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**Knysna Municipality  
Municipal Diagnostic Assessment: May 2020**

12 June 2020

# Knysna Diagnostic Assessment - 2020



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# Background

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- In lieu of the persistent institutional and financial challenges impacting on stability and service delivery, the Municipality approached the Provincial Heads of Departments: Local Government and Treasury, to assist it in identifying the causes of such with the aim to resolve it.
- A high level diagnostic/assessment was conducted during May 2020.
- The purpose of the Diagnostic/Assessment was to:
  - Identify persistent institutional challenges: political and administrative - impacting on governance and service delivery in the Municipality

# Background (2)

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- Purpose continue...
  - Attend to serious municipal cash flow and viability constraints
  - Adopt the most suitable approach to resolve the challenges identified, with the support of the Provincial & National Government, :
    - Prioritise actions required immediately.
    - Appropriately package the support actions.
- The methodology adopted was:
  - A comprehensive assessment conducted in KLM by a multi-disciplinary provincial team on 20 May 2020. (including all affected provincial departments)

# Background: Finding of previous diagnostic

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- The findings of the diagnostic report, as developed in 2018 were never adopted, nor the action plans implemented.
- Should those recommendations have been implemented, the Municipality would, in all probability, not have found itself in the current, challenging position.



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# 2020-High Level Municipal Assessment

## Key Findings

# Key Findings: Political Oversight

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- Political instability in the Municipality is evident and no formal coalition agreement in place between political parties.
  - This results in uncertainty and incongruence between decision making and the policy directions taken in Committees' as compared to the decision making and policy direction in Council itself.
- There is a fragmented approach in Council that leads to inadequate oversight and restricted strategic direction to Senior Managers and have contributed to:
  - the high turnover of Senior Managers
  - a breakdown in ethical behavior
  - unclear communication lines with the community.

# Administrative Stability: Senior Managers

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- The diagnostic assessment identified the following state of affairs:
  - High turnover of MMs and Senior Managers.
  - Undermining of the Acting Municipal Manager by senior managers.
  - Senior Managers are not fulfilling their leadership / management roles effectively, e.g. refusing to sign off on matters that are under their direct control.
  - The conduct of Senior Managers has created ill-discipline, and unhealthy organisational culture (Disciplinary cases against Senior Managers).
  - Broken trust relationship between some senior managers and line managers and supervisors in their directorates'.



# Key Findings: The Administration & Service Delivery

- The challenges in Council and in Senior Managers' leadership have detrimental consequences and are impacting negatively on the:
  - Cash Flow and Financial sustainability.
  - Discipline of staff below Senior Managers, e.g. staff refusing to perform tasks
  - Unethical behaviour, e.g. leaking of confidential information.
  - Constitution of effective and affordable policies, e.g. lucrative HR Policies that allow for staff promotion on completion of certain qualifications without posts available.
  - Implementation of effective internal controls and management mechanisms, to ensure adequate service delivery, e.g. Supply Chain Management.
  - Interference of Council in Administration and vice versa.

# The Administration & Service Delivery (2)

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- The deterioration in the operations of the middle management cadre – affecting service delivery.
- Development Planning-related challenges, such as outstanding land-use applications.
- Medium and longer term plans for water security.

# Key Findings: Special Task Team established

- Special Task Team established by the Municipality in February 2020 found:
  - Some Directors not taking responsibility for managing their respective units.
  - Control over their own processes with a disregard to due diligence.
  - Corporate culture of team work absent.
  - Resolutions of political structures were not effectively and efficiently executed.
  - Virement Policy was used as a tool to circumvent poor budgeting.
- Also, the Municipality has recently instituted a number of drastic measures aimed at increasing its own viability.
  - 1) Increase the frequency of Council, Portfolio, Mayoral and Municipal Public Accounts Committee Meetings – this should immediately assist in enhancing political oversight.

# Key Findings : measures introduced – (2)

2) six (6) person Task Team was established to implement a short-term financial recovery plan with the aim of addressing the cash flow and financial challenges:

- Obtained a short-term loan/overdraft facility;
- Implemented strict budget control measures;
- Curtailed all capital projects funded by internal funds; and
- Improved the efficiency in the collection of grants that are outstanding.

3) Special resolutions tabled to Council and adopted: (14 May 2020)

- A cost containment policy was adopted;
- No salary increases will be effected for either Councillors or Senior Managers;
- No performance bonuses will be paid to Senior Managers;
- The Municipal Manager was instructed to consult with the Unions with regard to applying for an exemption of salary increases for municipal staff;
- A moratorium has been placed on filling vacant posts;
- A strategy for land invasions was adopted; and
- Projects for water security and reducing water losses was adopted.

# Recommendations – way forward

- The measures already introduced by the Municipality are noted, however, a comprehensive support package will further assist the stabilization and turn around of Knysna. (Section 154 of the Constitution)
- The **comprehensive support package** should consist of two elements:
  - A: Comprehensive Financial Recovery Plan:**
    - Escalating debt creating a major threat to the financial sustainability
    - Declining collection rates
    - Weakening liquidity position
    - Credibility and reliability of the Municipal budgets
    - Data integrity related mSCOA segment misalignment resulting to incorrect reporting
    - Relaxation of the Credit Control and Debt Collection Policies
    - Data cleansing and profiling of consumer details
    - Revenue optimisation and realisation challenges

# Recommendations (2)

## B: Comprehensive support package

- Re-establish Governance stability
  - Fill critical vacancies (MM and Senior Managers)
- Change management & Organizational Culture
- Address HR matters
- Establish clear lines of communication between the community, Council and the officials.
- Planning processes
- Service Delivery
  - Address Water Security
  - Review condition of fleet and priorities replacement
- Development Planning-related matters
  - Prioritise backlog in land use applications

# Recommendations: Support Required

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- In view of the urgency of addressing challenges to curb further collapse of the Institution, it is recommended that the findings be actioned within the next month and following the adoption of the findings by Council.
- Adoption of the proposed Support Plans by Council.

# Thank you



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