

Your Ref:
Room 201, Bram Fischer Building

Our Ref:
Date: 17 July 2018

The Speaker

Cllr. Mxolisi Siyonzana

APPROVAL OF THE FINANCIAL RECOVERY PLAN

1. Purpose

The purpose of the report is to present to Council the Financial Recovery Plan (FRP) compiled by Mangaung Metro Municipality in partnership with the National Treasury's City Support Programme. Furthermore, the report seeks Council approval of the Financial Recovery Plan and its subsequent implementation.

2. Problem Statement

The Mangaung Metropolitan Municipality as an organisation experiences continuous challenges that are based on historic legacies and present contextual constraints that impacts on the attainment of the developmental objectives of the municipality. The sharp challenges faced by the city necessitated a partnership with the National Treasury, City Support Programme to conduct a strategic development review of the municipality. The review process was aimed at conducting a rapid and compact assessment of the strategic position of the municipality using four lenses or perspectives, namely: Spatial, Economic, Organisational and Financial position of the municipality.

To this end, the municipality has undertaken the strategic development review (SDR) process and strategic planning sessions with National Treasury to assist in diagnosing some of the critical challenges facing the municipality and some of the causal factors underlying those challenges (See Annexure A for the summary of key recommendations of the review process).

Based on the outcomes of the strategic development review process, the following key observations were made on the state of development of the municipality:

- a) Spatial: **Mangaung has not transformed spatially**
- b) Economic : **Metro performance has hindered economic growth**

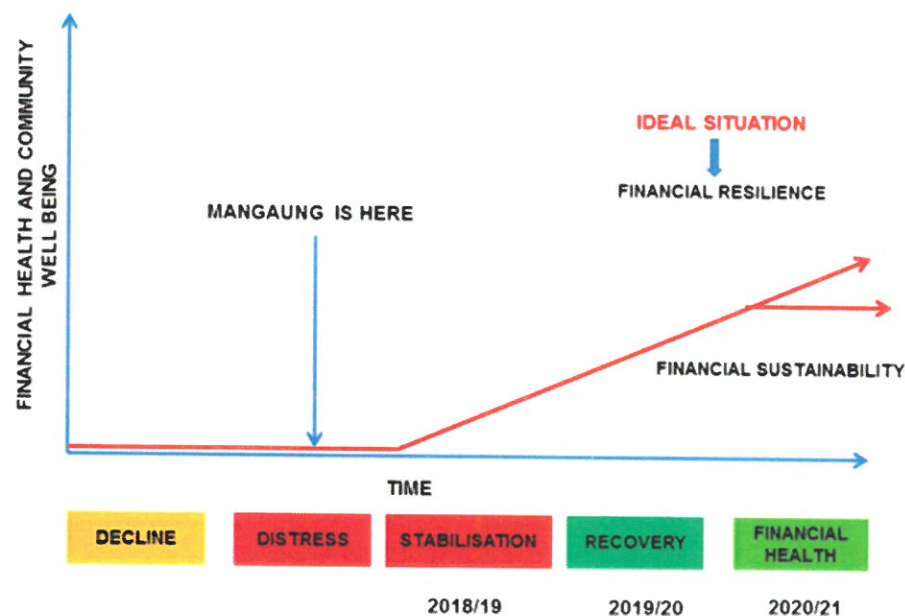
- c) Service delivery : **Service delivery issues are a major risk to economic growth**
- d) Financial : **Metro financial performance has deteriorated significantly from 2014/15**
- e) Organisational : **The organisation is not functioning optimally – building it is a strategic priority.**

The municipality has recently collaborated with National Treasury to engage on and develop a financial recovery plan to assist with the long-term financial sustainability of the city. Given the nature of the financial and service delivery challenges, a detailed assessment was undertaken to ensure that the key objective of developing a holistic Plan is achieved.

The approach adopted by the National Treasury team in the development of the FRP Plan is a consultative approach that also involved a detailed analysis of all relevant documentation, coupled with engagements with the Executive Mayor, City Manager, Management, other Municipal staff and National and the relevant Provincial Government Departments.

3. Discussion

The Financial Recovery Plan recommends and outlines six (06) key strategies that must be implemented in the short, medium and long term through this Plan. The identified strategies are meant to effect the changes needed for financial and service delivery sustainability, and these should be implemented as indicated below.



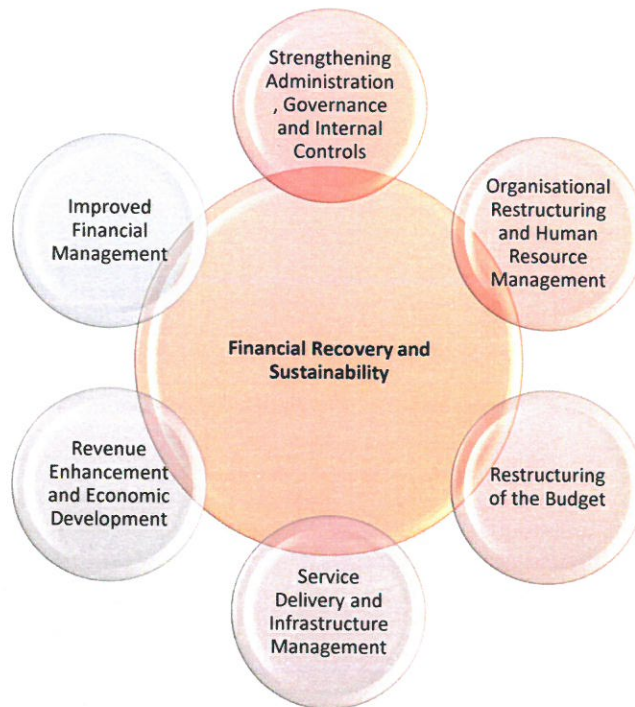
Further, and due to the long-term nature of some of the strategies identified, the focus in the short term is to adopt the Pareto Principle (20% of activities that will contribute 80% to the successful implementation of the Plan) ensuring that the strategies adopted will have the greatest impact and can be done within the financial and human resource capacity and capability. In addition, the strategies have to ensure that the objective of financial and service delivery improvement can be achieved in the shortest possible time and that they at least address the following: -

- a) Reduction in expenditure on non-essentials, non-core activities, non-revenue generating activities, and optimising current spending within the Municipality to accelerate economic growth and job creation;
- b) Increasing revenue through improved collections and billing efficiencies and seeking alternate revenue sources; and
- c) Optimising asset management;
- d) Ensuring proper administrative and governance arrangements are in place to manage and address the key financial and service delivery challenges of the City.

For the purpose of the Plan, implementation timeframes are defined as follows:

Description	Timing
Immediate to Short Term	Current to 30 June 2019
Medium Term	Up to 30 June 2020
Long Term	Up to 30 June 2021

The below graphic shows the overarching strategies recommended to address the challenges faced by municipality and the details are contained in the plan.



4. Recommendations

It is recommended that Council:


- a) Approves the Financial Recovery Plan;
- b) That the Executive Mayor monitors the implementation of the plan and report to Council on a quarterly basis;
- c) The City Manager ensures fully implementation of the plan by administration and report to the Executive Mayor.

Submitted by:



Adv. Tankiso Mea
City Manager 18/07/2018

Recommended/ Not Recommend for approval



Cllr. Matawana Mlamleli
Executive Mayor

Annexure A : Strategic Development Review Outcome and Recommendations

1. Implement an integrated and targeted strategy that transforms the spatial and economic apartheid legacy of Mangaung.

Mangaung requires a coherent spatial strategy (SDF) that pursues spatial and economic transformation through four distinct yet interrelated priorities:

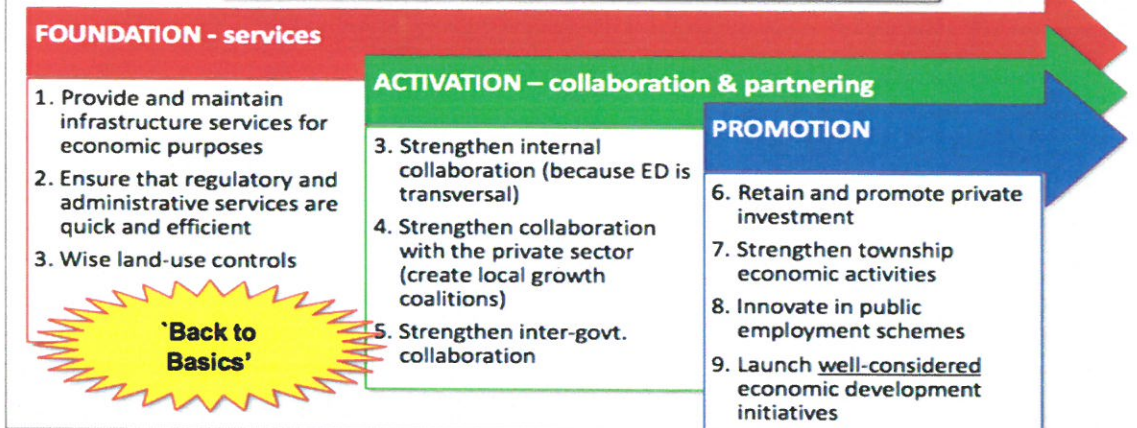
- a) A city focus for Bloemfontein/Mangaung township (60% population), with integration zones etc., for spatial transformation.
- b) A township development focus for Botshabelo and Thaba Nchu (33% population) that ensures vibrant economic growth and effective service delivery in these areas.
- c) A small-town development focus for Wepener, Dewetsdorp, Vanstadendrus and Soutpan (2.6% population) to improve linkages and services to their agricultural hinterlands.
- d) A rural development focus for the rural areas (4.8% population) that supports rural economic development, particularly in agriculture, conservation tourism and mining, with provincial and national alignment.

2. Boost economic development in Mangaung by strengthening organisational performance by :

- a) Strengthening administrative performance (*the foundations*) for economic development:
 - Improve administrative performance on all issues relating to planning and property development (planning and building plan approvals, etc.)
 - Improve administrative performance on management of potential investors
- b) Building capacity to promote city economic development through step-by-step interventions (*activation*)
- c) In due course, only once progress has been made on the above points, re-develop a city economic strategy (*promotion*)

How can local governments promote inclusive economic development?

The municipal role is critical, but 'boring' and 'difficult'



3. Strengthen service delivery as a top priority for economic growth by :

- Prioritising investment in refurbishment and maintenance for all bulk infrastructure, assets and facilities
- Developing and implementing a water and sanitation recovery plan
- Increasing the supply of affordable housing and household investment by stimulating the affordable housing market and supporting new builds

4. Implement a financial recovery plan to rebuild financial strength:

- It is essential that Mangaung generate operating surpluses and improve its cash position
- Improve control of expenditures (especially remuneration costs, non-revenue water, other large expenditure items)
- Improve revenue performance (debtors management)
- Financial turnaround is the responsibility of leadership and staff

5. Strengthen the organisation – the heart of it all

- Focus on the strategic center (heart) through building leadership and transversal management capabilities and practices
- Bring planning into the center of the organisation and ensure integration with budgeting and political leadership
- Lead a behavioural revolution
- Elevate the HRD, HRM and IT functions
- Develop a coherent automation strategy and implement it incrementally
- Link the planning, monitoring and evaluation functions and include a focus on employee, citizen and stakeholder satisfaction
- Strengthen partnerships and associated governance arrangements
- Review all SLAs, especially with Centlec and Bloemwater