**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **1162 [NW1420E]**

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**1162. Mr C Brink (DA) to ask the Minister of Finance:**

(1) Whether a financial recovery plan is currently in place in the Mangaung Metropolitan Municipality; if not, what is the position in this regard; if so, how long has it been in place;

(2) whether he has found that any progress has been achieved with the implementation of the plan in terms of the municipality’s revenue collection, expenditure management and reduction of liabilities; if not, what steps does he intend to take to prevent the municipality’s financial distress from worsening; if so, what are the relevant details? NW1420E

**REPLY**

1. A Financial Recovery Plan (FRP) is currently in place at Mangaung Metropolitan Municipality. The municipality adopted a voluntary FRP in July 2018 but unfortunately there was no evidence that the implementation of the FRP translated into any meaningful improvements on any of the key focus areas. Subsequently, a new FRP was developed following the Section 139(5)(a) and (c) mandatory intervention invoked in December 2019 by the Free State Provincial Government. The mandatory FRP was implemented in 2020.
2. The municipality’s collection rate remained below the treasury norm of 95 per cent throughout the period of FRP implementation with an average of 86 per cent achieved for the 2020/21 audited financial year. Whilst the collection rate is still below the norm there has been a slight improvement from the 60-70 per cent collection rate reported previously. This indicates that the targets on the FRP to improve the collection rate is not fully yielding the desired results.

In the main, overtime expenditure is a challenge as the municipality is failing to properly plan, manage and control overtime payments and therefore the municipality is continuously overspending on this item. The municipality still has arrear debt with BloemWater amounting to R747 million and there is a revised settlement agreement in place that the municipality needs to align with the FRP targets. In addition, the provincial government owes the Municipality an amount of R1.9 billion for rates and taxes.

The Mangaung Metro is one of 43 municipalities in the country that have been identified to be in financial and service delivery crisis necessitating a mandatory intervention. Since the Mangaung Metro is already subject to a mandatory S139(5) intervention by the Province, measures are being considered to escalate the intervention into a National S139(7) intervention. Preparations are already underway to commence with a Ministerial visit to the municipality in the 1st week of April 2022. This will also be followed with a special induction session for the municipal council in early April 2022.