Notice is hereby given that a **SPECIAL MEETING** of the **MUNICIPAL COUNCIL** of Knysna Municipality will be held in the **COUNCIL CHAMBER, Clyde Street, Knysna** on **WEDNESDAY, 30 AUGUST 2017 at 08:00** to consider the business set forth in the attached agenda.

Kennis geskied hiermee dat 'n **SPESIALE VERGADERING** van die **MUNISIPALE RAAD** van Knysna Munisipaliteit in die **RAADSAAL, Clydestraat, Knysna** op **WOENSDAG, 30 AUGUSTUS 2017 om 08:00** gehou sal word ten einde sake soos uiteengesit in die aangehegte agenda te oorweeg.

**Isaziso** **ESIBALULEKILEYO SENTLANGANISO yeBHUNGA likaMASIPALA waseKnysna eyakubanjelwa KWIGUMBI LEKHANSILE kwisitalato iClydee, Knysna lentlanganiso iyakuba NGOLWESITHATHU, NGE 30 EYETHUPHA 2017 ngentsimbi ye 08:00 umba iyakuba lushishino oluchazwe kwi-agenda.

**CLLR G WOLMARANS** 
The Speaker

**MR K CHETTY** 
Municipal Manager

**Die Speaker**

**Munisipale Bestuurder**

**Usomlomo**

**uManejala KaMasipala**
TABLE OF CONTENTS

1. Opening and Welcoming 3

2. Silent Prayer 3

3. Code of Conduct: 3
   3.1 Noting of the provisions of code of conduct for Councillors
   3.2 Disclosure of Interests

4. Attendance of members: 3
   4.1 Councillors Present
   4.2 Councillors absent with Leave
   4.3 Councillors absent without Leave

5. Items submitted by the Municipal Manager

5.1 PROPOSED AMENDMENT OF THE 2017-2022 INTEGRATED DEVELOPMENT PLAN (IDP) 4

5.2 2018 – 2019 IDP REVIEW & BUDGET TIME SCHEDULE 7

5.3 ITEM FOR DEPARTURE IN TERMS OF SECTION 170 OF THE MFMA 18

5.4 EXTENSION OF PRICEWATERHOUSE CONTRACT 24

5.5 MTREF: YEAR END ADJUSTMENTS BUDGET 2016/2017 32

6. CLOSURE 34
AGENDA

1. OPENING AND WELCOMING

2. SILENT PRAYER

3. CODE OF CONDUCT
   3.1 THE PROVISIONS OF SCHEDULE 1 (CODE OF CONDUCT FOR COUNCILLORS) OF THE LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT, 2000
   3.2 DISCLOSURE OF INTERESTS BY COUNCILLORS

4. ATTENDANCE OF MEMBERS
   4.1 COUNCILLORS PRESENT
   4.2 COUNCILLOR WITH LEAVE
   4.3 COUNCILLORS WITHOUT LEAVE

5. ITEMS SUBMITTED BY THE MUNICIPAL MANAGER
5.1

SC01/08/17 PROPOSED AMENDMENT OF THE 2017-2022 INTEGRATED DEVELOPMENT PLAN (IDP)

REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

The purpose of this report is to table a proposal to Council to amend the 2017-2022 4th Generation IDP of Knysna Municipality which was adopted by Council on 07 June 2017.

BACKGROUND

The recent fire disaster that erupted on 07 June 2017 had a devastating effect on the social, economic, infrastructure and environmental status quo in the Greater Knysna Municipal Area. The disaster started on the same day that the 4th Generation IDP, and the 2017/18 budget of the municipality was adopted by Council. Following a discussion between officials of the IDP Directorate in the Western Cape Department of Local Government, the municipality was referred to a position paper of the department dated March 2016 which provides the following guidelines which would necessitate an amendment of a municipality’s integrated development plan in terms of section 34 of the Municipal Systems Act:

• Changes in policy/legislation
• Budget availability
• Public participation outcomes
• Disaster events
• Comments from the MEC of Local Government

The Extended Executive Management Team of the municipality embarked on a two-day workshop to determine whether there were any significant changes in the operational strategies and re-prioritisation of projects in the different departments. The following issues were highlighted:

• A comprehensive review and amendment of the municipality’s Disaster Management Plan which is a core component of the IDP is required.
• A shift in economic strategy to assist businesses that were negatively affected by the fires and resulted in a significant increase in unemployment
• A change in the focus of environmental management strategy from conservation to the recovery of the scarred natural environment
• Amendment to the human settlement project outputs to accommodate the emergency housing project in White Location
• Quick win initiatives that might emerge from the different Garden Route Rebuild Initiative work streams

The amendment of the IDP in the aforementioned respects will inform the reprioritisation of budget allocations that will be required for projects related to the disaster recovery in the current financial year.
DISCUSSION

The recent fire disaster that erupted on 07 June 2017 had a devastating effect on the social, economic, infrastructure and environmental status quo in the Greater Knysna Municipal Area. The disaster started on the same day that the 4th Generation IDP, and the 2017/18 budget of the municipality was adopted by Council. Following a discussion between officials of the IDP Directorate in the Western Cape Department of Local Government, the municipality was referred to a position paper of the department dated March 2016 which provides the following guidelines which would necessitate an amendment of a municipality’s integrated development plan in terms of section 34 of the Municipal Systems Act:

- Changes in policy/legislation
- Budget availability
- Public participation outcomes
- Disaster events
- Comments from the MEC of Local Government

The Extended Executive Management Team of the municipality embarked on a two-day workshop to determine whether there were any significant changes in the operational strategies and re-prioritisation of projects in the different departments. The following issues were highlighted:

- A comprehensive review and amendment of the municipality’s Disaster Management Plan which is a core component of the IDP is required.
- A shift in economic strategy to assist businesses that were negatively affected by the fires and resulted in a significant increase in unemployment
- A change in the focus of environmental management strategy from conservation to the recovery of the scarred natural environment
- Amendment to the human settlement project outputs to accommodate the emergency housing project in White Location
- Quick win initiatives that might emerge from the different Garden Route Rebuild Initiative work streams

The amendment of the IDP in the aforementioned respects will inform the reprioritisation of budget allocations that will be required for projects related to the disaster recovery in the current financial year.

FINANCIAL IMPLICATIONS

Even though the IDP amendment process will be driven internally by the IDP Unit of the municipality, some assistance will be required from a consultant company who were involved in the development of the 4th Generation IDP. A preliminary quote for R 88 205 was received in this regard.

RELEVANT LEGISLATION

Section 34 of the Local Government: Municipal Systems Act (Act 32 of 2000): A municipal Council must, within a prescribed period after the start of its elected term, adopt a single, all-inclusive and strategic plan for the development of the municipality which:

a) Must review its integrated development plan annually in accordance with an assessment of its performance measurements in terms of section 41;

b) May amend its integrated development plan in accordance with a prescribed process.
The prescribed process for the amendment of an IDP is outlined in Regulation 3 of the Local Government: Municipal Planning & Performance Management Regulations of 2001 as follow:

(1) Only a member or committee of a municipal council may introduce a proposal for amending the municipality’s integrated development plan in the council

(2) Any proposal for amending a municipality’s IDP must be – (a) Accompanied by a memorandum setting out the reasons for the proposal; and (b) Aligned with the framework adopted in terms of section 27 of the Act

(3) An amendment to the municipality’s IDP is adopted by a decision taken by a municipal council in accordance with the rules and orders of the council

(4) No amendment to a municipality’s IDP may be adopted by the municipal council unless – (a) All members of the council have been given reasonable notice (b) The proposed amendment has been published for public comment for a period of at least 21 days in a manner that allows the public an opportunity to make representations with regards to the proposed amendment (c) The municipality, if it is a district municipality, has complied with subregulation (5); and (d)

The municipality, if it is a local municipality, has complied with subregulation (6). (5) A district municipality….

(6) A local municipality that considers an amendment to its IDP must – (a) Consult the district municipality in whose area it falls on the proposed amendment; and (b) Take all comments submitted to it by the district municipality into account before it takes a final decision on the proposed amendment

RECOMMENDATION FROM THE MUNICIPAL MANAGER

[a] That Council note the contents of the report;

[b] That Council approve the proposal from the Executive Mayor for the amendment of the 4th Generation Integrated Development Plan (IDP) of the municipality which was adopted on 07 June 2017;

[c] That the proposed amendment be advertised for a period of at least 21 days for public comment in terms of the Local Government: Municipal Planning & Performance Management Regulations of 2001;

[d] That the Eden District Council be consulted on the proposed amendment of the IDP;

[e] That a report on all the comments received be tabled to Council before a final decision is made on the proposed amendment of the municipality’s IDP.

APPENDIX / ADDENDUM

- Memo from Executive Mayor which provide reasons for the proposed amendment of the municipality’s 4th Generation IDP - Draft Amended IDP Document
REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

The purpose of this report is to table the time schedule for the preparation of the IDP review and 2018/19 annual budget of Knysna Municipality to the Council for approval.

BACKGROUND

The Municipal Systems Act (32 of 2000) requires each municipality to conduct an annual review of its 5-year strategic plan (IDP). An IDP review process considers changed circumstances that informs the prioritisation of strategies and allocation of resources to communities where it’s needed most. It also enables the Council to report back to all relevant stakeholders on the progress of the implementation of its 5-year strategic plan.

DISCUSSION

The Municipal Systems Act (32 of 2000) requires each municipality to conduct an annual review of its 5-year strategic plan (IDP). An IDP review process considers changed circumstances that informs the prioritisation of strategies and allocation of resources to communities where it’s needed most. It also enables the Council to report back to all relevant stakeholders on the progress of the implementation of its 5-year strategic plan.

FINANCIAL IMPLICATIONS

N/A

RELEVANT LEGISLATION

The following legislative requirements is applicable to the IDP review & budget time schedule:

Section 34 of the Municipal Systems Act (Act 32 of 2000):
“A municipal council –
(a) must review its integrated development plan –
   (i) annually in accordance with an assessment of its performance measures in terms of section 41; and
   (ii) to the extent that changing circumstances so demand; and
(b) May amend its integrated development plan in accordance with a prescribed process."

Section 28 of the Municipal Systems Act (Act 32 of 2000): (1) "a municipal council must adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan".

<table>
<thead>
<tr>
<th>SC02/08/17</th>
<th>2018 – 2019 IDP REVIEW &amp; BUDGET TIME SCHEDULE</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Purpose of the Report</th>
<th>Table the time schedule for the preparation of the IDP review and 2018/19 annual budget of Knysna Municipality to the Council for approval.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background</td>
<td>The Municipal Systems Act (32 of 2000) requires each municipality to conduct an annual review of its 5-year strategic plan (IDP). An IDP review process considers changed circumstances that informs the prioritisation of strategies and allocation of resources to communities where it’s needed most. It also enables the Council to report back to all relevant stakeholders on the progress of the implementation of its 5-year strategic plan.</td>
</tr>
<tr>
<td>Discussion</td>
<td>The Municipal Systems Act (32 of 2000) requires each municipality to conduct an annual review of its 5-year strategic plan (IDP). An IDP review process considers changed circumstances that informs the prioritisation of strategies and allocation of resources to communities where it’s needed most. It also enables the Council to report back to all relevant stakeholders on the progress of the implementation of its 5-year strategic plan.</td>
</tr>
<tr>
<td>Financial Implications</td>
<td>N/A</td>
</tr>
</tbody>
</table>
| Relevant Legislation  | The following legislative requirements is applicable to the IDP review & budget time schedule: Section 34 of the Municipal Systems Act (Act 32 of 2000): “A municipal council –
   (a) must review its integrated development plan –
      (i) annually in accordance with an assessment of its performance measures in terms of section 41; and
      (ii) to the extent that changing circumstances so demand; and
   (b) May amend its integrated development plan in accordance with a prescribed process.” Section 28 of the Municipal Systems Act (Act 32 of 2000): (1) "a municipal council must adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan". |

7 | Page
Section 21 (1) of the Municipal Financial Management Act (Act 56 of 2003): The Mayor of a municipality must –
(a) Co-ordinate the processes for preparing the annual budget and for reviewing the municipality’s integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;
(b) At least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for –
(i) The preparation, tabling and approval of the annual budget;
(ii) The annual review of – • the integrated development plan in terms of section 34 of the Municipal Systems Act; and • the budget-related policies;
(iii) The tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
(iv) Any consultative processes forming part of the processes referred to in sub-paragraphs (i), (ii) and (iii) The time schedule which incorporates all the deliverables and timeframes of the IDP review and related processes such as the review of the Spatial Development Framework (SDF) and Performance Management System (PMS) as well as the 2018/19 annual budget is attached as an annexure, hereto. This time schedule guides the preparation, tabling and approval of the budget and annual review of the IDP of Knysna Municipality.

RECOMMENDATION FROM THE MUNICIPAL MANAGER

[a] That Council note the contents of the report;

[b] That Council approve the time schedule for the preparation of the IDP review and the 2018/19 annual budget of the municipality.

APPENDIX / ADDENDUM

2018/2019 IDP review and budget time schedule
## TIME SCHEDULE OF KNYSNA MUNICIPALITY IDP REVIEW, BUDGET PROCESS STRATEGIC DEVELOPMENT FRAMEWORK & PERFORMANCE MANAGEMENT PROCESS

<table>
<thead>
<tr>
<th>Month</th>
<th>Process</th>
<th>Activity</th>
<th>Legislation</th>
<th>Responsible Person</th>
</tr>
</thead>
</table>
| IDP   |         | • Conduct an assessment of progress of the performance measurements and changing circumstances in the municipality to constitute a review of the IDP  
|       |         | • Determine any changes in the Socio-economic conditions and trends of the Knysna Municipality |                                    | Municipal Manager                       |
|       |         | Tabling of the draft IDP Review & Budget Time Schedule to Council          | MFMA Section 21                    | Executive Mayor                         |
| SDF   |         | Determine whether an Intergovernmental Steering Committee (ISC) should be established |                                    | Council                                 |
|       |         | Publish notice of the proposal to compile an SDF                          | LUPA – Section 11(a) and (b)  
|       |         |                                                                           | SPLUMA – Section 20 (3)(a)  
|       |         |                                                                           | Knysna Municipality Bylaw on Municipal Planning |                                    |
|       |         | Notifying the MEC: Local Government, Environmental Affairs & Development Planning of the municipality’s intention to review the SDF | MSA Regulations, 2001 – Chapter 2 Section 4(a)  
|       |         |                                                                           | Knysna Municipality Bylaw on Municipal Planning |                                    |
| BUDGET|         | Planning of the five year budget cycle                                   | Section 4(1) and 4(2) of the MPB  
<p>|       |         |                                                                           | Manager: Townplanning &amp; Building Control |                                    |
|       |         | Establishment of internal SDF Project Committee                          |                                    | Municipal Manager                       |
|       |         |                                                                           |                                    | Chief Financial Officer                 |</p>
<table>
<thead>
<tr>
<th>Month</th>
<th>Process</th>
<th>Activity</th>
<th>Legislation</th>
<th>Responsible Person</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Establishment of IDP &amp; Budget Steering Committee</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>BUDGET</td>
<td>Linking of rolled over projects from previous year to mSCOA segments</td>
<td>MFMA Section 68 &amp; 77</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consultation with the Budget Steering</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review and drafting of new budget related policies</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assess the municipal financial position and capacity base on the AFS of</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>previous budget year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Determine revenue projections and proposed rate and</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service charges and drafts initial allocations to functions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>And departments for the next financial year after taking into account</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>strategic objectives</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PMS</td>
<td>Preparation of the Departmental Business Plan for next financial year</td>
<td></td>
<td>Directors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adoption of 2017/18 SDBIP</td>
<td>MPPR Regulation 14</td>
<td>Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Schedule Quarterly Audit Committee meeting for the last quarter of</td>
<td>• MFMA Section 166</td>
<td>Audit Committee</td>
</tr>
<tr>
<td></td>
<td></td>
<td>previous year</td>
<td>• MPPR 14 (13) (a)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance Assessments of Section 57 Senior Managers</td>
<td></td>
<td>Audit Committee</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Submit 2016/17 Draft Annual Performance Report to the Auditor General</td>
<td>MPPR 14 (3) (b)</td>
<td>Manager: Performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>AG to audit performance based on predetermined objectives in the Annual</td>
<td></td>
<td>Office of the Auditor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance Report</td>
<td></td>
<td>General</td>
</tr>
<tr>
<td>Month</td>
<td>Process</td>
<td>Activity</td>
<td>Legislation</td>
<td>Responsible Person</td>
</tr>
<tr>
<td>-------</td>
<td>---------</td>
<td>----------</td>
<td>-------------</td>
<td>-------------------</td>
</tr>
<tr>
<td></td>
<td>IDP</td>
<td>Embarking on a public participation process via public meetings per ward</td>
<td></td>
<td>Executive Mayor</td>
</tr>
</tbody>
</table>
|       |        | Strategic Planning Session to conduct a review:  
|       |        | o Council’s Strategic Objectives  
|       |        | o Assessment of the performance of implementation of Council’s 5 year strategic plan (2012 – 2017 IDP) | | • Executive Mayor  
|       |        | • Councillors |
|       | JPI     | JPI District alignment workshop  
|       |        | o Alignment of Strategic objectives of the municipality with that of provincial and national government departments | | IDP Manager |
|       | SDF     | Prioritization of development objectives, projects & programmes by Ward Committees | | Ward Councillors |
|       | BUDGET | Draft Status Quo report and submit to the ISC/Minister for comment | | Project Committee |
|       |        | Engage with Provincial and National Sector Departments on sector specific programmes for alignment with Municipalities plans | | Municipal Manager |
|       |        | Determine revenue projections and policies | | Chief Financial Officer |
|       | PMS     | Schedule Quarterly Audit Committee Meeting for the first quarter  
<p>|       |        | o MFMA Section 166 &amp; MPPP Reg 14(13)(a) | | Manager: Performance |
|       | IDP     | Review of Ward Based Development Plans | | Ward Committees |
|       |        | Facilitate an inclusive consultation process for the prioritization of ward projects/programmes | | IDP Manager |
|       | SDF     | Project Committee considers comments of ISC/Minister | Section 6(2) of the Municipal Planning By-law | Manager: Townplanning &amp; Building Control |</p>
<table>
<thead>
<tr>
<th>Month</th>
<th>Process</th>
<th>Activity</th>
<th>Legislation</th>
<th>Responsible Person</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Project Committee submits the Status Quo Report to Council for adoption</td>
<td>Section 6(2) of the Municipal Planning By-law</td>
<td>Manager: Townplanning &amp; Building Control</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Project Committee draft MSDP, submit to the ISC/Minister for comment</td>
<td>Section 6(3) of the Municipal Planning By-law</td>
<td>Manager: Townplanning &amp; Building Control</td>
<td></td>
</tr>
<tr>
<td>BUDGET</td>
<td>Budget section commences the process of Adjustment Budget &amp; liaises with departments</td>
<td>MSA Section 34, MFMA Section 35, 36,42</td>
<td>Chief Financial Officer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Engagement with sector departments, share and evaluate plans, national policies &amp; MTBPS</td>
<td></td>
<td>Chief Financial Officer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Submit draft operation budget computations to CFO</td>
<td>MFMA Section 126(4)</td>
<td>Chief Financial Officer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Review past MTEF and Draft 3 year budget</td>
<td></td>
<td>Chief Financial Officer</td>
<td></td>
</tr>
<tr>
<td>IDP</td>
<td>Costing of priority projects &amp; programmes of all wards</td>
<td></td>
<td>IDP Manager</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Drafting of detailed project plans</td>
<td></td>
<td>Directors</td>
<td></td>
</tr>
<tr>
<td>VRAUNA REBMECE</td>
<td>Submission of priority projects &amp; programmes captured in Ward Based Development Plans to the budget process</td>
<td></td>
<td>Directors</td>
<td></td>
</tr>
<tr>
<td>SDF</td>
<td>Project Committee draft MSDP, submit to the ISC/Minister for comment</td>
<td>Section 6(4) of the MPB</td>
<td>Manager: Townplanning &amp; Building Control</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consider comments of ISC/Minister and finalise the first draft of the MSDF</td>
<td>Section 6(4) of the MPB</td>
<td>Manager: Townplanning &amp; Building Control</td>
<td></td>
</tr>
<tr>
<td>Month</td>
<td>Process</td>
<td>Activity</td>
<td>Legislation</td>
<td>Responsible Person</td>
</tr>
<tr>
<td>--------</td>
<td>---------</td>
<td>--------------------------------------------------------------------------</td>
<td>----------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td></td>
<td>BUDGET</td>
<td>Review of tariff structure</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finalise tariff (rates and service charges) policies for next financial year</td>
<td>MSA Section 74 &amp; 75</td>
<td>Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review of Mid-Year Budget &amp; Performance Assessment</td>
<td>MFMA Section 72</td>
<td>Municipal Manager</td>
</tr>
<tr>
<td></td>
<td>BUDGET</td>
<td>Submit a report of the midyear budget and performance assessment to NT and PT</td>
<td>MFMA Section 72</td>
<td>Municipal Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling</td>
<td>MFMA Section 127 (3)</td>
<td>Municipal Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consolidate and prepare proposed budget and plans for next financial year</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>IDP</td>
<td>Prioritization of internal &amp; external Capex &amp; Opex projects &amp; programmes</td>
<td></td>
<td>Directors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Workshop with council to finalise:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Draft IDP Review</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Draft Operational &amp; Capital Budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Notify relevant municipalities of projected allocations for next five budget years 120 days prior to start of budget year</td>
<td>o MFMA Section 37(2)</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gazettement of DORA allocations and incorporation within draft budget</td>
<td>DORA</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tabling and adoption of Adjustments Budget</td>
<td>MFMA</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>PMS</td>
<td>Quarterly Audit Committee Meeting for the second quarter</td>
<td>o MFMA Section 166 &amp; MPPR Reg 14(2)(a)</td>
<td>Manager: Performance</td>
</tr>
<tr>
<td>Month</td>
<td>Process</td>
<td>Activity</td>
<td>Legislation</td>
<td>Responsible Person</td>
</tr>
<tr>
<td>-------</td>
<td>---------</td>
<td>----------</td>
<td>-------------</td>
<td>-------------------</td>
</tr>
</tbody>
</table>
|       | IDP     | Tabling of draft IDP Review & Budget to Council | • IDP Manager  
  • CFO | |
|       | SDF     | Submit the first draft MSDF to Council for approval for public participation process | Section 28 & 29 of MSA | Project Committee |
|       | SDF     | Consider comments and representations of public participation process | Section 6(4) on the MPB  
  Section 6(5) of the MPB | Project Committee |
|       | SDF     | Submit revised MSDF to ISC/Minister for comment | Section 6(5)(6) of the MPB | Project Committee |
|       | PMS     | Consider and adopt an oversight report before 31 March | MFMA Section 129(1) | Manager: Performance |
|       |        | Submit approved annual report to AG, Provincial & DTLGA | MFMA Section 127 | Manager: Performance |
|       | BUDGET | Tables municipality budget, budget of entities, resolutions, plans and proposed revisions to IDP at least 90 days before start of budget year | MFMA Section 16,22,23,87  
  MSA Section 34 | Executive Mayor |
<p>|       |        | Review any changes in prices for bulk resources as communicated by 15 March | MFMA Section 42 | Chief Financial Officer |
|       |        | Review of final draft budget&gt;IDP to Council | MFMA Section 23 | Chief Financial Officer |
|       |        | Publish draft budget for comments from public | Chapter 4 of MSA | Chief Financial Officer |
|       |        | Draft tabled budget submission to NT and Province | | Chief Financial officer |
|       |        | Conduct public hearings on the budget and council | Chapter 4 of MSA | Chief Financial Officer |</p>
<table>
<thead>
<tr>
<th>Month</th>
<th>Process</th>
<th>Activity</th>
<th>Legislation</th>
<th>Responsible Person</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IDP</td>
<td>Revision of budget and IDP after input from NT and public</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>LBPA</td>
<td></td>
<td>Special Council Meeting</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IDP</td>
<td>Submission of tabled draft IDP Review &amp; Budget to the MEC: Local Government, National and Provincial Treasury within 10 working days of tabling</td>
<td></td>
<td>IDP Manager, CFO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Publishing of draft IDP Review &amp; Budget for perusal and public comment</td>
<td></td>
<td>IDP Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B-municipalities to comment on the District wide draft IDP review &amp; budget</td>
<td></td>
<td>IDP Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LGMTEC 3 engagement with Provincial &amp; National Sector Departments to obtain input on the draft IDP review and budget</td>
<td></td>
<td>IDP Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Incorporate notes and comment from MEC: Local Government</td>
<td></td>
<td>IDP Manager</td>
</tr>
<tr>
<td></td>
<td>PMS</td>
<td>Refine Municipal Strategies, Objectives, KPA’s KPI’s and targets and inclusion into IDP Review report</td>
<td>MFMA Section 129 (3)</td>
<td>Executive Mayor</td>
</tr>
<tr>
<td>YAM</td>
<td></td>
<td>Conduct Quarter 3 Performance assessments</td>
<td></td>
<td>Manager: Performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Make the annual report available to the public before 7 April</td>
<td></td>
<td>Manager: Performance</td>
</tr>
<tr>
<td></td>
<td>IDP</td>
<td>Consideration of all submissions made by community and stakeholders subsequent to the public participation process of the draft IDP Review &amp; Budget</td>
<td></td>
<td>IDP Manager, CFO</td>
</tr>
<tr>
<td>Month</td>
<td>Process</td>
<td>Activity</td>
<td>Legislation</td>
<td>Responsible Person</td>
</tr>
<tr>
<td>-------</td>
<td>---------</td>
<td>----------</td>
<td>-------------</td>
<td>-------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Council workshops to finalised draft IDP Review and Budget prior to adoption</td>
<td></td>
<td>Council</td>
</tr>
<tr>
<td></td>
<td>SDF</td>
<td>Submit the revised final draft MSDF to Council for adoption</td>
<td>Section 6(6) of the MPB</td>
<td>Manager: Townplanning &amp; Building Control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>When MSDF is materially different from initial version that was out for comment, it must be re-advertised</td>
<td>Section 6(7) of the MPB</td>
<td>Manager: Townplanning &amp; Building Control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Submit MSDF for Council to adopt MSDF and within 14 days publish notice in Provincial Gazette and media informing public of adoption</td>
<td>Section 6(9) of the MPB</td>
<td>Manager: Townplanning &amp; Building Control</td>
</tr>
<tr>
<td></td>
<td>BUDGET</td>
<td>Consider approval of budget and plans at least 30 days before start of budget year</td>
<td>○ MFMA Section 24; MSA Chapter 4 as amended</td>
<td>Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assist Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Council adopts budget, resolutions, capital implementation plans, objectives and changes in IDP</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>PMS</td>
<td>Quarterly Project Implementation Report for Quarter 3</td>
<td>MPPR Reg 14</td>
<td>Manager: Performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review organisational KPI’s</td>
<td>MFMA Section 166; MPPR Reg 14(3)(a)</td>
<td>Manager: Performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review annual organisational performance targets</td>
<td>MPPR Reg 11</td>
<td>Manager: Performance</td>
</tr>
<tr>
<td></td>
<td>IDP</td>
<td>Publish the adopted IDP Review &amp; Budget with all budget related documents and policies on the municipal website</td>
<td></td>
<td>IDP Manager &amp; CFO</td>
</tr>
<tr>
<td>Month</td>
<td>Process</td>
<td>Activity</td>
<td>Legislation</td>
<td>Responsible Person</td>
</tr>
<tr>
<td>-------</td>
<td>---------</td>
<td>----------</td>
<td>-------------</td>
<td>--------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Submit a copy of the adopted IDP review &amp; Budget to the MEC; Local Government &amp; Treasurer within 10 days after adoption</td>
<td></td>
<td>IDP Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Advertise a public notice of the adoption of the IDP</td>
<td></td>
<td>IDP Manager</td>
</tr>
<tr>
<td>BUDGET</td>
<td>Publishing and adoption of budget and plans and place Multi Year Budget and budget related documents on website and submits budget IDP to national and provincial treasury</td>
<td></td>
<td>o MFMA Section 53; o MSA Section 38 -45, 57(2)</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>PMS</td>
<td>Submit draft SDBIP to Mayor within 14 days of approval of budget</td>
<td></td>
<td></td>
<td>Manager: Performance</td>
</tr>
<tr>
<td></td>
<td>Approval of SDBIP within 28 days of approval of the budget</td>
<td></td>
<td></td>
<td>Executive Mayor</td>
</tr>
<tr>
<td></td>
<td>Draft performance agreements for the Section 57 directors in line with the approved KPI in the SDBIP</td>
<td></td>
<td></td>
<td>Municipal Manager</td>
</tr>
<tr>
<td></td>
<td>Sign new performance contracts for Section 57 Managers</td>
<td></td>
<td></td>
<td>Municipal Manager</td>
</tr>
<tr>
<td>YDP</td>
<td>Submit the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval</td>
<td></td>
<td>o Section 69 of the MFMA &amp; Section 57 of the MSA</td>
<td>Manager: Performance</td>
</tr>
</tbody>
</table>
5.3

SC03/08/17 ITEM FOR DEPARTURE IN TERMS OF SECTION 170 OF THE MFMA

REPORT FROM THE DIRECTOR : FINANCIAL SERVICES

PURPOSE OF THE REPORT
The report serves to;

1. table written explanation and reasons for failure to comply with section 126(1) of the Municipal Finance Management Act. Act 56 of 2003;
2. Council approves that a request be sent to National Treasury to approve departure imposed by the Municipal Finance Management Act.

BACKGROUND

The accounting officer of a Municipality is required to prepare the annual financial statement of the Municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor General for auditing.

This responsibility has been delegated to the chief financial officer in terms of Council delegation. Knysna Municipality recently experienced devastating fires that have destroyed 947 houses and damaged a further 155 properties. The distraction was not only limited to private property but also hugely affected the infrastructure of the Municipality. The fire broke on the 07 June 2017 and closure of the incident was only on 21 July 2017. The finance building and more specifically the CFO office and boardroom was used as a joint operation centre due to the building having generators to get connected for electricity. The joint operation centre was only closed down in July. Community was left without connection to basic services like electricity (restore in some areas started from the 10th June and finished on 30 July 2017) and water (from 7th to 14th of June).

Guided by the Chief Fire officer the priority of the Municipality from the date the fire broke was to:

1. Save lives,
2. Save property
3. Fighting the fire blaze to contain and eventually extinguish the fire.

Municipal engineering team priority after the fire was solely and mainly to ensure reconnection of basic services to the affected areas/communities. The Municipality with the assistance of appointed service providers managed to start with the assessment of the damages on infrastructure in July 2017. The initial report was provided and the assets section of the Municipality evaluated the report in order to be able to make a determination for asset impairment. Unfortunately, by 12 of July 2017 the report was not conclusive and could not be used to determine impairment on assets.

A team of technical engineering and technical accounting met again in July to discuss the report in order to determine and assess whether the damages and reconnections that were
done were repairs and maintenance and or some assets were replaced. This is a very important technical determination in order to be able to accurately and appropriately disclosed the assets in the financial statements. The final report on impairment assessment on assets will only be available on 21 August 2017. The assets compose the biggest component of the financial statements. The Municipal manager did inform the Auditor General, Provincial and national treasury of the possibility not to submit the financial statement on time. Attached as annexure A is the response from the Auditor general.

The Municipal manager and the CFO further met with provincial treasury team to discuss the matter. Motivation and Grounds for not complying with section 126(1) of the MFMA Knysna Local Municipality has been impacted on the following as a direct result of the Disaster

- Backlog in processing, accounting and Financial reporting due to deviations from normal operating procedures due to focus on disaster management, fast tracking services.
- Evaluation of post balance sheet events relating to the fire
- Impairment of Municipal Assets

DISCUSSION

Impact Consideration Backlog in processing and Financial reporting considerations

The following backlogs would have resulted due to the Municipality being focused on disaster management and re-establishing service delivery

- Property, plant and equipment considerations The asset unbundling should have been completed by 21 July 2017.

This process is only expected to be finalised on 21 August earliest. Only after the unbundling process, can asset reconciliations and preparation of the asset notes in the AFS commence. Based on CFO experience and collaborated by the accounting firm that assist with AFS, this process will only be finalised in the first week of September. In addition to the normal process regarding assets, the effect of property/infrastructure assets that need to be impaired or derecognised as a result of the fires and based on the report of the technical engineers, also need to be accounted for in the accounting records and asset registers of the municipality and consequently disclosed in the financial statements.

- Allocations of payments – payments would have been made to service providers but taken to a suspense vote which needs to be reconciled and cleared for financial reporting purposes. These payments include capital expenditure as well, which need to be unbundled and capitalised. It should further be determined if capital expenditure relates to the replacement of assets. An assessment would need to be performed to identify what assets should be derecognised and what assets need to be impaired. As at 17 August the reconciliation and allocation of the suspense account has not been finalised.

- Reconciliation of creditors and raising of accruals would be impacted due to the large number of transactions subsequent to year end relating to the disaster management, consideration would need to be given. Based on the original timeframes and past experiences, creditors usually close off mid-July. This is a crucial process as it affects your unbundling and capitalisation of assets processes. As at 15 August 2017, journals for creditors were still processed.

- Billing would have been impacted, reconciliation would need to be performed to ensure that all revenue relating to the period has been billed or accrued for.
• Recoverability of receivables due to the impact of the fires on the community and rates base Properties destroyed by the fires needed to be identified in order to consider an increased impairment provision on those consumers’ debtor accounts.

• Provision for clearing of alien vegetation Site visits were performed before the fires started on 7 June 2017. A provision was calculated based on the information of the site visits. The provision obviously need to be revisited. It was however indicated that site visits will not be performed before the end of August. Events after reporting date (GRAP 14) An extensive analysis needs to be performed on the impact of the fire relating to the Municipalities Balances in terms of its Statement of Financial Position. Although the fire occurred prior to the financial year end, the impact is only accessible subsequent to year end. The fire will have an impact on the following balances with regards to the Municipality.

• Accounts receivable – valuation as ratable properties were damaged

• Property, plant and equipment – existence and valuation

• Investment Property, Existence and valuation

The above is not an exhaustive list, and analysis needs to be given with regards to each balance. As will be noted on the assessment of impairment is that there was extensive damage to Infrastructure Assets, however consideration would also need to be given as to the existence of movable assets. Impairment of Non-Cash generating assets (GRAP 21) An asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. Paragraph 23 identifies key indications that an impairment loss may have occurred. If any of those indications are present, an entity is required to make a formal estimate of recoverable service amount. If no indication of a potential impairment loss is present, this Standard does not require an entity to make a formal estimate of recoverable service amount. The fires would be considered an indicator of impairment and as a result a test would need to be performed as to the recoverable service potential to determine whether this is less then carrying amount of the asset.

The Standard defines recoverable service amount as the higher of an asset’s fair value less costs to sell and its value in use. It is not always necessary to determine both an asset’s fair value less costs to sell and its value in use. If either of these amounts exceeds the asset’s carrying amount, the asset is not impaired and it is not necessary to estimate the other amount. Both the determination of fair value less cost to sell and the value in use would require an assessment of the condition and the operating ability of the asset, a process which is made difficult given that the area is a continued risk for flare ups. Impairment of Cash generating assets (GRAP 26) An asset is impaired when its carrying amount exceeds its recoverable amount.

Paragraphs 23 to 25 describe some indications that an impairment loss may have occurred. If any of those indications is present, an entity is required to make a formal estimate of the recoverable amount. Except for the circumstances described in paragraph .21, this Standard does not require an entity to make a formal estimate of the recoverable amount if no indication of an impairment loss is present. This Standard defines recoverable amount as the higher of an asset’s fair value less costs to sell and its value in use. Both the determination of fair value less cost to sell and the value in use would require an assessment of the condition and the operating ability of the asset, a process which is made difficult given that the area is a continued risk for flare ups. Fair value less cost to sell.
(GRAP 21, 26) The best evidence of an asset’s fair value less costs to sell is a price in a binding sale agreement in an arm’s length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset. If there is no binding sale agreement but an asset is traded in an active market, fair value less costs to sell is the asset’s market price less the costs of disposal.

The appropriate market price is usually the current bid price. When current bid prices are unavailable, the price of the most recent transaction may provide a basis from which to estimate fair value less costs to sell, provided that there has not been a significant change in economic circumstances between the transaction date and the date as at which the estimate is made. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm’s length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity could consider the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale, unless management is compelled to sell immediately.

**Value in use – Non cash generating assets (GRAP 21).**

This Standard defines the value in use of a non-cash-generating asset as the present value of the asset’s remaining service potential. “Value in use” in this Standard refers to “value in use of a non-cash-generating asset” unless otherwise specified. The present value of the remaining service potential of the asset is determined using any one of the approaches: Depreciated replacement cost approach, Restoration cost approach, Service units approach. Determining the present value using these approaches is a time consuming exercise.

**Value in use – Cash generating assets (GRAP 26)**

Determined based on discounted cash flows General considerations

**The process**

The process for the preparation of the financial statements usually commence during the first week of July. As a result of the fires, information related to the preparation of the financial statements did not receive priority and as a consequence, information submitted for this process are 4 – 6 weeks behind the scheduled timeframe.

**Review of the financial statements**

The financial statements are reviewed by internal audit before submitted to the Auditor General. As a result of the above mentioned processes that need to take place, a review of the financial statements will not be possible.

**Focus areas of the Auditor General**

As a result of the catastrophic events that took place in Knysna, these areas mentioned above will most likely be focus areas of the Auditor General. Conclusion It is clear that the process for the preparation of the financial statements are at least 4 – 6 weeks behind the original scheduled timeframe, given the considerations listed above. Submitting financial statements on 31 August 2017 would seriously compromise the quality and accuracy of the financial statements. Based on the above information it is recommended that the financial...
statements be submitted to the Auditor General not later than 30 September 2017. Having informed the Auditor General, Provincial and National treasury it became apparent that section 126(1) and 133 of the MFMA was never written to take into consideration a situation like the one that Knysna municipality find itself.

The letter from the Auditor General makes reference to the above statement. It is however and can be argued that section 170 of the MFMA was and is meant to address exactly the challenges to comply with section 126(1) of the same legislation. Knysna Municipality has in past shown through different assessment that it is committed to full compliance with the MFMA and its regulations. In fact, Knysna Municipality has been evaluated to have been compliant with most, if not all local Government legislation and regulations. With specific reference to the submission of the financial statements Knysna Municipality record clearly indicate that the Municipality has not only submitted financial statement on time but also submitted quality of information as contained in those financial statements. It is against this background, motivation and grounds that Knysna Municipality seek approval from National treasury for departure on the conditions imposed by section 126(1) of the Municipal Finance Management Act.

FINANCIAL IMPLICATIONS
No financial implication

RELEVANT LEGISLATION
Municipal finance management Act: Act 56 of 2003 Section 126(1) Section 133 Section 170

RECOMMENDATION FROM THE MUNICIPAL MANAGER

[a] That Council note the explanation and reasons for failure to comply with section 126(1) of the Municipal Finance Management Act, Act 56 of 2003;

[b] That Council approves that a request be sent to National Treasury to approve departure imposed by the Municipal Finance Management Act;

[c] That the Speaker be requested to investigate the reason for failure and report back to Council.

APPENDIX / ADDENDUM
Letter from the Auditor-General
Municipal Manager of Knysna Municipality  
PO Box 21  
Knysna  
6570  

1 August 2017  

Reference: SLM 9 of 2017

Dear Mr Karn Chetty  

Submission of Annual Financial Statements  

Reference is made to your recent letter to our office dated 17 July 2017 (Ref: 639288).  

Please accept our heartfelt congratulations on your appointment as the Municipal Manager for the Knysna Municipality. We look forward to working with you during your tenure.  

With regard to your request for a one month extension for the submission of the Knysna Municipality’s annual financial statements from the legislated submission date outlined in section 126(1)(a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), we hereby acknowledge receipt of your correspondence in this regard, however in terms of the MFMA the Auditor-General of South Africa is not mandated to grant such approval. In this regard we kindly refer you to section 133(1) of the MFMA which outlines the processes to be followed as regards non-compliance for the submission of the financial statements in a timely manner as described in section 126 of the MFMA.  

Once again thank you for your letter and we wish you all the best for the upcoming audit cycle.  

Yours sincerely,  

Sharonne Adams  
Business Executive: Western Cape  

Enquiries:  
Gavin Van Der Hoven (Stakeholder Liaison Manager)  
Telephone:  
(021) 529 4100  
Email:  
gavinvdh@agwa.co.za
5.4

SC04/08/17  EXTENSION OF PRICEWATERHOUSE CONTRACT

REPORT FROM THE DIRECTOR : FINANCIAL SERVICES

PURPOSE OF THE REPORT

The purpose of this submission is to notify Council and the Public, as well as to solicit comments from the Public, on the amendment of the agreement with PriceWaterhouseCoopers, in terms Section 22.15 of Council’s Supply Chain Management Policy.

BACKGROUND

The Municipality has a current agreement with PriceWaterhouseCoopers, under contract 28/2017.18, for the REVENUE ENHANCEMENT STRATEGY AND IMPLEMENTATION.

The agreement has been in effect since 01 July 2017 for a period of one year, which expires on 30 June 2018. PwC will perform structured interviews and discussions with key officials throughout the Municipality and data analysis will be performed on the relevant documentation and data received from various systems.

The analysis of data include but are not limited to the following:
- Master data for billings
- Monthly billing runs for all service charges
- Debtors’ ledgers
- Indigent registers
- Property valuation rolls
- Meter reading reports
- Occupation certificate and plan registers

The intervention include but are not limited to the following:
- Reconciliation between Deeds and Valuation Roll
- Reconciliation between Valuation Roll and Municipal Financial System
- General Valuation Roll validation- review of categories and valuations
- Validation of rebates related to rates
- Guidance on the implementation of the Municipal Property Rates Act
- Services validation- aligning services with categories
- Validation of services tariffs applied using the PwC services dashboard
- Review of meter exceptions- water -, conventional- and pre-paid electricity meters
- Random meter checks
- Identification of possible new sources of revenue
- In loco inspection to properties where anomalies have been detected
- Validation on the provision of services in the respective Service Level Agreements
- Stakeholder engagement- including municipal officials, municipal valuer, home owners’ associations, body corporates and rate payers
- Review of revenue related policies and procedures
- Implementation and documentation of Controls
• Training of income staff on policies/procedures
• Establishment of a Revenue enhancement unit

During the first month of the project the following challenges were identified:
• Lack of communication and document flow between Building Control, Finance and the municipal valuer
• Not all occupation certificates available on Collaborator and erf files
• Not all occupation certificates available on Collaborator and/or erf files submitted to the municipal valuer for inclusion in Supplementary valuation rolls
• Information on occupation certificates inadequate for revaluation purposes
• Identified numerous improved properties categorised as vacant land
• In numerous instances occupation certificates for improved properties could not be provided
• Identified numerous properties incorrectly valued
• Identified numerous properties registered at Deeds office not in the General Valuation Roll or on the municipal financial system
• No objections lodged on behalf of the municipality against matters in the general valuation roll as provided for in subsection 50(4) of the Municipal Property Rates Act, Act 6 of 2004
• Supplementary Valuation Rolls not implemented in accordance with subsection 78(4) of the Municipal Property Rates Act, Act 6 of 2004
• Lack of understanding on the provisions of the Municipal Property Rates Act
• Service Level agreements at income department incomplete
• Services tariffs not levied to all registered properties
• Legislation, tariffs and policies not linked During the first month of the project the following additional revenue were realised:
• 48 interim valuation requests were submitted to the municipal valuer for review
• The submissions included 29 improved properties categorised as vacant land
• The outcome of 27 of 48 interim valuation requests were received by 31 July 2017
• 25 of the 27 interim submissions was successful
• The addition rates in respect of the successful submissions, based on the revised category and/or valuation, for the 2017/18 financial year, amounts to R885, 968.93.

The above challenges are further compounded by capacity constraints within the income section. The revenue enhancement project has an element of training which can be effectively used to capacitate and train the municipal employee.

Considering the above, as well as the current capacity constraints within the income section, the Municipality has to prioritise certain tasks and find solutions to address the key challenges it faces.

It is thus decided to seek council approval to extend the current revenue enhancement contract in terms of Section 22.15 of Council’s SCM Policy per the concomitant Section 116(3) of the MFMA. In terms of Section 116(3) of the MFMA, a contract or agreement procured through the SCM Policy may be amended by the parties, after the reasons for the proposed amendment have been tabled in Council and the local community has been given reasonable notice of the intention to amend and has been invited to submit representations to the municipality.
Compliance with the SCM Policy

In order to confirm whether the service provider is eligible for the extension of the contract, the Municipality must consider the compliance of the service provider with the minimum requirements for enterprises doing business with the municipality. The following is a schedule listing the minimum compliance criteria and the level of compliance of the service provider:

Compliance Criteria

In order Listed on Knysna Municipality Supplier Database (CSD) Compliant Valid Tax Clearance Certificate Compliant Status of Municipal Account / s?

Declared and in order Declaration of Interest

Declared and in order

Current contract still valid and in order?

Yes, ending 30 June 2018

Letter of acceptance from service provider

In order

National Treasury Restricted Supplier Database Confirmation

Not listed

National Treasury Defaulter Supplier Database Confirmation

Not listed

The service provider duly complies with the minimum requirements of Council’s SCM Policy and the extension of the contract may be considered. A public notice will be issued on Thursday, 31 August 2017 in the Knysna Herald, as well as the municipal website, to allow for the submission of any representations to the municipality by Friday, 15 September 2017. Any comments received will be included and resubmitted to Council.

DISCUSSION

Same as background

FINANCIAL IMPLICATIONS

Financial Implication The intention was to award the contract for a period of one year, but upon assessing the staff capacity, receipts of the preliminary results PricewaterhouseCoopers, and the integrity of our billing data, the CFO is of the view that the risk and problems may be more than initially anticipated. The CFO has engaged PricewaterhouseCoopers for a possible renewal and further applied to Provincial Treasury
for grant funding to fund this project. PricewaterhouseCoopers have also included an option
to extend the contract with further two years. In the engagement with
PricewaterhouseCoopers it is proposed that they do not bring all staff compliment outside
of Knysna.

The staff complement for this project is four people plus a supervisor. Due to serious
capacity constraints at income section the CFO proposes that the position of the accountant
rates not be filled for a period of two years. PricewaterhouseCoopers to bring only two of
the four staff complement and appoint two young graduates coming from the Knysna
Municipal area. This will allow for building capacity for the Municipality and ensure that the
revenue enhancement is sustained beyond the contract of PricewaterhouseCoopers.

Table 1:

<table>
<thead>
<tr>
<th>Notes to the Table 1:</th>
</tr>
</thead>
</table>
| 1 The proposals provided by PricewaterhouseCoopers on the one-year award is
  ninety-seven thousand rands plus 9.5% of any additional revenue identified. |
| 2 The proposals provided for year two and three is based on the current plus CPIX
  plus one. |
| 3 Assuming a six percent CPIX plus one the second year will be one hundred and
  three thousand rands seven hundred and ninety rands. |
| 4 The service provider has kept the 9.5 percent unchanged for the further two-year
  extension |
| 5 This will be finance by current project budget in the office of the CFO |
| 6 The cost of the accountant rates position is R458,433.00 per annum |
| 7 Freezing this position for a period of two years and opt to appoint
  PricewaterhouseCoopers |
| 8 CFO has applied to Provincial treasury for grant funding in order to fund the project
  and save the Municipal budgeted funding. |

The project proposal to Provincial treasury has been submitted and waiting positive
response soon. Executive Summary The current contract for the revenue enhancement
strategy and implementation, with PricewaterhouseCoopers, has been in effect since 01
July 2017 for a period of one year, which expires on 30 June 2018. On the initial
appointment it was never anticipated that the challenges and problems are on the scale as
identified now. The major benefit on this project is the skills transfer. Looking at the
process/procedure is it evident that either the work to be performed and or the training will
suffer without getting much attention if the Municipality continue on the one-year contract.

The extension will allow for quicker identification and resolving of the risk while the next two
years will focus on data integrity and training. The need for the comprehensive process is
further made worse by the loss of revenue due to fire disaster. In the engagement with
PricewaterhouseCoopers it is proposed that they do not bring all staff compliment outside
of Knysna. The staff complement for this project is four people plus a supervisor. Due to
serious capacity constraints at income section the CFO proposes that the position of the
accountant rates not be filled for a period of two years. PricewaterhouseCoopers to bring
only two of the four staff complement and appoint two young graduates coming from the
Knysna Municipal area.

This will allow for building capacity for the Municipality and ensure that the revenue
enhancement is sustained beyond the contract of PricewaterhouseCoopers. It be noted
that the item served in the BAC for extension in terms of the delegations. The BAC after
having considered the item agreed and resolved to extend the contract with PricewaterhouseCoopers for further two years. In order to consider the extension of the contract, the reasons for such a consideration must be tabled in Council and the Public, must be informed.

After performing a contractual and SCM due diligence the Accounting Officer may consider to extend the contract for a period of two years ending 30 June 2020, pending the finalisation of the public comments process, subject to the following:

(a) The premium increase limited to an average of CPIX plus one for the term of the contract, with no other increases in the monthly fixed amount.
(b) No additions and removals of any of the scope of work as per original tender.
(c) The effect of the revenue enhancement project be, accounted for every quarter to section 80 committee and monthly to the CFO and Municipal manager.
(d) All Heads of Departments, to assist PricewaterhouseCoopers with necessary information in order for them to perform their responsibilities, in order to mitigate the risk exposure of the municipality’s revenue.
(e) Pending the outcome of the “organisational review”, the capacity constraints within the Income section be addressed with this extension and as well as with the organisational review process, in order to avoid similar situations in future. The service provider has provided a reliable service in many municipalities in the Western Cape.

The preliminary results prove their capacity and ability to perform this task which will serve to effectively minimise the current risks associated with operations while ensuring efficient collations.

RELEVANT LEGISLATION

- Supply Chain Management (SCM) Regulations
- Knysna Municipality SCM Policy
- National Treasury Circular 62 1.

RECOMMENDATION FROM THE MUNICIPAL MANAGER

[a] That the premium increase limited to an average of CPIX plus one for the term of the contract, with no other increases in the monthly fixed amount;

[b] That the current contract with PricewaterhouseCoopers under tender 28/2017.18 be extended for a period of two years ending 30 June 2020, pending the public participation process;

[c] That all Heads of Departments, to assist PricewaterhouseCoopers with necessary information in order for them to perform their responsibilities, in order to mitigate the risk exposure of the municipality’s revenue;

[d] That the effect of the revenue enhancement project be, accounted for every quarter to section 80 committee and monthly to the CFO and Municipal manager;
[e] That pending the outcome of the “Work Place Study” currently underway, the capacity constraints within the income section be prioritized without necessary filling the positions, in order to avoid similar situations;

[f] That pending the outcome of the “organisational review”, the capacity constraints within the income section be addressed with this extension and as well as with the organisational review process, in order to avoid similar situations in future.

APPENDIX / ADDENDUM
Annexure A : Notice of amendment of Supply Chain Management Contracts
Annexure B : Supply Chain Management Process Flow
KNYSNA MUNICIPALITY  
NOTICE OF AMENDMENT OF SUPPLY CHAIN MANAGEMENT CONTRACTS  

<table>
<thead>
<tr>
<th>CONTRACT NO:</th>
<th>DESCRIPTION</th>
<th>REASON FOR AMENDMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>28/2017.18</td>
<td>APPOINTMENT OF A SERVICE PROVIDER TO DEVELOP AND IMPLEMENT A REVENUE ENHANCEMENT PROGRAM FOR A PERIOD OF THREE YEARS</td>
<td>A further extension of the current contract with no change in scope of work of the contract to allow for a comprehensive revenue enhancement to be undertaken in accordance with the contract with PriceWaterhouseCoopers (PWC).</td>
</tr>
</tbody>
</table>

Availability of Reports: 
Reports detailing the reasons for the proposed amendments are available at the office of the Supply Chain Manager for perusal as from 07H30 on 01 September 2017 and thereafter on weekdays from 07H30 until 16H00, at Knysna Municipality: Supply Chain Management Unit, Clyde Street, Knysna.

1. The public is hereby invited to submit written presentations to the municipality.
2. Any person who cannot write, may come to the municipality, where the staff member of the municipality, named below, will assist that person to transcribe that person’s comments or representations, during office hours.
3. Comments and supporting documents may be placed in a sealed envelope and externally endorsed with "THE CONTRACT NUMBER AND DESCRIPTION", and be deposited in the Tender Box, at the office of the Knysna Municipality, Supply Chain Management Unit, Clyde Street, Knysna, or by post, addressed to: The Municipal Manager, Knysna Municipality, P. O Box 21, Knysna, 6570, not later than the closing date and time.

CLOSING DATE: 15 September 2017  
AT THE TIME: NO LATER THAN 10H00  

ANY ENQUIRIES REGARDING TECHNICAL INFORMATION MAY BE DIRECTED TO:  
Section: Financial Services  
Contact Person: Mr M. Memani  
Tel: E-mail enquiries only  
Email: cfo@knysna.gov.za  
Authorised by: Mr K Chetty  

ANY ENQUIRIES REGARDING THE COMMENT PROCEDURE MAY BE DIRECTED TO:  
Section: Supply Chain Management  
Contact Person: Fredri Kruger  
Tel: E-mail enquiries only  
Email: fkruger@knysna.gov.za
SUPPLY CHAIN MANAGEMENT PROCESS FLOW
EXTENSION, AMENDMENT or VARIATION of CONTRACTS in terms of SCM POLICY, SECTION 22.15

Step 1: Verify whether the Contract is still active & establish the value of the Extension / Amendment / Variation

Step 2: Compare the value of the amendment against the value of the contract and the projected value for future contracts
- If up to 15% of value of contract, follow MM Process
- If construction-related projects, threshold of up to 20%, follow MM Process
- If more than 15% or 20%, follow SCM Policy, Section 52(3) process, as below

Step 3: Confirm Potential Extension of Contract by Service Provider or Supplier in Writing

Step 4: Register potential amendment with SCM and solicit SCM comment

Step 5: Draft a Council Report under the hand of the Contract Owner (Head of Department) providing reasons for and motivating the extension
- Report must allow for comments and recommendations from the Public & HOD's
- SCM also available to review and recommend

Step 6: Submit for review, and recommendation as above

Step 7: Submit extension report to Council

Step 8: Issue Notice to Public to Comment for at least 2 weeks
- SCM will assist
REPORT FROM THE DIRECTOR : FINANCIAL SERVICES

PURPOSE OF THE REPORT

For Council to consider and approve an adjustments budget in terms of section 28(2) of the Municipal Finance Management Act (MFMA), Section 29(1) of the Municipal Finance Management Act (MFMA).

Council to further consider and approve the unforeseen and unavoidable expenditure that have been authorised by the Mayor due to disaster emergency or other exceptional circumstances for which no provision was made in an approved budget.

BACKGROUND

Section 29(1) of the Municipal Finance Management Act (MFMA) provides that; The Mayor of the Municipality may in an emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

DISCUSSION

n/a

FINANCIAL IMPLICATIONS

The financial implications of the adjustments budget are contained in the Adjustments MTREF 2016/2017 document attached.

RELEVANT LEGISLATION

Municipal Finance Management Act and Government Gazette 32141: Municipal Budget and Reporting Regulations Section 28 of the MFMA read together with section 23 of the Municipal Budget and Reporting Regulations (MBRR) sets out the criteria, timeframes and other prescriptions for when a municipality may revise an approved annual budget through an adjustments budget.

RECOMMENDATION FROM THE MUNICIPAL MANAGER

[a] That the adjusted budget of Knysna Municipality for the financial year 2016/2017, as set-out in the schedules contained in Section 4, be approved:

[i] Table B2: Adjustments Budget Financial Performance (expenditure by standard classification);
[ii] Table B3: Adjustments Budget Financial Performance (expenditure by municipal vote);

[iii] Table B4: Adjustments Budget Financial Performance (revenue by source);

[iv] Table B5: Adjustments Budget Capital Expenditure for both multi-year and single year by vote, standard classification and funding;

[b] That the Council must approve an adjustment budget in terms of Section 28(2) of the Municipal Finance Management Act as listed below:

[i] must adjust the revenue and expenditure estimates downward if there is material under collection of revenue during the current year;

[ii] may, within a prescribed framework, authorise unforeseeable and Unavoidable expenditure recommended by the mayor of the municipality;

[iii] may authorise the utilisation of projected savings in one vote towards spending under another vote;

[iv] may correct any errors in the annual budget; “A municipality may revise an approved annual budget through an adjustments budget.”;

[v] may provide for any other expenditure within a prescribed framework.

**APPENDIX / ADDENDUM**

The following annexures to be circulated under separate cover in due course:

Adjustments MTREF 2016/2017
Appendix 1 – Main Budget Tables
Appendix 2 – Supporting Budget Tables
Capital Report - 2016/2017
6. Closure

-oOo-