.

Focus Area	Findings
	• Current ratio has been below the norm at 0.28 in the FY2023/24 and 0.35 in the FY2022/23. • CoM is failing to enforce the implementation of cost containment measures aimed at reducing or eliminating expenditure on consultancy fees, travel and related costs, advertising, catering and events, as well as accommodation. This has resulted in: ○ Actual (R3.0 billion) operating expenditure (excluding non-cash items and finance charges) exceeded budget (R2.5 billion) by 21.07per cent in the FY2023/24. ○ Operating expenditure excluding non-cash items significantly increased by 43.48per cent from R2.3 billion in the FY2019/20 as compared to R3.3 billion in the FY2023/24.
Expenditure management	• Operating expenditure excluding non-cash items significantly increased by 36.7 per cent from R2.2 billion in the FY2019/20 to R3 billion in the FY2023/24 due to inadequate controls to contain outsourced services, high security costs, and inadequate controls to monitor the issuing of inventory items.
Creditors management	• Trade payables increased by 58 per cent from R1.7 billion in the FY2022/23 to R2.7 billion in the FY2023/24 due to nonpayment bulk purchases accounts. • As at 28 February 2025, CoM owed ESKOM R2.5 billion, Midvaal R2.2 billion, and other creditors R168.5 million. • Creditors payment period deteriorated to 432 days in the FY2023/24 from 293 days in the FY2022/23. • The CoM received the first write-off of R479.3 million on the ESKOM debt relief programme in December 2024; the balance of R958.6 million is at risk of being ineligible for write-off by the National Treasury due to non-compliance with the programme conditions. • Bulk purchases accounts owed to both Midvaal and Eskom are further increasing due to interest expense, which amounted to R260.2 million (including R155.8 million on the debt relief liability) in the FY2023/24.
Debt Management / Debt restructuring Long Term	• CoM has consistently met its loan repayment obligations, including a R2.7 million debt from DBSA as of 31 March 2025 and an R8.7 million loan from Redefine as of 30 June 2024. Due to this reliable repayment record and the municipality's capacity for future borrowing, there is presently no necessity to restructure long-term loans for cash flow relief. • On the other hand, the municipality has neither restructured its outstanding creditors nor negotiated payment terms with its creditors.
Grant management	• CoM is complying with grant conditions and cash backing of unspent conditional grants, it is underutilising grant allocations, with R29.5 million remaining unspent as at 30 June 2024.
mSCOA implementation	• The municipality has not fully adopted the Inventory, Asset Management, and SCM modules. • CoM is not fully utilising the financial system for budgeting, resulting in data misalignment and budget discrepancies. • The billing system has not been cleansed. • The municipality is paying for the Cemetery, Fleet, Grants, and Investments modules without utilising them.

2.2.2 SERVICE DELIVERY

The critical key issues identified during the status quo assessment regarding the service delivery pillar, as well as additional observations from the FRP preparation, are the following:

Focus Area	Findings
Portable Water Supply and Bulk Water	• Water losses stand at 58 per cent, far exceeding the desired range (15 per cent-30 per cent), causing financial losses. Causes include poor

Focus Area	Findings
	maintenance of aging infrastructure, insufficient tools, and vehicles to address bursts, and ineffective water conservation and demand management strategies. • Non-revenue water is exacerbated by unmetered consumption in informal settlements and construction sites (sourced from fire hydrants) and a lack of monthly service delivery assessments (MISA template).
Sanitation Services	• Sewer reticulation services face high operating costs, aging infrastructure, vandalism, especially at Orkney, and sanitation services are compromised due to water supply issues. There is no Sanitation Infrastructure Maintenance Policy. • Aged and Unmaintained Infrastructure: Much of the sanitation infrastructure, including sewer networks and wastewater treatment plants (WWTPs), is outdated and requires urgent refurbishment. • Widespread Vandalism and Theft: Armed criminal groups continue to target critical sanitation infrastructure, including cable theft and destruction of pumps and motors at WWTPs and pump stations. • Unlicensed Wastewater Facilities: All four WWTPs are operational but lack official licenses, posing serious compliance risks. The Orkney site has been flagged as "critical" in the Green Drop report for two consecutive years.
Electricity Distribution and Supply	• Electricity losses stand at 38%, far exceeding the MFMA Circular No. 71 norm of 7–10%, primarily due to neglected infrastructure, absence of an effective loss reduction strategy, poor meter reading accuracy, and widespread illegal connections. Urgent implementation of a structured, well-resourced loss reduction plan, supported by improved infrastructure maintenance, accurate metering, and strict enforcement, is critical to restore efficiency and revenue integrity. • No consistent meter audits are conducted, leading to inaccurate data for billing and revenue management. • Non-technical losses (e.g., illegal connections, unmetered municipal consumption) are not being effectively addressed, causing high revenue losses.
Roads and Stormwater	• Most roads are in bad condition; their lifespan has expired. • Unmaintained roads with potholes; blockage of stormwater drains; and vegetation growth on stormwater channels. • • The municipality lacks a systematic data collection process to assess road infrastructure conditions, undermining evidence-based decision-making, prioritization of maintenance, and effective allocation of resources. This gap increases the risk of deteriorating road networks and inefficient use of funds.. • There are some litigation cases due to potholes claims.
Capital Projects and Grant Funded Projects	• Poor performance of contractors is causing project delays or non-delivery. • Delays in replacing poor-performing contractors • Grant funds are not being fully utilized, affecting future budgets • Slow Supply Chain Management (SCM) processes are hindering progress. • NDPG grant: The implementation of the taxi rank project resulted in delays to other initiatives, attributable to an R11.2 million expenditure exceeding the allocated grant funding. As a result, R15.5m that had been allocated for the Youth Development project was taken by the treasury. • • Implementation of the WSIG is hindered by delays in formalizing land ownership, as the reservoir was constructed on privately owned land. The slow land donation process poses legal, operational, and asset management risks.).
Waste and Refuse Removal	• High levels of waste accumulation in informal settlements and illegal dumping sites.

Focus Area	Findings
	• Lack of specialized waste management vehicles and inadequate enforcement of consequences for illegal dumping. • Landfill sites are not maintained in compliance with legislative standards, posing environmental, health, and legal risks, and reflecting inadequate waste management planning, monitoring, and resource allocation..
Town Planning	• No bulk infrastructure is available to support new settlements. Aging infrastructure, both bulk and municipal, suffers from poor or no maintenance, hampering future development. • Urban decay, particularly in Central Business Districts (CBDs), undermines economic vitality and planning efforts. • Political interference, which seeks to influence the town planning processes and decisions, hampers impartial and efficient planning processes. (Source: Annual Report 2023-24, page 83). • Siloed planning and lack of alignment with other municipal departments impede integrated spatial and service delivery planning. • Limited staff capacity, outdated GIS software (with expired licenses), and inadequate office space affect daily operations. Financial constraints restrict critical functions like staff development, professional registrations, equipment procurement, and system upgrades. • Geological limitations, especially dolomitic soil in areas like Stilfontein and Khuma, restrict safe development and require specialized planning considerations.
Human Settlements	• Housing demand backlog stands at 22per cent with approximately 45,500 people on the waiting list, and delivery progress is slow. • The proliferation of informal settlements and urban sprawl. • Shortage of well-located land for human settlements • Blocked housing projects • Slow formalization of informal settlements limits access to services and planned development. • Land invasions and the rapid growth of informal settlements create unregulated urban sprawl. Illegal construction activities and contraventions of the Land Use Management Scheme (LUMS) persist.
Community Facilities, Operational Buildings, Sports, and Recreational Facilities	• Lack of resources to render a better service to the community • Budget constraints capital budget for fleet and equipment e.g., bush cutters and chainsaws • Rapid expansion of the City of Matlosana area. • Lack of funding to develop mega parks in Matlosana township. Deforestation of biodiversity. • Library services are an unfunded mandate, creating a financial burden on the municipality and limiting the ability to sustain operations, maintain facilities, and deliver quality services to the community • . • Ageing of TLB's to dig the graves at cemeteries • Lack of funding for the development of taxi roads within the cemeteries and fencing of new cemeteries, Kanana, Jouberton, Alabama, and Tigane. The MiG grant is not being utilised for cemeteries. • Non-reopening of second internment and erection of tombstone at Jouberton, Alabama, Kanana, and Khuma township due to lost data during riots.
Fleet Management Problems	• The Municipality's fleet is aged, underperforming (only 50 percent working by the end of 2022), and there is a shortage of vehicles. • There is no Fleet Manager, no fleet management policy exists, and funding for maintenance and procurement is inadequate.
Basic Service and Infrastructure Backlogs	• Service Pressure Drivers: Mine closures, rural-urban migration, and family disaggregation have increased demand on urban infrastructure. Informal settlements in unproclaimed areas add to the strain. Seismic events have worsened the condition of aging infrastructure, especially asbestos-cement pipes.

Focus Area	Findings
	• Infrastructure Investment Needs: Estimated cost for infrastructure upgrades: R156–R175 million annually over five years. Key upgrades include: o Refurbishment of water pump lines. o Upgrades to wastewater treatment plants. o Provision of bulk sanitation to support new developments. o Road, stormwater drainage, and pedestrian bridge improvements in townships.

2.2.3 GOVERNANCE

The table below summarises the key governance issues identified during the status quo assessment, as well as observations made while preparing the FRP:

Focus Area	Findings
Governance Model	• Failure to determine whether any municipal officials are liable for UIF&W expenditures and to recover the same from such officials as required by section 32 of MFMA. • Non-payment for services by Councillors and staff: Councillors owed R 1 456 321 as of 30 June 2004, while staff owed about R26 132 074,80. • Failure to effectively implement the municipality's credit control policy/by-law – the municipality has not been cutting off services timeously, resulting in individual consumer accounts accumulating arrears of about R400 000 and over 90 days overdue. • Non-compliance with the Code of Conduct for Councillors and Staff. • The Disciplinary Board is established but currently non-functional due to some of the officials who had been appointed to the board having declined their appointments.
Powers and Functions	• Inadequately funded library service mandate • Inadequately funded motor vehicle licensing and registration service mandate. • Inadequately funded fire and disaster management mandate.
Political/Administrative Interface	• Alleged criminal activities on the part of some municipal officials, including the CFO and MM. • Political interference in the municipality's management and operations. • Stalemate between Council and its Ad-Hoc Investigation Committee regarding the way forward in relation to the Committee's report recommending disciplinary action against the executive mayor
Contract Management	• Non-functionality of the Contract Management Committee • Inadequate contract performance management and monitoring • CoM is failing to enforce the implementation of cost containment measures aimed at reducing or eliminating expenditure on contracted services. The cost of contracted services increased from R106 million in FY2022/23 to about R116 million in FY2023/24. • Illegal contracts, including but not limited to contracts extended or modified without following SCM policies and procedures, as noted by the Auditor General. • High cost of security services; Cost of security services increased by about R25 million in FY2023/24 (about 69 per cent increase from the previous year) as a result of the municipality having hired eight (8) armoured vehicles from a security service provider at a total cost of R 2 017 391.20 per month. • Overreliance on security services providers to provide services that could otherwise be provided internally.

Focus Area	Findings
	• Failure to adequately monitor contract performance by security services providers. • Lack of key contract monitoring information in the Contract Register.
Litigations and Contingent Liabilities	• Non-compliance with SCM policies and regulations in awarding contracts • Failure to pay service providers timeously • Inadequate maintenance of municipal infrastructure
System of Delegations	• System of Delegation is outdated, having been approved on 5 February 2009. • Non-compliance with s 59(2)(f) of the MSA 32 of 2000. • Inefficient system of delegations • Lack of financial limits on withdrawals from municipal bank accounts as a system of checks and balances • Failure to keep adequate records of delegations
By-laws and enforcement	• Non-compliance with provisions of MFMA concerning revenue management. • Inadequate controls concerning the authority to collect traffic fines • Inadequate staff to enforce by-laws • Lack of, or poor municipal infrastructure, prevents the municipality from enforcing bylaws
UIF&W and Consequence Management	• Increasing unauthorised expenditure: Unauthorised spending increased by 25 per cent from R4.5 billion in 2022/23 to R5.63 billion in 2023/24 due to bulk purchases and overspending on budget votes. • Rising irregular expenditure: Irregular expenditure increased by 8,4 percent from R 2 999 371 522 in 2022/23 to R 3 252 279 475 in 2023/24 due to failure to follow SCM policies and regulations in the procurement of goods and services • Rising fruitless and wasteful expenditure: Fruitless and wasteful expenditure rose by 24.3 per cent, from R432 million to R537 million due to interest charges, fines and penalties for late payments. • Failure to implement consequence management as required by s 32 of MFMA • The municipality's UIFW Reduction Strategic Plan lacks annual targets for reducing UIFW expenditure.
Audit Action Plans (internal and external)	• The municipality received a qualified audit opinion from the AG for the 2023/24 annual financial statements due to material misstatements in the annual financial statements, insufficient supporting records to substantiate information contained in the financial reports(poor record keeping), material irregularities relating to non-compliance with legislation and SCM regulations. • Slow progress in resolving issues identified by the AG • Failure by management to implement remedial actions recommended by internal audit. • Delays in taking disciplinary action against municipal officials implicated in acts of misconduct • Delays by the council to timeously investigate cases of alleged misconduct on the part of municipal officials, including the case of double payments, which has occasioned a loss of R6 192 598.40 to the municipality.
Risk Management	• Non-compliance with section 112(1)(m) of MFMA as noted in the AG's Audit report for FY2023/24: The AG's report for the financial year ended 30 June noted that the municipality lacks a comprehensive risk strategy to deal with the risk of fraud and corruption in supply chain management.
Information & Communications Technology	• Antiquated or inadequate IT hardware and infrastructure, including desktop computers; the municipality has not fully subscribed for the Inventory, Asset Management, and SCM modules in BCX's Solar Financial Management System, which it is utilising. • Inadequate internal controls/configurations in some ICT applications, such as PAYDAY, which was not configured to prevent overtime claims in excess of

Focus Area	Findings
	40hours as revealed in the Internal Audit Report for FY2023/24, and the financial system is not configured to prevent overspending on budget votes. • Inadequate integration between ICT applications and the municipality's financial system (e.g. Fresh Mark, ABSA, Sintel, Orbit, Assets).
Immovable Property Management	• Reliance on the service provider's asset management system. • Asset management system not integrated with the municipality's Financial Management System. • Lack of or poor maintenance of rental properties • There is uncertainty (due to failure by management to provide the requisite information) as to whether the municipality is charging market-related rentals for its immovable properties • Failure to record required information pertaining to agricultural land lease applications.

2.2.4 INSTITUTIONAL/ORGANISATIONAL/HUMAN RESOURCES

The critical key issues identified during the status quo assessment regarding the institutional pillar as well as additional observations from the FRP preparation, are the following:

Focus Area	Findings
Operating Model	• CoM does not have a documented operating model.
Organizational structure	• The existing organisational structure is outdated and not fit for purpose. • Delay in the adoption of the revised organisational structure due to delayed consensus from CoGTA. • Delays in filling 63 critical vacant positions have an impact on providing service and revenue improvement, such as service delivery directorates. • The organogram has 2,549 positions, of which 1,852 are filled and 704 are vacant. Of the unfilled vacant positions, 63 are priority positions that have an impact on service delivery and revenue improvement. • 14 critical positions have been filled, 25 have been advertised, and 22 have not yet been advertised. • CoM is currently conducting job evaluations and job descriptions, which are not yet completed due to concerns raised by SALGA about some poorly written job descriptions. • The attrition rate increased to 5.2 per cent in FY2023/24 from 4.7 per cent in FY2022/23 due to several reasons: resignations, retirements, deaths, and ill health.
Overtime Management	• Directorates are not complying with the overtime policy, which limits payments to 40 hours per month, as well as prior approval. • Failure to implement the Internal Auditors' recommendation to automate the payroll system to reject overtime claims in excess of 40 hours per month. • The municipality pays above-the-threshold earnings in excess of R261 748.45 per annum, which is in breach of the overtime policy. • The overtime policy exempts 6 directorates from complying with the thresholds for maximum overtime permissible. These are: o Traffic law enforcement and Security Services o Fire and Rescue o Refuse Removal o Water and Sanitation and Maintenance work o Sewerage o Electrical Distribution and Maintenance work
Employee cost	• The remuneration of the councilors increased from R37.0 million (FY2022/23) to R39.0 million (FY2023/24), indicating an increase of 5.5

Focus Area	Findings
	per cent. • The employee related cost increased from R715.9 million (FY2022/23) to R774.0 million (FY2023/24), indicating an increase of 8.1 per cent. The increase is above the approved 5.4 per cent per SALGBC yearly increase for FY2023/24. • The acting allowance for senior managers increased by 125.28 per cent from R221,428 (FY2022/23) to R498,833 (FY2023/24) due to delays in filling senior managers' positions. However, the positions have been filled in FY2024/25. • The allowances (such as travel, motor car, accommodation, cell phone, subsistence, etc) increased from R13 459 755 (FY2023) to R16 421 463 (FY2024). This is a significant increase of 22 per cent as compared to the prior year. • The accrued leave pay decreased by 4.68 per cent from R101.1 million (FY2022/23) compared to R96.4 million (FY2023/24). However, despite the financial challenges of the municipality, a leave payment of R10.5 million (FY2023/24) was made, reflecting a 48.94 per cent increase from R7.05 million (FY2022/23). As per discussions with management, the leave paid out relates to employees who have resigned, retired and passed away. • Poor leave management and control resulting in excessive accumulation of leave balances.
Skills & Competencies	• The municipality performed a skills audit on 1,571 of the 1,852 employees in FY2023/24. • The 2023/24 audit revealed that 32 managers in various directorates have qualifications ranging from NQF levels 1 to 4 (Grades 9 to 12). • Clerical Administrators and Elementary Workers are overqualified for their current positions.
Labour Relations	• The Local Labour Forum (LLF) is functional and meets regularly. • A corporate calendar of meetings is in place for 2024/25 and includes LLF meetings. • LLF members participated in orientation and induction sessions facilitated by SALGA and LGSETA.
Staff Discipline and Disciplinary Board	• Delays in bringing and concluding disciplinary actions against officials who are accused of acts of misconduct. • The following disciplinary cases are yet to be finalised: FY2021/22: 3, FY2022/23: 6, FY2023/24: 5 and FY2024/25: 2.
Performance Management	• No formalised Standard Operating Procedures (SOPs) to support the implementation of the performance management policy. • There is a lack of consistency in terms of the assessment periods. • Performance assessments are currently cascaded to all employees. Training sessions were held on 26 and 27 June 2025, and the process of finalising performance agreements is underway. • Inadequate management oversight of key deliverables outlined in the SDBIP. • Performance agreement forms are not signed.
Consequence Management	• Lack of a consequence management framework. • Failure to implement consequence management for noncompliance with policies and regulations. • Failure to address misconduct, poor performance, and non-compliance must result in disciplinary action.
Key HR Policies	• The municipality made progress in reviewing several critical policies during FY2023/24, including those on overtime, acting allowance, leave, and performance management policies. • Several policies adopted in 2012, 2013, 2017, 2021, and 2022 are outdated. Examples include the study and bursary policy (2013) and the travel and subsistence allowance (2012). • There is no succession planning policy to ensure a smooth transition of

Focus Area	Findings
	leadership roles, thereby risking critical position gaps. • No evidence of whether employees were trained on approved HR policies and procedures to keep them abreast with new labour laws and legislation.
HR Strategy	• The HR strategy is outdated, as it was last reviewed and approved in 2020. • The absence of technological integration hinders the modernisation of HR operations.
Physical Verification of staff and qualifications	• Qualifications verifications and background checks are not performed on all employees. • CoM started the process of identifying the top three potential candidates from the interviews to undergo qualification verifications and background checks. • The Internal Audit revealed 40 unverified employees within the payroll system without a reason.
Records Management	• The records management policy is outdated. • Failure by directorates to submit documents to the centralised storage. • A file management plan is in place; however, it is not being implemented. • CoM has only 100 user licences for ORBIT, which is insufficient for 1,852 employees.

PART THREE - FINANCIAL RECOVERY PLAN ACTIONS AND TARGETS:

3.1 PHASE 1: MUNICIPAL RESCUE PHASE

This phase of the recovery plan will place emphasis 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. Cost-cutting measures on repairs and maintenance, grass cutting, entertainment, other miscellaneous expenses, and general expenses, among others, must be implemented. However, an emphasis on cash and municipal finances does not preclude the municipality 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 between 6 to 8 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 Oversight and Monitoring Committee as well as the Implementation Team. The Oversight and Monitoring Committee can also approve updating the targets as implementation of the plan progresses.

The 6 high-level indicators selected for this Phase are:

- Cash flow management;
- Cost Containment and Expenditure Management;
- Revenue and debtors’ management;
- Creditors management;
- Ring-fencing of Conditional Grants; and
- Debt restructuring.

In addition, indicators relating to the capital programme and the reduction of unaccounted, irregular, fruitless, and wasteful expenditure have been included. High-level targets for governance and service delivery are specified separately.

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

In preparing the Financial Recovery Plan Financial Modelling, strict budget parameters, spending limits, and revenue targets were applied to ensure that resources are directed towards increasing the revenue base and reducing expenditure. Revenue will be projected on the basis of realistic collection rates, taking into account historic performance and the expected impact of improved billing and debt recovery initiatives. On the other hand, expenditure will be limited to affordable levels, with non-essential and non-core costs curtailed, and operational efficiencies actively pursued.

Cash flow projections will be monitored monthly to safeguard liquidity, while conditional grants will be fully utilised within their prescribed timeframes to avoid forfeiture.

These budget parameters are designed to create a disciplined financial environment that supports service delivery while steadily restoring the municipality's financial health.

BUDGET ITEM	2025/26 BUDGET PARAMETERS	2026/27 BUDGET PARAMETERS	2027/28 BUDGET PARAMETERS	2028/29 BUDGET PARAMETERS	2029/30 BUDGET PARAMETERS	ASSUMPTIONS
Service charges - Electricity	Per approved MTREF budget: Plus 6% increase in sales due to an 18% reduction in electricity distribution losses and 10% water distribution losses..	Per approved MTREF budget: Plus 8% due to the adoption of cost-reflective tariffs	Per approved MTREF budget: Plus 10% due to the adoption of cost-reflective tariffs	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Cost-reflective tariffs are approved by the council. NERSA approves the maximum allowable increase in electricity tariffs. Electricity distribution losses are reduced by 20% yearly. 6,953 properties are metered.
Service charges - Water	Per approved MTREF budget: Plus A 6% increase in sales is attributed to a 10% reduction in both electricity	Per approved MTREF budget: Plus 10% increase in sales due to a 20% reduction in distribution losses.	Per approved MTREF budget: Plus 12% increase in sales due to a 20% reduction in distribution losses.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	The municipality continues to approve cost-reflective tariffs. Water distribution losses are reduced by 20% yearly. 56,539 properties are metered.

BUDGET ITEM	2025/26 BUDGET PARAMETERS	2026/27 BUDGET PARAMETERS	2027/28 BUDGET PARAMETERS	2028/29 BUDGET PARAMETERS	2029/30 BUDGET PARAMETERS	ASSUMPTIONS
	and water distribution losses.					The municipality utilised Midvaal to assist in the reduction of distribution losses.
Service charges - Waste Water Management	Per approved MTREF budget	Per approved MTREF budget: Plus 8% due to adoption of cost reflective tariffs	Per approved MTREF budget: Plus 10% due to adoption of cost reflective tariffs	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	The council approves cost reflective tariffs in the FY2026/27 onwards.
Service charges - Waste Management	Per approved MTREF budget Plus 5% increase due to improved billing efficiencies	Per approved MTREF budget Plus 8% increase due to improved billing efficiencies	Per approved MTREF budget Plus 12% increase due to improved billing efficiencies	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Implementation of bylaws with regards to illegal dumping.
Sale of Goods and Rendering of Services	Per approved MTREF budget.	Per approved MTREF budget.	Per approved MTREF budget.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Improved revenue management practices in line with the Implementation Plan strategies.
Interest earned from Receivables	Per approved MTREF budget Less 10% due to improved collections from the customers.	Per approved MTREF budget Less 15% due to improved collections from the customers.	Per approved MTREF budget Less 20% due to improved collections from the customers.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	The municipality continue to charge interest on overdue accounts and improve recoverability of the interest charged.
Interest earned from Current and Non-Current Assets	Per approved MTREF budget.	Per approved MTREF budget.	Per approved MTREF budget.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	CoM continue investing excess funds to realise interest income.
Rental from Fixed Assets	Per approved MTREF budget Plus	Per approved MTREF budget Plus	Per approved MTREF budget Plus	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	The municipality review and approve market related rentals. Rentals are determined post

BUDGET ITEM	2025/26 BUDGET PARAMETERS	2026/27 BUDGET PARAMETERS	2027/28 BUDGET PARAMETERS	2028/29 BUDGET PARAMETERS	2029/30 BUDGET PARAMETERS	ASSUMPTIONS
	5% increase due to charging of market related rentals.	6% increase due to charging of market related rentals.	8% increase due to charging of market related rentals.			performing a valuation. Market related rentals are market related.
Licence and permits	Per approved MTREF budget Plus 2% increase due to improved awareness to customers	Per approved MTREF budget Plus 2% increase due to improved awareness to customers	Per approved MTREF budget Plus 2% increase due to improved awareness to customers	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Improved revenue management practices in line with the Implementation Plan strategies.
Operational Revenue	Per approved MTREF budget.	Per approved MTREF budget.	Per approved MTREF budget.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Improved revenue management practices in line with the Implementation Plan strategies.
Property rates	Per approved MTREF budget Plus 5% due to the new valuation roll adopted from 1 July 2025 and correct categorisation of properties.	Per approved MTREF budget Plus 8% due to improved billing on property rates, monthly reconciliations of properties billings and addressing of reconciling items on a timely basis.	Per approved MTREF budget Plus 10% due to improved billing on property rates, monthly reconciliations of properties billings and addressing of reconciling items on a timely basis.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	CoM's new valuation roll for the 2025-2029 does not have discrepancies that will cause disputes with customers. Reconciling items identified are corrected during month end accounting processes, Reconciliations between the GVR and deeds dump are performed and all rateable properties are billed. The billing system is adequately cleansed. Tariffs are uploaded accurately on the billing system per council approved tariffs. Monthly reconciliations between the GVR and the billing system are performed

BUDGET ITEM	2025/26 BUDGET PARAMETERS	2026/27 BUDGET PARAMETERS	2027/28 BUDGET PARAMETERS	2028/29 BUDGET PARAMETERS	2029/30 BUDGET PARAMETERS	ASSUMPTIONS
						and reviewed. Improved revenue management practices.
Surcharges and Taxes	Per approved MTREF budget.	Per approved MTREF budget.	Per approved MTREF budget.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Improved revenue management practices in line with the Implementation Plan strategies.
Fines, penalties, and forfeits	Per approved MTREF budget Plus R6million increase due to traffic fines enhancements	Per approved MTREF budget Plus R6million increase due to traffic fines enhancements	Per approved MTREF budget Plus R6million increase due to traffic fines enhancements	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	By-laws are enforced effectively. Improved revenue through enhanced enforcement of traffic fines.
Licences or permits	Per approved MTREF budget Plus 2% increase due to improved awareness to customers.	Per approved MTREF budget Plus 2% increase due to improved awareness to customers.	Per approved MTREF budget Plus 2% increase due to improved awareness to customers.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Improved revenue management practices in line with the Implementation Plan strategies.
Transfer and subsidies - Operational	Per approved MTREF budget.	Per approved MTREF budget.	Per approved MTREF budget.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Grants are utilised fully in line with their conditions.
Interest	Per approved MTREF budget.	Per approved MTREF budget.	Per approved MTREF budget.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Improved revenue management practices in line with the Implementation Plan strategies.
Other Gains	Per approved MTREF budget.	Per approved MTREF budget.				
Total Revenue (excluding capital transfers and contributions)						
Employee related costs	Per approved MTREF budget	Per approved MTREF budget	Per approved MTREF budget	Per 2027/28 MTREF + 5.01%	Per 2028/29 MTREF + 5.01%	Employee related cost is maintained below 25% of OPEX.

BUDGET ITEM	2025/26 BUDGET PARAMETERS	2026/27 BUDGET PARAMETERS	2027/28 BUDGET PARAMETERS	2028/29 BUDGET PARAMETERS	2029/30 BUDGET PARAMETERS	ASSUMPTIONS
	Plus R100 000 Staff training costs on the financial system. Plus R32.5 million critical skills recruitments in the Technical Directorates as directed by the FRP.	Plus R100 000 Staff training costs on the financial system. Plus R28.4 million critical skills recruitments in the Technical Directorates as directed by the FRP.	Plus R100 000 Staff training costs on the financial system..	averaged SALGBC annual increase	averaged SALGBC annual increase	Only critical vacancies as directed by the FRP are filled.
Remuneration of councillors	Per approved MTREF budget	Per approved MTREF budget	Per approved MTREF budget	Per 2027/28 MTREF + 5.01% averaged SALGBC annual increase	Per 2028/29 MTREF + 5.01% averaged SALGBC annual increase	100% per Gazetted maximums, subject to FRP Progress.
Bulk purchases - electricity	Per approved MTREF budget	Per approved MTREF budget	Per approved MTREF budget	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Operational efficiencies achieved in line with the FRP Implementation Plan
Inventory consumed	Per approved MTREF budget less 10% due to improved inventory management.	Per approved MTREF budget less 10% due to improved inventory management.	Per approved MTREF budget less 10% due to improved inventory management.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Improved controls at the stores to reduce theft. Fuel usage is monitored.
Debt impairment	Per approved MTREF budget	Per approved MTREF budget less 20% due to improved collection as a result of allocating of work to the already appointed debt collectors.	Per approved MTREF budget less 20% due to improved collection as a result of allocating of work to the already appointed debt collectors.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	100% of billed revenue minus Budgeted Collection Rate. The debt collectors achieves a R1million collection per day.
Depreciation and amortisation	Per approved MTREF budget	Per approved MTREF budget	Per approved MTREF budget	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	100% per GRAP 17 Standard
Interest	Per approved MTREF budget	Per approved MTREF budget	Per approved MTREF budget	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Creditors agrees to write off interest charged on overdue accounts. Creditors agrees to waive

BUDGET ITEM	2025/26 BUDGET PARAMETERS	2026/27 BUDGET PARAMETERS	2027/28 BUDGET PARAMETERS	2028/29 BUDGET PARAMETERS	2029/30 BUDGET PARAMETERS	ASSUMPTIONS
						interest on outstanding debt. The municipality settles the DBSA and Redefine loan in the 2025/26FY and does not take additional system.
Contracted services	Per approved MTREF budget Less 20% reduction due to the insourcing of contracted services, such as grass cutting and meter readings. Plus R2million increase due to the acquisition of the electronic waste tracking and management systems. Plus R500 000 due to the introduction of the Electronic Plan Submission and Approval System (E-Planning Portal) in building control to fast-track reviews.	Per approved MTREF budget Less 20% reduction due to the insourcing of contracted services, such as grass cutting and meter readings. Plus R2million increase due to the acquisition of the electronic waste tracking and management systems.	Per approved MTREF budget Less 20% reduction due to the insourcing of contracted services, such as grass cutting and meter readings. Plus R2million increase due to the acquisition of the electronic waste tracking and management systems. Plus R100 000 increase due to staff training on how to utilise the financial system and compliance with mSCOA requirements.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	Grass cutting, preparation of financial statements and meter readings are performed by municipal officials. A duplicate cost analysis is strictly performed prior to outsourcing services to external service providers.
Irrecoverable debts written off	Per approved MTREF budget 15% reduction from improved revenue management practices which includes: a. The Credit Control and	Per approved MTREF budget 20% reduction from improved revenue management practices.	Per approved MTREF budget Less 25% reduction from improved revenue	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	The political function motivate the community and the business to settle their accounts. The debt collection rate as improved.

BUDGET ITEM	2025/26 BUDGET PARAMETERS	2026/27 BUDGET PARAMETERS	2027/28 BUDGET PARAMETERS	2028/29 BUDGET PARAMETERS	2029/30 BUDGET PARAMETERS	ASSUMPTIONS
	Debt Management policy being implemented (10%). b. Customer information updated on the billing system (5%).		management practices.			100% collections from the sale of electricity and water utilised to settle bulk purchases accounts. 100% collection of arrears on councillors and staff accounts.
Operational costs	Per approved MTREF budget **Less** 30% reduction of entertainment expenses. 40% reduction of motor related expenses 60% reduction of other miscellaneous expenditure 30% reduction of printing and stationery 30% reduction of repairs and maintenance R100 000 increase in expenditure to budget for staff training.	Per approved MTREF budget **Less** 30% reduction of entertainment expenses. 40% reduction of motor related expenses 60% reduction of other miscellaneous expenditure 40% reduction of repairs and maintenance R100 000 increase in expenditure to budget for staff training.	Per approved MTREF budget **Less** 30% reduction of entertainment expenses. 40% reduction of motor related expenses 60% reduction of other miscellaneous expenditure 40% reduction of repairs and maintenance R100 000 increase in expenditure to budget for staff training.	Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	General expenditure is further contained. Non-essential expenditure is eliminated. All directorates are corporative in reducing expenditure.
Other Losses				Per 2027/28 MTREF + 4.8% CPIX rate +1.19% Growth	Per 2028/29 MTREF + 4.8% CPIX rate +1.19% Growth	

Financial forecasting model for the implementation of the City of Matlosana Financial Recovery Plan

A financial forecasting model has been developed to set financial targets for the City of Matlosana FRP over the MTREF period. The financial model escalation formulas considered the above budget parameters and the following economic indicators over the recovery period:

Description	2025/26	2025/27	2025/28	2028/29	2029/30
Consumer Price Index	3.5%	4.5%	4.5%	4.8%	4.8%
Collection Rate Electricity	67%	70%	85%	88%	88%
Collection Rate Water	52%	55%	60%	65%	70%
GDP Growth	1.19%	1.19%	1.19%	1.19%	1.19%

Grounded on adherence to the above budget parameters, it is anticipated that the municipality will progressively move towards a position of improved financial sustainability over the 3-year period, as illustrated in the table below. If key operational efficiencies are achieved in line with FRP Implementation Plan, it could be expected that the projected cash shortfall of R4.9 billion at the end of the 2024/25 Financial Year will reduce to a cash shortfall of R2.7 billion at the end of the 2025/26 Financial Year, whereafter the cash position will likely improve to a cash shortfall of R2.5 billion at the end of the 2026/27 Financial Year whereafter it could improve to a cash shortfall of R1.3 billion at the end of the 2027/28 Financial Year. The net cash position should improve to levels sufficient to boost the cash coverage ratio to within acceptable norms over the MTREF period. Any surplus cash, over and above the required levels, should also be prioritised towards payment of outstanding creditors' balances and containment of expenditure. An improved appetite to pay creditors will enhance the public perception and re-establish supplier confidence in the municipality. If these positive trends could be achieved and sustained, it could realistically be expected that it will take the municipality a period of 3-5 years to move to a fully cash-backed funding position.

The forecasting model is flexible, and figures will be adjusted annually to align with the revised FRP activities and facilitate sustained financial health improvement. The municipality's adherence to the Financial Recovery Plan will be monitored in terms of its achievement of the targets for revenue and expenditure set out in the financial forecasting model.

The financial forecasting is based on the assumption that the municipality will meet all the conditions for the approved Eskom Debt Relief for write-offs annually for the remaining two 33 per cent trenches.

BUDGET ITEM	2024/25 MTREF BUDGET Baseline R'000	TARGETS 2025/26MTREF BUDGET R'000	TARGETS 2026/27 MTREF BUDGET R'000	TARGETS 2027/28 MTREF BUDGET R'000	TARGETS 2028/29 MTREF BUDGET R'000	TARGETS 2029/30 MTREF BUDGET R'000
REVENUE						
Exchange Revenue						
Service charges - Electricity	1 059 136	1 293 938	1 542 974	1 668 684	1 769 592	1 876 601
Service charges - Water	845 005	936 908	1 016 987	1 050 165	1 113 670	1 181 0145
Service charges - Waste Water Management	176 453	184 570	208 505	217 676	230 839	244 798
Service charges - Waste Management	219 500	241 077	259 371	281 216	298 221	316 255
Sale of Goods and Rendering of Services	9 857	10 307	10 781	10 786	11 438	12 130
Interest earned from Receivables	686 130	602 398	449 450	433 587	459 807	487 612
Interest earned from Current and Non-Current Assets	10 239	11 138	11 138	11 417	12 107	12 839
Rental from Fixed Assets	9 786	10 384	10 965	11 425	12 116	12 848
Licence and permits	7 727	7 925	8 289	8 292	8 793	9 325
Operational Revenue	52 347	52 944	56 329	58 313	61 840	65 579
Non-Exchange Revenue						
Property rates	503 684	548 434	589 242	615 158	652 357	691 806
Surcharges and Taxes	150	157	164	164	174	184
Fines, penalties and forfeits	12 459	18 249	18 539	20 557	21 800	23 118
Licences or permits	-	867	867	887	941	998
Transfer and subsidies - Operational	658 216	700 077	732 001	760 607	806 602	855 378
Interest	54 756	54 756	54 756	56 125	59 519	63 118

Other Gains	52 8231	528 231	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	**4 833 678**	**5 202 360**	**4 970 360**	**5 205 059**	**5 519 815**	**5 853 605**
EXPENDITURE						
Employee related costs	(816 674)	(882 986)	(904 234)	(897 763)	(942 741)	(989 972)
Remuneration of councillors	(46 107)	(48 505)	(50 447)	(53 070)	(55 729)	(58 521)
Bulk purchases - electricity	(925 000)	(1 577 843)	(1 578 688)	(1 579 533)	(1 675 049)	(1 776 341)
Inventory consumed	(596 585)	(658 610)	(662 391)	(666 504)	(706 808)	(749 550)
Debt impairment	(1 248 541)	(1 057 626)	(844 205)	(328 280)	(348 132)	(369 183)
Depreciation and amortisation	(401 098)	(401 098)	(401 098)	(401 098)	(425 352)	(451 074)
Interest	(10 144)	(10 591)	(11 099)	(11 587)	(12 288)	(13 031)
Contracted services	(457 741)	(322 289)	(316 085)	(320 265)	(339 631)	(360 169)
Irrecoverable debts written off	(1 617 760)	(1 131 246)	(792 317)	(639 011)	(677 653)	(718 631)
Operational costs	(250 528)	(269 292)	(238 676)	(230 135)	(244 052)	(258 810)
Total Operational Expenditure	**(6 370 177)**	**(6 360 084)**	**(5 799 238)**	**(5 127 246)**	**(5 427 435)**	**(5 745 284)**
Surplus/ (Deficit)	**(1 536 499)**	**(1 157 724)**	**(828 878)**	**77 813**	**92 380**	**108 321**

BUDGET ITEM	**2024/25 BASE YEAR Baseline (R)**	**TARGETS 2025/26 MTREF BUDGET (R)**	**TARGETS 2026/27 MTREF BUDGET (R)**	**TARGETS 2027/28 MTREF BUDGET (R)**	**TARGETS 2028/29 MTREF BUDGET (R)**	**TARGETS 2029/30 MTREF BUDGET (R)**
Cash/cash equivalents at the yearend:	(1 367 289)	(667 643)	(355 756)	522 723	537 290	553 232
Other current investments > 90 days						
Noncurrent assets - Investments	(1 367 289)	(667 643)	(355 756)	522 723	537 290	553 232
Application of cash and investments						
Unspent conditional transfers	29 533	29 533	29 533	29 533	29 533	29 533
Other working capital requirements	4 142 087	5 070 849	5 834 194	6 440 145	5 152 116	4 121 693

Adjustments due to FRP initiatives						
Accrued leave pay	-	-	20 000	20 000	20 000	20 000
Assets	-	177 550	144 450	-	-	-
Creditors	-	(1 632 195)	(1 676 531)	(2 013 101)	(1 811 791)	(1 630 612)
Debtors	-	(368 188)	(958 921)	(1 437 002)	(1 293 302)	(1 163 972)
Debtors with credit balances	-	(103 851)	-	-	-	-
Unspent conditional grants	-	(29 533)	(29 533)	(29 533)	-	-
Total Application of cash and investments:	4 171 619	3 144 166	3 363 192	3 010 042	2 096 556	1 376 642
Surplus(shortfall) - Excl Non-Current Creditors Trf to Debt Relief Benefits	(5 538 909)	(3 811 809)	(3 718 947)	(2 487 318)	(1 559 266)	(823 410)
Creditors transferred to Debt Relief - Non-Current portion	(636 034)	(1 164 265)	(1 164 265)	(1 164 265)	(1 164 265)	(1 164 265)
Surplus(shortfall) - Incl Non-Current Creditors Trf to Debt Relief Benefits	**(4 902 875)**	**(2 647 544)**	**(2 554 683)**	**(1 323 054)**	**(395 001)**	**340 854**

To support the achievement of the financial recovery plan and the targets specified for Phase 1, the Municipality must focus on addressing the following areas.

These priority actions are essential to the achievement of the targets set out above. As such, they will form the focus of the activities monitored by the Oversight Committee.

3.1.1 Financial Management

The Rescue Phase of the Financial Management Implementation Plan should focus on the following strategies:

Focus Area	Strategies
Budget Management (Funding Status,	• Compiled and approved an adjusted budget with a 10 percent reduction of the R3.8 billion deficit. • Reduce repairs and maintenance (R&M) costs by at least 30per cent during the FY2025/26 by not repairing redundant vehicles. • Upgrade the system to ensure that the accruals are accounted for correctly. • Use the 2024/25 audited figures as a baseline to determine a realistic budget for bulk purchases expenditure, considering inflationary increases and growth within the municipality. The budgeted bulk purchase expenditure must not be less than the audited figures. • Reduce operating expenditure by 20per cent by eliminating non-essential costs such as grass cutting, repairs, and maintenance for redundant vehicles. • Budget for 100 percent recovery of outstanding government and business amounts by incorporating the enforcement of strict water and electricity restrictions into the adjusted 2025/26 funding plan. • Increase revenue from the sale of water and electricity by 20per cent by targeting a 20per cent reduction in distribution losses through metering unmetered houses and addressing illegal connections. • Reduce ESKOM debt by ring-fencing 100 percent of collections from the sale of electricity towards the payment of the current account. • Reduce Midvaal debt by ring-fencing 100 percent of collections from the sale of water towards the payment of the current account. • Communicate with all directorates to capture budget inputs and generate budget documents from the core financial system.
Budget Related Policies	• Establish a Team of policies comprising 3 process owners from each directorate and review budget-related policies to give effect to budget implementation.
Revenue Management	• Develop clear terms of reference for the revenue enhancement committee, with realistic targets, and assign officials responsible for the activities to ensure proper accountability. • Approve the terms of reference for the new Valuer (2025-2026), including explicit property categorisation (all types, including vacant stands), and contract performance assessments aligned to the approved terms of reference. • Review, verify all, and resolve reconciling items after each billing run, and update the billing system with confirmed changes as part of the next billing cycle. • Resolve accounts with queries and disputes within 7 days and 30 days, respectively. • 100 percent implementation of the credit control and debt collection policy. • Councillors to communicate with communities within their wards to settle municipal accounts on time. • Review the credit control and debt management policy's debtors incentives, as well as the provisions for the write off of debts. • Implement and enforce the policy to ensure that pensioners are billed at discounted rates. • Prescribe creditors with credit balances older than three years, through a council resolution after having conducted a three-month public notice requesting customers to claim their funds and having netted off accounts owned by the same customer.

Focus Area	Strategies
	• Recover 100 percent of the outstanding government and business amounts by enforcing the credit control and debt management policy.
Cost-reflective tariffs	• Urgently apply to NERSA requesting approval of the electricity cost of supply study results.
Supply chain management, compliance, and value for money procurement	• 100 percent implementation of the SCM policy. • Develop price index. • Procurement must be linked to cash flow.
Financial control environment and preparation of AFS	• Implement standard operating procedures for all five cycles (Expenditure, Revenue, Liabilities, Funding, and Asset Management).
Cash Flow Management and Cost Containment	• On a monthly basis, perform a 12-month rolling cash flow forecast to align cash inflows and outflows. • Ring-fence 100per cent licence fee receipts on a monthly basis and remit the 80per cent due to the Department of Transport.
Expenditure management	• Review the Cost Containment Policy to include an acceptable range of 10–15per cent above or below the group average fuel consumption. • Reduce operating expenditure by 30per cent by eliminating non-essential costs such as fuel expenditure, entertainment, miscellaneous, limiting travel and accommodation, printing and stationery, grass cutting, as well as repairs and maintenance for redundant vehicles.
Creditors management	• Negotiate for a settlement discount and enter into realistic payment arrangements with all creditors, except Eskom and Midvaal, to settle 100 percent of their outstanding balances within six months. • Categorise and settle creditors based on their contribution to service delivery. • Confirm the availability of budget and cash flows prior to commencing with procurement processes. • Eliminate interest expenses by negotiating with creditors to waive interest charges on overdue accounts. • Reduce ESKOM debt by ring-fencing 100 percent of collections from the sale of electricity towards the payment of the current account. • Reduce Midvaal debt by ring-fencing 100 percent of collections from the sale of water towards the payment of the current account.
Grant management	• Align procurement to operational plans by scheduling and concluding procurement processes prior to the scheduled dates for project commencement.
mSCOA implementation	• Train municipal officials on the utilisation of all the modules that it is paying for.

3.1.2 Service Delivery Pillar

The Rescue Phase of the Service Delivery Implementation Plan should focus on the following strategies:

Focus area	Strategies
Portable Water Supply	• Dispose of redundant material in the stores and use the funds to restock the stores with the correct materials.
Loss Control (Water)	• Install water meters at all municipal buildings and facilities. And start taking water meter readings. • Conduct meter audits and disconnect all illegal connections. Disconnect all unauthorized fire hydrant usage and enforcement action. • Create and implement Standard Operating Procedures (SOP) to ensure efficient and effective processes for attending to queries and conducting repairs.

Focus area	Strategies
	• Implement a municipality-wide leak detection program with prompt repairs, utilizing existing staff resources to improve water loss management and infrastructure • Set a clear target to reduce water losses by 15% through enhanced monitoring, timely repairs, and improved water management practices, ensuring ongoing quality assurance and performance tracking.
Sanitation Services	• Implement actions to contain and mitigate environmental pollution at Khuma Main Pump Station, including restoring pumps and sewer connections. • Conduct a full technical audit and flow verification at all WWTWs to establish the requirements to establish full sanitation effluent compliance. • Create a Sanitation Effluent Compliance plan, which includes the AGSA action plan. Prioritise the requirements and identify activities that can be implemented with available resources.
Loss Control (Electricity)	• Conduct a full meter audit. Replace all defective meters systematically. • 100 per cent cut on illegal connections, using existing staff. Request assistance from the political office is required. • Aggressively implement the Electricity Loss Reduction Strategy (ELRS). Target to reduce losses by 20%. Monitor and publicly report quarterly. • Implement monthly service delivery assessments (MISA Template). Train personnel on reporting templates. Include service delivery metrics and loss figures in monthly management and council reports.
Roads and Stormwater Drainage	• Implement a ward-based maintenance programme (pothole repair and opening blocked drains).
Capital Projects and Grant Funded Projects	• Target 100 per cent grand expenditure. • Implement a contractor performance monitoring system with early warning indicators for delays, quality failures, and underperformance.
Waste Management and Refuse Removal	• Urgently recruit additional (40 per cent) waste removal staff (depending on the availability of tools of trade) and introduce the shift system. • Conduct an audit of dust bins collected compared to the customers and the tariffs. • Implement effective waste collection in commercial areas requiring daily or twice per day and body corporates, and charge appropriate tariffs • Create dedicated illegal dumping task teams, using existing staff. Form mobile clean-up teams focused only on illegal dumps • Apply for the Department of Forestry, Fisheries, and the Environment (DFFE) grant for cleaning outdoors and parks.
Land Development and Building Control	• Introduce clear internal processing timelines and monitor performance • Fill vacant Building Inspector posts urgently; consider secondments, internships, and partnerships with professional bodies to temporarily increase capacity. • Recruitment of land inspectors in compliance with Section 32 of SPLUMA, and designate land inspectors. • Implement strict internal processing timelines with performance monitoring. Provide pre-application consultation services to improve application quality.
Human Settlements	• Finalize Human Settlements accreditation application for Level 1 and resolve accreditation challenges by 31 March 2026.
Community Facilities, Buildings, Sports, and Recreational Facilities	• Conduct a business analysis to increase revenue (10%) from the Faan Meintjes Nature Reserve and other facilities, by leasing buildings, spaces, etc. • Update all lease agreements and consider public-private partnerships for better upkeep and tourism promotion.

Focus area	Strategies
	• Explore ways of improving the efficiency of running the library service and seek the relevant grant funding. • Implement a community re-verification project to reconstruct lost cemetery data.
Mechanical Workshops	• Dispose of all redundant (obsolete, damaged, or unused equipment taking up workshop and yard space. • Auction Redundant Assets. Organize a public auction or tender process to sell all redundant equipment and reinvest proceeds into purchasing modern tools and machinery.
Fleet Management	• Dispose of all old, unsalvageable, and unrepairable vehicles to reduce maintenance costs and improve fleet efficiency
Traffic and Law Enforcement	• Increase the number of roadblocks and traffic visibility using existing resources, as an operational adjustment

3.1.3 Governance Strategies Pillar

The Rescue Phase of the Governance Implementation Plan should focus on the following strategies:

Focus Area	Strategies
Governance Model (Council and committees)	• Implement 100 per cent of the credit control and debt collection policy. • Appoint suitably qualified people to the Disciplinary Board to ensure it is 100 per cent capacitated with the required personnel. • The Disciplinary Board must table before the Council quarterly progress reports on disciplinary matters pending before the Board •
Powers and Functions	• Negotiate with the department of Arts, Culture, Sports and Recreation for them to take over the library service, thereby reducing the cost of providing these services by 100 per cent.
Political and Administrative interface	• Special Investigating Unit (SIU) to investigate allegations of procurement irregularities, maladministration, fraud, and corruption. Report to the council on progress regarding criminal investigations of officials of the municipality. • The Special Investigating Unit, to investigate alleged criminal activities in the dispensing of materials to contractors from the municipality's stores • Institute disciplinary action against officials who contravene policies, procedures, and codes of conduct • Council must act decisively on the Ad Hoc Investigation Committee's recommendations or provide valid reasons for rejecting the committee's recommendations.
Contract Management	• Adhere to the schedule of meetings • Review all contracts for legality and value for money. • Terminate all illegal contracts.. • Reduce contracted services by 30 per cent
Litigations and contingencies	• 100 per cent implementation of the Litigations Reduction Strategy
UIF&W and Consequence Management	• 100 per cent reduction of current irregular expenditure. • Investigate unauthorised expenditure on non-cash items and write it off expeditiously in line with Circular 68 • Review the UIF&W Reduction Strategic Plan. • Add annual targets for reducing UIF&W expenditure in the UIF&W Reduction Strategic Plan.

Focus Area	Strategies
	• Table bi-annual progress reports on UIF&W expenditure reduction before the council. • Implement consequence management by instituting mandatory recovery action in terms of s 32 of MFMA against municipal officials who unlawfully cause UIF&W expenditure. • Institute disciplinary action against officials who cause irregular expenditure without lawful excuse
Audit Action Plans (Internal and External)	• Conduct and finalise investigations on cases of misconduct timeously and in line with the prescripts of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings. • Perform system audits of the Municipality's Financial System 3 times a year to identify any discrepancies. • Recover the R6.2 million from the paraffin supplier. • Include clearing of audit committee and internal audit findings as a standing agenda item in monthly management meetings.
Immoveable property management	• Review all immovable property lease agreements and ensure the municipality charges market-related rentals at lease renewals or on new leases.

3.1.4 Institutional Pillar

The Rescue Phase of the Institutional Implementation Plan should focus on the following strategies:

Focus Area	Strategies
Operating Model	• Document the current operating model.
Organisational Structure	• The revised organisational structure has been costed, adopted, and is being implemented in phases to accommodate both revenue-enhancing and service delivery positions. • Review job descriptions in line with the revised organisational structure. • Develop and implement a retention policy to reduce the high attrition rate. • Conduct employee satisfaction surveys,
Overtime Management	• 100 per cent Enforcement of the 40 hours overtime threshold of R261,748 by 01 October 2025. • Reduce and manage the employee costs (overtime) by 20% per department per financial year. • Introduce a shift system by the 2nd Quarter of the 2025/26 financial year to mitigate against overtime costs. • Review policy and align overtime thresholds with the budget across all directorates to ensure consistency, accountability, and cost control. • Conduct workshops for senior managers, managers, and supervisors to educate them on the approved overtime policy.
Employee Cost	• Implement strict budgeting and approval processes for employee-related costs. • The municipality should not fill non-critical vacancies. • Strengthen compliance and the approval processes for salary adjustments. • 100 per cent enforcement of the acting allowance policy. • Curb the employee costs growth to CPI margins and re-evaluate all travelling allowance and cell phone allowance.
Skills & Competencies	• All employees to submit their proof of qualification by the 2nd quarter of the 2025/26 financial year • All managers without the required competencies are required to enrol for the relevant qualifications in January 2026. • Enforce the recruitment policy on minimum competencies for all new appointments.

Focus Area	Strategies
Staff Discipline	• The Disciplinary Board must prioritise and finalise all pending disciplinary cases referred to it. • The SUI to conduct an employee lifestyle audit for senior and middle management, including all SCM staff members
Performance Management	• Develop, approve, and implement an SOP on PMS that is aligned with the municipality's performance management framework. • Conduct quarterly performance assessments for senior managers and submit reports to the council. • Hold officials accountable for poor performance and non-implementation of performance development plans as part of the intervention process. • Ensure that performance agreements are signed and that staff and managers are fully trained to initiate the performance assessment process in compliance with policy requirements.
Consequence Management	• Develop and implement a consequence management framework to instil a culture of transparency and accountability in financial management practices. • 100 per cent enforcement of the consequence management framework.
Key HR Policies	• Develop procedure manuals to guide management in the effective implementation of approved policies. • Review, align, and implement HR policies with updated legislative and regulatory requirements. • Workshop employees on approved policies for effective implementation. • Conduct road shows in departments to educate employees about the policies that affect them.
HR Strategy	• Review HR Strategy and align it with current HR best practices and FRP priorities. • Automate and streamline HR functions, such as attendance registers, biometric clocking systems, and e-payslips to improve operational efficiency and reduce costs. • Optimise the use of the current ESS system.
Physical verification of staff and qualifications	• Conduct biannual employee verification and payroll audits to identify and address payroll irregularities.
Records Management	• Review, approve, and implement a policy framework to ensure compliance with the regulations governing records management, including a file plan for central records management. • Advise all employees to submit documents to the centralised storage system to ensure proper record keeping.

3.2 PHASE 2: STABILISATION/RECOVERY PHASE (9 - 24 MONTHS)

In this phase of the recovery process, the focus is intended to shift from quick and visible wins to addressing and institutionalising 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.

Regarding the maintenance of infrastructure, the emphasis will be on strategies to address longer-term reductions in water and electricity losses. The focus of the financial recovery plan is to address the underlying financial crisis. Organisational and governance issues will be considered insofar as they contribute to the financial crisis.

The expectation is that during this phase, the municipality needs to develop and approve all infrastructure plans, including but not limited Water and Sanitation Master Plan and Sanitation

Infrastructure Maintenance Plan; prioritize sewer network refurbishments. The municipality also needs to ensure that there is 100 per cent expenditure on all grants. The municipality must ensure that all non-compliances with the SCM regulations and policies are addressed and that unauthorized, irregular, fruitless, and wasteful expenditure is contained and investigated. The municipality must continue to service its bulk accounts and pay all creditors within 30 days.

The Oversight Committee will recommend when it is appropriate for the implementation of the FRP to move from phase 1 to phase 2. The National Treasury's MFRS unit will be asked to confirm that they agree with this assessment. At this point, it may also be necessary to update the details of the activities and targets for the second phase of the FRP. The table below sets out targets for the first six months of this phase; further updated targets for the rest of the phase will need to be approved by the Oversight Committee.

To support the achievement of the financial recovery plan and the targets specified for Phase 2, it is recommended that the Municipality and, if applicable, the Provincial Intervention Team focus on the following service delivery, financial management, institutional, and governance issues:

3.2.1 Financial Management

The Stabilisation Phase of the Financial Management Implementation Plan should focus on the following strategies:

Focus Area	Strategies
Budget Management (Funding Status,	• Compiled and approved an adjusted budget with at least a 30 percent reduction of the R3.4 billion deficit. • Use the most recent audited figures as a baseline to determine a realistic budget for bulk purchase expenditure, considering inflationary increases and growth within the municipality. The budgeted bulk purchase expenditure must not be less than the audited figures. • Increase revenue from the sale of electricity by 10 percent from FY2027/28 onwards due to the adoption of cost-reflective tariffs following NERSA's approval of the municipality's cost of supply study. • Increase wastewater revenue by 10per cent from FY2027/28 onwards due to the municipality's adoption of cost-reflective tariffs. • Reduce the impairment of debtors as well as debts write off by 20per cent during the 2027/28 MTREF through the use of debt collectors and the implementation of credit control and debt collection initiatives. • Budget for 100 percent utilisation of government grants by ensuring alignment between procurement and operational plans, which aim at the timeous conclusion of procurement processes and timely completion of projects. • Increase revenue from the sale of water and electricity by 30per cent by targeting a 30per cent reduction in distribution losses through metering unmetered houses and addressing illegal connections. • Reduce ESKOM debt by ring-fencing 100 percent of collections from the sale of electricity towards the payment of the current account. • Reduce Midvaal debt by ring-fencing 100 percent of collections from the sale of water towards the payment of the current account. • Include achievement of BFP targets as a KPI in municipal employees' performance contracts and benchmark their performance monthly based on a 20 percent achievement of their assigned targets.
Budget Related Policies	• Annually review and workshop budget-related policies to give effect to budget implementation and request COGTA and or PT to review the updated policies prior to council adoption.
Revenue Management	• Allocate sufficient budget during 2026/27 to ensure that the implementation of the initiatives is not compromised by budgetary constraints. • Rotate meter readers on a quarterly basis to prevent familiarity with the areas they perform readings and measure their performance against the number of customer reading complaints.

Focus Area	Strategies
	• Perform monthly reasonability testing to identify customer accounts with unchanged meter readings compared to prior months and investigate the reasons with the meter readers involved. • Instruct the property valuer to communicate changes to the General Valuation Roll (GVR) within 7 days of the occurrence of the event. • Monthly identify and write off estate accounts. • Monthly measure the performance of debt collectors against a 20 percent collection target from FY2026/27 going forward. • Net off overpaid customers' accounts against those accounts in areas owned by the same person.
Customer care and data accuracy	• Allocate an annual budget not exceeding R300,000 to conduct quarterly training for customer care personnel, aimed at improving how they handle customer queries and enhancing their understanding of the Customer Care, Credit Control, and Debt Collection Policy. • Implement a comprehensive case management system to streamline the tracking, resolution, and reporting of customer service issues.
Cost-reflective tariffs	• Adopt cost-reflective electricity tariffs from 2026/27 MTREF going forward. • Develop a model for setting up cost-reflective tariffs for wastewater. • Annually review tariffs for cost reflectiveness and include the implementation of cost-reflective tariffs in the S56/57 managers' performance agreements.
Indigent Management	• Develop strategies to improve awareness in communities, which include councillors raising awareness in their wards, SMS communities based on the contact details received from debt collectors, and setting realistic indigents registrations KPIs in the SDBIP. • Assess indigent debtors for debt recoverability and affordability and enter into instalment arrangements aligned with their ability to pay. • Perform a meter audit on indigent households to identify how many are still using conventional water and electricity meters and allocate sufficient budget to install restrictor meters to prevent consumption beyond the free basic services incentives. • Monthly monitor indigent consumption against approved limits.
Supply chain management, compliance, and value for money procurement	• Train SCM officials after identifying skills and competency gaps, and thereafter conduct quarterly workshops for municipal officials on SCM regulations and policy requirements. • 100 percent implementation of the SCM policy. • Implement and monitor the implementation of SCM SoPs. • Establish a panel of Service Providers to utilise in emergency procurements. • Procure long-term contracts for goods or services required on an ongoing basis. • Develop and publish an annual calendar for all bid committee meetings, and monitor adherence to scheduled dates, ensuring 95 percent of meetings are held as planned to improve procurement efficiency. • Conduct quarterly audits to confirm the rotation of service providers in accordance with the requirements of the SCM Policy. • Restructure CoM's procurement processes by ensuring the municipality is not merely a price taker, linking procurement to cash flow, and implementing strategic sourcing such as consolidating orders through contracts (e.g., three-year contracts) • Maintain a monthly rotation register to track the use of service providers on a panel, ensuring fairness, transparency, and equitable rotation while eliminating favouritism. • Bid Committees or SCM officials must verify compliance with the rotational requirements when appointing service providers from panels.
Financial control environment and preparation of AFS	• Implement standard operating procedures for all five cycles (Expenditure, Revenue, Liabilities, Funding, and Asset Management). • Review and place municipal officials in positions in line with their skills and competencies.

Focus Area	Strategies
	• Upskill existing employees through the provision of training related to financial statements preparation and review, as well as monitoring of transfers of skills from service providers. • Prepare financial statements internally from the financial year 2027/28 onwards.
Cash Flow Management and Cost Containment	• On a monthly basis, perform a 12-month rolling cash flow forecast to align cash inflows and outflows. • Ring-fence 100per cent licence fee receipts on a monthly basis and remit the 80per cent due to the Department of Transport. • The Management and the Finance and Debt Normalization Committee must monitor cost reduction trends monthly.
Expenditure management	• Reduce operating expenditure by 35per cent by eliminating non-essential costs such as fuel expenditure, entertainment, miscellaneous, limiting travel and accommodation, printing and stationery, grass cutting, as well as repairs and maintenance for redundant vehicles.
Creditors management	• Confirm the availability of budget and cash flows prior to commencing with procurement processes. • Allocate 20 per cent of the equitable share annually towards the settlement of bulk accounts, on a 50:50 basis between ESKOM and Midvaal. • Reduce ESKOM debt by ring-fencing 100 per cent of collections from the sale of electricity towards the payment of the current account. • Reduce Midvaal debt by ring-fencing 100 per cent of collections from the sale of water towards the payment of the current account. • Adhere to payment arrangements concluded with suppliers.
Grant management	• Align procurement to operational plans by scheduling and concluding procurement processes prior to the scheduled dates for project commencement.
mSCOA implementation	• Allocate a budget of R100 000 to train municipal officials on the utilisation of the financial system and compliance with mSCOA requirements. • Perform a due diligence analysis and allocate budget to fully integrate modules not yet integrated on the financial system, provided that they are compatible with the municipality’s requirements. • Require all directorates to use the financial system for budget preparation and ensure that all budgets are generated directly from the core financial system.

3.2.2 Service Delivery Pillar

The Stabilisation Phase of the Service Delivery Implementation Plan should focus on the following strategies:

Focus area	Strategies
Portable Water Supply	• Develop, finalize, adopt, and implement the Water and Sanitation Master Plan and Sanitation Infrastructure Maintenance Plan. • Finalize and implement the Water Conservation and Water Demand Management plan (WCWDMP). • Start proactive replacement of ageing asbestos-cement pipelines in critical high-risk zones. • Install anti-vandalism infrastructure designs where possible. If possible, introduce rewards for whistleblowing on vandalism cases. • Install pressure management valves and basic zoning. Upgrade and automate pressure zones and leak detection systems • Develop a phased infrastructure refurbishment and replacement plan prioritized by risk and criticality. • Partner with nearby universities for water quality monitoring support programs and data collection.

Focus area	Strategies
Bulk Water Supply	• Implement water supply diversification options to reduce dependence on Midvaal. For example, use borehole water at some municipal facilities and in parks and gardens. • Introduce automatic meter reading (AMR) technology across the network to improve monitoring.
Sanitation Services	• Develop, finalize, adopt, and implement the Water and Sanitation Master Plan and Sanitation Infrastructure Maintenance Plan; prioritize sewer network refurbishments. • Conduct comprehensive condition assessments for all sanitation infrastructure components. • Conduct a full technical audit and flow verification at all WWTWs. • Secure additional funding for procurement of necessary equipment and vehicles. Secure PPP agreements for operational support.
Sanitation Effluent Compliance	• Conduct targeted recruitment and training programs for plumbers, process controllers, maintenance staff, and supervisors in compliance with DWS regulations. • Implement the Sanitation Effluent Compliance plan, which includes the AGSA action plan; report monthly progress until the Orkney WWTW pollution issue is fully resolved. • Implement Green Drop Improvement Plan (GDIP) and W2RAP with clear action plans, budgets, and accountability for each Green Drop KPA. • Upgrade and expand the capacity of all four WWTWs to match current and projected future demands.
Electricity Distribution and Supply	• Develop, update, adopt, and implement all key sector plans. Expedite finalization of the Energy Master Plan, Electrification Master Plan, and Electrical Maintenance Plan. • Prioritize replacement of high-risk aging infrastructure. Seek partnerships with DBSA and Infrastructure South Africa for funding if the municipal budget is constrained. Adopt a risk-based asset management approach. • Upgrade, service, and refurbish critical aging infrastructure, transformers, and ring main units, prioritizing high-risk areas. • Develop a Municipal Infrastructure Investment Plan (MIIP). Pursue blended finance models, combine MIG, DBSA loans, PPPs, and Treasury grants. Appoint a full-time grant specialist to unlock funding opportunities. • Develop and implement Small-Scale Renewable Energy Projects and embedded generation policy. Invite Independent Power Producers (IPPs) to participate in municipal-scale renewable projects, such as solar farms, through IPP agreements. • Install off-grid solar power packages to power informal settlements. Prioritise informal settlements with high losses. • Conduct community awareness campaigns against vandalism and theft. Use municipal communications channels, political office, and local radio. • Create SAPS and Community Policing Forum (CPF) partnerships on vandalism and cable theft.
Electricity Distribution Losses	• Install meters at all municipal premises to measure own consumption. • Roll out prepaid meter conversions to minimize non-payment risks. Implement smart meters in high-risk and high-consumption areas to enable remote monitoring and billing. • Implement aggressive loss reduction, meter management overhaul, and enforcement against illegal use. • Establish a loss control unit focused on electricity theft detection, tamper-proof installations, and auditing high-value customers. Recover lost revenue through legal channels.
Roads and Stormwater Infrastructure Management	• Develop, update, adopt, and implement the Roads and Stormwater Master Plan, Integrated Transport Plan, Road Rehabilitation Plans, Pavement Management System, and Non-Motorized Network Plan. • Increase technical capacity by hiring or training additional technical staff in roads and stormwater management. Outsourcing some maintenance activities under strict quality controls. • Resurface roads in phases, starting with critical areas, and explore alternative road material for sustainability. • Implement a full digital road inventory and asset management system, investment in GIS technology, training, and licensing costs.

Focus area	Strategies
Grant Funding and Expenditure Issues	• Conduct mandatory project management training for all officials involved in capital project supervision. • Establish a Grant Management and Compliance Team dedicated to tracking • spending timelines, reporting, and compliance for all capital grants. • Implement strict penalties on contractors for non-performance and reward early delivery where feasible. • Develop a Municipal Infrastructure Investment Plan (MIIP) to mobilize funding beyond grants, including blended finance models, PPPs, and Treasury grants for large infrastructure. • Appoint a full-time grant/funding specialist to unlock capital funding opportunities.
Waste Management and Refuse Removal	• Conduct quarterly monitoring of the Integrated Waste Management Plan (IWMP). Strengthen monitoring and evaluation of IWMP actions. Conduct quarterly progress reviews. Assign specific officials to lead key actions of the Integrated Waste Management Plan • Acquire and maintain appropriate waste management fleet. Lease or purchase additional compactor trucks and skip trucks. Introduce preventative fleet maintenance programs • Improve operational planning and fleet scheduling. Introduce electronic waste tracking and management systems. Use route optimization software to enhance efficiency. • Expand weekly waste collection coverage into new areas. Deploy smaller, agile waste collection vehicles suited for informal settlement roads.
Illegal Dumping	• Appoint environmental law enforcement officers. Intensify enforcement actions and penalties. • Install deterrents at illegal dumping hotspots. Erect physical barriers, signage, and CCTV surveillance in frequent illegal dumping zones. • Partner with the community, NGOs, and CBOs (Community-Based Organizations) to monitor hotspots
Landfill Sites	• Conduct an immediate landfill audit to identify the requirements for compliance. • Upgrade landfill operations to meet licensing requirements, that is, fencing, weighbridges, access controls, stormwater controls, leachate management, on-site offices, and daily cover application
Town Planning	• Establish an Integrated Planning Committee across departments to synchronize SDF, LUMS, Infrastructure, Human Settlements, and Finance plans. • Invest in modern GIS platforms and training; partner with universities or the private sector for support in building an updated land use database. • Increase the number of dedicated compliance officers; partner with legal advisors to expedite enforcement action. • Issue penalties and escalate notices for repeated building by-law contraventions • Launch a targeted Urban Regeneration Program, offering incentives for property refurbishment and mixed-use development across the CBD and surrounding areas.
Building Control	• Introduce an Electronic Plan Submission and Approval System (E-Planning Portal) in building control to fast-track reviews. Set up "fast track lanes" for low-risk, compliant applications. • Establish a dedicated by-law enforcement unit. Introduce penalties that escalate with repeated non-compliance. Publicize enforcement successes to deter non-compliance.
Land Development	• Ensure independence of the Municipal Planning Tribunal and introduce clear governance protocols to shield technical decisions from political manipulation. • Train committee members (MPT, Planning Committees) on roles, procedures, and SPLUMA principles. Publish annual reports on committee decisions to enhance transparency and accountability. • Integrate development approvals with confirmed bulk infrastructure availability. Enforce the "no approval without infrastructure" policy unless conditional agreements are signed. • Update geological hazard mapping and integrate dolomite risk management into land use planning and building regulations.

Focus area	Strategies
Human Settlements	• Training all Housing Unit staff. Upskill municipal housing unit staff to manage projects independently. Recruit or train dedicated project managers and housing specialists • Secure and reserve land parcels for land banking. Identify and reserve suitable parcels for future developments. • Negotiate strategic land swaps with the private sector and state-owned enterprises. • Formalize Service Level Agreements with HDA and other partners, Institutional Capacity, Governance-related. Ensure clear Service Level Agreements (SLAs) and accountability from partners. • Secure public-private partnerships for human settlement development. Partner with developers for joint upgrading projects.
Community Halls, Sports, and Recreation Facilities	• Introduce controlled access systems to facilities and rental agreements with penalties for damage. • Conduct regular security audits and prioritize halls in high-risk areas. Expedite installation of CCTV cameras, alarm systems, and armed response security. • Apply for provincial/national sport and recreation grants.
Parks and Biodiversity	• Enforce municipal by-laws to protect designated green spaces. • Prepare a detailed business case for equipment acquisition. • Explore donor funding, corporate sponsorships, or leasing options for critical equipment.
Cemeteries Services	• Digitize cemetery records and create a cloud-based backup system. Invest in simple cemetery management software for real-time record keeping. • Apply for MIG funding for fencing. Introduce low-cost fencing solutions for critical areas (e.g., precast walls or concrete poles). Fence cemeteries properly. • Deploy part-time security or involve local communities in monitoring activities. • Identify and procure land early for future cemeteries, with sustainable designs. Develop new cemeteries.
Mechanical Services section	• Assess the number and condition of workshops. Conduct a full inventory of workshops, their capacity, staffing levels, and operating conditions. • Conduct an Immediate OHS Audit. Evaluate compliance against national Occupational Health and Safety standards. • Refurbish workshop facilities. Address structural repairs, improve working conditions, and ensure all critical workshop infrastructure is functional. • Procure advanced tools and equipment. Upgrade beyond basic tools to include specialized diagnostic and repair tools suitable for pumps, motors, heavy mechanical systems, and electrical-mechanical integration.
Fleet Services	• Centralize fleet management. Implement an immediate administrative decision to centralize control under one fleet manager (once appointed). • Appoint interim fleet oversight roles. Assign interim responsibility for fleet management oversight while awaiting full structure approval. And eventually recruit fleet manager and fleet inspectors, fill critical positions in the approved new organizational structure. • Procure and implement a fleet management system, install a digital system for vehicle tracking, maintenance scheduling, and usage monitoring. • Create and implement an accident committee. • Procure 220 (out of the 584) new vehicles: Replace the aging fleet with efficient, purpose-fit vehicles for rapid and reliable service delivery. • Establish long-term fleet funding model, Secure and ring-fence budget for future fleet replacement and maintenance over a rolling 5-year plan.
Traffic and Law Enforcement	• Develop a recruitment and training plan for additional traffic officers, to gradually increase the number of traffic officers to 100 or as required by the organogram. Seek funding for additional officer posts under the municipal safety grants. • Increase the number of roadblocks and random patrols, especially in accident-prone zones. Introduce mobile speed enforcement units and spot fines initiatives. • Analyse accident and violation trends to deploy traffic officers strategically during peak times and at high-risk locations. • Use smart surveillance technologies (like ANPR – Automatic Number Plate Recognition) to assist enforcement.

Focus area	Strategies
	• Community watch partnerships. Collaborate with communities and CPFs around facilities to act as early-warning systems against vandalism and theft of municipal infrastructure.
Local Economic Development (LED)	• Finalize, adopt, and implement the LED Strategy, Tourism Strategy, and SMMEs and Cooperatives Strategy. Use mainly internal resources. And packages attractions like Goudkoppie Heritage Site, Faan Meintjes Nature Reserve, and Matlosana Mall into themed routes/events (heritage, sports, shopping, eco-tourism). • Develop LED M&E Framework with KPIs and performance dashboard, Minimal cost; mainly technical work and reporting • Establish a Project Management Office (PMO) or assign a liaison officer within LED to coordinate water, electricity, and other basic service requirements for LED projects. • Establish project milestones tracking and quarterly progress reporting for all anchor projects (e.g., Business Hubs, Airport Development, Agri-Park). • Leverage provincial and national funding programs (e.g., Department of Small Business Development, SEFA, IDC) aggressively.

3.2.3 Governance Strategies Pillar

The Stabilisation Phase of the Governance Implementation Plan should focus on the following strategies:

Focus Area	Strategies
Governance Model (Council and committees)	• Implement 100 per cent of the credit control and debt collection policy • Enforce Code of Conduct for Councillors and Code of Conduct for Municipal Staff Members • FDB must determine whether any municipal official is liable for UIF&W expenditure and recover the same from the relevant officials. • Train councillors on their oversight duties and responsibilities with respect to UIF&W and s 32 of UIF&W. • The Disciplinary Board must table before the Council quarterly progress reports on disciplinary matters pending before the board
Powers and functions	• Negotiate with the Department of Arts, Culture, Sports and Recreation for them to take over the library service, thereby reducing the cost of providing these services by 100 per cent. • Negotiate with the Department of Community Safety and Transport Management for an increase in the commission that the municipality can retain. • Incorporate the use of ICT in delivering the motor vehicle licensing and registration service. • Reduce operating costs of motor vehicle licensing and registration service by 10 per cent. • Increase revenue to cover operating costs for fire and disaster management services. • Negotiate with the Department of Arts, Culture, Sports and Recreation as well as the Department of Community Safety and Transport Management for them to take over the library service, and the motor vehicle licensing and registration, respectively, and reduce the cost of providing these services by 100%. • Negotiate with district and provincial governments for them to take over the fire and disaster management mandate and reduce the cost associated with these services by 100 per cent.
Political/Administrative Interface	• Investigate cases of misconduct by municipal officials timeously and in accordance with the Financial Misconduct Disciplinary and Criminal Procedures Regulations.

Focus Area	Strategies
	• Run mandatory ethics and MFMA training for all municipal officials and councillors • Institute disciplinary action against officials who contravene policies, procedures, and codes of conduct • Train councillors on their oversight duties and responsibilities. • Enforce Section 118 of the MFMA and Item 11 of the Code of Conduct for Councillors against councillors who interfere with the municipality's administration, including interfering with the municipality's debt collection campaigns.
Contract Management	• Complement physical security with digital technology • Perform a duplicate cost analysis on contracted services to identify those functions that can be performed by municipal officials prior to outsourcing. • Monitor contract performance of service providers/contractors in terms of s 116 of MFMA and table monthly Performance Monitoring Reports on contracts before the Audit Committee. • Withhold contract payments for service providers until performance is up to contract standard. • Include contract performance monitoring and management as a KPI in the Performance Management Contracts of all Senior Managers • Implement the Contract Management and Administration SOP. • . • Revise contracts register by adding other fields to provide key information such as expenditure on each contract up to a given date, the balance of each contracted amount as of that given date, and the percentage of the escalation, if any, on the contract amount, whether the contract has been extended and the value of the contract extension.
Litigation/Contingencies	• 100 per cent implementation of the Litigation Reduction Strategy • Train BTO staff on SCM regulations, policies, and procedures • Institute disciplinary action against officials who fail to comply with SCM regulations, policies, and procedures • Pay service providers within 30 days or negotiate reasonable payment arrangements with suppliers to avoid litigation. • Prioritize maintenance of basic infrastructure in the allocation of budget resources.
System of Delegations	• Review and amend the existing System of Delegations to provide for effective sub-delegations from the Executive directors to the lowest level of staff. • Incorporate monetary limits on delegated authority wherever relevant in the system of delegations • Maintain a register of delegations and update the same monthly.
By-Laws	• Prioritise hiring ten traffic enforcement officers in the allocation of budget resources. • Ensure documented authority authorising specific officers to enforce and collect traffic fines is in place before they can be assigned to collect traffic fines. • Institute disciplinary action against traffic officers who collect traffic fines without documented authority to do so.
UIF&W and Consequence Management	• 100% reduction of current irregular expenditure • Investigate unauthorised expenditure on non-cash items and write it off expeditiously in line with Circular 68 • Institute disciplinary action against officials who cause irregular expenditure without lawful excuse • The FDB must determine whether any municipal official is liable for UIF&W expenditure and recover the same from the relevant officials as envisaged in s 32 of MFMA. • Train councillors on their oversight duties and responsibilities with respect to UIF&W and s 32 of UIF&W.

Focus Area	Strategies
	• Configure the municipality's financial system to disallow any payments from a vote after the budget has been exhausted. • Implement consequence management by instituting mandatory recovery action in terms of s 32 of MFMA against municipal officials who unlawfully cause UIF&W expenditure. • Table quarterly consequence management reports before the council for monitoring implementation of consequence management. • Pay creditors within 30 days whenever possible or negotiate reasonable payment terms with minimal interest/penalty charges. • Review the UIF&W Reduction Strategic Plan • Add annual targets for reducing UIF&W expenditure in the UIF&W Strategic Plan • Table bi-annual progress reports on UIF&W expenditure reduction before Council
Audit Action Plans (Internal and External)	• Table monthly Progress Report on implementation of PAAP before Council • Make clearing of audit findings a part of municipal employees' performance management agreements. • Include clearing of audit committee and internal audit findings as a standing agenda in monthly management meetings. • Institute disciplinary action against managers/employees who fail to take heed of internal audit recommendations. • Conduct and finalise investigations on cases of misconduct timeously and in line with the prescripts of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings. • Conduct and finalise investigations by 31 March 2026 on suspected double payments relating to payments totalling R292 565 127,47 made to the top thirty suppliers during the period 1 July 2023 to 31 March 2024 as noted in the Maine Report. • Institute disciplinary action against errant municipal officials, as well as recovery action against such officials and implicated service providers to recover all double payments made to suppliers. • Recover the R6.2 million from the paraffin supplier. • Perform system audits of the Municipality's Financial System 3 times a year to identify any discrepancies
Risk Management	• Amend the municipality's risk management strategy framework and include measures to combat fraud, corruption, favouritism in supply chain management
Information & Communications Technology	• Prioritise acquisition of IT hardware, infrastructure and Inventory, Asset Management, and SCM applications/modules in the allocation of budget resources. • Integrate all ICT applications utilised at municipality, including but not limited to Fresh Mark, ABSA, Sintel, Orbit, Assets, into the municipality's financial system. • Configure the municipality's financial system to enhance internal controls by preventing payments on exhausted budget votes, and to decline payments where required supporting documents are not uploaded in the supply chain process. • Configure the PAYDAY system to reject overtime claims in excess of 40 hours.
Immoveable property management	• Integrate asset management system with the municipality's financial management system • Review all immoveable property lease agreements and ensure the municipality is charging market related rentals. • Prioritise maintenance of rental properties in allocation of budget resources. • Develop and implement standard operating procedures and checklist of required information.
	•

3.2.4 Institutional Pillar

The Stabilisation Phase of the Institutional Implementation Plan should focus on the following strategies:

Focus Area	Strategies
Operating Model	• Redefine the municipality's service delivery model to improve efficiency and effectiveness.
Organisational Structure	• Develop Standard Operating Procedures (SOPs) for implementing the approved organogram. • Finalise and approve a placement policy in consultation with the LLF. • Place staff into positions within the revised organisational structure. • Appoint a review committee to update job descriptions and align them with new positions. • Hold annual OD specialist–facilitated workshops for task teams on job description development.
Overtime Management	• Develop, approve, and implement overtime SOPs. • Conduct regular departmental overtime audits, including reasonability checks, and address irregular claims. • Provide annual training for managers and employees on overtime policy application, with enforcement of non-compliance consequences. • Review overtime policy in line with regulations, budget, and LLF consultations. • Apply consequence management for policy breaches.
Employee Cost	• Monitor compliance with SALGBC Collective Agreements. • Annually review the acting policy to align with regulations and budget. • Audit unused leave quarterly and provide managers with summary reports to encourage leave utilisation. • Source funding from PT and CoGTA for a biometric clocking system to improve attendance tracking.
Skills & Competencies	• Upgrade the skills audit system to verify competencies and identify gaps. • Conduct regular skills audits and upskill staff not meeting minimum competency requirements via bursaries with set timelines. • Match employee placements to qualifications and competencies.
Staff Discipline and Disciplinary Board	• Develop and train staff on disciplinary SOPs aligned with legislation. • Define clear procedures and timelines for handling disciplinary cases. • Train managers to serve as Presiding Officers and Prosecutors.
Performance Management	• Standardise performance assessments for S56/57 managers in line with the performance framework. • Build capacity within the Institutional Performance Unit and regularly review and monitor progress on SDBIP targets. • Monitor and evaluate SOPs for performance reporting and evaluation. • Set clear performance standards for all employees, including consequences for poor performance.
Key HR Policies	• Develop and implement the succession planning policies. • Conduct workshops on newly approved HR policies.
HR Strategy	• Automate HR functions (recruitment, performance management, e-payslips, employee self-service). • Establish a training committee to oversee all training initiatives.
Physical verification of staff and qualifications	• Verify qualifications and backgrounds for all staff, new and existing. • Update recruitment policy to include verification requirements (qualifications, criminal record, employment history, credit checks). • Conduct annual HR audits for compliance with systems, policies, and procedures.
Records Management	• Perform annual data cleansing for accuracy and reliability. • Obtain funding from PT /CoGTA for additional ORBIT document management system licences.

Focus Area	Strategies
	• Develop a user manual, train staff and provide ongoing support for optimal ORBIT system use.

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

In this phase of the recovery process, the focus is on ensuring the institutionalisation of processes in Phases 1 and 2 of the recovery process. It is also envisaged that the municipality will consider long-term planning and issues necessary to ensure the sustainability of the municipality's finances. 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. The municipality will be expected to execute on all the strategies that would be developed and refined during phases 1 and 2. All the strategies must be realistic and implemented timeously.

The Oversight Committee will recommend when it is appropriate for the implementation of the FRP to move from phase 2 to phase 3. The National Treasury's MFRS unit will be asked to confirm that they agree with this assessment. At this point, it will be necessary to develop and agree on the details of the activities and targets for the third phase of the FRP. This will be approved by the Oversight Committee.

PART FOUR – REPORTING TIMEFRAMES:

4.1 MONTHLY REPORTING ON ACHIEVEMENT OF TARGETS: CITY OF MATLOSANA

COMPREHENSIVE SCHEDULE OF REPORTING AND COMMITTEE MEETING DATES:

No.	Report for month OF	Report due from municipality ON	Report considered by Monitoring and Oversight Committee ON
1	October 2025	11 November 2025	19 November 2025
2	November 2025	10 December 2025	17 December 2025
3	December 2025	10 January 2026	17 January 2026
4	January 2026	11 February 2026	18 February 2026
5	February 2026	10 March 2026	17 March 2026
6	March 2026	10 April 2026	17 April 2026
7	April 2026	10 May 2026	17 May 2026
8	May 2026	10 June 2026	17 June 2026
9	June 2026	10 July 2026	17 July 2026
10	July 2026	12 August 2026	19 August 2026
11	August 2026	10 September 2026	18 September 2026

12	September 2026	10 October 2026	17 October 2026

PART FIVE – REPORTING FRAMEWORK:

5.1 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 a basis to develop a progress reporting dashboard with the following fields:

(Example only for illustrative purposes)

Per FRP Implementation Plan	Information
Phase	**Financial Rescue**
Pillar	**Service Delivery**
Key Activity	▪ Prioritise the development, financing, and implementation of a proper programme to address electricity distribution losses. ▪ Determine the fundamental reasons for electricity distribution losses (i.e., illegal connections) ▪ Develop a plan to address the reasons. ▪ Make key interventions to address the reasons.
Problem Statement	**43per cent electricity losses**
Responsible	**Technical Director**
Start Date	**October 2025**
End Date	**January 2026**
Key Performance Indicator	**20per cent reduction per annum**
Financial Target	**R250 Million per annum**
Progress Report by Municipality:	
Steps taken	The rescue task team reviewed the distribution losses plan to determine the reasonability of the action plans proposed by the municipality.
Progress made	Meetings between the municipality and the rescue task team were held to conclude on the distribution losses plan.
Financial impact recorded	Distribution losses will decrease by XX per cent, and revenue will be increased by XXXX upon the implementation of the activities.
Other noteworthy developments	Reporting on the reduction of distribution losses will be strictly monitored by the technical department and the finance department. Appropriate action plans will be developed where milestones are not achieved.

5.2 CONCLUSION: STRATEGIC ASSESSMENT AND CORRECTIVE ACTIONS AS REQUIRED:

The development of this Mandatory Financial Recovery Plan (FRP) is instituted in terms of section 139(5)(a) of the Constitution, read in conjunction with section 139 of the MFMA, as a response to the historic and persistent financial and institutional challenges faced by the CoM over the past couple of years. These challenges have severely impacted CoM's capacity to deliver services and execute governance, financial management, and institutional processes. Implementation of this Mandatory FRP aims to address these challenges and improve the overall functioning of the municipality. A number of key success factors are crucial for the effective implementation of this Mandatory FRP. These include the following, among others:

The following key success factors must be adhered to, to ensure successful and effective implementation of the FRP:

- **Change Management**: Implementing effective change management strategies will foster a deeper understanding of the problems and solutions at hand.

- **Linking FRP Activities to Financial Outputs**: It is important to align FRP activities with key financial outcomes such as increasing revenue and reducing expenditure.

- **Mobilizing Resources:** Identifying and mobilizing the necessary human and financial resources, as well as clarifying the roles and responsibilities of relevant stakeholders, is critical for successful FRP implementation as outlined in Section 142 of the MFMA.

- **Alignment with Support Packages**: Ensuring that national and provincial Section 154 Support Packages align with the FRP will provide additional assistance in achieving the desired outcomes.

- **Performance Assurance**: It is important to address the assurance level of claimed performance against FRP targets through effective monitoring and evaluation mechanisms.

- **Institutionalizing IGR Structure:** Establishing an Inter-Governmental Relations (IGR) structure or steering committee with defined Terms of Reference will assist with the monitoring of the implementation of the FRP.

- **Quarterly Monitoring:** Regular measurement of financial outcomes and progress against the FRP is crucial to ensure its success.

- **Consequence Management:** FRP strategies should be aligned with the Performance Agreements of senior management. The MFMA provides for consequences in cases of non-compliance, and invoking Section 216(2) of the Constitution, which allows for the withholding of the equitable share, can be considered if necessary.

By adhering to these key success factors, the municipality can effectively implement the FRP and work towards sustainable financial recovery, improved governance, and service delivery

PART SIX - RECOMMENDATIONS:

6.1 RECOMMENDATIONS

It is recommended that:

6.1.1 The City of Matlosana LM Mandatory Financial Recovery Plan be approved by the MEC of Finance in terms of Section 143(2)(a) of the MFMA.

6.1.2 CoM must fully implement the approved Financial Recovery Plan as required in terms of section 146 of the MFMA.

6.1.3 The North West Provincial Support Package for the City of Matlosana LM should be reviewed and aligned with the priorities as set out in Phase 1: Financial Rescue.

6.1.4 A Political Oversight Committee will be established to oversee the intervention, monitor progress, and unblock any political challenges that may hinder the success of this intervention.

6.1.5 The Municipal Manager is to prepare an internal and external communication plan to support effective communication throughout the intervention.

61.6 That the MEC of Finance request the Special Investigating Unit to conduct forensic investigations into the procurement of goods and services, maladministration, and to conduct lifestyle audits for senior and middle management, including all SCM staff members.

ENDORSEMENTS

APPROVAL BY MEMBER OF THE PROVINCIAL EXECUTIVE COUNCIL (MEC)

I, ……………, MEC of Finance in the North West Province hereby approve this Financial Recovery Plan for the City of Matlosana Local Municipality in terms of section 143(2)(a) of the Municipal Finance Management Act, No. 56 of 2003 ("the MFMA"), as a binding Financial Recovery Plan for the mandatory intervention approved by the Provincial Cabinet on ……………, and confirm that I have verified that the processes set out in section 141 of the MFMA has been followed and that the criteria contained in section 142 of the MFMA were met in the preparation of this financial recovery plan..

……………………………………………………

MEC OF FINANCE

NORTH WEST PROVINCIAL GOVERNMENT

DATE:

NOTING BY THE MUNICIPAL COUNCIL

The approved Financial Recovery Plan was tabled in the City of Matlosana Municipal Council on …………………………………………… and Council noted that in terms of section 146 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.

………………………………………………………

SPEAKER

CITY OF MATLOSANA MUNICIPAL COUNCIL

DATE:

ANNEXURE A: FRP IMPLEMENTATION PLAN

The FRP Implementation Plan is attached as Annexure A to this financial recovery plan. The plan covers the rescue phase, stabilisation phase, and sustainability phase. Governance, institutional, financial management, and service delivery pillars are covered in each of the phases. This plan will ensure a smooth implementation of FRP as well as monitoring of the achievements of the strategies. The structure of the FRP Implementation Plan is as follows:

a. Focus area number
b. Focus area
c. Baseline Finding/Key Issues
d. Key Intervention Activities (deliverables)
e. Resources required
f. Resources mobilised
g. Responsible person
h. Start date
i. End date
j. Key performance indicator
k. Portfolio of evidence
l. Budget parameter/ revenue target/ spending limit/ financial impact
m. Municipal progress report

ANNEXURE B: SITE VISIT REPORT

As part of the stakeholder engagement process in the development of the City of Matlosana Financial Recovery Plan (FRP) Status Quo Assessment (SQA) report, the MFRS team had a meeting on 13 May 20252 with the City of Matlosana Local Labour Forum (LLF). During this engagement, the LLF requested that the MFRS conduct a site visit (with LLF) to several critical municipal infrastructure points experiencing severe operational challenges, specifically pump stations, landfill sites, and wastewater treatment works (WWTWs).

Following further discussions, the following sites were selected for inspection on Wednesday, 18 June 2025:

- Republic Pump Station
- Stilfontein Wastewater Treatment Works (WWTWs)
- Khuma Main Pump Station
- Khuma Extension 6 Pump Station

ANNEXURE C: KEY FINANCIAL RATIOS

CoM is currently in financial distress, and based on the key financial ratios, the municipality has not been able to meet its short-term liabilities for the past five fiscal years. Creditors' and debtors' balances as disclosed in the AFS are increasing year on year. The municipality is not paying its creditors within 30 days after receiving the relevant statement/invoice, which is in contravention of section 65(2) (e) of the MFMA. It is evident that the municipality's current credit control or debt collection strategies are not effective or efficient enough to improve the financial status of the municipality. Therefore, it is crucial that the municipality prioritise the implementation of debtors control and creditors control policies, reduction of distribution losses, and implementation of all proposed strategies to improve its liquidity position.