

BACKGROUND

- ❑ The request for intervention at Mangaung Metropolitan Municipality emanated from a letter by the Deputy Minister of Finance addressed to the Premier of the Free State Province in December 2019 highlighting the deteriorating fiscal position of the Metro, including non-compliance with laws and regulations, declining financial health, collapse of governance and institutional structures and significant complaints from the communities on service delivery challenges.
- ❑ Provincial EXCO, Deputy Ministers of Finance & CoGTA consulted with Executive Mayor & Council in respect to the deteriorating fiscal position of the Metro and the possibility of invoking an intervention.
- ❑ After consideration of the issues highlighted by the Deputy Minister of Finance, on 19 December 2019 and engagement with Council, approval was granted by the Free State Provincial EXCO to invoke an intervention in the Mangaung Metropolitan Municipality in terms of Section 139(5) (a) and (c) of the Constitution, 1996, as recommended.
- ❑ In compliance to IGR frameworks - Provincial EXCO, Deputy Ministers of Finance & CoGTA then informed the Executive Mayor & Council of the intervention.



STRUCTURES TO SUPPORT THE INTERVENTION

- ❑ In December 2019 - Provincial EXCO appointed an Intervention with clear Terms of Reference.
- ❑ The National Treasury Recovery Unit developed a Financial Recovery Plan (FRP) which was supported by Provincial EXCO & Council.
- ❑ A war room technical committee (which comprises of NT-DDG:IGR, DCoG:CD, HoD:FSPT, HoD:CoGTA, Intervention Team, Mangaung Metro - EMT & supporting technical officials) was established to monitor progress and provide guidance to the intervention team & Executive Management.
- ❑ The war room committee meets monthly to monitor progress on the FRP.
- ❑ The intervention team reports to Council & Provincial EXCO on progress against the FRP.



KEY AREAS OF PROGRESS

- Adjustment budget 2019/20 was funded.
- 2020/21 Budget was funded.
- The municipality ring fenced all conditional grants used only for purpose.
- The compliance with laws and regulations have improved.
- The cash flow position is stabilising.
- Service delivery and cleansing of town has improved.
- Details will be displayed on the FRP.

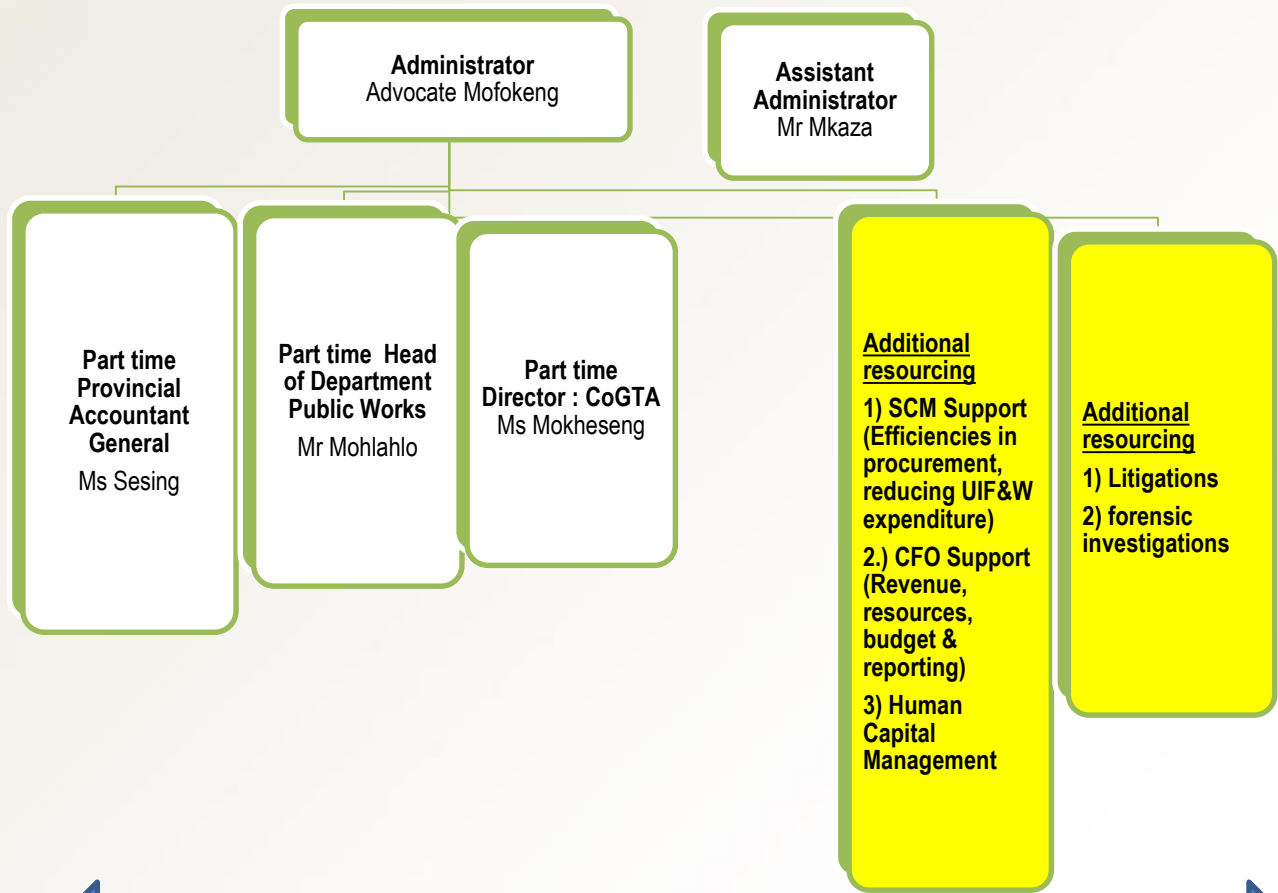


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RESOURCING INTERVENTION TEAM (1)

RESOURCE MANAGEMENT
WHY IS IT IMPORTANT?



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RESOURCING INTERVENTION TEAM (2)

FINANCE

Unauthorised, Irregular, Fruitless and Wasteful Expenditure

- A contract specialists and well resource SCM unit is being concerned to improve contract performance efficiencies and also reduce fruitless and wasteful expenditure.

Cash Coverage

- At the end of August the municipality had approximately one month cash in hand.

Operational Revenue

- The municipality is improve the revenue value chain elements. approximately 90 percent of its clients pay electronically. Continuous improvement on credit management will improve the collection rate which is approximately at 80 percent.

Debtors and Creditors Management

- There is a strong correlation and dependence between the aggregate collection rate of 80 percent and management of payables. The debtors book was approximately at R6.7 billion with creditors book at R1 billion. Indicating a weak credit management programme coupled by the impact of COVID-19 environmental factors, resulting in escalation of the debtor's book.

Expenditure

- The municipality is putting systems to reduce non-core spending case in point the significant overtime budget.



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PROGRESS ON FINANCIAL RECOVERY PLAN (FRP) (1)

SUPPORTIVE STRUCTURES

Fiscal rules

and the role of the Commission

ROOM POST | BY THOMAS WIESER

Political

- FRP approved by EXCO & Council
- FRP discussed at FOHODs
- Intervention team progress reports submitted to Council & EXCO

Administrative

- Monthly War Report Committees Meeting between NT, PT, DCOG, CoGTA Metro & Intervention team
- Weekly intervention team with management



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PROGRESS ON FINANCIAL RECOVERY PLAN (FRP) (2)

FINANCE

No.	Performance Area	Target for 31 July 2020 and	Outcome as at 31 July 2020	Achievement of or deviation from target	Reason for outcome
1	Operating revenue targets	R617,7 million	R999,6 million	+R381,9 million	Equitable Share (R301 million)
2	Operating expenditure targets	R564,3 million	R 670,1 million	(R105,8 million) deviation	High debt impairment due to lockdown Unplanned overtime and COVID-19 related expenditure Increased expenditure for bulk purchases during winter season
3	Daily cash/bank balances	(R22,7 million overdraft)	+R642,8 million	R620,1 million	Unspent conditional grants and Equitable Share
4	Consumer debtors – collection rates	81%	79%	(2%) deviation	Non- implementation of credit control measures during lockdown Number of businesses requested payment arrangements due to the impact of COVID-19.
5	Government debtors - payment plan	R575,13 million	R630 million	R54,87 million	Payment according to approved agreement PT, PPW & Metro



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PROGRESS ON FINANCIAL RECOVERY PLAN (FRP) (3)

FINANCE

No.	Performance Area	Target for 31 July 2020 and	Outcome as at 31 July 2020	Achievement of or deviation from target	Reason for outcome
6	Ring-fencing of conditional grants	Report on bank account and sub-account balances submitted	<ul style="list-style-type: none"> • Urban Settlement Development Grant – R145,9 million (R214 million in June 2020) • Public Transport Network Grant – R82,6 million (R96,8 million in June 2020) • Neighbourhood Development Grant – R9,9 million (No movement since June 2020) • Integrated City Development Grant R5,3 million (R6,2 million in June 2020) 	Target achieved	Reconciliation of account balances and register available



PROGRESS ON FINANCIAL RECOVERY PLAN (FRP) (4)

FINANCE

1	Problem statement	Capital budget procurement plan not in place
2	Recommendations	<ul style="list-style-type: none"> • Properly determine the fundamental reason for this failure • Make key interventions to address the reasons • Ensure the development of a capital budget procurement plan for 2020/21
3	Steps taken	<ul style="list-style-type: none"> • 2020-21 Procurement Plan was compiled • Only “implementation ready” projects are included in the 2021 budget
4	Progress made	<ul style="list-style-type: none"> • Regular meetings of the Bid Committees • 2020-21 Procurement Plan aligned to the approved budget • Bids Progress Reports shared with all Heads of Departments
5	Other noteworthy developments	<ul style="list-style-type: none"> • Review of SCM Policy for the 2020/21 FY adopted by Council • Bid Committees reviewed

1	Problem statement	Cash management is poor and cash balances are too low
2	Recommendations	<ul style="list-style-type: none"> • Properly determine the fundamental reason for this failure • Make key interventions to address the reasons • Establish Cashflow Management Committee with clear Terms of Reference (TOR) to ensure strict control over payments and management of bank balances
3	Steps taken	<ul style="list-style-type: none"> • Enhancement of Daily Cash Flow Management Model • Alignment of procurement of goods and services with available cash flows • All commitments reviewed and approved by EXCO Representative • Cash flow projections for the 1st quarter of 2020/21 compiled
4	Progress made	<ul style="list-style-type: none"> • Reduction of long outstanding creditors from R642,8 million in June 2020 to R 577 million in July 2020. • Operational costs financed from own revenue (No encroachment in Unspent conditional grants)
5	Other noteworthy developments	<ul style="list-style-type: none"> • Impact of non-implementation of debt collection and credit control measures on available cash flow (Lockdown regulations) • DBSA and payment was processed on 09 July 2020 (Standard Bank loan paid in June 2020)



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PROGRESS ON FINANCIAL RECOVERY PLAN (FRP) (5)

FINANCE

1	Problem statement	Irregular, unauthorised, fruitless and wasteful expenditure is too high
2	Recommendations	<ul style="list-style-type: none"> • Properly determine the fundamental reason for these failures • Implement measures to prevent and address these failures • Identify, investigate, take action and report on all cases as per legislation
3	Steps taken	<ul style="list-style-type: none"> • Prior years irregular, fruitless and wasteful expenditure identified by Finance Directorate and report submitted to the Office of the City Manager for further handling • Debt impairment sufficiently budgeted in the 2020/21 to prevent over-expenditure
4	Progress made	<ul style="list-style-type: none"> • Finance Directorate identified irregular, unauthorised, fruitless and wasteful expenditure during the 2018/19 audit process and submitted to the accounting officer for further handling.
5	Other noteworthy developments	
1	Problem statement	Some outsourced contracts duplicate functions of internal components
2	Recommendations	<ul style="list-style-type: none"> • Assess and identify all contracts that duplicate internal functions of the Municipality and terminate due to financial constraints. • Properly determine the fundamental reason for these failures • Implement measures to prevent and address these failures
3	Steps taken	<ul style="list-style-type: none"> • A register of contracts availed to Intervention Team • Supply Chain Management tasked to assess all new requisitions from individual departments and propose cost effective ways of providing services
4	Progress made	None
5	Other noteworthy developments	None



PROGRESS ON FINANCIAL RECOVERY PLAN (FRP) (6)

SERVICE DELIVERY – SOLID WASTE

AREA	Estimated Number of Households	Week 1	Week 2	Week 3	W
Botshabelo	67 506	80%	70%	90%	9
Thaba-Nchu	26000	90%	95%	95%	7
Bloemfontein South	97 300	75%	0%	65%	6
Bloemfontein North	69 902	100%	100%	100%	1
Naledi	10 000	60%	60%	60%	1
Total	272 708				

Landfill sites

The following actions have been taken:

- The programme towards the regularization of landfill sites has been initiated.
- Cleansing outside and inside the landfill sites is done.
- New cells are currently being created in the North landfill site.

Unknown persons have settled at the landfill sites thus creating problems for the management of these sites. Though they have been advised not to settle at these sites they have simply ignored those warnings. The COVID -19 Regulations stipulate that all people should be indoors. All homeless people are provided shelters. This municipality is no exception to the rule, therefore the person living on the landfill sites had to be removed to safe places.

The Law Enforcement Agencies conducted an operation of removing these people from the sites. It is disheartening to report that they have returned to the sites.

A multi-disciplinary team is being currently assembled by the Mangaung Metro Corona Virus Command Centre to address this challenge.



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PROGRESS ON FINANCIAL RECOVERY PLAN (FRP) (7)

SERVICE DELIVERY - SEWER SPILLAGES

1	Problem statement	Visible sewer spillages frequently left unattended for long periods
2	Recommendations	Baseline: 1300 and 1023 sewer spillages reported for the month of June and July 2020 respectively and 40 000 VIPs for June and 36 000 VIPs for July that are full Reasons for failure: Lack of tools of trade and Human resources Plan of Action: Prioritisation and adjustment of budget Intervention: Advertisement of critical vacancies Purchase of Tools of trade
3	Steps taken	Establish and capacitate the Rapid Response Team to attend to sewer spillage within the prescribed 24-hr period; sewer spillages are reported through various mechanisms such as in WhatsApp Groups; Six Maintenance contractors and one refurbishment contractor appointed to augment internal capacity. Preventative maintenance plans being developed (see detailed draft report on the website link provided above)
4	Progress made	Number of unblocked sewer pipes = 1 233/1023 Jun/Jul: Bloemfontein: 921/805; Botshabelo: 179/126; Thaba Nchu: 69/55; Naledi: 53/31; Soutpan: 11/6. Number of Vacuumed Toilets = 5 256/6960
5	Other noteworthy developments	Aging infrastructure is a huge problem; most of sewer spillages are as a result of this problem. Investigation is underway to determine available automated leak detection systems that can be used



PROGRESS ON FINANCIAL RECOVERY PLAN (FRP) (8)

SERVICE DELIVERY - ROAD MAINTENANCE

1	Problem statement	Potholes frequently left unattended for long periods
2	Recommendations	<p>Baseline: 1350km of road needs resurfacing; 2244km of road needs gravelling and/or grading; 515 km of road needs structural layer works repairs</p> <p>Reasons for failure:</p> <ul style="list-style-type: none"> • The annual budget for roads maintenance is extremely low. (we need a minimum budget of R282.1 million annually. However, the budget is around R20 million which is 93% lower than the required budget for maintenance; allocated budget plays part in dictating the performance; • Vacancy rate is high. • Shortage of vehicles <p>Plan of Action: Prioritisation of road maintenance in the budget (direct at least 50% of the fuel levy to road maintenance)</p> <p>Intervention: Filling of critical vacancies; appoint graduate under ISDG to augment the project management unit.</p> <p>Purchase of Tools of trade inclusive of vehicles</p>
3	Steps taken	<p>RAMS 95% complete (see the detailed report on the road condition on the website LINK provided above).</p> <p>Six contractors were appointed for the resealing programme and are already onsite.</p>
4	Progress made	<p>The progress on maintenance work was hampered by the budget, which was cut to zero, which meant that we could not purchase materials required for maintenance work. Furthermore, COVID had a huge impact on roads as they were not classified as essential services.</p> <p>Total quantities done for June/July 2020: Patchwork = 4.2/0m3, Grading = 21.48/52.38 km; gravel = 469/88 m3</p>
5	Other noteworthy developments	



PROGRESS ON FINANCIAL RECOVERY PLAN (FRP) (9)

MANAGEMENT WATER LOSSES

1	Problem statement	Visible water losses frequently left unattended for long periods
2	Recommendations	<p>Baseline: 1250 Leaks reported for the month of June 2020</p> <p>Reasons for failure: Lack of tools of trade and Human resources to cope with the surge in leakages</p> <p>Plan of Action: Budget provision to reduce water losses by 40% per annum (Increase the R&M budget to at least 8%)</p> <p>Intervention: - Advertisement of critical vacancies;</p> <ul style="list-style-type: none"> - Purchase of Tools of trade - Lease Contracts for the fleet - Reinroduce and reconfigure the Zibambebe programme to include community-based plumbers. - Participate in the war on links initiatives (DWS programme). - Establish an intelligent call centre.
3	Steps taken	<p>Water Losses</p> <p>Short-term strategies</p> <p>Established and capacitation of the Rapid Response Teams who attend to water leaks and pipe bursts continuously; Leaks reported through various mechanisms such as in WhatsApp Groups; Three service providers appointed to augment internal capacity; R13.15 million of USDG reprioritized to address pipe burst and leakage; and Overtime increased to respond to the surge in pipe burst due to weather changes.</p> <p>Medium to Long-term strategies</p> <p>Comprehensive WCWDM plan approved by council as part of the sector plans.</p> <p>Development of a maintenance system 70% complete (DRAFT Web site: LINK)</p> <p>CSP engagement ongoing to turnaround the water BP</p> <p>Provision of water in informal settlement (47 informal settlements; Number of informal settlements without water = 9; 6 x informal settlements to be relocated, whereas 3 x Projects to install water network are underway)</p> <p>Short-term strategies</p> <p>Provision of Jojo Tanks to augment the communal system and for the provision of water in unserved sites</p> <p>Medium to Long-term strategies</p> <p>Install communal system and upgrade the existing communal systems to on stand connections.</p>
4	Progress made	<p>Water losses</p> <p>Number of water leaks and pipe bursts repaired = 1219. Bloemfontein: 574; Botshabelo: 348; WDM: 136; Thaba Nchu: 96; Naledi: 42; Soutpan: 23</p> <p>Water Provision in informal Settlement</p> <p>87 Jojo tanks provided and regularly filled using 4x15m³ water tankers.</p> <p>3780 kl supplied to the informal settlement.</p>
5	Other noteworthy developments	Aging infrastructure is a huge problem (see draft detailed report on the website LINK provide above); most of leaks are as a result of this problem. Investigation is underway to determine available automated leak detection systems that can be used

1	Problem statement	40% water losses (technical and commercial)
2	Recommendations	<ul style="list-style-type: none"> • Make provision in the budget for procurement and installation of bulk water meters in commercial sites; • Monitor and Properly determine the fundamental reasons for commercial water losses (i.e. non-payment) • Develop a plan to address the reasons • Make key interventions to address the reasons • Take measures to minimise illegal connection and/or tampering by setting up a multidepartment team between finance (revenue), Social services (law enforce), and engineering services (WDM) to investigate the zero reading meters and fine offenders, making use of reading reports to investigate broken and/or tampered water meters and also investigate prepaid vended amounts reports to investigate meters where no water is being bought for long periods, and developing a reward system for whistle blowers. • Develop and implement jointly with BW and DWS a consumer education and awareness programme for the sparingly use of water. • Minimise losses at Maselspoort Water Treatment Works (filter backwash losses)
3	Steps taken	<ul style="list-style-type: none"> • Embarked on a process of auditing un-metered sites and dysfunctional meters • Service Providers (three contractors and two consultants appointed) for the Prepaid meter installation programme • Scada system and sectorization of the system for the first phase is 80% complete. Once completed, the water balance will be conducted on monthly basis. • New PRV zones, re-commissioning and refurbishment of Pressure Reducing Valves (PRVs) (chambers and PRV fittings)
4	Progress made	<ul style="list-style-type: none"> • 543 AMR/Prepaid meters installed during the 4th quarter of 2020. • 65 PRVs to be re-commissioned and refurbished (chambers)
5	Other noteworthy developments	Proliferation of Car Washes along the main roads in the former Black Townships has resulted in huge water losses.



POLITICAL STABILITY (1)

1	Problem statement	Infrequent or even lack of Troika meetings
2	Recommendations	<ul style="list-style-type: none">• General political instability• Meetings with Troika• Ensured adherence to schedule of meetings
3	Steps taken	Troika meeting has taken place
4	Progress made	Troika met in June ,July & August
5	Other noteworthy developments	Intervention Team held two meetings with Troika



POLITICAL STABILITY (2)

1	Problem statement	Councillor interference
2	Recommendations	<ul style="list-style-type: none"> • Misunderstanding of responsibilities and line function arrangement • Clarity of delegations of authority • Make key interventions to address the reasons • Training of Councillors on responsibilities • Distribution of Declarations of Interest • Ensure that any cases are escalated to appropriate structures as provided for in legislation
3	Steps taken	Councillors training
4	Progress made	Process to review delegations has commenced
5	Other noteworthy developments	This is taken a refresher induction which will include current intervention activities and new legislative and municipal environment developments



POLITICAL STABILITY (3)

1	Problem statement	Weaknesses in Council oversight
2	Recommendations	<ul style="list-style-type: none"> • Engagements with Troika and Speaker • Review Standing of rules and orders • Adherence to council order of business in meetings • Development of schedule of meetings and legal compliance MFMA matrix • Implement schedule of meetings and legal compliance MFMA matrix • Schedule a training session on ethics and code of conduct for councillors; • Ensure that the identified unauthorised, irregular, fruitless and wasteful expenditure(s), are investigated and acted upon (consequences managed); • Quarterly progress reports submitted to Council
3	Steps taken	Council meetings was held on 30 June 2020 & 07 August 2020
4	Progress made	Majority of councillors attend the meetings
5	Other noteworthy developments	<p>Council meetings are held on a virtual platform with a vast majority of the Councillors attending and participating</p> <p>Council has started to take oversight ownership of governance and performance of CENTLEC through agreements review. Joint Study groups Corporate Services and Infrastructure and the Mayoral Committee deliberated on CENTLEC reviewed Memorandum of Incorporation, Shareholder Compact and the Service Delivery Agreements</p> <p>MPAC and audit committee met in July 2020</p> <p>Council Remuneration Committee met in July</p>





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