

NEWCASTLE RATEPAYERS' ASSOCIATION

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The Municipal Manager.
Newcastle.
24 February 2017.

Copy : Newcastle Mayor.



Sir.

ANNUAL REPORT 2015/2016.

We have scrutinised the annual report for 2015/2016 and have found it contains valuable information about the functioning of departments, service delivery but also concerns raised in departmental overviews. The question can be asked why were the specific achievements not brought to the attention of the community. Some departments experienced specific problems with no indication whether it has been referred to Council in order to address those matters. Council also failed to disclose to the community the serious financial dilemma of Council.:

Turning to the report we wish to comment as follows :

1. (page 29) Objectives linked to the IDP. A number of objectives linked to the IDP have been recorded with risks identified together with possible serious consequences . Mitigation measures have been proposed with no indication of any programme to address the relevant matters and if so possible outcomes. CRO
2. (page40) Public Participation. Reference to IDP Representative Forum has been duplicated M&E
3. (page 41) Ward Committee Structures. It is stated that the primary objective of a ward committee is to enhance public participation of the community of Newcastle in the programmes of the municipality. We are of the opinion that this is not happening. DAS
4. (page47) Financial statement. We noted with concern that at the end of June 2016 cash and cash equivalents amounted to R44.5 million whilst total liabilities came to R1.045 billion. This calls for urgent attention and communication to the community because of the effect it could have on the tariff structure of Council. Secondly the financial year closed with a deficit of R891.3 million which could be attributed to the fact that Council's debtors are not properly managed. BTO
5. (page 53) Financial management. With regard to this matter we refer to our correspondence expressing our concern about unauthorised expenditure to the amount of R643 million as well as the fact that Council did not follow the procedure set out in Section 32 of the MFMA to investigate irregular expenditure. BTO
6. (page 58) Contribution of Expenditure. It is noted that employee related costs contribution of R489.6 million is 19.06% of total expenditure. Contracted services are 3.3% or R84.6 million. It is noted that no mention is made of consultant fees as well as the appointment of service providers. BTO
7. (page 61) Major expenditure items. Contribution to the debt impairment reserve increased by 4.9% (R553.9 million) We believe particulars should have been given here of the collection of outstanding debt which according to information is not managed satisfactorily with no indication of any remedial steps to be taken. BTO

8. (page 61) Nett operational performance. Reference is made to the deficit of R891.3 million which is regarded as the inclusion of non cash items such as depreciation and debt impairment which have no impact on the municipality's cash flow. The fact of the matter is however that these amounts are included in the budget in order to provide for a contribution to the relevant reserve funds. If it is to be excluded then it would have an effect on the tariff structure of the municipality. For specific reasons these reserves must be maintained to provide funding for bad debts and also replacement of assets. This is confirmed on page 62 item 4.1.1 that debt impairment was used to write off approximately R360 million during the year whilst at the same time it is stated that bad debt is having a negative impact on Council's liquidity with no indication how it will be addressed. BTO
9. (page 64) Cash and cash equivalents. Reference is made to the utilisation of cash and cash equivalents to finance capital expenditure which has proved that it had a negative impact on Council's liquidity. Reference is made to the decrease of 86% (283 million) in cash from 2014 and supposedly to 2015/16 and not 2014. BTO
10. (page 64) Item 4.2 Liabilities. Reference is made to the total liabilities in excess of R1 billion but that Council's assets in excess of R8 billion is not a matter of concern however we have stated before that liabilities should be set off against assets that are likely to be converted into cash and which is currently amounting to R560 million meaning Council is insolvent. BTO
11. (page 65) Item 4.2.2 Landfill Site. No reference is made of the acquisition of the farm Greenwich Farm for a new landfill site at the cost of R3.8 million for which no provision has been made on the budget and the fact that impact studies are only now being carried out. In other words the purchase was done prematurely. BTO
12. (page 65) Item 4.2.4 Non current provisions. Plan? Obligations. We believe more information is required about this matter with an indication under which vote provision has been made for this eventuality. BTO
13. (page 67) Item 5.1 Solvency Ratio. See our comments above to the effect that Council is not solvent. BTO
14. (page 68) Item 5.2 Liquidity Ratio. Pleasing to note that disposable assets are now being used to determine the liquidity of the municipality but the last sentence needs to be re-written as it's nonsensical however it is agreed that Council is facing a financial crises. BTO
15. (page 70) Item 5.3 Cash Position. Whilst concern is expressed about the declining cash position of the municipality no real plans are put forward how to address this problem and what is stated in the last paragraph is just a general overview with no specifics. BTO
16. (page 72) Chapter 4. Staff Complement. The schedule shows the number of employees but we believe somewhere it should have been stated the number of consultants, service providers and interns appointed in each department. Corporate Services

17. (page 82) Capital Expenditure Performance. One of the reasons for under performing was stated that the turnaround in awarding bids and the functionality of the bid committees were not up to standard. It was stated that certain interventions were agreed upon but unfortunately no information on such actions are given. M?E
18. (page 84) Financial Performance. The overall comment (page 85 and 86) contains serious allegations against the ability to execute capital projects and we can only trust that the recommendations to address these matters will be implemented as soon as possible with monthly feedback reports. M&E.
19. (page 89) Auditor General's report. We refer you to our letter addressed to you in this regard - BTO/mm
20. (page 95) Action Plan AG's findings. We noted the target dates set to address the findings of the Auditor General and can only express the hope that it will be adhered to. Noted
21. (page 111) Audit Committee Report. No indication whether recommendations of audit committee have been attended to and to what extent. CAE
22. (page 116) Chapter 9. Outstanding Debtors. We noted with concern the outstanding debt in respect of Councillors and employees but have noted remedial steps that were implemented. We noted the measures that were introduced with no indication what the real results were since the introduction to date. Guaranteed results will be obtained if the municipality introduces the debit order system of consumers with outstanding debt which includes employees and councillors. BTO
23. (page 122) Departmental Highlights. We have noted the organogram of each department but felt that it should have been indicated which positions are vacant. Corp
24. (page 134) Environmental Health Services. No indication whether premises of caterers providing meals to Council have been approved adhering to health standards. Comm.
25. (page 139) Parks Recreation and Cemeteries. Which golf course is being maintained by the department? Comm
26. (page 143) Phelindaba Swimming Pool. No indication when this facility will be opened for public use. Comm
27. (page 151) Service delivery challenges. Fire Services. Challenge. Late Payment to Suppliers. This entry does not portray a positive image of Newcastle which according to the Mayor is one of the best in South Africa. Comm
28. (page 152 to 155) Challenges experienced. We have noted the challenges faced by the relevant departments and solutions proposed. No indication whether a programme has been prepared to address this problem. Comm
29. (page 159) Adhoc Deliverables Human Resources. 55 Exits duplicated. M/E

30. (page 159) HR Performance highlights. We noted the number of people who have been trained in various disciplines. Unfortunately the cost has not been mentioned. Can it be assumed that less service providers will now be appointed to fulfil these requirements, and will some of those who acquired driver's licences be transferred to Waste Management where there is a need for drivers. Corp
HRD
31. (page 160) Challenges and Intervention HR Department. No indication when policies will be reviewed and submitted for approval ie. a date needs to be given. Corp
32. (page 166) The wrong structure has been given. MSE
33. (page 167) Urban Renewal Interventions. Fourth bullet is not part of this subject. The cost to develop portion 1 of erf 782 is shown as R11 million. The tender to provide services came to just over R8 million. What constitutes the difference? When will these sites be put up for sale and at what cost per site in order to recover the R11 million? New Mzamo High School. R37 million. What was Council's contribution towards this project? The same applies to the Blaaubosch Youth Centre of R25 million. The last 4 bullets on this page should be deleted as it has been duplicated. DPHS
34. (page 172) Town Planning Directorate. Spacial Planning. We believe the areas where population density must be intensified should be demarcated and brought to the attention of the community at large. The said areas should be investigated to establish infrastructural demands. The fourth intervention is not understood and what is meant by promotion of restitching the spacial fibre in the municipality? We caution Council to ensure that development should not be distorted by spacial fragmentation to the detriment of existing home owners DPHS
35. (page 173) Can an explanation be given what is meant by or covered under "completion of the geotechnical investigation for THE RIVERSMEET CEMETERY" DPHS
36. (page 174) Traffic and Transportation study. A number of studies have been done in the past where recommendations were put forward. What was the result of these studies. DPHS
37. (page 175) Land Use Management. Newcastle Place Naming Policy has been approved without proper consultation with the community and/or community representation on the committee appointed by Council. DPHS
38. (page 187) Flips Scheme. What is meant by Flips? Can you be more specific about shortage of qualified construction managers within the municipality. Can details be supplied of a land audit that has been completed in an effort to address shortage of suitable land for housing. DPHS
39. (page 191) Industrial Development. For purposes of the report details should have been given of the 11 factories. DPHS
40. (page 192) International Relations. We believe particulars should have been given of the pilot project between a Newcastle UK based company and the Electricity department. DPHS
41. (page 195) Performance highlights. A duplication which should be removed. MSE