



Mayoral Report
to Council meeting
held 14 December 2021

PRESCRIPTION WITHOUT DIAGNOSIS IS MALPRACTICE

State of Municipality 2021

Mayoral diagnostic report

Submitted by
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Executive Mayor

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1. COVER LETTER

Dear Speaker

I table this report in terms of the approved Rules of Order for Council and its Committees (with reference to Part 5 Section 7 as amended and approved on 23 November 2021). Since taking office barely one month ago, we have been hard at work trying to get to grips with the challenges facing the Municipality while at the same time needing to perform duties on a moving bus. This diagnostic phase of our due diligence of the Municipality is beginning to produce a fuller picture of state of affairs inside the municipality. The intention is that such a diagnostic overview will be used to inform a turnaround plan which in due course will be tabled to council for approval. Our due diligence process follows the dictum which says that *prescription without diagnosis is malpractice*. However, the critical challenge is that we have to fix a moving bus, if one were to use an analogy to describe these first few weeks in office.

What now follows is but a preliminary and limited yet ongoing assessment. I wish to thank everyone who has and continues to help us to get as clear a picture as possible and as quickly as possible. We need to pertinently identify the challenges faced by our municipality and then put in place remedies/prescriptions.

Thank you for your attention.

Sincerely

Executive Mayor
Dr Ruben Richards
14 December 2021

2. EXECUTIVE SUMMARY

The preliminary view of Mayco is that the Cederberg Municipality faces some serious challenges which if not fixed in a hurry could result in a complete meltdown of the municipality.

In particular, the Municipality's financial situation needs urgent attention. The financial health of the municipality has been dire for many years already although no one seems to have taken notice. It appears that the urgency of the financial survival challenge has not been dealt with or taken seriously until the Revenue Enhancement Plan was implemented late last year. Well done to that team. Nevertheless, there are signs and a legacy of severe financial mismanagement both at an administrative and a council level. Consequently, the municipality's ability to deliver basic services has been terribly compromised resulting in strained relations with the community.

We are pleased that the CFO (Mr Memami) has embraced the challenge and we are in full support of the various initiatives to turn the ship around, financially speaking. In this regard we issued an internal memorandum in support of collections from our staff who owe the municipality for services rendered. Furthermore, Mayco has suggested that a *Debtors Administration Committee* be appointed as a matter of urgency. That meeting took place yesterday (13 December 2021) and was chaired by the acting Municipal Manager (Andries Titus). We simply cannot write off R135 million of debt because our internal financial systems are not up to standard or our billing system is untrustworthy. It seems to me someone must be held accountable for this state of affairs which so deeply compromises the municipality. The situation around the billing and collections is unacceptable noting that just over two years ago, the municipality paid for a data cleanup of the billing and general IT system, if I understand matters correctly. It seems that over a two-year period the data of the municipality was allowed to "become dirty" again. The Municipality has again employed outside providers to clean the data for second time in such a short space of time. Worrying to say the least.

I am pleased to hear that since the 31 August 2021 resolution commonly referred to the 60:40 option the collection rates have improved. More about the finances in a moment.

There are range of competing priorities but without reliable revenue we are unable to render any services to our people. Fixing the financial system must surely rank as one of the most important interventions in the short term.

3. SOURCES OF INFORMATION

The diagnostic observations I am about to share are preliminary and result from a wide range of consultations internal and external to the municipality including consultations with Provincial government, the review of various documents including Agendas of previous council meetings and feedback from the first Section 80

portfolio committee meetings which took place on 30 November. It is instructive to bear in mind that the new Council was inaugurated on 16 Nov and held its first full council meeting on 23 Nov followed by the first sitting of the Portfolio committees on 30 November, barely two weeks ago.

4. STRUCTURE

Admittedly, our main diagnostic focus has been the finances of the municipality with a keen eye on the Eskom debt and the other financial matters resulting from an analysis of the previous council's Handover Report (2016-2021). In short, one could say that the municipality is technically insolvent as its expenses outweigh its income. A dramatic financial turnaround is needed if the municipality is to survive and thrive.

5. FINANCE PORTFOLIO

[Preliminary Findings](#)

After reviewing a wide range of documents, reports and data extracts we have made the following preliminary findings, namely that there is evidence of;

1. a malfunction in debt collection resulting in R135 million debt owed to the municipality by its customers
2. bright red lights regarding the liquidity ratio - Current assets – current liabilities 0.42:1, whereas it should be 2:1. There is a R 142 126 000 deficit.
3. a very high percentage employee cost - Clarity needs to be obtained regarding percentage calculation of employee costs in relation to operating expenditure and operating income. Our current estimate is that employee costs is 52%.
4. a major concern that grant funding is being used on and off for operational expenditure
5. gross mismanagement or abuse of income resulting in a debt owed to Eskom in the region of R50 million.
6. Overtime and Car allowances: Ytd Overtime 94% over budget, R 658 000.00. Motor vehicle allowance 76% over budget, R 1 229 000.00. Budget errors and programme challenges we given as a part explanation for the high numbers.

7. Another concern is the difference of R 11 665 732.02 between the bank statement and cashbook balances which partly relates to delayed payments as a result of cashflow shortages.
8. Outstanding debt 31 Oct 2021 stood at R 134 023 232.20, aged above 120 days R 98 276 543.28. The corresponding figures 5 years ago were R 70 624 350.05 and R 36 835 068.86. Staff debt totalling roughly R 1 500 000.00 and incorrect billing, lack of debtor contact information and lack of accountability all add to this problem.
9. Deviations are allowed under certain circumstances, but the hiring of trucks to perform refuse removal and other services because 2 trucks are often in for repairs due to driver negligence and lack of fleet management cannot be tolerated. October exp. R 88 000.00.
10. Ytd income variance -20%, ytd expenditure variance -7%, Nett -R 18 734 000.00.

Summary

It would seem that there has been severe financial mismanagement and potential abuse of the financial systems thus resulting in over expenditure and under-collecting of revenue.

It was decided that due to the financial crisis that Cederberg Municipality faces and has been dealing with (or not) for some time, portfolio meetings will be held monthly from January 2022 till further notice or at least till year end 30 June 2022.

Recommendations

That a forensic accounting and information technology serviced review must be conducted to improve the completeness and recovery of income of the Cederberg Municipality.

6. TECHNICAL SERVICES

The heart beat of service delivery is our technical services division and its aging and or mismanaged equipment and infrastructure. Without an optimally functioning technical department service delivery is doomed. The immediate challenges facing this department includes a lack of experience on the part of the director who has only recently been appointed (Sept 2021) and a lack lustre team.

The quality of household water is deteriorating and the ability of the municipality to collect garbage is compromised because its own trucks are broken. Consequently, a refuse collection truck has to be rented – at a cost of R88k during November.

The challenges linked to Khayelitsha and Riverview is ongoing. The non-collection of garbage and the seemingly slow pace of the solution around housing and the ongoing erection of illegal structures is a concern. IN additional, the environmental impact of the non-collection of garbage and the use of open spaces for purpose of sewerage is a deep concern. I suspect it goes beyond consumer education. Something must be done urgently with particular reference to garbage collection in these areas and the fact that open spaces are being used as a toilet, as, when and wherever residents choose to do so.

7. COMMUNITY DEVELOPMENT

A broad mandate: This is a portfolio with wide reaching tentacles into the community. It ranges from housing to economic development to maintenance of parks and public open spaces. If technical services are the hard edge of the delivery interface with the general public, then community services are the emotional interface between the public and the municipality. Among the critical issues ranking high in priority is the housing issue – who gets and who does not get a house, and when. These are contentious issues with many allegations of dysfunctional housing committees and unfair allocations of houses. In addition, the criteria governing the allocation of houses has changed at least three times since the first approval of the housing project. All these matters combined make for an explosive situation if not properly and firmly managed noting that this is a Provincial competency. Nevertheless, the handover ceremony for the 45 houses in Lambert Bay on 13 December 2021 went off well. The Mayor and the Ward Councilor for Lamberts Bay were in attendance together with the MEC for Human Settlements, Tertius Simmers.

Parks and Public recreational spaces: An important contribution to a better quality of life is people's access to safe and secure public open spaces as well as more confined and controlled camping places and caravan parks etc. A preliminary assessment of these spaces reveals a deteriorating and neglected infrastructure caused by either incompetence, neglect (including vandalism) or a lack of funding for maintenance – or a bit of all of the above. Our children have no decent recreational spaces. Our parks are riddles with broken glass and broken or vandalized equipment. IN addition, I have received various complaints which I have forwarded to the MM for action regarding substandard services on offer to paying clients at our camping sites. Since tourism is a big revenue driver for the region and the Municipality in particular, I would have thought that the municipality would have at least maintained its infrastructure such as camping sites and caravan parks. This seems not to be the case. Mayco wishes to register concerns in this regard and will conduct further due diligence in this regard.

Town visits: Immediately after the first council meeting, the Mayor conducted a meet and greet visit to all the municipal workers spread across the various towns. A similar visit must now be conducted to engage with residents and stakeholders. These will

be linked to the IDP process and in that way maximise the engagement time with customers and stakeholders. Such visits will be scheduled for early 2022.

8. CRITICAL CHALLENGES

There is much to be fixed. We need to find a way to prioritise the competing interests. The growing list of competing priorities include

1. Rekindle the goodwill, faith and trust of the residents in the municipality
2. Put in place a financial rescue plan
3. Reinvigorate staff morale and engender a culture of performance and not laziness and entitlement
4. Bring rapid closure to the SIU and related investigations into the Cederberg municipality
5. Reprioritise core delivery issues and keep a keen eye on the housing strategy for informal settlements, the potential environmental disaster linked to no services rendered in the informal settlement, clean water and the threat posed by sewerage leaking into the water supply (especially affecting Citrusdal and Clanwilliam), the potential choking of the electricity supply due to Cederberg Municipality's potential defaulting on repayments to Eskom.

9. SYSTEMS UPGRADE NEEDED

[Service delivery dashboard](#)

Early indications as that there are no institutionalised performance systems to ensure service delivery.

Recommendation: We therefore need to put in place such a system.

[Complaints handling system](#)

There appears to be no coordinated mechanism to capture complaints. Consequently, the complaints of the public get lost and, in some instances, never gets attended to.

Recommendation: We need to put in place a mechanism to coordinate and monitor complaints received and their resolution – a kind of monitoring and evaluation system.

[Performance management system](#)

It appears that only Directors have a performance contract.

Recommendation: We need to ensure that all staff are linked to a performance contract which is then linked to the KPA's and KPI's and outputs of each director and manager in that division. This will no doubt improve efficiency and promote a culture of accountability.

Early warning systems

Our system of early detection of poor performance and/or fraud or other malpractices is not working optimally. It has come to our attention, for example, that the recent arrest of senior officials for fraud, was not something that the internal municipal system detected.

Recommendation: Our internal audit function needs to be strengthened

10. CONCLUSION

Our diagnostic will feed into the updating of the IDP, budget and the resultant amendment to the organogram. Much work needs to be done in a hurry. As a new Mayco we stand ready for action and I am sure that rest of the councillors are similarly committed to rebuilding a neglected and abused Cederberg Municipality.

11. POSTSCRIPT

It is instructive to also note that resulting from the recent visit by the National Minister of Water and Sanitation, the raising of the dam wall project has been put back on track. This will have enormous positive benefits for our region. The National Minister has requested a direct line with the Executive Mayor as we collectively monitor progress on this project which has the potential to be a game-changer for our region. The minister wants to see movement at the dam by April 2022.

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