Annexure A

DRAFT FINANCIAL RECOVERY PLAN

Prepared for the

MANGAUNG METROPOLITAN MUNICIPALITY

MAY 2020

FREE STATE PROVINCE

MANGAUNG
AT THE HEART OF IT ALL

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

cooperative governance & traditional affairs
Department:
Cooperative Governance and Traditional Affairs
REPUBLIC OF SOUTH AFRICA

Table of Contents

EXECUTIVE SUMMARY:

In December 2019, the Mangaung Metropolitan Municipality was placed under a mandatory constitutional intervention by the Provincial Executive, making it the first metropolitan municipality to be put in this position. The intervention was prompted by the repeated failure of the municipality to manage its finances prudently and to implement the voluntary financial recovery plan developed for the municipality by the National Treasury in 2018. On the 19th of December 2019, the Executive Council of the Free State Provincial Government subsequently intervened and resolved on a mandatory intervention as provided for in terms of Section 139(5)(a) and (c) of the Constitution of the Republic of South Africa.

A preliminary assessment of the situation reveals that the prevailing crisis is the result of long-standing leadership, governance and managerial weaknesses and failures. The Free State Provincial Executive appointed a Provincial Intervention Team in December 2019 to manage the process. The Municipal Finance Management Act, 2003 (Act No. 56 of 2003), requires that in a mandatory intervention, the Municipal Finance Recovery Services Unit within the National Treasury develops a financial recovery plan for the municipality.

The financial recovery plan will be used as an instrument to guide the municipality and the Provincial Intervention Team in addressing the financial crisis in the metro as well as to ensure that the metro regains its financial health within the shortest timeframe whilst ensuring that all issues which adversely affect the financial health of the municipality are comprehensively addressed. The managerial autonomy of senior municipal officials has subsequently been limited by the Provincial Executive through EXCO Resolution No 7/2020. This will allow the Provincial Intervention Team leader and the team to give effect to the financial recovery plan and the overall recovery process.

The financial recovery plan adopts a strategic, focused approach which is time-bound yet comprehensive enough to ensure that the underlying causes of the crisis are adequately addressed. To achieve this objective, the draft financial recovery plan presents a phased approach to recovery, differentiating between issues to be addressed in the short, medium and long term. The recovery plan is divided into three distinct but interdependent phases. These include a Rescue Phase (Phase 1) which focuses primarily on cash and restoring the cash position of the municipality, followed by a Stabilisation Phase (Phase 2) which expands on the financial indicators to be monitored and emphasises key governance and institutional issues which must simultaneously be addressed and finally, a Sustainability Phase (Phase 3) to ensure that indicators are developed that will give effect to the long term financial sustainability of the municipality. The approach is designed to ensure that financial recovery is not only achieved, but more importantly, that progress is institutionalised and sustained within the Mangaung Metropolitan Municipality.

PART ONE:

BACKGROUND

On the 19th of December 2019, the Free State Provincial Executive Council (herein referred to as EXCO) resolved that the Mangaung Metropolitan Municipality (MMM) be placed under a mandatory intervention.

The basis for the intervention was the prolonged crisis in the financial affairs of the Metro as a result of sustained governance and institutional weaknesses. These weaknesses have collectively resulted in an inability of the municipality to deliver an acceptable level of service to the community and has adversely affected the liquidity of the municipality. These challenges have recurred over an extended period of time despite earlier attempts to assist the municipality in July 2018 through the development of a Voluntary Financial Recovery Plan and a Strategic Development Review.

A number of issues contributing to this intervention have also been previously discussed in engagements between the National Treasury and the municipality and have also been highlighted in the reports of the Auditor-General.

In summary, the challenges include:

- A crisis in the finances and financial affairs of the municipality - the metro is under-collecting on its revenue, is unable to service its monthly expenditure commitments, has defaulted on loan repayments, has misused conditional grant allocations, has received negative audit outcomes for more than two financial years, over spending and non-compliance with the relevant legislative framework, amongst other issues;

- A crisis in the leadership and governance of the metro - preliminary assessments reveal amongst others that the metro is failing to implement the recommendations of the Auditor-General, the absence of consequence management systems and processes, the lack of an organisation-wide employee performance management system, a laissez faire attitude amongst some of the senior managers in the metro and a bloated administrative organisational structure; and

- Service Delivery failures have been both visible in terms of the metro's neglect to address basic functions as well as its failure to honour its monthly bills to the Bloem Water Board. In addition, the metro has consistently diverted conditional grant funding intended for service delivery towards meeting operational expenditure commitments.

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 excise of its legislative and executive authority but only to the extent necessary to resolve the crisis in its financial affairs"

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

Section 139(5)(c) requires the Provincial executive to assume responsibility for the implementation of the recovery plan to the extent that the municipality cannot or does not otherwise implement the recovery plan.

The Free State Provincial EXCO is responsible for ensuring that the financial recovery plan is implemented by the MMM. Failure of the Provincial EXCO to oversee the process and ensure full implementation of the recovery plan may result in 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 (4) and (5) of the Constitution.

In this regard, the following provisions are important to this intervention:

- 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; and
- 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** –

i. Identify the financial problems of the municipality;

ii. Be designed to place the municipality in a sound and sustainable financial condition as soon as possible;

iii. State the principal strategic objectives of the plan, and ways and means for achieving those objectives;

iv. Set out a specific strategy for addressing the municipality's financial problems, including a strategy for reducing unnecessary expenditure and increasing the collection of revenue, as may be necessary;

v. Identify the human and financial resources needed to assist in resolving financial problems, and where those resources are proposed to come from;

vi. Describe the anticipated timeframe for the financial recovery, and milestones to be achieved; and

vii. Identify what actions are necessary for the implementation of the plan, distinguishing between actions to be taken by the municipality and actions to be taken by other parties.

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

(a) For a mandatory intervention **must** –

i. Set spending limits and revenue targets;
ii. Provide budget parameters which 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.

With regard to the implementation of the financial recovery plan in mandatory provincial interventions, the municipalities 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 Finance Recovery Service must develop the financial recovery plan for the MMM. 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 financial recovery plan is prepared in accordance with the requirements of the Municipal Finance Management Act, 2003. It is based on the status quo assessment contained in the 2018 Voluntary Financial Recovery Plan, the comments of the Auditor-General and the situational analysis provided by the Provincial Intervention Team in January 2020.

Additionally, this financial recovery plan is aligned to 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 financial recovery plan is to address the current financial distress by focusing on improving the short-term financial liquidity of the municipality and by improving the long-term financial sustainability of the municipality.

This will be achieved in a phased approach, as indicated previously in this document, with a focus on high level targets to be achieved in each phase. Issues pertaining to governance, institutional stability and service delivery will also be addressed in so far as it undermines the financial recovery of the municipality.

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 includes a funded budget, monitoring of the daily cash and cash balances, cost containment measures, focusing on improving the debtor's collection rate, the ring-fencing of conditional grants and ensuring that creditors are paid timeously and that negotiations are entered into to settle any outstanding debt. There is some focus on service delivery and governance matters, however, these are limited to addressing the most visible and easy to resolve issues. However, as resources become available through better cash management, the collection of outstanding debt and the prioritisation of expenditure, service delivery issues can be addressed more comprehensively to secure the revenue base.

This is a short-term phase and is anticipated to last up to one year from the start of the new financial year on 1 July 2020.

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 design of a fit for purpose organogram, plans to address the repairs and maintenance and renewal of infrastructure for the water and electricity network through which the municipality loses significant revenues, ensuring that the property valuation roll is updated and that all customers are billed according and other similar measures.

This phase is expected to last between 13 to 24 months or longer depending on progress made by the municipality.

Phase 3: Sustainability Phase

Phase 3 of the recovery plan precedes the exit of the Provincial Intervention Team. Prior to concluding the intervention, there must be a reasonable assurance that measures implemented in Phase 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, the Long-term financing strategy and the Built Environment Plans (BEPPs).

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 Provincial Executive and the Provincial Intervention Team who 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 a mandatory intervention, S141(2) of the MFMA requires that the Financial Recovery Plan only be prepared by the Municipal Financial Recovery Services Unit within the National Treasury. In terms of S139 (1) of the MFMA, the Provincial EXCO must request the Municipal Finance Recovery Services unit to prepare an appropriate recovery plan for the municipality.

A request to this effect was received by the National Treasury on 25 March 2020 from the MEC: Finance in the Free State Province. S139(1)(v)(bb) of the MFMA requires that the financial recovery plan be prepared within a period not exceeding 90 days.

Section 141(3) (b) of the MFMA also requires that any financial recovery plan previously prepared for the municipality be taken into account. In this regard, the 2018 Voluntary Financial Recovery Plan will form the basis of this mandatory financial recovery plan.

CONSULTATION

In preparing this financial recovery plan, the MFMA requires the Municipal Financial Recovery Service to consult with the municipality, the municipality's suppliers and creditors, the MEC's for Finance and Local Government in the Province and organised labour (MFMA: S141(3)(a)).

A Provincial Intervention Team has been deployed to the municipality who have commenced preliminary negotiations with suppliers, creditors and organised labour. However, further consultation in line with the objectives of the financial recovery must be undertaken. A financial expert has been assigned by the National Treasury to assist the Provincial Intervention Team in this process. Inputs received will be factored into the mandatory financial recovery plan.

14 days prior to the finalisation of the recovery plan, the MFRS unit will as per S141(3)(c) invite comments on the financial recovery plan from the municipality, the MECs for Finance and Local Government in the Free State Province, organised local government (Provincial SALGA), organised labour and the municipality's suppliers and creditors. The MFRS unit will also as required in terms of the MFMA, publish in a local newspaper, details of where copies of the draft financial recovery plan can be accessed for free or for a minimal fee and invite comments from the public.

APPROVAL

This Plan will be submitted for approval to MEC for Finance as per section 143 (2) of the MFMA.

1.4 IMPLEMENTATION OF THE MANDATORY INTERVENTION AND FINANCIAL RECOVERY PLAN

The Provincial EXCO has exercised its rights in terms of S139(5)(c) of the Constitution and assumed responsibility for the implementation of the recovery plan. This is achieved through the Provincial Intervention Team appointed in January 2020. The Terms of Reference for the Provincial EXCO Representative were approved by the Provincial EXCO on 16 March 2020 and recorded in Resolution No. 7/2020.

As this is a mandatory intervention, the municipality must implement the financial recovery plan. 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)).

The municipality is also required in terms of S146(1)(c) to report monthly to the MEC for Finance on the implementation of the financial recovery plan. Given that a Provincial Intervention Team has been deployed, reporting to the MEC for Finance will be done via the Provincial EXCO representative.

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

The **financial resources** required to support the implementation of the Plan, will be realised through restructuring of the budget, implementing the revenue collection strategy and revenue enhancement initiatives and a commitment to stringent expenditure controls, with particular emphasis on the elimination of non-essential expenditure and non-revenue generating activities.

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 who will report directly to the Ministers of CoGTA and Finance and the Premier of the Free State. The Political Oversight Committee will direct the intervention, monitor progress and unblock any political challenges that may hinder the success of this intervention.

The Political Oversight Committee consists of the following members:

(a) The Deputy Minister of CoGTA;
(b) The Deputy Minister of Finance;
(c) The MEC for CoGTA, Free State Province;
(d) The MEC for Finance, Free State Province.

To support the political oversight committee, a Technical Management Team has been assembled. This team which will constitute a Technical War Room consists of both an Intervention War Room Executive Team and a War Room Intervention Team.

The War Room EXCO consist of:

(a) The DG of CoGTA (Chairperson);
(b) The DDG IGR: National Treasury (Chairperson);
(c) The HOD: Finance, Free State; and
(d) The HOD: CoGTA, Free State.

The EXCO Team Leader/Representative must provide written reports to EXCO, National Treasury and Municipal Council on a monthly basis.

1.5 RISKS ASSOCIATED WITH THE IMPLEMENTATION OF THE FINANCIAL RECOVERY PLAN

The following risks have been identified which must be mitigated for 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 risk management matrix must be developed by the Provincial Intervention Team.

The emerging risks identified, include amongst others:

- Lack of political and administrative commitment for the intervention;
- Lack of political and administrative support for identified intervention activities;
- Industrial actions owing to communications and resistance to the changes due to any organisational restructuring or realignment and the implementation thereof;
- Resistance to change by Unions, Management and Councillors;
- Community service delivery and other protests;
- Loss of grant funding due to non-compliance with grant conditions;
- Continued non-collection of revenue and increase in the debtors' book;
- Failure to materially control and reduce non-revenue electricity and water losses, which losses will negate the impact of other interventions;
- Failure to reverse the trend of under-maintenance and failure of timely replacement of aged infrastructure;
- Non-commitment to stringent expenditure controls and non-implementation of the revenue enhancement initiatives;
- Inadequate systems of delegation that impact on governance, administration and operational efficiency;
- Litigations issues due to SCM challenges; and
- Inadequate implementation of internal controls.

1.6 COMMUNICATION PLAN

It is proposed that the Provincial Intervention Team drafts an internal and external communication plan to support effective communication throughout the intervention.

PART TWO:

2.1 A STATUS QUO ASSESSMENT

In July 2018, upon request from the Executive Mayor of MMM, the National Treasury assisted the municipality in developing a voluntary financial recovery plan. A status quo assessment was then undertaken through which a number of challenges were identified. The voluntary financial recovery plan, was approved by Council, but never implemented by the municipality. The failure to address the issues identified in the voluntary financial recovery plan has consequently led to a financial crisis in the municipality.

At the commencement of this intervention, the Provincial Intervention Team was requested by the Provincial EXCO to embark on a fact-finding mission and determine the status quo with regard to governance, institutional, financial and service delivery issues in the municipality. The findings of the Provincial Intervention Team validate the findings of the status quo assessment undertaken by the National Treasury.

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

- The 2018 Voluntary Financial Recovery Plan;
- The previous Strategic Development Review prepared by the CSP;
- The Status quo assessment by the Provincial Intervention Team;
- Audit reports by the Auditor-General of South Africa;
- The Mid-year Budget and Performance Assessments visit report and the Medium Term Revenue and Expenditure Framework (MTREF) budget and benchmark engagements between the MMM and the National Treasury.

2.2 KEY ISSUES IDENTIFIED

The status quo assessment will be ordered in terms of the following categories:

a) Governance;

b) Institutional stability and capability;

c) Financial health; and

d) Service Delivery.

The findings of the status quo assessment will be categorised according to these four pillars.

2.2.1 GOVERNANCE

Issues identified	***Source***
i. Qualified Audit opinion 2016/17; ii. Qualified Audit opinion 2017/18 (incl. entity); iii. Audit Disclaimer 2017/18 (MMM only); iv. Qualified Audit opinion 2018/19; v. High levels of unauthorized, irregular, fruitless and wasteful expenditure; vi. Ineffective Monitoring and enforcement of the audit action plan by leadership of the municipality.	Auditor-General Audit Outcome
i. Lack of an established Disciplinary Board to deal with financial misconduct and offences ii. No disciplinary action or criminal proceedings instituted against offending employees iii. No measures instituted to prevent unauthorized, irregular, fruitless and wasteful expenditure nor any consequence management iv. Capacity limitations impede the functioning of risk management v. Systems of delegation require review vi. Composition of the Audit Committee and the inability to constitute a forum at meetings renders this function ineffective vii. Absence of a contract management policy and a litigation strategy viii. No ICT governance framework in place	2018 Voluntary Financial Recovery Plan
i. Lack of decisiveness by top management - matters not attended to timeously and unnecessarily delayed (such as disputes with e.g. Bloem Water, Centlec and SA Cities Network) ii. Lack of appropriate prioritization – internal service delivery needs prioritized over service delivery needs, for example, R20 000 was not paid for the release of tractors by the service provider resulting in grass not being cut for months	Preliminary observations of the Intervention Team during the initiation of the Intervention in January 2020. These governance issues are listed amongst a number or other issues contained in the Progress Report dated 02 February 2020.

In addition to the overarching governance challenges highlighted by the Auditor-General, the following **internal control deficiencies** were noted with concern:

- The leadership did not effective monitor and enforce the corrective action;
- The leadership was slow to respond to the recommendations and requests of the Auditor-General;
- The leadership did not implement effective consequence management for poor performance and the non-achievement of deadlines;
- The municipality lacked formalized standard operating procedures (SOPs) to manage performance reporting; and
- Weaknesses in the processes and controls pertaining to asset management were not adequately addressed.

2.2.2. INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES

The following institutional, organizational and human resource challenges are noted:

Issues identified	***Source***
i. Failure of some senior managers to disclose financial interests within 60 days from date of appointment ii. Failure of some senior managers to sign performance agreements withing prescribed period iii. Unauthorised expenditure incurred was not investigated to determine personal liability	Auditor-General Audit Outcome
i. Cursory analysis of the top three tiers of the organizational structure of the municipality indicates a bloated organizational structure – linked to an increase in employee related costs ii. Lack of a framework to manage human capital development in the municipality iii. Lack of formalized Standard Operating Procedures to manage performance reporting, including the safeguarding of information and effective monitoring and evaluation of reported performance information iv. Overtime costs are escalating – overtime is often not pre-approved	2018 Voluntary Financial Recovery Plan

v. No appropriate attendance management system linked to payroll – results in poor management and abuse of leave systems and absenteeism vi. Performance management system not cascaded to employees below S57. This impedes the assessment of individual performance and limits accountability in the organization. There is also no objective basis on which to issue performance rewards.	
i. Lack of a sense of urgency and a clearly demonstrated laissez faire attitude and culture; ii. A lack of respect for authority; iii. Unprofessional behavior by management – default on written commitments without engaging with affected institutions; iv. A number of people acting in positions for extended periods of time (reported on 12 March 2020)	Preliminary Observations of the Intervention Team during the initiation of the Intervention. These governance issues are listed amongst a number or other issues contained in the Progress Report dated 02 February 2020

In addition to the above matters, it was found that the MMM is failing to institutionalise an economic development strategy and a long-term financial strategy which are critical for the future institutional and financial stability of the metro.

2.2.3. FINANCIAL

Issues identified	***Source***
i. Unfunded budget 2018/19 ii. Unfunded budget 2019/20 iii. Audited collection rate for 2017/18: 81% iv. Audited collection rate for 2018/19: 78% v. Persistent growth in outstanding debtors- net debtors are approximately R1.5 bn vi. Failure to collect outstanding business and government debt; vii. Increase in outstanding creditors: 2018/19 – net creditors estimated at R1.6 bn	Auditor-General Audit Outcome And National Treasury assessments

viii. Operating deficit 2017/18: R700m ix. Operating deficit 2018/19: R322m x. Use of unconditional grants to fund operational expenditure xi. Below norm spending on repairs and maintenance impacting on the reliability of service delivery and placing the revenue base at risk xii. High water distribution losses – last estimated at 48 per cent xiii. Non-cost reflective tariffs xiv. Escalating overtime payments and council remuneration xv. Default on creditor payments xvi. Downgrade in the credit rating xvii. High levels of unauthorized, irregular, fruitless and wasteful expenditure	

The spending of unconditional grants for purposes other than what the grant was intended for poses a serious problem for the municipality in that these grants will need to be repaid to the National Revenue Fund. These repayments will be offset against future tranches of the local government equitable share resulting in a worsening of the municipality's financial condition.
An analysis of key financial ratios:

Ratio	Ratio for 2016/17	Ratio for 2017/18	Ratio for 2018/19	Remarks
Asset Management Utilisation				
Capital Expenditure to Total Expenditure – indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services. **The norm is 10% - 20%.**	18%	10%	9%	Capital expenditure has shown substantial declines since the 2016/17FY. This holds potential risks to service delivery. It is important for the municipality to have a well-maintained asset base to ensure continued operations and service provision and from which future revenue flows will be secured.
Repairs and Maintenance to Property, Plant and	2%	2%	1%	The municipality's percentage is significantly below the norm and

Equipment and Investment Property – measures the level of repairs and maintenance to ensure adequate repairs and maintenance to prevent breakdowns and interruptions to services delivery. **The norm is 8%.**				has been declining since the 2016/17FY. This is an indication of insufficient spending on repairs and maintenance to the extent that it could impact on the use of the assets and have a resulting increase on the impairment of useful assets. The municipality must ensure adequate maintenance of assets to prevent breakdowns and interruptions to service delivery.
Debtors Management				
Annual Collection Rate - indicates the level of payments as a percentage of revenue billed on credit. **The norm is 95%.**	57%	85%	82%	A municipality with outstanding debtors should aim to achieve a collection rate of more than 100% so as to ensure a reduction in the outstanding debt accrued from previous years. The municipality's Collection Rate is regressing. Revenue collection (billing), and credit control of the municipality requires urgent attention and corrective measures should be implemented.
Bad Debts Written-off as % of the Bad Debt Provision The Ratio compares the value of Bad Debts Written-off on Consumer Debtors to Bad Debts Provided for Consumer Debtors to ensure that the Provision for Bad Debts is sufficient. **The norm is 100%.**	99%	17%	84%	The municipality's ratio is below the norm for both the 2017/18 and the 2018/19 financial years. The Municipality should only write-off Bad Debts already provided for and ensure that policies and procedures regarding irrecoverable debt are in place to avoid over or under provision of bad debts.
Debtors Management Net Debtors Days – indicates the average number of days taken for debtors to pay their accounts. **The norm is 30 days.**	260 days	260 days	285 days	Net Debtors' Days ratio for the past three years is above the norm of 30 days. The ratio also shows signs of regression compared to the ratios from the past four financial years' ratios. 2013/14(138days), 2014/15(150days), 2015/16(150days), 2016/17(260days). The ability of the municipality to manage debtors is questionable and poses risks associated with the provision of debt to consumers.

Liquidity Management				
Cash/ Cost Coverage Ratio (Excluding Unspent Conditional Grants) The Ratio indicates the Municipality's or Municipal Entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue. **The norm is 1-3months**	0 Month	0 Month	-1 Month	The municipality's ratio remained below the norm for the past three financial years. This results in a high vulnerability to financial "shocks/set-backs." It is clear that the municipality's ability to meet its obligations to provide basic services and honour its financial commitment is compromised. In order to improve the situation, the following must be achieved in the shortest possible time: - • Immediate reduction in expenditure on non-essentials, non-core activities, non-revenue generating activities. • Increase revenue through improved collections and billing efficiencies and seeking alternate revenue sources. • Ensuring proper administrative and governance arrangements are in place to manage daily bank deposits and withdrawals.
Current Ratio - this ratio indicates the extent to which current assets can be used to settle short-term liabilities. If current assets do not exceed current liabilities it means a liquidity problem i.e. insufficient cash to meet financial obligations. **The norm is 1.5 - 2:1.**	1.22	1.02	0.96	The municipality's Current Ratio for all three financial years has been below the norm of 1:5 - 2:1. This an indication that current liabilities exceed current assets, highlighting insufficient cash to meet short-term financial obligations. The municipality must therefore increase its current assets to appropriately cover current liabilities or risk that non-current assets will need to be liquidated to settle current liabilities.
Liability Management				
Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure - indicates the cost required to service the borrowing. It assesses the borrowing or payment obligation expressed as a percentage of total operating expenditure.	5%	5%	4%	The ratio did not exceed the norm of 6%-8% for the 3years. However, this does not mean the municipality was able to service its current debt levels and can take up additional financing.

The norm is 6% - 8%				It means the municipality, due to its current cash flow problems is unable to access borrowed funds or the funding decisions of the municipality impacts on these levels.
Debt (Total Borrowings)/ Revenue - indicates the extent of total borrowings in relation to total operating revenue. The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities. Alternatively stated, the ratio indicates the affordability of the total borrowings. The norm is 45%.	20%	24%	18%	The ratio is within the norm. This is an indication that the municipality might take up increased funding from borrowings, however, this should be considered within the cash flow requirements of the municipality.
Efficiency				
Net Operating Surplus Margin – measures the net surplus or deficit as a percentage of revenue. **The norm is > 0%**	5%	7%	-4%	The ratio is declining which is an indication that the municipality is operating at a deficit and measures must be implemented to address this situation to ensure sustainable service delivery.
Distribution Losses				
Electricity Distribution Losses (%) The purpose is to measure the percentage loss of potential revenue from Electricity Services through electricity units purchased and generated but not sold as a result of losses incurred **The norm is 7% - 10%**	**N/A**	**9%**	**9%**	The norm for electricity distribution losses ranges from 7%-10% and the municipality's percentage losses of 9% for both financial years remained within the norm.
Water Distribution Losses (Percentage) The purpose of this ratio is to determine the percentage loss of potential revenue from water service through kilolitres of water purchased but not sold as a result of losses The norm is 15% - 30%.	48%	54%	31%	The norm for Water Distribution Losses is between 15% and 30%. Although there is a decrease in the ratio, the water losses are still very high, and this could be due to the following factors: • Unmetered customers. • Some customers not being billed at all.

				• Ageing water infrastructure. • Poor financial management. Management must urgently implement the FRP's Rescue Phase, (service delivery) targets to change the situation, whilst observing Phase two targets.
Revenue Management				
Revenue Growth (%) – measures the growth in revenue year on year. The norm is at the rate of CPI	40%	-6%	-3%	The revenue growth percentage measures the overall revenue growth. The municipality's revenue growth percentage has been negative for the past three financial years.
Revenue Growth (%) - Excluding Capital Grants Measures the growth in revenue excluding capital grants year on year. **The norm is > 5%.**	47%	-7%	-3%	Revenue growth percentage excluding capital grants measures the overall revenue growth adjusted for capital grants. Municipality revenue growth percentage excluding capital grants has been negative for both financial years reflected.
Expenditure Management				
Creditors Payment Period This ratio indicates the average number of days taken for trade creditors to be paid**.** **The norm is 30 days.**	129 days	95 days	108 days	The municipality's ratio is above the norm and urgent attention must be paid to cash flow management and the avoidance of interest charged by creditors. Non-compliance with MFMA regulations guiding the payment of creditors should be considered.
Irregular, Fruitless and Wasteful and Unauthorised Expenditure to Total Expenditure – this ratio measures the extent of irregular, fruitless and wasteful and unauthorised expenditure to total expenditure. **The norm is 0%.**	83%	74%	48%	The norm set for Irregular, Fruitless and Wasteful and Unauthorized expenditure is 0%. The municipality's ratio for the past three financial years is significantly above the norm. This indicates weaknesses within the municipality's SCM processes and non-compliance with procurement regulations and guidelines. The municipality must investigate the incurrence of this expenditure in line with applicable legislation.

Remuneration (Councillor Remuneration and Employee Related Costs) as % of Total Operating Expenditure - Indicates the extent to which expenditure is applied to the payment of personnel. **The norm is 25% - 40%.**	32%	28%	29%	Although remuneration as a percentage of Total Operating Expenditure has been within the norm for all the three years, the preliminary analysis indicates organisational bloating at the higher levels and there are concerns with regard to the amounts of overtime claimed.
Contracted Services as a % of Total Operating Expenditure - indicates the extent to which the municipalities resources are committed towards contracted services to perform Municipal related functions. **The norm is 2%-5%.**	8%	13%	9%	Contracted Services' ratio is above the norm of 2%-5% for all three financial years. This is an indication of the absence of a Contract Management policy and over reliance on contracted services to perform municipal related functions. The municipality must give consideration to the filling of critical vacancies in line with any new organogram that may be proposed in the recovery process.

2.2.4. SERVICE DELIVERY

The metro's service delivery challenges have been twofold – those that have been visible in terms of the metro neglecting to perform some basic functions such as kerb maintenance, grass cutting, refuse removal, etc. and those that have the potential to cause major disruptions to the supply of basic services and hence place the revenue base of the municipality at risk. Of particular importance in this regard, has been the inability of the municipality to service its bulk payments to the Bloem Water Board. There have been numerous attempts to resolve this matter but the matter remains unresolved at the time this FRP was drafted.

Furthermore, the pre-audited outcomes for 2018/19 reveal only 66 per cent spending on the capital expenditure programme with projects funded mainly by conditional grants. In 2018/19, the MMM has approximately R452 million in unspent conditional grants which were not cash backed and would have to revert to the National Revenue Fund. The historic levels of low capital spending have a negative effect on service delivery in the metro.

PART THREE:

3.1 PHASE 1: MUNICIPAL RESCUE PHASE

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

In this phase, emphasis also leans towards “quick wins” - what are the issues that require relatively little effort or resources to be addressed, but would make meaningful inroads towards the overall recovery process?

The phase is expected to last between 8 to 12 months. A few critical, high level indicators have been selected to guide this phase of the recovery plan. Progress on meeting these indicators will be monitored monthly by both the Provincial Executive as well as the Technical War Room.

The 6 high level indicators selected for this Phase are:

- A funded budget;
- Daily cash and cash balances;
- Cost containment;
- Debtors collection rate;
- Payment of creditors; and
- Ring-fencing of conditional grants.

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: FINANCIAL TARGETS (RESCUE PHASE):

			2019 / 20 Q4			2020 / 21 Q1			2020 / 21 Q2		
No.	Performance Area	Assumption	April	May	June	July	August	September	October	November	December
1	Operating revenue targets	Adherence to approved budget	573.1	573.1	1 152.2	617.7	617.7	617.7	617.7	617.7	617.7
2	Operating expenditure targets	Adherence to approved budget	450.7	450.7	545.0	564.3	564.3	564.3	564.3	564.3	564.3
3	Cash/bank balances	Adherence to approved budget	-28.4	-42.6	-170.4	-22.7	125.0	272.7	420.3	568.0	715.7
4	Consumer debtors – collection rates	Adherence to approved budget	80%	80%	80%	81%	81%	81%	81%	81%	81%
5	Government debtors - payment plan	12 x R53.9 m quarterly instalments			593.1			539.2			485.3
6	Govt creditors – payment plan	12 x R55.9 m quarterly instalments			615.1			559.2			503.3
7	Govt creditors – payment plan	Timing issue resolved: R0 arrears	0	0	0	0	0	0	0	0	0
8	Ring-fencing of conditional grants	Adherence to SOPs	All bank account and sub-account balances reported on every month								

SERVICE DELIVERY AND GOVERNANCE (RESCUE PHASE):

To support the achievement of the financial recovery plan and the targets specified for Phase 1, it is recommended that the Provincial Intervention Team focus on the following service delivery and governance issues:

- Prioritise the repair of all visible water losses and sewer spillages;
- Undertake road maintenance by focusing on the fixing or potholes, kerbside maintenance, and other visible issues;
- Ensure that governance and oversight committees are appropriately constituted, functional and that their capacity is strengthened;
- Review the system of delegations and ensure that an interim delegation framework to support this financial recovery plan is in place;
- Ensure that an audit committee is established to deal with the issues raised by the Auditor-General;
- Prioritise all litigation matters and update the litigation register and
- Establish a disciplinary board to investigate and deal with issues of maladministration and fraud.

3.2 PHASE 2: STABILISATION/RECOVERY PHASE (12 - 24 MONTHS)

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

With regard to the maintenance of infrastructure, the emphasis will be on strategies to address longer term reductions in water losses. Issues of organisational overstaffing will also be addressed by redesigning an organogram that is fit for purpose. The focus of the financial recovery plan is to address the underlying financial crisis. Organisational and governance issues will be considered in so far as they contribute to the financial crisis.

FINANCIAL TARGETS (STABILISATION/RECOVERY PHASE):

No	Performance Area	Baseline	TO BE DETERMINED					
2	**Billing**	**Inaccurate Billing**	Reconcile GVR information with the billing Debtors Master File	Reconcile GVR information with the billing Debtors Master File	Reconcile GVR information with the billing Debtors Master File	Verify all the identified irrecoverable debt as a result of recon between GVR and Debtors Master File	Commence the process of writing off all the identified irrecoverable debt as a result of recon between GVR and Debtors Master File	Finalise writing off all the identified irrecoverable debt as a result of recon between GVR and Debtors Master File
			Establish synergy Draft a Business Process between BTO and all departments for revenue maximisation	Table the Draft Revenue Business Process for approval.	Implement the Revenue Business Process to maximise revenue.	Implement the Revenue Business Process to maximise revenue.	Implement the Revenue Business Process to maximise revenue.	Implement the Revenue Business Process to maximise revenue.
3	**Tariffs**	**Absence of Cost Reflective Tariffs**	Undertake a tariff review for all services and ensure cost reflective tariffs are in place	Undertake a tariff review for all services and ensure cost reflective tariffs are in place	Undertake a tariff review for all services and ensure cost reflective tariffs are in place	Undertake a tariff review for all services and ensure cost reflective tariffs are in place	Undertake a tariff review for all services and ensure cost reflective tariffs are in place	Implement cost reflective tariffs
4	**Indigents**	**Not all qualifying indigents have registered with the Municipality;**	Review and approve Indigent Policy	Implement approved Reviewed Indigent Policy	Ensure strict compliance with the Indigent Policy	Ensure strict compliance with the Indigent Policy	Ensure strict compliance with the Indigent Policy	Ensure strict compliance with the Indigent Policy

5	**Debt Collection**	**High Debt Book**	Review debtors' book and implement ***prioritised*** debt collection.	Focus collection on: • Provincial government • Free State Development Corporation (FDC) • Business etc.	Focus collection on: • Provincial government • Free State Development Corporation (FDC) • Business etc.	Focus collection on: • Provincial government • Free State Development Corporation (FDC) • Business etc.	Focus collection on: • Provincial government • Free State Development Corporation (FDC) • Business etc.	Focus collection on: • Provincial government • Free State Development Corporation (FDC) • Business etc.
		Other Customers	Profile customers according to the size of the debt and affordability to pay.	Profile customers according to the size of the debt and affordability to pay.	Profile customers according to the debt and affordability to pay.	Profile customers according to the size of the debt affordability to pay.	Profile customers according to the size of the debt and affordability to pay.	Profile customers according to the size of the debt and affordability to pay.
6	**Customer Care**	**Ineffective customer care that leads to massive unresolved accounts disputes;**	Develop Customer Care Service Charter and Service Standards	Approve and workshop Customer Care Service Charter and Service Standards	Implement Customer Care Service Charter and Service Standards	Implement Customer Care Service Charter and Service Standards	Implement Customer Care Service Charter and Service Standards	Implement Customer Care Service Charter and Service Standards
7	**Website**	**Website not up to date**	Ensure up-to-date working website	Ensure up-to-date working website	Ensure up-to-date working website	Ensure up-to-date working website	Ensure up-to-date working website	Ensure up-to-date working website
8	**Supply Chain Management**	**Abuse of the current SCM system.**	Undertake a strategic review of SCM and SCM	Enforce compliance with SCM regulations, and	100% compliance to the SCM legislation and	100% compliance to the SCM legislation and related policies.	100% compliance to the SCM legislation and related policies.	100% compliance to the SCM legislation and related policies.

			functions across the organisation with NT support.	other guidelines such as MFMA Circular No 62.	related policies.			
9	**Liabilities Management**	**Liabilities not cash - backed.**	Develop a plan to improve the City's graded junk status	Implement the plan to improve the City's graded junk status	Implement the plan to improve the City's graded junk status	Implement the plan to improve the City's graded junk status	Implement the plan to improve the City's graded junk status	Implement the plan to improve the City's graded junk status
			Restructure and consolidate long terms loans;	Restructure and consolidate long terms loans;	Restructure and consolidate long terms loans;	Restructure and consolidate long terms loans;	Restructure and consolidate long terms loans;	Restructure and consolidate long terms loans;
10	**City Strategy**	**Development of a City Strategy aligned to the recommendation of the Benchmark process**						
11	**Strategic Development Review**	**Implementation of the City's Strategic Development Review**						

SERVICE DELIVERY, INSTITUTIONAL INDICATORS AND GOVERNANCE (STABILISATION/RECOVERY PHASE):

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

- Undertake an assessment of the organogram of the municipality to determine if it is fit for purpose and aligned to the strategic objectives of the metro;
- Develop a strategy to deal with the high distribution losses in water and electricity and ensure that bulk master plans are prepared;
- Undertake an assessment to determine whether a municipal entity is the appropriate vehicle for electricity distribution within the municipality;
- Initiate a process to recovery funds from litigation matters finalised in Phase 1; and
- Develop a functional project management system and build the project management capacity of the municipality.

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 to ensure the institutionalistion of processes in Phase 1 and 2 of the recovery process. It is also envisaged that the municipality will give consideration to 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.

PART FOUR:

4.1 MONTHLY REPORTING ON ACHIEVEMENT OF TARGETS: MANGAUNG METROPOLITAN MUNICIPALITY

COMPREHENSIVE SCHEDULE OF REPORTING AND COMMITTEEE MEETING DATES:

No.	Report for month OF	Report due from Intervention Team ON	Report considered by War Room ON	Considered by FS Executive BY	Considered by Political Oversight Committee BY
1	April	Friday, 08 May 2020	Wednesday, 13 May 2020	Wednesday, 27 May 2020	Wednesday, 12 August 2020
2	May	Friday, 12 June 2020	Wednesday, 17 June 2020	Wednesday, 01 July 2020	
3	June	Friday, 10 July 2020	Wednesday, 15 July 2020	Wednesday, 29 July 2020	
4	July	Friday, 07 August 2020	Wednesday, 12 August 2020	Wednesday, 26 August 2020	Wednesday, 11 November 2020
5	August	Friday, 11 September 2020	Wednesday, 16 September 2020	Wednesday, 30 September 2020	
6	September	Friday, 09 October 2020	Wednesday, 14 October 2020	Wednesday, 28 October 2020	
7	October	Friday, 13 November 2020	Wednesday, 18 November 2020	Wednesday, 02 December 2020	Wednesday, 17 February 2021
8	November	Friday, 11 December 2020	Wednesday, 16 December 2020	Wednesday, 30 December 2020	
9	December	Friday, 15 January 2021	Wednesday, 20 January 2021	Wednesday, 03 February 2021	
10	January	Friday, 12 February 2021	Wednesday, 17 February 2021	Wednesday, 03 March 2021	Wednesday, 12 May 2021
11	February	Friday, 12 March 2021	Wednesday, 17 March 2021	Wednesday, 31 March 2021	
12	March	Friday, 09 April 2021	Wednesday, 14 April 2021	Wednesday, 28 April 2021	
13	April	Friday, 14 May 2021	Wednesday, 19 May 2021	Wednesday, 02 June 2021	Wednesday, 11 August 2021
14	May	Friday, 11 June 2021	Wednesday, 16 June 2021	Wednesday, 30 June 2021	
15	June	Friday, 09 July 2021	Wednesday, 14 July 2021	Wednesday, 28 July 2021	
16	July	Friday, 06 August 2021	Wednesday, 11 August 2021	Wednesday, 25 August 2021	Wednesday, 10 November 2021
17	August	Friday, 10 September 2021	Wednesday, 15 September 2021	Wednesday, 29 September 2021	
18	September	Friday, 08 October 2021	Wednesday, 13 October 2021	Wednesday, 27 October 2021	

PART FIVE:

5.1 REPORTING FRAMEWORK: PROGRESS AGAINST TARGETS: SERVICE DELIVERY:

(Under each heading, please provide a brief narrative account of any steps taken, progress made and any other noteworthy developments.)

5.1.1 Refuse removal in formal and informal areas

1	Problem statement	**Refuse removal frequently not collected in formal and informal areas**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	

5.1.2 Visible water losses

1	Problem statement	**Visible water losses frequently left unattended for long periods**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	

5.1.3 Overall water losses

1	Problem statement	**60% water losses (technical and commercial)**
2	Recommendations	• Prioritise the development, financing and implementation of a proper programme to address technical water losses. • Properly determine the fundamental reasons for commercial water losses (i.e. non-payment) • Develop a plan to address the reasons • Make key interventions to address the reasons
3	Steps taken	

4	Progress made	
5	Other noteworthy developments	

5.1.4 Visible sewer spillages

1	Problem statement	**Visible sewer spillages frequently left unattended for long periods**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.1.5 Road maintenance

1	Problem statement	**Potholes frequently left unattended for long periods**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2 PROGRESS AGAINST TARGETS: GOVERNANCE:

5.2.1 Political-Administrative Interface

1	Problem statement	**Infrequent or even lack of Troika meetings**
2	Recommendations	• Properly determine the fundamental reasons for such failure • Make key interventions to address the reasons • Ensure adherence to schedule of meetings required for effective Council decision-making
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

1	Problem statement	**Councillor interference**
2	Recommendations	• Properly determine the fundamental reasons for such failure • Make key interventions to address the reasons • Ensure that any cases are escalated to appropriate structures as provided for in legislation
3	Steps taken	
4	Progress made	

5	Other noteworthy developments	
6	Problem statement	

5.2.1 Council governance & oversight

1	Problem statement	**Weaknesses in Council oversight**
2	Recommendations	• Properly determine the fundamental reasons for such failure • Make key interventions to address the reasons • Analysis of rules and orders • Adherence to council order of business in meetings • Development of schedule of meetings and legal compliance MFMA matrix • Implement schedule of meetings and legal compliance MFMA matrix • Schedule an **induction** for Councillors on governance, financial management and oversight; • Schedule a **training session** on ethics and code of conduct for councillors; • Ensure that the identified unauthorised, irregular, fruitless and wasteful expenditure(s), are investigated and acted upon (consequences managed); • Quarterly progress reports submitted to Council
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	

5.2.3 System of Delegations

1	Problem statement	**Inadequate Checks and Balances**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Review financial delegation framework • Implement improved delegations • Make key interventions to address the reasons
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.4 Executive Management Team meetings

1	Problem statement	**Below optimal functioning of Executive Management Team**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons • Develop schedule of meetings and prioritise for discussion in • Convene Executive Management Team meeting.
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.5 Audit Committee

1	Problem statement	**Ineffective Audit Committee**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons • Advocacy and education on Audit committee • Review composition of the Audit Committee and incorporate clauses that will allow for termination in case of non- attendance • Circular 65 to serve at Council for adoption as a guiding document
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.6 Audit Outcome

1	Problem statement	**Qualified Audit Opinions**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons • Develop and implement an Audit Action Plan for 2018/19 findings
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.7 Risk Management

1	Problem statement	**Absence of Risk Management policy**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons • Develop, approve and implement Risk Management Policy
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.8 ICT governance framework

1	Problem statement	**Absence of ICT governance framework**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons Develop and approve the following policies: • ICT Corporate Governance Framework Policy • ICT Security Policy • ICT User Access & Password Control Policy • ICT Change Management Policy

		• ICT Request for Change Terms • Backup and Disaster Recovery • Design and Configuration Manual
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.9 Labour relations

1	Problem statement	**Poor relations between unions and management**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons • Diagnosis of labour relations challenges and produce high level report. • Present findings of report to Technical and Political structures. • Implement findings of status quo report
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.10 Procurement

1	Problem statement	**Interference with procurement processes**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons • Establish database to verify Council, Section 56 &57 managers interests in companies to be contracted by City • Number of tenders verified against database prior to awards issued
3	Steps taken	
4	Progress made	

5	Other noteworthy developments	
6	Problem statement	

5.2.11 Litigation

1	Problem statement	**Numerous court judgements**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons • Develop and update the litigation and liability register • Conduct a reasonable prospect of success. • Conduct a diagnostic analysis of the root cause of litigations and claims against the municipality.
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.12 Disciplinary Board

1	Problem statement	**Ineffective Disciplinary Board and lack of consequence management**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons • Consider and implement the requirements of Municipal Regulations on Financial Misconduct to ensure effective disciplinary board
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.13 Legal

1	Problem statement	**Ineffective Legal Services**
2	Recommendations	• Determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.2.14 Contract Management

1	Problem statement	**Contracts not adhering to procurement legislation**
2	Recommendations	• Audit all contracts to determine a baseline • Properly determine the fundamental reasons for such failures • Develop a plan to address the reasons • Make key interventions to address the reasons
3	Steps taken	
4	Progress made	
5	Other noteworthy developments	
6	Problem statement	

5.3 CONCLUSION: STRATEGIC ASSESSMENT AND CORRECTIVE ACTIONS AS REQUIRED:

(Please provide some concluding text with a strategic perspective on the position and progress of the financial recovery programme to the end of the relevant month, and also envisaged next steps to ensure achievement of programme goals.)