

Root causes of the financial problems

- Inability to implement effective credit control measures.
- Due to disputes with the Dinokeng and Cullinan Land Owners Association assessment rates revenue at 30 January 2010 amounts to R 56 172 912.17 million and represents 37% of total outstanding consumer debt.
- Lack of actual registration of all possible indigent households
- Poor cash flow management

Root causes of the financial problems

- Unrealistic revenue budgets that do not reflect actual payment levels by debtors
- Significant water distribution losses
- Insufficient oversight by Council
- Poor expenditure management.
- Lack of internal controls and risk management

Progress to Date

Means for achieving the strategic objectives of the financial recovery plan and progress	
Activities	Progress
Compilation of a realistic and credible budget	The budget adjustment process is underway. The task team completed the budget and it will be presented to the Portfolio committee on the 18 th February 2010 and to Council for approval on the 25 th Feb 2010. The new budget is based on the realistically anticipated revenue. In addition, the adjustment budget will ensure that expenditure on avoidable costs will be cut by almost 50%.
The development of a revenue enhancement strategy that will improve current payment levels	The GDLG and H has developed and is implementing a Revenue Enhancement and Debt management strategy. The strategy will increase municipal revenue and reduce the debt owed to the municipality significantly through data cleansing, indigent profiling and rigorous debt collection in partnership with private sector

Progress to Date

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Activities	Progress
The implementation of a VAT review as an alternative revenue stream	The municipality undertook a VAT review for the FY 2008/9. A claim of approx. R4 million was paid in December. The GDLG and H is supporting the municipality to undertake a review for the 4 years before 2009. This will bring in much needed revenue to the municipality.
Matching valuation roll properties with properties on Municipal Finance system	The properties on the Municipal Finance system are being updated to match those on the valuation roll. This will ensure that all consumers of municipal services and all property

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Activities	Progress
Collection of debtors	The municipality is currently implementing a 50/50 arrear debt write-off incentive scheme, which is aimed at increasing collection rates. The benefits will be seen more clearly end February as December and January are generally low on payments. In addition, top 100 debtors have been extracted and the debt collection team are focusing on the collection of these debtors.
Plan to decrease water and electricity losses.	The SAICE engineers and SAICA accountants are working together to determine current electricity and water distribution losses and are putting together a plan to address the challenge of water and electricity losses. They are also assisting

Progress to Date

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Activities	Progress
Resolution of Ratepayers association's disputes	A plan has been developed to engage the associations outside of the court. The plan is awaiting approval from the municipal admin and political leadership. The team which will engage the ratepayers has been selected on the basis of their in-depth knowledge and expertise in the areas that the rate payers are disputing.
Management of Financial Commitments and Cashflow and expenditure control	<p>A cash flow model has been developed, which is aimed at constant review of the municipality's cash flow. The idea is to first look at what is in the bank, make forecast with regards to future revenues in the same month and then curtail expenditure to what is available.</p> <p>The municipality is currently not fully utilising the model to curtail their expenditure, spending is still happening even though there is no money.</p>

Progress to Date

Means for achieving the strategic objectives of the financial recovery plan and progress	
Activities	Progress
Institutional Matters	<p>The performance agreement of all managers will be reviewed to incorporate activities and outputs/milestone provided in the detailed action plan of the financial recovery plan.</p> <p>Risk plans are being developed in order to strengthen internal controls.</p> <p>The GDLG and H has deployed the DDG of the Local Government branch to act as an MM in order to ensure that the challenges relating to the implementation of the recovery plan are addressed.</p>
Accurate financial statements and clearance of outstanding audit queries	<p>The report for FY08/09 has improved from a disclaimer to a qualification due the GDLG and H OPCA initiative which was</p>

Challenges

- The challenges relate in the main to lack of cooperation by the municipality in timeously implementing their part.
- This has a negative impact on the successful implementation of most of the interventions, even when agreed with municipal management.
- To this effect, the timelines on the recovery plan have had to be adjusted.