

FINANCIAL RECOVERY PLAN

Prepared for the

DITSOBOTLA LOCAL MUNICIPALITY

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national treasury

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EXECUTIVE SUMMARY

1. Ditsobotla Local Municipality (Ditsobotla LM) is a category B municipality and has been experiencing long-standing political and administration challenges which have impacted adversely on governance, financial management and service delivery in the municipality. The interface between the political and administrative leadership is non-existent. There have been arduous changes in the Municipal Manager's position as well as senior management positions.
2. This marked the deepening crisis and lack of accountability in the municipal environment. Ineffective oversight continues to prevail due to lack of stability in senior management positions. The Municipality is one of the top ten (10) defaulting municipalities for bulk electricity supplied by Eskom. Eskom debt has been recorded at approximately R 913 million in July 2022 and increasing monthly. The historical dysfunctionality of Ditsobotla LM contributed greatly to the dire financial state and poor service delivery in the area.
3. The Municipality is unable to service its creditors within 30 days due to inadequate cash flow, while the Municipality is unable to collect outstanding debts due to the low collection rate and inadequate political will to implement the credit control policy. The following observations are recognising that local government has unique challenges but regardless, need to ensure its intent and existence are premised on the mandate set in the supreme legislation, the Constitution.
4. The very first observation that needs to be made is that the concept of Public Expenditure Management (PEM) is not adhered to as illustrated in the findings on financial management. The three pillars of PEM, namely aggregate fiscal discipline (budget control), allocative efficiency (strategic spending such as adherence to an Integrated Development Plan) and operational efficiency (performance targets and indicators met) has not been in practice and applied due to what appears to be an organisational culture that has failed its mandate. The culture that has been established is one of continuous deterioration whilst a culture of continuous improvement is dependent on three pillars namely leadership, technology, and methodology, all which deteriorated for a long period of time.
5. The second observation is that developmental local government has not been inculcated in any practices or decision making, again indicating a failure of organisational cultural. The non-pursuance of the pillars of developmental local government as entrenched in section 153 as a Constitutional mandate again reflect on the organisation as one that does not understand its mandate of improving the quality of lives of its people, ensuring a sustainable going concern that practice meaningful public participation.
6. The tenets of developmental local government are to ensure access to basic services and promote sustainable job creation. This requires strong leadership, clear vision and maximum participation by the community, private sector, and all stakeholders. A strong well-informed civil society is an important ingredient for the success of a developmental local government. Elements that illustrate the lack of engagement with its community are the outdated Ditsobotla LM website, disinvestment, and community unrest as well as the extreme distrust in the municipality as the agent of the community based on the long-standing and continuous negative press Ditsobotla has received from all quarters.
7. One need to, of necessity ask the question to what extent the municipality fulfils its Constitutional mandate espoused in section 152 with respect to its objects, and again it appears as if the following are not achieved:
 - a) Provide democratic and accountable government for local communities.
 - b) Provide sustainable services.
 - c) Promote a safe and healthy environment.
 - d) Encourage community involvement.
 - e) Promote social and economic development.
8. At an empirical level it appears as if Ditsobotla LM fell prey to the following challenges that have become the norm in the industry:



- a) Lack of experienced officials or politicians.
 - b) Organisation culture not conducive to new realities.
 - c) Structures, processes, and technology are not aligned with the new paradigm.
 - d) Lack of ability to adjust to new policy imperatives.
9. The following illustrate common challenges with respect to governance matters and unfortunately it appears as if Ditsobotla LM now illustrate symptoms of it all:
- a) **Governance:** Conflict between senior management, councilors, and Human Resource (HR) management issues. An effective Performance Management System (PMS) is lacking.
 - b) **Financial:** Inadequate revenue collection, financial systems, fraud and misuse of municipal assets and funds. There is poor financial management and inadequate control and accountability systems.
 - c) **Service Delivery:** Section 152 and 153 of the Constitution outlines service delivery obligations and required approaches of a municipality. Increasing backlogs and lack of sufficient funds and mismanagement and inappropriate use of municipal infrastructure grants.
 - d) **Labour Relations:** Political interference in recruitment and appointment processes, and non-compliance with workplace obligations.
 - e) **Safety and security:** An inability to stabilise threats and intimidation and protect staff and the municipality against organised crime and violence.
10. The Systems Act¹ poses another challenge to the Ditsobotla LM council with respect to rights and duties and one would argue that it did not meet this challenge as well, namely the:
- a) Right to govern local government affairs (implying impeccable good governance).
 - b) Municipal affairs must be financed with revenue generated by rates, taxes, services, and grants (implying a credible and balanced budget and sustainability).
 - c) Municipal services must be environmentally sustainable, and the community must have equitable access to them (implying a level and standard of service that is environmentally and financially sustainable).
 - d) Must promote community participation and consult the community (implying meaningful public participation and promoting participation that result in constructive dialogue).
11. The council's responsibility to adhere to section 160 of the Constitution appears to have been complied with to an extent but poorly executed due to a lack of political will and ability of the administration to implement the principles of good governance such as effective debt collection and credit control, indicating either poor administration or interference in the administration, both being mentioned in the status quo assessment.
12. Even the White Paper on Local Government's (1998) directions on services are not met in Ditsobotla LM, for example:
- a) Accessibility of services.
 - b) Affordability of services.
 - c) Quality of products and services.
 - d) Accountability for services.
 - e) Integrated development and services.
 - f) Sustainability of services.
 - g) Value for money.
 - h) Ensuring and promoting competitiveness of local commerce and industry.
 - i) Promoting democracy.
13. The Provincial Government had no choice due to the above scenario but to intervene using the discretionary model

¹ Systems Act – Municipal Systems Act, 2000 (Act 32 of 2000).



through section 139(b) of the Constitution. However, the desired results were not obtained due to continued infighting, malicious use of employees and community members. ABSA bank and other companies suffered the impact of this effect. Community members lost employment, and this has further adverse implications, and has been raised sharply as companies like Clover SA have relocated to another Province. Consumer accounts are mostly disputed, and this has implications for balances owed and therefore affects the issuing of clearance certificates. This negatively affects revenue collection and therefore financial sustainability of the municipality. Persistent non-compliance with Laws and Regulations continues to prevail as divisions deepens within Council under rooted by contestation for systems of patronage.

14. The above is a clear indication that Council is not effectively playing its role as it cannot unanimously agree on the critical council business. The municipality is vulnerable to abuse of power, which may result in a culture of fraud and corruption. The Office of the Auditor-General of South Africa raised concerns on issues concerning leadership, governance, service delivery, supply chain management, and other, repetitive findings which continue without being corrected. The municipality has a bloated organisational structure from 2016 to 2023, no proper job evaluations were performed, and positions filled were at the general worker level. Notably, the critical positions were not filled, especially at management level, resulting in the organisational structure not being fit for purpose of the Municipality and a challenge to comply to the staff regulations that came into effect on 1 July 2022.
15. The district municipality as a partner in this regard is not adequately equipped or lacks the will to execute their functions effectively with respect to the water and sanitation services. Ditsobotla LM is therefore facing interruptions in bulk water supply which in turn affects the supply of water to residents. Furthermore, blockages on the bulk sewer treatment plant and main lines create back flows and contamination and health risk for the households and streets of the municipality. The disjuncture emanates from the service level agreement that is not properly documented between the water services authority and the water service provider. The local municipality bears the financial burden and incurs expenditure for unfunded mandates to repair or maintain the assets belonging to the district.
16. Ditsobotla LM has infrastructure that is not coping with the current demand and is subjecting the community and local business to severe inconvenience. This is evidenced by the disinvesting of one of the big companies, Clover SA, from the municipality recently. There is infrastructure that has failed or is on the verge of failure, exposing communities to health and safety hazards that need immediate attention.
17. Previous interventions have failed, and the desired results have not been achieved. There has also been no progressive realization of the strategic objectives underpinning the intervention and material errors of judgment which allowed the situation to deteriorate to the current financial crisis and service delivery collapse. Despite all the interventions by the province, the situation has continued to deteriorate even further to the extent that the municipality is now in a worse-off situation than before the interventions by the province.

At this point one needs to ask why Ditsobotla LM requires further intervention and why the previous interventions failed?

18. To address the above question the FRP critically considered the Ditsobotla LM environment and reached the conclusion that the main reason for the continuous intervention failure, is because the obvious and serious human problem is not being addressed adequately, namely that:
 - a) The level of vacancies that exist at the senior level put the municipality at risk in terms of administrative and financial delegations and actions of individuals who may not be qualified in terms of the legal framework to act in those positions. The fact that the executive team is not appointed also requires urgent attention once the security and criminal conduct concerns have been addressed. We note that all top positions have been advertised (for the fifth time) and suggest that the oversight bodies ensure that the regulated processes are followed for the appointment of senior positions.
 - b) We were told that interference in the appointment of staff by the members of the public and others leads to



an established pattern of corruption in the filling of vacancies, and this even extends to the execution of the Supply Chain Management Policy and its legal framework. This strengthens our advice that intelligence and protection services from outside the district or even province may be prudent.

- c) Factionalism within the municipality requires transversal management training and change management. The divisions are allegedly due to factions loyal to power structures that were ousted versus new power structures currently in place. The legality of elected appointments is also required to ensure that decision-making will not be challenged going forward.
- d) There appears to be a high threat level aimed at employees coming to work or occupying positions that are strategic or possess power. The term “rent a crowd” was used to illustrate the way people are intimidated and ousted to leave their positions rather than lose lives or families. The buildings where staff work should be safeguarded and staff with high threat levels should be protected around the clock.
- e) The armed forces should note that the syndicates partaking and initiating looting via supply chain or theft of assets are allegedly well-armed. We noted that COGTA is assisting Ditsobotla LM with respect to some of the required strategies to deal with some of the abovementioned problems.
- f) The Local Labour Forum is undergoing training at the moment and a process to establish policies and protocols would be required to establish a sound and stable employer/employee relationship and culture of trust. It needs to be emphasised that an element of the appointed employees is allegedly partaking in “criminal behavior and very corrupt”. We were also told that the presence of dangerous weapons such as knives, pangas, and pepper spray is common practice, and it appears to be in the hands of those that intimidate staff. The establishment of a multi-disciplinary task team should consider Ditsobotla LM to be a crime scene and consider their approach and actions accordingly.
- g) A biometric system for time and attendance may be called for given the challenge of intimidation mentioned. The leave system is also compromised and an electronic system with sufficient controls needs to be put in place as soon as possible. It appears as if most staff do not arrive at work, due to alleged intimidation, threats, possible “ghost” workers and an organisational culture of fear.
- h) The level of trauma that staff may be suffering from would require wellness interventions and the readers of this report need to consider where and how such capacity may be deployed on a semi-permanent basis until stability has been facilitated.
- i) We need to acknowledge that no FRP will negate the toxic organisational culture and syndicated criminal behaviour in Ditsobotla LM. The very first step would be to normalize a town under siege by syndicates who extort, threaten, and intimidate at will. Once this is done, appoint an organisational structure that will give effect to sections 152, 153, and 156 of the Constitution.

19. Mindful of the above summarised discussion, this Financial Recovery Plan encourages a strong political and organisational will to implement the following:

- a) **The establishment of a national task team including intelligence and security services without any connection to the Ditsobotla LM forces and elected and appointed officials.** These resources must be vetted for independence, to intervene, establish a presence, effect arrests for criminal behaviour, gather intelligence, monitor, and evaluate and protect those that are regarded as not compromised, to give effect to what this plan is proposing.
- b) **The adoption and implementation of a comprehensive change management programme, consisting of the presence of uncontaminated and strong change agents to address the following focus areas:**
 - i. **Consequence management:** The lack of consequence management and accountability arrangements are systemic and symptomatic of a municipality where oversight is lacking.
 - ii. **Capacity development:** An extensive mentorship, coaching, training, and change management effort is required. A skills audit, new staff structure, well trained and equipped elected officials and adherence to codes of conduct, consequence management and accountability would be a minimum first step in the right direction.
- c) **The activation of the detailed Financial Recovery Plan activities is premised on a two-pronged**



approach running in parallel, namely:

- i. **Rescue team:** A tactical and operational team (80 % outsourced and 20% in-house) to address the rescue activities within the municipality, namely the immediate and continuous provision of basic municipal services. This team will be operational for a period of three-years, whereafter the capacitated municipal resources appointed through the Stability and sustainability team will take over the full responsibility.
- ii. **Stability and sustainability team:** A strategic and tactical team (40 % outsourced and 60% in-house) to address the stabilisation and sustainability activities related to establish a soundly governed municipality. This team will be operational for a period of three-years, whereafter the municipal leadership will take over the full responsibility.

PART ONE: SETTING THE SCENE

BACKGROUND

20. The Ditsobotla community as principal has been abandoned by its agent in terms of the agency theory, based on the alleged criminal conspiracy between mafia-like relationships between criminals and cohorts within the municipality. The local South African Police Service has furthermore also been allegedly compromised and there is a real sense of fear to whistle blow or to report criminal behaviour within the municipality. According to our sources no action is taken when criminal charges are laid. Lives are threatened and people fear for themselves and family members' lives.
21. For all sense and purposes, the municipality has been captured by syndicates forcing their will upon the few appointed and elected officials in decision-making positions, whom it appears are not cooperating outright with these syndicates. The difficult part of any rescue effort would be to determine which elected and appointed officials are not compromised. A lifestyle audit and intelligence gathering exercise outside the ambit of the local security and police services would be required.
22. The examples of "twinning", explained as a continuous practice of officials being threatened to vacate their offices, just to be replaced by another person "from the street" foisted upon the decision-makers indicate a definitive criminal conspiracy to capture and control all power in terms of administrative and financial delegations. The extent of "ghost" employees or misdirected employee cost are not known but exist without doubt.
23. The outcome of these practices, shared in confidence with the authors of this report, are illustrated in the high levels of unauthorised, irregular, fruitless and wasteful expenditure. The extremely high level of outstanding creditors is because of low cashflow, and revenue being directed to parties colluding to rape the Ditsobotla LM fiscus from its intended purpose.
24. The administration of Ditsobotla LM and efforts from the provincial and national government to assist the municipality for the umpteenth time would come to naught and will achieve nothing but becoming another number to be added to the previous administration's efforts; that is if the national and provincial government are not going to establish a national task team including intelligence and security services without any connection to the Ditsobotla LM forces and elected and appointed officials, therefore vetted for independence, to intervene, establish a presence, effect arrests for criminal behaviour, gather intelligence, monitor and evaluate and protect those that are regarded as not-compromised, to give effect to what this plan is proposing.
25. We emphasise that this will be another fruitless and wasteful exercise without a long-term presence of security forces and skilled officials to assist, guide and protect those willing to implement this plan.
26. Turning Ditsobotla LM around would be a long-term investment of hard and soft skills in addition to safeguarding the employees and municipal assets. A security plan would undoubtedly be necessary.



27. We are pleased to note that there are committed officials, but we fear for their safety. We will refrain from naming individuals as the authors are not sure to what extent this report may be made available to compromised individuals.
28. Understanding the perennial situation faced by the municipal staff, this report is therefore not focused on assigning or apportioning blame. We wish to highlight governance failures which are indicative of a failure of systems, controls, hard and soft skills within the four pillars. The need to invest in infrastructure, debt relief and other problem areas should become a question of return on investment or investing in the residents of Ditsobotla LM. The way that disinvestment was managed in the past indicates a community and business community specifically, that took conscious decisions to exit because of losing hope in the efforts and sustainability of services that Ditsobotla LM offered.
29. This Financial Recovery Plan therefore focusses on financial recovery, but also focuses on creating an environment that would be conducive for success, which requires a redesign of the organisation and their approach to business. The Batho Pele principles, although available, would therefore be just one of the many tools to be taught and entrenched in the culture of a development local government over a period if Ditsobotla LM is to be saved.

STATUTORY AND LEGISLATIVE CONTEXT

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

30. The intervention at Ditsobotla LM was instituted through a provincial executive in terms of section 139 (5)(a) and (c) of the Constitution², read in conjunction with section 139 of the MFMA.
31. Section 139(7) of the Constitution provides that if a provincial executive cannot or does not or does not adequately exercise the powers or perform the functions referred to in subsection (4) and (5), the national executive must intervene in terms of subsection (4) or (5) in the stead of the relevant provincial executive.
32. Section 139(8) of the Constitution provides that national legislation may regulate the implementation of this section, including the processes established by this section.

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

33. 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 section 139 (4) and (5) of the Constitution.
34. Section 139 (1) of the MFMA places the responsibility on the Provincial EXCO to request the MFRS³ 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).
35. Only the MFRS may prepare a financial recovery plan for a mandatory provincial intervention referred to in section 139 of the MFMA.
36. Section 139(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.
37. In terms of section 139(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

² Constitution - Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996).

³ MFRS - Municipal Financial Recovery Services at National Treasury.



to support the implementation of the recovery plan are approved.

38. 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:

a) Section 142 (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..”*

b) 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.”*

39. Regarding the implementation of the financial recovery plan in mandatory provincial interventions, the municipality's attention is drawn to the following provisions of section 146 of the MFMA.

40. Section 146(1) of the MFMA provides that 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”.*

41. Section 150(2) of the MFMA provides that the national executive assumes for purposes of the national intervention in terms of section 139(7) of the Constitution the powers and functions of a provincial executive and the Minister of Finance assumes for purposes of the national intervention the functions and powers of an MEC for Finance in terms of Chapter 13 on Resolution of Financial problems in municipalities.

42. 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 Ditsobotla LM. The plan binds 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.



OVERVIEW OF THE FINANCIAL RECOVERY PLAN

43. The Provincial Treasury conducted an assessment in terms of section 140 of the MFMA⁴ and Ditsobotla LM met the criteria of a Municipality in a financial crisis. As a result, the Northwest Provincial Executive Council resolved to place Ditsobotla LM under mandatory intervention by invoking section 139(5)(a) and (c) of the Constitution read together with section 139 of the MFMA. The Northwest Provincial Executive thereafter requested the MFRS⁵ within the National Treasury to prepare a mandatory Financial Recovery Plan (FRP).
44. The FRP development process commenced on 17 February 2023 and runs over a 3-month period in full compliance with the MFMA requirements. The FRP format is fully aligned with the criteria in terms of section 142 of the MFMA (including resource requirements, key performance indicators and financial impact pointers).
45. To ensure buy-in and a holistic approach, the MFRS coordinated the FRP development process in consultation with the intervention technical task team comprising of the delegated Municipal Manager, her senior staff and the core support team experts identified by the province and the national government for support.
46. An intervention roadmap has been developed to facilitate the development of the Ditsobotla LM FRP and a parallel process was followed that prioritised the development of an Interim Intervention Plan for immediate implementation, while working on the comprehensive FRP over the 3-month period
47. The FRP process is executed within four functional workstreams namely (1) Governance, (2) Institutional and Human Resources, (3) Financial Management and (4) Service Delivery, graphically depicted as follows:



48. Various meetings were held by the functional workstreams in the process to verify the status quo assessment to assess the municipality's financial state that informed the baseline findings, recovery strategies and activities. This status quo assessment was signed off on 24 February 2023, through which several challenges were identified. This report quotes facts from the status quo assessment in terms of section 142 of the MFMA to identify the root causes of the financial challenges that the municipality is facing⁶.
49. Additionally, to ensure that financial recovery is not only achieved, but more importantly, that progress is institutionalised and sustained within the Ditsobotla LM, the FRP 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

⁴ MFMA – Municipal Finance Management ACT, 2003 (Act 56 of 2003).

⁵ MFRS – Municipal Financial Recovery Service.

⁶ NOTE that the consultant relied on the status quo assessment (SQA) as it was contractually agreed that the SQA will be used for the financial recovery plan (FRP) and that limited verification would be required.



achieve this objective, the FRP presents a phased approach to recovery, differentiating between issues to be addressed in the short, medium, and long term. The recovery plan is divided into three distinct but interdependent phases. These include a:

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

50. 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 MEC and the Intervention Team who will be monitored on the progress made in achieving the set targets.

PREPARATION, CONSULTATION AND APPROVAL OF THE MANDATORY FINANCIAL RECOVERY PLAN

PREPARATION

51. In a mandatory intervention, section 141(2) of the MFMA requires that the FRP only be prepared by the MFRS. The status quo assessment was conducted by 4 functional workstreams composed of officials from CoGTA, NT, PT, Provincial CoGTA, SALGA and the relevant sector departments and officials from the Ditsobotla LM.
52. Section 141(3) (b) of the MFMA also requires that any FRP previously prepared for the municipality be considered. In this regard, the 2019 Mandatory FRP will form the basis of this mandatory FRP.



CONSULTATION

53. In preparing this financial recovery plan, the MFMA⁷ requires the MFRS 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.
54. Consultation meetings (in person and virtually) attended by *inter alia* Ditsobotla LM Senior Management, Provincial Treasury, Provincial CoGTA and the South African Local Government Association (SALGA) and sector departments were held on 7 March, 21 April, and 2 May 2023. The MFRS presented on the process and structure of the revised FRP that they were in the process of drafting and the draft documentation was circulated before the workshops and stakeholders that couldn't attend had an opportunity to provide their inputs to the consultation process in writing.
55. The municipality's 5 largest creditors were invited to a consultation workshop held online on 2 May 2023. This workshop was attended by several aggrieved contractors.
56. The municipality's labour representatives were invited to a consultation workshop held online on 2 May 2023. This workshop was attended by representatives from IMATU and SAMWU.
57. National Treasury's MFRS wrote to the Ditsobotla LM on 3 May 2023 to request support to publish the notice in terms of Section 141(3)(c)(ii) of the MFMA and invite the public, including the local community to submit written comments and representations in respect of the Draft FRP.
58. Advertisements were published on social media and in a local newspaper 'Northweester' with circulation in the local municipality on 5 May 2023. Hardcopies of the plan were made available at different locations in the municipality. Written comments were invited to be submitted by 19 May 2023.
59. The MFRS wrote to stakeholders on 5 May 2023 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 21 May 2023. These letters were sent to:
- a) The Provincial Executive Representative, Ditsobotla LM.
 - b) MEC of CoGTA, Northwest Provincial Government.
 - c) MEC of Finance, Northwest Provincial Government.
 - d) Chief Executive Officer, South African Local Government Association.
 - e) IMATU representatives, Local Labour Forum.
 - f) SAMWU representative, Local Labour Forum.
 - g) Eskom Holdings SOC Distribution, Northwest.
 - h) Other major creditors.
 - i) Ngaka Modiri Molema District Municipality.
 - j) Auditor General of South Africa.
60. Further comments were received from one stakeholder and were factored into the final FRP.

APPROVAL

61. This Plan is submitted to the MEC of Finance in North West Province for verification and approval as per Section 143(2) of the MFMA.

IMPLEMENTATION OF THE MANDATORY INTERVENTION AND FINANCIAL RECOVERY PLAN

62. The Provincial Executive Council has exercised its rights in terms of section 139(5) of the Constitution, imposed a

⁷ MFMA: section 141(3)(a).



Mandatory FRP to be prepared by the NT MFRS and appointed a Provincial Executive Representative (PER) to oversee the implementation of the FRP.

63. As 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 in terms of sections 146(1)(a) and (b) of the MFMA.
64. The municipality is also required in terms of section 146(1)(c) of the MFMA to report monthly to the MEC for Finance on the implementation of the FRP. Given that a Provincial Executive Representative (PER) has been deployed, reporting to the MEC for Finance will be done via the PER.
65. It must be emphasised that the strategies set out in this FRP relate to activities that must be institutionalised and performed by various municipal officials, as part of their routine duties and tasks. Those appointed to such positions, even in acting capacities, must be given specific roles and responsibilities, which must be captured in a revised performance agreement. The PER will oversee this process.
66. The Provincial Executive assumed responsibility for the implementation of the plan in terms of section 139(5) (c) of the Constitution and to this end appointed the PER to discharge this responsibility on behalf of the Provincial Executive. The role and powers of the PER are set out in the “*GUIDELINES ON ROLES AND RESPONSIBILITIES FOR KEY IMPLEMENTATION ROLE-PLAYERS DURING SECTION 139 MUNICIPAL INTERVENTIONS*”.
67. The financial resources required to support the implementation of the Plan, will be realised through restructuring of the budget, implementing the revenue collection strategy and revenue enhancement initiatives and a commitment to stringent expenditure controls, with particular emphasis on the elimination of non-essential expenditure, limitations on appointment of staff and non-revenue generating activities. Additional financial support for some projects will be mobilised from stakeholders such as DBSA. Furthermore, the provincial support package will be aligned with the FRP strategies.

MONITORING AND OVERSIGHT OF THE INTERVENTION AND THE FINANCIAL RECOVERY PLAN

The intervention in the Ditsobotla LM will be subject to oversight by a **War Room Oversight Committee** to be established by the HoD (PT), that will direct the intervention, monitor progress, unblock and escalate any political challenges that may hinder the success of this intervention and will report directly to the MECs for Finance and CoGTA in the Province (COGTA) jointly and separately. Mr. Thomas Sigidi, is the newly appointed ‘Provincial Executive Representative’ for Ditsobotla LM as a full-time deployment to Ditsobotla LM. His mandate is to oversee the intervention and implementation of the FRP. Going forward he will also be the point of entry at the municipality.

68. The Political Oversight Committee will direct the intervention, monitor progress, and unblock any political challenges t

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

- a) The HOD: Finance, Northwest (Chairperson).
- b) The HOD: CoGTA, Northwest.
- c) The Provincial Commissioner of Police.
- d) Head: NT MFRS
- e) The Provincial Executive Representative (PER)
- f) The Municipal Manager and his/her senior managers
- g) Representatives from sector to be co-opted, as and when necessary.

70. Mindful of the risk areas identified during the status quo assessment and development of the FRP and its



Implementation Plan for the Ditsobotla LM, it is recommended that the activation of the required FRP activities focus on the following two distinct levels which run in parallel, each with its own implementation team being:

- a) **Strategic level being called the Stability and Sustainability Task Team:** A strategic and tactical team (40 % outsourced and 60% inhouse) to address the stabilisation and sustainability activities related to establishing a soundly governed municipality. This team will be operational for a period of three-years, whereafter the municipal leadership will take over the full responsibility.
- b) **Operational and tactical level being called the Rescue Task Team:** A tactical and operational team (80 % outsourced and 20% inhouse) to address the rescue activities within the municipality, namely the immediate and continuous provision of basic municipal services. This team will be operational for a period of three years, whereafter the capacitated municipal resources appointed through the Stability and Sustainability team will take over the full responsibility.

RISKS ASSOCIATED WITH THE IMPLEMENTATION OF THE FINANCIAL RECOVERY PLAN

71. 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 risk management matrix must be developed by the Provincial Executive Representative.

72. The emerging risks identified, include amongst others:

- a) Lack of political and administrative commitment for the intervention.
- b) Lack of political and administrative support for identified intervention activities.
- c) Severe security and criminality risks, as the level of criminality has manifested itself in the organisational culture and amongst beneficiaries of organised and syndicated crime in the community.
- d) Inadequate internal capacity to implement the intervention activities.
- e) Insufficient communication on intervention activities to ensure commitment.
- f) Labour unrest owing to a lack of suitable communications and change management and resistance to the changes due to any organisational restructuring or realignment and the implementation thereof.
- g) Non-compliance with Human Resources Management laws/policies and inadequate Human Resources Policies.
- h) Excessive staffing costs because of an excessive number of permanent and contract workers as well as so-called 'twinning posts' where there is more than one incumbent per post.
- i) Limited revenue base.
- j) Potential resistance to change by certain internal and external stakeholders.
- k) Community service delivery and other protests.
- l) Loss of grant funding due to non-compliance with grant conditions.
- m) Continued non-collection of revenue and increase in the debtors' book.
- n) Failure to materially control and reduce non-revenue electricity and water losses, which losses will negate the impact of other interventions.
- o) Failure to reverse the trend of under-maintenance and timely replacement of aged infrastructure.
- p) Non-commitment to stringent expenditure controls and non-implementation of the revenue enhancement initiatives.
- q) Inadequate systems of delegation that impact governance, administration, and operational efficiency.
- r) Litigation and SCM challenges.
- s) Inadequate implementation of internal controls.

COMMUNICATION PLAN

73. It is proposed that the Provincial Executive Representative drafts an internal and external communication plan to support effective communication throughout the intervention. The communication plan requires a rethink of



stakeholders and beneficiaries and role-players due to the extent of the mistrust that exists according to reports and the fact that this is yet another intervention. This plan needs to be executed in the context of a change management process.

PART TWO: STATUS QUO

A STATUS QUO ASSESSMENT

74. In this status quo assessment, the following information sources were utilised:

- a) 2020/21 Annual Financial Statements.
- b) AG Management Report 2020/21.
- c) Risk Register.
- d) Quarterly Supply Chain Implementation Report.
- e) IDP 2022- 27.
- f) 2016 Community Survey.
- g) 2022/23 Medium-Term Budget and Performance Assessment Report.
- h) Budget Assumptions and mSCOA funding tool.
- i) MTREF Midterm Budget and Performance Review.
- j) Workstream meetings.
- k) Annual Report 2019/20.
- l) Reporting string summary.
- m) Financial Plan 2021/22.
- n) Internal Audit Plan.
- o) Post Audit Action Plan.
- p) Unauthorised Expenditure, Irregular and Fruitless and Wasteful Expenditure Reduction Strategy.
- q) Grant schedule.
- r) Integrated Waste Management Plan.

Overview of demographics and economy in Ditsobotla Local Municipality

75. One province – the Northwest – has more adults out of work and not looking, than people who are employed, with an unemployment rate of 52.3%. This is closely followed by Limpopo province, which just missed the halfway mark at 49.6%.⁸ This very stark reality provides important context to Ditsobotla's position that requires not only local investment, but more so national and foreign direct investment. Statistics SA reported the unemployment rate at 65% in 2011. This rate correlate with the findings of businesstech.co.za in 2023 in the second and chart and third table below this paragraph.

⁸ https://businesstech.co.za/news/government/669297/the-one-province-in-south-africa-where-more-people-are-unemployed-than-working/?utm_source=newsletter accessed on 2 March 2023

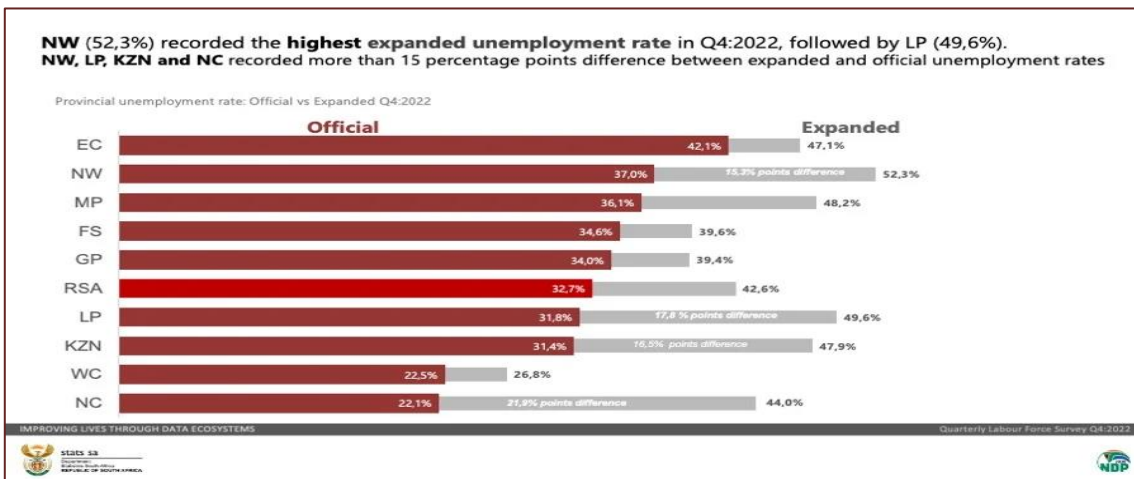
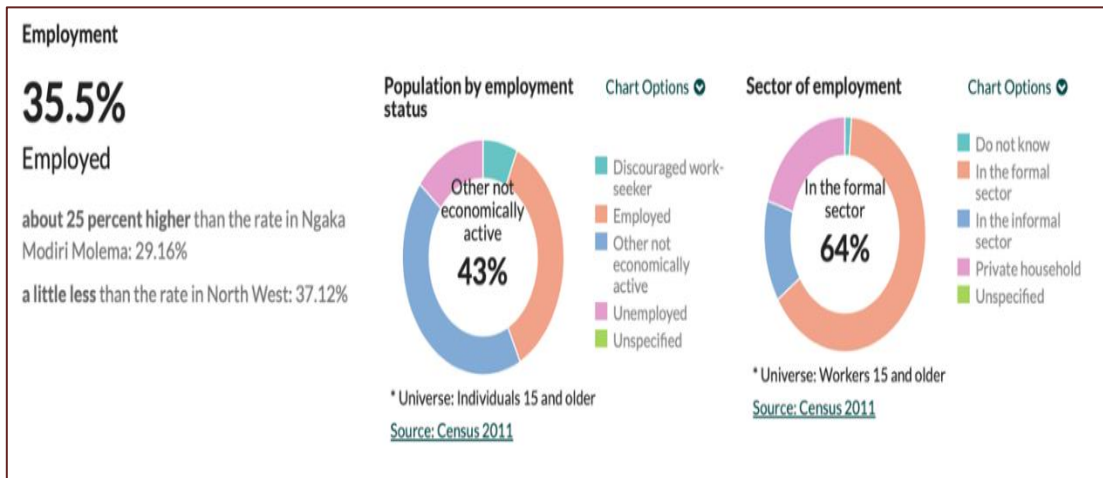
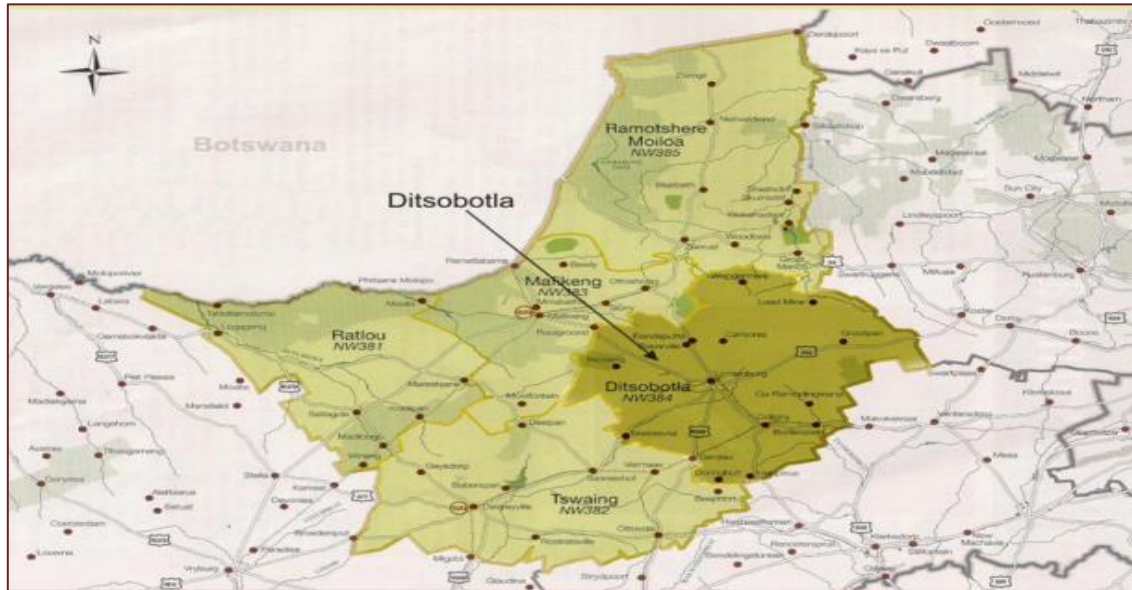


Table E: Unemployment rate by province

	Official unemployment rate					Expanded unemployment rate				
	Oct-Dec 2021	Jul-Sep 2022	Oct-Dec 2022	Qtr-to-qtr change	Year-on-year change	Oct-Dec 2021	Jul-Sep 2022	Oct-Dec 2022	Qtr-to-qtr change	Year-on-year change
	Per cent			Percentage points		Per cent			Percentage points	
South Africa	35,3	32,9	32,7	-0,2	-2,6	46,2	43,1	42,6	-0,5	-3,6
Western Cape	28,0	24,5	22,5	-2,0	-5,5	30,4	29,5	26,8	-2,7	-3,6
Eastern Cape	45,0	42,4	42,1	-0,3	-2,9	53,2	50,6	47,1	-3,5	-6,1
Northern Cape	25,0	26,4	22,1	-4,3	-2,9	50,1	45,9	44,0	-1,9	-6,1
Free State	36,7	33,8	34,6	0,8	-2,1	44,2	40,8	39,6	-1,2	-4,6
KwaZulu-Natal	32,4	30,6	31,4	0,8	-1,0	48,7	46,4	47,9	1,5	-0,8
North West	33,8	39,0	37,0	-2,0	3,2	49,9	53,3	52,3	-1,0	2,4
Gauteng	36,6	33,7	34,0	0,3	-2,6	44,4	39,0	39,4	0,4	-5,0
Mpumalanga	39,7	35,1	36,1	1,0	-3,6	52,4	46,5	48,2	1,7	-4,2
Limpopo	33,9	31,0	31,8	0,8	-2,1	52,8	49,9	49,6	-0,3	-3,2

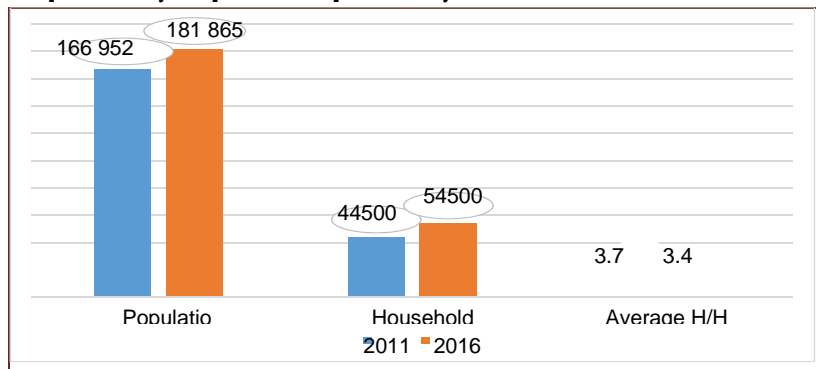
76. Ditsobotla LM is a Category B Municipality, that covers approximately 6 387km², situated in the Ngaka Modiri Molema District of the Northwest Province. The principal towns in the municipality are Lichtenburg and Coligny and four semi-urban areas (townships) of Itsoseng, Tlhabologang, Itekeng and Boikhutso. It is surrounded by a vast number of rural areas (villages) including commercial farming areas. The village composition of the municipality includes among others the following main residential areas: • Bodibe; • Matile; • Springbokpan; • Verdwaal; • Bakerville; • Ga-Motlatla; and • Puffontein.⁹

⁹ <https://municipalities.co.za/overview/1202/ditsobotla-local-municipality> accessed on 28 April 2023



Population & Households Profile

77. The population growth of Ditsobotla LM has shown a steady average growth of 1% between 1996 and 2016. The graph below illustrates this population growth trend. The number of households have increased from a base of 44 500 during 2011 to an estimated 54 500. The average household size has declined from 3.8 to 3.4 family members during the same period. This figure supports the upward trend movement of people migrating from farms to urban centres (Lichtenburg) in search of economic opportunities, employment, and access to services. The annual population change was [1996-2001] +2.51 %/year [2001-2011] +1.36 %/year.¹⁰



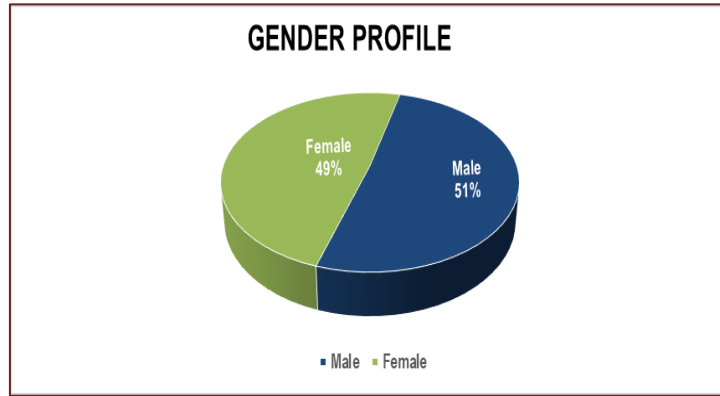
Services

78. The municipality is licensed to provide electricity in the areas of Lichtenburg, Blydeville, and Coligny while the remainder is serviced by Eskom. In terms of the current powers and functions Ngaka Modiri Molema District Municipality is a water services authority and the Ditsobotla LM is a water services provider. The municipality provides all the other basic services in its area of jurisdiction.

Gender Profile

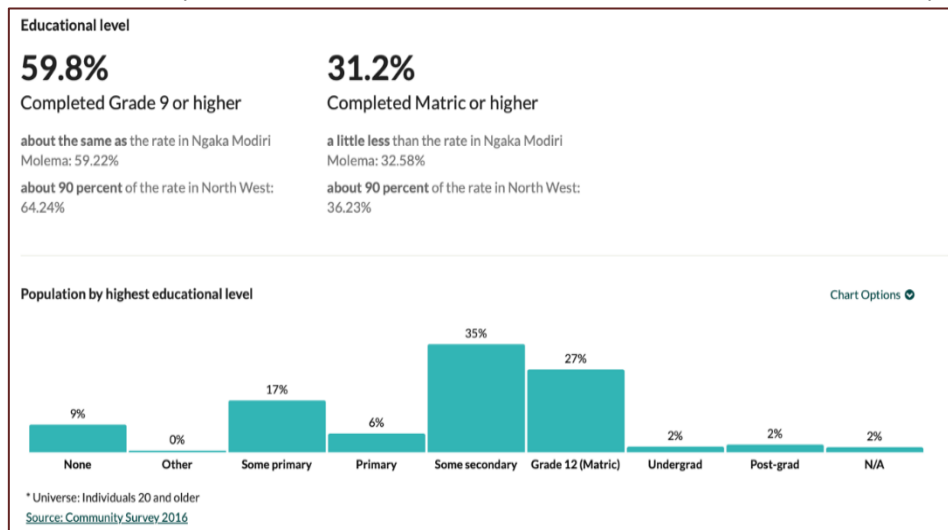
79. According to the Community Survey 2016, Ditsobotla had a population of 181 865 is male dominated municipality with male population is 93 421 compared to a female population of 88 444 people.

¹⁰ <http://population.city/south-africa/ditsobotla/> accessed on 28 April 2023



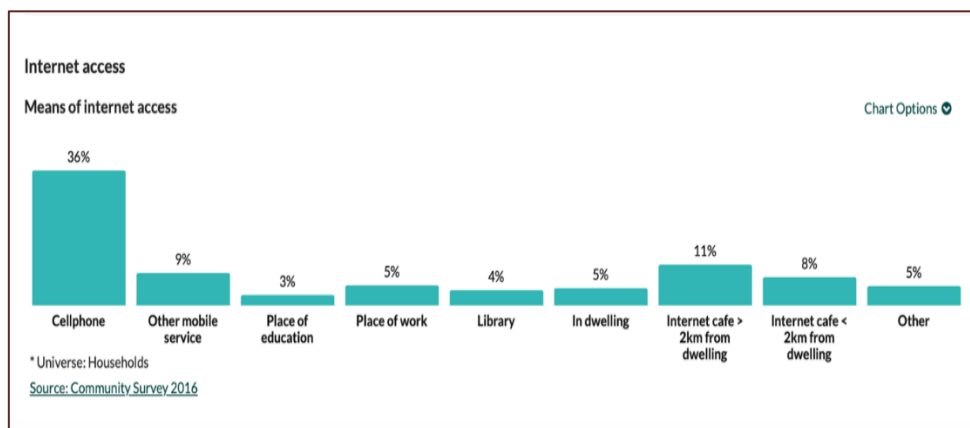
Education Profile

80. The education distribution of Ditsobotla LM reveals low skills and education levels mostly in the rural areas. The highest education and skills levels are concentrated in the urban areas of Lichtenburg and Coligny. Villages often have population that have not had any formal education. As a result of the low rate of formal education, a lot more opportunities for learning should be availed to improve quality of life. Consideration should be given to collaborating with educational facilities and establishing satellite campuses especially if government can sponsor such partnerships with the Ditsobotla community. The 2016 numbers below are dated and could be worse than portrayed.¹¹



81. The authors were involved in projects where access to the internet, if sponsored, influenced job-hunting and even educational opportunities. National government should consider approaching a sponsor for such purposes.

¹¹ <https://municipalities.co.za/demographic/1202/ditsobotla-local-municipality> accessed on 28 April 2023



Economic assessment

82. The table below shows the share of GDP contributed by each sector in Ditsobotla LM during the period 2017/18 as per their annual report. This data is outdated but provides an indication of active economic sectors.¹²

Economic Activity by			
R '000			
Sector	2015/16	2016/17	2017/18
Agric, forestry and fishing	421 628	425 174	413 527
Mining and quarrying	565 322	585 265	639 852
Manufacturing	615 376	587 478	630 692
Wholesale and retail trade	537 413	559 370	595 575
Finance, property, etc.	611 257	673 915	735 147
Govt, community and social services	1 035 588	1 126 023	1 217 580
Infrastructure services	124 120	131 614	141 653
Total	R 3 910 704	R 4 088 839	R 4 374 026

83. The table below indicates that the GDP of the municipality was slightly more than R4 billion during 2017/18. The Community Services (including Government) sector made the biggest contribution with 28% to the economy of Ditsobotla LM.¹³ The second highest GDP contributing sectors in the municipality is that of the finance and property related sector (17%) followed by mining in third place (15%). Manufacturing declined to the fourth place at 14% from 2012 figures and wholesale and retail to 13,6%. Agriculture is stable at 9% in 2017/18 compared to 2012 figures. Infrastructure services are the lowest sector contributing 3% to the GDP.

Economic Employment by Sector			
Sector	Jobs		
	15/16 No.	16/17 No.	17/178N o.
Agric, forestry and fishing	2 713	2 645	2 719
Mining and quarrying	1 027	1 237	1 378
Manufacturing	3 319	3 122	3 251
Wholesale and retail trade	5 595	5 424	5 144
Finance, property, etc.	2 654	2 581	2 642
Govt, community and social services	6 107	5 851	5 693
Infrastructure services	887	832	780
Total	22 302	21 692	21 607

84. The employment figures in the 2017/18 annual report are stated as a total of 21 607 employed across all sectors. Assuming these numbers are correct, the government, community and social services sector contribute the most to the employment in Ditsobotla LM, absorbing more than a quarter (26%) of the local employment.

¹² Annual report 2017/18

¹³ <https://municipalities.co.za/overview/1202/ditsobotla-local-municipality> accessed on 28 April 2023



85. The wholesale and trade industry remains an important economic sector for the municipality, it is an even more important sector in terms of supplying many job opportunities (24%). The following sectors are calculated at: manufacturing (15%), agriculture (13%), financing (12,2%), mining at 6,3% and infrastructure at 4%.
86. It will be important for Ditsobotla LM to align its strategy and recovery plans with all provincial and national recovery plans.

A comparative analysis between the GDP and employment numbers by sector		
Sector	Economic sector contribution	Employment per sector as a percentage and rated from 1 to 7 below.
Community services	28%	26% (1)
Finance and property	17%	12,2 (5)
Mining	15%	6,3% (6)
Manufacturing	14%	15% (3)
Wholesale and retail	13,6%	24% (2)
Agriculture	9%	13% (4)
Infrastructure	3%	4% (7)

Demographic profile summary facts

87. Unemployment in Northwest Province is the highest in the country. Population numbers and households' numbers are increasing whilst family sizes are decreasing, probably due to migration and job searching. The municipality provides an array of services but cannot service its Eskom account due to various issues highlighted. The educational levels and access to the internet are related and require attention. The roll out of free internet zones may improve the educational levels due to hybrid educational models becoming prevalent post-COVID.
88. The economic sector analysis over time shows certain shifts which may assist Ditsobotla LM in policy initiatives to stimulate the sectors which show the most promise of growth and employment. Community services contribute most to the GDP and to employment as per the table above. Wholesale and retail contribute 24% of available employment but only 13,6% of the GDP. The manufacturing industry contributes 15% of the available employment and 14% to the GDP. Agriculture contributes 13% of the available employment and 9% of the GDP. Finance and property contribute 12,2% of the available employment and 17% of the GDP. Mining contributes 6,3% of the available employment and 15% of the GDP. Infrastructure contributes 4% of the available employment and 3% of the GDP. These numbers have changed over time and their trends require detailed analysis as the GDP have shrunk and employment opportunities similarly over the last decade. The numbers reflect an urgent need for investment and growth in all economic sectors which would stimulate a growth in employment opportunities. The fact that certain sectors contribute heavily to the GDP may not necessarily be sustainable as shown by a declining total value of economic activity that declined over several years in addition to a stable increase in inflation.

Status of the Existing Ditsobotla LM Financial Recovery Plan

89. Ditsobotla LM has been experiencing perennial political and administration challenges, which have impacted adversely on governance, financial management and service delivery. The interface between political and administrative leadership is non-existent. There have been rigorous changes in the Municipal Manager's position as well as Senior management positions. This marked the deepening crisis and lack of accountability in the municipal environment. Ineffective oversight continues to prevail due to lack of stability in senior management positions. The Municipality is one of the top ten (10) defaulting municipalities for bulk electricity supplied by Eskom. Eskom debt has been recorded at approximately R 913 million in July 2022. The historical dysfunctionality of Ditsobotla LM contributed greatly to the dire financial state and poor service delivery in the area.
90. The Provincial Government intervened using a discretionary model through section 139(b) of the Constitution. However, the desired results were not obtained due to continued infighting, and malicious use of employees and



community members. ABSA bank and other companies suffered the impact of this effect. Community members lost employment, and this has further adverse implications and has been raised sharply as companies like Clover SA have relocated to another Province. Consumer accounts are mostly disputed, and this has implications for agreed outstanding amounts and therefore affects the issuing of clearance certificates. This negatively affects revenue collection and therefore financial sustainability of the municipality.

91. The above is a clear indication that Council is not effectively playing its role as it cannot unanimously agree on the critical council business. The municipality is vulnerable to abuse of power, which may result in fraud and corruption prevails. The Office of the Auditor General South Africa raised concerns on issues concerning leadership, governance, service delivery, supply chain management, and other, repetitive findings which continue without being corrected. The municipality has a bloated organisational structure from 2016 to 2021, no proper job evaluations were performed, and positions filled were at the general worker level. Notably, the critical positions were not filled, resulting in the organisational structure not being fit for the purpose of the Municipality.
92. The district municipality in this regard is not adequately executing its functions in the water and sanitation business. Ditsobotla LM is facing interruptions in bulk water supply which in turn affects the supply of water to residents. Furthermore, blockages on the bulk sewer treatment plant and main lines create backflows into the households and streets of the municipality. The disjuncture emanates from the service level agreement that is not properly documented between the water services authority and the water service provider. The local municipality takes the financial burden and incurs expenditure for unfunded mandates to repair or maintain the assets belonging to the district.
93. The status quo assessment in terms of section 142 of the MFMA served to identify the root causes of the financial challenges that the municipality is facing. The status quo assessment informs the development of the FRP, which adopts a strategic, focused approach which is time-bound, yet comprehensive enough to ensure that the underlying causes of the crisis are adequately addressed.
94. The status quo assessment focused on the four pillars, (1) Governance, (2) Institutional Development and Human resources, (3) Financial and (4) Service delivery and Infrastructure development. For each pillar, a diagnostic analysis was performed followed by the identification of failures, root causes, and the strategy to remedy the situation.

KEY ISSUES IDENTIFIED

95. The key issues identified from the status quo assessment will be presented in terms of the following 4 municipal sustainability pillars:
 - a) Governance.
 - b) Institutional stability and capability.
 - c) Financial health.
 - d) Service Delivery.
96. Notwithstanding relying on the said status quo assessment provided to the consultants for reliance in preparing the FRP, by not being the author of said report and not having been mandated to conduct a detailed verification, the consulting team cannot accept any ownership or responsibility for the veracity and accuracy of the report. The right has been reserved to make further suggestions and recommendations regarding augmenting the content of the Status quo assessment identified during its own processes in developing and drafting the FRP and Implementation Plan.

GOVERNANCE STATUS QUO ASSESSMENT KEY FINDINGS

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

GOVERNANCE PILLAR



FOCUS AREA	TOP FINDINGS
<p>Governance legislative matters</p>	<ul style="list-style-type: none"> The municipality has a collective executive committee system council in place with the Mayor, Council Whip, and Speaker designated as full-time Councilors and 39 Councilors. New Council members appointed by 15 December 2022. The municipality's council and its committees are not functional. There is administrative instability with weakened oversight of the administration. There are no resolutions register or system to track resolutions. There are perpetual delays in the processing and submission of decisions making on statutory reports. There are municipal accounts of councilors in arrears for more than 90 days and there is no record of councilors' declaration of interest. There is no code of conduct that addresses ethical behavior by councilors. There is no training program for councilors on governance, financial management, code of conduct, and service delivery. There were recent community protests on the provision of water, roads, and sewerage spillages. Office bearers do not observe protocol when requesting information and reports and when issuing directives to the administrative components. There is no institutional annual calendar for council and committee meetings. The municipality has not established and aligned portfolio committees to directorates. MPAC is properly constituted in terms of Section 79 of the Municipal Structures Act and MFMA, but the committee is not effective. Ward committee system is not functional and Council-approved ward committee operational plans were not provided.
<p>Contract management</p>	<ul style="list-style-type: none"> Total contracted services: R 20 742 003. Total expenditure: R609 728 035. The percentage of contracted services against expenditure is 3,4% which is within the acceptable range based on the Treasury norm. The Municipality does not compile monthly performance monitoring reports on contracts. Although the Municipality compiled a list of goods and services regularly procured, the method of procurement is lacking. The municipality has a contract register; however, it is not updated with the latest contracts. It appears that no evergreen contracts are in place. Contract extensions are not following proper SCM procedures. A contract management committee was established but is not functional. A contract management framework is in place. This framework was developed by Provincial Treasury for use by the whole district, however, there is no evidence that this framework was formally adopted by the Council.
<p>Litigation and contingent liabilities</p>	<ul style="list-style-type: none"> The municipality has a huge contingent liability potential exposure of about R84 million. Ongoing high levels of litigation, mostly against the Municipality, increasing its exposure. There is a persistent failure to pay for services rendered = 85% of contingent liability exposure. The Municipality does not have a sound legal division to follow up on litigation cases with the attorneys as well as no proper filing systems in place for legal files. The municipality incurs high professional and consulting costs from litigation cases.
<p>System of delegations</p>	<ul style="list-style-type: none"> The Municipality does not have a system of delegations.
<p>Bylaws and enforcement</p>	<ul style="list-style-type: none"> Most Bylaws are currently at the draft stage. Revenue generation from by-laws is not satisfactory as there is selective enforcement and monitoring. No reporting on revenue generated from enforcement of by-laws. Policies are awaiting review and approval at a Policy workshop that is yet to take place.
<p>UIFW management</p>	<ul style="list-style-type: none"> The municipality's UIF&W is very high. Expenditure identified: <ul style="list-style-type: none"> Unauthorised Expenditure for 2020/21: R61 725 999 and for 2019/20: R 78 77 565 F&W Expenditure for 2020/21: R19 148 746 and for 2019/20: R 54 529 692 Irregular Expenditure for 2020/21: R141 096 758 and for 2019/20: R 19 896 948 Cumulative Values: <ul style="list-style-type: none"> Unauthorised Expenditure: R 203 571 244 F&W Expenditure: R 228 208 518 Irregular Expenditure: R 355 567 932. UIF&W policy still at draft stage. UIF&W reduction plan was approved in Oct 2021 and is not in line with Circular 111.



	<ul style="list-style-type: none"> • MPAC did not put measures in place to investigate UIF&W expenditure. • UIF&W registers are not updated timeously. • No official was subjected to consequence management related to UIF&W expenditure.
Audit action plans	<ul style="list-style-type: none"> • Inadequate implementation of the audit action plan and slow response resulting in poor quality of annual financial statements and negative audit findings. • The municipality has not yet submitted the 2021/2022 AFS. • External audit findings were not addressed by the municipality. • Prior years' issues were not followed up. • The Municipality has an audit plan in place, however, there is a slow movement in the progress of addressing the misstatements identified by AGSA. • No evidence available that there is oversight of the audit committee and the internal audit functions on the action plan.
Risk management	<ul style="list-style-type: none"> • There is no separate risk unit to efficiently carry out the risk management function. • A Risk register was compiled, but it is not regularly updated. • No risk management documents approved for 2022/23. • There is no approved risk management policy, risk management strategy, risk management implementation plan, or risk register. • There is no approved business continuity plan in place.
Powers and functions	<ul style="list-style-type: none"> • The Municipality performs vehicle registration services as well as processing the renewal of licenses and permits on behalf of the Department of Transport. There is an SLA on Vehicle Licensing where the municipality gets 20% of collections. However, the Municipality is currently not receiving licensing fees due to a debt they accrued with the Department of Transport. All collections are currently being paid directly to the Dept. of Transport. • The municipality conducts the following unfunded mandates: Libraries, Vehicle Control, Disaster Management, and Bulk Water and Sanitation Services. Some SLAs are not in place.
Immovable property management	<ul style="list-style-type: none"> • Some Council properties are occupied by Council staff. It could not be ascertained whether they are leased out at market-related rentals. Rentals are deducted from salaries. • There are weak controls in property management. • The Municipality has challenges buying additional unused land as a result of resistance by tribal authorities. • The asset registers of the municipality are not complete and do not contain accurate information regarding donated assets, work in progress, and fully depreciated assets. • The Municipality does not have an updated register of leased assets. • Title deeds of some properties are not in place.
Internal audit	<ul style="list-style-type: none"> • Internal audit is a newly established unit headed by a manager. • The Internal Audit Unit has two vacant positions. • The constant change in management affected the administration, including the signing of administrative documentation. • The Internal audit plan has not been signed and the Charter has not been approved.
ICT	<ul style="list-style-type: none"> • The ICT unit does not have a policy or framework to govern the operations with no ICT steering committee. • The ICT environment has weak internal controls. • The Municipality does not have an approved backup and retention strategy or a disaster recovery plan in place. • Lack of funding to invest in appropriate ICT infrastructure

INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES STATUS QUO ASSESSMENT KEY FINDINGS

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

INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES PILLAR	
FOCUS AREA	TOP FINDINGS



HR admin	<ul style="list-style-type: none"> • All senior positions vacant. • Political Interference in Recruitment and Selection decisions. • Excessive Overtime. • No Code of Conduct and Disciplinary Board. • Outstanding Disciplinary Action and Investigations. • No control system to prevent appointment of ghost employees and or duplication. • No HR Committees. • Lack of a HR Strategy. • Lack of HR Policies and Committees. • Non-compliance with reviewed staff regulations that came into effect on 1/7/22.
HR provision and procurement	<ul style="list-style-type: none"> • MM and Senior Management positions vacant for extended periods. • Lack of Competent Senior Management Staff to support MPAC. • SCM vacancies taking too long to fill. • Capacity issues in Contract Management/ICT functions. • High labour turnover. • Some acting appointments longer than 3 months. • Internal audit not fully independent and capacitated.
Organisational structure	<ul style="list-style-type: none"> • Structure not focused on service delivery and was reviewed internally in Oct 21 with no JDs and or Professional Job Evaluation and Grading of Posts. • No provision for sufficient Contract Management function. • No Performance and Project Management Unit. • Insufficient SCM capacity. • High employee cost. • Outsourcing of meter reading function impacts on revenue enhancement. • No property management function. • Inadequate staff for ICT function. • No legal department. • No risk department.
Training	<ul style="list-style-type: none"> • Operational staff not qualified or trained to treat water operations. • Lack of contract management skills. • No training and development strategy. • Lack of understanding and skills re SCM (Councilors and Management). • Lack of Management and Leadership Skills and Competencies. • No processes in place to deal with skills transfer from Consultants and Contractors to internal Management and Staff.
HR utilisation and productivity	<ul style="list-style-type: none"> • The high number of officials suspended indicates an ethics and conduct crisis within the organisation. • Financial Misconduct and other offenses not being investigated and pursued. • Resistance to change from Politicians, Management, Staff, and other stakeholders like for example the Unions. • No Performance Management System. • No SOPs and Working Instructions for Operational Staff. • Overall Performance Results reflect a 46 % under-performance caused by Admin and financial constraints.
Safety and security	<ul style="list-style-type: none"> • Cases reported not followed up or allegedly being ignored. There appears to be a high threat level aimed at employees coming to work or occupying positions that are strategic or possess power. The term "rent a crowd" was used to illustrate the way people are intimidated and ousted to leave positions rather than losing lives or family. The buildings where staff work should be safeguarded and staff with high threat levels should be protected around the clock. We were also told that the presence of dangerous weapons such as knives, pangas and pepper spray are common practice, and it appears to be in the hands of those that intimidate staff.
Ethical and criminal matters	<ul style="list-style-type: none"> • Existence of duplicate staff appointments, ghost workers, intimidation, threats, collusion, irregular, fruitless, wasteful, and unauthorised expenditure.
Best practices, SOPs, and policies	<ul style="list-style-type: none"> • The lack of best practices, SOPs or policies could be due to the destructive behaviour of staff and aggravators alike.



Controls	<ul style="list-style-type: none"> The importance of time and attendance and putting in place a system to protect the employer and employees. Currently the system is compromised and not working at all.
Capacity	<ul style="list-style-type: none"> The need to train and develop cannot be overemphasized.
Staff Wellness	<ul style="list-style-type: none"> The level of trauma that staff may be suffering from would requiring wellness interventions.
Monitoring and evaluation	<ul style="list-style-type: none"> A compliant organisational and individual performance management system is required.
Community trust	<ul style="list-style-type: none"> Community does not trust the elected and appointed officials

FINANCIAL MANAGEMENT

99. Ditsobotla LM is faced with severe liquidity challenges. The financial difficulties are compounded as financial information is not credible nor complete and supporting documentation is often found wanting. This is epitomized by the fact that the municipality was unable to compile and submit Annual Financial Statements for the 2021/22 financial year and is still struggling to generate accurate information from the financial system.
100. The municipality has significant creditors balances, estimated to exceed R1,49bn by the end of 2022/23, which is growing exponentially with no viable mitigation measures in place. The inability to pay creditors is exacerbated by a breakdown in revenue generation and/or collection and the complete lack of oversight over the revenue value chain which is the lifeblood of the municipality. This has led to an estimated cash shortfall of around R1,42bn on 30 June 2023.
101. The lack of a financial plan in terms of a credible, realistic MTREF budget. The municipality has continuously adopted unfunded budgets over the last few years. Additionally, budget amounts are escalated based on inflation targets and do not closely resemble actual results. This is further compounded by the lack of credible and reliable information required to make accurate and reasonable projections.
102. Lack of management and oversight over the entire revenue value chain which includes, but is not limited to:
- a) Approval of tariffs that are not reflective of the costs of delivering the service.
 - b) Poor meter management leads to consumers not being billed for consumption.
 - c) Inaccurate billing due to financial system complications and/or incomplete input data.
 - d) Inability to implement effective debt collection practices.
 - e) Poor credit control and indigent management processes.
 - f) Over-reliance on government grants and subsidies.
103. Insufficient planning and budget for maintenance of critical service delivery assets and ageing infrastructure is contributing to rapid deterioration of the municipality’s already frail infrastructure and poses a risk to the municipality’s revenue generation capabilities.
104. The financial challenge in the municipality stems from various inefficiencies which should be viewed and evaluated holistically to enable sustainable financial recovery. The financial difficulties in Ditsobotla LM are impacted by a combination of factors, inclusive of the additional observations from the FRP consultants, including:

FINANCIAL SERVICES PILLAR	
FOCUS AREA	TOP FINDINGS
Funded budget and budget parameters Budget related policies	<ul style="list-style-type: none"> The municipality’s 2022/23 Budget is significantly unfunded after all the municipality’s liabilities are considered. The municipality applies incremental budgeting, with no needs analysis for proposed projects. Ineffective planning and budgetary control measures has led to a budget which is not credible not realistic.



	<ul style="list-style-type: none"> The revenue baseline of the municipality is insufficient to cover the operating costs. This is due to low collection rates and negative cash flows. Inability to pay long outstanding creditors. Payment arrangement for creditors not concluded. The revenue baseline of the municipality is insufficient to cover operating costs. This is due to low collection rates and negative cash flows. Budget-related policies not updated/not in place. The municipality has not updated/approved budget-related policies including the tariff policy, rates policy, credit control and debt collection policy.
Revenue management value chain/revenue raising measures (revenue targets)	<ul style="list-style-type: none"> Contractors accessing the municipal property and digging streets are unregulated (no way leave policy). Revenue Overall collection rate has been very low and for 2020/21 financial year was 46%. Incorrect tariffs linked income types (services and rates) leading to incorrect billing. Valuation roll does not reconcile to the billing system. Lack of capacity to read meters by skilled meter readers internally and consumers billed estimates. Readings based on units send in by consumers. Not all consumers are metered and there are unknown consumers. Meters do not comply with Token Identifier (TID) requirements which creates a risk that tokens may be used more than once. Billing reconciliations not performed between the billing system and trial balance (including prepaid services) Incomplete/inaccurate meter readings due to faulty/broken meters. No policy for maintenance or to prevent tampering. Lack of water and electricity meters. Vandalism of older existing meters for brass content. Illegal connections and/or unmetered losses. All electricity-related services are performed by a service provider, Cigicel. This includes installation of the meters, monthly billing, and ultimately the recovery of electricity charges. The Service provider handles all electricity-related issues, and the municipality has limited control and oversight over the process. The municipality has moved to a new service provider and is encountering significant limitations with regard to the billing of consumers. Failure to implement billing control procedures. Per 2020/21 AFS a claim R 27 000 000 against the municipality by the previous service provider for loss of income that assisted with billing and credit control.
Customer care and data accuracy	<ul style="list-style-type: none"> No customer care
Cost-reflective tariffs	<ul style="list-style-type: none"> The tariffs for all income items are based on CPI increase. The cost per division is not considered (for example water, electricity There are no calculations/schedules to support the base of tariff rates whether done in the current year or in the previous years to indicate how the operational costs per division of the municipality were factored into the tariff setting exercise. Year-on-year tariff adjustments with no substantive justification (an increase of 4.8% as 22/23 budget on all items except electricity that increased with approved NERSA tariff). Final tariffs were not approved and published as oversight of the Accounting Officer and council. No tariff policy. Lack of understanding of employees on budget procedures and tariff setting
Indigent management	<ul style="list-style-type: none"> No verification of indigent debtors performed or approved indigent policy.
SCM compliance and value for money	<ul style="list-style-type: none"> Lack of capacity and lack of competency of remaining officials. The SCM unit is functional and currently consists of nine officials however there is a concern with regards to the competence levels of the staff members. Members in units include SCM clerks, due to vacancies issues and oversight of the Accounting officer to appoint competent officials. SCM Committees not properly functional, due to change management. No reasonable procurement plan in place Outdated SCM related policies Poor contract management



<p>Cost containment and realistic cash flow management</p>	<ul style="list-style-type: none"> • No cost containment policy in place. This is reflected per observations below: <ul style="list-style-type: none"> • High reliance on government grants. Per 2020/21 AFS grants revenue is 33% of total revenue • High-employee related cost - Per 2020/21 AFS employee cost 32% of total expenditure • High expenditure for security services - Per 2020/21 AFS R19 372 530 • High consultancy fees - Per 2020/21 AFS R28 449 648 • Non-payment of SALGA fees - Per 2020/21 AFS balance of R9 355 332 outstanding • Cash flow management committee not in place • Excessive overtime due to non-filling of critical vacancies and a lack of internal controls to manage overtime
<p>Financial control environment</p>	<ul style="list-style-type: none"> • Weak internal control environment • Leadership did not adequately oversee the internal control environment evidenced by repeated findings during audit. <ul style="list-style-type: none"> • Leadership did not adequately oversee the internal control environment evidenced by repeated findings during audit. • No progress in respect of financial disciplines relating to the daily, weekly, and monthly reconciliation. • Risk management activities were not adequately designed or implemented to mitigate high and/or pervasive risks of material misstatement." • The municipality is understaffed due to the high labour turnover in critical finance roles. Lack of capacity in the BTO office, the Accounting officer and those charged with governance. Overall lack of skill and competence. • Over reliance on consultants. Consultants are contracted for critical finance functions without proper performance monitoring. • System migration challenges from EMS to Sage have affected billing and reporting since 2020. • Some key finance related policies not in place and/or are outdated. • Poor records management due to financial system challenges which has led to successive disclaimer of opinions by AGSA
<p>MFMA circular 71 financial ratio analysis against set norms</p>	<ul style="list-style-type: none"> • Repairs and maintenance below the norm of 8% of the value of Property, Plant and equipment and Investment Property • Debtors recovery rate is significantly below the norm of 95%. This is further exacerbated by the billing complications. • Significant increase in average debtors days • No bad debts written off during the 2021 or 2022 financial years. • Creditors payment period (1054 days) is increasing and is significantly more than the norm of 30 days. • Remuneration of employees and councillors are within the norm of 25%-40%, but a lack of skills and/or competence in virtually all areas indicating a bloated/ineffective organisational structure
<p>Financial reporting and AFS preparation</p>	<ul style="list-style-type: none"> • No information available on 21/22 AFS and audit opinion (go muni or website) • 2021/2022 - No information available. Financial statements for 2021/2022 was not submitted. • 2020/2021 - No information available • 2019/2020 - Disclaimer • The financial statements are not submitted by the municipality within the required timeframe. • Over-reliance on consultants to perform the reporting function. This is due to a lack of capacity, skills, and competence to carry out the financial reporting function and a complete lack of oversight. • Delays in closing off the financial system at year end. The poor state of the records makes it difficult to compile financial statements within stipulated timeframes. • No internal audit unit to review financial statements before submission. • The underlying financial records for financial reporting affected by IT systems billing challenges. The impact of these challenges is pervasive and, if uncorrected, will inevitably lead to disclaimer of audit opinions
<p>mSCOA implementation</p>	<ul style="list-style-type: none"> • Non-adherence to MSCOA legislation. <ul style="list-style-type: none"> • No functional Steering committee for MSCOA implementation • No mSCOA Road Map developed. • Data Strings not credible"



	<ul style="list-style-type: none"> The municipality does not fully use of mSCOA modules on all business processes
Debtors' management and indigent management	<ul style="list-style-type: none"> Due to non-delivery of services, debtors are not paying their account. The debtor's book could be significantly overstated and could require further write offs which management have not affected. Proper reconciliations not performed between the age analysis and statement. Municipality has weak controls in debtor's management. Interest is not being charged on all accounts in arrears as required by section 64(2)(g) of the MFMA. No follow ups made on long outstanding debts. Collection rate. Collection rate improved from 19% in 2019/20 to 46% in 2020/21. This is however significantly below Treasury's benchmark of 95%. Disputes over ownership of land and properties which affects collection of debts from properties rates. Failure to implement procedures for debt collection. Per 2020/21 AFS a claim R44 000 000 against the municipality by previous service provider for loss of income that assisted with debt collection. Outstanding debt of councillors (more 90 days) and government institutions (more than 30 days) in contravention of the MSA and MFMA." Established culture of non-payment. Poor public perception due to a lack of service delivery over an extended period affecting the consumers appetite to pay. Ineffective billing system and increase in debtor days. Due to incorrect billing/system errors/skilled meter readers, the municipality is facing a challenge in making follow ups with its customers who always dispute amounts billed.
Expenditure management	<ul style="list-style-type: none"> No grant management policy in place, to prevent the misuse of funds. Non-payment of services within 30 days of receipt of the invoice as required by the MFMA. (resulting in interest levied - per 20/21 AFS R19 148 508) Creditors days increased from 954 days in 2019/20 to 1054 days in 2020/21 which means the Municipality is taking a very long time to settle amounts owed. Overpayment of suppliers due to poor controls based on previous audit report. No payment arrangement with biggest creditors - Eskom. No reconciliation of account/proper record keeping as per previous audit. (Expenditure per 20/21 AFS - R146 673 487)
Asset management	<ul style="list-style-type: none"> Misappropriation of assets due to lack of controls and a standalone asset management division (capacity); for example, building projects reported as completed could not be identified during physical verification. Poor record keeping of information. No up-to-date asset management policy No fleet management plan to ensure efficient service delivery
Cash management	<ul style="list-style-type: none"> Irregular payments made from the bank accounts, as not approved by authorised officials. Poor record keeping of information as per previous audit report (19/20).
Unauthorised, Fruitless and Wasteful Expenditure (UIF&W)	<p>Significant UIF&W per 2020/21 AFS</p> <ul style="list-style-type: none"> Irregular: R355 567 932 Unauthorised: R203 571 244 Fruitless & wasteful: R228 208 518 Deviations: R8 136 845 Purchases made from suppliers from which officials are not independent. Poor contract management. The contract register is not regularly updated with details of all suppliers, contract term and payment made, leading to irregular or fruitless and wasteful expenditure. MPAC did not put measures in place to investigate UIF&W expenditure, as the MPAC committee is dysfunctional

Brief Financial Analysis

105. The analysis of financial information is very limited due to the lack of reliable information. The municipality could not compile Annual Financial Statements for the 2021/22 financial year timeously and is still experiencing severe challenges with the financial system. This means that the latest audited Annual Financial Statements available relate to the 2020/21 financial year for which the municipality received a disclaimer of audit opinion from the Auditor-General.



The number of consecutive disclaimer findings by the AG speaks for itself.

Summary of MTREF 2022/23 Budget Status

Table A1: Summary of the A4 Budgeted Financial Performance for the past five (05) budget years.

Description	2018/19	2019/20	2020/21	2021/22	2022/23
Total Revenue (excluding capital transfers and contributions)	516 137	578 280	605 621	629 212	584 888
Total Expenditure	511 107	931 325	608 009	612 600	616 618
Surplus/(Deficit)	5 030	(353 045)	(2 388)	16 612	(31 730)

106. The Municipality budgeted for surpluses in 2018/19 and 2021/22 and a deficit budget in 2019/20, 2020/21 and 2022/23. Although there were surplus budgets in the years stated above the following other factors contributed to the budget being unfunded:

- Recoverable revenue levels are overstated.
- Expenditure items were understated without a clear budget funding plan. This would create a “funded” budget on paper, but results in unrealistic budget amounts which are not practical to implement and in turn, lead to a loss of control over the overall budget.
- Severe cash flow limitations and escalating creditors’ balance. The available cash is not sufficient to cover payment plans entered into with Eskom and the water board.

107. As the budget is clearly unfunded and contains unrealistic balances, the credibility of the budget is compared to the 2020/21 Financial Statements for analysis of the ratios and information contained in the 2022/23 MTREF budgets. The 2020/21 Financial Statements balances are adjusted for inflation (CPI) for the 2 years which was determined to be 4,9% in 2021/22 and 6,9% in 2022/23.

Table A2: Summary of the revenue budget of the Statement Financial Performance compared to 2021 AFS (adjusted for inflation)

Description	Ref	2019/20	2020/21	2021/22	2022/23	2023		
		Restated	Audited Outcome	Ajdstment Budget	Original Budget	2021 adjusted for CPI	Variance R	Variance %
Revenue By Source								
Property rates	2	66,133	68,444	68,165	76,700	76,752	(52)	0%
Service charges - electricity revenue	2	173,154	189,494	170,634	189,380	233,362	(43,982)	23%
Service charges - water revenue	2	122,451	72,894	65,700	69,422	81,742	(12,320)	18%
Service charges - sanitation revenue	2	42,923	42,371	36,200	44,404	47,515	(3,111)	7%
Service charges - refuse revenue	2	9,249	21,011	42,657	22,988	23,561	(573)	2%
Rental of facilities and equipment		1,493	–	565	–	–	–	0%
Interest earned - external investments		–	–	3,000	488	–	488	100%
Interest earned - outstanding debtors		22,068	457	66,286	479	513	(34)	7%
Fines, penalties and forfeits		4,851	3,981	2,400	4,172	4,464	(292)	7%
Licences and permits		1,326	8,482	2,860	8,889	9,512	(623)	7%
Agency services		506	3,126	8,105	3,276	3,505	(229)	7%
Transfers and subsidies		131,462	141,423	151,204	164,467	164,467	–	0%
Other revenue	2	250	441	11,436	222	495	(273)	123%
Gains		–	–	–	–	–	–	0%
Total Revenue (excluding capital transfers and contributions)		575,867	552,125	629,212	584,888	645,887	(60,999)	10%

108. The revenue budget is expected to decline when compared to the 2021 balances, mainly due to the effect of financial system complications relating to the billing function. This is alarming as the municipality is at least expected to achieve the minimum levels of inflation to fund the budget expenditure. The revenue is however cut to accommodate inefficiencies and no action is taken to ensure that revenue targets are achieved.



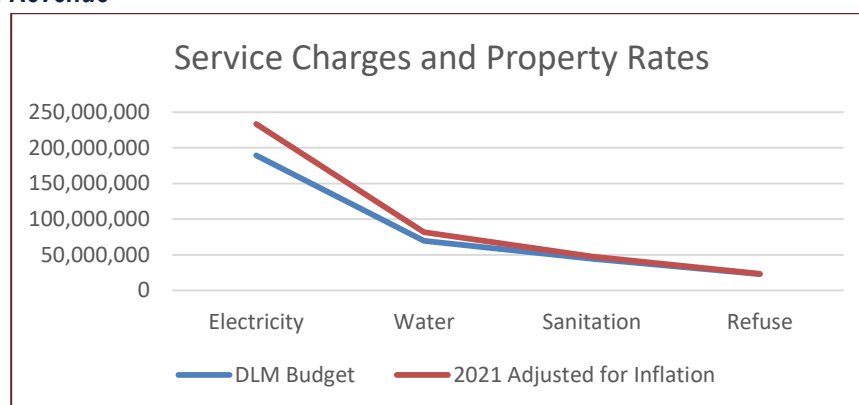
Table A3: Summary of the expenditure budget of the Statement Financial Performance compared to 2021 AFS (adjusted for inflation)

Description	Ref	2019/20	2020/21	2021/22	2022/23	2023		
		Restated	Audited Outcome	Ajdstment Budget	Original Budget	2021 adjusted for CPI	Variance R	Variance %
Expenditure By Type								
Employee related costs	2	186,776	196,956	187,361	205,779	220,863	(15,084)	-7%
Remuneration of councillors		16,282	17,127	18,883	18,000	19,206	(1,206)	-7%
Debt impairment	3	392,805	108,739	163,600	144,000	121,938	22,062	15%
Depreciation & asset impairment	2	34,025	32,740	32,785	32,739	36,714	(3,974)	-12%
Finance charges		60,089	19,149	11,782	11,000	21,473	(10,473)	-95%
Bulk purchases - electricity	2	148,459	151,462	145,694	150,000	186,525	(36,525)	-24%
Inventory consumed	8	-	-	5,200	10,000	-	10,000	100%
Contracted services		15,183	20,742	35,599	35,599	23,260	12,339	35%
Transfers and subsidies		-	-	-	-	-	-	0%
Other expenditure	4, 5	70,578	60,625	10,975	10,000	67,984	(57,984)	-580%
Losses		7,404	2,189	-	-	2,454	(2,454)	100%
Total Expenditure		931,601	609,728	611,880	617,117	700,416	(83,299)	13%

109. Various key expenditure areas are understated to achieve a funded budget. The variance on debt impairment is expected as this balance is not related to the prior year's results and cannot be escalated into the same ratio to create a reliable comparison. Significant variances were however identified on Employee related costs, Bulk purchases, Finance Charges and Other Expenditure which are all cash-related expenses and therefore directly impacts the funded status of the budget and exacerbates the liquidity challenges.

110. All the above indicates a budget which is not credible and cannot provide any guidance as a financial plan.

Table B: Operating Revenue



111. The revenue value chain is under severe strain and is completely dysfunctional. This has led to a complete capitulation of service delivery and an inability to operate efficiently, which is a key contributing factor to the financial challenges of Ditsobotla LM. Revenue growth is stunted based historical trends and budget projections and the decline in billing also directly affects the ability to collect revenue. Ditsobotla LM is also significantly reliant on government grants and subsidies to continue its operations due to the lack of internal revenue generation. Key factors limiting the efficiency of the revenue section is listed above.

Operating expenditure

112. No cost containment measures are implemented to reduce operating expenditure. Cash-related expenditure is cut indiscriminately without due planning and consideration of the impact of such reductions on service delivery and operational requirements.

113. Because no information and/or reports are available for the last 2 financial years, it can reasonably be expected that



actual expenditure would exceed inflation-adjusted levels. The salary bill has continued to rise even though competency and technical skills of officials are not sufficient.

114. Furthermore, losses on electricity purchases have been allowed to escalate at unsustainable rates and contribute significantly to the liquidity challenges of Ditsobotla LM, refer to extract below. If electricity losses are incurred at the same levels of the 2020 and 2021 financial years, it has led to losses in excess of R40million for each financial year.

Table C – Electricity losses

Ratio	Ratio for	Ratio for	Ratio for	Ratio for
	2019/20	2020/21	2021/22	2022/23
	Actual	Actual	Budget	Budget
Electricity Distribution Losses (Percentage)				
Units purchased (Kwh)	114,630,068	111,402,465		
Units sold	(82,888,613)	(80,554,744)		
Losses	31,741,455	30,847,721		
% Electricity Loss	27.7%	27.7%	27.7%	27.7%
Rand Value	39,794,372	40,614,387	40,343,131	41,535,509
Bulk purchases	143,712,113	146,673,487	145,693,883	150,000,000

Table D: Water & Electricity margins & losses

Ratio	Ratio for	Ratio for	Ratio for	Ratio for
	2019/20	2020/21	2021/22	2022/23
	Actual	Actual	Budget	Budget
Net Surplus /Deficit Technical Department				
Total Revenue - Technical	173,154,184	189,494,091	211,487,386	230,780,536
Total Expenditure - Technical	143,712,113	146,673,487	180,811,592	187,462,721
Net Surplus /Deficit Technical Department	17.0%	22.6%	14.5%	18.8%

115. Due to the lack of information, only the disclosure in the Annual Financial Statements and information in the MTREF budgets could be used to assess the water and electricity margins. The Annual financial statements do not disclose sufficient information to determine margins on for water or electricity and limited information is available with regards to water. A basic assessment on electricity using Bulk Purchases as total expenditure and electricity service charges as total revenue, illustrates that the electricity function operates at a loss as margins of 17% and 22% are not sufficient to cover all other costs related to the Electricity service, including employee costs, materials, depreciation etc.

116. When the budget margins are analysed, it shows net surpluses on the technical department, but the credibility of the information cannot be confirmed, given the excessive increase in total revenue of the department compared to the marginal increase in budgeted service charges.

Statement of Financial Position Analysis

117. The budget schedule is only completed for operating revenue, operating expenditure and capital expenditure and very little emphasis is placed on financial position amounts. The budget amounts for current and non-current assets exceeds the 2021 balances significantly mainly due to the unrealistic overstatement of Property, Plant and Equipment budget as shown below.

Table E1: Statement of Financial Position Analysis – Current and non-current assets



Description	Ref	2020/21	2021/22 MTREF	2022/23 MTREF
		Audited Outcome	Ajdustment Budget	Original Budget
R thousand				
ASSETS				
Current assets				
Cash		14,490	44,218	55,714
Call investment deposits	1	–	20,724	–
Consumer debtors	1	400,591	212,972	212,972
Other debtors		75,292	8,348	8,348
Current portion of long-term receivables		–	156,133	156,133
Inventory	2	3,023	(7,407)	(6,551)
Total current assets		493,396	434,988	426,616
Non current assets				
Long-term receivables		–	111,718	111,718
Investment property		122,852	104,569	104,569
Property, plant and equipment	3	911,572	1,302,767	1,301,365
Other non-current assets		507	–	–
Total non current assets		1,034,931	1,519,053	1,517,651
TOTAL ASSETS		1,528,328	1,954,041	1,944,268

118. Even more alarmingly, the current and non-current liabilities are severely understated as illustrated below. Trade and other payables are expected to increase substantially from 2021 due to persistent non-payment, yet the budget amount reflects a significant decrease in the budgeted balances. Similarly, the accumulated surplus budget amount is overstated by around R1,3bn when compared with the 2021 AFS.

Table E3: Statement of Financial Position Analysis – Current and non-current liabilities

Description	Ref	2020/21	2021/22 MTREF	2022/23 MTREF
		Audited Outcome	Ajdustment Budget	Original Budget
R thousand				
LIABILITIES				
Current liabilities				
Consumer deposits		3,587	3,500	3,500
Trade and other payables	4	1,102,507	296,257	326,972
Provisions		15,935	12,416	121,584
Total current liabilities		1,122,029	312,173	452,056
Non current liabilities				
Borrowing		–	–	–
Provisions		49,095	12,416	12,416
Total non current liabilities		49,095	12,416	12,416
TOTAL LIABILITIES		1,171,124	324,590	464,472
NET ASSETS	5	357,204	1,629,452	1,479,796
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)		357,204	1,629,452	1,479,796
Reserves	4	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	357,204	1,629,452	1,479,796

119. The above indicates that the Statement of Financial Position balances are substantially unreliable and is of no value in analysing the actual current financial position of the municipality.

Table F: Cash flow statement



Description	Ref	2020/21	2021/22	2022/23	% increase
		Audited Outcome	Ajdustment Budget	Original Budget	2021 to 2023 2022/23 MTREF
R thousand					
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates		335	29,899	-	
Service charges		111,315	207,884	240,853	60%
Other revenue		-	40,899	-	
Transfers and Subsidies - Operational	1	198,395	171,210	164,467	
Transfers and Subsidies - Capital	1	-	47,475	41,395	
Interest		-	-	-	
Dividends		-	-	-	
Total Receipts		310,046	497,367	446,715	44%
Payments					
Suppliers and employees		(217,274)	(327,268)	(432,268)	
Finance charges		(19,149)	-	-	
Transfers and Grants	1	-	-	-	
Total Payments		(236,422)	(327,268)	(432,268)	83%
NET CASH FROM/(USED) OPERATING ACTIVITIES		73,624	170,100	14,447	

120. Analysis of the cash flow statement also indicated a lack of credibility. Budgeted recovery rates are estimated at 60% which is way above actual results achieved in 2021. Furthermore, total cash receipts are budgeted to increase by around 44% over the 2-year period and total payments are budgeted to increase by 83% over the same period.

121. The budgeted cash balance per cash flow statement also does not agree to the balance in the Statement of Financial Position which indicates that the cash flow is not complete nor accurate and may be misleading.

Analysis of key Financial Ratios

Ratio	Actual Ratio for 2019/20	Actual Ratio for 2020/21	Budget Ratio for 2021/22	Budget Ratio for 2022/23	REMARKS
	Actual	Actual	Budget	Budget	
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%.	4%	11%	7%	6%	Capital expenditure in relation to total expenditure has increased from 4% to 10%. This is mainly a result of a higher capital budget being allocated for the year. Budget amounts are heavily dependent on Grant funding.
Repairs and Maintenance to Property, Plant and Equipment and Investment Property – measures the level of repairs and maintenance to ensure adequate repairs and maintenance to prevent breakdowns and interruptions to services delivery. The norm is 8%.	0.4%	0.5%	0.3%	0.3%	Repairs and Maintenance is significantly below the norm of 8%. Maintenance of key assets are not prioritised. Lack of asset maintenance is leading to infrastructure breakdowns and service delivery limitations. Assets are rapidly deteriorating at an unsustainable rate.
Debtors Management					



Ratio	Actual Ratio for 2019/20	Actual Ratio for 2020/21	Budget Ratio for 2021/22	Budget Ratio for 2022/23	REMARKS
Annual Collection Rate - indicates the level of payments by debtors as a percentage of revenue billed on credit. The norm is 95%.	13%	46%	Not measurable	Not measurable	The municipality had challenges in 2020/21 because of a financial system changeover which resulted in them not billing correctly for part of the year adversely affecting the billing and recovery of revenue. Revenue collection is the lifeblood of the municipality. The prolonged underperformance to this extent is another key contributor to the severe financial challenges.
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%.	0%	0%	Not measurable	Not measurable	No bad debts were written off over the two years under review and no write-offs are included in the budget. This is an indication of a lack of adequate debtors management and debt collection.
Debtors Management Net Debtors Days – indicates the average number of days taken for debtors to pay their accounts. The norm is 30 days.	255 Days	359 Days	Not measurable	Not measurable	Debtors days are significantly above the norm of 30 days. With debtors taking an average of 255 days (2019/20) and 359 (2020/21) days to settle accounts, signifying an 41% increase. Using the same ratio, Debtors days are expected to increase to 506 days in 2021/22 and 712 days in 2022/23. Escalating debtors' days is of great concern reflecting that debtors management is not prioritised. The inability to collect outstanding amounts is a major contributor to the severe financial challenges.
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 1-3 months	-0.19 Months	0.17 Months	1.28 Months	0.39 Months	The ratio is significantly less than the benchmark of 1 month indicating that the municipality is unable to fund monthly operational expenditure and continue to provide services. The budget ratio for 2021/22 shows improvement, but is based on budgeted cash balances which is not credible and indicates a significantly unrealistic increase in cash balance.
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.	0.38	0.44	1.39	0.94	Current ratio is below norm. The budget ratios are not credible or reliable as the full extent of payables balances are not reflected. Unmitigated increase in current liabilities driven by the increasing payables balances and non-collection of debtors means that the ratio is expected to decline further if action is not taken imminently.
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. The norm is 6% - 8%	N/A	N/A	N/A	N/A	Municipality has does not have external borrowings



Ratio	Actual Ratio for 2019/20	Actual Ratio for 2020/21	Budget Ratio for 2021/22	Budget Ratio for 2022/23	REMARKS
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%.	N/A	N/A	N/A	N/A	Municipality has does not have external borrowings
Efficiency					
Net Operating Surplus Margin - measures the net surplus or deficit as a percentage of revenue. The norm is > 0%	-52%	1%	3%	-6%	Municipality had a Net Operating Deficit in 2019/20 and minimal surplus in 2020/21. One of the factors contributing to a significant improvement was the decrease in debt impairment recognised for consumer debtors in 2020/21 compared to the prior year. The budget for 2021/22 indicates another surplus whereas 2022/23 budget indicates a deficit predominantly due to lower revenue levels expected.
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 because of losses incurred. The norm is 7% - 10%	28%	28%	Not measurable	Not measurable	Distribution losses are above the norm indicating a lack of control over and safeguarding of electricity distribution. Electricity losses is result of illegal connections, unmetered connections and a dilapidated electricity network. The estimated rand value is in excess of R40 million per year and may be the single biggest contributor to unmitigated increases in the Eskom debt. These losses are over and above the impact of poor debt collection of billed amounts.
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 because of losses. The norm is 15% - 30%.	N/A	N/A	N/A	N/A	No disclosure of water losses in the Annual Financial Statements as required in section 125 of the MFMA.
Revenue Management					
Revenue Growth (%) - measures the growth in revenue year on year. The norm is at the rate of CPI - CPI 2019/20 (4.1%)—MFMA Circular 107 CPI 2020/21 (2.9%)—MFMA Circular 115 CPI 2021/22 (4.9%)—MFMA Circular 123 CPI 2022/23 (6.9%)—MFMA Circular 123	8%	0%	9%	-8%	Revenue was above CPI in 2019/20 theoretically reflecting growth which may not be a true reflection as CPI was very low owing to strict lockdown restrictions. No revenue growth was recorded in 2020/21 and a decline in revenue is expected in 2022/23. The 2021/22 budget shows a 9% growth rate, but further inspection of the budget schedule indicates that this is due to overinflation of interest on receivables (>R60 million) and External investments (>R3 million). Actual revenue growth is therefore below the norm.
Revenue Growth (%) - Excluding Capital Grants Measures the growth in revenue excluding capital grants year on year. The norm is > 5%.	9%	-4%	12%	-8%	Similar to overall revenue growth, the growth in revenue excluding capital grants is also below the norm and 2021/22 budget amounts are skewed due to overinflation of interest income.



Ratio	Actual Ratio for 2019/20	Actual Ratio for 2020/21	Budget Ratio for 2021/22	Budget Ratio for 2022/23	REMARKS
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.	834 Days	1013 Days	Not measurable	Not measurable	The municipality's ratio is significantly above the norm. Delayed payment of creditors increases risk that suppliers of service providers withdraw their service or provision of goods which will disrupt service delivery. This is also an indication of liquidity challenges which the municipality is facing. If the same increase ratio as 2020 and 2021 is used, it is expected that creditors days will increase to 1231 for 2021/22 and 1496 for 2022/23. Non-compliance with MFMA regulations that requires creditors be paid within 30 days of invoices.
Irregular, Fruitless and Wasteful and Unauthorized Expenditure to Total Expenditure – this ratio measures the extent of irregular, fruitless and wasteful and unauthorized expenditure to total expenditure. The norm is 0%.	11%	36%	Not measurable	Not measurable	The municipality's ratio for the 2 financial years in review is significantly above the norm. Only the expenditure for the year was considered rather than the cumulative balance. This indicates weaknesses within the municipality's SCM processes, non-compliance with procurement regulations, significant payments made in vain and overspending of the approved budget. The municipality must investigate all instances of this Unauthorised, Fruitless and Wasteful Expenditure in line with its policies and 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%.	21.8%	35.1%	33.7%	36.3%	Remuneration as a percentage of Total Operating Expenditure has been within the norm for the 2 years in review. Although within the norm, the results are on the high-end given the municipality's limited administrative obligations in relation to the service delivery mandates. Various focus areas have also highlighted that required competencies and skills are often not maintained in-house, therefore the ratio may be misguided as filling of positions is still not sufficient in terms of the skills and competency needs of the municipality.
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%.	3.8%	8.1%	5.8%	5.8%	Contracted services for 2019/20 are within the norm, but non-implementation of mSCOA indicates that not all contracted services are classified and subsequently recognised under the appropriate headings. Notwithstanding, contracted Services for 2020/21 and the budget for 2021/22 and 2022/23 are still above the norm and must be limited in terms of Cost containment measures. Actual results may significantly exceed the budgeted amounts.
Budget Implementation					
Capital Budget Implementation Indicator The norm is 95% to 100%	Not measurable	Not measurable	Not measurable	Not measurable	Insufficient information to calculate ratio
Operating Expenditure Budget Implementation Indicator The norm is 95% to 100%	148%	107%	Not measurable	Not measurable	There has been overspending on operating expenditure for the 2 years in review. This is an indication of poor financial management and budgeting implementation.



Ratio	Actual Ratio for 2019/20	Actual Ratio for 2020/21	Budget Ratio for 2021/22	Budget Ratio for 2022/23	REMARKS
Operating Revenue Budget Implementation Indicator The norm is 95% to 100%	108%	109%	Not measurable	Not measurable	Actual revenue of the municipality is in excess of the budget amounts indicating poor budgeting principles and a lack of monitoring and/or implementation of the budget.
Billed Revenue Budget Implementation Indicator The norm is 95% to 100%	116%	133%	Not measurable	Not measurable	Actual billed revenue significantly exceeds the budget amounts. This is due to a significantly lower revenue budget as per budget comparison in the 2021 Annual Financial Statements. The budget is not used as an effective financial management tool.

SERVICE DELIVERY

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

SERVICE DELIVERY PILLAR	
FOCUS AREA	TOP FINDINGS
Spatial Development Framework (SDF) and Masterplans	<ul style="list-style-type: none"> A spatial vision was formulated for the municipality to guide future spatial planning in the area. The municipality has developed the SDF and has gazetted it. The Land tribunal is in the process of being established in line with SPLUMA. The land use management scheme is not yet amended. No GIS system is in place because of funding. No Urban Renewal Plan in place The municipality needs to have several Masterplans, policies, and by-laws in place. The municipality needs to have all the relevant by-laws in place, including fines for enforcement of the by-laws. The key plans with associated policies and by-laws that need to be in place are: <ul style="list-style-type: none"> Integrated Infrastructure Asset Management Plan (a planning guide for service delivery) Water Service Delivery Plan (mandatory as stipulated in the Water Services Act) Water Conservation and Water Demand Management Plan (mandatory as stipulated in the Water Services Act, to compile bylaws for the provision of water services) Fleet Management Plan (a guide to ensure alignment with the Fleet Policy) Roads and Stormwater Masterplan (a planning guide and critical component of the IDP and SDF) Water and Sanitation Masterplan (a planning guide and critical component of the IDP and SDF) Electricity Masterplan (a planning guide and critical component of the IDP and SDF) Integrated Transport Plan (a planning guide that identifies challenges in the transport system) Integrated Waste Management Plan (mandatory as stipulated in the Waste Act).
Capital and Grant Funded Projects	<ul style="list-style-type: none"> There is underspending on capital projects because of administrative challenges. An investigation is underway by the Municipality for alleged misconduct of INEP grant funds and is due to be complete by August 2022 (no dates or signature on the plan submitted). Notification of intention to withhold Equitable Share and other Grants was issued by Treasury because of persistent and material non-compliance with legislation.
Asset Management	<ul style="list-style-type: none"> The municipality has no approved Asset Management Policy. Poor asset management practices. Limited management of assets based on conditional assessments on asset register. No maintenance management plans. The municipality has water meters that are old, damaged, and not readable leading to a loss of revenue. Inability to supply and install meters in all households.



	<ul style="list-style-type: none"> The municipality has a shortage of maintenance equipment which makes it more challenging to maintain water and electricity infrastructure. Lack of monitoring and proper record keeping on projects completed and still work in progress. Lack of monitoring and proper record keeping on land, buildings, and infrastructure owned by the municipality.
Loss control - water	<ul style="list-style-type: none"> Losses are not recorded or quantified by the Municipality. Bulk water losses occur during distribution because of infrastructure challenges. Water losses occur due to old water pipes (AC pipes) and damaged water meters.
Loss control - electricity	<ul style="list-style-type: none"> The municipality is licensed to provide electricity at Lichtenburg, Blydeville, and Coligny. The remainder of the electricity is provided by Eskom. The total electricity infrastructure for Lichtenburg and Coligny areas needs urgent upgrading as it experiences maximum demand problems. The municipality is facing challenges of burning cables, circuit breakers, transformers, and switchgear due to overloading. The municipality is facing illegal connections, and faulty meters resulting in high consumption making it a challenge to bill customers. Use of fake electricity coupons by the community.
Bulk meters	<ul style="list-style-type: none"> The Municipality has old and insufficient bulk meters causing water and electricity losses. The municipality is unable to account for the amount of water it purchases. Bulk meters in the outlet points of the network have aged and are already dysfunctional.
Non-technical losses due to meter tampering, illegal connections	<ul style="list-style-type: none"> Electricity and water losses due to illegal connections. Electricity and water losses due to by-passed connections. Management of prepaid electricity is completely outsourced to a service provider and there is minimal monitoring by the municipality. Inadequate fleet for the technical department.
Unmetered consumption/ SMART meters	<ul style="list-style-type: none"> No meters are installed in some of the areas. No information was provided on whether audits are performed or not. Loss of revenue due to the unreachability of meters in certain areas.
Performance Management	<ul style="list-style-type: none"> Challenges in accurately measuring and reporting performance in service delivery. The use of the municipal asset register for condition assessment of its infrastructure to adequately plan maintenance using limited resources. Lack of an Integrated Infrastructure Delivery Management System. <ul style="list-style-type: none"> Lack of Standard Operating Procedures (SOP). Failure to identify technical challenges including conditional assessment of assets from the Fixed Asset Register early enough to avoid disrupting service delivery.
Revenue Improvement	<ul style="list-style-type: none"> The municipality has no Wayleave policy and regulations and implementation thereof. Lack of implementation of Wayleave policy and imposition of rates and tariffs The lack of Wayleave policy results in damage by contractors accessing municipal properties and digging streets unregulated and not paying the municipality for damages. The overall revenue collection rate has been very low and for 2020/2021 financial year at 46%. The collection rate for service charges for 2020/21 was 48% and is also well below the ideal level.
Waste and Refuse Removal / Solid Waste Infrastructure	<ul style="list-style-type: none"> Collection of waste both domestic and industrial is done weekly. The situation in Itsoseng is receiving attention as waste is collected by a private contractor on a month-to-month basis. The municipality also has to extend the service to rural areas as such several innovations are being explored. The municipality has four landfill sites, zero transfer stations, and zero material recovery facilities. Three landfill sites (Itsoseng, Tlhabologang & Biesiesvlei) are not functioning and issued waste management licenses for closure and rehabilitation.



	<ul style="list-style-type: none"> Coligny and Lichtenburg landfill has not been maintained properly and both are not compliant with regulations for landfill sites. Unlicensed landfill sites. Lack of follow-through on compliance with laws and regulations by management. Lack of follow-through on finalisation, approval, and implementation of By-laws. Poor landfill management and failure to properly maintain landfill sites. Landfill site's useful lives are not monitored. Lack of funding to rehabilitate dysfunctional landfill sites. Landfill sites are not properly secured and safeguarded. There is unrestricted access by the public. Inadequate equipment to service waste removal. Illegal dumping remains a challenge.
Planning and Building control	<ul style="list-style-type: none"> Assessment of Town planning applications in progress and liaison with the Department of Human Settlements for housing development and township establishment. No connection to bulk services. There are challenges with identifying land for housing development. Unlawful land uses and illegal buildings. Insufficient and regular building inspections. Compliance with By-laws is not monitored and enforced. Resistance to the issue of contraventions notices. Unavailability of transport for inspectors to carry out building inspections.
Fleet management	<ul style="list-style-type: none"> Fleet is insufficient for effective service delivery. Specialised vehicles and construction plant are required. There are currently 145 licensed vehicles with 64 functional vehicles and 81 trailers (for loading equipment). Most vehicles are very old (20-30 years). Inadequate maintenance of the municipal fleet.
Housing delivery	<ul style="list-style-type: none"> The Department of Human Settlement is delaying presenting the municipality with the business plan to know when and how they are allocated for housing. Delays from the Department of Human Settlement with intervention/ allocation of housing units. There has been an increasing housing backlog within Municipal areas that dates back to 2016 both in villages and townships. There is a backlog of 7800 units in the following areas: <ul style="list-style-type: none"> Tlhabologang 2000 Boikhutso: 2000 Itekeng:1500 Blydeville:1500 Verdwaal: 800 Title deeds not transferred to beneficiaries. An increase in informal settlements. Failure to project manage the service provider to complete projects. The IDP is not aligned with the budget. Housing Sector Plan, Informal Settlement Policy, and Allocation Policy are still at the draft stage therefore cannot be implemented and enforced.
Roads and Storm Water Infrastructure	<ul style="list-style-type: none"> There is no maintenance plan in place or Pavement Management System to effectively manage the road networks. There is no Stormwater Management System. No asset management unit or official with the responsibility to plan repairs and maintenance. Inadequate staff to implement maintenance plans. Severe deterioration of the roads with potholes and access and collector roads that require resurfacing. Flooding of properties due to blocked or inadequate stormwater systems.



	<ul style="list-style-type: none"> Gravel roads were not constructed nor maintained. Lack of tools and machinery for infrastructure repair maintenance.
Environmental awareness	<ul style="list-style-type: none"> No awareness campaigns were held to educate the community about taking care of the environment. Budget constraints to conduct awareness campaigns.
Parks and Cemeteries, Municipal Buildings	<ul style="list-style-type: none"> Vandalism of parks and recreational facilities. Lack of maintenance of the facilities by the Municipality. Lack of proper record management (burial documentation). Free access to parks and lack of access controls. No dedicated staff at satellite offices and personnel at cemeteries. Lack of funds. Lack of equipment for maintenance. Staff lack skills for the level of work required. The recruitment process is not always transparent.

PART THREE: THREE-PHASED RECOVERY PLAN

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

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

124. The Excel FRP Implementation Plan attached to this report, provides details per focus area of each Pillar addressing the key activities, the recommended actions, and the responsible parties, as well as the required support, target dates, Key Performance Indicators, and Portfolio of Evidence.

125. The following, therefore, serves to merely summarise the key activities identified per focus area per Pillar for easy reading purposes.

PHASE 1: MUNICIPAL RESCUE PHASE

GOVERNANCE (RESCUE PHASE)

126. To support the achievement of the financial recovery plan and the targets specified for Phase 1, it is recommended that the Rescue Task Team focus on the following governance issues:

GOVERNANCE PILLAR	
FOCUS AREA	RESCUE PHASE ACTIVITIES
Governance legislative matters	<ul style="list-style-type: none"> Develop Institutional Corporate calendar for Council and committee meetings aligned to MFMA and MSA reporting cycle. Conduct induction or newly elected councillors and continuous scheduled training for all elected councillors on governance, financial management, and oversight responsibilities. Develop oversight reports and maintain declaration of interest registers. Establish community and organisational perception surveys and use as a baseline for improvement actions. Implement the recommendations arising from sec 106 of the Systems Act investigation report. Re-establish section 79 and 80 Committees of Council with clear terms of reference.



	<ul style="list-style-type: none"> • Develop a communication plan for the duration of the intervention. • Establish a resolution register and system to track resolutions with appropriate training on application. • Table statutory reports and implement corrective actions flowing from reports. • MPAC to execute mandate and meet regularly. • Train MPAC members on mandates and powers • Establish operational plans for ward committees. Ward committees to meet their mandate. • Establish a technical working committee (transversal). • Convene meetings of TROIKA attached to a pre-approved annual schedule.
Contract management	<ul style="list-style-type: none"> • Monitor and update the contract register. • Review all contracts for performance, compliance, and possible consequence management and submit monthly reports. • Audit all contracts and value-for-money assessments including irregular month-to-month contracts for goods and services and conduct a duplicate costs analysis for contracted services and employed staff. • Review and terminate irregular month-to-month contracts for goods and services and consider signing long-term contracts. • Negotiate and sign affordable payment arrangements with creditors. • Review annual demand management and procurement plan and monitor for execution. • Re-establish and train bid committees.
Litigation and contingent liabilities	<ul style="list-style-type: none"> • Report to Council on diagnostic analysis of root causes of litigations and claims/Update litigation register and reflect total contingent liability. • Negotiate payment arrangements for goods and services rendered by creditors and suppliers. • Honouring renegotiated payment arrangements. • Review the business plan for a legal services unit (In-house versus outsourced). • Assign case management to appropriate individuals. • Investigate default judgments and effect consequence management. • Monthly update litigation register.
System of delegations	<ul style="list-style-type: none"> • Prepare and adopt a delegation framework and a set of delegations and sub-delegations, including Finance, SCM, and administrative. • Maintain delegations register. • Update delegations register.
Bylaws and enforcement	<ul style="list-style-type: none"> • Adopt and enforce Bylaws. • Report on revenue generated and enforcement of Bylaws. • Establish a register of Bylaws and review it as stipulated. • Develop relevant Polices to give effect to Bylaws, commencing with revenue generating Policies as a priority.
UIFW management	<ul style="list-style-type: none"> • Conduct investigations on UIFW expenditure in accordance with sec 32 of the MFMA and investigation of financial misconduct aligned to an adopted schedule of investigations with timelines. • Implement Consequence management for UIF&W. • Develop and implement UIF&W expenditure SOP and reduction plan aligned to MFMA circulars 68 and 111. • Establish and maintain UIF&W registers. • Monitor progress on forensic investigations. • Establish quarterly reporting on UIF&W.
Audit action plans	<ul style="list-style-type: none"> • Monitor audit action plan. • Improve the quality of AFS. • Establish an AFS completion project plan. • Validate progress and verify POE for adequacy and completeness. • Weekly audit steering committee to discuss the implementation of the audit action plan. • Implementation of an audit action plan should be an integral part of the performance agreement of senior managers.



	<ul style="list-style-type: none"> Internal audit to provide monthly assurance on the implementation progress report for the approved audit action plan. Reporting on the implementation progress report for the approved audit action plan to Audit Committee, Mayoral Committee and Council.
Risk management	<ul style="list-style-type: none"> Establish risk management policy and strategy. Assign risk management responsibilities to a staff member. Update risk register as required by circumstances or as per policy. Development of organisational business continuity plan. Risk management and register must be a standing agenda item for all scheduled management and Executive meetings as well as the audit committee. Monitor and report on the implementation of risk-mitigating measures that may have an impact on the implementation of the financial recovery plan, audit action plan, and other risks identified in the risk registers.
Powers and functions	<ul style="list-style-type: none"> "Conduct an in-depth analysis of cost implications and determine the viability of mandates". Renegotiate mandate agreements.
Immovable property management	<ul style="list-style-type: none"> Council to ensure that services of emergency, agency, outsourced, and shared service agreements are costed and included in the budget. Conduct a land audit and implementation of the recommendations of the audit, including a cost-benefit analysis (operational expenditure against revenue collected). Review all lease agreements including the collection of rentals from tenants and whether it is market related. Non-paying tenants must be ejected from the properties. Identify immovable properties not required for basic municipal services and conduct appropriate disposal actions. Establish a forum to engage tribal authorities. Develop and implement SOPs with appropriate controls and develop GRAP-compliant asset registers. Assess all properties for title deeds and initiate processes to acquire title deeds and reconcile alienation transactions with Deeds office records for the past five years.
Internal audit	<ul style="list-style-type: none"> Approve the annual audit plan and risk management documents for 2022/23 financial year. Conduct a capacity and effectiveness assessment (baseline) for the internal audit unit with recommendations. Submit quarterly reports on internal audit, internal audit plan, and respective charters to the audit committee and council. Assign administrative duties in terms of policy and monitor compliance. Ensure the audit committee is properly trained and capacitated. Set up meetings between the audit committee and MM and Mayor.
ICT	<ul style="list-style-type: none"> Review ICT Governance framework. Establish ICT steering committee. Review, develop, and implement ICT general controls. Budget for ICT infrastructure and develop business plans and a business case and scan for funding opportunities and sources. Develop and implement a server downtime monitoring tool. Secure data storage, backup, and recovery solutions. Update the website.

INSTITUTIONAL (RESCUE PHASE)

127. To support the achievement of the financial recovery plan and the targets specified for Phase 1, it is recommended that the Rescue Task Team focus on the following institutional issues:



INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES PILLAR	
FOCUS AREA	RESCUE PHASE ACTIVITIES
HR admin	<ul style="list-style-type: none"> It is noted that the vacancies have been advertised. It is critical that the correct processes be followed in filling these vacancies. It is furthermore critical that the appointees pass all requirements for being appointed. Empower management to act against interference through delegations, policies, processes, and controls being adopted by Council and applied by the Accounting Officer. Where necessary proceed with charges in terms of the code of conduct. Interference in the administration is something that should be addressed during Councillor Induction and Training. If this was not done, then a workshop should be facilitated on the powers and functions of Council and the Administration. If it has been done before, repeat/refresh. Council itself should accept accountability for non-interference in the administration. Non-Action or lack of cooperation by Council should be reported to Provincial COGTA and the Accounting Officer should be protected against retaliation by COGTA. Obtain policies, processes and best practice advise from successful municipalities. Enforce such policies and parameters for compliance by Supervisors. Training to supervisors and operational managers in improved planning, organising, coordinating, and controlling their operations in reducing overtime without any negative impact on overall performance. Top Management Team and MAYCO to monitor results on quarterly basis and hold non-complying supervisors and managers accountable. Fill operational vacancies as soon as possible and take bottle necks and problem areas into consideration when restructuring. Reduce unnecessary and preventable overtime through improved tools of trade and improved maintenance of ageing infrastructure. Obtain assistance from a partnering municipality or SALGA to assist with the adoption/review of code of conduct and the establishment of a Disciplinary Board and the training of all those involved. In more sensitive instances obtain external assistance to investigate, prosecute and preside or to serve as a member of the board depending on applicable regulations. Senior Management and the Accounting Officer should be held accountable should they fail to introduce these mechanisms.
HR provision and procurement	<ul style="list-style-type: none"> Proceed with the advertising and the filling of the posts in terms of relevant policies and legislation. Prioritise the senior positions that need to be filled urgently. The rescue and recovery plans will determine which senior management positions are critical to the rescue and recovery process. MM and HOD positions once appointed to support MPAC. MPAC training to be conducted for all involved. During the interim request partnering municipalities to assist or PT need to make suitably qualified and skilled people available. Determine which positions are considered critical for Sound SCM operational functionality. Determine reason for long delays and if due to performance reasons, the HOD Corp needs to address it. Secure funding to fill vacancies on budget as a matter of urgency. Put emergency arrangements in place to expedite the advertising of urgent vacancies. Make additional interim capacity available to HR if need be, in order for this to happen and until provision can be made on the organogram and the budget. Determine which positions are considered critical for Sound Contract and Project Management operational functionality. Secure funding to fill vacancies on budget as a matter of urgency. Put emergency arrangements in place to expedite the advertising of urgent vacancies.
Organisational structure	<ul style="list-style-type: none"> Obtain advise and or examples of what such a function should look like and what its, powers, functions, deliverables and accountabilities are.



	<ul style="list-style-type: none"> • Establish immediate contract management needs. Either obtain assistance from other municipalities or provide for it on a temp structure and until it can be addressed in the permanent organogram • Find urgent funding for such measures. • Arrange for training and other resources for such a function and provide for that in the recovery funding model. • Decide on a Job Evaluation System (probably TASK system) • Establish grading process and the involvement of a district and provincial based Grading Committee and its process and other requirements and plan JD and grading process accordingly. • If grading is done inhouse then set up the required committee, processes and policy and obtain approval from Council. • Train all those involved for example those responsible for completion of JDs etc. • Undertake the JD process in terms of such policies and structures. • Involve Unions throughout. • Undertake grading. • Negotiate phasing in of results subject to availability of funds and how incumbents of "over graded" positions should be dealt with. • Draft placement policy and process and after negotiated finalisation of such a policy submit for adoption to Council.
Training	<ul style="list-style-type: none"> • Arrange for required training and if Management is not familiar with the process consult a municipality which has followed the process. Arrange for budget provision or a grant from Provincial COGTA. • Undertake a risk assessment and approach Department of Water and Sanitation to assist during the interim i.e., with qualified assistance and oversight. • Secure funding on budget and arrange for the training of all those involved with contract management. Establish whether SALGA can assist. Approach PT or COGTA for financial assistance if necessary. Obtain best practice SOPs and other documentation which should assist the staff.
HR utilisation and productivity	<ul style="list-style-type: none"> • Holistic process is required, and which should provide for the following: A baseline assessment. • Values Creation/Change Workshops throughout the municipality and intended to improve the ethics, disciplinary and accountability culture within the Municipality. • Establishment of competent Management and Leadership Capacity within the Municipality i.e., structure, filling of posts by competent people, their training etc. • Process re-engineering with a focus on controls and oversight. Chaos flourishes in an unstructured environment. • Review delegations and ensure that every delegation and power is covered in terms of responsibility and consequence management. • Put Consequence Management and Disciplinary Policies, Systems and Structures in place. • Take action against those that have already corrupted the Municipality if any i.e., at Political as well as Administrative levels. Examples need to be made and the Council and other authorities need to show that corruption will not be tolerated. • Employ a retired professional to assist with the policies, the establishment of structures and implementation. • Appoint a task team to investigate corruption and in terms of above. Appoint ex professionals on such a task team in order for it to be as independent and impartial as possible. Such a task team need to provide support to those that need to prosecute.
Industrial relations	<ul style="list-style-type: none"> • Engage with the Unions and obtain their input on a way forward in developing and sustaining the capacity of the Municipality. A strong relationship and continuous training and communication with the LLF is required.
Safety and security	<ul style="list-style-type: none"> • The establishment of a multi-disciplinary task team should consider Ditsobotla to be a crime scene and consider their approach and actions accordingly. A national task team of intelligence and security forces must be deployed to safeguard non-compromised individuals and to prosecute compromised individuals. A security plan for Ditsobotla, considering all actors, are required.



Ethical and criminal matters	<ul style="list-style-type: none"> A record of all unethical and alleged criminal conduct and activities should be compiled to prepare a starting point for disciplinary and criminal prosecutions. It would probably be an extensive list to execute.
Best practices, SOPs, and policies	<ul style="list-style-type: none"> The policies required for the institutional pillar are extensive and a proper survey should be conducted to determine the need and prioritise a list of what needs to be done.
Controls	<ul style="list-style-type: none"> A biometric system may be called for given the challenge with intimidation mentioned. The leave system is also compromised and an electronic system with sufficient controls need to be put in place as soon as possible. It appears as if most staff do not arrive at work, due to allegedly intimidation, threats, possible "ghost" workers and an organisational culture of fear.
Capacity	<ul style="list-style-type: none"> Given the toxic work environment it would be required that the criminality be brought under control, organogram be established, positions filled and depending on skills audits a personal development plan be developed for every staff member to direct the Workplace Skills Development Plan.
Staff Wellness	<ul style="list-style-type: none"> The readers of this report need to consider where and how such capacity may be deployed on a semi-permanent basis until stability has been facilitated.
Monitoring and evaluation	<ul style="list-style-type: none"> The establishment of an organisational and individual performance management system requires extensive training, support to develop policies, standard operating procedures, and guidance to identified inhouse staff to ensure that the legal requirements for financial and non-financial reporting can be met. We refer to all in-year reporting and quarterly performance assessments as well as meeting the requirements of the staff regulations, effective 1 July 2022. The cascading of performance management needs to be addressed as it now a regulatory requirement.
Community trust	<ul style="list-style-type: none"> Consider efforts to rebuild trust by taking lessons from war-torn countries and where communities endured extreme trauma. Forums should be established in addition to ward committees and legislated community participation for budgets and IDPs. Security vetting of individuals in positions of trust is recommended.

FINANCIAL (RESCUE PHASE)

128. Given that this intervention has been invoked because 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. Cost-cutting measures must be implemented. However, an emphasis on cash and municipal finances does not preclude the municipality from addressing governance and institutional issues.

129. 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.

130. The phase is expected to last between 8 to 12 months. A few critical, high-level indicators were selected to guide this phase of the recovery plan. Progress on meeting these indicators will be monitored monthly by the Oversight and Monitoring Committee (or the working group if monthly monitoring is delegated to them) as well as the Implementation Team. The Oversight and Monitoring Committee can also approve updating of the targets as the implementation of the plan progresses.

131. The 7 high-level indicators selected for this Phase are:

- a) Progress towards a Funded Budget including a budget funding plan.
- b) Cash flow management and periodic cash balancing.
- c) Cost Containment.
- d) Revenue billing and collection
- e) Decrease in water and electricity losses.



- f) Payment of Creditors.
g) Ring-fencing of Conditional Grants.

132. In addition, indicators relating to the capital program 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 FINANCIAL TARGETS:

NO	PERFORMANCE AREA	ASSUMPTION/ BUDGET PARAMETER	2023/24FY BUDGET TARGET	2024/25FY BUDGET TARGET	2025/26FY BUDGET TARGET
1	Property Rates Targets	Revenue Management Value Chain efficiencies Valuation roll reconciled with billing system monthly Ensure accuracy of tariffs loaded on the financial system	Valuation Roll reconciled with Billing System (calculated tariff for CPI adjustment)	2023/24 Budget + CPI +growth CPI (4,9%) + Growth (1,0%) = 5,9% Increase	2024/25 Budget + CPI +growth CPI (4,7%) + Growth (1,0%) = 5,7% Increase
2	Service Charges Targets	Revenue Management Value Chain efficiencies in line with FRP Implementation Plan	Recalculated per approved Budget Funding Plan 5% increase from: • Improved metering • Improved data integrity and billing • Improvement in controls leading to decreased illegal connections	2023/24 + CPI (4,9%) + Growth (1%) (in accordance with consumer demand and revised tariff structure and levels) 5% increase from: • Improved metering • Improved data integrity and billing • Improvement in controls leading to decreased illegal connections • Phasing in of cost-reflective tariffs	2024/25 + CPI (4,7%) + Growth (1%) (in accordance with consumer demand and revised tariff structure and levels) 5% increase from: • Improved metering • Improved data integrity and billing • Improvement in controls leading to decreased illegal connections • Phasing in of cost-reflective tariffs
3	Unbilled consumption	Baseline: Calculated water and electricity balance breakdown per FRP Phase 1 activity	5% reduction in unbilled consumption	5% reduction in unbilled consumption	5% reduction in unbilled consumption
4	Bulk purchases	Improved efficiencies per approved Budget Funding Plan	Per approved Budget Parameter 10% reduction in electricity losses through improved metering and decreasing illegal connections	2023/24 + NERSA increase (14,7%) + Growth (1,0%) - 10% reduction in electricity losses through improved metering and decreasing illegal connections	2023/24 + NERSA increase (17,7%) + Growth (1,0%) - 10% reduction in electricity losses through improved metering and decreasing illegal connections
5	Operating Expenditure Targets	Employee Cost: <30% of OPEX Councillor REM: 100% per Gazetted maximums, subject to FRP Progress Depreciation: 100% per GRAP 17 Standard Debt Impairment: 100% of billed	Per approved Budget Parameter	Per approved Budget Parameter	Per approved Budget Parameter

NO	PERFORMANCE AREA	ASSUMPTION/ BUDGET PARAMETER	2023/24FY BUDGET TARGET	2024/25FY BUDGET TARGET	2025/26FY BUDGET TARGET
		revenue minus Budgeted Collection Rate Contracted Services – Norm 2-5% of OPEX: <6% (2023/24), 5% (2024/25), <5% (2025/26) Other expenditure: CPI increase + Growth – 15% reduction from cost containment measures Other: BFP Parameters			
6	Cash/ Bank Balances	Adherence to approved Budget	Targeted ratios: • Cash Coverage: 1 Month • Current Ratio: 0.5:1 (Norm = 1.5-2:1)	Targeted ratios: • Cash Coverage: 1,3 Months • Current Ratio: 1.0:1 (Norm = 1.5-2:1)	Targeted ratios: • Cash Coverage: 1,5 Months • Current Ratio: 1.5:1 (Norm = 1.5-2:1)
7	Consumer debtor's collection rate	Adherence to approved Budget	60%	70%	80%
8	Government debtor's payment plan	Adherence to payment plan	100% of payment arrangement	100% of payment arrangement	100% of payment arrangement
9	Creditor's payment plan	Adherence to payment plan	100% of payment arrangement	100% of payment arrangement	100% of payment arrangement
10	Ring-fencing of Conditional Grants	Adherence to SOPs 100% Cash-backed	All bank accounts and sub-account balances reported on monthly		
11	Repair and Maintenance Budget allocation	National Treasury Norm = 8% of OPEX	1% of OPEX	1,5 - 2% of OPEX	3% of OPEX
12	Cost-containment		Maintain savings from 2023/24 BFP and ensure full compliance with regulations + further savings	Maintain savings from 2024/25 BFP and ensure full compliance with regulations + further savings	Maintain savings from 2025/26 BFP and ensure full compliance with regulations + further savings

133.A financial forecasting model has been developed to set financial targets for the Ditsobotla LM FRP over the MTREF period. The financial model escalation formulas the following rates per annum over the recovery period:

CPI – 5,3% for 2023/24,
4,9% for 2024/25, and
4,7% for 2025/26

Local growth - 1,0% per annum

134.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 R1,43 billion at the end of the 2022/23 Financial Year will reduce to a cash shortfall of R1,35 billion at the end of the 2024/25 Financial Year, whereafter the cash position will likely improve to a cash shortfall of R1,11 billion at the end of the 2025/26 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. 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 7-10 years to move to a fully cash-backed funding position.

135. 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.

FINANCIAL FORECASTING MODEL FOR IMPLEMENTATION OF THE DITSOBOTLA LM FINANCIAL RECOVERY PLAN

BUDGET ITEM	2020/21 AFS AUDITED R'000	2021/22 MTREF BUDGET R'000	2022/23 MTREF BUDGET R'000	TARGETS: 2023/24 MTREF BUDGET R'000	TARGETS: 2024/25 MTREF BUDGET R'000	TARGETS: 2025/26 MTREF BUDGET R'000
Property rates	68 444	68 165	76 700	80 765	85 570	90 487
Service charges - electricity revenue	189 494	170 634	189 380	293 759	357 326	446 018
Service charges - water revenue	72 894	65 700	69 422	89 489	99 553	110 538
Service charges - sanitation revenue	42 371	36 200	44 404	47 225	50 034	52 909
Service charges - refuse revenue	21 011	42 657	22 988	24 448	25 902	27 391
Rental of facilities and equipment	-	565		100	106	112
Interest earned - external investments	-	3 000	488	509	539	570
Interest earned - outstanding debtors	457	66 286	479	500	530	560
Fines, penalties, and forfeits	3 981	2 400	4 172	4 356	4 615	4 880
Licenses and permits	8 482	2 860	8 889	9 280	9 832	10 397
Agency services	3 126	8 105	3 276	3 420	3 623	3 832
Transfers and subsidies - Operational	141 423	151 204	164 467	178 308	193 224	197 993
Other revenue	441	11 436	222	521	552	584
Total Operational Revenue	552 125	629 212	584 888	732 680	831 407	946 272
Employee related costs	196 956	187 361	205 779	202 312	212 023	222 200
Remuneration of councilors	17 127	18 883	18 000	18 972	18 972	19 368
Debt impairment	108 739	163 600	144 000	206 624	185 516	145 469
Depreciation & asset impairment	32 740	32 785	32 739	38 660	40 960	43 314
Finance charges	19 149	11 782	11 000	20 350	19 404	18 468
Bulk purchases - electricity	151 462	145 694	150 000	201 257	209 835	236 973
Inventory consumed	8 619	5 200	10 000	13 009	13 783	14 575
Contracted services	49 192	35 599	35 599	46 469	39 387	35 403
Other expenditure	23 556	10 975	10 000	23 643	21 292	19 138
Losses	2 189	-	-	2 585	2 711	2 839
Total Operational Expenditure	609 728	611 880	617 117	773 879	763 883	757 746
Surplus/ (Deficit)	(57 603)	17 332	(32 230)	(41 200)	67 525	188 526

BUDGET ITEM	2020/21 AFS AUDITED R'000	2021/22 MTREF BUDGET R'000	2022/23 MTREF BUDGET R'000	TARGETS: 2023/24 MTREF BUDGET R'000	TARGETS: 2024/25 MTREF BUDGET R'000	TARGETS: 2025/26 MTREF BUDGET R'000
SCHEDULE A8:						
Cash and Investments available						
Cash Equivalents at year end	14 490	14 490	14 490	24 735	44 864	73 450
Total	14 490	14 490	14 490	24 735	44 864	73 450
Application of Cash and Investments						
Unspent Conditional Grants	(7 721)	(7 721)	(7 721)	-	-	-
Working Capital Requirements (Debtors minus creditors)	(914 803)	(993 708)	(1 429 362)	(1 464 368)	(1 379 079)	(1 177 060)
Other provisions	(1 519)	(1 519)	(1 519)	(1 600)	(1 678)	(1 757)
Total	(924 044)	(1 002 948)	(1 438 603)	(1 465 968)	(1 380 757)	(1 178 817)
Surplus/ (Shortfall)	(909 554)	(988 458)	(1 424 113)	(1 441 233)	(1 335 894)	(1 105 367)

136.To support the achievement of the financial recovery plan and the targets specified for Phase 1, it is recommended that the Rescue Task Team focus on the following financial services issues:

FINANCIAL SERVICES PILLAR	
FOCUS AREA	RESCUE PHASE ACTIVITIES
Funded budget and budget parameters Budget related policies	<ul style="list-style-type: none"> Perform a project-based needs analysis based on mSCOA project segments and its accompanying ITEM segment in mSCOA. Expenditure projects should be prioritised and must be limited to the critical needs of the municipality also within the framework of realistically anticipated revenue, cash-backed surpluses not yet committed and borrowed funds, only for capital projects. Conclude payment arrangements with creditors and consider these renegotiated amounts in the budget. Develop cost-containments measures and quantify expected savings to include in budget considerations. Develop a Budget Funding Plan (BFP). Review revenue baseline revenue budget to ensure that it is realistic and achievable. Develop and/or review and implement key budget-related policies in line with the financial environment, including: <ul style="list-style-type: none"> - Tariff policy - Cash Management and Investment policy - Asset Management policy - Fleet Management policy - Budget implementation policy - Funding and reserves policy - Travel, Accommodation and Subsistence policy - Cost Containment policy - Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy - Indigent policy - Debt and credit control policy - Property rates policy
Revenue management value chain/revenue raising measures (revenue targets)	<ul style="list-style-type: none"> Compilation and approval of way-leave policy Development of cost-reflective tariffs Tariffs loaded on the system to be reviewed and signed off by the reviewer. Revising of organogram to full position for meter readers. Provide sufficient training to meter readers. Meter audits to be performed. Monthly billing reconciliations to be performed and signed off by the preparer and reviewer. Training on billing system to be provided by the Service provider if required. Development of policy/procedures for the reporting by the community for illegal tampering of meters

	<ul style="list-style-type: none"> • Weekly meetings between infrastructure and finance. Infrastructure to inform finance of any faulty meters/new meters installed. • Meter listing of infrastructure to be reconciled with a billing system. • Review the Service Level Agreement with the Service provider to establish ownership of the meters. • Implement internal control measures to reconcile, verify and review all electricity-related revenue streams. • Training on the use of financial systems and procedures for uploading municipal information, including valuation rolls, tariff lists, etc. • Perform an assessment of the financial system to ensure that it complies with the needs of the municipality. • Implement a clear process for the review and monitoring of the implementation of the financial system by consultants, including the development of a skills transfer plan.
Customer care and data accuracy	<ul style="list-style-type: none"> • Establish customer care unit and customer care policy
Cost reflective tariffs	<ul style="list-style-type: none"> • Develop and approve tariff setting model. Revised tariffs to be approved with budget. Resources can be requested from Provincial Treasury to assist in the matter. • Update and approval of tariff policy. Training to be provided to relevant employees on cost-reflective tariff setting to implement principles
Indigent management	<ul style="list-style-type: none"> • Review the indigent policy to confirm it is aligned with the operations of the municipality and approved with the budget.
SCM compliance and value for money	<ul style="list-style-type: none"> • Vacancies in the unit to be filled with competent officials. • SCM committee to be revised in line with updated SCM policy implemented. • Review annual demand management and procurement plan for cost-effectiveness and monitor execution. • SCM policy to be updated and approved by council with the Budget Process. Policy to be updated to be in line with the latest SCM regulations.
Cost containment and realistic cash flow management	<ul style="list-style-type: none"> • Cost containment policy to be revised and approved with the budget process. • Establish a cash flow management committee to ensure cost-containment measure are implemented and monitored effectively. • Review Overtime and Standby policy to ensure it addresses the current weaknesses. • Implement monitoring controls for all overtime in line with the policy.
Financial control environment	<ul style="list-style-type: none"> • Develop, implement, review, and monitor standard operating procedures for each business cycle. • Define parameters for- and implement internal consequence management. • Evaluate competency and skills of staff relating to the specific roles and responsibilities required for the position held. • Identify key vacancies and appoint appropriately skilled, experienced officials to address the capacity deficiencies. • Develop and implement procedures to monitor the performance relating to the work of consultants. • Identify and avail officials with the appropriate competency levels for skills transfer from consultants and hold these officials accountable to perform the procedures subsequent to skills transfer." • Engage with the service provider to analyse and identify the root cause for billing complications (consider the different systems follow difference processes, i.e., similar issues identified at other municipalities using the same system/s. The root cause was however found to be a combination of a lack of system knowledge combined with incorrect operating/accounting practices). • Develop and implement best-practice standard operating procedures in terms of the full revenue function. • Policies alone do not improve the financial control environment and must be reviewed and monitored diligently by senior officials. • Evaluate key policies to be developed and/or reviewed. • Implement an electronic document management system to improve the safeguarding of records. • Develop and implement Standard operating procedures in line with the document management system.

<p>MFMA circular 71 financial ratio analysis against set norms</p>	<ul style="list-style-type: none"> • Develop and implement an Asset maintenance plan in line with the critical expenditure needs analysis performed during the budget phase. • Identify the root cause of and resolve billing complications with service provider. • Implement strict credit control procedures in line with the Credit control and debt collection policy. • Perform cleansing of debtors data and write-off any irrecoverable amounts. • Refer to budget section i.t.o. critical expenditure and project-based budgeting. • Agreements must be reached for long outstanding creditors to enable realistic and affordable repayments over a period exceeding 12 months. • Evaluate competency and skills of staff relating to the specific roles and responsibilities required for the position held.
<p>Financial reporting and AFS preparation</p>	<ul style="list-style-type: none"> • A targeted Audit Action Plan must be developed, implemented, and monitored by senior officials. • Develop and/or strengthen internal control procedures to improve the consistency and quality of information. • Financial statements for 2021/2022 and 2022/2023 are to be submitted in the 2022/2023 financial year for audit. • Evaluate competency and skills of the staff relating to the specific roles and responsibilities required for the position held. • Implement best practice operating procedures and monitoring tools to ensure that all legislative timelines are achieved. • Engage with the service provider to analyse and identify the root cause for billing complications (consider the different systems follows different processes, i.e., similar issues identified at other municipalities using the same system/s. The root cause was however found to be a combination of a lack of system knowledge combined with incorrect operating/accounting practices). • Develop and implement best-practice standard operating procedures in terms of the full revenue function.
<p>mSCOA implementation</p>	<ul style="list-style-type: none"> • Establish mSCOA Steering Committee • Development of mSCOA Road Map • Develop a mSCOA compliant chart of accounts (trial balance) - Also refer to budget section. • Facilitate periodic in-house and external training on the use and implementation of the mSCOA charts. • Evaluate the capabilities of all mSCOA modules offered by the service provider and perform an assessment (contents of MFMA circular 123 must be considered should the financial system be found to be inadequate)
<p>Debtors' management and indigent management</p>	<ul style="list-style-type: none"> • Monthly debtors' reconciliation to be performed and signed off by the preparer and reviewer. Training to be provided on performing of reconciliation. • Update credit and debt control policy and approve the budget process. • Improve the process of sending accounts (including per sms, and email), to not only rely on posting off accounts. Reminders to be sent by sms. • Land ownership: Monthly reconciliation to be performed between deeds, asset register, and billing system (erf number) for completeness of properties and to resolve disputes. • Obtain lawyers confirmation to confirm the case. • Electricity of government institutions to be cut, after a letter has been sent to make payment by a certain due date. • Integration between EMS (old financial system) and SAGE (new system) to be completed, to have complete debtor records. Reconciliation is to be done between the two billing systems to confirm completeness and accuracy.
<p>Expenditure management</p>	<ul style="list-style-type: none"> • Ring fence grant funds through a grant management policy. • Cost containment policy to be compiled and approved with the 23/24 budget. • Training to be provided to officials on creditors reconciliations, to prevent overpayment of invoices or interest/penalties levied on late payment. • Data cleansing to be done on suppliers (contact details, address, CSD form etc) • Payment arrangement to be signed with Eskom
<p>Asset management</p>	<ul style="list-style-type: none"> • Asset management policy to be compiled and approved with the budget process. • Fleet management plan to be compiled and implemented
<p>Cash</p>	<ul style="list-style-type: none"> • Consequence Management for misappropriation of funds

management	<ul style="list-style-type: none"> • Cash management policy to be compiled and approved with the budget process. (for strict controls on receipting and banking)
UIF&W	<ul style="list-style-type: none"> • Implement consequence management. • Implementation of funded budget • SCM policy to be updated in line with SCM regulations and approved with the budget process. • All SCM officials to sign a declaration of interest to confirm independence

SERVICE DELIVERY (RESCUE PHASE)

137.To support the achievement of the financial recovery plan and the targets specified for Phase 1, it is recommended that the Rescue Task Team focus on the following service delivery issues:

SERVICE DELIVERY PILLAR	
FOCUS AREA	RESCUE PHASE ACTIVITIES
Spatial Development Framework (SDF) and Masterplans	<ul style="list-style-type: none"> • Development of a SPLUMA-oriented SDF and approved by Council. • Develop and implement policies, and By-laws, including fines for enforcement of the By-laws.
Capital and Grant Funded Projects	<ul style="list-style-type: none"> • Communicate with NT and take steps to correct the deficiencies that led to the non-compliance. • Determine the portion allocation under-spent and apply for a portion of the allocation to complete critical infrastructure projects. • Creation of a conducive environment to promote stability in Senior Management including the Accounting Officer. • Appointment of procurement committees to be responsible for Grant-approved projects. Conduct capacity building on committee members. • Improve performance of the Project Management Unit (PMU) and grant management. • Intensify monitoring of compliance with legislation by management.
Asset Management	<ul style="list-style-type: none"> • Approval and implementation of Asset Management Policy. • Improve cash flow management to buy meters. Have regular meter audits. • Prioritisation of acquisition of repairs and maintenance equipment. • Improve monitoring of projects completed and still under construction. • Improve controls over immovable assets. Collaboration between Finance and Engineering, and other Departments in ensuring that assets are properly accounted for.
Loss control - water	<ul style="list-style-type: none"> • Implement systems and controls to identify and measure water losses. • Regular meter audits. • Maintenance of meters and replace damaged meters. • Appoint personnel dedicated to the maintenance of meters. • Prioritising areas with the highest occurrence of leakage or breaking of pipes for repairs in the short term. • Develop and implement maintenance schedules that includes calibrating and replacing damaged water meters. • Develop a customer care plan setting out conduct that increases service delivery efficiency.
Loss control - electricity	<ul style="list-style-type: none"> • The municipality must divide the municipality into regions/zones/wards based on the area identified with the highest losses and do audits. • Implement frictionless payments such as mobile money, online payment platforms, and bank transfers. This can reduce the need for physical coupons.
Bulk meters	<ul style="list-style-type: none"> • Installation of new bulk meters. • The municipality must conduct a monthly water balance to confirm its water use.

Non-technical losses due to meter tampering, illegal connections	<ul style="list-style-type: none"> Utilise meter readers to undertake inspections monthly and report illegal activities.
Unmetered consumption	<ul style="list-style-type: none"> Improved Credit Control (register consumers). Utilise meter readers to undertake inspections monthly and report unmetered consumers.
Performance Management	<ul style="list-style-type: none"> Enforce effective performance management policies. Training in performance management and its importance.
Revenue Improvement	<ul style="list-style-type: none"> Lack of Wayleave policy and regulations and its implementation Lack of implementation of Wayleave policy and imposition of rates and tariffs
Waste and Refuse Removal / Solid Waste Infrastructure	<ul style="list-style-type: none"> Obtain funding for landfill management and an approved and implemented Integrated Waste Management Plan. Finalisation, approval, and implementation of By-laws. Implement access controls such as fencing the landfill sites. Regular maintenance of existing vehicles to reduce the frequency of breakdowns. Improve workshop capacity and turnaround times.
Planning and building control	<ul style="list-style-type: none"> Constant emails and telephonic follow-ups on progress made by appointed service providers. Continuous engagement with the District regarding bulk supply connections. Training inspectors to ensure they understand their scope of work and improve on people skills. Inspectors must schedule monthly visits and book vehicles in advance with the fleet department.
Fleet management	<ul style="list-style-type: none"> A Fleet Management policy must be drafted and approved by Council. The municipality needs to develop a Fleet Management and Strategy Plan that considers the current scenario and also a plan that anticipates changes in the future.
Housing delivery	<ul style="list-style-type: none"> Department to come and present a business plan for Ditsobotla LM housing projects. Letters have been written to the department, HOD, and MEC to intervene. Implement project management principles to ensure the completion of projects including the imposition of strict consequences and penalties to defaulting service providers. The municipality must prioritise the transfer of title deeds to beneficiaries. Finalisation, approval, and implementation of the Housing Sector Plan, Informal Settlement Policy, and Allocation Policy
Roads and stormwater infrastructure	<ul style="list-style-type: none"> Participate in the District Rural Road Asset Management System (RRAMS) programme. Blading and patching gravel roads. Repair potholes. Clean stormwater drainage systems. Prioritise the purchase of equipment, material, and plant to conduct repairs and maintenance.
Parks and cemeteries	<ul style="list-style-type: none"> Establish a records management system at satellite offices. Allocate municipal officials to be responsible for satellite offices. Controls over the recruitment process to ensure that staff is employed based on meeting the requirements of the position.
Security services	<ul style="list-style-type: none"> Appointment of dedicated personnel and prioritising reallocation of funds to internal security Constant community engagements to use the communities as watchdogs of municipal infrastructure.
Local economic development	<ul style="list-style-type: none"> Develop LED strategy and implementation plan.

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

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

through the institutionalisation of 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 the rescue phase.

139. In addition to the high-level indicators listed in Phase 1, improvement in audit outcomes is another key indicator to be assessed in terms of financial stability.

GOVERNANCE (STABILISATION PHASE)

140. To support the achievement of the financial recovery plan and the targets specified for Phase 2, it is recommended that the Stability and Sustainability Task Team focus on the following stabilisation issues:

GOVERNANCE PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
Governance legislative matters	<ul style="list-style-type: none"> • Create a dialogue with the community and disruptors of council meetings. • Develop schedule and implementation of meetings for Executive management meetings. • Compile a schedule of all accounts in arrears of Councillors and officials and enter into payment arrangements.
Contract management	<ul style="list-style-type: none"> • Identify goods and services required on an ongoing basis and appoint service providers on longer-term contracts. • Confirm mandate for contract management committee (maybe part mandate of the BAC) and train members on relevant contract management matters.
Risk management	<ul style="list-style-type: none"> • Maintain an updated risk register.

INSTITUTIONAL (STABILISATION PHASE)

141. To support the achievement of the financial recovery plan and the targets specified for Phase 2, it is recommended that the Stability and Sustainability Task Team focus on the following institutional issues:

INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
HR admin	<ul style="list-style-type: none"> • Take stock of outstanding investigations and or prosecutions. • Appoint investigative teams, prosecutors, presiding officers and Disciplinary Board Members where necessary and through the required procedures referred to during the Rescue phase. • Obtain expertise and or assistance from SALGA and or Provincial Treasury or Provincial to undertake more sensitive and complex investigations. • Obtain independent Presiding and or Prosecuting Officials and or Board Members from partnering municipalities to deal the more sensitive cases and where senior officials and or Councillors are involved. • Undertake head count, establish an Establishment Control mechanism in the HR office and populate as per the head count. • Identify any discrepancies and immediately terminate the ‘services’ of the ghost employee and/or the duplicated appointments. The practice of double appointments should be stopped immediately until a scientific process can be conducted to determine a suitable macro and microstructure to give effect to the integrated development plan or the accepted and approved strategy of the municipality. Consideration should be given to a skills audit to determine best fit and placement in terms of the new approved structure and a simultaneous process of vetting qualifications and curriculum vitae are needed. • Establish accountability for the mistake/corrupt action and take disciplinary and cost recovery action if necessary and in terms of due process and legislative requirements. • Ensure that the HR department has the capacity and powers to undertake this control function. • Also, during such an investigation, check that the correct grade and salary is paid to all of the

	<p>employees and deal with any discrepancies as above.</p> <ul style="list-style-type: none"> • As in the instance of establishing critical policies establish critical committees to enable, empower and facilitate recovery and rescue action. • Appoint an external specialist to assist management in facilitating the development of an HR Strategy which addresses all of the HR related Strengths and Weaknesses of the Municipality as well as its threats and opportunities. • External Specialist needs to transfer skills for purposes of regular updating of this strategy and business plan and its implementation, to dedicated Senior Managers. • Bear in mind that Policy and Operational models follow strategy. • Through a phased approach and subject to the availability of capacity, introduce the new Staff Regulations.
<p>HR provision and procurement</p>	<ul style="list-style-type: none"> • Undertake a survey amongst staff to establish levels of morale, motivation, anxiety, commitment and accountability and reasons for a particular finding outcome. • Introduce an exit interview program for diagnostic and remedial planning purposes. • Base Recovery Plan on such findings. • Establish which of the acting arrangements are unavoidable and critical for the operational functionality of the Municipality. • Obtain approval for non-compliant acting arrangements if possible. • Terminate unnecessary excessive acting arrangements. • If suitably qualified and skilled staff can be transferred from another function with its budget, then do and arrange for training and mentoring. • Provide on Budget and advertise whenever funding is available. Funds might have to be transferred from less critical staff budgets i.e., as an interim arrangement.
<p>Organisational structure</p>	<ul style="list-style-type: none"> • Clarify inter alia the recovery and sustainability strategy and requirements, and the impact that strategic, IDP and SDBIP requirements of the organisation may have on the HR requirements of the Municipality. • Review the structure accordingly. And get approval after the required consultation process. • The restructuring of the municipality should take into account the financial ability of the Municipality. Should also in the process attend to possible ghost employees, duplication, excessive overtime, appointment of consultants, outsourcing costs etc. • The intention should be to reduce all human resources costs to 40 percent of Operational Budget or less. • Undertake a cost benefit analyses before insourcing. • If outsourced solution is not working, establish the reason and first attempt to resolve such issues before insourcing a function for which inhouse capacity still need to be developed and which might drain operational and capital funds required for more critical interventions. • Clarify the powers, role, function, accountabilities, and deliverables of the Property Man Function. Obtain best practice input from an established performing municipality in this field. • Provide for it on the organogram and the budget. • Phase function in subject to the availability of funds • Provide for all the required resources i.e., furniture, ICT needs etc. • Clarify the powers, role, function, accountabilities, and deliverables of the ICT Function. Obtain best practice input from an established performing municipality in this field. • Provide for it on the organogram and the budget. • Phase function in subject to the availability of funds. • Provide for all the required resources i.e., furniture, ICT needs etc. • Establish a Task team with very specific skills to make an assessment of how many such outsourcing arrangements exist, who they are and where they operate, from when each of them has been appointed by whom and how and for what purpose and for what reason. • Establish who is responsible for managing such a relationship and what the performance of the contractors/consultants are. • Establish which ones can be terminated as soon as possible and proceed.

Training	<ul style="list-style-type: none"> Obtain assistance from SALGA or appoint a consultant, should funding be available or be made available. Another Municipality might also be prepared to assist. Arrange for a workshop by SALGA or PT.
HR utilisation and productivity	<ul style="list-style-type: none"> Introduce a Change Management Approach and Program from inception. Any attempt or action intended to undermine, obstruct and or sabotage the rescue, recovery and sustainability process should not be entertained and tolerated though. Obtain the policy, process, and assessment tool from an established municipality and request assistance with the training of all concerned and with the first process of contracting, assessments, and feedback.

FINANCIAL (STABILISATION PHASE)

142. To support the achievement of the financial recovery plan and the targets specified for Phase 2, it is recommended that the Stability and Sustainability Task Team focus on the following financial services issues:

FINANCIAL SERVICES PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
Revenue management value chain/revenue raising measures (revenue targets)	<ul style="list-style-type: none"> Obtain updated valuation of properties. Service provider to be appointed if required. Reconciliation to be done between the valuation roll (GV and supplementary) and reconciled to the billing system. Obtain lawyers confirmation to confirm the case.
Cost reflective tariffs	<ul style="list-style-type: none"> Implementation of cost-reflective tariffs to be an integral part of performance agreement of the CFO. Tariffs loaded on system to be reconciled to approved budget and signed off.
Indigent management	<ul style="list-style-type: none"> Implement vetting procedures prior to approval of indigents
SCM compliance and value for money	<ul style="list-style-type: none"> Contract register to be updated. Dedicated SCM official to be identified, responsible to keep register updated (service provider details, monthly payments, voucher reference). Copy of all SLA's (signed) to be kept at SCM. Contract management committee to be revised and established once there is stability in management.
Debtors' management and indigent management	<p>Develop and implement a process to gain back public confidence through initiative such as:</p> <ul style="list-style-type: none"> Visible Service delivery programmes. Positive media coverage. Advocate and establish a culture of transparency. Enhanced footprint in the communities etc.
Asset management	<ul style="list-style-type: none"> Appointment of asset custodians and training on asset insurance, audits, reporting. Train assigned staff on best practices for efficient and effective asset management.
UIF&W	<ul style="list-style-type: none"> Dedicated official to be allocated per the organogram. Copies of all signed SLA's to be kept at SCM as support to the register. Contract management committee to be revised and established once there is stability in management. MPAC committee to be revised once there is stability in management. UIF reduction strategy to be updated and approved by council (last strategy dated September 2021).

SERVICE DELIVERY (STABILISATION PHASE)

143. To support the achievement of the financial recovery plan and the targets specified for Phase 2, it is recommended that the Stability and Sustainability Task Team focus on the following service delivery issues:

SERVICE DELIVERY PILLAR	
FOCUS AREA	STABILITY PHASE ACTIVITIES
Spatial Development Framework (SDF) and Masterplans	<ul style="list-style-type: none"> Appoint expert consultants to develop Master Plans for all the infrastructure sectors that are aligned with the IDP and SDF. Develop and implement an Urban Renewal Plan. Implement the GIS system and appoint suitably qualified personnel to manage the GIS system.
Asset Management	<ul style="list-style-type: none"> Development of the Asset Care Program with DBSA assistance. Audit of current infrastructure (conditional assessment, determination of RUL and impairment reviews) Development and implementation of maintenance plans for all asset classes.
Loss control - water	<ul style="list-style-type: none"> Institute a call centre to track queries that are submitted to different departments.
Loss control - electricity	<ul style="list-style-type: none"> Upgrade the electrical network using circuit breakers. Procurement of smart meters to alleviate illegal bridging of meters. Improved billing system and control. Regular meter audits.
Non-technical losses due to meter tampering, illegal connections	<ul style="list-style-type: none"> Acquire a sufficient and reliable fleet for the technical department.
Unmetered consumption	<ul style="list-style-type: none"> Review and revise the plans to implement smart technologies.
Performance Management	<ul style="list-style-type: none"> Make use of the Rural Road Asset Management reports and other infrastructure technical reports to effectively plan repair and maintenance based on conditional assessments.
Waste and Refuse Removal / Solid Waste Infrastructure	<ul style="list-style-type: none"> Put measures in place to comply with the license requirements and apply for a license. Engage the services of experts to determine the landfill's useful lives. Prioritise funds for the rehabilitation of dysfunctional landfill sites. Recommissioning and improving the capacity and efficient running of transfer stations and recovery facilities. Proper implementation of asset management principles. Purchase of specialised refuse removal trucks to increase capacity of waste removal. Purchase of specialised refuse plant to increase capacity of refuse functions at landfill sites. Land acquisition processes through Housing Development Agency to identify available municipal land for development.
Planning and building control	<ul style="list-style-type: none"> Public awareness of procedures and processes for building control. Strengthen Inter-governmental Relations (IGR) capacity. Peacemaker training and accreditation for easy issuing of contraventions related to land use and illegal building.
Fleet management	<ul style="list-style-type: none"> Prioritise investment in vehicles.
Environmental awareness	<ul style="list-style-type: none"> Communicate with DEDEA to collaborate on Environmental Awareness Campaigns.
Parks and cemeteries	<ul style="list-style-type: none"> Prioritise investment in new equipment and train the staff available to use the equipment.

Security services	<ul style="list-style-type: none"> • Add access control and additional security officers at community facilities. • Implement security measures at strategic facilities i.e., substation
Local economic development	<ul style="list-style-type: none"> • Activate the LED Forum to spur economic development through sustainable LED projects that are implemented in cooperation between the public and private sectors.

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

144. In this phase of the recovery process, the focus is to ensure the institutionalisation of processes in Phase 1 and 2 of the recovery processes. It is also envisaged that the municipality will consider long-term planning and issues necessary to ensure the sustainability of the municipality’s finances.

145. 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.

146. The following reflects a few suggestions from the team in relation to the Governance, Institutional and Service delivery pillars, but from the limited content it would become clear that it is difficult to predict the situation at Phase 3 and for that purpose, this FRP encourages strong project management oversight during phases 1 and 2 to guide the move towards stabilisation.

GOVERNANCE (SUSTAINABILITY PHASE)

147. To support the achievement of the financial recovery plan and the targets specified for Phase 3, it is recommended that the Stability and Sustainability Task Team focus on the following sustainability issues:

GOVERNANCE PILLAR	
FOCUS AREA	SUSTAINABILITY PHASE ACTIVITIES
Governance legislative matters	<ul style="list-style-type: none"> • Design process flow mapping interface between political office bearers and officials. • Arrange quarterly sessions to discuss all relevant Council Bylaws and Policies.

INSTITUTIONAL (SUSTAINABILITY PHASE)

148. To support the achievement of the financial recovery plan and the targets specified for Phase 3, it is recommended that the Stability and Sustainability Task Team focus on the following institutional issues:

INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES PILLAR	
FOCUS AREA	SUSTAINABILITY PHASE ACTIVITIES
HR admin	<ul style="list-style-type: none"> • Through a phased approach and depending on the availability of supportive capacity introduce the remainder of policies and committees.
Training	<ul style="list-style-type: none"> • Arrange with SALGA for training. • Consult with other municipalities and with the assistance of SALGA and Provincial COGTA on investigating the viability of a Shared Services that can provide training to at least the municipalities within the district. • Procure the services of specialist Management Development Consultants. • Provide for such transfers in tender specs and when contracts are drafted and entered into. • Oversee the transfer of such expertise and skills.
HR utilisation and	<ul style="list-style-type: none"> • Train competent people within each department in the drafting of SOPs.

productivity	<ul style="list-style-type: none"> Identify key processes and where performance and productivity are of concern. Prioritise and draft and introduce standard operating procedures. Such procedures need to include controls. This should be approached as a corporate project. Obtain best practice SOPs from established Municipalities and refine in accordance with the Municipality's unique conditions and requirements. Conduct productivity and capacity management training programs on all levels of management and at supervisory level. Introduce a Productivity Enhancement Intervention in the weakest performing areas. Involve the Unions from inception
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FINANCIAL DELIVERY (SUSTAINABILITY PHASE)

149. 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 all the property, plant, and infrastructure strategies that would be developed and refined during phases 1 and 2. All the infrastructure must be realistic and be implemented timeously.

SERVICE DELIVERY (SUSTAINABILITY PHASE)

150. To support the achievement of the financial recovery plan and the targets specified for Phase 3, it is recommended that the Stability and Sustainability Task Team focus on the following service delivery issues:

SERVICE DELIVERY PILLAR	
FOCUS AREA	SUSTAINABILITY PHASE ACTIVITIES
Asset Management	<ul style="list-style-type: none"> Maintain the Asset Register and implementation of a long-term asset management strategy.
Loss control - water	<ul style="list-style-type: none"> Replace old asbestos (AC) pipelines with PVC pipes.

PART FOUR: REPORTING

MONTHLY REPORTING ON ACHIEVEMENT OF TARGETS: DITSOBOTLA LM

COMPREHENSIVE SCHEDULE OF REPORTING AND COMMITTEE MEETING DATES:

No	Report for the month OF	Report due from Provincial Executive Representative Intervention Team ON	NT/CoGTA Progress Discussion Meeting ON	The report considered by Technical War Room ON	Considered by Political Oversight Committee ON
1	July 2023	07 August 2023	08 August 2023	11 August 2023	14 August 2023
2	August 2023	31 August 2023	04 September 2023	08 September 2023	13 September 2023
3	September 2023	30 September 2023	04 October 2023	09 October 2023	13 October 2023
4	October 2023	31 October 2023	06 November 2023	10 November 2023	16 November 2023
5	November 2023	30 November 2023	04 December 2023	08 December 2023	13 December 2023
6	December 2023	31 December 2023	08 January 2024	12 January 2024	16 January 2024
7	January 2024	31 January 2024	05 February 2024	08 February 2024	15 February 2024
8	February 2024	29 February 2024	04 March 2024	08 March 2024	15 March 2024
9	March 2024	31 March 2024	05 April 2024	10 April 2024	15 April 2024
10	April 2024	30 April 2024	03 May 2024	10 May 2024	14 May 2024
11	May 2024	31 May 2024	03 June 2024	10 June 2024	14 June 2024
12	June 2024	30 June 2024	05 July 2024	10 July 2024	15 July 2024

REPORTING FRAMEWORK: PROGRESS AGAINST TARGETS

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

(Example only for illustrative purposes)

PER FRP IMPLEMENTATION PLAN:		INFORMATION:
Phase	Financial Rescue	
Pillar	Institutional	
Focus area	Safety and security	
Key Activity	<ul style="list-style-type: none"> ▪ The establishment of a multi-disciplinary task team should consider Ditsobotla to be a crime scene and consider their approach and actions accordingly. ▪ A national task team of intelligence and security forces must be deployed to safeguard non-compromised individuals and to prosecute compromised individuals. ▪ A security plan for Ditsobotla, considering all actors, is required. 	
Problem Statement	Cases reported to local SAPS are not followed up or are allegedly being ignored. There appears to be a high threat level aimed at employees coming to work or occupying positions that are strategic or possess power. The term “rent a crowd” was used to illustrate the way people are intimidated and ousted to leave their positions rather than lose lives or families. The buildings where staff work should be safeguarded and staff with high threat levels should be protected around the clock. We were also told that the presence of dangerous weapons such as knives, pangas, and pepper spray is common practice, and it appears to be in the hands of those that intimidate staff.	
Responsible	MM was supported by Mr. Sigidi and the rescue task team	
Start Date	At the initiation of the rescue phase probably 1 July 2023	
End Date	During rescue phase	
Key Performance Indicator	1 security strategy and plan developed and adopted	
Financial Target	Not quantifiable but will be in the case of most other pillars	
Progress Report by Municipality:		
Steps taken	The rescue task team set up meeting with the security cluster identified at the national and provincial levels with all role-players	
Progress made	Meetings and intelligence gathered, and a plan of action and strategy drafted by the security task team	
Financial impact recorded	Not quantifiable but disciplinary and criminal incidents have shown a decline which impacts the UIFW expenditure which has declined to R.....	
Other noteworthy developments	The stability of the workforce and the morale of staff shows improvement and levels of reporting on threats and intimidations have shown a marked decline from per month to ... per month.	

PART FIVE: STRATEGIC ASSESSMENT AND CORRECTIVE ACTIONS AS REQUIRED

152. Civil society relies on their elected and appointed officials to represent their best interests. The principles contained in the Constitution mandating an improved quality of life, meaningful public participation, and sustainable service delivery are underpinned by the fundamental principles espoused in the Bill of Rights.

153. A concerted effort will be required to regain the trust of civil society in the Ditsobotla Municipal area. It is argued that society has become divided and polarized itself due to the example set by its representatives in the council. An effort to unite civil society would be a first step towards an improved and healthy Ditsobotla LM. Lessons should be taken from war-torn countries and international studies and experts to guide intervention efforts to unite Ditsobotla’s community and people. Treating all the actors (elected, appointed, and society) alike is therefore the only way to create sustainable solutions to Ditsobotla’s challenges. A rescue and stabilising program require a rethink of traditional efforts and it is argued that the community needs to be united through interventions and brought on board to ensure the accountability of its agents.

154. The authors are concerned with the feasibility of the plan and the timelines for each phase and several key activities may be seen as overwhelming for the incumbent accounting officer and support teams. The rescue phase contains too many key activities to be realistically addressed within a two-month period and this is a cumulative result of an

organisational culture that emulates that of a criminal organisation. It speaks to the fact that this is yet another intervention. A cost-benefit and impact assessment may be beneficial when faced with the myriad of key activities in extreme cases such as Ditsobotla LM.

155. We suggest a standard operating procedure for interventions that would include the requisite products and alternate approaches where the environment could respond to shorter timelines under the three proposed phases of the Financial Recovery Plan versus the Ditsobotla LM example where the timelines would not be reasonable or realistic given the circumstances and available resources. A rethink of the status quo assessment may be required to consider maturity assessments linked to a baseline assessment to support alternate approaches.

156. Lastly, although some policies are found to be developed and presented to National Treasury as part of a portfolio of evidence for each pillar, it is apparent from a high-level cursory interrogation that some do not comply with the legal frameworks or best practices set for such policies. Some of these may pose risks to the municipality as potential Auditor-General findings or may lead to legal challenges from third parties. It is therefore recommended that all policies be documented in a policy register and that each policy be scrutinised by a suitable expert for compliance and conformance to best practices during the implementation of the recovery plan.

PART SIX: RECOMMENDATIONS

157. For detailed recommendations, your attention is directed to the Excel FRP Implementation Plan attached to this report, which provides details per focus area of each Pillar addressing the key activities, the recommended actions, and the responsible parties, as well as the required support, target dates aligned to the rescue-, stability- and sustainability phases, Key Performance Indicators, and Portfolio of Evidence.

158. The following recommendations are made for consideration:

- a) **The Ditsobotla LM Mandatory Financial Recovery Plan be submitted to the MEC of Finance for approval in terms of Section 143(2) of the MFMA.**
- b) **The establishment of the War Room Executive Oversight Committee by the provincial HoD (PT) to direct the intervention, monitor progress, unblock any political and strategic challenges that may hinder the success of this intervention from a National and Provincial government level and report to the MECs for Finance and CoGTA in the North West Province on progress and issues for escalation.**
- c) **The identification, appointment, and mobilisation of the members of two task teams to activate the required FRP activities focusing on the following two distinct levels which run in parallel, each with its own implementation team being (subject to budget considerations and PT approval):**
 - i. **Strategic level being called the Stability and Sustainability Task Team:** A strategic and tactical team (40 % outsourced and 60% inhouse) to address the stabilisation and sustainability activities related to establishing a soundly governed municipality. This team will be operational for a period of three-years, whereafter the municipal leadership will take over the full responsibility.
 - ii. **Operational and tactical level being called the Rescue Task Team:** A tactical and operational team (80 % outsourced and 20% inhouse) to address the rescue activities within the municipality, namely the immediate and continuous provision of basic municipal services. This team will be operational for a period of three years, whereafter the capacitated municipal resources appointed through the Stability and Sustainability team will take over the full responsibility.
- d) **The adoption of the establishment of a national task team including intelligence and security services without any connection to the Ditsobotla LM forces and elected and appointed officials.** These resources must be vetted for independence, to intervene, establish a presence, effect arrests for criminal behaviour, gather intelligence, monitor, and evaluate and protect those that are regarded as not compromised, to give effect to what this plan is proposing.

- e) **The adoption and implementation of a comprehensive change management programme**, consisting of the presence of uncontaminated and strong change agents to address the following focus areas:
 - i. **Consequence management:** The lack of consequence management and accountability arrangements are systemic and symptomatic of a municipality where oversight is lacking.
 - ii. **Capacity development:** An extensive mentorship, coaching, training, and change management effort is required. A skills audit, new staff structure, well-trained and equipped elected officials and adherence to codes of conduct, consequence management and accountability would be a minimum first step in the right direction.

ANNEXURE A: FRP IMPLEMENTATION PLAN

159. The FRP Implementation Plan is attached to this report in an Excel format to ease project implementation, monitoring and oversight and consists of four sheets addressing each of the pillars, being (1) Governance, (2) Institutionalisation/HR, (3) Financial and (4) Service Delivery and is structured per column as follows:

- a) Item number.
- b) Focus area.
- c) Current situation.
- d) Key activities.
- e) Responsible person.
- f) Timeline (Rescue/Stability/Sustainability).
- g) Measurable outcome/KPI.
- h) PoE.
- i) Financial impact.
- j) Support required.
- k) Start date.
- l) End date.
- m) Progress and reporting.