

FINANCIAL RECOVERY PLAN

Prepared for the

MATJHABENG LOCAL MUNICIPALITY



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1. ABBREVIATIONS

NO.	ABBREVIATION	FULL FORM
1.	AFS	Annual Financial Statements
2.	AG	Auditor General
3.	AOPI	Audit of Performance Information
4.	AR	Asset Register
5.	CoGTA	Department of Co-operative Governance and Traditional Affairs
6.	CoS	Cost of Supply
7.	DDM	District Development Model
8.	DBSA	Development Bank of Southern Africa
9.	DWS	Department of Water and Sanitation
10.	EXCO	Executive Committee
11.	FDP	Financial Disciplinary Board
12.	FRP	Financial Recovery Plan
13.	HRD	Human Resources Development
14.	ICT	Information and Communications Technology
15.	IDP	Integrated Development Plan
16.	IIA SA	Institute for Internal Auditors of South Africa
17.	KPA	Key Performance Area
18.	KPI	Key Performance Indicator
19.	LLF	Local Labor Forum
20.	LPU's	Large Power Users
21.	MEC	Member of the Executive Council
22.	MFMA	Municipal Financial Management Act
23.	MFRS	Municipal Financial Recovery Services
24.	MISA	Municipal Infrastructure Support Agent
25.	MLM	Matjhabeng Local Municipality
26.	mSCOA	<i>municipal</i> Standard Chart of Accounts
27.	MSI	Municipal Sustainability Index
28.	NT	National Treasury
29.	MPAC	Municipal Public Accounts Committee
30.	MSA	Municipal Systems Act
31.	NERSA	National Energy Regulator of South Africa
32.	PER	Provincial EXCO Representative
33.	PMS	Performance Management System
34.	PPP	Public-Private Partnership
35.	SALGA	South African Local Government Association
36.	SAPS	South African Police Service
37.	SCM	Supply Chain Management
38.	SQA	Status Quo Assessment
39.	SQR	Status Quo Report
40.	UIF&W	Unauthorised, Irregular and Fruitless and Wasteful Expenditure
41.	WSA	Water Services Authority
42.	WSDP	Water Services Development Plan
43.	WSP	Water Services Provider
44.	WTW	Water Treatment Works
45.	WWTW	Wastewater Treatment Works



2. EXECUTIVE SUMMARY

2.1 BACKGROUND TO THE FINANCIAL RECOVERY PLAN

A Financial Recovery Plan (FRP) under Section 139(5) (a) and (c) of the Constitution was invoked at Matjhabeng Local municipality (MLM), located in the Lejweleputswa District of the Free State Province. The core to the municipality's financial health is its dependency on its economic base, and Matjhabeng exemplifies this, where the erosion of its economic core has led to cascading failures in its financial, institutional, and service delivery systems.

The Free State High Court ordered Matjhabeng Local Municipality (MLM) to prepare a Financial Recovery Plan (FRP).

This includes fulfilling its obligations to submit requests to the Municipal Financial Recovery Services (MFRS) of National Treasury and consulting with the mayor, in line with section 139 of Local Government: Municipal Finance Management Act (MFMA) act 56 of 2003.

On 31 October 2024, the Free State PEC resolved to intervene in terms of Sections 139(5)(a) and (c) of the Constitution by imposing a Mandatory FRP.

The FRP must be prepared in terms of Chapter 13 of the MFMA and must bind the municipality in the exercise of its legislative and executive authority to the extent necessary to solve the financial crisis.

In terms of MFMA S141(2), only the NT MFRS may prepare a Mandatory FRP, the first step in the financial recovery process, to conduct a diagnostic assessment to determine the status quo and the root causes of financial crisis.

The Status Quo Assessment (SQA) was thoroughly conducted, finalised, and officially submitted to the MEC for Finance. As part of the statutory process, the MEC also shared the assessment with the municipality and relevant stakeholders. The SQA identified several pressing challenges, including a low revenue collection rate, outstanding payments to Eskom and the Vaal Central Water Board, significant water and electricity losses, and a high vacancy rate within service delivery departments.

Based on these findings and their underlying causes, a Financial Recovery Plan (FRP) has been developed as a strategic, phased approach to municipal recovery. The FRP is time-sensitive and aims to implement both immediate financial stabilisation actions and longer-term sustainability measures. It provides a practical roadmap to restore the municipality's financial viability and operational effectiveness, ultimately ensuring the delivery of essential basic services.

The crisis in Matjhabeng is set against a challenging national and provincial backdrop. The South African economy has seen anaemic growth, averaging just 0.7 per cent, and is plagued by severe energy and logistics deficits. National unemployment remains high at 31.9 per cent (Q4 2024), with extreme inequality. The Free State is the nation's worst-performing provincial economy, with a 0.1 per cent growth in 2023, hobbled by the decline of its mining sector and a widespread collapse of municipal services that now actively impedes recovery.

Historically, the heart of South Africa's goldfields, Matjhabeng's economy was a monoculture built on gold mining. The local economy is now in a state of structural contraction, shrinking at



an average annual rate of -1.45 per cent between 2011 and 2021, with this trend predicted to continue. This means the municipality is attempting to fund its operations from an ever-shrinking economic base, placing further strain on the fiscus to stay afloat.

The economic collapse has devastating social consequences for Matjhabeng's roughly 439,000 residents. The Municipality faces a hyper-unemployment crisis, with an estimated 150,000 jobless adults in 2021. This is coupled with deep poverty, affecting 60.2 per cent of the population in 2021, and extreme inequality. Matjhabeng exhibits an "inequality paradox"; it has the lowest poverty rate in its district but the highest Gini coefficient (0.624), a legacy of the mining economy that created a small, affluent elite alongside a vast, impoverished workforce.

The erosion of the economic base, compounded by maladministration, has left the municipality functionally bankrupt. The Auditor-General's (AG) 2022/23 report highlights a system in crisis, citing an operating deficit of R1.3 billion, a negative net asset position of R4.2 billion, and an average creditor payment period of 2,503 days. A 0.1 per cent of infrastructure asset value was spent on repairs, contributing to 45 per cent of water losses and 28 per cent of electricity. The Budget and Treasury Department has a 40 per cent vacancy rate.

This analysis concludes that a successful FRP cannot be a mere accounting exercise. It must be a comprehensive intervention to break the vicious cycle of decline. Strategic imperatives include imposing immediate financial order, executing a twin-track strategy of financial stabilisation and economic resuscitation, prioritising economic diversification, and investing in revenue-generating infrastructure. Should this **mandatory** intervention of the FRP not yield any success, it is likely that Section 139(7) of the Constitution mandating national intervention will be invoked.



3. LEGISLATIVE CONTEXT, INTERVENTION AND OVERSIGHT

3.1 STATUTORY AND LEGISLATIVE CONTEXT

Chapter 13 of the MFMA (Sections 135 to 162) specifically sets out the process to be followed in the resolution of financial problems in a Municipality. Part 1 (Section 135) addresses the identification of financial problems, Part 2 (Sections 136 to 150) with Provincial interventions, Part 3 (Sections 151 to 156) with debt relief and restructuring, and lastly, Part 4 (Sections 157 to 162) with Municipal Financial Recovery Service.

The Status Quo Assessment Report is prepared in terms of the provisions of section 139(1) of the MFMA, which requires the determination of the reasons for the financial crisis and assessment of the municipality's state of financial affairs.

Similarly in the High Court of South Africa, Free State Division, Bloemfontein, in the matter between the Democratic Alliance v Premier of the Free State Province and Others(1623/2024) [2024] the Judge dealt extensively with the prescripts contained in the Constitution of the Republic of South Africa, 1996 and Regulations, section 139, which provides that where a municipality does not fulfil its executive obligations in terms of the Constitution and any relevant legislation, the relevant provincial executive must intervene by taking appropriate steps in order for the municipality to fulfil its obligations.

The Free State High Court in Bloemfontein, in Democratic Alliance v Premier of the Free State Province and Others, found, inter alia, that the municipality failed in its duty to deliver services, and that the Free State Province has failed to comply with the responsibilities to intervene in the Matjhabeng Municipality in terms of s 139(5) of the Constitution. The Court ordered the Provincial Executive to impose a recovery plan to secure the municipality's ability to meet its Constitutional obligations to provide basic services and to become financially stable.

On 30 October 2024, the Free State PEC resolved to intervene in terms of sections 139(5)(a) and (c) of the Constitution, by imposing a Mandatory Financial Recovery Plan:

- FRP to be prepared in terms of national legislation (Chapter 13 of the MFMA)
- FRP binds the municipality in the exercise of its legislative and executive authority to the extent necessary to solve the financial crisis.

In terms of Municipal Finance Management Act, No. 56 of 2003, section 141(2), only the National Treasury Municipal Financial Recovery Service may prepare a mandatory financial recovery plan. The first step in the financial recovery process is a diagnostic assessment to determine the status quo and the root causes of the financial crisis. SQA findings are used to prepare an appropriate FRP. Section 142 of the Municipal Finance Management Act, No. 56 of 2003 sets out, in detail, what a mandatory FRP must address.

3.2 OVERVIEW OF THE FINANCIAL RECOVERY PLAN (FRP)

S142 of the MFMA outlines the criteria for FRP.

A FRP 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 mandatory or discretionary intervention 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, 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 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.

The FRP may:

- (i) Provide for the liquidation of specific assets, excluding those needed for the provision of the minimum level of basic Municipal services;
- (ii) Provide for debt restructuring or debt relief in accordance with relevant legislation;
- (iii) Provide for special measures to prevent unauthorised, irregular and fruitless and wasteful expenditures and other losses; and
- (iv) Identify any actual and potential revenue sources.

In addition to the above, the FRP 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.

3.3 PREPARATION, CONSULTATION AND APPROVAL OF THE FRP

Preparation

The approach adopted in the development of the FRP is a holistic and consultative approach that also involves a detailed analysis of all relevant documentation, coupled with engagements between the Executive Mayor, Acting Municipal Manager, Management and other staff of the municipality as well as engagements with the National and relevant Provincial Government Departments, Key Stakeholders, Major Creditors and the Local Labour Forum.

Additionally, this FRP is aligned to the four (4) pillars used by the National Treasury to assess municipal sustainability, namely Governance, Institutional Stability, Financial Management and Service Delivery.

The key objective of the development of the FRP is to improve short-term liquidity and cash flow management, ensuring stabilisation and ultimately establishing long-term recovery and sustainability of the municipality.

Consultative Processes

In preparing this FRP, the MFMA requires the NT MFRS to consult with the municipality, the municipality's suppliers, and creditors, the MECs for Finance and Local Government in the Province and Organised Labour.



Various consultations were conducted to obtain and confirm the SQA findings at MLM. Key consultation engagements included, but not limited to:

1. Information gathering from various sources and conducting a desktop analysis and diagnostic assessment per focus area.
2. 10 and 11 June 2025 – Two-day workshop with MLM Management, including break-away sessions for the four diagnostic pillars.
3. 11 July 2025 – Meeting with the Finance Department of the municipality.
4. 08 July 2025 – Meeting with Matjhabeng LM Legal Team on Creditors.
5. 11 July 2025 – Meeting with Eskom, MLM's largest Creditor, to discuss outstanding debt and related matters.
6. 25 July 2025 - Meeting with MLM Creditors.
7. 29 July 2025 – Financial modelling meeting.
8. 05 and 06 August 2025 - Meetings with HR Department.
9. 05 August 2025 - Onsite meeting with the Department of Water and Sanitation.
10. 13 and 14 August 2025 – Consultation on FRP with Management, Labour and Creditors.
11. 19 August 2025 – Meeting with municipality to discuss financial model.
12. 22 August 2025 – Meeting with the PER to discuss financial model further.
13. 4 September 2025 – Consultation meeting with Council.
14. 10 September 2025 – Consultation meeting with the Executive Mayor.
15. 10 September 2025 – Consultation meeting with Matjhabeng Municipal Department of Finance

In addition to the above, information was shared between MLM Officials, CoGTA and National Treasury MFRS in order to facilitate access to information and transparency.

The municipality's largest creditors were invited to a consultation workshop held in Matjhabeng on 13 August 2025. The municipality's labour representatives were invited to a consultation workshop held on the same day. This workshop was attended by representatives from IMATU and SAMWU.

The Final Draft FRP will be published in terms of Section 141(3)(c)(ii) of the MFMA to invite the public, including the local community, to submit written comments and representations in respect of the Draft FRP. Advertisements will be placed in 2 newspapers of general circulation in the area of jurisdiction of the local municipality over a 14-day period. Hardcopies of the plan will be made available at key locations in the municipality.

The MFRS will write to the stakeholders, provide a copy of the draft FRP and invite them to submit comments in terms of Section 141(3)(c)(i) of the MFMA. These letters will be sent to:

- i. The Matjhabeng Local Municipality.
- ii. The Provincial SALGA.
- iii. Organised labour (IMATU and SAMWU).
- iv. MEC Finance and CoGTA.

All stakeholder comments received will be considered and factored into the final FRP in terms of the provisions 141(4)(a) of the MFMA.

Approval

In terms of S141(4) the NT MFRS must consider any stakeholder comments received, finalise the FRP; and submit the FRP to the MEC for Finance in the Province for approval in terms of Section 143(2).



In terms of S143(2) mentioned above the MEC for Finance must verify that the process set out in S141 has been followed and that the criteria contained in S142 are met and if so, approve the FRP.

3.4 IMPLEMENTATION OF THE FRP

As this is a mandatory intervention, the municipality is responsible and must implement the FRP. All revenue, expenditure and budget decisions must be taken within the framework and subject to the limitations of the FRP (MFMA: S146(1) (a) and (b)).

This Plan must be submitted by the MEC for Finance and be tabled in Council for noting, implementation and oversight in order to secure the municipality's ability to meet its obligations to provide basic services and financial commitments, when due.

The primary responsibility to avoid, identify and resolve financial problems rests with the Matjhabeng Council and the Plan must be monitored by Council, the Executive Mayor and the Accounting Officer to ensure successful implementation, and places significant implementation responsibility on the Accounting Officer, Chief Financial Officer and other senior managers.

However, it must also be emphasised that the strategies set out in this Plan relate to activities that must be institutionalised and performed by various municipal officials, as part of their routine duties and tasks. Those appointed to such positions, even in acting capacities, and/ or deployed within the MLM are given specific roles and responsibilities, which must be reinforced and captured in a revised performance agreement that also includes key aspects of this Plan, including consequence management.

Oversight by Council and other structures also need to be strengthened to ensure proper governance, service delivery, budget implementation and early warning systems are developed, implemented and corrective measures are taken timeously. Regular, robust and honest interaction must be enforced and sustained beyond this turnaround period at Matjhabeng for long term sustainability.

The FRP will be undertaken and implemented in phases, namely:

- **Phase 1: Rescue phase (6 – 12 months)** – This phase focuses on the most critical aspects of rescuing the municipality from its immediate and most pressing challenges.
- **Phase 2: Stabilisation phase (13 – 24 months)** – This phase focuses on areas that are depleting the municipality's financial resources while taking a deeper focus on governance, service delivery and institutional pillars.
- **Phase 3: Sustainability phase (25 months and onwards)** – This phase focuses on building on institutionalising the efforts of previous phases in order to prevent a regression in performance and ensure that the municipality is able to continue as a going concern in a viable and sustainable manner. The aim in this phase is to improve the long-term financing strategy, implement revenue enhancement and maximisation strategies and improve efficiencies in service delivery through innovative and technological solutions. In summary, this phase has, as an outcome, the functioning of the Municipality as intended in the Constitution and other legislation.

The implementation responsibility should also be operationalised and institutionalised, whereby the key focus areas and activities outlined in the Plan should be cascaded to all relevant municipal officials and included in their respective performance agreements, as mentioned earlier. It is also important that a "portfolio of evidence" is retained throughout the



implementation of the FRP to enable assessment of the results and to ensure accountability and ownership of the process.

In respect of financial resources required to support the implementation of the FRP, the key will be the restructuring of the budget, implementing the revenue enhancement initiatives and commitment to stringent expenditure controls, particularly on non-essentials and non-revenue generating activities, including addressing the current governance challenges highlighted and prevalent at the municipality.

Where necessary, the National and Provincial Governments should support the municipality to ensure it “kicks start” the recovery process, as the municipality will be unable to move forward based on its current challenges, without external support.

This FRP encourages a strong political and organisational will to implement the following:

- a) 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, and political interference is prevalent.
 - 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 moving forward.
- b) Intervention team to assist with the implementation of the FRP has been appointed. The team led by the Provincial EXCO Representative and will be at Matjhabeng until May 2028.

3.5 MONITORING AND OVERSIGHT OF THE FRP

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

The Political Oversight Committee will consist of the following representatives:

- a. MEC for Finance (Chairperson).
- b. MEC for CoGTA.
- c. Executive Mayor.
- d. Speaker.
- e. Accounting Officer.

A Technical War Room Committee should be established to support the political oversight committee and to be constituted by the following:

- a. The HOD: Finance, Free State (Chairperson).
- b. The HOD: CoGTA, Free State.
- c. Head: NT MFRS and any other representative as delegated by the NT MFRS Head.
- d. The Accounting Officer and his/her senior managers.
- e. Representatives from the sector are to be co-opted, as and when necessary.



- f. In addition to the oversight committee, the work streams representative of all four pillars must be established to support the Accounting Officer in the implementation of the financial recovery plan. The Accounting Officer should undertake quality assurance processes required to submit monthly performance progress reports in terms of the prescribed framework to Members of the Executive Council for Finance, NT MFRS, MAYCO and Municipal Council on the implementation of the FRP.

3.6 RISK MATRIX

The identified risks must be mitigated for the successful implementation of the proposed changes, particularly with regard to financial administration, budgeting, financial discipline and governance, especially political oversight. There will also be a need for a regular review of the risks identified to ensure timely mitigation measures are instituted by the Accounting Officer and the Political Leadership.

The emerging risks identified, include amongst others:

Governance

- Lack of role clarity between political and administrative leadership.
- Non-compliance with the Code of Conduct by Councillors and staff.
- Under-expenditure on grants due to administrative delays.
- Failure to implement regulations on financial misconduct procedures and referral of matters to criminal proceedings.
- Volatile and sporadic staff protests.
- Litigation cases due to non-payment of creditors.
- Inadequate systems of delegation that impact on governance, administration and operational efficacy, including confusion between administrative vs political delegations.

Institutional

- The proposed organisational structure may not improve service delivery as the operating model has not been reviewed to inform the structure.
- Ad-hoc changes to the organisational structure create a potential for personal interests.
- Potential for employees with fake qualifications due to lack of verification of qualifications.
- Continued labour instability due to dysfunctional LLF.
- Potential for ghost workers due to physical staff verification not being conducted.
- Lack of appropriate organisational culture and performance-driven workforce.

Financial Health

- Unfunded budgets.
- Attachment of bank accounts by Eskom, Vaal Central and other creditors.
- Tariffs are not cost reflective, and the water and electricity services are running at losses.
- Poor cashflow, escalating creditors' balance especially Eskom and Vaal Central Water Board.
- Increase in the debtors' book due to low collection rates.
- Unreliable and incomplete billing due to damaged or non-existent meters and insufficient planning, capacity and capability to read existing meter.
- Qualified audit opinions for the last 2 financial years with persistent/ repeat audit findings.
- High and unsustainable water and electricity distribution losses.
- Increasing grant dependency.
- Underfunded mandates i.e. fire services, human settlement, etc.
- Budget constraints for capital investment in revenue generating assets, including smart meters.
- The municipality is insolvent and is not a going concern.

Service Delivery

- Failure to reverse the trend of under-maintenance and failure of timely replacement of aged infrastructure.



- The municipality faces ongoing challenges in effectively managing non-revenue electricity and water losses, which may limit the full impact of broader service delivery and infrastructure improvement initiatives.
- The unavailability of materials, appropriate equipment and tools of trade, which will undermine efforts to rehabilitate infrastructure and improve service delivery.
- Illegal connections, theft and vandalism of infrastructure.
- Inadequate and outdated fleet, which is uneconomical to maintain and is frequently breaking down.
- Inadequate number of qualified and appropriately experienced staff in critical areas leading to underspending of grant funding, inappropriate project planning, incorrect scoping of projects, inefficient execution of projects and ineffective management of external service providers.
- Insufficient budget for maintaining, rehabilitating, upgrading, replacing and extending infrastructure.
- Inability to plan, which places an immense burden on the infrastructure and budget provisions.
- Illegal occupation of municipal rental stock.
- Inability to enforce by-laws, which results in higher levels of illegality and reduces the attractiveness of the municipality as an investment destination.
- Land invasions.

Table 1: Risk Matrix

Given this, a proper risk management matrix must also be developed as part of this process, managed, and reported to Council on a regular basis. The risk management matrix should be updated on a regular basis to incorporate additional risks, which may be identified by the municipality, clearly addressing those that will undermine the national efforts and support.

3.7 COMMUNICATION PLAN

For the plan to be institutionalised, a communication plan will need to be developed for both internal and external stakeholders. It is proposed that the municipality 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 and the fact that this is yet another intervention.

Internally, a collaborative approach is necessary, and the current functioning and operations in silos will need to be challenged. It is also fair that all external stakeholders, including suppliers, customers and the general community that calls Matjhabeng home, are made aware of the FRP, the circumstances that led to it and how they will be affected. These individuals also have a vested interest in how the municipality intends to overcome these challenges.

Honesty and transparency are key to this process.



4. FINANCIAL RECOVERY PLAN

4.1 STATUS QUO ASSESSMENT METHODOLOGY

In developing this Mandatory FRP, various sources of information were utilised during the preparation of the Status Quo Analysis (SQA) Report. The latter is attached Annexure B and includes a detailed list of the sources consulted. Detailed descriptions of the Status Quo findings under each of the four pillars are provided in the SQA Report. The descriptions address the key issues that were established, their root causes as well as the sources of information that were consulted to inform these findings.

4.2 KEY ISSUES ESTABLISHED

Key issues were highlighted during Status Quo Assessment and were presented under the four municipal pillars of sustainability stated below:

1. Financial health.
2. Service Delivery.
3. Governance.
4. Institutional stability and capability.

See the Status Quo Assessment Report Attached as Annexure B for a detailed financial analysis of the municipality's finances.



4.3 FINANCIAL HEALTH

The Financial Pillar key findings that were identified during the status quo assessment and the proposed FRP activities are summarised in table below:

FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Funded Budget and Budget Spending Limits	<p>Unfunded budget, however, a budget funding plan was developed, but not implemented.</p> <p>The adjusted budget for 2024/25 reflected a surplus of R171 million, however the pre-audit 2024/25 actual performance reflects a deficit of R282 million.</p> <p>The municipality has an outstanding creditor balance of R14 billion as at 30 June 2025 for amounts owing to Eskom, Vaal Central Water Board and other creditors. This amount is multiple times the annual budget and an indicator of the severity of the municipality's unfunded budget status.</p> <p>A budget funding plan was developed but not adequately implemented.</p> <p>The Budget Steering Committee only meets during budget preparation and not for monitoring as a result of officials not being available to sit in at meetings.</p> <p>Budget surplus</p> <ul style="list-style-type: none"> • 2022/23: R 7.6 million • 2023/24: R321 million <p>Audited actual deficits</p> <ul style="list-style-type: none"> • 2022/23: (R1.08 billion) • 2023/24: (R273.7 million) <p>Main variances</p> <p>Service Charges: (R390 million)</p> <p>Other Income: (R522.6 million)</p>	<ul style="list-style-type: none"> • Prepare and approve an adjustment budget, aligned with the FRP parameters. • Enhance the budget funding plan with realistic estimated income and expenditure based on historical trends (Review all estimates) and current requirements emanating from the FRP i.e. Budget for filling of critical post and Compliance (Operating Health and Safety). • The budget funding plan should include realistic budgeting of non-revenue items, especially on depreciation, debt impairment and impairment of PPE (See cost containment strategy). • Ensure the budget funding plan is implemented and monitored regularly. • No incurrence of new unauthorised expenditure. • Preparation and approval of the 2026/27 MTREF in full alignment with the FRP. 	<ul style="list-style-type: none"> • No incurrence of new unauthorised expenditure. • Consequence management for any deviations. • Preparation and approval of the 2027/28 MTREF in full alignment with the FRP.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<p>Finance costs: (R60 million) Debt Impairment: (R288 million)</p> <ul style="list-style-type: none"> Budget funding committee no longer sitting, as required. The municipality underbudget on non-cash items like debt impairment to submit a funded budget for NT compliance. The unfunded budget contributes to the financial challenge - leads to the inability of the municipality to provide quality services and a deterioration in delivery service. Lack of integration/ alignment between departments and as a result prioritisation and cost containment are not linked to procurement plan as the procurement plan is prepared solely for compliance purposes. The municipality has an outstanding creditor balance of R14 billion as at 30 June 2025 for amounts owing to Eskom, Vaal Central Water Board and other creditors. This amount is multiple times the annual budget and an indicator of the severity of the municipality's unfunded budget status. 		
Revenue Management: Billing and Collection	<ul style="list-style-type: none"> Non-billing of large areas. Unmetered households (large unmetered areas) coupled with budget constraints to install smart meters in unmetered areas. MLM has 658 large power user customers of which 397 Large power users Accounts are being estimated and only 261 is billed accurately. 	<p>Improved billing (all consumers billed for actual services consumed) and increase the average collection rate to 75% by carrying out the following:</p> <ul style="list-style-type: none"> Mobilise teams to read meters on a monthly basis to ensure that consumers are billed on actual volumes consumed. Engage community Liaison Officers, security cluster and local councillors to 	<ul style="list-style-type: none"> Source and update contact details for all consumer accounts and issue bills, with all relevant information (i.e. amounts due and banking details for payment) digitally to save on the cost of physical bills. Prioritise smart meter implementation based on cost-benefit analysis where data is available (i.e. addressing



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> Illegal connections and bypassed meters. Consumer meters not read on a monthly basis but billed on estimates due to inadequate team to perform meter reading (2 permanent staff and 6 EPWP to assist with meter readings of 75 814 water meters and 18 218 conventual electricity meters), damaged meters, and no meters installed. There is a property zoning challenge that results in underbilling property rates as a result of residential properties being converted into student accommodations or businesses without following proper rezoning processes. <p>Collection rates:</p> <ul style="list-style-type: none"> 2023/24: 42.3 per cent 2022/23: 56.5 per cent Collection rates are below the norm, and it should be noted that these rates are only on the supply of services after distribution losses of water (57 per cent) and electricity (28 per cent), which means for each R1 spent on bulk water, only 43 cents can be billed and only 42.3 per cent on average are collected (18.19 cents) which is unsustainable. Low collection rate, especially on water and sanitation and refuse removal. The community has stopped paying as the services are not performed adequately. 	<p>engage all of the townships classified as "no go areas".</p> <ul style="list-style-type: none"> Implement smart meter project for 5 500 meters budgeted for in the 2025/26 financial year. Conduct a comprehensive property zoning and valuation audit, reconcile the valuation roll to the billing system and verify that all properties on the roll are captured in the billing system and billed at the correct category, rates and tariffs. Source and update contact details for all consumer accounts and issue bills, with all relevant information (i.e. amounts due and banking details for payment) digitally to save on the cost of physical bills. Perform a customer profiling exercise between those that can pay and those that are indigent to establish the collectable revenue base. Implement credit control on collectable debt. 	<p>indigent customers with high debtor balances as a result of consuming in excess of approved policies).</p> <ul style="list-style-type: none"> Create smart metering implementation plan for budgeted and funded meters (available meters) and budget for procurement of additional meters to resolve 15 100 problematic water meters identified. Data cleansing.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Indigent Management	<ul style="list-style-type: none"> The municipality has implemented interventions to improve the collection of revenue by procuring the services of Ntiyiso Consulting to carry out debt collection services since the 2023/24 financial year and introducing Operation Patala in March 2025, a committee tasked with championing revenue collection at the municipality. These interventions have not resulted in an improvement in the collection rate as at May 2025 <p>There is an approved 2024/25 indigent policy with the following subsidies for free basic services:</p> <ul style="list-style-type: none"> Water: 6 kilolitres pm. Electricity: 50 kWh pm. Sewer: 100 per cent. Refuse: 100 per cent. <p>As of 30 May 2025, there were approximately 18 000 registered Indigents.</p> <p>Unemployment in MLM is high, which contributes to the large number of indigent households.</p> <p>Annual reconciliation of approved indigents and billing system is not performed adequately which results in indigents no longer qualifying receiving grants.</p> <p>Not restricting water and electricity grants to policy limits. Due to unmetered properties, the unqualifying households are getting the benefit and qualifying households are not restricted.</p> <ul style="list-style-type: none"> Indigents owed MLM R895 million at June 2025. 	<ul style="list-style-type: none"> Investigate and profile indigent debtors. Implement credit control on recoverable debt and make a recommendation to council to write off irrecoverable amounts. Implement indigent management system, maintain indigent database and carry out monthly reconciliations between the indigent data and the billing system. Restrict consumption by all indigents using more services than policy allows, especially on water services thereby limiting indigent customers to policy limits. Regular profiling of all indigents. 	<ul style="list-style-type: none"> Implement smart meters to restrict consumption of indigent qualifying households in line with the approved policy. Regular profiling of all indigents.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Debtors Management	<ul style="list-style-type: none"> Inefficient and ineffective internal controls. Low collection rate results in cash flow challenges for the municipality. Growing debtors' book and a culture of non-payment by consumers. Disruptions on implementation of credit control in no-go areas. Not leveraging electricity as a collection mechanism in Eskom supplied areas (electrical team not disconnecting as instructed). Lack of engagement (for collection of outstanding amounts and making payment plans) with debtors that have the capacity to pay, such as organs of the state and businesses. Cashiers' offices were closed and are no longer a contact point for queries and payments. Significant number of disputes (approx. 200) due to estimated billings. <p>2023/24 Gross consumer debtors:</p> <ul style="list-style-type: none"> R 8 billion <p>Allowance for impairment:</p> <ul style="list-style-type: none"> R 5.9 billion 74 per cent of consumer debtors are provided for impairment meaning only around R2.1 billion is collectable. <p>Breakdown of Debtors as at 30 May 2025 of R 9.2 billion:</p> <p>Total By Customer Group</p> <ul style="list-style-type: none"> Organs of State: R 254 million. Commercial: R 1.6 billion. Households: R 7.3 billion. 	<p>Increase the average collection rate to 75%, at the end of June 2026 and increase further thereafter by carrying out the following:</p> <ul style="list-style-type: none"> Perform a categorisation of all debtors and implement credit control according to the category. Implement credit control on collectable debt (Engage with Eskom to implement credit control measures where applicable). Ensure that the electricity sales leveraging system is implemented to enhance revenue collection by March 2026. Resolve disputes (all 200) and implement a system and process to address incoming disputes timeously. Assess feasibility of re-instating cashiers' office and consider alternative engagement platforms as a point of contact for queries and payments. 	<ul style="list-style-type: none"> Ongoing data cleansing, profiling and segmentation. Continuously perform a categorisation of all debtors and implement credit control according to the category. Implement credit control on collectable debt (Engage with Eskom to implement credit control measures where applicable).



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Cost-reflective Tariffs	<ul style="list-style-type: none"> Tariffs are not cost reflective. Lack of profitability analysis for each revenue stream and setting tariffs that do not at least consider break-even point. Operational inefficiencies and practices that increase the cost of delivery. Outdated and ageing infrastructure leading to higher operational costs. The tariff increase required to address the funding gap on services is significant and it is not realistic for it to be implemented over a single cycle. Regulatory constraints on the annual increases. Tariffs are not forecasted and aligned with the rate of growth of tariffs forecasted by Eskom and Vaal Central Water. Lack of accurate data on consumption patterns due to the high number of unmetered areas and no-go areas. The performance of unfunded mandates undertaken by the Municipality requires further analysis to determine the cost implications for the Municipality i.e. fire services. Inability to charge more due to inconsistent service delivery. Cross subsidisation model for non-revenue generating departments is outdated. <p>2023/24: Electricity</p> <ul style="list-style-type: none"> The cost of sales of electricity exceeds the selling price, which results in losses. 	<p>Increase revenue billed by an average tariff increase on services of 8.3% and achieve a net surplus on all trading services by carrying out the following:</p> <ul style="list-style-type: none"> Conduct a profitability analysis for each revenue stream and update the cross-subsidisation model. Perform a cost of supply study for all trading services and introduce cost-reflective tariffs. Benchmark tariffs and implement an affordability assessment. If not affordable, phase in the increase over the next 3 years by a maximum of CPI plus 5 per cent. Set tariffs that reflect the cost of providing services and align with the rate of growth forecasted by Eskom and Vaal Central Water. 	<ul style="list-style-type: none"> Monitor performance and carry out annual cost of supply study for all trading services. Implement an affordability assessment and introduce cost reflective tariffs. If not affordable, phase in the increase over the next 3 years by a maximum of CPI plus 5 per cent.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> • Sales: R 817 million. • Cash Expenditure: R1.4 billion. • Loss on electricity: R 590 million <p>The loss on electricity services is attributable to the bulk purchases being more than the sales revenue, a contributing factor being the high distribution losses.</p> <p>2023/24: Water and Sanitation</p> <ul style="list-style-type: none"> • Sales: R1 billion. • Expenditure: R1.3 billion. • Loss on water and sanitation: R 300 million <p>The loss on water and sanitation services is largely due to a debt write-off of R417 million.</p>		
Cost Containment and Expenditure Management	<ul style="list-style-type: none"> • The cash/ cost coverage is substantially below the norm of 1 – 3 months, reiterating the need for stringent cost containment measures to be developed and implemented. • Despite monitoring and regular meetings being held by the committee, MLM is failing to comply with the budget funding plan. • No evidence of integrated planning and communication re-expenditure management and budget prioritisation. • Cost containment targets not included in performance contracts resulting in lack of accountability and clear roles and responsibilities. <p>The municipality intends to progressively reduce non-core expenditure as follows:</p> <ul style="list-style-type: none"> • Year 1 (2025/26) – 30 per cent • Year 2 (2026/27) – 40 per cent 	<ul style="list-style-type: none"> • 30 per cent and 40 per cent reduction in 2025/26 and 2026/27 respectively in non-core expenditure relating to: Use of consultants and professional services (including legal services, contracted services and security), vehicles used for political office-bearers, travel and subsistence, domestic accommodation, sponsorships, events and catering, communication, conferences, meetings and study tours and any other related expenditure items. • MPAC to assess the cost containment targets versus actuals on a quarterly basis. • Conduct value for money procurement and needs analysis before any new procurement and identify if it can't be done in-house. Consider moving away from quotations expenditure and explore 3-year procurement. 	<ul style="list-style-type: none"> • Carry out an assessment of payments to contractors against progress to date and approved SCM budgets and identify contractors that have been paid in excess of tender awarded values or in excess of progress made to date. • Include cost containment targets in performance contracts. • Implement consequence management enforcement on non-adherence to the cost containment policy.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Cashflow Management	<p>Areas for reduction include use of consultants for:</p> <ul style="list-style-type: none"> Professional Services. Legal Services. Security Services. Communication. <p>Inadequate cash flow management. The cash/ cost coverage is substantially below the norm of 1 – 3 months:</p> <ul style="list-style-type: none"> 2022/23: 0 2023/24: -0.1 2024/25 YTD: 0.3 	<ul style="list-style-type: none"> Improve cash flow by enhancing debtor management and reducing creditor balances to achieve 1 month cash in the bank in 2025/26 and 2 months in 2026/27. Implement a system of expenditure control where no expenditure/ order is authorised unless it is provided for in the cash flow management system. CFO to report on weekly basis to Management on cashflow projections. Consequence management for non-adherence to the cost containment measures. 	<ul style="list-style-type: none"> Improve cash flow by enhancing debtor management and reducing creditor balances to achieve 1 month cash in the bank in 2025/26 and 2 months in 2026/27. CFO to report on weekly basis to Management on cashflow projections. Consequence management for non-adherence to the cost containment measures.
Creditor Management and Debt Restructuring	<ul style="list-style-type: none"> MLM defaulted on the payment of suppliers within 30 days. Non-adherence to payment arrangements due to cash flow constraints. Low debtors' collection rate resulting in cash flow constraints. Loss of grants due to non-adherence to the debt relief program. Increasing bulk purchases due to high distribution losses with non-payment of Eskom and Vaal Central Water. Creditors as 30 May 2025 (Unaudited): <ul style="list-style-type: none"> Total: R 15 billion Eskom: R 6.7 billion (45 per cent) 	<ul style="list-style-type: none"> Re-negotiate payment arrangements with major creditors to repay current and outstanding amounts. Factor repayments into the cash flow forecast to reduce long outstanding amounts to zero owing within 12 months. Utilise revenue collected from recovery of debt from Government (R252 million) to settle long standing creditors other than Eskom and Vaal Central (R360 million) as at June 2025. Implement a payment strategy whereby Eskom and Vaal Central Water are paid monthly an amount equal to the lesser of: 	<ul style="list-style-type: none"> Implement a payment strategy whereby Eskom and Vaal Central Water are paid monthly an amount equal to the lesser of <ul style="list-style-type: none"> (i) the actual expenditure incurred for electricity and water services, or (ii) the amount collected from consumers for these services. This approach is intended to ensure that, wherever possible, current monthly obligations are fully settled and the outstanding balance does not continue to grow.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> ○ Vaal Central Water: R 7.9 billion (53 per cent). • Increased by 12.8 per cent from R13.3 billion in June 2024. • MLM are currently paying Vaal Central Water an amount of R12 million a month in terms of a court order and while the ongoing dispute is under arbitration. This amount is insufficient to cover the current account, thereby resulting in an ongoing increase in the balance owing. • Interest for late payments is significant (R69 million a month to Vaal Central Water on average). The municipality is not recognising this interest as MLM are of the position that the interest should not be charged in accordance with a court order that has not been rescinded. • MLM did not meet the requirements of the Eskom debt relief programme. This could result in increased future pressure on the financial resources of the Municipality. The cause is the inadequate revenue recovery which prevents the Municipality from paying the current monthly debt. • It was noted that the Municipality experienced garnishes in the current financial year which resulted in conditional grant money from the Free State Provincial Department of Human Settlements grant being used to settle outstanding suppliers' debt. 	<ul style="list-style-type: none"> ○ (i) the full actual current account invoice from Eskom and Vaal Central, or ○ (ii) the amount collected from consumers for these services. This approach is intended to ensure that, wherever possible, current monthly obligations are fully settled and the outstanding balance does not continue to grow. • Conclude arbitration with Vaal Central. Engage specifically on waiving the interest component of the amount owing in line with the court order that was not set aside and value derived for the portion of the tariff attributable to infrastructure maintenance (Value for Money). • Allocate at least 30% of Equitable Share per trench towards electricity and water bulk supply payments. • Engage with National Treasury on the non-compliance issues experienced in the debt relief program and reinstate adherence to the debt relief program terms on a monthly basis. • Conclude discussions regarding a distribution agency agreement and offering of assistance to the Municipality by Eskom. 	<ul style="list-style-type: none"> • Factor repayments into the cash flow forecast to reduce long outstanding amounts owing. • Reinstate adherence to the debt relief program terms on a monthly basis. • Strict adherence to 30-day payment cycle.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Conditional Grants	<ul style="list-style-type: none"> Overspending on conditional grant: EPWP was overspent by R4.7 million and R10.3 million in 2023/24 and 2024/25 financial years, respectively. Unspent conditional grants are not cash backed. Underspending on Human Settlements is the main contributor to unspent grants. Duplication (Overlap between MIG Grant and Human Settlement Grant) and therefore inability to spend according to conditions (Human Settlement Grant). Overspending on conditional grant: EPWP was overspent by R4.7 million and R10.3 million in 2023/24 and 2024/25 financial years, respectively. Ring fenced investment bank account was attached and therefore no longer cash backed. <p>Unspent conditional grant balances:</p> <ul style="list-style-type: none"> ○ 2023/24: R 74.6 million. <ul style="list-style-type: none"> ➢ MIG grant: R0.3 million. ➢ INEP: R2.5 million. ➢ MWSIG: R4.8 million. ➢ Free State Department of Human Settlements: R66.97 million. ○ 2022/23: R118.96 million <ul style="list-style-type: none"> ➢ MIG grant: R33.78 million. ➢ INEP: R1.3 million. ➢ MWSIG: R16.9 million. ➢ Free State Department of Human Settlements: R66.97 million. 	<ul style="list-style-type: none"> Unspent conditional grants must be cash backed at all times and must not be spent on other expenditure other what is stipulated on the conditions of the grant. No new overspending nor counter funding on operational grants 	<ul style="list-style-type: none"> Unspent conditional grants must be cash backed at all times and must not be spent on other expenditure other what is stipulated on the conditions of the grant. No new overspending nor counter funding on operational grants



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Supply Chain Management Compliance and Value for Money Procurement	<ul style="list-style-type: none"> • Bank Balances: <ul style="list-style-type: none"> ○ 2023/24: R 44.2 million. ○ 2022/23: R 125.7 million. • Repayment to NT (withheld from Equitable Share): <ul style="list-style-type: none"> ○ 2023/24: R20 million. ○ 2022/23: R100.1 million. 		
	<ul style="list-style-type: none"> • Procurement is made outside of the SCM regulations, for example on legal services. • Contract management resides with the users of the service department. • Stores were left neglected, which led to vandalism. The municipality does not run stores or keep inventory that is required on daily basis. • Committee members not available for Bid Committee meetings. • Lack of alignment and communication between departments and procurement plans, especially with regards to cost containment and prioritisation. • Consequence management relating to deviation from policies and procedures relating to compliance with laws and regulations were not implemented. The AG (SA) noted material findings in the consequence management processes. MLM did not conduct any investigations in the 2024 financial year relating to the unauthorised and irregular expenditure that was reported in the prior years. • Irregular expenditure reported by the Auditor General that was incurred in 	<ul style="list-style-type: none"> • Strengthen demand management processes by establishing a Joint Budget–SCM–Expenditure–Cash Flow Control Committee to carry out monthly reviews of budget allocations, procurement pipelines and actual cash flow with the objective of adjusting procurement schedules where cash constraints exist, while ensuring prioritised services remain uninterrupted. • Examine and commence the process of terminating all existing irregular contracts. • No incurrence of new irregular expenditure. • No incurrence of new unauthorised expenditure. • Implement the UIF&W reduction strategy. • Investigate allegation of service providers utilising municipal premises and impose market related rental. • Demand Management, test market values before any tender is advertised. Develop own pricelist and analyse yearly to ensure value for money procurement. • Institutionalise the processes of the procurement processes and training on SCM Policy and SOP's. 	<ul style="list-style-type: none"> • Demand Management, test market values before any tender is advertised. Develop own pricelist and analyse yearly to ensure value for money procurement. • Institutionalise the processes of the procurement processes and training on SCM Policy and SOPs • 100% alignment to procurement that is linked to the cashflow. • Interest and penalties (Fruitless and wasteful) expenditure be reduced by 40%. each financial year • No incurrence of new irregular expenditure. • No incurrence of new unauthorised expenditure. • Examine and commence the process of terminating all existing irregular contracts. • Implement JIT for stores management. • Consequence management.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<p>the 2023/24 financial year related to travel agency fees, communication services, printing services, tracing agents and debt collection, hiring of fleet and refurbishment of Thabong WWTW and PSE system at Theronia WWTW.</p> <ul style="list-style-type: none"> • Accumulative UIF&W expenditure as of 30 June 2024 was R4.7 billion (2022/23 R3.24 billion). • An amount of R1.43 billion has been investigated by MPAC and the following recommendations made: <ul style="list-style-type: none"> ○ R1.07 billion was authorised through an adjustment budget. ○ R362 million was recommend for write-off to Council. <p>The remaining balance is R3.27 billion.</p>	<ul style="list-style-type: none"> • 100% alignment to procurement that is linked to the cashflow. • Interest and penalties (Fruitless and wasteful) expenditure be reduced by 40% each financial year. • Implement JIT for stores management. • Refer all cases of misconduct to the Disciplinary Board with clear details and the outcome must be enforced. 	
Financial Control Environment	<ul style="list-style-type: none"> • Data gaps and inconsistencies, especially within the revenue value chain. • No asset management system (including fleet management). • Process and system gaps (i.e. unmetered properties and/ or damaged meters) leading to inconsistent and unreliable data to inform reporting and decision making. • Of concern are controls around asset management practices with specific reference to: <ul style="list-style-type: none"> Impairment due to vandalism or inadequate maintenance. Personal usage i.e. vehicles. Theft of assets. 	<ul style="list-style-type: none"> • Address audit finding in relation to revenue data gaps to avoid repeat audit findings and qualification. See Revenue Management: Billing for meter data strategy to inform revenue process, system and data gaps. • No incurrence of new unauthorised expenditure on new procurement processes. • No incurrence of irregular expenditure on new procurement processes. • Implement processes to record expenditure as and when incurred and ensure that all new expenditure transactions are settled within 30 days. • Implementation of FRP to restore financial sustainability, improve governance and ensure service delivery to improve solvency of the municipality 	<ul style="list-style-type: none"> • Consider the implementation of an asset management system to address management and control findings in relation to asset management. • Implementation of FRP to restore financial sustainability, improve governance and ensure service delivery to improve solvency of the Municipality over the stabilisation and sustainability phase.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> • Increase in UIF&W expenditure, especially on interest accrued on overdue creditors accounts. • Qualified audit opinions during the last 3 financial years. With repeat audit findings in relation to: <ul style="list-style-type: none"> ○ Expenditure Management. ○ Procurement and Contract Management. ○ Consequence Management. ○ Asset Management. ○ Revenue Management. ○ Annual Financial Statements, performance reports and annual reports. • 2023/24 AG Report: <ul style="list-style-type: none"> ○ Material misstatements not corrected for service charges in relation to estimates of water and electricity found not to be reliable. ○ The AG (SA) management report for 2024 indicated that a recommendation was made to management to replace the unmetered or damaged meters so that customers are charged actual consumption in 2018/19 with limited progress having been made. <p>MLM is insolvent, and the total liabilities exceed its total assets by R4 705 600 077 (2023: R4 041 810 978).</p>	<ul style="list-style-type: none"> • Audit Action Plan <ul style="list-style-type: none"> ○ Review the progress of the Audit Action Plan immediately after the issue of the audit report. ○ Provide practical action plan, ○ Track progress monthly thereof ○ Prepare half yearly financial statements half yearly and be audited by internal audit or any auditing firm. ○ Provide training to Internal audit on adequate review of AFS and the cash flow statement before submission to the AG. • Consider the implementation of an asset management system to address management and control findings in relation to asset management. • Implementation of FRP to restore financial sustainability, improve governance and ensure service delivery to improve solvency of the municipality over the stabilisation and sustainability phase. 	
mSCOA	<ul style="list-style-type: none"> • mSCOA committee is in place but not functioning. • Non-effective Steering Committee. 	<ul style="list-style-type: none"> • Review, update and implement a roadmap to become fully mSCOA compliant, in-line with circular 88. 	<ul style="list-style-type: none"> • Carry out a cost benefit analysis on required modules and prioritise implementation in line with budget availability.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> Budget constraints due to cash flow challenges. The municipality makes use of the BCX - SOLAR system. ERP system not fully integrated. Systemic challenges in this environment that need to be reviewed (seamless integration). The following modules are not implemented: <ul style="list-style-type: none"> Asset lifecycle management. Budget and planning. Customer care. Land use and building control. Valuation management. Real estate and resource management. Project accounting. Corporate governance. 	<ul style="list-style-type: none"> The municipality needs to apply strict budget control measures and the system built-in control measures and only allow transactions against items with a budget amount and available budget. 	

Table 2: Key Findings and Proposed Activities per Phase



4.3.1 FINANCIAL DECLINE IN FOCUS: A DEEPENING LIQUIDITY CRISIS AT MATJHABENG LOCAL MUNICIPALITY

The graph below illustrates the year-on-year rise in debtor and creditor days far above national norms revealing worsening financial health, poor revenue collection, and escalating non-payment to service providers, threatening service delivery and sustainability.

It also includes annotations of major national events like elections and the COVID-19 pandemic.

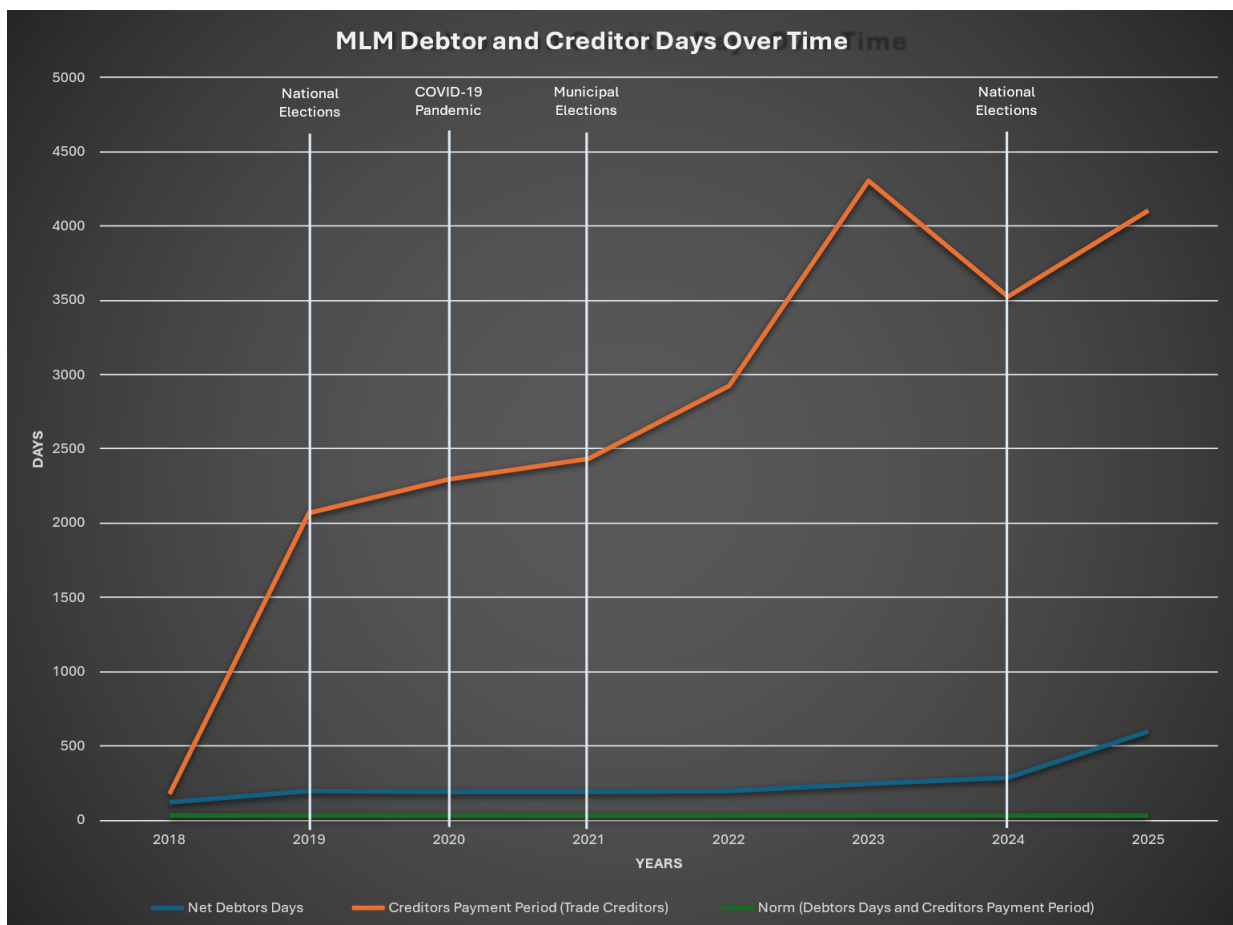


Figure 1: Debtor and Creditor Days Over Time

From the above the following are confirmed:

- **Liquidity Crisis:** The widening gap between what the municipality owes and what it can collect reflects serious cashflow challenges. MLM cannot service debts as and when they fall due and this will continue for as long as the cash flow challenges persist risking service delivery and fiscal sustainability.
- **Inadequate Financial Governance:** The shortfalls in the internal control environment outlined in the financial control environment assessment above are contributing to the challenges experienced.
- **Audit Impact on Sustainability:** From an audit perspective, MLM's current practices are raising red flags around going concern risks, unauthorised or irregular expenditure and non-payment of creditors.



4.3.2 KEY RATIO ANALYSIS

Below is an analysis of key ratios for the 2023/24 audited financial year, and YTD figures from July 2024 to May 2025:

RATIO	NORM	2023/24 AUDITED	2024/25 FORECAST	REMARK
Capital Expenditure to Total Expenditure	10% - 20%	3.7%	7.7%	<p>Capital expenditure to total expenditure improved to 7.7 per cent based on YTD performance but remained below the norm of 10-20 per cent.</p> <p>This figure may be overstated as certain non-cash expenditure items are still to be processed such as amortisation and depreciation, interest expense, electricity bulk purchases (not processed), and bad debt impairments.</p>
Repairs and Maintenance as a % of Property	8%	0.9%	1.2%	<p>Maintenance of key assets is not prioritised.</p> <p>Lack of asset maintenance is leading to infrastructure breakdowns and service delivery limitations. Assets are rapidly deteriorating at an unsustainable rate.</p>
Cash / Cost Coverage Ratio	1 - 3 months	-0.1 months	0.3 months	<p>The ratio is extremely low, indicating that MLM cannot cover at least one month's operating expenditure without any collections.</p> <p>Poor credit control and lack of debt collection have led to severe cash flow limitations inhibiting the quality and level of service delivery.</p>
Electricity Distribution Losses (%)	7-10%	28%	26%	<p>The estimated rand value is in excess of R204 million (2023/24) and could be the single biggest contributor to unmitigated increases in the Eskom debt.</p> <p>These losses are over and above the impact of poor debt collection of billed amounts.</p>
Water Distribution Losses (%)	15-30%	57%	34%	<p>The estimated rand value is in excess of R418 million (2023/24). This is attributable to illegal connections, unbilled consumption, unmetered areas, leakages and old and ageing infrastructure.</p>
Collection Rate	>95%	42.3%	51.9%	<p>The ratio indicates the inability of the municipality to set affordable tariffs, bill correctly and ensure what is billed is collected. The debtors book continues to grow without a solution.</p>



RATIO	NORM	2023/24 AUDITED	2024/25 FORECAST	REMARK
Debtor days	30 Days	285.6 days	597.5 days	Debtor days are significantly above the norm and increasing due to billing inaccuracies and ineffective credit control mechanisms.
Own Source Revenue to Total Operating Revenue	N/A	77.5%	74.5%	The Municipality is becoming increasingly more grant dependent as own source revenue to total operating revenue declines by 3 per cent year on year.
Revenue Growth - Own Revenue (Projected)	CPI	27.9%	-9%	<p>Revenue growth in the 2023/24 year reflects an improvement over 2022/23 with the growth rate of 36.9 per cent above inflation of 4.4 per cent.</p> <p>Despite this, MLM were unable to convert the billings into cash through revenue collection.</p> <p>The projected performance for 2024/25 using year to date figures for the first 11 months reflects a decline in revenue. MLM is expected to incur a 0.2 per cent decline in revenue in the 2024/25 financial year.</p> <p>MLM is still incurring deficits indicating that their revenue baseline is insufficient to cover the operating costs.</p>
Operational Transfers and Subsidies Growth	N/A	8.55%	7.08%	The growth rate in operational transfers and subsidies reflects that MLM is increasingly becoming more grant dependent as the revenue generated from own source revenue declines, but the revenue generation through grants increases above inflation.
UIF&W as % of Total Operating Expenditure	0%	109%	93.6%	<p>UIF&W as of 30 June 2024 is extensive, amounting to R4.7 billion (2022/23 R3.24 billion), this indicates non-compliance with the SCM policy and budget regulation.</p> <p>This was not previously investigated by MPAC until the current financial year with an amount of R3.27 billion remaining to be investigated.</p>
Creditor Payment days	30 Days	3 524 days	4 281.6 days	<p>The creditor payment period is significantly above the norm and has been escalating, mainly attributable to amounts owed to Eskom and Vaal Central Water.</p> <p>There has been an ongoing dispute on amounts owed by MLM to Vaal Central. MLM was part of the Eskom Debt relief program, however as a result of non-compliance, Eskom have issued the intention to limit services to services paid</p>



RATIO	NORM	2023/24 AUDITED	2024/25 FORECAST	REMARK
				for in advance effective 1 August 2025, putting further pressure on MLM.
Remuneration (Councillor Remuneration and Employee Related Costs) as % of Total Operating Expenditure	25-40%	22.1%	46.4%	<p>The ratio was within the norm at 22.1 Per cent in 2023/24 however the YTD actuals for 2024/25 is significantly above the norm at 46.4. per cent</p> <p>As indicated above, the expenditure line item is understated as non-cash transactions are still to be processed and therefore the final ratio for the year may be lower.</p> <p>For comparative purposes, the 2023/24 ratio was calculated by excluding non-cash items and reflected an amount of 30%, which is still within the norm.</p> <p>Stringent cost containment measures will have to implemented.</p>

Table 3: Key Ratios that have Impact on Sustainability

The only noteworthy improvement in the ratio analysis is the capital expenditure to total expenditure, which improved to 7.7 per cent, but remained below the norm of 10-20 per cent.

It is evident through the decrease in the collection rate and slight improvement in the cash/cost coverage ratio that MLM is funding their operating expenditure through non-payment of creditors, further confirmed by the escalating creditor balance per the creditor analysis below. The rest of the ratios are stagnant and, in most cases, deteriorated even further, which is an indication there was not any noteworthy improvement in the overall performance of MLM.

4.3.3 FINANCIAL MODEL AND PARAMETERS

In this phase of the FRP, 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 and governance.

Cost-cutting measures and realignment of costs and priorities must be implemented.

However, an emphasis on cash and municipal finances does not preclude the Municipality from addressing governance and institutional issues.

In the rescue phase, emphasis also leans towards “quick wins” - what are the issues that require relatively little effort or resources to be addressed but would make meaningful inroads towards the overall recovery process. **The phase is expected to last between 6 to 8 months.**

A few critical, high-level indicators were selected to guide this phase of the FRP. 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.

The 5 high-level indicators selected for this Phase are:

- a) Cash flow management and periodic cash balancing.
- b) Cost containment measures.
- c) Revenue billing and collection.
- d) Decrease in water and electricity distribution losses.
- e) Payment of creditors.

In addition, indicators relating to the capital program and the reduction of unaccounted, irregular, fruitless, and wasteful expenditure have been included.

PHASE 1 AND 2: MTREF BUDGET PARAMETERS FINANCIAL TARGETS:

NO.	PERFORMANCE AREA	2025/26FY BUDGET TARGET	2026/27FY BUDGET TARGET	2027/28FY BUDGET TARGET	MOTIVATION
1.	CPI Headline	4.40%	4.50%	4.50%	The assumption of a steady CPI headline rate of 4.40% to 4.50% aligns with the strategy to stabilise the financial environment and ensure predictable economic conditions, as outlined in the financial recovery plan.
2.	Interest Rate	6%	6%	6%	The constant interest rate of 6% supports borrowing costs and investment decisions, ensuring a conducive financial environment for economic growth and stability.
3.	Household Growth Rate	1%	1%	1%	The 1% household growth rate is based on demographic trends and the need to plan for gradual population increases, impacting service delivery and infrastructure planning.
4.	Employee Cost Escalation	4.50% Monetary Performance Awards only considered when Phase 1: Financial Rescue objectives achieved. Implement immediate moratorium on all current recruitment and appointment processes except for	4.50% Monetary Performance Awards only considered when Phase 1: Financial Rescue objectives achieved.	5.75% Monetary Performance Awards only considered when Phase 1: Financial Rescue objectives achieved.	The escalation rates for employee related costs and council remuneration are tied to achieving financial rescue objectives, ensuring employee costs are managed within affordability and performance parameters.



NO.	PERFORMANCE AREA	2025/26FY BUDGET TARGET	2026/27FY BUDGET TARGET	2027/28FY BUDGET TARGET	MOTIVATION
	Council Remuneration	Municipal Manager and managers accountable to the Municipal Manager 100% as Gazetted, subject to affordability and FRP performance.	100% as Gazetted, subject to affordability and FRP performance.	100% as Gazetted, subject to affordability and FRP performance.	
5.	Bulk Water Escalation	5.60%	5.60%	5.60%	The 5.60% escalation rate for bulk water is based on projected cost increases from Vaal Central Water and the need to ensure sustainable water supply and infrastructure maintenance.
6.	Reduction in Water Distribution Loss	-11%	-11%	-11%	The target of an 11% reduction in water distribution loss reflects efforts to improve efficiency and reduce wastage, a key strategy in the financial recovery plan. The pressure reduction strategy should support greatly in achieving this outcome.
7.	Bulk Electricity Escalation	11%	12%	12%	The escalation rates for bulk electricity (11% to 12%) are based on anticipated cost increases by Eskom and the need to ensure reliable electricity supply.
8.	Reduction in Electricity Distribution Loss	-7%	-6%	-6%	The target of reducing electricity distribution loss by 6% to 7% aligns with the goal of improving efficiency and reducing losses in the electricity supply chain.
9.	Capital Expenditure Growth Rate	4.50%	4.50%	4.50%	The 4.50% growth rate in capital expenditure supports infrastructure development and ensures long-term sustainability.
8.	Depreciation Rate	4.60%	4.60%	4.60%	The 4.60% depreciation rate is based on the expected useful life of assets and the need to account for asset wear and tear.

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NO.	PERFORMANCE AREA	2025/26FY BUDGET TARGET	2026/27FY BUDGET TARGET	2027/28FY BUDGET TARGET	MOTIVATION
9.	Property Rates Escalation	9%	7%	4.50%	The escalation rates for property rates (9% to 4.50%) are designed to balance revenue generation with affordability for property owners. The escalation is linked to an increase in the completeness of billing and GVR categorisation corrections to be achieved from the property zoning and valuation audit.
10.	Service Charges Escalation - Electricity	12.70%	13.74%	13.74%	The escalation rates for service charges (electricity, water, refuse, sanitation) are based on the implementation of cost reflective tariffs, ensuring that all properties are billed for all services, carrying out meter readings and billing on actual volumes consumed, implementing smart meters and other targeted operational efficiencies achieved through FRP implementation.
11.	Service Charges Escalation - Water	9%	7%	5%	
12.	Service charges Escalation - Refuse	9%	7%	4.50%	
13.	Service Charges Escalation - Sanitation	9%	7%	4.50%	
14.	Collection Rate - Property Rates	85%	90%	95%	The targets for collection rates (property rates, electricity, water, sanitation, refuse, fines, other) are set to improve as a result of targeted collection interventions including customer profiling; updating customer contact information; targeted digitally enabled collection, addressing long standing disputes and implementing a system for faster turnaround of disputes, re-instating customer contact points, implementation of credit control measures, leveraging electricity as a collection mechanism, liaising with councillors in no-go areas, implementing smart meters and contacting government debtors to settle amounts owing.
15.	Collection Rate - Electricity	85%	90%	95%	
16.	Collection Rate - Water	60%	65%	70%	
17.	Collection Rate - Sanitation	60%	65%	70%	
18.	Collection Rate - Refuse	60%	65%	70%	
19.	Collection Rate - Fines	60%	65%	70%	
20.	Collection Rate - Other	80%	85%	90%	
21.	Average Collection Rate	75%	80%	85%	The reduction in creditors payment days (150 to 90 days) is as a result of improved cash flow management and timely payments to creditors.
22.	Creditors Payment Days	150 Days	120 Days	90 Days	
23.	Capital Expenditure	R140 million	R228 million	R242 million	The projected capital expenditure (R140 million to R242 million) is based on the



NO.	PERFORMANCE AREA	2025/26FY BUDGET TARGET	2026/27FY BUDGET TARGET	2027/28FY BUDGET TARGET	MOTIVATION
					approved MTREF and linked to the anticipated capital grants to be received.
24.	Funding Transfers and Subsidies	80%	95%	95%	The assumption of 80% to 95% funding through transfers and subsidies is based on expected government support.

Table 4: Budget Parameters

A financial forecasting model has been developed to set financial targets for the MLM FRP over the MTREF period.

Grounded on adherence to the above budget parameters and stringent implementation of the cost containment measures, and sound governance and oversight, 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 graph below.

The following adjustments were effected in the model:

NO.	YEAR	ADJUSTMENT (%)	DESCRIPTION
1.	2026	-5%	Employee Related Costs, Bulk Purchases – Electricity, Inventory Consumed, Contracted Services and Operational Costs.
2.	2027	-10%	Employee Related Costs, Bulk Purchases – Electricity, Inventory Consumed, Contracted Services and Operational Costs.

Table 5: Adjustment Made on the Model

If key operational efficiencies are achieved in line with the FRP Implementation Plan, it could be expected that a cash surplus of R 481 million could be achieved at the end of the 2027/28 financial year.

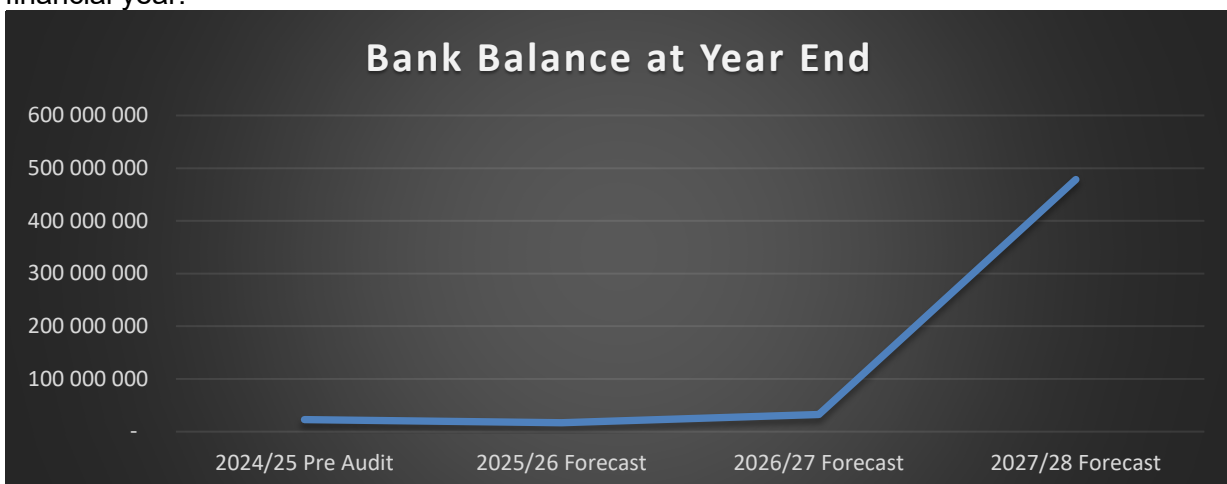


Figure 2 - Net Cash Inflow / (Outflow)

Any surplus cash, over and above the required levels, should also be prioritised towards payment of outstanding creditors' balances, reducing distribution losses and increasing repairs and maintenance spend. An improved appetite to pay creditors will enhance the public perception and re-establish supplier confidence in the municipality.

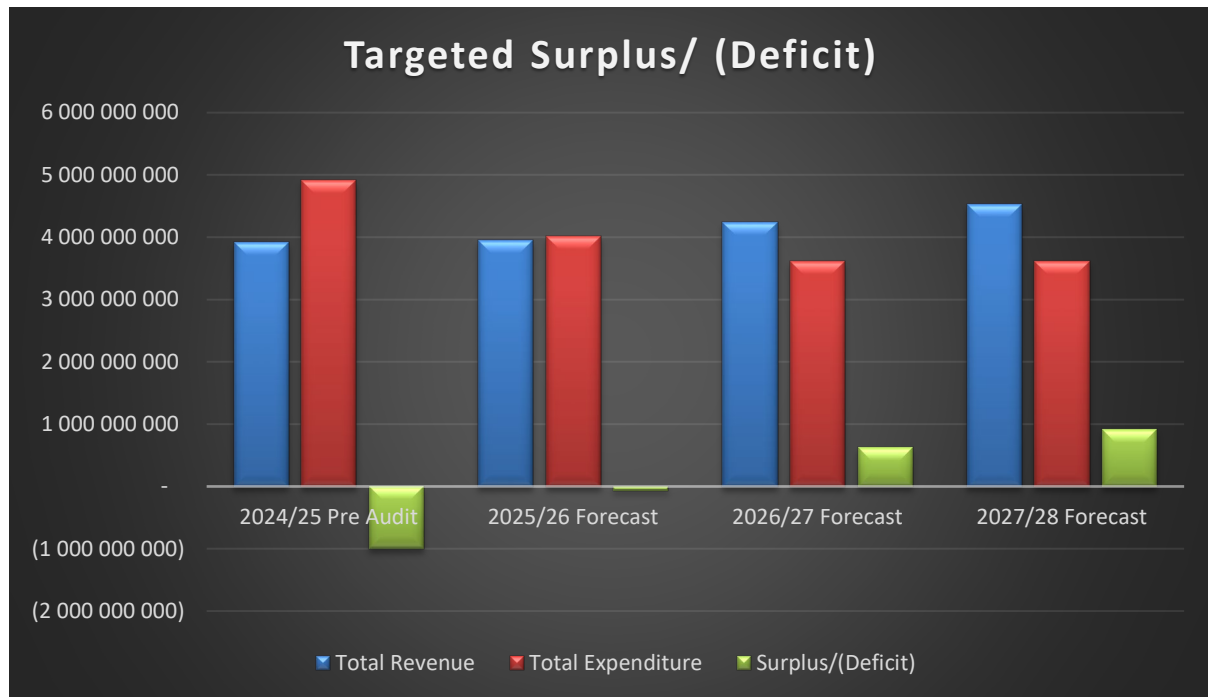


Figure 3 - Targeted Surplus/ (Deficit)

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 FRP 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 MATJHABENG LOCAL MUNICIPALITY FINANCIAL RECOVERY PLAN

The forecast below used the 2024/25 actual unaudited figures as the base year. The assumptions, as per the assumptions tables, were applied. The model processes *m*SCOA data strings, and it is noted that there may be variances between the figures below and the actual audited figures.

BUDGET ITEM	2024/25 PRE AUDIT	2025/26 FORECAST	2026/27 FORECAST	2027/28 FORECAST
Revenue				
Exchange Revenue	2 273 483 345	2 460 795 900	2 665 566 360	2 879 694 373
Service charges - Electricity	770 128 901	867 935 271	987 189 578	1 122 829 426
Service charges - Water	507 795 423	553 497 011	592 241 802	621 853 892
Service charges - Waste Water Management	243 215 217	253 916 687	265 342 937	277 283 370
Service charges - Waste Management	156 207 649	163 080 786	170 419 421	178 088 295
Sale of Goods and Rendering of Services	24 261 355	25 328 855	26 468 653	27 659 742
Interest earned from Receivables	529 394 163	552 687 506	577 558 444	603 548 574

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BUDGET ITEM	2024/25 PRE AUDIT	2025/26 FORECAST	2026/27 FORECAST	2027/28 FORECAST
Interest earned from Current and Non-Current Assets	5 592 435	5 838 502	6 101 235	6 375 790
Dividends	56 602	59 092	61 752	64 530
Rental from Fixed Assets	24 187 032	25 251 261	26 387 568	27 575 009
Licence and permits	1 014 090	1 058 710	1 106 352	1 156 138
Operational Revenue	11 630 478	12 142 219	12 688 619	13 259 607
Non-Exchange Revenue	1 640 625 346	1 493 108 648	1 576 559 417	1 647 504 590
Property rates	596 729 526	650 435 183	695 965 646	727 284 100
Availability Charges	53 441 065	55 792 472	58 303 133	60 926 774
Fines, penalties and forfeits	5 760 576	6 014 041	6 284 673	6 567 483
Transfer and subsidies - Operational	738 184 928	770 665 065	805 344 993	841 585 517
Interest	9 771 922	10 201 887	10 660 971	11 140 715
Gains on disposal of Assets	25 409 928	-	-	-
Fair Value Gains on Investment Property	145 700 573			
Actuarial Gains	65 626 828			
Total Revenue	3 914 108 691	3 953 904 548	4 242 125 777	4 527 198 963
Expenditure				
Employee related costs	1 102 293 475	1 047 178 801	942 460 921	984 871 663
Remuneration of councillors	38 747 032	40 451 901	42 272 237	44 174 488
Bulk purchases - electricity	863 096 998	819 942 148	737 947 933	771 155 590
Inventory consumed	787 526 217	748 149 906	673 334 916	703 634 987
Debt impairment	-	569 688 971	473 208 741	351 436 997
Depreciation and amortisation	248 020 787	248 020 787	248 020 787	248 020 787
Interest	147 452 943	147 452 943	147 452 943	147 452 943
Contracted services	154 110 186	146 404 677	131 764 209	137 693 598
Irrecoverable debts written off	1 313 471 990	2 405 617	2 199 636	1 970 245
Operational costs	256 459 962	243 636 964	219 273 268	229 140 565
Total Expenditure	4 911 179 590	4 013 332 715	3 617 935 590	3 619 551 863
Surplus/(Deficit)	(997 070 899)	(59 428 167)	624 190 187	907 647 100

Table 6 - Financial Forecasting Model

Grounded on good governance, consequence management and adherence to the above budget parameters, it is anticipated that MLM could move into a surplus position from the 2026/27 financial year going forward.

Working Capital Requirements

Working Capital Requirements	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Bank Balance 30 June 2025 – R 23 137 592			
Revenue Collected (See Assumptions table for % Collected)	1 974 968 438	2 296 253 776	2 636 828 859
Other Revenue - Grants (Assumed 100% Collected)	770 665 065	805 344 993	841 585 517



Working Capital Requirements	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Total Cash Inflow	2 745 633 503	3 101 598 769	3 478 414 377
Note: Interest on outstanding debtors were excluded as recovery is not certain.			
Cash Expenses (Excluding Debt Impairment and Depreciation)	(3 045 764 398)	(2 747 053 483)	(2 870 670 890)
Finance charges	(147 452 943)	(147 452 943)	(147 452 943)
Total Cash outflow	(3 193 217 341)	(2 894 506 426)	(3 018 123 833)
Net Cash (Outflow)/ Inflow from Operating Activities	(447 583 837)	207 092 343	460 290 543

Table 7 - Working Capital Requirements

Cash Position Analysis

CASH POSITION ANALYSIS	2025/26 FORECAST	2026/27 FORECAST	2027/28 FORECAST
Opening Cash Balance	23 137 592	16 916 463	32 839 597
Net Cash (Outflow)/ Inflow from Operating Activities	(447 583 837)	207 092 343	460 290 543
Estimated Long Outstanding Creditors to be settled within Rescue Phase	(179 769 209)	(179 769 209)	
Capital Expenditure from Internal Funding	(28 000 000)	(11 400 000)	(12 100 000)
Total Cash (Shortfall)/ Surplus	(632 215 454)	32 839 597	481 030 140
Funded by Recovery of Long Outstanding Debtors:			
Government (Recover 100%)	254 000 000		
Commercial: (Recover 25%)	99 063 681		
Households: (Recover 25%)	296 068 236		
Total	649 131 918		
Bank Balance at Year End	16 916 463	32 839 597	481 030 140
Balance required to meet liquidity cash reserves.	253 813 700	457 842 247	478 445 148
Available to be utilised towards settling Eskom and Vaal Central Water Long Outstanding Creditors			2 584 992

Table 8: Cash Position Analysis

From the above working capital requirements assessment, it is noted that MLM should be in a positive cash position to maintain their working capital requirements, given adherence to the FRP parameters and submitting their cost of supply study to NERSA to qualify for the 2026/27 electricity tariff increase. They will also be in a position to make payments against long outstanding creditors - Vaal Central Water and Eskom, and start reducing the R13.7 billion balance outstanding at 30 June 2025 from 2027/28.

Assessment of Outstanding Balances Owed to Eskom and Vaal Central Water Board

As of 30 June 2025, the municipality has an outstanding balance of R13.7 billion owed to Eskom and the Vaal Central Water Board. This analysis evaluates the financial implications of these liabilities on the municipality's fiscal trajectory.

The financial model incorporates obligations arising from ongoing operations, assuming that current-year liabilities are settled through operating cash flows. However, historical debts to



Eskom and Vaal Central Water must be integrated into future cash flow projections to reduce the outstanding balance and mitigate further interest accrual.

Eskom Debt Relief Programme

The municipality is enrolled in Eskom's Circular 124 Municipal Debt Relief Programme, approved by the National Treasury, effective 1 November 2023. From this date, Eskom ceased charging interest on the interim debt and may write off R5.25 billion by the end of the 36-month compliance period.

However, the municipality has not met the programme's compliance requirements due to challenges in settling Eskom's current account monthly. This non-compliance stems primarily from distribution losses and a low collection rate. Eskom may reinstate interest charges and demand payment of the outstanding balance, along with other remedial actions.

Vaal Central Water Board Arbitration

An arbitration process is underway regarding the Municipality's debt to the Vaal Central Water Board. The recorded balance of R6.8 billion excludes R1.8 billion in interest retrospectively charged from March 2024, despite a 2005 Court ruling that previously prohibited such charges. Interest continues to accrue at R60 million per month, although the Court Order has not been rescinded.

The municipality is currently paying R12 million monthly under an Intergovernmental Relations (IGR) process, pending the arbitration outcome. It remains unclear whether these payments are allocated to the historical or current account. These contributions are insufficient to cover current obligations, resulting in a R960 million increase in the balance from 1 July 2024 to May 2025.

Impact Analysis: Eskom and Vaal Central Water Liabilities

The amounts owed to Eskom and Vaal Central Water are as follows:

DESCRIPTION	AMOUNT (RANDS)
Eskom	6 837 057 310
Vaal Central Water	6 841 210 884
Interest on Vaal Central Water not accounted for	1 800 000 000
Total balance owing as at 30 June 2025	15 478 268 194

Table 9: Amount Owed to Bulk Suppliers

If compliance with Eskom's debt relief programme is reinstated and the Vaal Central Water interest is waived, the following amounts could be excluded:

DESCRIPTION	AMOUNT (RANDS)
Amounts subject to Eskom Debt Relief (Potential write-off)	5 250 339 733
Interest imposed by Vaal Central Water (Contested)	1 800 000 000
Total potential reduction	7 050 339 733
Net balance payable	8 427 928 461

Table 10: Exclusions if Debt Relief Program is Implemented

Interest Burden and Financial Performance Impact



If the municipality fails to reinstate Eskom compliance and the arbitration confirms the Vaal Central Water interest is payable, the annual interest burden will be:

DESCRIPTION	AMOUNT (RANDS)
Eskom interest (12% per annum on R5.25 billion)	630 040 768
Vaal Central Water interest (R60 million a month)	720 000 000
Total annual interest expense	1 350 040 768
MLM are required to fund an additional R1.35 billion a year to cover interest to Eskom and Vaal Central Water Board	

Table 11: Table 11: If Debt Relief Program is not Implemented and Vaal Central Interest Reinstated

Projected Impact on 2025/26 Financial Performance

DESCRIPTION	AMOUNT (RANDS)
The impact on 2025/26 forecasted performance is demonstrated below:	
Total Revenue	3 953 904 548
Total Expenditure	(4 013 332 715)
Deficit Before Interest	(59 428 167)
Additional Interest (Calculated above)	(1 350 040 768)
Deficit After Interest	(1 409 468 935)

Table 12: Impact on 2025/26 Financial Performance

Reinstating compliance with Eskom's debt relief programme and successfully contesting the Vaal Central Water interest charges are critical to restoring the Municipality's solvency and enabling sustainable service delivery. These actions would significantly reduce the financial burden and improve the Municipality's ability to meet its long-term obligations



4.4 SERVICE DELIVERY

The service delivery pillar key findings that were identified during the status quo assessment and the proposed FRP activities are summarised in the table below:

FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Planning Protocols and Frameworks - Strategic Asset Management	<ul style="list-style-type: none"> The Master Plans, Asset Management Plans, and Operations and Maintenance Plans for all services are either non-existent or outdated. In cases where plans are available, they are unfunded thus can't be implemented. MLM is unable to predict infrastructure failure and therefore to proactively conduct maintenance. Consequently, MLM is dealing with emergency repairs. There is no mechanism for project prioritisation. 	<ul style="list-style-type: none"> Develop the Water Conservation and Water Demand Management Strategy & Plan Develop and approve the Water and Sanitation O&M Plan Develop and approve the Electricity O&M Plan Develop and approve the Waste Management O&M Plan Develop and approve the Roads & Stormwater O&M Plan 	<ul style="list-style-type: none"> Approve the Draft Water and Sanitation Masterplan Develop and approve the Water and Sanitation Asset Management Plan Approve the Draft Electricity Masterplan Develop and approve the Electricity Asset Management Plan Develop and approve Roads & Stormwater Masterplan Develop and approve the Roads & Stormwater Asset Management Plan Approve the Draft Waste Management Masterplan Develop and approve the Waste Management Asset Management Plan
Infrastructure Resilience - Water Services	<p>Infrastructure profile: Bulk infrastructure comprises of 99kms of pipelines; 3 x reservoirs; 2 x water pressure towers; and 2 x pump stations. Reticulation network comprises of 1,700kms of pipelines; 5,052 hydrants; 7,059 valves and 85,000 meters.</p> <ul style="list-style-type: none"> Excessively high-water losses - 45% (R240 million) in 2023 FY & 57% (R418 million) in 2024 FY. The biggest contributors are technical and non-technical losses arising from failing 	<p>Financial model targets 11% reduction in losses and consumption:</p> <ul style="list-style-type: none"> Develop a WC/WDM Plan. Manage pressure - reduction in losses & consumption of between 30 and 60%. Sectorise areas and discreet water supply zones. Conduct meter & customer audits. 78,000 estimated meters 	<p>Financial model, reduction of losses and consumption by 11%:</p> <ul style="list-style-type: none"> Use 8% top slice of MIG allocation on O&M Manage pressure Install another 15,000 meters (reduce the 63,000 backlog to 48,000 meters) Conduct top consumer audit Using information collated, understand consumption vs business



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<p>infrastructure, pipe bursts and leakages, illegal connections, unmetered areas and dysfunctional meters.</p> <ul style="list-style-type: none"> 6,4 km of AC pipelines replaced in Virginia & Welkom; 60 % complete. Kuthlwanong: 34,000 non-functional meters. Stilte: 2,000 meters cannot be read. Municipality budgeted R2m for water meters for 400 stands in Odendaalsrus. Water Safety Plans for all 6 x systems (Allanridge, Henneman, Odendaalsrus, Ventersburg, Virginia and Welkom) are of high quality. WTW systems capacity utilization is around 60% on average. The Municipality does not have a well thought out plan to address the losses, which could be done through developing and implementing a WC/WDM Plan. Meters not repaired / replaced timeously. 	<ul style="list-style-type: none"> 15,000 of these meters - covered with soil, readings unclear, damaged, flooded & leaking. Replace these meters. Payback period is 1,5 months. 	<p>/ manufacturing process water needs of businesses.</p>
Sanitation Service	<p>Infrastructure profile: 1,543km of pipelines; 27,265 manholes; 57 pump stations (9 operational) & 11 WWTW (1 x decommissioned; 2 x fully operational) - Theronia & Witpan WWTWs.</p> <ul style="list-style-type: none"> The sanitation infrastructure is in a dire state leading to constant sewer spillages which pollute the environment and scarce water resources. 9 WWTWs, 48 pump stations, and approximately 1,543 km of sewer networks making up a total of 79 projects for over R3,5billion The municipality has appointed emergency contractors on some critical sections on the bulk collector sewer systems in parts of Welkom Central areas and in the East region of Virginia. 	<ul style="list-style-type: none"> Develop the industrial effluent tariff. Water Services Bylaws. <ul style="list-style-type: none"> Can only discharge into sewer systems once approved. Effluent to comply with standards. Will be levied a tariff. Implement provisions of industrial effluent contained in the Water Services Bylaw. Completion of the Ministerial Directive projects: <ul style="list-style-type: none"> Sewer networks rehabilitation projects in Thabong 1-3, Welkom, Henneman and Kutlwanong. WWTW upgrade projects of Kutlwanong and Thabong 1B. 	<ul style="list-style-type: none"> Update the industrial effluent tariff. Implementation of the Ministerial Directive projects as per the approved project implementation plan. Use 8% top slice of MIG allocation on O&M

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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> Ministerial Intervention of R3.2 billion over 5 years is being implemented through Vaal Central Water, as the implementing agent. 2021 Green Drop Report gave an overall score of 26% which is deemed to be critical. Municipality is not levying industrial effluent tariff to its customers. 	<ul style="list-style-type: none"> Sewer pump stations - Bandediens, Hertzog and Henneman). The municipality to be ready to take over projects once handed over by DWS - no O&M plans and staff. 	
Infrastructure Resilience - Electricity Services	<ul style="list-style-type: none"> Infrastructure profile: 1,682kms of cable length; 367 high mast lights; 18,722 street lights; 780 substations (132kV/11kV/6.6kV): 699 transformers Municipal customers supplied by both Eskom (26 wards including mines) and the MLM (10 wards). 18,738 prepaid and 14,260 conventional meters 80% of prepaid meters converted by Nov 2024 Electricity losses - 24% (R144 million) in 2023 FY & 28% (R204 million) in 2024 FY. Norm is 7-10% Load is not managed Remote geyser system is not operational Challenges with metering and metering efficiencies. Infrastructure is on average 80 years old. Inadequate rate of renewal of infrastructure. 	<p>Financial model targets 7% reduction in losses and consumption:</p> <ul style="list-style-type: none"> Upgrade the remaining 20% of meters. Undertake Cost of Supply study. Install 5,000 meters (Phase 1) - R15 million. Average consumption is R720 per customer per month. Payback period is 4,2 months. Apply to NERSA for approval of tariffs by 15 Sept 2025. Apply to NT for meter funding - part of the RT29 metering programme. Finalise DAA with Eskom subject to input from NT. Develop Energy Performance Certificates for all buildings & submit to Dept of Energy by 7 Dec 2025 - penalty for non-compliance is R5m or imprisonment of up to 5 years. Implement AMR to large users (> 100 kVA). Geyser control - municipality can save approx. R32 million per year for 10,000 geysers. Load management - savings on Eskom penalties. 	<ul style="list-style-type: none"> Financial model targets 6% reduction in losses and consumption: Install 5,000 meters (Phase 2) - R15 million. Use 8% top slice of MIG allocation on O&M. Develop municipal Demand Side Management Plan. Conduct meter & customer audits. Maintain / repair priority network (ring feeders, pole replacement, servicing transformers). Working with Security Management, devise and implement strategies to reduce vandalism and theft of infrastructure.
Waste Management	<p>Infrastructure profile: 4 x landfills + 1 x transfer station in Virginia.</p> <ul style="list-style-type: none"> Remaining landfill airspace, as at 2023 	<ul style="list-style-type: none"> Improve management of landfills to be compliant with waste management regulations. 	<ul style="list-style-type: none"> Introduce Buy Back Centres.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> ○ Welkom landfill - approx. 5 years. ○ Allanridge landfill - approx. 1 year. ○ Henneman - approx. 4 years. ○ Odendaalsrus - approx. 16 years. • Landfills not compliant with waste management regulations. • No access control. • No revenue is collected on the landfill sites due to lack of weigh bridges. • Some of the fleet is uneconomical to maintain. • Obsolete and redundant fleet. • 23 out of 41 compactor trucks operational. • High incidences of illegal dumping, due in part to inconsistent service offering. • Minimal waste minimization and diversion programmes (only 2 pilot projects). • Lack of infrastructure, especially in remote areas and informal settlements. 	<ul style="list-style-type: none"> • Identify new potential landfill sites and explore opportunities to involve PPP. • Update the 2023 study that determined landfill airspace. • Improve access control • Install new and service / rehabilitate & maintain existing weighbridges. <ul style="list-style-type: none"> ○ Propose a rate based on the type of disposing vehicle in the interim. • Improve fleet availability • Roll out the pilot waste diversion & waste minimization projects (producing compost from waste and separation at source) • Improve access control 	<ul style="list-style-type: none"> • Using the approved municipal Asset Disposal Policy, dispose of fleet that is uneconomical to maintain • Ring fence the funds for purchasing modern waste management yellow fleet • Mechanical workshop business case - undertake an assessment to determine/develop, inter alia, <ul style="list-style-type: none"> ○ Internal vs external service provision; ○ Resources required to sustain chosen service provision method; ○ Standard Operating Procedures; and ○ Customer service charter.
Roads and Stormwater	<p>Infrastructure profile: 1,183km of tarred roads; 75km of paved roads; 288km of gravel roads; and 323 km of dirt roads</p> <p>Stormwater infrastructure consists of 644 km of stormwater pipelines; 88,250 km of lined channels; 9,08km of unlined channels; 1 814 stormwater manholes; 10,819 catch pits; 4 natural stormwater ponds; and 3,89 km of culverts.</p> <p>Municipality upgraded 15km of gravel roads in the Thabong area.</p> <ul style="list-style-type: none"> • The status of the road's infrastructure can be deemed to be in a poor to critical state. It is characterised by potholes. • The stormwater infrastructure is in a poor state. • Stormwater systems experience frequent blockages due to silting and vegetation growth on channels. • Inadequate repairs & maintenance undertaken. 	<ul style="list-style-type: none"> • Avail tools of trade and equipment. • Fix 15,800 square metres potholes in strategic and high accident-prone areas based on the outcome of the condition assessment from the Rural Roads Asset Management System. • Service and maintain 5,5km of stormwater systems • Develop, budget and implement maintenance plans. • Set performance targets for the teams & monitor their performance. 	<ul style="list-style-type: none"> • Finalise and approve planning documents such as infrastructure asset management plans (Rural Roads Asset Management Plan & System, Roads & Stormwater Master Plan) and O & M plans. • Fix 15,800 square metres potholes in strategic and high accident-prone areas based on the outcome of the condition assessment from the Rural Roads Asset Management System. • Service and maintain 5,5km of stormwater systems •



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> Unavailability of tools of trade, and equipment, e.g. no equipment to unblock stormwater. Leaking water and sewer pipelines exacerbate the deterioration of infrastructure and reduce its lifespan. 		
Human Settlements and Planning	<p>Settlements</p> <ul style="list-style-type: none"> Provision of housing is a Provincial competency. Waiting list beneficiaries were 40,637 in 2020. 103,109 proclaimed stands. Most are in Thabong (28,983); Kutlwanong (11,974) & Meloding (10,525). 4,221 units of municipal rental stock consists of flats, personnel houses, Old Age Home and family units (previously hostels) managed by 3 municipality personnel. Family units charged around R290 per unit per month. Council 2- and 3-bedroom flats charged at around R2,000 per month. Minimum potential monthly revenue of R1,852,000. Only recovering R211,000 from municipal employees. Land invasion. Illegal occupation of municipal rental stock. Lack of maintenance of municipal housing stock. Services meters are by-passed. Lack of maintenance of municipal housing stock. 	<ul style="list-style-type: none"> Conduct a S78 study in terms of the Municipal System Act in order to determine the best mechanism for the management of the municipal rental stock . Municipality must utilise the R66 million allocated for beneficiary management in order to increase revenue for rates and taxes. Install prepaid meters. 	<ul style="list-style-type: none"> Retrofit all the units and buildings and install energy efficient fittings Formalisation of townships - 1 x township. Improve Bylaw enforcement.
Traffic Management	<ul style="list-style-type: none"> Municipality has a training college for traffic officials, which is accredited and can offer up to 106 learners per academic year. Municipality provided training to 60 and 24 learners for the respective financial years of 2024 and 2025. 	<ul style="list-style-type: none"> Undertake a study to determine the feasibility of repairing traffic lights and/or installing an alternative mechanism to manage traffic. Identify areas where parking meters can be installed. 	<ul style="list-style-type: none"> Expedite the devolution of powers to Municipal Traffic Officers. Maximise availability of the training college as a revenue source.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> College is under-utilised, has potential to generate revenue for the municipality. Low traffic officer to vehicle population ratio. Delays in calibration of speed cameras (3 x Pro Laser) and alcohol breath analyzer (1 x Draeger). General lack of resources and equipment such vehicles and basic supplies. Inaccurate writing of traffic infringement tickets. Faded & non-existent road markings in most of municipal area. Welkom, Thabong, Viginia, Meloding, Odendaalsrus, Kutlwanong, Ventersburg, Mmamahabane, Hennenman, Phomolong, Allanridge and Nyakallong. Lack of traffic signages in the above areas. 	<ul style="list-style-type: none"> Mark roads. Rehabilitate traffic signals where they are not working. Calibrate speed cameras and alcohol breath analyzer. Train staff members to write tickets correctly. 	
Fleet Management	<ul style="list-style-type: none"> 1 out of the 6 mechanical workshops functioning (Welkom, Virginia, Alanridge, Odendalrus, Ventersburg and Henneman). Staff members do not have the necessary tools of trade. Ineffective and inefficient management of the mechanical workshop. Lack of comprehensive fleet management system. Obsolete and redundant fleet. High fuel usage - approx. R3,5 million per month Inadequate number of technical staff members such as mechanics and hydraulic specialists. Fleet availability is very low at any point in time. Only two mechanics to service the entire municipal fleet. 	<ul style="list-style-type: none"> Implement a comprehensive fleet management solution. Develop and implement internal controls (such as logbooks, approval system, comparison between distance traveled and fuel used, comparing job cards with distance travelled) to manage fuel usage and consumables such as tyres. Investigate the option of decentralizing fuel depots and/or making arrangements with fuel suppliers closest to the respective depots. 	<ul style="list-style-type: none"> Undertake an assessment of the fleet to establish obsolete fleet which should be disposed of as per applicable Municipal policies. Undertake a study to establish requirements for the optimal running of the mechanical workshop. Implement the outcomes of the study. Re-establish the non-functional workshops and resource them appropriately.
Fresh Produce Market	<ul style="list-style-type: none"> The revenue of Fresh Produce Market is R266,000 against an expenditure of R3 million Good building but lacks maintenance. 	<ul style="list-style-type: none"> Remove all municipal expenditure from Fresh Produce Market and rent it out. 	<ul style="list-style-type: none"> N/A



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Local Economic Development (LED)	<ul style="list-style-type: none"> Operating area needs proper cleaning. No fumigation and pest control. Fire extinguishers need service. Cold rooms are not working. No water supply for extended period of over two weeks at a time. Insufficient marketing of the market. Inaccessibility of market to other players such as small-scale farmers. Poor state of access road – proliferation of potholes resulting in pallets falling off with fresh produce causing financial losses to the agents and the municipality. Illegal dumping due to absence of skips. 	<ul style="list-style-type: none"> Rental agreement must include maintenance and upkeep of the facility by the tenant 	
	<ul style="list-style-type: none"> LED strategy was developed in 2019 and requires updating to reflect the current status quo and the updated interventions required to improve Municipal growth trajectory. The economy is not growing at the requisite rate and high unemployment rate (> 50 per cent) in the municipal area. Poor maintenance of facilities driving lessees away. Businesses shutting down. Out of 54 mining shafts, only 4 are still operational resulting in a reduction in employment opportunities. Strategy on promoting township economy and SMMEs is ineffective. Capacity constraints on services hindering the growth of the municipal economy. 	<ul style="list-style-type: none"> Improve relations with the Private Sector by engaging them and requesting their inputs and suggestions around developing local economy. Enforcement of Bylaws. 	<ul style="list-style-type: none"> Review and approve the 2019 LED Strategy to reflect current status quo and updated interventions required to improve local economy. Construction of Auction and Impound Facility - collaborate with Harmony who is offering R2,5million towards the construction of this facility. Development of closed mines into tourism products and museums – convert appropriate shafts into tourism destination. Matjhabeng Enterprise Industrial Park - sign SLA with Lejwe Le Putswa Development Agency to lease a facility that will house SMMEs in the manufacturing and repairing of furniture sector. Conversion of Du Plessis Street and Nkoane Road into business streets -



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
			<p>rezoning and division of the land parcel.</p> <ul style="list-style-type: none"> Implement Township Economy and SMME development. Municipality to secure R17m funding required as part of the SEZ implementation process to conclude the feasibility study and develop a bankable business case for the SEZ.
Tools of Trade	<ul style="list-style-type: none"> Staff members do not have the necessary tools of trade to facilitate the execution of their duties. Inappropriate and / or lack of PPE has led to fatalities in the municipality in the Waste Management Department. Fire Services personnel not using appropriate heat-resistant PPE. Roads and Stormwater Department do not have the necessary tools of trade to maintain roads and stormwater infrastructure. 	<ul style="list-style-type: none"> Coordinate and consolidate material and tools of trade needs for the entire municipality Develop and implement procurement plan (as an outcome of the needs assessment) for plant and spares to maximise their availability as and when needed Develop and implement management inventory policy & plan 	<ul style="list-style-type: none"> Set aside sufficient budget to procure required tools of trade. Negotiate contracts with suppliers with a view of securing favourable rates and payment terms. Develop and implement municipality-wide procurement and demand management plans.
Capital Projects	<ul style="list-style-type: none"> Municipality has failed to spend 100% of the allocated grants. Municipality did not spend R119 million and R75 million in the 2023 and 2024 FYs respectively The municipality has failed to obtain approvals for grant rollover applications municipality must spend 100% of allocated grants 	<ul style="list-style-type: none"> Municipality must spend 100% of allocated grants Undertake monthly performance evaluation of service providers responsible for execution of grant funded projects. 	<ul style="list-style-type: none"> Municipality must spend 100% of allocated grants Undertake monthly performance evaluation of service providers responsible for execution of grant funded projects.

Table 13 Key Findings with Strategies on Service Delivery per Focus Area



4.5 GOVERNANCE

The service delivery pillar key findings that were identified during the status quo assessment and the proposed FRP activities are summarised in the table below:

FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Governance Model (Council and Oversight Structures/ Committees)	<ul style="list-style-type: none"> Analysis of Council Resolutions reveal that decisions taken are not implemented timeously and some items have been pending such as payment of service providers. Declaration of Interest of Councillors not kept in line with Legislation. Some of the declaration of interest forms of staff members have not been fully completed, nor are they properly signed. Councillors are in arrears with their consumer accounts for more than 90 days to the amount of R 600 thousand as at 13 June 2025. Officials are in arrears with their consumer accounts for more than 90 days to the amount of R 19.8 million as at 13 June 2025. Five persons were appointed to serve on the Financial Disciplinary Board on 02 June 2023. The Board is not functional because it has never sat, due to reservations on its composition. The Board has a Draft ToR dated April 2021. 	<ul style="list-style-type: none"> Undertake maintenance of resolutions registers for all committees with clear actions, responsible officials and timelines for implementation. Include implementation of Council resolutions in performance agreements of Senior Managers and monitor execution of the council resolutions. Payment arrangements should be finalised and be deducted from salaries of Councillors. Recover 100 per cent of the R 600 000 owed by councillors by the end of the Council term. Recover 50 per cent of R19,8 million owed by staff through payroll deductions/payment arrangements and/or handing over arrear accounts for debt collection where appropriate to enhance internal revenue collection. Collect 100 per cent of the current account statement of employees. Disciplinary Board to be constituted by 01 March 2026. Undertake the full completion and signing off of declaration of interest forms of staff members. 	<ul style="list-style-type: none"> Recover 100 per cent of R 19,8 million owed by staff through payroll deductions/payment arrangements. Manage the current account statement of employees. Refer all relevant financial misconduct matters to DB as and when it is identified. Warrant the annual completion and sign off of declaration of interest forms by staff members



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Contract Management	<ul style="list-style-type: none"> The municipality does not have a formal contract management system and makes use of manual processes. The absence of an integrated system, coupled with limited co-ordination between Legal Services and Supply Chain Management (SCM), hampers effective monitoring. As a result, contract management processes expose the Municipality to financial risk and vulnerability to legal action. Contract management is decentralised, and the management of contracts is divided between SCM, User Departments and Legal Services. Performance and monitoring measures and methods applied in monitoring two contracts with a total value of R 47 600 000 were insufficient to ensure effective contract management. There is poor management and monitoring of performance under contracts. This results in misaligned deliverables and implementation challenges. The lack of interdepartmental coordination, lack of harmony and compatibility contributed to legal proceedings instituted against the municipality. Ntiyiso is currently occupying Council Offices without paying rental since inception of the contract, resulting in financial losses for the municipality Projects have been halted for more than 2 financial years. 	<ul style="list-style-type: none"> Deduct all outstanding amounts from pension fund of Councillors owing on consumer accounts at the time of exit. Review all current contracts to determine legality and whether there is value for money. Establish a contracts management committee consisting of officials from SCM, Legal Services and user departments to ensure contracts management is aligned. Undertake proper planning and budgeting for all CAPEX projects. User Departments must undertake to allocate experienced and qualified project managers to manage the implementation of projects. Establish contract performance monitoring measures to ensure payments are done when due. Develop a standardised reporting template to guarantee that contract management reports are comprehensive, accurate and submitted on time. Consult with the ICT business unit to make provision for contracts management software. Undertake and assure that starting and end dates of contracts are appropriately aligned in terms of the duration of contracts when drafting contracts. Undertake proper contracts management to ensure the collection rate improves and payment to SP is aligned to services rendered. 	<ul style="list-style-type: none"> Warrant continuous legal compliance and internal control mechanisms. Conduct regular meetings of contracts management committee to ensure that there is effective communication between departments pertaining to contracts management. Put in place an approved Performance Management Framework which includes contract management. Conduct regular audits and reviews of contract management activities, identify potential risks and implement corrective actions. Utilise ICT tools and Systems to ensure contracts management. Conduct a cost-benefit analysis to determine the best way of securing halted projects, whether through internal capacity or outsourcing.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
System of Delegations	<ul style="list-style-type: none"> The Accounting Officer has delegated powers to the CFO to the exclusion of other Executive Directors. The Council has directly delegated functions to a Building Control Officer. The municipality does not have a Delegations Register with sub-delegations to departmental heads and divisions. The financial delegations do not provide for sub-delegations of supply chain management functions and the establishment of bid committees. 	<ul style="list-style-type: none"> Undertake the securing of halted projects to prevent vandalism and deterioration. Council must bill Ntiyiso market related rental for the space occupied by the service provider since the occupation of the building followed by monthly rentals. Undertake the securing of halted projects to prevent vandalism and deterioration. 	
By-laws and Enforcement	<ul style="list-style-type: none"> By-laws are not enforced due to capacity constraints in the law enforcement department. Lack of training on the applicable gazzeted by-laws of the municipality. No Municipal Court to focus on dealing with by-law related infringements. According to the Municipal website there are 15 gazzeted by laws. No evidence was found that any revenue is budgeted for emanating from by-law enforcement. 	<ul style="list-style-type: none"> Put in place internal control mechanisms to ensure that there is compliance with statutory requirements for the implementation of a Systems of Delegations. Review and implement the delegations of authority to ensure adherence to statutory requirements as follows: <ul style="list-style-type: none"> MM to sub-delegate powers and functions to heads of directorates; Delegations should follow a clear line of authority. Warrant that the system of delegations follows a hierarchical line to ensure a clear chain of command and accountability Review all by-laws to determine whether it meets operational requirements. 	<ul style="list-style-type: none"> Maintain a register of the implementation of the Systems of Delegations. MM must monitor sub-delegated powers and functions to heads of directorates to ensure that they operate within the sub-delegated powers Present quarterly by-law execution reports to Council.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> In addition, no Municipal Courts have been established. The consequence of that is that any by-law enforcement has to be heard in the Magistrates Courts, where it competes with court time on the already overloaded criminal court roll, and will not get the needed attention that will lead to a successful prosecution, and eventual revenue for the municipality. There is an increase in volume of heavy-duty vehicles. Province has installed a weighbridge but there is no revenue sharing mechanism to assist the municipality to maintain the roads infrastructure. 		
Unauthorised, Irregular and Fruitless and Wasteful Expenditure. (UIF&W) and Consequence management	<ul style="list-style-type: none"> Unauthorised expenditure: 2023/24 FY; R1,05 billion due to overspending on budget. Continues to be incurred. Fruitless and wasteful expenditure: 2023/24 FY R239.02 million due to interest and penalties on late payments and overdue accounts. Continues to be incurred. Irregular expenditure: 2023/24 FY; R123,76 million due to non-compliance with Supply Chain Management Regulations. (Municipality disclosed R61.1 million and R62.6 was discovered during audit). Cumulative figures per category for 2023/24: <ul style="list-style-type: none"> Unauthorised: R2.5 billion. Fruitless and Wasteful: R239 million. Irregular Expenditure: R2 billion. No officials were held accountable for any write offs as a result of UIF&W. The Disciplinary Board is not functional because it has never sat, due to reservations on its composition. 5 persons were appointed to serve on the Disciplinary Board on 02 June 2023. 	<ul style="list-style-type: none"> A UIF&W reduction strategy must be drafted and implemented. Undertake compliance with SCM regulations and policies. Determine if any individuals were responsible, negligently or with intent, for the UIF&W, and refer for disciplinary action. Where criminality is found, report to SAPS. Where any liability found, recover losses where possible. Undertake the appropriate constitution of the Disciplinary Board is and its functioning. Section 32 investigations must be conducted to address UIF&W. 	<ul style="list-style-type: none"> The municipality must implement a multi-pronged approach that includes training of officials, tightening of the control environment and implementation of consequence management. Section 32 investigations must be conducted to address UIF&W as and when it is identified. Consequence management must be implemented if any individuals are found liable.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Litigation and Contingent Liabilities	<ul style="list-style-type: none"> The municipality does not have a fully functioning Disciplinary Board, and it has not had a sitting since 2023. The 2024 Auditors General Report found that no investigations were done on irregular expenditure reported. The municipality had 345 instances of irregular expenditure, and no section 32 investigations were conducted to determine if any officials should be held liable. The Auditor General Report of 2024 states the following: "the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result was made in the financial statements" There are various matters in which default judgements were entered into against the municipality. However, the exact rand value could not be determined from the information provided by the municipality. For every default judgement, costs were awarded against the municipality as well. These should be regarded as fruitless and wasteful expenditure. The Law Firm used by the municipality tried to settle on the five large creditors to the value of R120 million. However, Council has not yet made a decision on the settlement. The large creditors are considering revisiting the settlement due the fact that the municipality is delaying agreement on the proposed settlement. Head of Legal Department duties were taken away and given to the subordinate to implement. 	<ul style="list-style-type: none"> Assess all matters in litigation and compile a litigation register that, at the minimum, indicates: <ul style="list-style-type: none"> Parties and description (plaintiff/applicant and defendant/respondent). Quantum and/or description of claim. Fees. Attorneys allocated. Establishment of a panel of attorneys through the SCM process. Conclude on the pending settlement agreements that was entered into between the municipality and service providers. Guarantee compliance with SCM regulations in the appointment of attorneys. Conduct Section 32 investigations to determine liability of any individual with regard to irregular attorney appointments. Put in place a set fee structure for Attorneys to prevent over expenditure on legal fees. 	<ul style="list-style-type: none"> Assess which matters should be defended and the cost to the municipality on default judgements. Initiate a SCM process to appoint a panel of attorneys. Avoid non-payment of service providers as this leads to Mora Interest which is Fruitless and Wasteful Expenditure. Undertake continued compliance to Supply Chain Management Regulations and Policy. Implement consequence management where any individual is found guilty of irregular appointment of attorneys. Draft a legal services framework agreement that defines the scope of work, establish pricing and applicable discounts and defines the metrics to evaluate performance of attorneys. Undertake litigation related risks to make informed decisions about litigation strategy and allocation of resources.

MATJHABENG LOCAL MUNICIPALITY
FINANCIAL RECOVERY PLAN
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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<p>This has caused instability in Legal Department, where now a senior reports to the junior. In the absence of a fully functioning Legal Department, the Municipality is at risk of litigation challenges and losses.</p> <ul style="list-style-type: none"> The over-expenditure on legal costs in 2023/24 can in part be attributed to the fact that attorneys are appointed from the vendor register without following the approved SCM processes. Expenditure on legal fees for the 2023/24 and 2024/25 financial years were overspent by R2.5 million and R3.1 million respectively, with a cumulative over-expenditure of R5.6 million for the past 2 FY. The municipality has recorded over 70 matters in which Default Judgments have been entered into against the Municipality for the period 1 May 2024 to 31 June 2025. The legal matters are shown as R9.34 billion of which R1.5 billion is litigation/ contingent liability.. From the register, it cannot be determined whether the success rate of these matters was assessed before litigation was entered into. The biggest claims against the municipality are those by Eskom in the amount of more than R6.7 billion, and Vaal Central Water in the amount of about R 7.9 billion. 	<ul style="list-style-type: none"> Undertake management of the legal process. Go out on an open tender process to avoid irregular appointment of attorneys. Provide clear guidelines on what are the powers and function of the Head of Legal and current status. Develop a litigation management plan to manage litigations, including strategies for settlement, mediation or litigation. 	<ul style="list-style-type: none"> Undertake Change Management exercise to stabilise the legal services unit. Track and monitor all court cases to ensure timely responses and minimising default judgements. Develop a litigation avoidance strategy, including training programs for employees as well as review of contracts and agreements.
Audit Action Plan	<ul style="list-style-type: none"> The municipality failed to improve its qualified audit opinion for the past five years with the financial deficit accumulating to R4.7 billion in 2023/24 financial years. The Post Audit Action Plan for 2023/24 status report as at June 2025 shows that out of the 103 audit action plan items, 2 have not yet been started; 21 are in progress; 22 are to be 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Undertake adequate oversight on implementation of action plans to mitigate qualified audit opinions for the 2025 /2026 financial year. Undertake timely submission of supporting documents (evidence) for progress made on audit action plan by user departments.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<p>completed at year end; 53 have been completed; and there are disagreements with AGSA on 5 matters.</p> <ul style="list-style-type: none"> The status of 2022/23 Audit Action Plan as at 29 July 2024 shows that 39 per cent of findings have been addressed, while 69 per cent are in progress. 		<ul style="list-style-type: none"> Monitoring of implementation through quarterly progress reporting to the Audit committee.
Risk Management	<ul style="list-style-type: none"> The post of Chief Risk Officer (Manager: Risk Management) has been filled since May 2022. Council has approved the 2025/26 Risk Management Policy and Strategy, Fraud Prevention Policy and Fraud Response Plan, Anti-Fraud and Anti-Corruption Strategy, and the Whistle Blowing Policy on 4 June 2025. 	<ul style="list-style-type: none"> Prioritise putting in place adequate management and oversight to implement the risk strategy and policies. Undertake effective mitigation of identified strategic risks. Include risk management as KPI's in the Performance Agreements of Management. Undertake the approval by Council of the Disaster Recovery and Business Continuity Plan. 	<ul style="list-style-type: none"> Quarterly report to Council on the implementation of the Fraud Prevention Policy and Fraud Response Plan, Anti-Fraud and Anti-Corruption Strategy, and the Whistle Blowing Policy. Monitoring and evaluating risk management as KPI's in the Performance Agreements of Management.
Internal Audit	<ul style="list-style-type: none"> The post of Chief Audit Executive is vacant and was advertised recently, with a closing date of 30 May 2025. Internal Audit planned to conduct 26 audits in 2024/25, and the implementation status shows that 12 audits have not started, 11 have been completed and 3 are in progress. Of these 12 Audits not started, 4 were removed from the plan after approval by the Audit Committee and 1 deferred to the 2025/26 financial year. <p>Allegations of maladministration, political interference, fraud and corruption which include:</p> <ul style="list-style-type: none"> Irregular appointments. Posts not on the organisational structure being filled. Deviation from SCM processes in awarding of tenders, 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Investigations by an external independent body on allegations of fraud and corruption should be conducted. Quarterly reports to Council on the implementation of the internal audit action plan.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Powers and Functions	<ul style="list-style-type: none"> Irregular payments to service providers for services not provided resulting in the municipality spending budgets without any service being delivered, <p>The municipality performed functions that are unfunded and under-funded in the 2023/24 financial year as follows:</p> <ul style="list-style-type: none"> Fire Services – underfunded by R41.2 million. Pauper burials – unfunded by R 331 thousand. Housing – unfunded by R 20.9 million. Traffic Academy – underfunding or lack of funding could not be determined. <p>The municipality has transferred back the following national/provincial functions:</p> <ul style="list-style-type: none"> Library Services. Primary Health Services (Clinic). Disaster Management. 	<ul style="list-style-type: none"> Put in place mandate agreements for performing the delegated mandates. 	<ul style="list-style-type: none"> Engage the Department of Review and update the Land Disposal Policy and Procedures for Council Approval Ensure that leases on municipal properties are up to date and adjusted to market-related prices. Review and update the Immoveable property register in line with the Fixed Asset Management requirements. Develop a debt collection strategy and plan to improve debt collection. Transport with the support from CoGTA for the transfer of the function of the Traffic Academy.
ICT Strategy and Governance	<ul style="list-style-type: none"> ICT policies were approved by Council in December 2022. There are only 4 individuals assisting about 2 000 municipal employees in the entire municipality of which are on a fixed-term contracts basis, and it is uncertain as to whether their contracts will be renewed or not. Municipality uses different systems which are not integrated for efficient process flows. <p>The following modules are not implemented within MLM's ERP system:</p> <ul style="list-style-type: none"> Asset lifecycle management. Budget and planning. Customer care. 	<ul style="list-style-type: none"> Undertake the integration of the existing multiple systems for real time reporting. Conduct an assessment of all Windows versions in the municipality to determine the license costs for budgeting and determine software licenses paid for but not in use or duplicated to identify areas for cost saving. Budgetary provision to address replacement of aged servers. 	<ul style="list-style-type: none"> Identify and budget for an off-site recovery facility. Procure and implement an integrated electronic document and records management system compliant with National Archives standards when finances of the municipality stabilise. Establish MLM Policy Management Committee to take stock of and monitor institutional policy development and implementation. Regular assessment of security vulnerabilities that the municipalities may be exposed to.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Immovable Property	<ul style="list-style-type: none"> The municipality has an ICT Disaster Recovery and Business Continuity Plan, but it is not clear if it was approved. The municipality has a Land Disposal Policy dated August 2015 and a procedure dated September 2016. The municipality indicated that the disposal of land is done in terms of the MFMA and MATR. Some rentals of clubhouses are as low as R145 per annum. Information on other immovable property was not up to date and lack of an up-to-date immovable property register, which is currently undergoing verification. The municipal residential property rentals register shows that monthly rentals for houses, flats and hostels range from R144.00 to R1 800.00, while municipal employees pay 6 per cent of their salary. The residential property register does not have complete and up-to-date record information such as status of rental payments, information on arrear amounts and state of maintenance. The municipality is only collecting rental payments from municipal employees. The register does not comply with the Fixed Assets Management Policy requirements on fixed asset register information. 28 properties are illegally occupied, which means municipality is not collecting revenue. report on list of facilities owned by municipality shows that all lease agreements for Sports Complexes have expired as far back as 2008. Of concern is facilities that have been taken over by businesses and are being sub-let for unknown amounts while the monthly payment to 	<ul style="list-style-type: none"> Review and update the Land Disposal Policy and Procedures for Council Approval Ensure that leases on municipal properties are up to date and adjusted to market-related prices. Review and update the Immoveable property register in line with the Fixed Asset Management requirements. Develop a debt collection strategy and plan to improve debt collection. Value the municipal properties and adjust rentals to market related prices. Update the residential property register to reflect status quo information. Undertake an audit of non-paying tenants and start a credit control exercise. Obtain eviction orders to remove illegal occupants or regularise the illegal occupants and bill them accordingly. Undertake cost benefit analyses to determine whether to own or dispose of rental stock. Employees are charged 6% of salary - compare this with market rates and update policy. Determine market related tariffs for municipal employees. Undertake rental property audit to determine, inter alia: <ul style="list-style-type: none"> Legality status of occupants; 	<ul style="list-style-type: none"> Conduct a thorough immovable property audit to identify underutilised and vacant land to enable disposal or repurposing for more effective use. Establishment of a dedicated property management unit to effectively manage immovable property and oversee property maintenance, repairs and renovations and to manage sales, leases and rentals. Explore Public-Private Partnerships to develop and manage immovable properties. Development of a rental adjustment formula to determine rental adjustments taking into account market rates, inflation and other relevant factors. Implement property management systems to streamline property management, improve efficiency and reduce costs. Secure municipal immovable properties. Implement market related rental tariff on all municipal rental stock. Revise lease agreements. Undertake audit of municipal rental stock to determine the status of meters, accounts and credit history of beneficiaries.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<p>the municipality is R196.58, which is below norm.</p> <ul style="list-style-type: none"> Provision of housing is a Provincial competency. Waiting list beneficiaries were 40 637 in 2020. 103 109 proclaimed stands. Most are in Thabong (28 983); Kutlwanong (11 974) & Meloding (10 525). 4 221 units of municipal rental stock consists of flats, personnel houses, Old Age Home and family units (previously hostels) managed by 3 municipal personnel Family units charged around R290 per unit per month Council 2- and 3-bedroom flats charged at around R2 000 per month Minimum potential monthly revenue of R1.9 million. Only recovering R211 000 from municipal employees Land invasion . Illegal occupation of municipal rental stock. Lack of maintenance of municipal housing stock. Services meters are by-passed. 	<ul style="list-style-type: none"> Status of rental / lease agreements; and Debtors age analysis. Standardise charging for services in family units - others are only paying rent whilst others are charged for services as well. Implement the provisions of the lease / rental agreements on the tenants with leases. Invoke legal processes to evict illegal occupants. Install prepaid meters. 	<ul style="list-style-type: none"> Empower Human Settlements by enabling it to source assistance directly from law enforcement agencies, in cases of land invasions and illegal occupation of property. Finance and Legal Departments, to either second resources to Human Settlements, or identify a resource that will be dedicated to servicing Human Settlements Department. Improve Bylaw enforcement

Table 14: Key Issues and Strategies per Focus Area on Governance

4.6 INSTITUTIONAL, ORGANISATIONAL AND HUMAN RESOURCES

The governance pillar key findings that were identified during the status quo assessment and the proposed FRP activities are summarised below:

FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Operating Model	<ul style="list-style-type: none"> An operating model has not been reviewed during the review of the organisational structure as required by the approved Staff 	<ul style="list-style-type: none"> Request COGTA & SALGA to assist in Conducting a comprehensive review of the current operating model to identify misalignments with the organisational structure, 	<p>Review the Operating Model in line with the Municipal Staff Regulations and organisational strategy by the end of the 2026/2027 financial year</p>

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	<p>Establishment Policy and Procedure.</p> <ul style="list-style-type: none"> Centralised operating model. 	<p>strategic objectives, and operational inefficiencies.</p> <ul style="list-style-type: none"> Roll out a communication plan to inform and train employees on the changes to the operating model, including new roles, processes, and tools. 	<ul style="list-style-type: none"> Develop a Process Plan to review the Operating Model by end of June 2026. Review the Operating Model in line with the Municipal Staff Regulations which should include: <ul style="list-style-type: none"> A cost-benefit analysis of operating model options by end of December 2026. Develop a sourcing plan in line with municipal financial capabilities by the end of April 2027. Table the reviewed Operating Model for Council approval by May 2027. Roll out a communication plan to inform and train employees on the changes to the operating model, including new roles, processes, and tools.
Organisational Structure	<ul style="list-style-type: none"> Prolonged periods of not reviewing the organisational structure in line with changing strategy and legislation. Reviewed organisational Structure is not affordable costed at R1.65 billion compared to the current structure costed at R1.41 billion. 	<p>Approve the Organisational Structure with reduced number of posts based on work-study outcomes by end of May 2026</p> <ul style="list-style-type: none"> Conduct a work study exercise on the reviewed organisational structure to determine the correct number of posts by end of March 2026. Request CoGTA and SALGA to assist in the formal assessment to identify misalignments between the current reviewed organisational structure to ensure alignment with the Municipal Strategic objectives and the Municipal Staff Regulations. 	<p>Approve the Organisational Structure with reduced number of posts based on work-study outcomes by end of June 2026</p> <ul style="list-style-type: none"> Review the organisational structure based on the work study outcomes including defining new roles, responsibilities, reporting lines, and a governance framework to ensure the structure enables the new strategy and complies with the Municipal Staff Regulations. Consult with LLF during the assessment and review process. <p>Implement the reviewed and approved Organisational Structure with reduced number of posts based on work-study outcomes by end of the 2026/27 financial year.</p> <ul style="list-style-type: none"> Finalise the review of job descriptions and job evaluation in line with the final revised organisational structure Develop a process plan to implement the approved organisational structure including placement of staff by end of June 2026. Consider the implementation of section 189 of Labour Relations Act on the jobs that are not



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Employee Costs	<ul style="list-style-type: none"> Migration of evaluated jobs to the TASK system has not been initiated yet. 	<ul style="list-style-type: none"> N/A 	<p>required, in consultation with Labour by end of June 2027.</p> <ul style="list-style-type: none"> Develop a Recruitment Plan to implement the approved organisational structure within available budget and tabled at LLF for consultation by end of June 2026. Fill posts identified in the Recruitment Plan by end of June 2027. Request intervention by SALGA on the finalisation of the Wage Curve by end of April 2026.
	<ul style="list-style-type: none"> High employee costs (above 40%) against the operational budget. (Overtime management) 	<p>5% (R2.1m) reduction of overtime (R42m to R39.9m) by May 2026</p> <ul style="list-style-type: none"> Conduct an audit on areas with high overtime by categorising them by department, reason (e.g., emergencies, planned projects, staff shortages), and employee, to identify patterns, potential abuse, and departments that are chronically understaffed by end of October 2025. Identify which vacancies are directly linked to essential service delivery functions and which are causing the most significant overtime by end of October 2025. Freeze overtime in non-essential functions based on the audit outcomes by 1 November 2025. All overtime must be pre-approved by a designated manager and justified with a clear business case distinguishing between emergency overtime (e.g., burst pipes) and planned overtime (e.g. weekend work for projects). 	<p>20% (R8m) reduction of overtime (R39.9m to R31.9m) by June 2027</p> <ul style="list-style-type: none"> Develop a Recruitment Plan for areas where overtime is as a result of staff shortages, based on available budget by end of June 2026. Establish a monthly overtime dashboard to track expenditure. Generate and present monthly reports to management, showing a cumulative reduction in overtime expenditure, with the ultimate goal of not exceeding R32 million annually. Develop an Overtime procedure on the application and approval for overtime by end of June 2026. Monthly reporting on overtime spending by each department to Executive Management. HR to monitor compliance to Overtime Policy and provide monthly reports to Executive management. Conduct workshop to managers/supervisors and staff on the revised overtime policy. Disciplinary steps to be taken for non-compliance to the Overtime Policy including disciplinary action for managers/supervisors who approve unauthorised overtime or for employees who work unapproved overtime.

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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Employee Costs	<ul style="list-style-type: none"> High employee costs (above 40%) against the operational budget (Acting allowances and leave) 	<p>Fill funded posts with revenue-generating posts to reduce current Acting positions to 50% of funded vacant posts by June 2026</p> <ul style="list-style-type: none"> Conduct a detailed analysis to determine the total annual cost of all acting allowances by end of October 2025. Reprioritise acting allowance budget based on the analysis to fund vacant posts of the most critical, revenue-generating positions and service delivery related functions by end of October 2025. Identify capable internal staff who can be developed and appointed to the vacant critical positions, who meet post minimum requirements by the end of December 2025. Identify and eliminate duplication of costs of where there are contractors who are performing the work that is done by employees by end of May 2026. 	<ul style="list-style-type: none"> Regularly revise the overtime policy in line with the legislative imperatives. <p>Fill funded posts with revenue-generating posts to reduce current Acting positions to 100% of funded vacant posts by June 2027</p> <ul style="list-style-type: none"> The municipality should actively apply for specific grants from national or provincial government that are designated for capacity building and financial management improvements (e.g., interns) by June 2026. <p>100% Compliance with Leave Policy</p> <ul style="list-style-type: none"> Managers to investigate and formally address cases of excessive or patterned absenteeism within their teams by end of June 2026. Develop leave registers for all departments and managed by managers for monthly reconciliation with leave processed by end of June 2026. Disciplinary steps to be taken for non-compliance to the Leave Policy including disciplinary action for managers/supervisors who do not efficiently manage leave and patterned absenteeism.
Employee Costs	<ul style="list-style-type: none"> Third-party payments not paid on time. There are outstanding payments for April (R10 million) and May (R9.8 million) 2025 to pension funds. Employees remunerated at grade 5 while councillors and Executive Management remunerated at a grade 6 Municipal level. 	<p>Zero outstanding third-party payments</p> <ul style="list-style-type: none"> Immediate ring-fencing of pensions and other third-party funds deducted from employees and pay over to the institutions. <p>Equitable remuneration across all levels achieved by 31 June 2026.</p> <ul style="list-style-type: none"> Request SALGA and DCoG to clarify the appropriate grading level of the municipality by December 2025. 	<p>Zero outstanding third-party payments</p> <ul style="list-style-type: none"> Ring-fencing of pensions and other third-party funds deducted from employees and pay over to the institutions when due. <p>Equitable remuneration across all levels achieved by 31 June 2026.</p> <ul style="list-style-type: none"> A formal report detailing the findings, including a gap analysis and proposed revised salary grades for all roles to be tabled to council for adoption. Based on the review findings, develop a corrective action Plan that outlines specific steps to adjust salaries and address the pay disparity and present the plan for approval by council. This plan should include a clear communication strategy for all key stakeholders.

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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Performance Management	<ul style="list-style-type: none"> Co-funding of the EPWP grant by 63% (R4.7 million) in 2023/24 and 86% (R10.25 million) in the 2024/25 financial year. Irregular appointment of seven employees in the Executive Mayor's office (EPWP Support unit) on posts that are not on the organisational structure. 	<p>100% reduction on the co-funding of EPWP grant (R10.25m)</p> <ul style="list-style-type: none"> Contracts of employees appointed in the Executive Mayor's office (EPWP support unit) must be subject to a review process, with the objective of terminating them by the end of October 2025. All actions should be conducted in strict adherence to due process and relevant labour laws... 	<ul style="list-style-type: none"> Allocate budget based on the outcomes of the directive from DCoG where necessary, by June 2026. Start with the implementation of the new salary structure. The recruitment process for EPWP intake must strictly adhere to the EPWP National Guidelines and Ministerial Determinations.
	<ul style="list-style-type: none"> Non-compliance with the performance management policy, evidenced by only 2% submission rate of performance agreements for lower staff (up to level 7-6) Performance agreements for acting positions have not been finalised. 	<p>50% submission compliance rate on performance management (approved agreements, and bi-annual assessments)</p> <ul style="list-style-type: none"> Undertake performance awareness work sessions emphasising the organisational requirement for quality service delivery assurance by December 2025. Conduct mandatory training sessions for all employees on performance management, including setting SMART goals, providing feedback, and conducting fair assessments. 	<p>100% submission compliance rate on performance management (approved agreements, and bi-annual assessments)</p> <ul style="list-style-type: none"> All Heads of Departments (HoDs) to submit the performance agreements for all lower-level staff (levels 7-6) and for acting positions. Completion of all performance assessments within set deadlines. Review and simplify the existing policy to make it more user-friendly and clearer, with the focus on clarifying responsibilities, timelines, and the consequences of non-compliance. HR to provide compliance reporting two weeks before submission deadlines as an early-warning system, tabled at Executive Management meetings. Directorates and Departmental heads to account on non-compliance and provide corrective actions before submission deadlines.
	<ul style="list-style-type: none"> Late annual (2023/24) and mid-year (2024/25) assessment of performance for Executive Directors and no performance assessments for the MM. 	<p>Reviewed Performance Agreements for Executive Directors and Municipal Manager by January 2026</p> <ul style="list-style-type: none"> Performance Agreements for Executive Managers and the Accounting Officer should 	<p>100% submission compliance rate on performance management (approved agreements and annual assessments)</p> <ul style="list-style-type: none"> Regular compliance monitoring and reporting at Executive Management and Council meetings.

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		<p>include the following key performance indicators:</p> <ul style="list-style-type: none"> ○ Risk Mitigation within set deadlines. ○ Audit Action Plan implementation within set deadlines. ○ Council Resolutions implementation within set deadlines. <ul style="list-style-type: none"> • Financial Recovery Plan implementation within set deadlines. 	<p>Reviewed Performance Agreements for Executive Directors and Municipal Manager by June 2026</p> <ul style="list-style-type: none"> • Performance Agreements for Executive Managers and the Accounting Officer should include the following key performance indicators: <ul style="list-style-type: none"> ○ Risk Mitigation within set deadlines. ○ Audit Action Plan implementation within set deadlines. ○ Council Resolutions implementation within set deadlines. ○ Financial Recovery Plan implementation within set deadlines. ○ Implementation of the HR Strategy within set deadlines
	<ul style="list-style-type: none"> • Only 65 per cent of set key performance indicators were achieved, with the highest non-achievement in Public Participation (77 per cent) and Engineering Services (64 per cent). 		<p>Increase Organisational performance to 85% achievement of set KPIs for 2025/26 and to 90% for 2026/27</p> <ul style="list-style-type: none"> • Consequence management for those who do not achieve targets. • No bonuses to be paid during this period of financial recovery.
Filling of Critical Positions	<ul style="list-style-type: none"> • High level of vacancies above the acceptable norm of 10%, with the highest vacancies in Infrastructure Management Services (66%) and Human Settlement (61%) • No recruitment plan in place. 		<p>30% Reduction of vacancies in service delivery departments subject to budget availability</p> <ul style="list-style-type: none"> • Develop a Recruitment Plan prioritising core/service delivery, revenue-generating posts and manage the staffing process within allocated compensation budget by end of June 2026. • Identify whether existing staff can be redeployed or trained to fill some of the vacant roles, especially in the understaffed departments, to relieve pressure. <ul style="list-style-type: none"> ▪ Investigate the possibility of secondment on critical position by July 2026.
	<ul style="list-style-type: none"> • Slow turnaround times for filling posts. • Non-filling of advertised posts. 	<p>Posts filled within 6-months of being vacant and funded</p> <ul style="list-style-type: none"> • Conduct a root-cause analysis of the slow recruitment turnaround times by December 2025. 	<p>Posts filled within 6-months of being vacant and funded</p> <ul style="list-style-type: none"> • Develop a recruitment process workflow management tool to address bottlenecks which includes a simplified, expedited process with



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Filling of Critical Positions	<ul style="list-style-type: none"> Incumbents appointed outside the approved organisational structure without following municipal prescribed processes (SM: Fleet and IT, 2 Posts of Senior Superintendent: Investigations & Specialised Services) Allegations of maladministration, which include: <ul style="list-style-type: none"> Irregular appointments. Posts not on the organisational structure being filled. 	100% reduction of irregular appointments <ul style="list-style-type: none"> Implement immediate moratorium on all current recruitment and appointment processes except for Municipal Manager and managers accountable to the Municipal Manager. Refer allegations of maladministration and irregular appointments including the appointments of the Senior Managers (SM) of Fleet and IT, the two Senior Superintendents, and any other posts filled outside the approved structure to SIU for further investigations by end of November 2025 A formal report with findings, recommendations and remedial action plan to be tabled to council for approval and implementation. 	<p>stricter deadlines for shortlisting, interviews, and offer letters by July 2026.</p> <ul style="list-style-type: none"> Provide monthly recruitment status report to Executive Management with corrective action plans and MM intervention where panel members don't prioritise the recruitment planned dates. Develop a Corporate Calendar with review of the number of meetings being held at the municipality, avoiding ad hoc meetings that destabilises planned meetings by end of November. Review delegations on the recruitment process to avoid all posts below Executive Management being approved by the MM by June 2027.
	<ul style="list-style-type: none"> Employees act in positions for more than three years without being recognised for promotion. <ul style="list-style-type: none"> New employees are appointed and those acting in the positions are expected to train them. 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Develop a recruitment process flow by end of July 2026 that should include verification of the following before advertising: <ul style="list-style-type: none"> Existence of post on the structure. Availability of budget. Critical nature of the post. Develop a Retention Strategy and Policy with internal advertising where there are qualified internal candidates by October 2026.
Skills and competencies	<ul style="list-style-type: none"> Low participation by staff in the Skills Audits conducted. 	<ul style="list-style-type: none"> N/A 	<p>Skills Audit finalised by end of May 2026</p> <ul style="list-style-type: none"> Conduct a skills audit to Identify the specific skills and roles needed to maintain essential services

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	<ul style="list-style-type: none"> Training is not technically focused on improving technical competence. 	100% of Training Plans aligned to Skills Audit Outcomes <ul style="list-style-type: none"> Develop the 2026/27 Workplace Skills Plan based on the outcomes of the Skills Audit by April 2026 	(e.g., water reticulation, electricity maintenance, solid waste collection) and improve revenue collection (e.g., meter readers, credit controllers). <ul style="list-style-type: none"> N/A
	<ul style="list-style-type: none"> Skills and competencies not in line with Municipal needs and minimum competency requirements for Managers. 	<ul style="list-style-type: none"> N/A 	100% of Senior Managers meet the Minimum Competency levels by the end of the 2026/27 <ul style="list-style-type: none"> Compulsory MFIP training for the Senior Manager without the minimum post requirement by December 2026.
	<ul style="list-style-type: none"> Inadequate monitoring and implementation of Internal Bursary Policy. 	<ul style="list-style-type: none"> N/A 	Annual Employee Study Assistance Monitoring <ul style="list-style-type: none"> Conduct an assessment of all employees on bursary (employee study assistance) to determine the status of their studies by end of June 2026. Implement corrective measures in line with contractual obligations by end of June 2026. Provide an annual monitoring report to the Executive Management meeting.
	Staff Discipline and Disciplinary Board <ul style="list-style-type: none"> The discipline process is prolonged with cases pending for extended periods of more than three years. Employees with criminal charges have not reported to work for almost 5 years and internal disciplinary process delayed. 	Finalise pending disciplinary cases by the end of the 2025/26 financial year <ul style="list-style-type: none"> Monthly reporting to Executive Management/ MM on the status of the case with interventions implemented where there are delays. Expedite the internal disciplinary process of the four employees not at work for the past five years. Use SALGA database of Presiding Officers and initiators in fast tracking the outstanding disciplinary cases. 	Finalise pending disciplinary cases by the end of the 2025/26 financial year <ul style="list-style-type: none"> Review the use of internal Presiding Officers or include the duty in the Performance Agreements. N/A
Key HR Policies and Procedures	<ul style="list-style-type: none"> Policy Manual not reviewed annually as per policy review provision. 	<ul style="list-style-type: none"> N/A 	Policies reviewed annually <ul style="list-style-type: none"> Develop a Policy Review and Management Policy. Establish a Policy Review Committee with departmental representation.

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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	<ul style="list-style-type: none"> Non-compliance with approved HR policies. 	100% compliance with HR Policies <ul style="list-style-type: none"> Issue a directive to all departmental Heads/Acting, emphasising the importance of HR policy compliance and warning of the consequences for violations. All HODs/Acting receive and sign an acknowledgment of the directive, signifying their understanding and commitment to adherence. 	100% compliance with HR Policies <ul style="list-style-type: none"> Undertake HR policy awareness sessions for existing staff. Newly appointed staff should be made aware of existing policies during the induction process. Disciplinary action should be taken against non-adherence to policies. Quarterly compliance monitoring to be conducted by HR unit.
	<ul style="list-style-type: none"> Lack of a Retention Strategy and Policy. 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Develop a Retention Strategy and Policy with internal advertising where there are qualified internal candidates by October 2026.
Labour Relations	<ul style="list-style-type: none"> Non-adherence to LLF meetings schedule and quorums are not being formed. 	LLF meeting held as per schedule <ul style="list-style-type: none"> MM to request SALGA to mediate between employer and labour unions to address the current strained relations and the non-adherence to the LLF schedule. This meeting should be a platform to acknowledge the issues and agree on a path forward by end of December 2025. 	LLF meeting held as per schedule <ul style="list-style-type: none"> Develop and adopt clear and mutually agreed-upon protocol for communication between the employer and unions, especially for urgent matters that cannot wait for a scheduled LLF meeting. Adherence to the LLF's terms of reference in terms of meeting schedules, quorum requirements, and the consequences of non-attendance.
	<ul style="list-style-type: none"> There are strained labour relations between the employer and labour unions in the municipality. 	<ul style="list-style-type: none"> N/A 	Stabilisation of labour relations <ul style="list-style-type: none"> Establish a joint management-union task team to address all outstanding grievances. This team should have a mandate to resolve a specific number of grievances within a set timeframe and within the applicable prescripts. Arrange training sessions for both management and union representatives on topics such as conflict resolution, negotiation skills, and the legal framework of labour relations.
Human Resource Strategy	<ul style="list-style-type: none"> Inadequate implementation of the HR Strategy. 	HR Plan aligned to the HR and organisational strategy approved by December 2025. <ul style="list-style-type: none"> Finalise the Draft HR Plan by the end of October 2025. Present the HR Plan at LLF for consultation by November 2025. 	<ul style="list-style-type: none"> All departmental heads incorporate the HR Strategy's objectives into their operational plans. Conduct training sessions for all managers and supervisors on the key principles of the HR Strategy, their roles in its implementation, and

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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Physical Verification of Staff and Qualifications	<ul style="list-style-type: none"> Staff verification is not conducted 	<ul style="list-style-type: none"> Table the final HR Plan to Council for approval by December 2025. 	<ul style="list-style-type: none"> how to use the new performance management or recruitment tools. Ensure that the performance contracts of all senior managers and departmental heads include KPIs directly linked to the implementation of the HR Strategy.
	<ul style="list-style-type: none"> Qualifications verification not conducted for all posts during the recruitment process. 	<p>Zero ghost workers on the payroll by 30 April 2026</p> <ul style="list-style-type: none"> Conduct staff verification against the payroll to identify potential ghost employees. N/A 	<ul style="list-style-type: none"> Conduct regular staff verification against the payroll. Conduct regular staff verification against the payroll. <p>100% verified qualifications for recruited employees.</p> <ul style="list-style-type: none"> Conduct verification of qualifications during the recruitment process in an economical manner such as the use of SAQA.
Occupational Health and Safety	<ul style="list-style-type: none"> Workers are working in workshops, plant and offices which are non-compliant with the OHSA. No frequent/ regular medical check-ups. 	<p>100% Compliance with OHS regulations by the end of the 2026/27 financial year.</p> <ul style="list-style-type: none"> Conduct an assessment of buildings OHS Compliance by end of March 2026. 	<p>100% Compliance with OHS regulations by the end of the 2026/27 financial year.</p> <ul style="list-style-type: none"> Develop action plans on assessment findings and prohibition notices issued by Dept of Labour by end July 2026.
	<ul style="list-style-type: none"> Lack of PPE for employees. Lack of training for the proper use and maintenance of PPE. No appointed health and safety representatives and health and safety committees in place 	<p>PPE for high impact functions procured by December 2025</p> <ul style="list-style-type: none"> Prioritise the procurement of PPE for areas that have direct health impact on employees (e.g. water, sanitation, electricity and waste management) by end of December 2025. Conduct training on proper use and maintenance of PPEs by end of December 2025 	<p>100% Compliance with OHS regulations by the end of the 2026/27 financial year.</p> <ul style="list-style-type: none"> Develop action plans on assessment findings and prohibition notices issued by Dept of Labour by end July 2026. Conduct regular medical check-ups as prescribed by the OHS regulations. Conduct regular training on proper use and maintenance of PPEs. Appoint departmental OHS representatives and establish OHS Committees by end of June 2026.
	<ul style="list-style-type: none"> Non-compliant with COIDA in relation to levy payment. 	<p>100% compliance with COIDA by end of November 2025</p>	<ul style="list-style-type: none"> N/A

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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Occupational Health and Safety		<ul style="list-style-type: none"> Management to ring-fence budget to comply with COIDA levy payments by end of November 2025. 	
Records Management	<ul style="list-style-type: none"> Employees performed work during COVID-19 were not compensated. File Plan has not been reviewed over many years, and staff could not confirm the exact date when the File Plan was last reviewed. The reviewed 2024/25 Records Management Policy has not yet been approved, since its 2010 approval. 	<ul style="list-style-type: none"> N/A N/A N/A 	<ul style="list-style-type: none"> Place item on the joint management task team to resolve outstanding grievances by labour. <p>100% Compliance with Records Management Policy</p> <ul style="list-style-type: none"> Conduct a review of the File Plan by July 2026. All employees, particularly those handling administrative tasks, must attend a compulsory training session on the new policy and the manual records protocol. Disciplinary action should be instituted against departmental heads for non-compliance to Records Management policy.
	<ul style="list-style-type: none"> Poor records management and non-compliance with the Records management policy. 	<p>100% Compliance with Records Management Policy</p> <ul style="list-style-type: none"> Request assistance and support from the Provincial Archives Services for the implementation of a basic, manual records management protocols by November 2025. Appoint Records Management champions in each department to implement records managements procedures in line with the approved Policy by December 2025. Records Management unit to conduct an assessment of records management practices in departments by end of December 2025. 	<p>100% Compliance with Records Management Policy</p> <ul style="list-style-type: none"> Assessment report with action plans to be presented at the Executive Management meeting by end of June 2026. Implement corrective action plan by end of 2026/27.
Change Management	<ul style="list-style-type: none"> No Change Management Strategy in place. 	<p>Change Management Strategy and Plan developed and approved by 30 June 2026.</p> <ul style="list-style-type: none"> Conduct briefing session with all employees on the introduction, implementation, monitoring, reporting of the FRP and their roles and responsibilities. 	<p>Change Management Strategy and Plan developed and approved by 30 June 2026.</p> <ul style="list-style-type: none"> Request SALGA to provide support on the following: <ul style="list-style-type: none"> Develop a Change Management Strategy and Plan Establishing and training of a Change Management Team.

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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
			Change Management Strategy and Plan Implemented by 2026/27 financial year.
	<ul style="list-style-type: none"> Inflated EPWP salaries for seven individuals above the norm of R2 900 – R500 to inflated salaries of R21 800.00 - R64 967.40 per month. 	N/A	<ul style="list-style-type: none"> Quarterly reporting on the implementation of the Change Management Strategy and Plan. Investigations by an external independent body on allegations of fraud and corruption should be conducted.

Table 15: Key Findings and Strategies per Focus Area on Institutional



5. REPORTING FRAMEWORK

The following approach to reporting and oversight will be required:

- The Accounting Officer must submit monthly progress reports to NT MFRS and the Municipal Council, and:
 - Conduct necessary quality assurance processes to verify performance.
 - Confirms/ certifies that decisions of the Council/ EM/ Mayor are consistent with the FRP.
 - Maintains a record of decisions/ evidence on FRP implementation.
- The Accounting Officer must submit quarterly implementation progress reports to the Executive Committee and Council.
- NT must conduct quarterly reviews on the effectiveness of the FRP and whether the root causes are being progressively being addressed.
- The Accounting Officer must submit a Portfolio of Evidence for claimed performance on a quarterly basis to the MFRS for review.
- The Accounting Officer and heads of the directorate must sign individual performance scorecards/ agreements for each financial year that incorporates the FRP.
- The SDBIP and IDP and 'Strategic Plan' must be revised for alignment with the FRP. All monthly FRP reports must be tabled and discussed in monthly Top Management meetings.
- No decision (Executive, Legislative or Administrative) should be approved by Council, Executive Mayor and Accounting Officer that contravenes or defeats the FRP and its objectives.
- The Accounting Officer must assign an official in his office to coordinate implementation and reporting on the FRP.
- The Accounting Officer must sign-off all FRP implementation progress reports before submission to Minister of Finance, PT, NT MFRS, Executive Committee and Council.

IT IS SUGGESTED THAT A SCHEDULE OF REPORTING AND COMMITTEE MEETING DATES BE APPROVED AT THE FIRST TECHNICAL WAR ROOM MEETING PER EXAMPLE BELOW:

NO.	REPORT FOR THE MONTH OF	REPORT DUE FROM MM AND INTERVENTION TEAM ON	THE REPORT CONSIDERED BY TECHNICAL WAR ROOM ON	CONSIDERED BY POLITICAL OVERSIGHT COMMITTEE ON
1	October 2025	10 November 2025	20 November 2025	30 November 2025
2	November 2025	10 December 2025	20 December 2025	31 December 2025
3	December 2025	10 January 2026	20 January 2026	31 January 2026
4	January 2026	10 February 2026	20 February 2026	28 February 2026
5	February 2026	10 March 2026	20 March 2026	31 March 2026
6	March 2026	10 April 2026	20 April 2026	30 April 2026
7	April 2026	10 May 2026	20 May 2026	31 May 2026
8	May 2026	10 June 2026	20 June 2026	30 June 2026
9	June 2026	10 July 2026	20 July 2026	31 July 2026
10	July 2026	10 August 2026	20 August 2026	31 August 2026
11	August 2026	10 September 2026	20 September 2026	30 September 2026
12	September 2026	10 October 2026	20 October 2026	31 October 2026



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	<ul style="list-style-type: none"> Financial Rescue
Pillar	<ul style="list-style-type: none"> Service Delivery
Key Activity	<ul style="list-style-type: none"> Prioritise the development, financing, and implementation of a proper programme to address technical water losses. Properly determine the fundamental reasons for commercial water losses (i.e., non-payment) Develop a plan to address the reasons. Make key interventions to address the reasons.
Problem Statement	<ul style="list-style-type: none"> 72 per cent water losses (technical and commercial)
Responsible	<ul style="list-style-type: none"> Technical Director
Start Date	<ul style="list-style-type: none"> October 2025
End Date	<ul style="list-style-type: none"> June 2026
Key Performance Indicator	<ul style="list-style-type: none"> 5 per cent reduction per annum
Financial Target	<ul style="list-style-type: none"> R50 Million per annum
PROGRESS REPORT BY MUNICIPALITY:	
Steps taken	
Progress made	
Financial impact recorded	
Other noteworthy developments such as consequence management on transgressors.	



6. CONCLUSION

The Matjhabeng Local Municipality stands at a critical juncture. Years of financial loss, deteriorating infrastructure, and systemic governance failures have culminated in a crisis that threatens the municipality's ability to deliver basic services and maintain financial solvency. The Financial Recovery Plan (FRP), imposed under Section 139(5) of the Constitution and Chapter 13 of the MFMA, is not merely a recommendation, it is a mandatory and binding document. It compels Council, management, and all stakeholders to act decisively and to restore financial health and institutional integrity.

The successful implementation of the FRP hinges on a series of targeted, high-impact interventions. These include among others:

- Cost-reflective tariffs to ensure that service delivery is financially sustainable.
- Aggressive debt collection and credit control to recover billions in outstanding revenue.
- Cash flow stabilisation through disciplined budgeting and expenditure controls.
- Curtailment of non-core and wasteful expenditure, particularly on consultants, travel, and events.
- Improved governance and oversight, including consequence management and performance accountability.

However, the path to recovery is filled with high risk areas that must be acknowledged and actively mitigated. These include:

- Escalating debt to Eskom and Vaal Centra Water Board, which threatens service delivery continuity.
- Severe distribution losses in water and electricity, undermining revenue and infrastructure.
- Irregular, fruitless, and wasteful expenditure, which erodes public trust and financial credibility.
- Contingent liabilities and litigation risks, which could further destabilise the municipality's finances.

The FRP provides a structured, phased roadmap from rescue to stabilisation and ultimately sustainability. Its success will depend on unwavering political will, institutional discipline, and community engagement. Failure to implement the FRP will trigger further constitutional escalation, including potential national intervention under Section 139(7). Recovery is possible, but only if the FRP is embraced not just as a document, but as a collective commitment to change.



7. RECOMMENDATIONS

The following recommendations are made for consideration:

- a) The Matjhabeng Local Municipality's Mandatory Financial Recovery Plan be approved by the MEC for Finance in terms of Section 143(2) of the MFMA.
- b) The Political Oversight Committee be established by the MEC for Finance and supported by the HOD Finance to provide political oversight to direct the intervention, monitor progress, and unlock any political and strategic challenges that may hinder the success of this intervention from a National and Provincial government level and report to the Cabinet on progress.
- c) The Technical War Room be established by the HOD Finance to support the political oversight committee.
- d) The Free State Provincial Support Package for MLM be aligned with the priorities as set out in Phase 1: Financial Rescue of the FRP.
- e) All allegations be independently investigated by the province or national department to ensure no interference and stalling in the processes going forward.
- f) 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.



7.1 APPROVAL

This FRP is submitted by the NT MFRS in terms of section 141(4)(c) of the MFMA.

I, Moses Ketso Makume, MEC for Finance, MEC for Finance in the Free State Province approve this Financial Recovery Plan for Matjhabeng Local Municipality in terms of section 143(2) of the Municipal Finance Management Act, No. 56 of 2003 ("the MFMA"), as a binding Financial Recovery Plan for the mandatory intervention approved by the Provincial Cabinet on XXXXXXXXXXXX in terms of section 139 of the MFMA and section 139(5) of the Constitution of the Republic of South Africa, 1996.

Signed on this ____ day of _____ in _____.

Moses Ketso Makume
MEC for Finance



7.2 ANNEXURE A: FRP IMPLEMENTATION PLAN

The FRP Implementation Plan is attached to this report in an Excel format to ease project implementation, monitoring and oversight and consists of three sheets addressing each of the phases, being (1) Rescue, (2) Stabilisation, and (3) Sustainability 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.

7.3 ANNEXURE B: UPDATED STATUS QUO ASSESSMENT REPORT
