

Knysna Council approves cost-cutting measures to alleviate cash flow crisis

At a Special Council meeting held on 26 February, Council approved cost cutting measures presented by Acting Municipal Manager, Dr Michele Gratz.

She said various factors led to the current cash-flow crisis faced by the Municipality, including unrealistic budgeting, poor financial controls, a high percentage of outstanding debtors and an increased capital budget.

Dr Gratz presented a short, medium and long-term plan to address the cash flow crisis. "In terms of Liquidity Management, the current ratio of current assets to current liabilities is 1.24:1. The national norm as set by National Treasury is 1.5:1. This means that the Municipality's immediate available cash and cash equivalents would not be available to settle accounts payable within the legally prescribed period of 30 days. However, the ratio of total borrowings to total operating revenue is 21% compared to the norm of 45%, so we have an opportunity to borrow funds for capital expenditure for service delivery. "

The following actions, overseen and driven by a project team, are proposed for implementation immediately:

- Obtaining a short –term loan/overdraft facility;
- Freezing of all unfilled posts;
- Curtailment of capital projects funded by own funds;
- Curtailment of travelling and subsistence costs;
- Curtailment of overtime;
- Curtailment of catering;
- Implementation of strict budget control measures;
- Implementation of strict credit control procedures;
- Efficient collection of grants that are outstanding.

In the medium-term, the following actions need to be followed:

- Issue of a proper budget procedure for the 2020 / 2021 Budget year;
- Revise performance targets;
- Ensure that municipal activities, rules and procedures are consistent with relevant policies, legislations and by-laws. Revision of all municipal policies, strategies and operational plans;
- Taking up of loans at the beginning of the financial year and not bridge financing;
- Revision of all employee related policies;
- Revision of organisational structure in line with service delivery and within the affordability of Municipality;
- Revision of tariffs in line with actual costs;
- Cash flows.

For the long term, Gratz suggested that a financial recovery plan be designed with the purpose of improving service delivery. "This plan should include a revision of the roles and responsibilities of local authorities as envisaged in the Local Government Turnaround Strategy

(LGTAS). These are service delivery, governance, financial management, infrastructure development and fighting corruption. It is important that only functions allocated to the local government in terms of schedules 4 Part B and 5 Part B of the Constitution be undertaken and funded by Council.”

SCARCE SKILLS POLICY

Council also voted in favour of a recommendation from Gratz to stop the payment of the 20% Scarce Skills Allowances to the Municipal Manager and Directors with immediate effect, and instructed her to recover all amounts paid since inception. In her recommendation she said that she received notice from the office of MEC Anton Bredell that the payments are unlawful, and that he has launched an application to the High Court against the Municipality. “Provincial Treasury also advised that these payments are unlawful. At a cost of over R117 000 per month, our cash flow crisis and a pending court order against us, there was no other option than to cease these payments.”

GRANT-IN-AID

The annual Grant-in-aid proposal was presented to Council for approval at the meeting. Gratz said Council noted the application, but decided to hold back with the allocations until the Municipality’s cash flow has improved.

INVESTIGATION INTO ALLEGED ALLEGATIONS AGAINST MUNICIPAL MANAGER DR VATALA

At a Council meeting on 13 February, Council placed Municipal Manager Dr Vatala on precautionary suspension after allegations of alleged financial misconduct were leveled against him. Gratz said that despite Dr Vatala being given until 25 February to make written presentation why he should not be suspended on a second complaint brought by the Knysna Ratepayers, Council has not received any response. “An independent investigator was appointed and with the recently appointed Disciplinary Board, we will proceed with a full investigation. A report must be submitted to the Executive Mayor within a period of 30 days of appointment.”

The disciplinary board consists of the Chief Audit Executive of the Knysna Municipality, the Legal Advisor of Mossel Bay Municipality, the Chairperson of the Audit Committee of the Knysna Municipality and the Head of Legal Services, George Municipality.

IMPROVED SERVICE DELIVERY

Dr Gratz said that the cash flow crisis is an opportunity to streamline processes and improve service delivery. “With the LGTAS we will increase efficiency, improve the turnaround time on complaints and queries and manage overtime better. It will also include stricter budget control measures and with our medium and long term plans in place, we strive to make the Municipality better and stronger.”

ENDS

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