



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

MANGAUNG INTERVENTION IN TERMS OF SECTION 139 (5) (a) & (c)

The Deputy Minister of Finance, Dr. David Masondo, today conducted an oversight visit to the Free State Province to engage with the provincial executive on the recently initiated intervention in the Mangaung Metropolitan Municipality. Deputy Minister Masondo was accompanied by Cooperative Governance and Traditional Affairs (COGTA) Deputy Minister Mr. Parks Tau.

Mangaung Municipality's finances have deteriorated substantially since 2018/19, leading to the adoption of a financial recovery plan for the municipal council, as jointly agreed between the national department of COGTA and National Treasury. Nevertheless, poor governance and budget management in the municipality, as well as low revenue collection, led to the ineffectiveness of the financial recovery plan and a cash-flow crisis during the 2019/20 financial year.

Deputy Minister Masondo wrote to the provincial executive of the Free State Province on 11 December 2019, recommending that an intervention in terms of Section 139 (5) of the Constitution, be implemented in Mangaung Metro. Subsequent to this, the Free State provincial executive council (EXCO) resolved on 19 December 2019 to invoke Section 139 (5) (a) and (c) of the Constitution, and to appoint an Intervention Team composed of provincial and national government officials, to assist with the development and implementation of a mandatory Financial Recovery Plan in the metro.

During his visit on 11 February 2020, Deputy Minister Masondo highlighted the current economic and fiscal situation in the country, and the implications of this for the finances of the province and local government. In this regard, he emphasized the need to drastically improve efficiency of spending, address governance failures, and eliminate waste and corruption. In addition, National Treasury officials presented a draft financial recovery plan to the Provincial exco, and the Mayoral Committee of Mangaung Municipality. Deputy Minister Tau and officials from COGTA also discussed a plan to address service delivery and governance failures.



ADDITIONAL INFORMATION

Section 139 (5) (a) and (c) makes provision for an intervention in a municipality by a province, without dissolving the municipal council. In this regard, while the council is not dissolved, it is obligated in terms of this section of the Constitution to implement the financial recovery plan which has been jointly drafted by the National Treasury and the Provincial Treasury.

The financial recovery plan will be divided into 3 phases. The initial phase is designed to bring swift recovery in the operations of the municipality. In addition to the Financial Plan, a service delivery recovery plan has been drafted and will be implemented under the supervision of the national and provincial departments of cooperative governance. A set of draft indicators have been proposed by National Treasury and COGTA within the recovery plans. Pending the approval of the province, these indicators will be used to monitor progress, and the Intervention Team will report monthly to the province, the National Treasury and national COGTA.

FINANCIAL INDICATORS TO BE MONITORED IN PHASE 1 OF THE INTERVENTION:

| Financial Recovery | | | | | | | | |
|--------------------|---|--------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|
| No. | Performance Area | Baseline | Month 1 End Feb | Month 2 End March | Month 3 End April | Month 4 End May | Month 5 End June | Month 6 End July |
| 1 | Funded budget | Unfunded budgets | • Funded adjust budget | | • Funded draft budget | • Funded final budget | | |
| 2 | Daily Cash/Bank balances | 65 m (4 days) | | | | | • R500 m (1 month) | |
| 3 | Cost-containment | Opex 9% above op revenues | • Implement cost savings | • Implement cost savings | • Implement cost savings | • Implement cost savings | • Implement cost savings | • 10% lower cost structure |
| 4 | Debtors – collection rates | FS owes R1.4b 82% | • 25% from FS • Serv delivery | • 10% from FS • Collections | • 10% from FS • Collections | • 10% from FS • Enforcement | • 10% from FS • Enforcement | • 10% from FS • Enforcement |
| 5 | Creditors – payment of bulk service providers | BWater: R671m Eskom: R231 m | • Pay 25% | • Pay 10% | • Pay 10% | • Pay 10% | • Pay 10% | • Pay 10% |
| 6 | Ring-fencing of conditional grants | Not ring-fenced | • Sub-accounts established | • Sub-accounts in use for rest of FY | • Sub-accounts in use for rest of FY | • Sub-accounts in use for rest of FY | • Sub-accounts in use for rest of FY | • Sub-accounts in use for new FY |

PROPOSED SERVICE DELIVERY INDICATORS TO BE MONITORED IN PHASE 1 OF THE INTERVENTION:

| Service Delivery Recovery | | | | | | | | |
|---------------------------|------------------------------|---|--|---|---|---|---|--|
| No. | Performance Area | Baseline | Month 1 End Feb | Month 2 End March | Month 3 End April | Month 4 End May | Month 5 End June | Month 6 End July |
| 1 | Kerb-side refuse collections | Refuse frequently not collected | Emergency visible collections | | | | | |
| 2 | Visible water losses | Water frequently running in the street | Emergency repairs to achieve visible results | Submit plans and budgets to deal with service delivery collapse across all infrastructure sectors | Ensure funding necessary to deal with service delivery collapse across all infrastructure sectors | Prepare essential procurement submissions to give effect plans and projects to deal with service delivery collapse across all infrastructure sectors. | Prepare essential procurement submissions to give effect plans and projects to deal with service delivery collapse across all infrastructure sectors. | Submit to SCM committees all procurement documents required to give effect to plans and projects to deal with service delivery collapse. |
| 3 | Visible sewer spillages | Sewerage frequently running in the street | | | | | | |
| 4 | Road maintenance | Many potholes which are not attended to | | | | | | |
| 5 | Street lights | Many streetlights not working | | | | | | |
| 6 | Water losses | Very high | Prepare project proposal to curtail NRW | Submit project proposal and budget | Ensure funding of project proposal | | | |

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Date: 11 February 2020

