

FINANCIAL RECOVERY PLAN

Prepared for the

KANNALAND LOCAL MUNICIPALITY

AUGUST 2025



KANNALAND
MUNISIPALITEIT | MUNICIPALITY



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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ABBREVIATIONS

NO.	ABBREVIATION	FULL FORM
1.	AFS	Annual Financial Statements
2.	AG	Auditor General
3.	AR	Asset Register
4.	BFP	Budget Funding Plan
5.	CFO	Chief Financial Officer
6.	CoS	Cost of Supply
7.	DCAS	Department of Cultural Affairs and Sports
8.	DCoG	Department of Corporative Governance and Traditional Affairs
9.	DLG	Department of Local Government
10.	DRDLR	Department of Rural Development and Land Reform
11.	FRP	Financial Recovery Plan
12.	GDP	Gross Domestic Product
13.	GIS	Geographic Information System
14.	GRAP	Generally Recognized Accounting Practice
15.	GRD	Garden Route District
16.	HRD	Human Resources Development
17.	ICT	Information and Communications Technology
18.	IDP	Integrated Development Plan
19.	IMATU	Independent Municipal and Allied Trade Union
20.	KLM	Kannaland Local Municipality
21.	LED	Local Economic Development
22.	MEC	Member of the Executive Council
23.	MFMA	Municipal Financial Management Act
24.	MFRS	Municipal Financial Recovery Service



Kannaland LM Final FRP

25.	MISA	Municipal Infrastructure Support Agent
26.	mSCOA	Municipal Standard Chart of Accounts
27.	NERSA	National Energy Regulator of South Africa
28.	SDBIP	Service Delivery & Budget Implementation Plan
29.	SQA	Status Quo Assessment
30.	UBPL	Upper Bound Poverty Line
31.	WCDLG	Western Cape Department of Local Government
32.	WCPG	Western Cape Provincial Government
33.	WDF	Waste Disposal Facility
34.	WTW	Water Treatment Works
35.	WWTW	Waste Water Treatment Works



EXECUTIVE SUMMARY

Kannaland Local Municipality is a Category B municipality situated within the Garden Route District in the Western Cape Province, in the western part of the Klein Karoo. The Municipality stretches from the Swartberg in the north, the Langeberg in the south and the Anysberg in the west, to the Gamkaberg in the east and consists of four towns which are Ladismith (the location of the municipal headquarters), Zoar, Van Wyksdorp and Calitzdorp.

In accordance with Sections 152(2) and 153(a) of the South African Constitution, local government must prioritise the community's fundamental needs and encourage social and economic development through careful budgeting, planning, and administration. However, the Kannaland Local Municipality has had challenges in delivering services due to various reasons, which center mainly around the Municipality's long history of financial problems, underpinned by governance and administrative failures.

These problems prompted the Western Cape Provincial Executive to undertake a number of interventions including the following:

- Invoking a section 139(5)(a) mandatory intervention in 2016.
- Assuming responsibility for the implementation of the Financial Recovery Plan (FRP), in 2018, in terms of section 139(5)(c) of the Constitution, as the Municipality had admitted its inability to implement the FRP.
- Conducting of a Diagnostic Assessment by the Provincial Treasury in 2023. This Assessment concluded that the Municipality, because of a crisis in its financial affairs, is in serious or persistent material breach of its obligations to meet its financial commitments. For instance, the Municipality had adopted unfunded budgets for the past six financial years (2018/19 to 2023/24 MTREF). Based on the audited 2023/24 Annual Financial Statements (AFS), current liabilities (R198.175million) far exceed current assets (R93.80 million). Subsequently, the Municipality had failed to make other payments as and when due, which individually or in the aggregate is more than a prescribed amount or, if none is prescribed, more than two per cent of the Municipality's budgeted operating expenditure.
- The findings of the Diagnostic Assessment sufficiently proved that the municipality, in its current state, meets the criteria for a mandatory intervention in terms of section 139(5) of the Constitution. Based on this conclusion, the Western Cape Provincial Executive on 13 December 2023 resolved to intervene by imposing a mandatory FRP on the Municipality, in terms of section 139(5)(a) of the Constitution, read together with Section 139 of Chapter 13 of the MFMA.
- On 14 December 2023, the Finance Minister of the Western Cape Province, wrote to the Minister of Finance in line with section 144(1) of the MFMA, requesting the MFRS to prepare a FRP for Kannaland. This was in terms of section 141(2) of the MFMA, which states that only the NT MFRS may prepare an FRP for a mandatory provincial intervention in terms of Section 139(4) or (5) of the Constitution.

The above intervention processes formed the statutory basis for this Mandatory FRP. The MFRS commenced the process of preparing the Mandatory FRP by undertaking a Status Quo Assessment which focused on the four municipal sustainability pillars, namely Governance, Institutional, Financial Management and Service Delivery has been completed. For each pillar, a diagnostic analysis was performed, followed by the identification of failures and root causes. The Status Quo Analysis Report was workshopped with the following stakeholders on the 9th and 10th of April prior to its conclusion and submission to the MEC on the 6th of May 2025:



- Kannaland Local Municipality;
- Western Cape Provincial Treasury;
- Western Cape Department of Local Government;
- National Department of Cooperative Governance and Traditional Affairs (CoGTA); and
- South African Local Government Association (SALGA).

This Mandatory FRP has been developed based on the findings from this Status Quo Assessment. Despite previous disputes pertaining to the implementation of the previous FRP, the KLM has lately admitted its persistent challenges in achieving financial stability and resolved to cooperate in implementing the current Mandatory FRP. To expedite the implementation of the Mandatory FRP, the MFRS has adopted a new approach which prioritizes the identification of intervention activities that have an immediate impact on the financial position of the municipality, under the Rescue Phase of the Implementation Plan. These activities have been kept at a minimum per sustainability pillar and have been designed to be easily implementable and to have the optimum impact. The Implementation Plan has also been planned to ensure a smooth progression between the intervention activities identified under the Rescue Phase and those under the Stabilisation Phase. Lastly, activities to be implemented under the Sustainability Phase will only be populated after the successful implementation of activities under Rescue and Stabilization Phases.

Thus, on the basis of the above-described approach, some of the strategic intervention activities that have been identified under the Rescue and Stabilization phases of this Mandatory FRP are as follows:

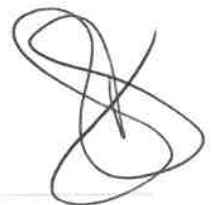
Revenue Impacting Activities

- Implement a payment plan aimed at recovering staff and councillors municipal accounts arrears within a six-month timeframe.
- Run public campaigns on the importance of settling municipal accounts.
- Approve and implement a debt settlement incentive for accounts >90 days overdue.
- Appoint a panel of debt collectors for recovery of long-overdue debts.
- Appoint a cashier for Van Wyksdorp and staff the Customer Care Unit with 2 employees.
- Link traffic fines to vehicle licensing to reduce defaults.
- Request Provincial Treasury or the Department of Local Government in the province to conduct councillor workshops on Credit Control and Customer Care Policies.
- Implement the Debt and Credit Control Policy, and include KPIs in official performance agreements.
- Monitor debt recovery performance monthly and hold officials accountable.
- Update customer details in billing systems to improve the collection rate.
- Appoint or train sufficient meter reading operatives to improve billing accuracy.
- Implement a meter disconnection/reconnection programme to reduce illegal usage.
- Installation of SMART meters supported by the NT Metering Programme.



Costs Reduction initiatives

- Apply realistic cost-cutting measures to improve funded positions for the 2025/26 and 2026/27 financial years.
- Eliminate non-essential expenditure during the budget process.
- Develop and approve a cost containment policy, for implementation against set financial targets for monthly monitoring.
- Conduct a duplicate cost analysis on contracted services to identify functions that can be performed internally.
- Establish a cash flow committee and include expenditure containment as a standing item for management meetings.
- Configure financial systems to block spending on exhausted budget votes.
- Review and align procurement to establish a three-year panel of essential service providers.
- Prepare an annual procurement plan for all goods and services.
- Monitor spending on non-essential goods/services monthly and enforce accountability.
- Renegotiate unfunded mandates (housing, libraries, firefighting, licencing) within 6 months or terminate them.
- Enter into payment arrangements with all creditors and request waiver of interest charges.
- Ring-fence conditional grants in separate bank accounts to ensure correct use.
- Monitor project implementation against the project plan to avoid delays and ensure grant compliance.



1. PART ONE

1.1 BACKGROUND

This Mandatory FRP has been necessitated by the continuous and persistent challenges that the KLM has been experiencing over the years in providing services as required under Sections 152(2) and 153(a) of the South African Constitution. Such persistent failures prompted, in 2016, the Western Cape Provincial Executive to invoke a mandatory intervention in terms of a section 139(5)(a) of the Constitution, read together with Section 139 of Chapter 13 of the MFMA. This was followed by subsequent interventions, including the resolution by the Provincial Executive in 2018 to assume responsibility for the implementation of the FRP, in terms of section 139(5)(c) of the Constitution, as a result of the Municipality's admitting inability to implement the FRP.

Furthermore, despite this ongoing mandatory intervention, the Municipality experienced a further deterioration in its affairs, including a failure to meet its financial and legislative obligations. Consequently, it remained unable to adequately deliver services to residents within its area of jurisdiction. Among other things, one of the major causes of this deterioration was construed to have been a direct result of ongoing political instability emanating from the conduct and decisions of a select grouping of councillors and senior officials working in the administration of the Municipality.

Several additional interventions were instituted by the Western Cape Provincial Executive, including urgent proceedings in the Western Cape High Court in January 2021, to, amongst others, interdict certain councillors and senior municipal officials from persisting with their unlawful conduct, to compel them to implement the FRP, and to declare that the intervention was lawful. This ignited a court battle between the Western Cape Provincial Executive and the KLM. Thus, after initially ruling in favour of the Provincial Executive, on 7 October 2021 the High Court rescinded its decision declaring the intervention lawful, by upholding the Municipality's counter application to review, set aside and terminate the intervention. This ruling was based on the fact that the Provincial Treasury prepared the FRP and that the NT MFRS merely vetted the document when it was required to have prepared the same and conducted the necessarily consultations itself.

After this setback, the Western Cape Provincial Government (WCPG), however, continued to closely monitor and support the Municipality to address the financial difficulties it has faced for an extended period preceding the provincial government's intervention. Amongst other such monitoring and support processes, the Kannaland Local Municipality Diagnostic Assessment was conducted and completed in October 2022. Subsequently, in December 2022, a Support Plan was prepared, in terms of Section 154 of the Constitution. However, despite the support provided to the Municipality, the KLM continued to experience financial difficulties.

A further assessment by the Provincial Treasury, in 2023, concluded that the Municipality, because of the persistent crisis in its financial affairs, was in a serious material breach of its obligations to meet its financial commitments. For instance, it was found that the Municipality had adopted unfunded Budgets for the past five financial years (2018/19 to 2022/23 MTREF). Based on the audited 2021/22 AFS, current liabilities (R96.54million) far exceed current assets (R44.32 million), subsequently, the Municipality had failed to make other payments as and when due.

Based on these serious or persistent material breaches, the KLM was deemed to have satisfied the criteria for an intervention in terms of section 139(5) of the Constitution. Therefore, on 13 December 2023, the Provincial Executive resolved to invoke a mandatory intervention in terms of section 139(5)(a) of the Constitution, read with the relevant sections of Ch 13 of the MFMA, thereby imposing a mandatory FRP on the Municipality. Subsequently, on the 14th of December 2023, the Finance Minister of the



Western Cape Province, wrote to the Minister of Finance in line with section 144(1) of the MFMA, requesting the MFRS to review and amend the existing Kannaland Mandatory FRP.

Despite initially objecting and refusing to cooperate in implementing the Provincial Executive's decision for a mandatory intervention, the KLM's Council later on 14 November 2024, resolved to collaborate with National Treasury in the preparation and implementation of the Mandatory FRP. This paved way for the NT MFRS to commence with the Status Quo Assessments and the preparation of the Status Quo Report. The latter has since been completed and submitted to the MEC. A copy of the Status Quo Report is attached as **Annexure B** to this Mandatory FRP report. Its findings identified the key issues and their root causes across the four sustainability pillars of Governance, Institutional and Human Resources, Financial and Service Delivery. These findings formed the basis upon which the different strategic interventions identified and recommended under this Mandatory FRP will be implemented.

1.2 PURPOSE OF THE FINANCIAL RECOVERY PLAN

This Financial Recovery Plan (FRP) is prepared in terms of Section 139(5)(a) of the Constitution, as informed by the findings of the Status Quo Assessment (SQA) conducted by the Municipal Financial Recovery Services (MFRS) of National Treasury.

The SQA provided a comprehensive diagnostic of Kannaland Local Municipality's systemic and persistent failures in governance, institutional arrangements, financial management, and service delivery. The assessment confirmed the municipality's technical insolvency, unsustainable budgeting practices, non-compliance with regulatory frameworks, and a widespread collapse in oversight and operational effectiveness.

This FRP is thus not a generic intervention, but a targeted, phased remedial plan directly derived from the root causes and findings of the SQA.

1.3 Summary of SQA Findings by Pillar

The Financial Recovery Plan (FRP) is based on a comprehensive Status Quo Assessment (SQA), jointly conducted by the Municipal Financial Recovery Services (MFRS), the Kannaland Local Municipality, and other stakeholders. This assessment utilised the National Treasury's four-pillar diagnostic framework—comprising Governance, Institutional, Financial, and Service Delivery factors—to identify the root causes behind the municipality's financial crisis and ongoing failures in basic service delivery.

The FRP is strategically organized around these four pillars, reflecting the framework used by the National Treasury to evaluate municipal sustainability. Below, we outline the key challenges identified in the SQA that the FRP aims to address:

1.3.1 Financial Pillar:

These drivers highlight a breakdown in financial planning, control, and sustainability, the core of the municipality's crisis:

- **Recurrent unfunded budgets (2018/19–2023/24) and persistent deficits:**
Continuously approving budgets that lack cash backing reflects imprudent financial planning and weak governance oversight, exacerbating technical insolvency and undermining service delivery.
- **Current liabilities (R198.175 million) exceeding assets (R93.80 million):**



This financial imbalance confirms technical insolvency. It severely limits liquidity, impairs the municipality's ability to honour its obligations, and exposes it to litigation and creditor action.

- **Debtor management failure (92.2% of R150m debt overdue >90 days):**
This indicates a systemic collapse in revenue collection. A large and ageing debtor book constrains cash flow, while the inability to collect revenue affects service delivery and limits funds available for operations and maintenance.
- **Diversion of capital grants to operations; inability to service Eskom debt:**
Using capital grants to cover operational shortfalls violates grant conditions and triggers clawbacks or penalties. Inability to pay Eskom threatens disconnection and potential disqualification from national relief programs, jeopardising service continuity.

1.3.2 Service Delivery Pillar:

Persistent failures in basic service provision are attributed to:

- **Absence of Infrastructure Master Plans:**
Without current plans, infrastructure investment is ad hoc, reactive, and uncoordinated. This leads to service gaps, weak asset lifecycle management, maintenance backlogs, and inefficiencies that drive costs and reduce service quality.
- **High electricity losses (15 per cent in 2023/24) and NMD penalties:**
Excessive distribution losses and penalties from Eskom for exceeding Notified Maximum Demand (NMD) result in unnecessary financial losses. This further increases the municipality's R68.8 million Eskom debt and contributes to energy insecurity.
- **Poor water and sanitation quality scores (Blue Drop and Green Drop):**
- These low scores highlight a critical shortage of scientists and engineers for surveillance monitoring, as well as the inconsistent operation of treatment plants. This situation results in significant environmental, health, and safety violations in water and wastewater services, posing serious risks to public health and leading to potential breaches of national standards.
- **Maintenance expenditure ratio below the 8 percent norm (6 per cent in 2023/24):**
Underinvestment in asset maintenance leads to infrastructure deterioration, increased breakdowns, and higher long-term replacement costs, accelerating service failures.
- **Underutilization of conditional grants allocation (unspent grants, R14 million in 2023/24):**
Failure to spend grants delays development and leads to grant forfeiture and missed service delivery milestones. The poor performance in projects management creates risk of potential disqualification to access more grant funding.
- **Aging fleet and infrastructure:**
Breakdown-prone vehicles and old infrastructure reduce service reliability, increase downtime, and inflate maintenance, overtime, and fuel costs.
- **Intermittent water supply and poor water management:**
Raw water and portable water storage incapacity. Furthermore, the absence of water balance accountability (IWA balance reporting) and bulk metering jeopardies the accuracy in water usage profiling, and thus hiding water distribution losses that are being calculated based on billed customers only.

1.3.3 Governance Pillar:

The governance failures are fundamental, as they lead to a breakdown in oversight, and accountability mechanisms that would avert administrative and financial collapse. The key drivers are:



- **Persistent disclaimer audit outcomes (2021/22, 2022/23, 2023/24):**

These audit opinions indicate a total breakdown in internal controls and financial reporting systems. Disclaimer audits mean the Auditor-General was unable to obtain sufficient audit evidence, reflecting a fundamental lack of transparency, reliability, and credibility in the municipality's financial administration, and signals systemic governance failure.

- **Historical leadership instability and oversight failures:**

The absence or dysfunction of the Municipal Public Accounts Committee (MPAC) show a deficiency in internal accountability. This undermines council oversight, resulting in unchecked irregular financial and administrative decisions.

- **Inadequate contract management and SCM non-enforcement:**

Contracts are not monitored, and supply chain management (SCM) processes are non-compliant with legislation and regulations. This results in irregular, fruitless and wasteful expenditure, and legal disputes which inflate costs and increase contingent liabilities.

- **Inadequate legislative compliance and weak performance monitoring:**

Failure to submit Annual Financial Statements (AFS) and MFMA Section 52(d) reports in time reflects non-compliance with statutory requirements. The lack of monitoring tools undermines accountability and makes it impossible to track municipal performance. This weakens the council's ability to intervene effectively and timeously.

1.3.4 Institutional Pillar:

Institutional weaknesses hinder the municipality's capacity to deliver services, manage human resources, and enforce policy. The following factors severely limit organisational effectiveness:

- **Organisational structure that is not fit for purpose:**

Without a fit-for-purpose structure, the municipality cannot allocate accountability clearly or manage its functions efficiently.

- **High vacancy rates (33.37%) in critical positions:**

Critical skills gaps, especially in finance and infrastructure, render the departments inoperative and ineffective, slowing decision-making, reducing service delivery, and increasing reliance on consultants, which raises costs and reduces institutional memory.

- **Unaffordable and irregular staff appointments:**

Appointments outside the approved organogram and without budgetary provision violate financial and HR regulations, contributing to unfunded budgets and irregular expenditure

- **Lack of skills retention and development strategies:**

The absence of a Human Resource Strategy and non-implementation of the Workplace Skills Plan (WSP) reflect a failure to invest in staff development, limiting the municipality's ability to grow internal capacity, contributing to a cycle of dependency on external consultants.

- **Non-functional disciplinary and consequence management systems:**

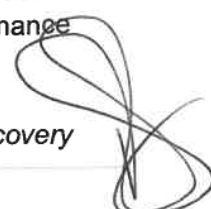
When violations of policies or unethical behaviour go unpunished, a culture of impunity develops, fostering repeated non-compliance and poor performance.

1.4 STATUTORY AND LEGISLATIVE CONTEXT

1.4.1 The Constitution of The Republic Of South Africa, 1996 (Act No.108 Of 1996)

The intervention was instituted in terms of S139 (5)(a) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read in conjunction with Ch.13 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

S139(5)(a) of the Constitution reads as follows: *"the provincial executive **must** impose a recovery*



plan aimed at securing the municipality's ability to meet its obligations to provide basic services or its financial commitments, which;

- i. is to be prepared in accordance with the national legislation; and*
- ii. binds the municipality in the exercise of its legislative and executive authority but only to the extent necessary to resolve the crisis in its financial affairs."*

Thus, in terms of the above stated sections of the Constitution, the Western Cape Provincial EXCO has an obligation to ensure that a Mandatory Financial Recovery Plan aligned to the Municipal Finance Management Act, 2003 is prepared. This Mandatory FRP Financial Recovery Plan may also restrict the authority of the Council and the Executive in any matter or area that impacts on the finances of the municipality.

The Western Cape Provincial EXCO is, hence, responsible for ensuring that the Financial Recovery Plan is implemented by the KLM. Failure of the Provincial EXCO to oversee the process and ensuring full implementation of the Financial Recovery Plan may result in national intervention in terms of S139 (7) of the Constitution.

1.4.2 The Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

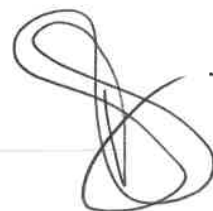
Chapter 13 of the MFMA deals with the resolution of financial problems in municipalities and outlines the processes that must be followed in terms of mandatory interventions invoked in terms of S139 (5) of the Constitution.

- *S139 (1) of the MFMA places the responsibility on the Provincial EXCO to request the Municipal Financial Recovery Services (MFRS) unit in the National Treasury to prepare a Financial Recovery Plan, which considers the reasons for the financial crisis and an assessment of the municipality's financial status (status quo assessment).*
- *Only the MFRS may prepare a Financial Recovery Plan for a Mandatory Provincial Intervention referred to in S139.*
- *S139(1)(a)(iv) also empowers the MFRS to recommend appropriate changes to the budget and revenue raising measures that will support the implementation of the recovery plan.*
- *In terms of S139(1)(b), the Mayor of the municipality must be consulted on the Financial Recovery Plan to obtain cooperation (political support) for the implementation and ensure that the budget and any other legislative measures to support the implementation of the Recovery Plan are approved.*

Section 142 of the MFMA specifies the criteria for Financial Recovery Plans irrespective of whether the plan is discretionary or mandatory in nature. In this regard, the following subsections are important:

S142 (1) A Financial Recovery Plan must be aimed at securing the municipality's ability to meet its obligations to provide basic services or its financial commitments, and such a plan, whether for a mandatory or discretionary intervention –

- (a) Must –*
Identify the financial problems of the municipality;



- i. Be designed to place the municipality in a sound and sustainable financial condition as soon as possible;
- ii. State the principal strategic objectives of the plan, and ways and means for achieving those objectives;
- iii. 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;
- iv. Identify the human and financial resources needed to assist in resolving financial problems, and where those resources are proposed to come from;
- v. Describe the anticipated timeframe for the financial recovery, and milestones to be achieved; and
- vi. Identify what actions are necessary for the implementation of the plan, distinguishing between actions to be taken by the municipality and actions to be taken by other parties.

Section 142 (2) states that in addition, a Financial Recovery Plan –

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

- i. Set spending limits and revenue targets;
- ii. Provide budget parameters which bind the municipality for a specified period or until stated conditions have been met; and
- iii. Identify specific revenue-raising measures that are necessary for financial recovery, including the rate at which any municipal tax and tariffs must be set to achieve financial recovery.

Regarding the implementation of the Financial Recovery Plan in Mandatory Provincial Interventions, the municipality's attention is drawn to the following provisions of S146 of the MFMA.

S146 (1) If the Recovery Plan was prepared in a Mandatory Provincial Intervention referred to in section 139 –

- (a) the municipality **must** implement the approved recovery plan;
- (b) all revenue, expenditure and budget decisions must be taken within the framework of, and subject to the limitations of, the recovery plan; and
- (c) the municipality **must** report monthly to the MEC for Finance in the province on the implementation of the plan in such manner as the plan may determine.

In conclusion, unlike a Voluntary or Discretionary Financial Intervention, the National Treasury, through the Municipal Finance Recovery Service **must** develop the Financial Recovery Plan for the KLM as it is a mandatory intervention. The plan binds the municipality in terms of its spending and budget parameters and the municipality is obligated to ensure that such a recovery plan is implemented within the timeframes outlined.

1.5 OVERVIEW OF THE MANDATORY FINANCIAL RECOVERY PLAN

This Mandatory Financial Recovery Plan is prepared in accordance with the requirements of Chapter 13 of the Municipal Finance Management Act, 2003. It has been informed by the history of intervention programs implemented in the KLM include the 2016 Voluntary Financial Recovery

Plan, and other subsequent intervention processes which have been analysed and addressed under the recently completed Status Quo Assessment Report, attached as **Annexure B** to this Mandatory FRP. Additionally, this Mandatory Financial Recovery Plan is aligned to the 4 pillars used by the National Treasury to assess municipal sustainability. These 4 pillars are: Governance, Institutional Stability, Financial Health and Service Delivery.

The strategic objective of this Mandatory Financial Recovery Plan is to address the current financial distress by focusing on improving the short-term financial liquidity of the municipality and by improving the long-term financial sustainability of the municipality. This will be achieved in a phased approach, with a focus on high level targets to be achieved in each phase. Issues pertaining to governance, institutional stability and service delivery have also been addressed in so far as it undermines the financial recovery of the municipality. To facilitate implementation, the Financial Recovery Plan is divided into three key phases outlined in **Table 1**.

Table 1: Phases of the Mandatory FRP Implementation

PHASE	DESCRIPTION
1: RESCUE PHASE	Minimum set of key indicators across all four pillars necessary to neutralise financial turbulence (6-8 months) • Focus is on cash and short-term liquidity: Funded Budget, Cost Containment, Cashflow Management, Trading Debtors and Collections, Creditor Management. • Include service delivery projects with high visibility such as streetlights, waste management, water and sewer spillages and potholes.
2: STABILISATION	To address the underlying causes of failure by focusing on eradicating problems at the root (8-24 months): "Plugging the holes and fixing the leaks."
3: SUSTAINABILITY	To ensure financial and service delivery sustainability and prevent a regression (Subject to progress in Phase 2)

1.5.1 Phase 1: Rescue Phase

This phase of the implementation program focuses on the quick wins to restore the KLM's cash position and instilling a culture of good financial management practices within a short period of between six (6) months to eight (8) months from the approval date of the Mandatory FRP. Focus is on guiding the KNM to prioritise implementing quick wins such as effective budget management, efficient debtors control measures, application of cost-reflective tariffs, improving indigent management practices, enhancing the effectiveness cash management processes, a quick update of the billing system, an improvement of the collection rates as well as overall improvements in service delivery, governance processes and institutional matters. Thus, the indicators identified under the Rescue Phase include the following:

- Preparing a credible funded budget;
- Containing municipal expenditure;
- Implementing creditors and debtors control measures;
- Instituting processes for determination of cost reflective tariffs;
- Improving indigent management practices;
- Implementing strategies to enhance revenue;
- Reducing interest expenses through negotiations with creditors;
- Entering and honouring payment arrangements with creditors;
- Enhancing the effectiveness of cash management;



- Updating of customer details on the billing system to improve the collection rate; and
- Implementation of visible and critical processes to address service delivery, governance, and institutional matters and ensuring that the current situation does not deteriorate further.

1.5.2 Phase 2: Stabilisation Phase

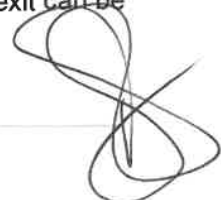
This second phase of the Mandatory Financial Recovery Plan and encompasses the bulk of the recovery interventions. All intervention activities that cannot be implemented under the Rescue Phase were allocated to this Phase, and they include the following:

- Cost reflective tariffs are approved and adopted.
- Illegal connections are curbed;
- The billing system is cleansed and updated;
- Meter audits are performed and broken meters are replaced;
- Meter readings are performed accurately;
- The financial management and reporting system is upgraded and improved;
- The financial control environment is improved;
- Conducting of skills audit;
- Alignment of staff recruitment with approved organogram;
- Filling of currently vacant critical positions;
- Strategic partnerships with local businesses are established to address infrastructure backlogs;
- All Master Plans are developed and approved;
- Policies that currently do not exist within the municipality are developed and approved;
- Bylaws are developed and approved; and
- Infrastructure is refurbished and all aging infrastructure is replaced.

To ensure the achievement of this stabilisation program, it is critical that all the recurring strategies from the Rescue Phase are regularly monitored, and remedial measures executed to prevent and address any possible regression. This phase is expected to last between 8 (eight) to 24 (twenty-four) months or longer depending on progress that would have been made by the KLM.

1.5.3 Phase 3: Sustainability Phase

Any intervention activities under this third phase of the Mandatory FRP will only be identified based on the successful implementation of those under the Rescue and Stabilization Phases. Thus, this phase focuses on ensuring that strategies, intervention measures and programs that would have been implemented under Phases 1 and 2 are sustainable. It also focuses on ensuring that the KLM is and remains committed to ensuring the implementation of the Mandatory FRP. The Financial Ratios will be monitored to determine the achievements and impact made from the previous two phases. Once there is a reasonable assurance that the municipality's financial health has been resuscitated, an exit can be considered.



1.6 PREPARATION, CONSULTATION AND APPROVAL OF THE MANDATORY FINANCIAL RECOVERY PLAN

1.6.1 Preparation

As per the requirements of S141(2) of the MFMA regarding the preparation of Mandatory Financial Recovery Plans, the National Treasury Municipal Financial Recovery Services Unit prepared this FRP in direct consultation with the municipality, Provincial PT and DLG, labour unions, creditors, and key suppliers, among other key stakeholders. A wholistic process was followed in the preparation of this Mandatory FRP as guided by of S139 of the Constitution read together with section 142 of the MFMA.

Firstly, a Status Quo Assessment was performed which involved a comprehensive diagnostic assessment, identification of the key issues which resulted in the KLM being in financial crisis as well as the root causes thereof. All information in the SQA is based on verifiable documentation submitted by the municipal administration. Based on these findings, relevant strategies have been proposed under the three phased outlined in the preceding section. An Implementation Plan (refer to Annexure A) was also developed covering the Rescue Phase, Stabilisation Phase and Sustainability Phase.

Additionally, a financial forecasting model was developed and used to determine and set spending limits, budget parameters, as well as proposing strategic revenue raising measures. All these processes culminated in the development of this Mandatory FRP, which aims to improve the financial viability of the KLM. Some of the proposed revenue raising strategies are summarised in **Table 2**.

Table 2: Proposed Revenue Raising Measures

BUDGET ITEM	ASSUMPTION SUMMARY DESCRIPTIONS
Electricity	10 per cent increase in Sales and average per cent per year reduction in losses (revenue management efficiencies, smart metering, meter repair/replacement, load monitoring technologies)
Water and Sanitation	9 per cent increase in sales and average 2.9 per cent per year reduction in losses (revenue management efficiencies, smart metering, meter repair/replacement, water balance)
Waste management	>5 per cent rise in revenue as a function of water sales and from improved administration of waste activities
License and Permits	2 per cent revenue increase, (traffic licensing, LED business engagements, trade licenses, building plans)
Fines and Penalties	1.5 per cent revenue increase, (bylaw enforcement – land use, building, traffic, dumping)
Property rates	6 per cent revenue increase from reconciliations in billing registry, (zoning, meter/land audits, building inspections, cadastral mapping)
Contracted services	30% reduction from administration efforts, internal capacitation and skill transfer programs
Employee related	>10 per cent reduction in overtime. (increased maintenance ratio hence reduced emergency services, prioritised yellow plant repairs, improved organisation structure of technical services)



To ensure that the Mandatory FRP addresses all the pertinent issues, detailed consultations were undertaken with important stakeholders such as the KLM senior management, Western Cape PT and DLG, SALGA, CoGTA, Council, Organized Labour and Major Creditors, in line with the provisions of the MFMA.

1.6.2 Consultation

The preparation of this Mandatory FRP involved initial engagements with the following key stakeholders:

- Kannaland Local Municipality (KLM);
- Western Cape Provincial Treasury (WCPT)
- Western Cape Department of Local Government (WCDLG);
- Department of Cooperative Governance and Traditional Affairs (CoGTA);
- South African Local Government Association (SALGA).

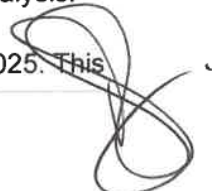
These discussions, which took place during the SQA stage, provided the basis for all the subsequent planning processes. Some of the critical consultative meetings and engagements that took place are listed in **Table 3** below:

Table 3: Consultative Engagements with Different Departments in the KLM

Date	Purpose	Stakeholders
14 March 2024	SQA Workshop	Municipality, NT MFRS, PT, WCDLG, DLG and Provincial SALGA
02 May 2024	FRP Engagement	Municipality, NT MFRS, WCDLG, PT, DLG and GRDM
24 July 2024	Draft SQA Circulated for comments/ input	Municipality, PT, DLG, SALGA
05 February 2025	Status Quo Assessment Workshop	Municipal Management, PT, DLG, SALGA
06 February 2025	Council FRP Workshop	Council, Municipality, PT, DLG
10 March 2025	Circulate Draft SQA for input	Council, Municipality, PT, DLG, WCDLG, SALGA
09 -10 April 2025	FRP SQA Workshop	Council, Municipality, MISA, PT, DLG, WCDLG, SALGA
28-29 May 2025	FRP Stakeholder Engagement Workshops	Council, Municipality, PT, MISA, DLG, WCDLG, National DCOG, GTAC, National COGTA SALGA. Organised Labour and Major Creditors
25 June 2025	FRP Engagement Council FRP Engagement Public	Council, Municipality, MISA, PT, DLG, Public

These in-depth oral engagements were critical to obtain further information based on high-level initial findings obtained from the desktop assessment described in the preceding section. These engagements involved both one-on-one contact sessions with the KLM's senior staff members from different sector departments as well as various virtual follow-up sessions with some of the officials to clarify emerging issues which needed further engagement to the desktop examination and analysis.

The municipality's largest creditors were invited to a consultation workshop held on 29 May 2025. This



Kannaland LM Final FRP

workshop was attended by Eskom, SolveM/SAMRAS, WCDLG, GTAC, Garden Route District Municipality, WCPT, Oudtshoorn Local Municipality and Business Engineering. The Auditor General and SALGA were not represented.

The members of the Local Labour Forum were invited to a consultation workshop held on 29 May 2025. This workshop was attended by the Local Labour Form members from IMATU and SAMWU.

National Treasury's MFRS published the notice 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 Financial Recovery Plan. The plan is also available on the Provincial Treasury website at: <https://www.westerncape.gov.za/provincial-treasury/kannaland-financial-recovery-plan>.

An advertisement was placed on 18 July 2025 in 'Die Hoorn' newspaper with circulation in the municipal area. Hardcopies of the plan were made available at 4 locations in the municipality (at the Calitzdorp, Ladismith, Zoar and VanWyksdorp Libraries). Written comments were invited to be submitted by 01 August 2025.

The MFRS wrote to stakeholders on 21 July 2025 to provide them with a copy of the draft FRP and invite them to submit comments in terms of Section 141(3)(c)(i) of the MFMA by 01 August 2025. These letters were sent to:

- The Executive Mayor, Kannaland Municipality
- Minister of Local Government, Environmental Affairs and Development Planning, Western Cape Provincial Government
- Minister of Finance and Economic Opportunities, Western Cape Provincial Government
- Chief Executive Officer
- South African Local Government Association
- IMATU representatives, Local Labour Forum
- SAMWU representative, Local Labour
- Eskom Holdings SOC Distribution, Western Cape
- Garden Route District Municipality
- Auditor General of South Africa
- Bytes Universal Systems

Comments were received from 2 stakeholders and 3 members of the public and were factored into the final FRP before it was formally submitted to the MEC for Finance in accordance with section 141(4)(c) of the MFMA.

1.6.3 Approval

This Plan is submitted to the MEC for Finance for his verification and approval as per Section 143(2) of the MFMA.



1.6.4 Implementation of The Mandatory Intervention and Financial Recovery Plan

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

The municipality is also required in terms of S146(1)(c) to report monthly to the MEC for Finance on the implementation of the financial recovery plan.

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

The **financial resources** required to support the implementation of the Financial Recovery Plan will be realised through restructuring of the budget, implementing the revenue collection strategy and revenue enhancement initiatives and a commitment to stringent expenditure controls, with particular emphasis on the elimination of non-essential expenditure, limitations on appointment of staff and non-revenue generating activities. Limited additional financial support for some projects will be provided through the provincial support package.

1.7 MONITORING AND OVERSIGHT OF THE INTERVENTION AND THE FINANCIAL RECOVERY PLAN

This intervention will be subject to oversight by a Technical Oversight and Monitoring Committee who will report directly to the Ministers of CoGTA and Finance and the Provincial Executive of the Western Cape. The Oversight Committee will direct the intervention, monitor progress and unblock any challenges that may hinder the success of this intervention. This Committee will have the authority to approve that certain actions from the FRP should be prioritized or delayed, and to refine or amend individual activities. The Committee will also be tasked with assessing progress and approving the shift from one phase of the FRP to another.

The Oversight Committee will consist of the following representatives:

- (a) Western Cape Provincial Treasury (Co-chairperson)
- (b) Western Cape DLG (Co-chairperson)
- (c) National CoGTA
- (d) NT MFRS
- (e) Western Cape SALGA

A Technical Working Group may be formed with representatives from some or all of these organizations to meet on a more regular basis to coordinate routine support and monitoring of the intervention.

In addition to the Oversight Committee, a Technical Team (together with senior officials) must be assembled to drive implementation and provide written reports to the Oversight and Monitoring Committee. The CFO must provide written reports to the Oversight and Monitoring Committee, monthly. These reports will form the basis of the quarterly progress reports that must be prepared in terms of



section 147 of the MFMA and submitted to the municipality, the Minister of Finance, the Cabinet member responsible for local government; the provincial legislature; and organized local government in the province. Representatives from organized labour, business, and community organizations may also be invited to attend these meetings as observers.

1.8 RISKS ASSOCIATED WITH THE IMPLEMENTATION OF THE FINANCIAL RECOVERY PLAN

The following risks have been identified which must be mitigated for successful implementation of the Financial Recovery Plan. These risks require the implementation of urgent mitigation measures to ensure that the implementation of the Mandatory FRP is a success. These risks relate primarily to financial administration, budgeting, financial discipline, and governance. It is proposed that a risk matrix be developed and that appropriate mitigation measures be instituted.

1.8.1 Pillar 3: Financial Management:

- Unwillingness of creditors to enter payment arrangements with KLM.
- Lack of acceptance of debt collectors by the community.
- Non - availability of funds to finance other activities.
- Resistance of cost containment measures.

1.8.2 Pillar 4: Service Delivery:

- **Limited internal capacity:** The municipality may lack sufficient staff (e.g., town planning and electrical, mechanical, civil engineering professionals under staffed) with the necessary skills, experience, or resources to effectively initiate, execute, and monitor the Financial Recovery Plan (FRP).
- **Inter-departmental coordination risks:** Weak collaboration or communication between municipal departments (e.g., planning, transport, utilities) may lead to fragmented implementation of FRP activities and service delivery objectives.
- **Stakeholder resistance:** Resistance from internal or external stakeholders to service delivery reforms or cost-containment measures could result in delays, operational disruptions, or non-compliance.
- **Community backlash due to enforcement actions:** The disconnection of services for non-payment and enforcement of municipal by-laws (e.g., zoning, waste management, building control) may provoke community unrest or protests, particularly in low-income or informal areas. These enforcement actions must be supported by equitable debt recovery mechanisms to ensure both social acceptance and improved revenue collection.
- **GIS and billing system integration failure:** There is a risk that Geographic Information System (GIS) upgrades may not integrate effectively with existing billing and accounting platforms, especially, if necessary, system adaptations are not achieved within FRP timeframes.
- **Information and knowledge management gaps:** Decision-making may be compromised due to outdated or unavailable master plans, poor record-keeping, or an overreliance on external consultants who retain critical technical information. The lack of an organized inventory of technical records undermines institutional memory and continuity.
- **Insufficient capital funding:** The current capital contribution strategy or Capital Investment Framework may not generate sufficient funding for essential infrastructure development and rehabilitation projects required to support the FRP and updated Infrastructure Master Plans.



1.8.3 Pillar 1: Governance:

- Chronic political and administrative instability exists; the municipality has a history of disruptive changes in political and administrative leadership.
- Weak council oversight and control persist; MPAC has outdated terms and lacks formal standard operating procedures (SOPs).
- The municipality has adopted unfunded mandates, including libraries, housing, licencing, and firefighting services, resulting in unfunded budgets.
- A deficient procurement framework is present; SCM policies are outdated, and the bidding processes do not comply with legislation and regulations.
- Poor contract management is evident; there is no contract register or effective control process in place.
- The delegation system is weak; the approved delegations are inadequate, with no signed sub-delegations or register available.
- Non-compliance with financial laws is apparent, characterized by late financial statements and breaches of the MFMA/MSA.
- Unchecked irregular and wasteful expenditure exist due to an inadequate UIF&W policy and tracking system.
- Poor stakeholder engagement is a concern; there is neither an integrated engagement strategy nor an institutionalized public participation process

1.8.4 Pillar 2: Institutional and Human Resources:

- Organisational structure that is not fit for purpose
- Irregular appointments not aligned to service delivery requirements
- Lack of pre – requisite skills by officials and the inability to attract technical skills.
- Inappropriate HR and financial management systems.
- Poor record keeping.
- Lack of communication between management and organized labour.
- Lack of consequence management.
- Excessive employee related costs.

1.9 COMMUNICATION PLAN

It is proposed that the Municipal Manager prepare an Internal and External Communication Plan to support effective communication throughout the intervention. The Communication Plan address any mistrust that might exist among stakeholders, beneficiaries and role-players. This plan needs to be executed within the context of a Change Management Process. The proposed Communication Plan which details how communities, internal staff will be engage including proposed times and frequency is provided in **Table 4** below.

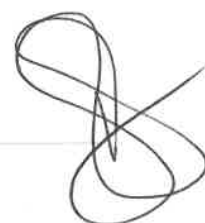


Table 4: Proposed Communication Plan

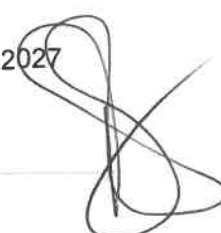
Type of Communication	Communication Schedule	Typical Communication Mechanism	Who initiates	Recipient
Consultation with all the stakeholders	At the commencement of the FRP,	Face-to-face meeting or virtual meeting	WCPT, DLG, NT MFRS, WC SALGA,	Creditors, SALGA Organised labour, Internal staff.
Phase 1 Rescue Phase	Weekly to track progress and review all financial policies and strategies	Email and virtual meetings	WCPT, DLG, NT MFRS, WC SALGA	KLM (BTO MANAGERS), SALGA, WCPT
Phase 2 Stabilization Phase	Bi-weekly: to review and assess adherence to reforms established in phase 1	Face-to-face meeting or virtual meeting	WCPT, DLG, NT MFRS, WC	KLM Council, WCPT, SALGA
Phase 3 Sustainability Phase	Monthly engagement to review whether performance targets are met	Face-to-face meeting or virtual meeting	KLM Senior management	KLM Council, WCPT, SALGA, NT-MFRS.
Handover	After 36 months	Face-to-face meeting	NT-MFRS	KLM Council, WCPT, SALGA Organised labour, Creditors, NT-MFRS.



2. PART TWO: A STATUS QUO ASSESSMENT

In developing this Mandatory FRP, various sources of information were utilized 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.

- Audit reports by the Auditor-General of South Africa up to 2022/23.
- AFS 2022/23
- Annual Report 2022/23
- Annual report 2023/24
- Approved System of Delegations
- Auditor General audit management report 2022/23
- Auditor General Audit report, 2023/24
- Auditor General communication on findings to EMT dated 07 November 2024
- Auditor General management report 2022/23
- Auditor General management report 2023/24
- Auditor General Report, June 2024
- Auditor General management report
- Auditor General Management Report 2022/23
- Auditor General management report, 2023/24
- Auditor General management report, 2024
- Auditor General opinion, 2023/24
- Auditor General Report June 2024
- Auditor General Report, 2023/24
- Auditor General Report, June 2024
- Blue Drop Report: 2023
- Budget 2024/25
- Budget 2024/25
- CFO's spreadsheet on Councillors and staff in arrears, 2025
- Engagements with Top Management: 5-6 February 2025
- Financial Ratios in accordance with MFMA Circular 71.
- Fleet Management Policy 2022-23
- FRP Implementation Progress Reports, 2024.
- Green Drop Watch Report - 2022.
- Information received from Manager: Legal Services, 2025
- Information received through consultative meeting with management, 2025
- Inputs from Manager: ICT, 2025
- Invocation of Provincial Mandatory Intervention
- Kannaland Capital Project Status FY24/25
- Kannaland Diagnostic Assessment Report PT – 2022
- Kannaland LM landfill site operational and closure permits: 2019-2025
- Kannaland LM Waste reports (IPWIS 2025)
- Kannaland SEP-LG 2023
- Local Economic Development (LED) & Tourism Strategy for Kannaland LM: 2022-2027
- Municipal website, 2025
- Mid-Year Kannaland LM Assessment Report 2022/23



- Records by WCLG of provision and training on the Draft Rules of Order.
- Records of WCLG
- S154 Kannaland Support Plan
- The 2017 Mandatory Financial Recovery Plan.
- The Status quo assessment by the Provincial Treasury (September 2022-23)
- The Mid-year Budget and Performance Assessment Report and the Medium-Term Revenue and Expenditure Framework (MTREF) Budget, 2024.
- The Integrated Development Plan 2022-27.
- The Annual Financial Statements up to 2022/23.
- The 2024/25 MTREF Budget and PT Budget Assessment Report
- TIME Report 2024
- Western Cape COGSTA Updated Diagnostic Assessment Report, November 2024
- Western Cape COGSTA Updated Diagnostic Assessment Report 2024
- Western Cape LG consultations, 2024.
- Western Cape LG Diagnostic Assessment Report, 2024
- Western Cape LG updated Diagnostic Assessment Report, 2024
- Western Cape LG updated Diagnostic Assessment Report, 2024
- Western Cape Municipal Replacement Funding Allocation for library services for 2024/25
- Workstream Meetings: 09-10 April 2025
- DLG S54 Support Plan

2.1 KEY ISSUES ESTABLISHED

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

- Financial health
- Service Delivery
- Governance
- Institutional stability and capability

These key findings under the four sustainability pillars are as illustrated in the subsequent sections.

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

2.2 FINANCIAL MANAGEMENT

The Financial Pillar key findings that were identified during the status quo assessment and the proposed FRP activities are summarised in **Table 5**.

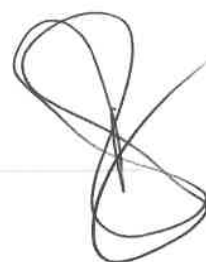




Table 5: Findings under The Financial Pillar

FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Budget Management	The Municipality has an unfunded budget for 2024/25 MTREF period (the Municipality has adopted unfunded budgets since 2018/19).	Prepare the 2026/27 MTREF Budget based on realistic collection rates, provision for non-cash items, and reduced expenditure	Prepare the 2027/28 MTREF Budget based on realistic collection rates, provision for non-cash items, and reduced expenditure
	The implementation of the adopted Budget Funding Plan during 2023/24 has been very slow, and most targets were missed.	The conditions set out for the Municipal Debt Relief as per MFMA Circular No. 124 should be considered carefully by Council.	
	A lack of restraint in budgeting, management and control has resulted in misappropriation of budget and other resources and weakened the linkage between the budgeted and actual spending.	Deployment of financial accounting specialists to deal with accounting and system errors.	
	The Municipality tabled operating deficits and negative cash and cash equivalents over the 2023/24 MTREF period which indicates that the Municipality is deteriorating further.	Collectability of fines could be improved with spot fines and a K53 testing course could supply in a high regional demand with MIG financing up to 50% of projects like that.	
	The projected current, liquidity, and cash coverage ratios remained below the norm and as such the Municipality is exposed the liquidity risk.		
	The lack of information and unsubstantiated trends in both revenues and expenditure compromise the credibility of the budget.		

FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	Heavy reliance on grants to fund the operations and capital projects. Populating the budget schedules is a problem. System integrity is not what it should be and there are a lot of issues in the ledger that needs to be sorted out. There is no internal capacity and help will be needed – Financial accounting specialists. There is no seamlessly integrated accounting system in place. Assets, bank reconciliation, SCM (GRN's) and creditors modules are not in full use. The impact is that decision-making will be based on monthly reports that will severely understate liabilities and not reflect the actual demand in terms of cash flow. Pre-audit information will prove this point and cannot be regarded as useful. The budget cannot be regarded as credible, and the starting point should be to correct the system errors. Network stability between Calitzdorp and Ladismith causes problems (IT is a major risk) with the sub-system not updating the ledger. The mapping of the ledger is also a big problem as previously mentioned. (VAT on		

FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	debtors incorrectly accounted for and duplicating output vat). A communal drive is necessary to share information between departments and ensure that all additions and changes are accounted for (New connections, additions relating to housing projects, not approving building plans if in arrears etc.) Excessive increases during the last two years can also explain the drop in the collection rate. There is untapped revenue potential in the traffic department.		
Budget related policies	No evidence was provided to prove that the budget related policies were reviewed, hence they were not amended through the municipal submissions of the 2024/25 MTREF Budget. All revenue policies are updated annually but most of them were not assessed for value-for-money/ cost-effectiveness	Identify all the budget related policies required in terms of the annual NT Budget Circular for annual review. Assess and review all budget related policies for cost-effectiveness aimed at the optimisation of revenue and reduced expenditure.	Annually assess and review all budget related policies for cost-effectiveness aimed at the optimisation of revenue and reduced expenditure.
Revenue Management	Debt collection rate dropped 6-7% during the last 2 years. The function was outsourced when most effective (83%). Lack of staff maybe the biggest contributor and the estimated loss of	Monitor strategies to manage escalating debtors and review debt collection policies and assess the applicability of alternative repayment enforcement mechanism as this will improve cash flow management.	Filling of vacancies in the Revenue Management Unit Outstanding consumer debtors that are increasing should be monitored by stringent credit and debt collection



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	revenue is approximately R500 000+/- month.	Establish Farmer Forum and review incentive scheme to start collecting from farmers.	policy implementation for the ensuing months.
	Debt collection and credit control failures mean that the Municipality is not collecting a substantial portion of the funds owed to them.	Develop a Revenue Enhancement Strategy (RES) .	Meter reading must be done monthly and reconciled with the financial system.
	Debtor and Credit Control Policy not fully implemented	CFO to consider the appointment of an interim debt collector agent until such time the critical vacancies have been filled.	Integrate the Revenue Management Value Chain with Town Planning, Finance and Technical functions.
	One Councillor and several staff members owe the municipality in total R626,000	Enter into payment arrangements with councillors and staff and recover from monthly salaries and allowances.	Review the Debtor's Book regularly for write-offs.
	Unmetered water consumption in Zoar.	All pre-paid meters not in use to be removed from system with focus on detection and addressing exceptions.	Vendor reconciliations must be done monthly
	Current meters are: -5000 Conventional water meters (4400 = HH) --ZOAR = 1600 HHs not metered -Van Wyksdorp are metered, but no cashier	Outstanding consumer debtors that are increasing should be monitored by stringent credit and debt collection policy implementation for the ensuing months.	Ensure regular reporting and monitoring of progress through the monthly MFMA Section 71 financial management report.
	RM has 16 Staff (6 are meter readers) Monthly readings are done but on a manual system: Electronic system required	Implement action plan to address discrepancies in property rates valuations identified in the GV reconciliation.	Given that household debt is the primary contributor, implement targeted strategies to address this segment and explore options such as outreach programs, financial counselling, and instalment plans to assist residents in managing their debt.
	Persistent growth in outstanding debtors- gross debtors.	Implement smart metering systems across the municipality's area: Ensure that the implementation is carried out efficiently and covers all relevant areas to maximize its impact on debt management.	This should be done continuously to ensure debtor repayment.
	Persistent growth in debt impairment on debtors.		Strengthen credit control measures and regularly update the indigent register to ensure accurate targeting of subsidies and assistance, thereby



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	No revenue enhancement effort will be remotely successful unless critical vacancies are filled within the revenue department with suitably qualified staff. The organogram has been reviewed but is borderline when it comes to being adequate. Property Rates needs an accountant (maybe shared with debtors) and the department should be built on a service-oriented structure not around individuals. SOPs cannot be implemented due to lack of staff to implement them and this leaves many business processes unaddressed. Need collection incentive scheme – farmers inaccurate billing issues Councillors owing the municipality for more than 90 days contravening the MSA.	Negotiate with overdue debtors to restructure their payments based on their financial capabilities and offer reasonable payment plans and incentives for timely settlements. Strengthen credit control measures and regularly update the indigent register to ensure accurate targeting of subsidies and assistance, thereby adjusting revenue from trading services. To address the VAT management issue, the municipality must align its VAT calculation with the guidelines in mSCOA Circular No. 12. This circular emphasizes the importance of integrating VAT calculations within the municipal financial system to ensure accuracy and compliance with tax regulations. Adopting these practices will not only rectify this issue but also streamline the process for the timely submission of VAT 201 returns. Meter reading must be done monthly and reconciled with the financial system. Review the Debtor's Book regularly for write-offs. Vendor reconciliations must be done monthly Establish Farmer Forum and review	adjusting revenue from trading services. Implement the approved Revenue Enhancement Strategy (RES). Monitor debt collectors' performance monthly against the key performance indicators.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
		incentive scheme to deal with issues on the billing of farm land. Cleaning up of debtor information and SOPs in support of standardization, uniformity and completeness of details captured. Outstanding consumer debtors that are increasing should be monitored by stringent credit and debt collection policy implementation for the ensuing months. Ensure regular reporting and monitoring of progress through the monthly MFMA Section 71 financial management report. Given that household debt is the primary contributor, implement targeted strategies to address this segment and explore options such as outreach programs, financial counseling, and installment plans to assist residents in managing their debt. Strengthen credit control measures and regularly update the indigent register to ensure accurate targeting of subsidies and assistance, thereby adjusting revenue from trading services. Review the Debtor's Book regularly for write-offs. Appoint a panel of debt collectors to recover all outstanding debts in the 90+	



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Customer Care and Data Integrity		days category. Negotiate a commission structure with debt collectors, not exceeding 10% of the amounts collected. Incorporate key performance indicators (KPIs) into the agreement with the debt collectors and monitor performance monthly. Ensure all lease contracts are in place and up to date with market related rent where applicable. Must apply credit control and improve rental of municipal assets management (Community halls etc.).	
	Customer care is compromised due to the lack of staff. The problem fuels itself with the increased potential of errors that will contribute to an increased demand relating to customer care. The Municipality does have a customer care and credit control policy; however, implementation thereof is difficult due to Council decisions/ resolutions which go against the policy and hampering the collections. Political interference in credit control. However, MM is showing good commitment to manage situation	Develop and approve a Customer Care Charter Establish a functional Customer Care Centre accessible to manage public records of enquiry by seconding employees from within the municipality on a rotation basis to assist in the customer care Centre, incorporate customer care KPA' in the performance contracts of the employees. Develop and implement Customer Care SOPs	Implement a comprehensive case management system to track and prioritise customer issues, requests, and complaints Monthly reporting of case management response and turnaround time, implement consequence management.
		Conduct a workshop for the Council on the distinction between the council's role and that of the administration. Conduct a workshop for the council on the	



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Cost-reflective Tariffs	The tariff structure applied by the Municipality is not cost-reflective therefore they are under recovering on the cost-of-services rendered: All trading services operate with operating shortfalls. The Municipality does not have fully cost-reflective tariffs, however in the absence of a more detailed analysis (and the lack of a long-term financial plan), the exact extent to which tariffs are not cost-reflective is not known. Electricity cost of supply study done	Customer Care and Credit Control Policy, as well as to educate councillors on the importance of aligning resolutions with approved policies and legislation. Develop and approve tariff setting model. Review emphasis on adhering to acceptable service delivery norms and standards; This will enable a clearer understanding of the full costs of delivering services, and the revenue that can be collected from properly provided services. Training to be provided to relevant employees on cost-reflective tariff setting to implement principles. Cost-reflective tariffs to be approved with MTREF Budget. Tariffs loaded on system to be reconciled to approved budget and signed off Balance cost-reflective tariff setting and affordability (including sustainable service delivery)	Implementation of cost-reflective tariffs to be an integral part of performance agreement of the CFO Annually verify tariff increases for cost-reflectiveness Update and approval of Tariff Policy and Tariff Structure to make provision for the application of cost-reflective tariffs in a phased approach
Indigent Management	Poor indigent household registration: 2200 households registered but there should realistically be 5000	Review the indigent policy to confirm it is aligned with the operations of the municipality and approved with the budget (considering total income of all workers in a single dwelling).	Account for 'Revenue Foregone' in line with mSCOA standards Review and update the Indigent Register annually Quarterly verify that the indigents register does not include municipal



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
		Implement vetting procedures prior to approval of indigents. Involve Ward Committees in indigent registration Only make Free Basic Services (FBS) available to registered indigent households	employees and those employed in government. Report any offences found immediately to the CFO. Capping of FBS for indigent households
Supply chain management compliance and value for money	SCM Policy not compliant with all the statutory imperatives, legislation and reforms (Both the SCM and Preferential Procurement Regulations need updating) Capital and operational projects have no plans in place Current SCM structure does not meet the policy requirements and further does not provide for an adequate number of officials necessary to maintain an effective system of SCM	Update the SCM and Preferential Procurement Regulations to align to relevant legislation. Compile procurement plans in line with NT MFMA Circular No. 62 PT to assist with guidance and input on the capital procurement plans (focus on 2025/26) Compliance with NT MFMA Circular No. 94 which requires the Accounting Officer to submit the procurement plan together with the Budget, Service Delivery and Budget Implementation Plan (SDBIP) to address the weak planning processes Develop SCM SOPs to prevent abuse The Municipality has Directorates that have projects with values exceeding R10 million and must take cognisance of NT MFMA Circular No. 62, which states that, "Goods, services and/or infrastructure	To ensure procurement planning is integrated, SCM unit must be part of the budget process to provide inputs to the overall procurement plan. Municipality to prioritise the annual review and amendments of the SCM policy to ensure alignment to the latest SCM prescripts and developments, as stipulated on Regulation 3 (1) (b). Fill vacancies in the SCM unit. Focus on Demand Management, long-term planning and the linkage to Procurement plans (in return it can greatly stimulate and enable economic growth through strategic alignment). The Municipality should utilise a commodity-based strategy for standardisation of item expenditure, which will assist in determining the sourcing strategies and achieve economies of scale. This will further assist the Municipality to identify certain commodities for alternative
	SCM Unit consist of 6 Staff members: - 1 X Manager - 1 X Senior Practitioner - 1 X Senior Clerk - 1 X Inventory Control - 1 X Logistical - 1 X Contract Manager Key challenges are: Completeness of documents, abuse of Regulation 36 for		



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	emergency procurement (but nature point to poor planning rather) and unjustified deviations: High corruption risk Lacking sufficient control measures and risk mitigation mechanism to carry out SCM activities within a control environment. Slow spending of capital budgets has a negative impact on service delivery.	<i>projects above the value of R10 million (all applicable taxes included) may only be advertised after the CFO has verified in writing that budgetary provision exists for the commencement of the particular project".</i> Develop a SCM Compliance Matrix for monitoring compliance To ensure procurement planning is integrated, SCM unit must be part of the budget process to provide inputs to the overall procurement plan. Municipality to address the non-compliance audit findings raised by the AGSA and ensure, during the annual review of the SCM policy, that the necessary amendments are made to the SCM policy. Clearly define the system of SCM delegations and sub- delegations as required by SCM Regulation 4 and 5. Take all reasonable steps to ensure that proper mechanisms and separation of duties are in place within the supply chain management system to minimise the likelihood of fraud, corruption, favoritism and unfair and irregular practices. Develops SCM SOPs compliant with	procurement decisions such as District Transversal Contracts, framework agreements and bulk procurement. Implement SCM SOPs compliant with legislation and reforms



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
		legislation and reforms Deployment from DM to assist with Bid Committee's Review the SCM Policy for Infrastructure and Delivery Management and align it to the requirements set out in MFMA Circular 106 to avoid overburdening with operational requirements with which the Municipality cannot comply due to capacity. Prioritise the training of officials to ensure compliance to the municipal minimum competency requirement for SCM officials, request PT to provide the training Implement a skills development plan for SCM officials as required by SCM Regulation 8 (LG SETA Application)	
Cost Containment and Cash Flow Management	Municipality has cash reserves that are not sufficient to cover their needs and are below the National Treasury-prescribed norms. Current liabilities exceed current assets, highlighting insufficient cash to meet short-term financial obligations. Cash/ Cost Coverage ratio under the norm at less than 1 month 2022/23 expenditure exceed budget	The Municipality should continue to perform constant cash flow monitoring to eliminate the risk of serious liquidity problems. Reconcile the closing cash and cash equivalents balance cash flow(C7) to the monthly budget statement financial position(C6). Improve effort to limit non-priority spending, implement stringent cost-containment measures and strive for value for money.	Implement monitoring controls for all overtime in line with the policy. Conduct a duplicate cost analysis on contracted services to identify functions that can be performed internally by the municipality. Sustain the cash flow management committee to ensure cost-containment measure are implemented and monitored effectively



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	with 27%	Effective management of employee-related costs, as one of the largest expenditure components Cost containment policy to be revised aligned with the 2019 NT Regulations on Cost Containment Implement the Cost Containment Policy and report progress against set saving targets/ Phased-in implementation of cost cutting measures on allowances and entertainment expenses. Establish a cash flow management committee to ensure cost-containment measure are implemented and monitored effectively Review Overtime and Standby policy to ensure it addresses the current weaknesses. Implement the Cost Containment Policy and report progress against set saving targets Implement reviewed Overtime and Standby policy to ensure it addresses the current weaknesses. Implement monitoring controls for all overtime in line with the policy Assurance providers, such as senior	
Financial Control Environment	Inadequate oversight regarding		Issue internal audit reports in line with



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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	implementation of Audit Action Plan resulted in repeat audit findings on compliance with laws and regulations. Lack effective system of Risk Management to achieve the objectives of a strengthened internal control environment to mitigate the risks of material misstatements in the Annual Financial Statements. Ineffective Audit Committee - no internal audit to provide adequate oversight over financial and performance reporting and compliance. Key internal control deficiencies reported by the Auditor-General.	management, the accounting officer, the municipal council, and the mayor, must exercise close oversight over the Municipality's operations, particularly in monitoring the implementation of action plans to address internal control deficiencies and compliance with applicable laws and regulations. This must be included as a KPI in their performance agreements. Develop SOPs for all financial functions. Implement SOPs for all financial functions.	the Internal Audit Plan Appoint Chief Audit executive to perform internal audit duties and second staff from other units to assist them. Assess IT controls on the financial system to prevent unauthorised transactions. Respond to issued internal audit reports for improved financial controls
Creditor Management	Creditors payment period = 258 Days (increased from 174 Days in 2021/22) The Municipality has large outstanding debts to multiple creditors, totalling R89 million. The largest creditor is Eskom (R52 million Eskom + R12 million for 2 outstanding current accounts) As at 28 May 2025 the Municipality was at the risk of not meeting the ESKOM condition for debt write off it R16 million is not paid by August 2025. 2nd = SAMRAS R2,6m (payment arrangement made but the municipality is not complying)	Monitor compliance with payment plans SOPs to be quality assured by PT and fully implemented Avail expert to verify the monthly Eskom account Undertake a comprehensive review of payroll management to identify and correct the root causes of budget overruns. Continue to implement rigorous financial controls and closely adhere to the budget to manage and mitigate overspending,	Implement rigorous financial controls and closely adhere to the budget to manage and mitigate overspending, particularly in employee-related costs and councilor remunerations. Execute a detailed action plan to address the discrepancies and ensure compliance with GRAP standards, including training for relevant staff on updated procedures and standards. Enhance control and reporting processes for inventory, aligning with GRAP 12 principles. Address



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	3rd AG = R21,1m 4th SALGA = R5,2m 5th Legal Firms = R1,3m 6th Garden Route DM (Fire Services R2,4m) The GR has met with KLM to discuss a reduction in debt however there was no response from the municipality Collaborator R1,4 million, there is a creditors agreement in place but has not been honoured Oudtshoorn is owed R800 thousand there has not been payment since 2021, there were attempts to reach out to KLM but to no avail R127 Thousand has been written off. CHS development R500 000 Farmers not paying – need consultation process with Oudtshoorn and Organised Agriculture Payment plan is in place with Eskom and most other large creditors. The overdue amount without payment arrangements in place appears to be around R7.5 million. Outstanding trade creditors continue to have a negative influence on service delivery and the ability to fully comply with supply chain management regulations.	particularly in employee-related costs and councillor remunerations. Implement internal controls for inventory movements, conducting regular reviews per GRAP 12. Rectify observed discrepancies between consumed and issued inventory to uphold accurate financial records and compliance with standards. Given the potential discrepancies between operational expenses, accruals, and payables, it is crucial to conduct monthly reconciliations. This will ensure that any discrepancies are identified and rectified promptly. Strengthen the finance department's oversight to ensure compliance with the Municipal Debt Relief conditions. Recognize expenditure when incurred and capture immediately on the system/ use GR's and/ or creditors subsystem Ensure compliance and monthly monitoring by establishing a budget steering committee	irregularities in reporting to ensure accurate financial records and improved inventory management. Given the potential discrepancies between operational expenses, accruals, and payables, it is crucial to conduct monthly reconciliations. This will ensure that any discrepancies are identified and rectified promptly. Regular internal audits could be a part of this strengthened oversight.



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	Creditors are owed money for extended periods of time, and this is causing a reluctance to quote and take part in competitive bidding processes. Pressure on cash flow is increasing, due to long outstanding creditors demanding settlement Irregular Expenditure (R142.4m caused by non-compliance with Supply Chain Management Policy. Escalation of the unauthorized expenditure from R91.7 m to R95.8m. Over spending on salaries including Councillor's remuneration (5.3%). Creditors payment procedures and Standard Operating Procedures are in place but not fully implemented		
Grant Management	Unspent Conditional Grants cash backed. Incomplete maintenance of the grant register for future years, which complicates financial planning. Concerns over the grants register lacking submission dates, which could lead to accountability issues. Absence of risk assessments and identified risk mitigating controls suggests a gap in proactive risk management, increasing the	Municipality to monitor grant funding/claims (payments) that are made to the Municipality (that all revenue is receipted). Municipality should monitor action plans to ensure that grants and subsidies are being spent efficiently in line with DoRA Ring-fencing of conditional grants avoid roll-overs being declined due to a lack of cash backing for unspent grants Comprehensive update of SOPs, ensuring staff have the necessary skills, maintaining	The municipality needs to implement its capital budget promptly to prevent the need for rollover applications that could potentially be denied. Additionally, this proactive approach will help avoid the necessity of repaying already received funds and enable the commencement of spending on the received capital grants. The municipality must recognise the necessity to proactively address any external challenges that may impact project timelines. This includes enhancing communication and engagement with all Small, Medium,



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	vulnerability of the Municipality to errors in grant recording and reporting, unspent grants, and ultimately, the underutilization of funds meant for development projects.	accurate and complete grants registers, and implementing robust risk management practices to improve the effectiveness of grant utilization and compliance with grant conditions. The municipality must ensure that VAT on grants, particularly for deemed supplies versus actual supplies, is accounted for in accordance with the principles set by the South African Revenue Service. This includes recognizing grants that subsidize taxable supplies, such as electricity and water, as zero-rated for VAT purposes, consistent with the equitable share policy by the government. Establishing a robust grant management system is crucial, with a focus on accurate tracking, reporting, and allocation of grant funds.	and Micro Enterprises (SMMEs), ensuring they are fully informed about the municipality's procurement policies and regulations. Such measures are essential for clarifying procurement processes, addressing concerns, and fostering a collaborative environment that supports timely project completion and mitigates delays.
mSCOA Implementation	Kannaland has already spent an excessive amount on mSCOA implementation, and it should still be regarded as a work in progress with a lot that still needs to be done before it could be called a finished product. The municipality is owing the SAMRAS service provider R2,6 million The municipality is still struggling with budgeting balance sheet and cash flow	Ensure the MTREF Budget and supporting tables fully completed to ensure credibility. Initiate a benchmarking exercise with George and Hessequa municipalities to investigate the functionality of the SAMRAS system. Resolve discrepancies in mSCOA data strings to prevent audit issues and ensure accurate financial reporting. This may involve training for staff on mSCOA	Explore the SAMRAS new web-based system for possible use Sustain functional mSCOA Steering Committee. Perform on-site inspection and assessment of municipalities' systems and implementation to determine compliance (circulars, legislation, regulation), vulnerability and progress of mSCOA implementation. Training on SAMRAS system usage is



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	concerns. Accounting movements are not populating in the contra accounts automatically, and those that do populate do not correspond to the amounts presented on the Income Statement. Non-adherence to MSCOA legislation. - No functional Steering committee for MSCOA implementation - No MSCOA Road Map developed - Data Strings not credible The municipality does not fully use of MSCOA modules on all business processes <u>TIME REPORT:</u> ▪ Misalignment between submitted c-schedules and the data strings, particular on the C7 Cashflow statement. ▪ Opening balance is not included in the year-to-date actual C7 Cash Flow Statement ▪ Incorrect classification of line items on the face of the Financial Position Monthly Budget Statement (C6). ▪ Municipality not following the Balance Sheet Budgeting method. ▪ Usage of non-funding segments when transacting on revenue and expenditure line items.	compliance and regular audits of financial data. Prepare MTREF budget in the MSCOA financial system and ensure all A1 schedules are produced directly from the financial system. Address the findings related to the segment tool analysis shared with the Municipality to ensure that the final budget considers all the recommendations and correct segment use is achieved. Municipality to consider the NT requirements stipulated in the MTREF Budget Circular No. 123 should municipality plan to acquire a new MSCOA compliant ERP financial system. Development of MSCOA Road Map Develop a MSCOA compliant chart of accounts (trial balance) - Also refer to budget section Evaluate the capabilities of all MSCOA modules offered by the service provider and perform an assessment (contents of MFMA circular 123 must be considered should the financial system be found to be inadequate) PT Oversight to cover:	needed as staff can perform the bare minimum on the system and major corrections with the system are addressed by the vendor at a cost. Implement MSCOA Road Map



FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	Outstanding module = Asset Register SAMRAS Payroll giving problems	- Governance of mSCOA implementation, i.e., roadmaps in place and adequate, SteerComs in place and functional, champions appointed and active. - Promote the use of the FAQ database for all queries and report updates via forums (i.e., MAF, AWC). - Initiate a benchmarking exercise with George and Hessequa municipalities to investigate the functionality of the SAMRAS system Prepare MTREF budget in the mSCOA financial system and ensure all A1 schedules are produced directly from the financial system. Facilitate periodic in-house and external training on the use and implementation of the mSCOA charts	
Financial Reporting	The in-year reports are timeously submitted to Provincial Treasury but are not timeously placed on the municipal website as legislated	PT to monitor in-year reporting and MFMA compliance	PT to monitor in-year reporting and MFMA compliance
Preparation of AFS	2022/23 AFS submitted late Deteriorating audit opinion (Qualified to Disclaimer) The 2022/23 AFS was submitted to the Auditor-General after the MFMA compliance date of 31 August 2023.	The municipality should strengthen its internal control measures to ensure that proper record keeping of all financial information is always kept in order to avoid the late submission of AFS which results in non-compliance. SALGA to assist with AFS preparation, including capacity building	Ensure that all monthly reconciliations are compiled independently, reviewed, and approved by designated officials and that all items outstanding for longer than a month escalated to senior managers. Compile AFS at least mid-year as this will alleviate pressure when compiling



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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	2023/24 AFS submitted on 31 Aug'24 The 2022/23 performance information was not submitted together with the AFS to the Auditor-General. The municipality does not compile interim financial statements (IFS). The municipality does not compile monthly reconciliations independent, reviewed and approved by designated officials and are all items outstanding for longer than a month escalated to senior managers. This could be one of the major reasons for the late submission of 2022/23 AFS as the municipality compiles all reconciliations at year-end. The municipality does not have standard operating procedures in place for the handling of all audit queries and does not address the prior period audit issues on time.	Reconcile and clear all suspense accounts monthly Keep an Audit File in preparation for the annual external audit (compliant with the NT and AG norms and standards) The municipality should ensure that performance information is submitted together with the AFS when submitting to the Auditor-General, as the late submission could affect the audit opinion. Processes should in place to ensure that prior period audit issues are addressed timeously as this could be the result of regression in the audit opinion year on year. Ensure that all monthly reconciliations are compiled independently, reviewed, and approved by designated officials and that all items outstanding for longer than a month escalated to senior managers. Implement the approved standard operating procedures for the handling of all audit queries. Implement a communal drive to share information between departments and ensure that all additions and changes are accounted for (New connections, additions relating to housing projects, not approving	the final set of AFS at year-end. Develop standard operating procedures for the handling of all audit queries Ensure the standard procedures for the technical/ finance interface are adhered to by both departments with consequence for non-compliance.
Financial/ Technical Interface	Poor Finance/ Technical interface Example: 324 consumers not buying since May 24 – reduced to 290 in Dec'24: Technical Department is slow		



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FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	to respond to the list provided by the CFO	building plans if in arrears etc.) Review the standard procedures for the technical/ finance interface. Ensure the standard procedures for the technical/ finance interface are adhered to by both departments with consequence for non-compliance.	
Asset Management	Asset Management Policy outdated and not compliant	Increase the budgeted ratio for repairs and maintenance as a percentage of PPE.	Increase the budgeted ratio for repairs and maintenance as a percentage of PPE.
	FAR complete but inaccurately presented in the AFS	Review the Asset Management Policy and align it to the legislative prescripts, GRAP standards, and ISO 5001 definitions to ensure that the Policy aligns with the Municipality's strategic objectives.	Implement the approved Asset Management Policy and align it to the legislative prescripts, GRAP standards, and ISO 5001 definitions to ensure that the Policy aligns with the Municipality's strategic objectives.
	Low spending on repair and maintenance	Establish documented Standard Operating Procedures, Segregation of duties and cross-functional roles and duties outlined.	Implement documented Standard Operating Procedures, Segregation of duties and cross-functional roles and duties outlined.
	No budget for asset renewal and upgrading.	Review the asset management organisational structure to ensure that Asset Management Strategic objectives and operational prescripts can be addressed efficiently and effectively.	Institutionalising non-conflicting segregation of duties. Where physical capacity cannot be addressed sufficiently, considerations should be given to further collaborations amongst user departments to assist with managing the Asset Management gaps.
		Reflect all infrastructure assets that can be classified as assets that are being constructed as work in progress in the Asset Register until such time that the facility is completed.	

FOCUS AREA	KEY FINDINGS	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
		Keep a WIP project documentation file to support the capitalization of assets. Ensure all immovable assets in the Asset Register have GPS coordinates Improved fleet management and reduce the usage of diesel and petrol costs Ensure assets reach expected economic life and only maintain economic assets and identify indicators of impairment and reason	

2.2.1 Analysis of key Financial Ratios

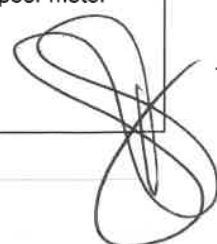
A ratio analysis was performed, and Table 6 below summarises the key results:

Table 6: Results of Ration Analysis

Ratio	Ratio for 2021/22 Audited	Ratio for 2022/23 Audited	Ratio for 2023/24 Audited	INTERPRETATION
Asset Management Utilization				
Capital Expenditure to Total Expenditure – indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services. The norm is 10% - 20%.	7%	6%	3%	The ratio results fluctuate year-on-year. The ratio is consistently below the National Treasury norm of 10%.
Repairs and Maintenance to Property, Plant and Equipment and Investment Property – measures the level of repairs and maintenance to ensure adequate repairs and maintenance to prevent breakdowns and interruptions to services delivery. The norm is 8%.	10%	7%	6%	The ratio results improved in 2021/22 but reduced to 6% in 2023/24. The ratio is below the National Treasury norm of 8%. This is an indication of insufficient spending on repairs & maintenance to an extent that it could impact on use of assets and have a resulting increase on impairment of useful assets. Municipality must ensure adequate maintenance of assets to prevent breakdowns & interruptions to service delivery.
Debtors Management				
Annual Collection Rate - indicates the level of payments as a percentage of revenue billed on credit. The norm is 95%.	110%	77%	66%	A municipality with outstanding debtors should aim to achieve a collection rate of more than 100% to ensure a reduction in the outstanding debt accrued from previous years. The municipality's collection rate is regressing. Revenue collection (billing), and credit control of the municipality requires urgent attention and corrective measures should be implemented.
Debtors Management Net Debtors Days – indicates the average number of days taken for debtors to pay their accounts. The norm is 30 days.	111 Days	112 Days	33 Days	Net Debtors' Days ratio for the past three years is above the norm of 30 day. The ability of the municipality to manage debtors is questionable and poses risks associated with the provision of debt to consumers.
Liquidity Management				

Ratio	Ratio for 2021/22 Audited	Ratio for 2022/23 Audited	Ratio for 2023/24 Audited	INTERPRETATION
Cash/ Cost Coverage Ratio (Excluding Unspent Conditional Grants) The Ratio indicates the Municipality's or Municipal Entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue. The norm is 1-3 months	1 Month	0 Months	0 Months	The municipality's ratio deteriorated from 1 month in 2021/22 to 0 months in 2022/23 and 2023/24 and is now below the norm. The municipality's ability to meet its obligations to provide basic services and honour its financial commitment is compromised. In order to improve the situation, the following must be achieved in the shortest possible time: - • Immediate reduction in expenditure on non-essentials, non-core activities, non-revenue generating activities. • Increase revenue through improved collections and billing efficiencies and seeking alternate revenue sources. Ensuring proper administrative and governance arrangements are in place to manage daily bank deposits and withdrawals.
Current Ratio - this ratio indicates the extent to which current assets can be used to settle short-term liabilities. If current assets do not exceed current liabilities, it means a liquidity problem i.e., insufficient cash to meet financial obligations. The norm is 1.5 - 2:1.	0.48	0.31	0.21	The municipality's Current Ratio for the last 3 financial years has been below the norm of 1.5 - 2:1. This an indication that current liabilities exceed current assets, highlighting insufficient cash to meet short-term financial obligations. The municipality must therefore increase its current assets to appropriately cover current liabilities or risk that non-current assets will need to be liquidated to settle current liabilities.
Liability Management				
Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure - indicates the cost required to service the	2%	3%	1%	The ratio did not exceed the norm of 6%-8% for the 2 years. However, this does not mean the municipality was able to

Ratio	Ratio for 2021/22 Audited	Ratio for 2022/23 Audited	Ratio for 2023/24 Audited	INTERPRETATION
borrowing. It assesses the borrowing or payment obligation expressed as a percentage of total operating expenditure. The norm is 6% - 8%				service its current debt levels and can take up additional financing. It means the municipality, due to its current cash flow problems is unable to access borrowed funds or the funding decisions of the municipality impacts on these levels.
Debt (Total Borrowings)/ Revenue - indicates the extent of total borrowings in relation to total operating revenue. The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities. Alternatively stated, the ratio indicates the affordability of the total borrowings. The norm is 45%.	0%	0%	0%	The ratio is within the norm. This is an indication that the municipality might take up increased funding from borrowings, however, this should be considered within the cash flow requirements of the municipality.
Efficiency				
Net Operating Surplus Margin - measures the net surplus or deficit as a percentage of revenue. The norm is > 0%	-18%	-23%	-25%	The ratio is declining which is an indication that the municipality is operating at a shortfall. Operating surpluses must be sustained for enhanced financial wealth. This must be further investigated. <u>Trading service margins for 2022/23:</u> - Electricity: 1% - Water: -6% - Waste Management: -12% - Sanitation: -41%
Distribution Losses				
Electricity Distribution Losses (%) The purpose is to measure the percentage loss of potential revenue from Electricity Services through electricity units purchased and generated but not sold because of losses incurred. The norm is 7% - 10%	13%	12%	15%	The norm for electricity distribution losses ranges from 7%-10% and the municipality's percentage losses are above the norm. The following challenges must be addressed in the FRP: Illegal connections, unmetered consumption and poor meter reading.



Ratio	Ratio for 2021/22 Audited	Ratio for 2022/23 Audited	Ratio for 2023/24 Audited	INTERPRETATION
Water Distribution Losses (Percentage) The purpose of this ratio is to determine the percentage loss of potential revenue from water service through kilolitres of water purchased but not sold because of losses. The norm is 15% - 30%.	23%	28%	15%	The norm for Water Distribution Losses is between 15% and 30%. The water losses are within the norm but must be verified.
Revenue Management				
Revenue Growth (%) – measures the growth in revenue year on year. The norm is at the rate of CPI	12%	-2%	34%	The revenue growth percentage measures the overall revenue growth. The municipality's revenue growth percentage has been negative in 2022/23, but improved in 2023/24.
Revenue Growth (%) - Excluding Capital Grants Measures the growth in revenue excluding capital grants year on year. The norm is > 5%.	14%	3%	31%	The ratio results fluctuate year-on-year during the period under review. The ratio improved to 14% in 2021/22, but declined to 3% in 2022/23 which is lower than inflation. The Municipality must develop mechanisms to grow its revenue base. This could be done by considering other avenues of revenue enhancement.
Expenditure Management				
Creditors Payment Period This ratio indicates the average number of days taken for trade creditors to be paid. The norm is 30 days.	174 Days	258 Days	96 Days	The ratio results declined from 2021/22 to 2022/23 from 174 days to 258 days, but improved in 2023/24 to 96 Days. The ratio is well outside the National Treasury norm of 30 days. It is evident from the liquidity ratios as discussed above that the Municipality does not have the required cash flow to keep up with its obligations. The Municipality has certain payment arrangements with some creditors.
Irregular, Fruitless and Wasteful and Unauthorized Expenditure to Total Expenditure – this ratio measures the extent of irregular, fruitless and wasteful and unauthorized expenditure to total expenditure.	88%	85%	68%	The norm set for Irregular, Fruitless and Wasteful and Unauthorized expenditure is 0%. The municipality's ratio for the past three financial years is significantly above the norm. This indicates weaknesses

Ratio	Ratio for 2021/22 Audited	Ratio for 2022/23 Audited	Ratio for 2023/24 Audited	INTERPRETATION
The norm is 0%.				within the municipality's SCM processes and non-compliance with procurement regulations and guidelines. The municipality must investigate the incurrence of this expenditure in line with applicable legislation.
Remuneration (Councillor Remuneration and Employee Related Costs) as % of Total Operating Expenditure - Indicates the extent to which expenditure is applied to the payment of personnel. The norm is 25% - 40%.	34%	37%	32%	The ratio results fluctuate year-on-year but is within the National Treasury norm of 25% - 40%. Given the liquidity position of the Municipality, it will be wise for the Municipality to control its payroll budget.
Contracted Services as a % of Total Operating Expenditure - indicates the extent to which the municipalities resources are committed towards contracted services to perform Municipal related functions. The norm is 2%-5%.	6%	9%	11%	Contracted Services' ratio is above the norm of 2% - 5% for all three financial years. This is an indication of the absence of a Contract Management policy and over reliance on contracted services to perform municipal related functions. The municipality must consider the filling of critical vacancies in line with any new organogram that may be proposed in the recovery process. It is imperative for the Municipality to analyse its contracted services to find ways to reduce this expenditure. Key is also to understand which services can fall within this category.
Budget Implementation				
Capital Budget Implementation Indicator The norm is 95% to 100%	78%	104%	55%	Variances indicate discrepancies in project planning and budgeting.
Operating Expenditure Budget Implementation Indicator The norm is 95% to 100%	118%	128%	123%	The ratio is consistently above 100%. It may indicate inaccurate budgeting or poor financial management control in respect of budget management.
Operating Revenue Budget Implementation Indicator The norm is 95% to 100%	92%	83%	100%	The poor ratio outcome indicates a challenge in capacity to implement ineffective billing and credit control, weakness in

Ratio	Ratio for 2021/22 Audited	Ratio for 2022/23 Audited	Ratio for 2023/24 Audited	INTERPRETATION
				compilation of budgets or issues of financial controls and Management of the municipality. Improvement noted in 2023/24.
Billed Revenue Budget Implementation Indicator The norm is 95% to 100%	103%	95%	106%	The ratio is performing fairly well.

2.3 SERVICE DELIVERY

The service delivery pillar key findings that were identified during the status quo assessment and the proposed FRP activities are summarized in **Table 7**.

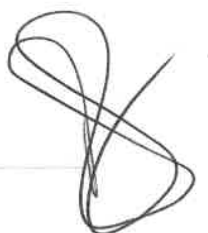


Table 7: Findings under The Service Delivery Pillar

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Technical Staff / Organogram	Municipality is facing multiple service delivery challenges due to lack of substantive appointments for critical positions. For example, one acting incumbent for both Technical Director and PMU positions, and vacant positions for Manager electrical & mechanical services (acting appointment).	Urgently appoint or fill (substantively) positions for critical skills, including: - Director: Technical Services; - PMU Manager; - Manager: Electrical and Mechanical services; - Process Controllers (WTW & WWTW); - GIS System Controller; and - Town Planner (or regional shared service). - [DLG to assist and advise on senior management appointments]	Establish and implement a strategic and operations internal communications matrix for integration within the Service Delivery unit and across to other municipalities' functional units particularly Supply Chain Management (SCM), and Finance.
SDF	There is a delay in the delivery of the Reviewed Spatial Development Framework. Municipality has inadequate capacity in the Geographic Information Systems (GIS) unit/ section (<i>which is responsible for storing spatial information within the Municipality and assisting in surveying of completed infrastructure projects.</i>) Poor enforcement of land use regulations, municipal policies and by-laws resulting in widespread illegal land use.	Expedite completion and gazetting of the MSDF review (get council adoption, gazette for public engagement, resolve and align with IDP, build internal capacity, implement and enforce MSDF principles, objectives and mandates, i.e. zoning, land use regulations, and building control). Urgently appoint a land use inspector, with funding ring fenced from property rates revenue. Urgently conduct a comprehensive land audit and update all GIS records accordingly. Conduct a land audit and then develop and adopt: - An immovable property register.	Formally integrate the town planning functions in the service delivery unit, with clear guidelines, SOPs, and terms of references. [DLG offered to assist on the process] Recapacitate and train municipal staff on use, recording, and information access, exchange, and support system of the GIS software. Establish a dedicated enforcement team for the application of the SPLUMA by-law, supported by clear terms of reference, accountability structures, and operational protocols.

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Asset Management	Asset maintenance activities are inadequate, and there is a declining trend in maintenance expenditure. (6% in FY 2023/24) Poor revenue collections resulting in limited availability of resources to provide for maintenance Lack of integration in terms of joint management of municipal assets between the finance and service delivery units. Ineffective asset management system to effectively manage assets. Asset Management Committee not in place.	- A strategic land management strategy, identifying immovable property not required for basic services. Review, update and adopt a new Land Disposal Policy and align it with other asset management policies of the Municipality. Prioritise and execute the implementation of asset maintenance as per annual plans and condition assessments. Develop and implement a maintenance job card or work order system with reports derived on a weekly and monthly basis. Develop, approve and regularly update annual asset maintenance plans, focusing on municipal facilities, water, sewer, electricity infrastructure. Establish an interdepartmental Asset Management Committee, comprising representatives from Finance, Infrastructure, and Operations, with clearly defined roles and terms of reference. Asset committee to regularly meet (at minimum quarterly) to oversee, coordinate, and facilitate asset life cycle management processes and activities.	Develop, approve, and implement an Infrastructure Asset Management Plan (IAMP) and system to effectively manage the planning, acquisition, maintenance, operation, rehabilitation, extension, and disposal of the municipality's investment property and infrastructure assets. Perform physical asset condition audits and update the asset register (AR) to be GRAP compliant and respective Master Plans. (Capture and record equipment details, condition, and operational parameters; track and report changes/updates on an ongoing basis to retain relevant operational information.) Develop Infrastructure Services' Operation & Maintenance (O&M) Plans, (detailed annual asset maintenance plans with activities, resources, responsibilities, timelines and risks making reference to specifications, standards, and record-keeping procedures for both preventive and corrective maintenance). Monitor and evaluate implementation of asset maintenance plans and rehabilitation programs. (Maintain job cards and update maintenance historical records). Train municipal staff responsible for asset management on best practices, modern

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FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Water	Municipality not recording International Water-balance Association (IWA) report to properly account for water losses. Poor management of the supply side of the water network: - Non-cost reflective tariffs for water - Water Conservation and water demands management strategy not fully implemented. - Un-authorized connection - Dysfunctional meters - No Bulk meters to fully account for water use Lack of integrated leak identification and meter repair/replacement program. Poor planning of water infrastructure development and maintenance of reticulation system. Poor water quality surveillance programme (water sampling and monitoring activities). Poor Blue Drop score due to unqualified process controllers. <i>MISA has a programme for capacity building for process controllers.</i> Poor management of Water Treatment Works (WTTW). Poor management of the demand side of the water network (Bulk water sourcing and storage incapacity) -Available storage 13ML Municipality has lack of adequate water storage capacity to make the required minimum of 75ML/d	Review and update the current 2022 Water Services Development Plan (WSDP) with the secured funding and assistance from DLG and DWS. Develop and implement a water surveillance program; water sampling, lab tests, and corrective action programs (CAPs). Conduct potable water monitoring and testing at all 4 WTTW in compliance with Blue Drop. [DLG grant funding for testing kits confirmed] Complete the installations of 9 bulk meters, and 14 zonal meters to enhance water usage tracking and profiling losses. KLM to separate water filling points/stations for unbilled consumption for municipal use and that of residential/commercial use (update billing registry accordingly). Install meters at truck filling points supplying water to 181 HH relying on water tank services. Review and adopt the recently drafted Water conservation and water demand management (WCWDM) strategy and plan (Focus on meter audits/repairs, basic night flow monitoring, water saving campaigns, pump/valve repairs, installation of low-flow fixtures) Develop and maintain a water supply component repair and replacement program. Develop and Roll out a phased SMART meter installation program, (e.g., 4500 AMR meters),	technologies, and industry standards on asset life cycle management. Implement water reticulation development and rehabilitation in accordance with the master plans (WSMP and WSDP), addressing issues such as internal pressure fluctuations, leaks, pipe bursts, water losses, faulty pumps, valves, meters, and network fittings. Monitor and collate monthly data on system input/output volumes for IWA balance recording and reporting, improve No-Drop Score. Municipality to perform regular meter audits and update meter repair/replacement program and update GIS system. (<i>validate erf registrations, identify faults, validate repairs</i>) Integrate water and electricity meter reading and leak or fault identification into the meter repair/replacement program for accurate billing and proactive maintenance. Develop and monitor implementation of water quality plans (WQP) and water safety plans (WSP), to <i>improve Blue Drop scores</i> Implement MISA's capacitation program and skills transfer from service providers. Coordinate interdepartmental skills set to develop project/programs to source or lobby for water resources/reticulation development (raw water sourcing, portable water storage, piping and pressure control, and WTTW operations). (assistance from DLG, MISA, PT, DWS.);

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
		to replace all old conventional and prepaid meters to mitigate tampering, illegal connections, and billing errors.	Engage business community for collaborations in PPPs, and sponsorship donations to fund water sourcing projects.
Master Plans	Poor succession planning for municipal infrastructure due to missing and outdated master plans. Lack of capacity or technology to deliver on the planned progress on Infrastructure master plans.	-	Source funding and appoint requisite expertise to develop master plans Develop/update and implement infrastructure master plans: - Integrated Asset Management plan (IAMP) - Water & Sanitation Master Plans (WSMP) [DWS funding for master plans] - Water Services Development Plan (WSDP) [DWS & DLG funding and assistance] - Electricity Master Plan (EMP) - Roads & Stormwater Master Plans (RSMP) [DTPW engaged and provided funding] - Integrated Waste Management Plan (IWMP) - Air Quality Management Plan (AQMP) - Integrated Transport Plan (ITP) - Fleet Management Plan (FMP) - Human Settlement Plan (HSP) Incorporate technology transfer programs during development and implementation of Master Plans for future regular review of master plans. Secure funding for infrastructure rehabilitation and prioritize asset replacements/maintenance in accordance with the condition assessment reports, respective Master Plans, and asset policy. (DLG to assist with MIG application for maintenance grant))

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FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Sanitation	Municipality has four (4) waste treatment plants but there is poor management and operation of the waste water treatment works (WWTW) There is poor operational and compliance monitoring Green drop record is 8% (2022). No progress on the implementation of Corrective Action Plans (CAPs) and on the tender issued in Dec 2019 by the municipality, KANNA13/2019, for the upgrading of Ladismith WWTW.	Train technical staff to operate the Waste Water Treatment Works (WWTW) efficiently. ((8 x Class 3 Process controllers - 1 at each plant minimum)).	Develop and implement a WWTW surveillance program for water quality monitoring. (Improve Green Drop Score) Ring fence sourced funds for repair and refurbishment programs to operationalise all WWTW. (e.g., Van Wyksdorp: MIG - R1,7million, Calitzdorp: WSIG - R2.2 million) Implement and monitor progress on all Corrective Action Plans (CAPs) as per Department of Water and Sanitation (DWS) directives. (Ladismith WSIG - R9 million FY24/25) Complete the Phase two (2) upgrades at Zoar WWTW. (MIG R3,3million -FY24/25)
Electricity	There is lack of effective billing for electricity use due to: Poor metering & registration of meters per erf number. the incompetent meter reading by municipal personnel. No meters in some areas. Illegal connections. Municipality has poor load limiting capability Municipality incurring penalties (R3 million in a year) for exceeding contracted nominated maximum demand (NMD).	Develop and maintain a regularly updated electricity meter repair and replacement program, ensuring alignment with the billing registry in the Finance Department. Train all meter reading operatives and billing clerks to record and support all possible billing scenarios and improve billing accuracy (currently only 7 staff assigned). Rollout meter connection/disconnection programs, and reduce or eliminate illegal connections with support from security departments. (establish consequence management protocols). Complete the installations of two electricity check meters at the main substations Develop and Roll out a phased SMART meter installation program to replace all old conventional and prepaid meters (prioritise low collection rate wards; e.g., Bergsig Calitzdorp, Van Wyksdorp, Nissenville)	The municipality should conduct regular meter audits, update the meter repair and replacement program, and maintain the GIS system by validating erf registrations, identifying faults, and verifying repairs KLM to source more funding and implement rehabilitation projects of electricity grid and network as per Electricity Master Plans. Identify and maintain minimum stock levels of common critical spares and resources as per maintenance plans. (transformers, surge arrestors, back generators at critical infrastructure)

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
		Install load monitoring and limiting technologies. Complete installation of 4 x pole-mounted transformer units in Ladismith and add 5 more (4 in Calitzdorp, 1 in Van Wyksdorp), in accordance with NERSA guidelines. Install Power Factor Correction Units at major substations as per NERSA guidelines, utilising INEP grant funding. (start with Calitzdorp and Ladismith)	
Fleet Management	No routine review of policy documents on Fleet management. There is no visible plan for acquisition of fleet in order to fulfil municipal services. Relatively aged and inadequate vehicles to effectively support service delivery operational functions (development and maintenance)	Conduct fleet audits and inspections to identify unroadworthy and redundant vehicles, and cancel their respective licenses. Expedite the delivery of a new compactor truck for solid waste management Prioritize repairs of yellow plant machinery to support service delivery functions	Develop and implement a vehicle management and replacement plan which articulates funding strategy and the acquisition and disposal timelines and processes; Review and update the fleet management policy to include insurance, licensing, roadworthiness, and internal controls such as consequence management; Implement the updated fleet management policy Source funding for new fleet acquisitions and replacements of unroadworthy vehicles over ten years old. [DLG to assist with vehicle applications]. Develop and gazette a Building Control By law [DLG offered to assist and KLM to submit list] Training of a building inspector x 1 Plan and conduct regular building assessment audits and bylaw enforcement to reduce informal buildings.
Planning and Building Control	There is a notable rising number of informal buildings and developments as compared to the formal structures being built within the municipality. No Building control by-law in place and ineffective by-law enforcement. Some industrial and commercial stands are being billed property rates for residential	Finalise the zoning scheme through gazetting and enforcement. Update the billing registry to reflect correct zoning categories. (particularly industrial and commercial properties).	

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FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Housing Delivery	Rapidly increasing housing backlog whereas municipality has no new settlement land allocations. According to the Draft Human Settlements Sector Plan for Garden Route District Municipality, there are several infrastructure upgrades required for water, electricity, and waste management in order to accommodate new residential developments within the municipality.		Update GIS system and asset register (AR) accordingly. Further engagements with department of rural settlement for land allocations towards housing programs Develop and adopt a Human Settlements Plan in line with Garden Route District Municipality.
Capital Projects and Grant Funded Projects (PMU and performance)	Failure to comply with the conditions of conditional grants and to secure new sources of funding. There is no funding strategy for developing capital projects. Under-utilisation of the available grants. Total unspent grant funds of R14M for successive two financial years beginning 2022/23 and 2024/25.		Develop and implement a capital contribution policy. Develop and implement a capital investment framework to guide municipal investment decisions and enhance infrastructure development. (assessment criteria and prioritization process, including cost appraisal algorithm). Secure additional funding for infrastructure development by exploring on developers' contributions, private sector collaborations, infrastructure banks, and innovative financial models such as green bonds and community fundraisers (e.g. Corporate social responsibilities). Develop and implement a capital projects implementation policy. Streamline the approval processes for efficient project execution and project management.
Waste and Refuse Removal	There is poor co-ordination in waste management services especially on waste disposal and recycling of used material. Non-compliance with Environmental Legislations: No internal audits in the last 5 years.	Urgently apply for closure and rehabilitation permit extensions for inactive landfill and disposal sites.	Update the Integrated Waste Management Plan (IWMP) and the 2013 waste management by-laws. Appoint adequate waste management personnel: 1xwaste manager/supervisor, 3xWaste Disposal Facility (WDF) clerks, waste management operatives, Security. <i>(improve operational</i>

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FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	No records of waste entering the Calitzdorp and Van Wyksdorp landfill sites is occurring. No closure permit extensions for closed sites. No cover material at all facilities Security issues at Zoar No rehabilitation programs on landfill sites that have reached maximum capacity, i.e., Calitzdorp and Van Wyksdorp landfills. Municipality using the volume estimation method to record waste disposal tonnage		<i>control/compliance, disposal records, waste characterisation, and incident registers).</i> Allocate resources and implement WDF operations and maintenance activities. (Waste handling equipment, fencing, weighbridges, ablutions, cover materials, roads and storm drains. Zoar). Undertake regular internal and external audits for all waste disposal facilities (WDF). (compile internal audit reports in the prescribed format and submitting reports) Source and allocate sufficient budget to commence closure and rehabilitation or expansion of the Calitzdorp and Van Wyksdorp landfills. Apply for MIG grant for closure and rehabilitation. (MISA to assist). Reclaim closed WDFs and implement protection and corrective action measures such as fencing and access control, burning control, and manage Reduce, Reuse, Recycle processes.
Cemeteries	Municipality has no Cemetery Demand Plan. Municipality needs to allocate land allocations for cemeteries in Ladismith and Calitzdorp.	Engage DRDLR for land allocation for new cemetery development. DLG to assist on negotiations with DRDLR. (Ladismith and Calitzdorp). Install basic services at new and existing cemetery sites (e.g., fencing, ablution facilities, and water); [Ladismith, Calitzdorp, and Van Wyksdorp]. Develop and implement a funding plan for a dedicated vehicle for cemetery's functional needs with the assistance of a DLG contractor.	Develop and approve a cemetery demand plan. Track and maintain digital records of cemeteries' data and respective revenue collections. Incorporate cemetery data into GIS system collations.

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FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Parks and Sport Facilities	Funding for a dedicated vehicle for the cemeteries function needs to be prioritised in the budget. Lack of adequate maintenance activities on parks and sporting facilities. Lack of security infrastructure and services resulting in vandalism		Engage department of cultural affairs and sports (DCAS) for full funding of and management of sports facilities. <i>DLG to assist.</i> Incorporate business plans for the parks and sports facilities in the LED strategy for revenue generation. Appoint adequate security to canvass on all municipal facilities and engage communities for collaborations against vandalism.
Traffic Management & Licensing	Poor revenue collection due to: - Inadequate traffic patrol vehicles - Inadequate Traffic Contravention equipment due to financial challenges - Inadequate traffic patrol vehicles / Officers - traffic offenders defaulting payment of fines Municipality is retaining insufficient funds to cover expenses after remittance of 86% Licensing revenue collections to the Department of Transport.	Source funding and procure traffic management and enforcement equipment and resources. Appoint more traffic officers for traffic regulation enforcement. Link traffic fines to vehicle licensing and registrations	Engage Department of Transport and Public Works: mobility department, for adequate funding of operations in the traffic section.
Local Economic Development	Potential Loss of existing and future investments due to lack of an adopted Local Economic Development strategy Increasing un-serviced informal businesses		Complete the review and adopt the LED strategy so as to realise revenue generation and maximise on investment opportunities Streamline the registration processes of formal businesses and continue implementation of entrepreneurship awareness campaigns and youth training.



2.4 GOVERNANCE

The governance pillar key findings that were identified during the status quo assessment and the proposed FRP activities are summarized in **Table 8**

Table 8: Findings under The Governance Pillar

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Governance Model	MPAC Terms of reference not aligned with MSA sec 79A, and MFMA Circular 92	Arrange training for MPAC Councillors.	Revise and adopt MPAC Terms of Reference to comply with the Municipal Structures Act and MFMA Circular 92 through a Council resolution.
	Inadequate Council oversight over the executive and administration		Institute regular coordination engagements between the political leadership (Mayor/Speaker/ Council) and the administration (Municipal Manager and Directors) to improve communication and accountability
			Develop and implement a structured Council Oversight Framework with scheduled quarterly performance reviews and mandatory reporting mechanisms from the executive to Council.
	Outdated Rules of Orders of Council		Guided by the WCLG, conduct a review and benchmarking exercise of municipal Rules of Order to comply with current legislative requirements (MSA, MFMA), and adopt the revised Rules by Council resolution.
	Staff and Councillors in arrears on municipal bills	Implement a payment plan aimed at recovering arrears within a six-month timeframe.	Implement and enforce a strict Debt Management Policy including monthly monitoring, formal notices, and automatic payroll deductions for staff

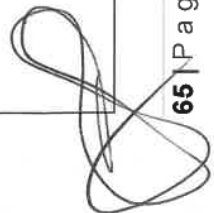


FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Political/ Administrative Interface		Implement a Debt Management Policy including agreed upon deduction of arrear debt from salaries of staff and councillors	and councillors' monthly municipal accounts.
	No Public Participation Framework		Institutionalise regular community engagement platforms (quarterly public meetings, ward-based consultations), supported by an approved Public Participation Framework and budgeted activities aligned to Chapter 4 of the MSA
	No approved integrated Stakeholder Engagement Strategy		Develop and adopt an Integrated Stakeholder Engagement Strategy outlining clear processes for public participation, communication protocols, and stakeholder mapping, aligned to Chapter 4 of the MSA
	No Standard Operating Procedures (SOPs) and policies for council oversight over the administration		Develop, adopt, and implement formal SOPs and an Oversight Policy that define clear roles, timelines, reporting requirements, escalation protocols, and accountability measures for Council oversight of the administration, benchmarked against MFMA and MSA best practices.
	Late submission of AFS, non-compliance with statutory prescripts		Establish an AFS Preparation and Review Calendar aligned with MFMA deadlines, assign dedicated finance team responsibilities, conduct pre-submission internal audits, and provide Council with monthly progress reports to ensure statutory compliance



FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Contract Management	Inadequate contract management processes	Develop and adopt a contract management and administration SOP and standardised templates. Conduct monthly performance assessments as per MFMA section 116 and implement timely corrective actions.	Develop and implement a Contract Management Framework Develop a contract management policy that aligns with Section 116 of the MFMA and outlines the roles and responsibilities for monitoring and managing all contracts and their payments.
		Amend the contract register to include all active contracts and ensure that all payments are accounted for, so it reflects an accurate representation of all contracts in place.	
		Institute measures to cancel and/or self-review irregular and unlawful tenders awarded, alternatively provide legal opinion to council for adoption detailing written reasons why tender should not be cancelled/reviewed.	
	Contracted services at 11.46% (norm is 2% - 5%) No gap analysis done before appointment of contracted service providers and consultants	Accounting Officer to oversee the internalisation of projects execution and the transfer of skills from consultants to internal staff. Institutionalise a mandatory Capacity/Skills Gap Analysis Process prior to the procurement of any consultants or service providers	
Litigations and Contingent Liabilities	2024/25 Litigation budgeted at R3 million; No Litigation Reduction Strategy		Develop Litigation Reduction Strategy & Protocol

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
System of Delegations	Legal department inadequately staff, Legal Manager appointed; Legal Advisor and Legal Clerk roles vacant		Appoint Legal Advisor and Legal Clerk
	No structured management or monitoring of litigation and contingent liabilities	Compile litigation and contingent liability registers and report quarterly to Council.	
	Non-compliance with legislation on AFS, performance reports, asset management, consequence management, expenditure, human resources, procurement, contract management, revenue, and strategic planning	Monitor implementation of litigation register, contingent liabilities register and litigation management strategy	
	Protracted service provider legal disputes		Develop Legal Compliance Framework
	Approved System of delegations inadequate; No signed off sub-delegations		Introduce a Dispute Resolution Protocol for all service provider contracts, promote the use of alternative dispute resolution (ADR) mechanisms (e.g., mediation/arbitration) before litigation, and review contract clauses prior to engagement to minimise legal risks
	No delegations register in place		Conduct a thorough review and revision of the System of Delegations with sub-delegations for all senior officials and managers, explicitly delineating responsibilities, authority levels, and reporting lines, with oversight from the Council; with the support of the WCLG.
			Develop, maintain, and update a comprehensive Delegations Register that records all primary delegations and



FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
By-Laws	Outdated by-laws		sub-delegations, linked to Council resolutions and accessible for audit and governance purposes. Conduct a full legal review and update all municipal by-laws, with assistance from DLGH to align with current national and provincial legislation; prioritise essential service by-laws (water, electricity, public safety) and adopt updated versions through public participation and Council approval.
	No Code of By-Laws in place		Compile and publish an official, consolidated Code of By-Laws that organises all updated by-laws into a single, accessible legal document for internal use, enforcement, and public reference.
	Non enforcement of by-laws leading to water and electricity losses		Assign an "Enforcement and Compliance Unit" responsible for monitoring adherence to by-laws, issue fines and penalties for transgressions, and integrate enforcement functions into the performance agreements of relevant officials.
UIF&W and Consequence Management	No UIF & W Management Strategy		Develop a UIF&W Strategy
			Finalise and submit a comprehensive UIFW (Unauthorised, Irregular, Fruitless and Wasteful expenditure) Strategy to Council for adoption, outlining preventative controls, support mechanisms for MPAC and Council in compliance with MFMA section 32(2)(b), and a framework for consequence management.



FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	Incomplete UIF & W Register	Establish and maintain a complete, regularly updated UIF&W Register capturing all incidents	Develop a UIF&W Strategy Develop UIF&W Expenditure Reduction Plan Establish and maintain a complete, regularly updated UIF&W Register capturing all incidents, with responsible officials assigned to record, monitor, and track resolution status.
	Lack of a structured UIF&W framework and consequence management approach	Draft UIF&W Strategy that incorporates (i) MPAC and Council support, (ii) preventative controls, and (iii) consequence management. Facilitate adoption by Council.	
		Design, populate, and maintain a UIF&W Register to track all Section 32 incidents; establish procedures for ongoing updates.	
		Draft a cost-reduction plan aligned to the strategy; outline specific measures to reduce UIF&W over 3 years. Submit for Council approval.	
		Compile and submit detailed UIF&W reports (as per MFMA (Sections 32, 71, and 72) and MFMA Circular No. 68) to Mayor, PT and Council.	
		Conduct a detailed investigation into all unauthorised, irregular, fruitless and wasteful (UIFW) expenditure incurred to date, and compile a written report in line with section 32 of the MFMA and MFMA Circular 68, clearly categorising the nature, amount, responsible	

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE officials, and recommending appropriate actions.	PROPOSED ACTIVITIES: STABILISATION PHASE
	NO POE of quarterly UIF & W reports submitted to the Mayor and annually to the Council		Institutionalise a quarterly reporting process with standard templates for UIF&W reporting, submit reports quarterly to the Mayor and annually to Council, and retain signed Proof of Evidence (POE) for audit purposes.
	Non-Disclosure of UIF & W information	Report all procurement deviations in line with Regulation 36 SCM.	Enforce mandatory disclosure of all UIF&W expenditure in quarterly and annual financial reports, aligned with MFMA Sections 32 and 71 reporting requirements.
	No POE of UIF & W section 32 investigations conducted to ascertain the officer bearers' liability.		Initiate and document formal Section 32 investigations for every UIF & W incident, maintain investigation reports as POE, and table outcomes to Council, refer to DB for action.
	No consequence management for UIF & W		Develop and enforce a Consequence Management Framework linked to UIF & W findings, ensuring disciplinary action, recovery of losses, and criminal referrals where necessary.
	No implementation of UIF & W management policies, procedures, and systems.		Develop a comprehensive UIF & W Management Policy outlining prevention, detection, reporting, investigation, and corrective action processes, outlining clear procedures and responsibilities.
	Fruitless and wasteful expenditure incurred on interest charges for overdue creditor accounts.		Implement creditor payment tracking systems, prioritise timely payment of creditors to avoid penalties, and hold

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Powers and Functions	Housing mandate is underfunded by R 1,237,000 in Yr. 2023/24	Conduct a costing exercise to determine the actual cost of the service and commence negotiations with the Western Cape Department of Infrastructure on the funding terms to ensure comprehensive coverage of expenditures.	responsible officials accountable through performance management. If no agreement on full funding is reached within six months of negotiation of the funding terms to ensure comprehensive coverage of expenditures with the Western Cape Department of Infrastructure, hand mandate back to the principal
	Licensing mandate is underfunded, funding gap 2023/24 R 11,058,000	Conduct a costing exercise to determine the actual cost of the service and commence negotiations with the Western Cape Department of Transport and Public Works on the funding terms to ensure comprehensive coverage of expenditures.	If no agreement on full funding is reached within six months of negotiation of the funding terms to ensure comprehensive coverage of expenditures with the Western Cape Department of Transport and Public Works.
	Fire service is underfunded by R 405,000 in Yr. 2023/24	Conduct a costing exercise to determine the actual cost of the service and commence negotiations with GRDM on the funding terms to ensure comprehensive coverage of expenditures.	If no agreement on full funding is reached within six months of negotiation of the funding terms to ensure comprehensive coverage of expenditures with the Garden Route District Municipality
	Library Services is underfunded by R 71,364 in 2023/24.	Conduct a cost savings analysis to reach break-even point	
Information and Communication Technology	No approved ICT Strategic Framework (in draft form).		Under guidance from WCDLG, finalise, approve, and operationalise the ICT Strategic Framework aligned to municipal goals and risks
	Inadequate ICT governance structures.		Establish a formal ICT governance framework integrated into municipal management and audit structures.
	ICT Steering Committee not meeting regularly.	Reactivate and formalise the ICT Steering Committee with quarterly	



FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES:	
		RESCUE PHASE	STABILISATION PHASE
		meetings and formal reporting protocols.	
	No structured approach or SOPs for ICT services.		Develop and implement Standard Operating Procedures (SOPs) for all ICT service delivery and risk management functions.
	Redundant ICT policies.		Adopt ICT governance policies to be provided by DLG.
	Inadequate ICT security awareness among staff.		Roll out compulsory ICT security training and awareness sessions for all employees annually.
	Safety of municipal data and information at high risk of cyber-attacks.	Development and adoption of ICT contingency plan	Implement a comprehensive Cybersecurity Improvement Plan (infrastructure upgrades, backups, access controls, and monitoring).
	70% of end-user devices running discontinued Microsoft operating systems.		Replace and upgrade all obsolete end-user licences to supported Windows versions
	No ICT budget for the past two financial years.		Reinstate an ICT operational and capital budget line within the MTREF to fund critical upgrades and services.
	Ageing ICT infrastructure.		Prioritise phased replacement of critical ICT infrastructure (servers, networks, user devices) based on risk assessments.
	Server storage almost full at 95% capacity (3TB remaining).	Expand on-premises storage capacity by at least 50% immediately to prevent operational disruptions.	
	Municipality unable to recover from ICT disasters; no Disaster Recovery Plan.		Develop a formal Disaster Recovery Plan (DRP) with bi-annually simulations to test recovery capabilities.

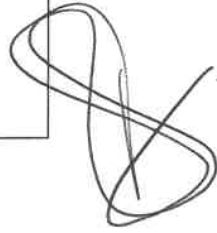
FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Audit Action Plans	R300,000 grant for backup server not properly accounted for.	Conduct an internal investigation/audit to trace the use of the R300,000; implement improved grant reporting controls	
	Biometric access control in server room not linked to recording device.		Integrate biometric system with a secure access logging device/software to capture and audit access events.
	Server room air-conditioning unit defective; server cabinet overheating.		Repair/replace air-conditioning unit; install environmental sensors (temperature/humidity) with automated alerts.
	Fire hazard due to storage of flammable materials (old PC boxes) in server room.	Immediately clear the server room of non-ICT materials; enforce strict server room fire safety protocols.	
	Persistent adverse audit outcomes and stagnation (2021/22–2023/24 disclaimers).	Development and approval of a comprehensive Post Audit Action Plan (PAAP)	
		Develop and implement a standardised process to validate quarterly progress on the Audit Action Plan and table reports to Council with supporting audit file.	
Internal Audit and Audit Committees	Failure to implement Post Audit Action Plan (PAAP) and track AGSA recommendations.	Implement and report to Council on the implementation of PAAP	Institutionalise PAAP tracking through a dedicated audit response task team reporting quarterly to Council.
	No reports submitted by Internal Audit to Audit Committee – Non-compliance with legislation.	Implement a structured internal audit plan with quarterly reporting	Implement a structured internal audit plan with compulsory quarterly reporting deadlines to the Audit Committee and Council
	Audit Committee failed to meet the minimum four meetings per financial year in 2023/24 (only met twice).	Enforce a structured meeting schedule ensuring at least four statutory Audit Committee meetings are held annually, with agenda and minutes tracking.	Enforce a structured meeting schedule ensuring at least four statutory Audit Committee meetings are held annually, with agenda and minutes tracking.

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	No review and approval of the Combined Assurance Plan.		Design, approve and implement a Combined Assurance Plan, incorporating a 3-year audit cycle with clear allocation of assurance responsibilities across management, internal audit, and external audit
	Audit Committee did not submit at least two audit reports on the review of the performance management system to Council per year.		Introduce mandatory performance audits every six months, with formal report submissions to Council tracked in the Audit Committee work plan.
	No advice or recommendations made to Council, Accounting Officer, or management on performance management.		Submit formal quarterly advisory notes from the Audit Committee addressing performance management issues, risks, and recommendations to Council.
	No advice to Council or Accounting Officer on MFMA and applicable legislation compliance.		Implement a compliance review reporting template requiring the Audit Committee to formally report on MFMA compliance quarterly.
	Audit Committee did not assist in reviewing the effectiveness of IT security and controls.		Include IT governance and cybersecurity effectiveness reviews as a standing Audit Committee agenda item, assisted by external IT audit expertise if needed.
	Audit Committee did not review coverage and coordination between internal and external audit.		Develop an annual audit coordination framework defining areas of internal and external audit coverage and ensuring no duplication or gaps.
	Audit Committee failed to review and comment on annual reports within stipulated timeframes.		Embed the annual report review timelines into the Audit Committee's annual work plan, with strict deadlines for draft reviews and Council submissions.



FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Immovable Property Management	Lack of administrative support for the Audit Committee and Internal Audit functions.		Assign dedicated administrative support staff to service the Internal Audit Unit and Audit Committee (agenda setting, minute taking, tracking resolutions).
	Senior managers and relevant staff do not meet minimum competencies required by the Municipal Systems Act.		Roll out a structured competency development program aligned to MFMA and MSA minimum competency regulations, with mandatory completion timelines (12–18 months).
	Rentals paid on rental stock not market related	Conduct market analysis to determine appropriate market-rated rentals for municipally owned properties.	Develop a Property Management Strategy
	No Land/ Property Management Strategy		Undertake a comprehensive land audit to determine the extent, status, and market value of municipal land
	No Property Management Policy		Draft Property Management Policy, obtain Council approval, and implement it to regulate the use, leasing, and disposal of municipal immovable property
	Rental of fixed assets lacking rental or lease agreements and expired lease agreements on rental stock with no evidence of renewal submitted.	Develop and maintain a rental property register in order to monitor occupancy, payments and expiration dates. Internal audit to review all lease agreements and assess performance of lessor's obligations. Municipality to evict non-paying tenants. Implement valid lease agreements for all municipal rental properties.	Develop a Land Alienation Policy

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Risk Management	Lack of Risk Management Framework		Formalise a Risk Management Framework incorporating risk planning and systematisation
	No Risk Management Strategy and Implementation Plan		Develop a formal Risk Management Strategy and Implementation Plan for 2024/25 aligned to MFMA and Treasury Guidelines.
	No Risk Management SOP's		Develop Risk Management SOPs covering risk identification, assessment, mitigation, and monitoring processes.
	No oversight exercised by Council over the Executive and administration in relation to risk management.		Strengthen Council's Risk Oversight role by establishing a Risk Management Committee reporting quarterly to Council.
	No risk management systems established within the municipality.		Develop a risk register to capture, monitor, and update municipal risks.
	Quarterly reports on implementation of the risk management plan not submitted.		Institute quarterly reporting to the Risk Management Committee.
	Enterprise-wide risk assessment not conducted for the 2024/25 financial year.		Conduct an enterprise-wide risk assessment immediately to identify, evaluate, and prioritise critical service delivery and financial risks with quarterly risk re-evaluations thereafter.
	Assign risk management champions per directorate and provide capacity building programmes.		Appoint or second skilled risk management officers and provide capacity building programmes for existing staff.



2.5 INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES

The Institutional Pillar key findings that were identified during the status quo assessment and the proposed FRP activities are summarised in **Table 9**.

Table 9: Findings under The Institutional and Human Resources Pillar

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Operating Model	The municipality has not redefined its operating model.	Document current service delivery model (as-is)	Redefine the operating model, e.g. centralised or decentralised. Ensure that the reviewed and approved organisational structure is aligned to the Operating Model. Embark on the process of cost benefit analysis on outsourced services against internal resourcing based on the challenges of service delivery inefficiencies
Organisational Structure	The 2023 approved organizational structure is not fit for purpose and is not aligned with the organization's strategy and needs.	Unbundle Corporate Services and Community Services departments. Review and cost the Organisational Structure	Align Organisational Structure with the approved Operating Model
Employee Cost	Staff costs are unaffordable. High increases in the cost of employment due to irregular appointments Overtime expenses increased by 155% in the 2nd Quarter of 2024/25 FY Employee-related expenditure not backed by source documents causing disclaimer audit opinions	Control overtime by, prepare a monthly forecast to monitor employee overtime; managers to preapprove overtime; implement consequence management for unauthorized approvals or unapproved work. Review, update and adopt the Overtime Policy Decrease employee expenditures and other allowances by 5% in the 2025/26.	Approve and implement the recommendations of the investigation report. Decrease overtime by 10% in the 2026/27 financial year. Decrease expenditures and other allowances by 5% in the 2026/27 financial year.

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	Unauthorised expenses mainly caused by unbudgeted and high salary payments There is no clarity on the appointment of 70 new staff members guarding council assets, inclusive of the boreholes, ageing infrastructure contribute immensely to the overtime.	Conduct a payroll audit for all staff detailing all amounts paid during 2024/5, 2023/4 and 2022/3 financial years, inclusive of salary and all other allowances/benefits received by staff and councillors. Assess payroll audit findings for compliance against legislation and applicable policies. Independent service provider to review staff remuneration against T-levels and conduct audit on process followed to amend T-levels. Recover any undue payments/benefits received from staff, contract employees and councillors. Reverse all staff who were illegally promoted. Recover irregular and fruitless and wasteful expenditure and any loss or damage suffered by the Municipality in accordance with section 32 and s176(2) of the MFMA. Overtime should be budgeted per department, and schedules thereof be pre-approved by HOD's. Develop overtime policy and its SOP. Decrease employee expenditures and other allowances by 5% in the 2025/26 financial year. Investigate high increase in the cell phone allowance and implement the recommendations thereof. Probe temporary and permanent staff appointments, promotions and increases and recover irregular and fruitless and wasteful expenditure and	



FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
		any loss or damage suffered by the Municipality in accordance with section 32 and s176(2) of the MFMA. Submit a written report to Council and Provincial Ministers responsible for Local Government and Finance within 14 calendar days of the end of each of the following quarters: • 1 January - 31 March • 1 April - 30 June • 1 July - 30 September • 1 October - 31 December detailing the following particulars relevant to agreements concluded with municipal officials: (a) Details of any agreements entered into by the municipality during that quarter with employees to terminate the employee's employment; (b) the amount of any monetary compensation to be paid to the employee in terms of the agreement; (c) the circumstances that resulted in the municipality entering into the agreement; (d) whether the employee was or is under investigation for misconduct or has any finalised or pending disciplinary processes against him or her; and (e) the reasons why the municipality entered into the agreement Submit a written report to Council and Provincial Ministers responsible for Local Government and Finance detailing all amounts paid during 2024/5, 2023/4 and 2022/3 financial years to the municipal manager, any	

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Filling of Critical Vacancies	The vacancy rate of the Municipality was 33.37% in the year 2021/22 Acting positions pose risk of illegitimate expectations	acting municipal managers, each manager reporting directly to the municipal manager, and any acting managers reporting directly to the municipal manager. Prioritise the phased filling of all Section 56 managers, Manager BTO, Manager HR, Manager SCM and all core service delivery positions with due consideration of affordability. Develop recruitment strategy/plan. Appoint Skills Development Facilitator.	Make sure that employees are remunerated using correct grading and in line with the Municipal Staff Regulations. Strictly implement the recruitment plan. Request DLG WC to assist with skills audit.
Skills & Competencies	The municipality is plagued with capacity and competency challenges Municipality unable attract critical skills due to location, and remuneration packages.	Verify and vetting of all staff qualifications and take disciplinary action against staff who misrepresented or do not have the necessary qualifications in relation to the requisite minimum requirements of JD and institute disciplinary action against those responsible for irregular/unlawful appointments. Make use of LGSETA mandatory funds to train officials in SCM, Traffic, Licencing and Infrastructure.	Request DLG WC to assist with the development of HRD Strategy. Implement the outcome of the skills audit. Annually submit WSP& ATR and linking it with Performance Management. DLG WC to assist by seconding officials with technical skills to the municipality pending the appointment of qualified officials. Request LGSETA to fund learnership programmes on technical skills for local communities. Monitor and consider the LLF recommendations and proposals.
Labour Relations	Local Labour Forum (LLF) is established. The LLF calendar is not available.	Develop and implement LLF calendar. Appoint LLF sub – committees.	



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FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	No employee engagement strategy	Develop and apply employee engagement strategy. Management to constantly consult with organised labour. Engage SALGA and or Bargaining Council to conduct and maintain training for LLF members. Implement and monitor resolutions of the LLF.	Apply consequence management for those not monitoring, and considering the recommendations and proposals of the LLF.
Staff Discipline	Disciplinary cases are not handled expeditiously.	Draft a schedule/plan on finalisation of outstanding misconduct cases against officials. Request SALGBC to train Section 56 managers and other managers in labour relations management.	Request neighbouring municipalities to assist in addressing long outstanding disciplinary cases. Draft and regularly update the disciplinary case management register.
Performance Management	The municipality lacks an integrated performance management framework that also manage operational performance. Performance agreements not signed by Senior managers. Performance management is not cascaded to all employees.	Develop a Case Register for all pending disciplinary cases. Section 56 managers to sign both employment and performance contracts. Cascade performance management from post levels 19 to 12 and ensure signed performance agreements	Analyse all cases for prospects of success to limit legal costs. Adopt performance management and development system that complies with the Municipal Staff Regulations. Cascade performance management to all officials below section 56 managers. Review performance agreements of municipal staff. Quarterly reports on financial and non-financial performance to be availed.



FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
Consequence Management	The municipality does not have a consequence management strategy and policy.	Review and adopt Consequence Management Policy with clear roles and responsibilities. Tabling of the Consequence Management and Accountability (CMA) Framework issued by NT to Council for information, training and adoption. Incorporate the implementation of the CMA Framework as a key results area in the Performance Agreements of all Senior managers.	Apply consequence management against those not complying with prescripts.
Key HR Policies	All HR policies are old and must be reviewed in line with the Municipal Staff regulations. Critical policies on recruitment and selection need to be realigned. No Migration and placement policy.	Review of all key HR policies and SOP's, inclusive of recruitment & selection, and migration and placement policies. Develop an updated policy register.	Annually review all key HR policies and SOP's. Workshop staff on developed HR policies. Develop an updated policy register.
Leave Management	Leave management policy is not aligned to the administration of leave system. No appropriate work attendance management system that is linked to the payroll, which could lead to poor leave management & abuse and absenteeism	Align and approve leave management policy and SOP. Monthly audit leave records and reconcile with the system (data integrity). Leave management policy to be clear on officials not signing on behalf of others.	Workshop staff on the leave management policy. Internal Audit unit to constantly audit payroll. Request MISA to assist the biometric time attendance system linked to payroll. Automation of leave management.
HR Strategy	The Municipality does not have an HR strategy and lacks critical competencies	Garden Route District Municipality to expedite the finalisation of job	Workshop the entire staff on the developed HR strategy.

FOCUS AREA	KEY FINDINGS (See SQA for detail)	PROPOSED ACTIVITIES: RESCUE PHASE	PROPOSED ACTIVITIES: STABILISATION PHASE
	to develop the HR strategy for a competitive organization. Job descriptions are not regularly updated in line with the Regulations.	descriptions that are in line with TASK JE System. Develop and adopt HR Strategy that aligns with the FRP objectives. Conduct job evaluation through TASK.	Conduct job evaluation through TASK.
Physical Verification of Staff and Qualifications	Staff verification has not been conducted in the past 3 years. A qualification audit is only done when officials are appointed. The qualifications of Sections 56/57 were not found in the record by the AG. The municipality is having an approved records management framework.	Conduct physical verification of employees to confirm that there are no ghost employees. Conduct audit on section 56 managers qualifications.	Implement outcomes of the staff verification report. Annually conduct staff verification.
Records Management	The municipality is having an approved file plan. The municipality is having an electronic records management system. There is lack of space for records at records section. Records management is not centralised.	Optimise the current automated Record Management System. Document Record Management Work Flow Management System.	Review records management structure to address segregation of duties, i.e., have separate functionalities for Records and Archives. Centralise records management. Identify office space within the municipality for storage of records. Request WC Achieves Service to dispose of old records.
Change Management	Staff morale is too low. There is no culture of work. No change management plan or strategy.	Development of change management strategy. Conduct employee satisfaction survey.	Implement the contents of change management strategy. Implement the outcome of the employee satisfaction survey. Biannually have wellness and team building session.

3. PART THREE:

3.1 PHASE 1: MUNICIPAL RESCUE PHASE

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

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

The phase is expected to last between 6 to 8 months. A few critical, high-level indicators have been selected to guide this phase of the recovery plan. Progress on meeting these indicators will be monitored monthly by 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 implementation of the plan progresses.

The 6 high level indicators selected for this Phase are:

- Progress towards a Funded Budget;
- Daily Cash and Cash Balances;
- Cost Containment;
- Debtors Collection Rate;
- Payment of Creditors; and
- Ring-fencing of Conditional Grants.

In addition, indicators relating to the capital programme and the reduction of unaccounted, irregular, fruitless and wasteful expenditure have been included. High level targets for governance and service delivery are specified separately.

3.1.1 Financial Targets

The Financial Targets for Phases 1, 2 and 3 are summarised in **Table 10**.

A financial forecasting model has been developed to set financial targets for the FRP over the MTREF period. The financial model escalation formulas used an average annual inflation rate of 4% and local growth of 2% per annum over the recovery period. Grounded on adherence to the set budget parameters, it is anticipated that the municipality will progressively return to financial sustainability over a 3-year period as illustrated in the table below. If key operational efficiencies are achieved in line with FRP Implementation Plan, it could be expected that the projected cash shortfall of R62 million at the end of the 2024/25 Financial Year will improve to a cash shortfall of R13 million at the end of the 2027/28 Financial Year. The forecasting model is flexible, and figures will be adjusted annually aligned with the revised FRP activities to facilitate sustained financial health improvement. The municipality's adherence to the Financial Recovery Plan will be monitored in terms of its achievement of the targets for revenue and expenditure set out in the financial forecasting model.



Table 10: Phase 1, 2 and 3: Financial Targets

No	Performance Area	Assumption/ Budget Parameter	2025/26FY Budget Parameter	2026/27FY Budget Parameter	2027/28FY Budget Parameter
1	Service charges - Electricity	Cost-reflective tariffs are approved by Council.	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
		NERSA approves the maximum allowable increase in electricity tariffs.	Add 2% increase due to reduction in electricity distribution losses as a result of smart metering.	Add 2% increase due to reduction in electricity distribution losses as a result of smart metering as per approved grant.	Add 0.5% increase in as a result of reduction in distribution losses.
		Electricity distribution losses reduction targets:	Add 1% due to appointment of an electrical and mechanical services manager to help oversee meter audits and illegal connection detection and disconnections.	Add 4,5% increase due to smart metering of metered households.	Add 2% Improvement as a result of cost reflective tariff
		FY2025/26: 3% improvement			Add 0.5% due to increase improvement in billing.
		FY2026/27: 4.5% improvement	Add 1% from load monitoring efforts	Add 0.5% due to increase improvement in billing.	Total 3% increase
		FY2027/28: 2.5% improvement	Add 0.5% due to increase improvement in billing.	Total 5% increase	
2	Service charges - Water	A 10% increase in electricity sales is projected due to the adoption of cost-reflective tariffs, installation of smart meters and improvement in billing.	Total 4.5% increase		
		Smart meters are installed The director technical services appointed Water losses are reduced	Per MTREF + 4% CPIX rate + 2% Growth Add 2% increase due to reduction in water losses as a result of installation of smart meters	Per MTREF + 4% CPIX rate + 2% Growth Add 1% increase due to reduction in water losses as result efficiencies obtained	Per MTREF + 4% CPIX rate + 2% Growth Add 3% increase due installation of smart meters

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No	Performance Area	Assumption/ Budget Parameter	2025/26FY Budget Parameter	2026/27FY Budget Parameter	2027/28FY Budget Parameter
		FY2025/26: 2% improvement FY2026/27: 4% improvement FY2027/28: 3% improvement A 9% increase in water sales will result from the installation of smart meters and fixing leakages Grants are approved to install smart meters	Total 2% Increase	due appointment of Director technical services and functional customer service. Add 3% Increase due to reduction in water losses as a result of installation of smart meters and metering new areas. Total 4% increase	Total 3% increase
3	Service charges - Waste Water Management	Revenue enhancement strategies in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
4	Service charges - Waste Management	As per approved MTREF Budget	Baseline + 4% CPIX rate + + 2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
5	Sale of goods and rendering of services	Revenue enhancement strategies in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
6	Agency services	Revenue enhancement strategies in line with the FRP Implementation Plan – Collection of vehicles licencing on behalf of department of transport	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
7	Interest earned on receivables	Revenue enhancement strategies in line with the FRP Targets	Baseline + 4% CPIX rate +2% Growth	Baseline+ 4% CPIX rate + 2 % Growth	Baseline + 4% CPIX rate +2% Growth

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No	Performance Area	Assumption/ Budget Parameter	2025/26FY Budget Parameter	2026/27FY Budget Parameter	2027/28FY Budget Parameter
8	Interest earned from current and non-current assets	Revenue enhancements in line with the FR	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
9	Other income	Revenue enhancements in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
10	Rental from fixed assets	Market related rentals paid in line with FRP Strategy	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
11	Licence and permits	Revenue enhancements in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
12	Operational revenue	Revenue enhancements in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
13	Property rates	The billing system is correctly reconciled to the valuation roll FY2025/26: 2% improvement FY2026/27: 2% improvement FY2027/28: 2% improvement A 6% increase in revenue due to reconciliation of valuation roll to billing system	Baseline + 4% CPIX rate +2% Growth Add 2% increase due to the reconciliation of the billing rates and the valuation roll	Baseline + 4% CPIX rate +2% Growth Add 2% increase due to reconciliation of valuation roll	Baseline + 4% CPIX rate 2% growth 2% increase due to valuation roll reconciliation and installation of GIS
14	Surcharges and taxes	Revenue enhancements in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth

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No	Performance Area	Assumption/ Budget Parameter	2025/26FY Budget Parameter	2026/27FY Budget Parameter	2027/28FY Budget Parameter
15	Fines, penalties and forfeits	Revenue enhancements in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
16	Licence and permits	Revenue enhancements in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
17	Transfers and subsidies - Operational	Revenue enhancements in line with the FRP Implementation Plan	Per FRP Target+ 4% CPIX rate + 2% + Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
18	Interest	Revenue enhancements in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
19	Service charges	Revenue enhancements in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
20	Gains on disposal of assets	Revenue enhancements in line with the FRP Implementation Plan	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
21	Other gains	Creditors transferred to debt relief	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth	Baseline + 4% CPIX rate +2% Growth
EXPENDITURE					
22	Employee related costs	There is a cap on overtime to 10% due to employees claiming overtime but not on the engagement, reversal of irregular appointments and application for exemption for no salary increases.	10% reduction in overtime due to employees not engaged but claim overtime plus reduction due to lack of critical positions Less reduction because of reversal of irregular appointments Application to bargaining council for exemption for salary increase.	10% reduction in overtime due to employees not engaged but claim overtime plus reduction due to lack of organisational structure and proper monitoring of overtime. Consider CPIX increase of 4% linked to performance on implementation of FRP	10% reduction in overtime due to employees not engaged but claim overtime plus reduction due to lack of organisational structure and proper monitoring of overtime. Consider CPIX increase of 4% linked to performance on implementation of FRP
23	Remuneration of councillors	Per Gazetted increases, subject to FRP implementation progress	As Gazetted	As Gazetted	As Gazetted

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No	Performance Area	Assumption/ Budget Parameter	2025/26FY Budget Parameter	2026/27FY Budget Parameter	2027/28FY Budget Parameter
24	Bulk Purchases - Electricity	Operational efficiencies achieved in line with the FRP Implementation Plan	Per FRP Target	Per FRP Target	Per FRP Target
25	Inventory consumed	Operational efficiencies resulting in more revenue related consumption	Per FRP Target	Per FRP Target	Per FRP Target
26	Debt impairment	The debt collectors are appointed and their performance is monitored Reduce the impairment to 25% in 2025/26 financial year Reduce the impairment to 20% in 2026/27 financial year Reduce the impairment to 15% in 2027/28 financial year.	Reduce the impairment by 5% of the debtors	Reduce the impairment by 5% of the debtors	Reduce the impairment by 5% of the debtors
27	Depreciation and amortisation	In line with Accounting Policy and GRAP 17 Compliant FAR	Per FRP Target: PT calculation	Per FRP Target	Per FRP Target
28	Interest	Operational efficiencies payment of creditors as per arrangements	Per FRP Target	Per FRP Target	Per FRP Target
29	Contracted services	Strict cost containment measures are adhered to Cost containment strategies are approved and strictly adhered to; all non-essential expenses are eliminated	Per FRP Target- Decrease due to a reduction in the costs contracted services - Administration and support as a result of cost cutting measures	Per FRP Target- Decrease due to a reduction in the costs contracted services - Administration and support as a result of cost cutting measures	Per FRP Target- Decrease due to a reduction in the costs contracted services - Administration and support as a result of cost cutting measures

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No	Performance Area	Assumption/ Budget Parameter	2025/26FY Budget Parameter	2026/27FY Budget Parameter	2027/28FY Budget Parameter
30	Operating leases	Operational efficiencies achieved in line with the FRP Implementation Plan	Per FRP Target	Per FRP Target	Per FRP Target
31	Operational costs	Strict cost containment measures are adhered, reduce entertainment costs	Per FRP Target- Reduction due to cost cutting from entertainment expenditure	Per FRP Target- Reduction due to cost cutting from entertainment expenditure	Per FRP Target- Reduction due to cost cutting from entertainment expenditure
32	Losses on disposal of assets	Operational efficiencies achieved in line with the FRP Implementation Plan	Per FRP Target	Per FRP Target	Per FRP Target
33	Other losses	Operational efficiencies achieved in line with the FRP Implementation Plan	Per FRP Target	Per FRP Target	Per FRP Target

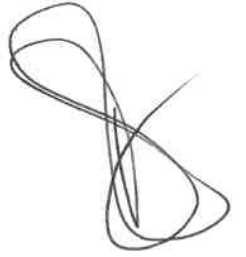
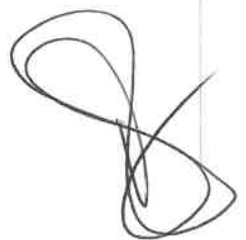




Table 11: Financial Forecasting Model for Implementation of The Kannaland Financial Recovery Plan

BUDGET ITEM	BASELINE 2024/25 FORECAST	TARGETS: 2025/26	TARGETS: 2026/27	TARGETS: 2027/28
REVENUE				
Service charges - Electricity	87,422,400	96,837,792	107,780,463	117,674,709
Service charges – Water	24,432,000	26,415,878	29,120,864	31,794,159
Service charges – Waste Water Management	10,206,000	10,818,360	11,467,461	12,155,509
Service charges -Waste Management	9,970,800	10,569,048	11,203,190	11,875,382
Sale of goods and rendering of services	434,400	460,464	488,091	517,377
Agency services	1,387,200	1,470,432	1,558,657	1,652,177
Interest earned from receivables	9,358,800	9,920,328	10,515,547	11,146,480
Interest earned from current and non-current assets	1,488,000	1,577,280	1,671,916	1,772,231
Rental from fixed assets	691,200	732,672	776,632	823,230
License and permits	204,000	216,240	229,214	242,967
Operational revenue	282,000	298,920	316,855	335,866
Property rates	28,485,600	30,798,630	33,299,479	36,003,397
Fines and penalties	225,600	257,184	286,245	455,130
Transfers and subsidies	61,536,000	53,464,000	52,653,000	87,277,000
Interest, dividends and rent on land	3,388,800	3,592,128	3,807,655	4,036,115
Operational revenue – Non exchange	710,400	753,024	798,205	846,115
Total Operational Revenue	240,223,200	248,324,088	266,129,827	318,778,530
EXPENDITURE				
Employee Cost	105,919,200	98,361,658	109,283,591	121,088,980
Remuneration of Councillors	4,389,600	4,565,184	4,747,791	4,937,703
Depreciation and impairment	12,330,000	13,069,800	13,853,988	14,685,227
Debt Impairment	60,000,000	57,000,000	54,150,000	51,442,500
Interest, dividends and rent on land	160,800	170,448	180,674	191,515
Bulk purchases	62,965,200	66,743,112	70,747,698	74,992,560
Contracted Services	22,406,400	22,131,555	21,743,065	13,158,796
Inventory consumed	3,585,600	3,800,736	4,028,780	4,270,506
Transfers and subsidies	426,000	451,560	467,000	492,000
Operational costs	15,130,800	14,949,230	15,129,456	13,958,844
Total Operational Expenditure	287,313,600	279,293,668	293,865,046	298,726,634

BUDGET ITEM	BASELINE 2024/25 FORECAST	TARGETS: 2025/26	TARGETS: 2026/27	TARGETS: 2027/28
Surplus/ (Deficit)	-47,090,400	-33,060,902	-27,891,563	-19,881,198
SCHEDULE A8:				
<u>Cash and Investments available</u>				
Cash Equivalents at year end	-11,813,562	- 11,562,377	-2,227,767	33,544,977
Total	-11,813,562	- 11,562,377	-2,227,767	33,544,977
<u>Application of Cash and Investments</u>				
Add: Debtors <90 days	14,765,000	19,455,007	17,509,506	15,758,556
Less: Unspent conditional grants	-	-	-	-
Less: Trade Payables	-45,335,000	- 38,123,000	- 34,459,000	- 23,006,000
Plus: ESKOM Debt Write off Assumed	14,838,000	14,838,000	14,838,000	-
Less: Current Provisions and reserves – Cash Backing	-19,326,000	- 19,326,000	- 19,326,000	- 19,326,000
Less Non – Current Provisions and Reserves – Cash Backing	-15,480,000	- 16,980,000	- 18,548,000	- 20,154,000
Total	-50,538,000	-40,135,993	-39,985,494	-46,727,444
Surplus/ (Shortfall)	-62,351,562	-51,698,310	-42,213,261	-13,182,467
<u>Assumptions: CPI 4%. Growth 2%</u>				



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

In this phase of the recovery process, the focus is intended to shift from quick and visible wins to addressing and institutionalising the achievements of Phase 1. Financial targets under Phase 1 will still be monitored and additional targets may be added from work undertaken in Phase 1.

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

The expectation is that during this phase, the municipality needs to develop and approve all infrastructure plans, including but not limited to Integrated Infrastructure Asset Management Plan, Electricity Master Plan (incl. Electrification Plan), Water and Sanitation Master Plan, Water Service Delivery Plan, Water Conservation and Water Demand Management Plan, Fleet Management Plan, Roads and Stormwater Plan, Integrated Transport Plan, Integrated Waste Management Plan and the Human Settlements Plan. The municipality also needs to ensure that there is 100% expenditure on all grants. The municipality must ensure that all SCM and HR policies are complied with and limited unauthorized, irregular and fruitless and wasteful expenditure is incurred. The municipality needs to fully develop realistic maintenance and repair plans and execute on these plans. The municipality must continue to make payments to Eskom until the account is fully up to date.

The Oversight Committee will recommend when it is appropriate for the implementation for the FRP to move from phase 1 to phase 2. The National Treasury's MFRS unit will be asked to confirm that they agree with this assessment. At this point, it may also be necessary to update the details of the activities and targets for the second phase of the FRP. The table below sets out targets for the first six months of this phase, further targets for the rest of the phase will need to be approved by the Oversight Committee.

4.1 MUNICIPAL STABILISATION PHASE (8 – 24 MONTHS)

This is the second phase of the Amended Financial Recovery Plan and encompasses the bulk of the recovery processes. The focus of this phase is on ensuring that:

- Meter audits are performed and broken meters are replaced;
- Meter readings are performed accurately;
- The billing system is cleansed and updated;
- Cost-reflective tariffs are approved, adopted and implemented;
- Illegal connections are curbed;
- The financial management and reporting system is improved;
- Infrastructure is refurbished and all aging infrastructure is replaced;
- Policies that currently do not exist within the municipality are developed and approved;
- All Master Plans are developed and approved; and
- Bylaws are developed and approved.

To ensure the achievement of this stabilisation program, it is critical that all the recurring strategies from the Rescue Phase are regularly monitored, and remedial measures executed to prevent and address any possible regression. This phase is expected to last between 8 (eight) to 24 (twenty-four) months or longer depending on the progress that would have been made by the KLM.

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

In this phase of the recovery process, the focus is to ensure the institutionalization of processes in Phase 1 and 2 of the recovery processes. It is also envisaged that the municipality will consider long-term planning and issues necessary to ensure the sustainability of the municipality's finances. The municipality is expected to conform to norms set for financial ratios and to ensure that plans are put in place to buffer the municipality in the event of national or provincial economic and fiscal shocks. The municipality will be expected to execute on all the property, plant and infrastructure strategies that would be developed and refined during phases 1 and 2. All the infrastructure must be realistic and be implemented timeously.

The Oversight Committee will recommend when it is appropriate for the implementation for the Mandatory FRP to move from phase 2 to phase 3. The National Treasury's MFRS unit will be asked to confirm that they agree with this assessment. At this point, it will be necessary to develop and agree the details of the activities and targets for the third phase of the Mandatory FRP. This will be approved by the Oversight Committee.

6. PART FOUR: MONTHLY REPORTING ON ACHIEVEMENT OF TARGETS: KANNALAND MUNICIPALITY

As was outlined in the preceding sections this Mandatory FRP will be subject to oversight by an Oversight and Monitoring Committee which will report directly to the Ministers of CoGTA and Finance and the Provincial Executive of the Western Cape. Thus, the Oversight Committee will direct the intervention, monitor progress and unblock any challenges that may hinder the success of this intervention. This Committee will have the authority to approve that certain actions from the FRP should be prioritized or delayed, and to refine or amend individual activities. Consequently, the reporting and oversight measures recommended in this Mandatory FRP shall be deemed mandatory, thus necessitating strict adherence to the prescribed approach.

- The Municipal Manager must submit Monthly Progress Reports to NT MFRS, the Municipal Council, and the Oversight and Monitoring Committee. In this function, the Municipal Manager must:
 - Conduct necessary quality assurance processes to verify performance.
 - Confirms/certifies that decisions of the Council/EM/Mayor are consistent with the Mandatory FRP.
 - Maintains a record of decisions on Mandatory FRP implementation.
- The Municipal Manager must submit quarterly implementation progress reports to the Executive Committee, Council, NT MFRS and the Oversight and Monitoring Committee;
- The Oversight and Monitoring Committee must conduct quarterly reviews on the effectiveness of the Mandatory FRP and whether the root causes are being progressively addressed;
- The Municipal Manager must submit a Portfolio of Evidence for claimed performance on a quarterly basis to MFRS and for Oversight and Monitoring Committee for review;
- The Municipal Manager and heads of the directorate must sign individual performance scorecards/ agreements for each financial year that incorporates the Mandatory FRP;
- The SDBIP and IDP and 'Strategic Plan' must be revised for alignment with the Mandatory FRP;
- All monthly Mandatory FRP Progress 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 Mandatory FRP and its objectives;
- The Municipal Manager must assign an official in his office to coordinate implementation and reporting on the Mandatory FRP; and
- The Municipal Manager must sign off all Mandatory FRP implementation progress reports before submission to Executive Committee, Council, NT MFRS and Oversight and Monitoring Committee.

A schedule of reporting and meetings is provided in **Table 12**.

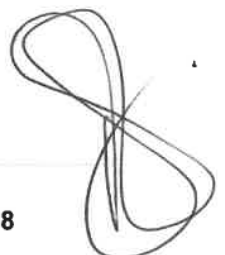


Table 12: Comprehensive Schedule of Reporting and Committee Meeting Dates:

No.	Report for month OF	Report due from municipality ON	Report considered by War Room ON	Considered by WC Executive BY	Considered by Political Oversight Committee
1	Aug 2025	07 Sep 2025	10 Sep 2025	15 Sep 2025	20 Sep 2025
2	Sept 2025	07 Oct 2025	10 Oct 2025	15 Oct 2025	20 Oct 2025
3	Oct 2025	07 Nov 2025	10 Nov 2025	15 Nov 2025	20 Nov 2025
4	Nov 2025	07 Dec 2025	10 Dec 2025	15 Dec 2025	20 Dec 2025
5	Dec 2025	07 Jan 2026	10 Jan 2026	15 Jan 2026	20 Jan 2026
6	Jan 2026	07 Feb 2026	10 Feb 2026	15 Feb 2026	20 Feb 2026
7	Feb 2026	07 Mar 2026	10 Mar 2026	15 Mar 2026	20 Mar 2026
8	Mar 2026	07 April 2026	10 April 2026	15 April 2026	20 Apr 2026
9	April 2026	07 May 2026	10 May 2026	15 May 2026	20 May 2026
10	May 2026	07 June 2026	10 June 2026	15 June 2026	20 June 2026
11	June 2026	07 July 2026	10 July 2026	15 July 2026	20 July 2026
12	July 2026	07 Aug 2026	10 Aug 2026	15 Aug 2026	20 Aug 2026
13	Aug 2026	07 Sep 2026	10 Sep 2026	15 Sep 2026	20 Sep 2026
14	Sept 2026	07 Oct 2026	10 Oct 2026	15 Oct 2026	20 Oct 2026
15	Oct 2026	07 Nov 2026	10 Nov 2026	15 Nov 2026	20 Nov 2026
16	Nov 2026	07 Dec 2026	10 Dec 2026	15 Dec 2026	20 Dec 2026
17	Dec 2026	07 Jan 2027	10 Jan 2027	15 Jan 2027	20 Jan 2027

7. PART FIVE

7.1 STAKEHOLDER IMPLEMENTATION SUPPORT

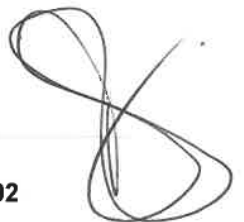
ENTITY	SUPPORT
National Treasury	▪ Funding for SMART Meter Installation Program: 4500 AMR meters), to replace all old conventional and prepaid meters to mitigate tampering, illegal connections, and billing errors. ▪ NT MFRS FRP Implementation Advisory Support. ▪ MFIP FM Advisor deployed. ▪ Tools: Tariff Assessment, VR Reconciliation, etc.
WC Provincial Treasury	▪ Monitoring of Budget Funding Plan implementation. ▪ Deployment of financial accounting specialists to deal with accounting and system errors. ▪ mSCOA oversight to cover: ○ Governance of mSCOA implementation, i.e., roadmaps in place and adequate, Steering Committee in place and functional, champions appointed and active. ○ Promote the use of the FAQ database for all queries and report updates via forums (i.e., MAF, AWC). ○ Initiate a benchmarking exercise with George and Hessequa municipalities to investigate the functionality of the SAMRAS system. ▪ Monitoring of in-year reporting and MFMA compliance. ▪ Avail expert to verify the monthly Eskom account.
WC Department of Local Government	▪ Conduct workshop for Council on the distinction between the Council's role and that of the administration. ▪ Conduct a workshop for the Council on the Customer Care and Credit Control Policy, as well as to educate councillors on the importance of aligning resolutions with approved policies and legislation. ▪ Establishment of centralized complaints management system under the office of the Municipal Manager. ▪ Assist with DRDLR negotiations for the expansion as well as the provision of new burial spaces in Ladismith and Van Wyksdorp. ▪ Engage department of cultural affairs and sports (DCAS) for full funding of and management of sports facilities. ▪ Guide process to conduct a review and benchmarking exercise of municipal Rules of Order to comply with current legislative requirements (MSA, MFMA), and adopt the revised Rules by Council resolution. ▪ Support to finalise, approve, and operationalise the ICT Strategic Framework aligned to municipal goals and risks. ▪ Assistance with development of required policies/By-Laws. ▪ Councillor training in the following areas: ○ Rules of order; ○ Roles and responsibilities; ○ Code of Conduct for Councillors. ○ MPAC. ○ Disciplinary Regulations for Senior Managers, GNR 344, GG 34213, dated 21 April 2011 and the Municipal

ENTITY	SUPPORT
	Regulations on Financial Misconduct Procedures and Criminal Proceedings, GNR 430, GG 37699, dated 30 May 2014. - Provide a list of ICT Governance Policies, advise on implementation and workshop. - Assist with establishment of a functional ICT Steering Committee. - Grant funding for the procuring of a firewall solution, and a backup server. - Grant funding for water quality testing kits. - Assist with skills audit. - Advise on compliance with the Regulations on Appointment and Conditions of Employment of Senior Managers, GNR 21, GG 37245 dated 17 January 2014, read with the Municipal Regulations on Minimum Competency Levels as amended. - Assist with the development of HRD Strategy. - Seconding officials with technical skills to the municipality pending the appointment of qualified officials. - Assist with establishment of a Communications and Public Participations Unit. - Municipality identified Calitzdorp to create an ICT disaster recovery site. This should be carefully evaluated during the investigative phase – <u>GRDM willing to assist – DLG to facilitate discussions.</u>
Municipal Infrastructure Support Agent (MISA)	- Implement MISA's Capacitation Program and skills transfer from service providers. - Assist to apply for MIG grant for waste disposal site closure and rehabilitation. - Assist with the biometric time attendance system linked to payroll. - Deployment of civil engineer.
Eskom	Eskom Capacity Support Program.
LGSETA	Funding for learnership programmes on technical skills for local communities.
Garden Route DM	- Deployment to assist with Bid Committee's. - Avail expert to verify the monthly Eskom account. - Municipality identified Calitzdorp to create an ICT disaster recovery site. This should be carefully evaluated during the investigative phase – <u>GRDM willing to assist – DLG to facilitate discussions.</u>
SALGA	Assist with AFS preparation, including capacity building.
DWS	Funding for Water and Sanitation Master Plans.

7.2 REPORTING FRAMEWORK: PROGRESS AGAINST TARGETS

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

<u>Per FRP Implementation Plan:</u>	<u>Information:</u>
Phase	Financial Rescue
Pillar	Financial Management
Key Activity	Budget Management
Key Activity	• Develop a budget process plan, which will include consultation during each stage of the budget process (internally and externally). • Prepare and implement a credible Budget Funding Plan (BFP) for 2025/26 MTREF period. • Report BFP progress monthly against set financial targets. • PT budget assessment to verify compliance and funding status. • Compilation of a credible and cash-funded budget that incorporates realistic indigent figures. • Negotiate with local business for strategic partnering in infrastructure maintenance and development.
Problem Statement	Preparation and approval of unfunded budget.
Responsible	CFO and Budget Manager
Start Date	At the initiation of the rescue phase
End Date	During rescue phase
Key Performance Indicator	Approval of realistic and funded budget
Financial Target	A budget surplus of 20 million rands.
Progress Report by Municipality:	
Steps taken	
Progress made	
Financial impact recorded	
Other noteworthy developments	

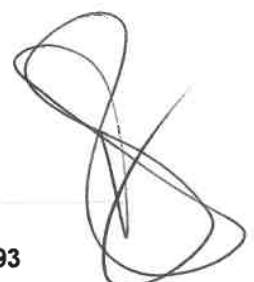


7.3 CONCLUSION: STRATEGIC ASSESSMENT AND CORRECTIVE ACTIONS AS REQUIRED:

The development of this Mandatory Financial Recovery Plan (FRP) is instituted in terms of section 139(5)(a) of the Constitution, read in conjunction with section 139 of the MFMA, as a response to the historic and persistent financial and institutional challenges faced by the KLM over the past couple of years. These challenges have severely impacted the KLM's capacity to render service delivery and execute governance, financial management and institutional processes. Implementation of this Mandatory FRP aims to address these challenges and improve the overall functioning of the municipality. A number of key success factors are crucial for the effective implementation of this Mandatory FRP. These include the following, among others:

- **Financial Reporting:** Accurate financial reporting, preparation and submitting of complete information to address qualified audit opinions and disclaimer audit opinions.
- **Linking FRP Activities to Financial Outputs:** It is important to align FRP activities with key financial outcomes such as increasing revenue, budget management and reducing expenditure.
- **Mobilizing Resources:** Identifying and mobilizing the necessary human and financial resources, as well as clarifying the roles and responsibilities of relevant stakeholders, is critical for successful FRP implementation as outlined in Section 142 of the MFMA.
- **Alignment with Support Packages:** Ensuring that national and provincial Section 154 Support Packages align with the FRP will provide additional assistance in achieving the desired outcomes.
- **Performance Assurance:** It is important to address the assurance level of claimed performance against Mandatory FRP targets through effective monitoring and evaluation mechanisms.
- **Quarterly Monitoring:** Regular measurement of financial outcomes and progress against the FRP is crucial to ensure its success.
- **Consequence Management:** Mandatory FRP strategies should be aligned with the Performance Agreements of senior management. The MFMA provides for consequences in cases of non-compliance, and invoking Section 216(2) of the Constitution, which allows for the withholding of equitable share, can be considered if necessary.
- **Employee Costs:** Mandatory FRP strategies should be aligned with current critical skills requirements and an approved organogram.

By adhering to these key success factors, the KLM can effectively implement the FRP and work towards sustainable financial recovery, improved governance, and service delivery.



8. PART SIX: RECOMMENDATIONS

It is recommended that:

- The Kannaland LM Mandatory Financial Recovery Plan be submitted to the MEC of Finance in the Province for approval in terms of Section 143(2) of the MFMA.
- The Western Cape Provincial Support Package for Kannaland LM be aligned with the priorities as set out in Phase 1: Financial Rescue.
- An Oversight and Monitoring Committee be established to direct the intervention, monitor progress and unblock any political challenges that may hinder the success of this intervention.
- A Technical Intervention Team be assembled to constitute a Technical War Room (together with senior officials) that must drive implementation and provide written reports to the Oversight and Monitoring Committee.
- The Municipal Manager drafts an internal and external communication plan to support effective communication throughout the intervention.
- The municipality in the 1st two phases of implementation also report progress on the detailed practise directives included in the FRP Implementation Plan relating to UIF&W and Human Resource Management matters.

ENDORSEMENTS

APPROVAL BY MEMBER OF THE PROVINCIAL EXECUTIVE COUNCIL (MEC)

I, Deidre Baartman, MEC for Finance in the Western Cape Province approve this Financial Recovery Plan for Kannaland 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 13 December 2023 in terms of section 139 of the MFMA and section 139(5) of the Constitution of the Republic of South Africa, 1996.

.....
MEC OF FINANCE

WESTERN CAPE PROVINCIAL GOVERNMENT

DATE:

22/08/2025

ANNEXURE A: FRP IMPLEMENTATION PLAN

The FRP Implementation Plan identified the root causes of the financial problems and provide for the strategies and accompanied corrective actions with set timeframes and responsibilities. The data fields are in compliance with the FRP criteria as set out in Section 142 of the MFMA).

ANNEXURE B: STATUS QUO ASSESSMENT REPORT

The Status Quo Analysis Report provides an outline of the identified key issues and their root causes, which formed the basis for the preparation of the strategic interventions under the FRP.