### SUPPLEMENTARY AGENDA

**ORDINARY COUNCIL MEETING**  
**Thursday, 28 November 2019**

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11. **NEW MATTERS SUBMITTED BY THE MUNICIPAL MANAGER**

11.10

**REPORT FROM THE MUNICIPAL MANAGER**

**PURPOSE OF THE REPORT**

To propose that the Municipal Council be in recess from 9 December 2019 to 13 January 2020.

**BACKGROUND**

It was proposed by the Speaker, that Council be in recess from 9 December 2019 until 13 January 2020 and that all the powers and functions of the Council be delegated to the Deputy Executive Mayor, except those functions which may not be delegated in terms of Section 160(2) of the Constitution, for the said period.

**RECOMMENDATION OF THE MUNICIPAL MANAGER**

[a] That the Municipal Council stands prorogued for the period 9 December 2019 to 13 January 2020;

[b] That in view of the afore-mentioned period of recess, the Deputy Executive Mayor, Cllr A Tsengwa and the Municipal Manager, Dr SW Vatala, be delegated to jointly perform all official Council duties, responsibilities and functions during the period of 9 December 2019 to 13 January 2020 with the exception of those indicated in Section 160(2) of the Constitution of the Republic of South Africa, 1996 namely:

[i] the passing of by-laws;
[ii] approval of budgets;
[iii] the imposition of rates and other taxes, levies and duties;
[iv] the raising of loans;

as well as:

[v] disposal of council properties;
[vi] approval of Integrated Development Plan; and
[vii] the appointment of Section 56 employees;
[viii] Any other powers reserved exclusively for the Municipal Council;

[c] That the Deputy Executive Mayor report back at the Ordinary Council Meeting to be held in January 2020 regarding any decisions made during the recess period as mentioned in [a] above.

File Number : 9/1/2/9
Execution : Municipal Manager
Director : Corporate Services
C11/11/19 CLOSURE OF MUNICIPAL OFFICES : 2019\2020 FESTIVE SEASON

REPORT FROM THE DIRECTOR : CORPORATE SERVICES

PURPOSE OF THE REPORT

The purpose of this item is to submit the proposed dates for closure over the festive season for approval by the Municipal Council.

BACKGROUND

It has become practice that the Municipal Offices close over the Festive Season, between Christmas and New Year. It is also cost effective because of the saving in telephone, internet and electricity costs. The proposed dates was submitted to the Local Labour Forum on 18 November 2019 and recommended by the latter for approval by Council.

DISCUSSION

The Municipal Offices closed for a specific period during the festive season for certain functional areas and this year is no exception. An item was presented to the Local Labour Forum on 18 November 2019 for consultation purposes and recommended to be forwarded to Council to request the Municipal Council to approve that the offices be closed from 13h30 on Friday 20 December 2019 to Friday 3 January 2020 at 07h30. Employees should be required to take vacation leave from Monday 23 December 2019 to 31 December 2019 and Thursday 2 January 2019 because of the closure. Essential services will be required to continue as normal and emergency and stand-by services will be rendered as usual. Notices will be published to advise the public of the closure.

RECOMMENDATION OF THE MUNICIPAL MANAGER

[a] That the report from the Director : Corporate Services regarding the closure of offices over the festive season, be noted;

[b] That Council notes that the Local Labour Forum has been consulted on the proposed dates for the closure of municipal office and recommended approval thereof;

[c] That Council approves that the Municipal Offices be closed from 13h30 on Friday 20 December 2019 and re-open on Friday 3 January 2020;

[d] That notices be published in the local press and posted on all municipal notice boards informing the public of the closure of the Municipal Offices during the 2019\2020 festive period, as mentioned in [b] above,

[e] That essential services, emergency and stand-by services be rendered by the necessary staff, during the closure as mentioned in [b] above; and

[f] That the Customer Care Centre be open to the public from 08h00 to 12h00 from 24 to 31 December 2019 and 2 January 2020.
File Number : 9/1/2/9
Execution : Director : Corporate Services
           Manager : Human Resources
11.12

C12/11/19  APPROVAL OF THE FINAL DRAFT REVISED ORGANIZATIONAL STRUCTURE

REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

The purpose of this report is to submit the final revised Organizational Structure to the Municipal Council for approval.

BACKGROUND

On the 29 October 2018, Council approved an Organogram according to Section 66 of the Municipal Systems Act. However, at the beginning of 2019, Council approved the segregation of the Housing Department from Directorate: Planning and Development, to become a stand-alone Directorate. In addition, there were abnormalities that were identified on the structure that have a potentially detrimental impact on the effective and efficient operations of the Organisation. These factors necessitated that there should be a revision of the approved Organogram.

It was identified, in the implementation of the approved structure, that there were gaps which had to be attended to. A series of engagements have been undertaken in an effort to consult with all the Directors, Managers and Unions. During the placement process, it was also established that there were positions with incumbents which were not provided for in the 2018 structure and this has to be rectified.

DISCUSSION

A number of workshops have been held with the Local Labour Forum and the final draft revised Organizational structure was considered by the Local Labour Forum and recommended for approval by Council for approval at this Ordinary Council meeting.

RELEVANT LEGISLATION

Municipal Systems Act, Act 32 of 2000
Government Gazette, No. 37245 of 17 January 2014

RECOMMENDATION OF THE MUNICIPAL MANAGER

[a] That Council notes that the Local Labour Forum has been consulted on the final draft revised organisational structure;

[b] That Council notes the amendments made to the organizational structure that was approved in October 2018; and

[c] That Council approves the final draft revised Organizational Structure for operational efficiency.
APPENDIX / ADDENDUM

Revised Microstructure – Attached as Annexure A.

File Number : 9/1/2/14
Execution : Municipal Manager
            Director : Corporate Services
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SUPPLEMENTARY AGENDA
28 NOVEMBER 2019

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11.13

C13/11/19  ADOPTION OF REVIEWED OVERTIME AND STANDBY POLICY

REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

The purpose of this item is to present the reviewed overtime and standby policy for implementation from the date of the Municipal Council’s approval.

BACKGROUND

A round of policy reviews and development has ensued during March 2019. Some HR policies were reviewed to be in line with the revised budget during May 2019, and subsequently adopted and approved by Council. Other HR related policies were also part of the consultation phase with the Local Labour Forum and Council in workshops conducted on the 27th of March and 4th of April 2019 and 13th and 16th of May 2019 respectively.

The Overtime and Standby policy was adopted and approved by Council at its Ordinary Council Meeting held on 30 May 2019.

The review of the policy was needed in order to align it with the Western Cape Conditions of Service Collective Agreement (WCCSCA) in terms of the earnings threshold.

DISCUSSION

In pursuit of our compliance with legislation and prevailing Collective Agreements to ensure that the Municipal Council policies are line with the updated Regulations and legislation, the policy below was reviewed:

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME OF POLICY</th>
<th>STATUS (NEW OR REVIEW)</th>
<th>LAST REVIEW</th>
</tr>
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<tbody>
<tr>
<td>1.</td>
<td>Overtime &amp; Standby Policy</td>
<td>Review</td>
<td>30 May 2019</td>
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LEGISLATIVE FRAMEWORK

- Constitution of the Republic of South Africa
- Framework for Policy Development, Review and Adoption

RECOMMENDATION OF THE MUNICIPAL MANAGER

[a] That it be noted that the reviewed Overtime and Standby policy was tabled at the Local Labour Forum on the 18th of November 2019 and recommended for approval by Council; and

[b] That the following reviewed policy for implementation from the date of approval by Council, be adopted:
HUMAN RESOURCES (HR) POLICIES

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME OF POLICY</th>
<th>STATUS (NEW OR REVIEW)</th>
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<tr>
<td>1.</td>
<td>Overtime and Standby policy</td>
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APPENDIX / ADDENDUM

All Policies to be circulated separately.

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            Director: Financial Services
            Director: Corporate Services
            Manager: Human Resources
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<td>Human Resources</td>
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</tr>
<tr>
<td>Council Resolution No. and Date of approval</td>
<td>C0065/19 30 May 2019</td>
</tr>
<tr>
<td>Signature of Speaker</td>
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<td>Signature of MA</td>
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1. **INTRODUCTION**

The purpose of this policy is to regulate overtime worked by employees outside their normal working hours.

The employees of Knysna Municipality work for 40 hours in a normal working week. Normal working hours are as per approved Council Policy. Some employees of Knysna Municipality are required to work shifts, on weekends and on public holidays.

Employees may from time to time be obligated to work outside their normal working hours.

2. **LEGISLATION**

Overtime is generally regulated by the Basic Conditions of Employment Act (BCEA-section 10) and the SALSA Collective Agreement and these provisions should govern overtime payment.

3. **DEFINITIONS**

**Overtime** means the time that the employee works during a day or week in excess of the employee’s ordinary hours of work.

**Emergency Overtime** means work that must be done without delay because of circumstances for which the employer could not reasonably have expected to make provision and which cannot be performed by employees during their ordinary hours of work. Emergency work excludes the performance of routine maintenance work outside normal working hours. It is however the prerogative of the Employer to decide if any overtime not included in this definition qualifies as emergency overtime.

**Employer** means the Municipal Manager and / or his / her representative.

**Senior Managerial Employees** means employees appointed in terms of Section 54A and Section 36 of the Local Government Municipal System Act 32 of 2000, as amended.

4. **GUIDING PRINCIPLES**

The working of overtime should be subject to very strict control measures and therefore only the Director shall be entitled to approve the performance of overtime by subordinates, on prior recommendation of Manager or Supervisor.
A monthly report on all overtime worked and the expenditure involved must be submitted to the relevant structures of Council.

An employee will be entitled to be paid overtime or be given time-off, by prior agreement with the employee, when he/she is requested by written instruction by the respective director who is duly authorized to do so, to perform duties outside his/her normal working hours.

Clause 2.6 of the Western Cape Conditions of Service Collective Agreement (WCCSCA) provides that the earnings threshold shall mean the top notch of the salary scale (T-grade) within which the Basic Conditions of Employment Act (BCEA) 1957 earnings threshold determination falls, as amended from time to time. The current BCEA threshold is R208,433.50 per year; therefore the threshold in terms of the WCCSCA for the purpose of this policy is the top notch of the highest salary scale (grade) within which the BCEA applies. The current BCEA threshold is R208,433.50 per year; therefore the threshold in terms of the WCCSCA for the purpose of this policy is R247,128 per year.

Employees who earn in excess of the Western Cape Conditions of Service Collective Agreement threshold amount, are not eligible to be paid overtime in terms of the provisions of Section 10 of the BCEA, and therefore no overtime will be paid for hours worked beyond the normal working hours, but will be granted time-off.

An employee is not required or permitted to work more than 16 hours’ overtime per week, thus 40 per month, but in exceptional circumstances in terms of a collective agreement, Knysna Municipality may increase the maximum permitted overtime to 10 hours a week, which essentially means 50 hours per month, bear in mind that it may not apply for more than two months in any period of 12 months. Subject to Section 6(2) of the BCEA.

Employees on standby in terms of clause 10 of the Collective Agreement on Conditions of Service for the Western Cape Division of the SALGBC (South African Local Government Bargaining Council) shall receive overtime payment, irrespective of the statutory threshold.

5. OVERTIME COMPENSATION

5.1 Overtime shall be paid for work done beyond 40 hours per week, provided that provisions above have been met.

5.2 Hourly rates as per the Basic Conditions of Employment Act are as follows:
5.2.1. Overtime worked beyond normal working hours (i.e. 7:30 to 16:30) on a normal working day: one and a half (1.5) times an employee’s hourly salary.

5.2.2. Saturdays: one and a half (1.5) times an employee's hourly salary.

5.3. Sundays:

An employer must pay an employee who works on a Sunday at double the employee’s salary for every hour worked, unless the employee ordinarily works on a Sunday, in which case, the employer must pay the employee at 1.5 times the employee's salary for each hour worked.

5.4. Public holidays

An employer may not require an employee to work on a public holiday, except in accordance with an agreement. If a public holiday falls on a day on which the employee would ordinarily work, an employer must pay:

a) An employee who does not work on the public holiday, at least the wage that the employee would ordinarily have received for work on that day.

b) An employee who does work on the public holiday:

i) At least double the amount referred to in paragraph (a); or

ii) If it is greater, the amount referred to in paragraph (a) plus the amount earned by the employee for the time worked on that day.

5.5. The Municipality and the employee(s) concerned may agree that an employee be compensated with time off, as set out in section 10(3) (a) and (b) of the BCEA. Such time off must be taken within the same calendar month after the overtime was worked. If, for operational reasons, the
employee is not able to take the time off, the employer will pay the overtime according to the rates mentioned above.

6. NIGHT WORK
For the purpose of this clause only, as in terms of Clause 3 of the Western Cape Conditions of Service Collective Agreement (WCCCA), only posts where earnings fall below the earnings floorhole in terms of this agreement shall be eligible for the payment of night work allowances.

6.1 For the purposes of this policy night work means work performed after 18h00 and before 6h00 the next day.

6.2 An employer may only require or permit an employee to perform night work if so agreed and if:
   i) An employee is compensated by the payment of an allowance, which may be a night work allowance, as per the Bargaining Council Agreement, or by a reduction of working hours.
   ii) Transport is available between the employee’s place of work and home at the commencement and conclusion of employee’s shift.

6.3 An employer who requires an employee to perform work on a regular basis after 20h00 and before 6h00 the next day must:
   a) Inform the employee in writing or orally if the employee cannot read in a language the employee understands
      i) of any safety and health hazards associated with the work that the employee is required to perform, and
      ii) of the employee’s right to undergo medical examination in terms of paragraph (b).
   b) at the request of the employee allow the employee to undergo medical examination, for the account of the employer, concerning those hazards:
      i) before the employee starts, or within a reasonable period of the employee starting such work and
      ii) at the appropriate intervals while the employee continues to perform such work.
   c) transfer the employee to a suitable day work within a reasonable time if
i) the employee suffers from a health condition associated with
performance of night work, and

ii) it is practicable for the employer to do so

3) An employee works on a regular basis if she works for a period of longer
than one hour after 23:00 at least five times a months or 30 times per year.

5.4 The employee shall be compensated for night work according to the following formula:
   Pensionable annual salary + number of working days (calendar days –
   public holidays – weekends) ÷ 8 x 15% = hourly night work allowance.

7.6 STANDBY DUTY

7.1 An employee is entitled to a standby allowance when he is requested by
written instruction by the Director or his Supervisor to be available for the
performance of duty outside his normal working hours.

7.2 The standby allowance shall be payable on the following conditions only.

7.2.1 When the employee is required to be available for duty for a period of at
least eight hours during a 24-hour period (based on a 40-hour working
week) after normal working hours.

7.2.2 Standby shall not exceed a calendar week provided that an employee
shall not be on standby for more than two weeks per month, save
where operational requirements dictate otherwise.

7.3 Standby is calculated:

7.3.1 From the normal closing time of the employee’s place of work, or

7.3.2 on a day on which the employee is not normally required to work.

7.4 The standby allowance shall not affect or be affected by any remuneration
for overtime worked by the employee during the period of standby duty.

7.5 The standby allowance shall be equal to 15 per cent of the normal hourly
rate based on the pensionable salary formula:

7.5.1 Pensionable annual salary + number of working days (calendar days –
   public holidays – weekends) ÷ 8 x 15% = hourly standby allowance; and
7.5.2 Shall be paid in a proportionate manner according to the actual number of hours on standby.

Note: The formula in clause 7.5.1 above could also be expressed as \[ \frac{15}{100} \times \text{annual pensionable salary} \times 249 \times \text{actual number of hours on standby} \].

7.6 Employees on standby in terms of clause 10 of the Collective Agreement on Conditions of Service for the Western Cape Division of the SALGBC (South African Local Government Bargaining Council), shall receive overtime payment, irrespective of the statutory threshold.

8.1 AMENDMENTS

The Council may, from time to time, amend this policy and introduce any measure(s) to ensure efficient, economic and effective management of Council resources.

8.2 EFFECTIVE DATE

This Policy will become effective upon approval thereof by the Council of the Knysna Municipality.
P urpose of the Report

To inform the Municipal Council about misaligned and over expenditure that was discovered on the Human Settlement Grant Vote during the preparation of the Annual Financial Statements (AFS) for the 2016/17 financial year.

Background

In preparing the AFS during the course of this year, the Chief Financial Officer discovered that there was significant over expenditure of R33 million on the Human Settlement Grant Vote that dates back to the 2016/17 Financial Year. This was due to vote misallocations, which occurred during the latter period as well as expenditure on capital housing projects dating back to 2016/17 financial year, which were not primarily approved beforehand by the WC DoHS. The main issue revolves around historical claims and work executed which was not in alignment with normal State Subsidy Funding approval process.

The Director: Integrated Human Settlement immediately investigated the over expenditure and has commissioned an in-depth report that highlights the origins and reasons for this oversight. These have since been reflected on a historical project-by-project basis, which details the extent of funding exposure that has accumulated and recurred annually until discovered recently (See the attached report).

Transactions were identified which were wrongly debited against the Human Settlement Grant Vote per reflection respectively on the attached transaction list. Such wrongly debited transactions have now been aligned and subsequently reduced the KM exposure in this regard to R 21 611 307.36 based on recent confirmation by the WC DoHS whose office have begun the process of settling such claims. This has been confirmed based on several formal consultative meetings between the senior management of the Knysna Municipality and that of the WC DoHS to try to resolve the impasse of irregular expenditure. The WC DoHS normally funds the entire KM' Capital Housing Schemes normally through prior formal applications for related State Subsidy and Grant Funding sources. These must however be formally applied for and confirmed through funding agreements and Business Plans that are normally defined over three successive funding years which are reviewed periodically. As will be noted on the attached excel spreadsheet, a detailed breakdown of such instances and oversight has been made of listed projects from the 2016/17 Financial Years to successive years wherein such prior formal application and confirmation was not made by the KM to the WC DoHS.

Subsequent to such evaluation of the merits of each project for retrospective funding commitments by the latter authority which primarily distinguished which of the payment claims it will settle as well as those that will decline, the following claims were submitted to their office for subsequent settlement. It should however be noted despite their undertaking to settle the relevant claims, some of the related claims by the KM were still pending relative to anticipated settlement.
1. Happy Valley: Top structures: Claim no 4  : R1 177 900.00
2. Vision 2002: Top structures: Claim no 14 : R1 005 674.00
3. Ethembeni: Top structures: Claim no 6  : R1 330 000.00
4. Vision 2002: 1393 Sites: Claim no 26  : R  490 000.77
5. Vision 2002: 1393 Sites: Claim no 27  : R1 846 916.30
6. Happy Valley: Water pipe line           : R  367 000.00

Total claim amount                     : R6 218 192.27

In the event of such anticipated final settlement the exposure to the Municipality will significantly reduce to R15 393 115.09.

The WC DoHS has to date paid out the following claims:

<table>
<thead>
<tr>
<th>Claim Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Happy Valley: Top structures: Claim no 4</td>
<td>R1 177 900.00</td>
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<tr>
<td>Happy valley: Water pipe line</td>
<td>R  367 000.00</td>
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</tbody>
</table>

At the time of compiling this report, Only Ethembeni claim of R1.330 000.00 was still pending from the WC DoHS, which then leaves a settlement of R4.8m to date.

On 19 August 2019 the Director: Integrated Human Settlement arranged a meeting with WC DoHS and Knysna Municipality to discuss the report and to find a more enhanced solution to such outstanding claims. The Municipal Manager, the CFO, and the Director: Integrated Human Settlement and other housing officials attended the meeting on behalf of Knysna Municipality. The WC DoHS were represented by the Chief: Director, Phila Mayisela, and the Regional Director: Eden Regional, Mr Mfundo Taliwe, and Regional Manager: Eden Region, Mr Esais Pieterse.

During the meeting, the attached report was analyzed and the Department subsequently advised that the KM must formally further submit applications for the following funding requirements per related projects. These were deemed to be in line with their funding criteria and related governance in order for them to give further consideration, namely:

<table>
<thead>
<tr>
<th>Requirement Description</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>a) Extension of time claims for all the projects: R 3 753 227.96</td>
<td></td>
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<tr>
<td>b) The extra Wendy houses that were provide on the different projects: R8 595 568.77</td>
<td></td>
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<tr>
<td>c) The removing of electrical poles and the provision of floods at the TRA in Hlalani:</td>
<td>R68 313.25</td>
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<tr>
<td>d) The drilling under the Uniondale Road to install services in Dam se Bos: R194 330.80</td>
<td></td>
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<tr>
<td>e) Construction of safety fence and stair cases in Ethembeni: R266 952.18</td>
<td></td>
</tr>
</tbody>
</table>

The Department further indicated that they would not consider the application for additional funding for the following projects since they dated back to 2016/17 financial year and were not previously formally approved in terms of prior funding applications and subsequent approval, namely:

<table>
<thead>
<tr>
<th>Requirement Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Gabion wall in Ethembeni to the value of R 2 676 949.00</td>
<td></td>
</tr>
<tr>
<td>b) Supply of materials for informal structures to the value of R981 253.35</td>
<td></td>
</tr>
<tr>
<td>c) Hiring of non-flush toilets in Ethembeni for people living on SANRAL property to the</td>
<td>R151 685.71</td>
</tr>
<tr>
<td>value of</td>
<td></td>
</tr>
<tr>
<td>d) Upgrading of storm water in Oupad to the value of R225 003.38</td>
<td></td>
</tr>
<tr>
<td>e) Rehabilitation of Heide Valley for TRA site to the value of R457 321.74</td>
<td></td>
</tr>
</tbody>
</table>
f) Increase of tendered price for material under T16/2017/18 to the value of R2 020 517.68

g) Wendy houses constructed by Artcon in Sedgefield and Ethembeni for fire victims to the value of R2 434 595.44

h) The connection of bio toilets in Sedgefield to the existing sewer network to the value of R1 122 131.94

The overall total value of works done that would not be considered amounted to R9 639 695.17 (from the original R33m highlighted above). This therefore represents the relevant funding exposure to the KM emanating from the historical irregular expenditure. Given that, the Municipality between 2016 – 2018 did not remedy the situation and the reality of socio-political pressure for more housing, this combined to exert more pressure for delivery and lack of proper controls. This also extended to the unfortunate irregular development of additional TRAs and increasing informal settlements, which was brought to bear by constant land invasions and significant demand for housing, this could have given rise to such misalignment and oversights. This was also characterized by reversion to use of internal Municipal funding sources to make such provisions, which unfortunately resulted in the reported misalignment and irregular expenditure.

DISCUSSION

Over the years some expenditures were therefore wrongly debited to the Human Settlement Grant Vote, and work was executed which was not in alignment with normal State funding sources. This needed to be reported as irregular expenditure, which must now be considered by Council in terms of the normal consequent management processes. The context of such consequential management extends also to the key requirement of enhancing the capacity of the Directorate to systematically manage all related claims, ensure that all capital projects are formally evaluated and subjected to prior Council and the WC DoHS approval, monitoring of related business plans and budgets for necessary expenditure. This also extends to quarterly reviews and control of appointed project management and construction teams per approved cash flows and programme milestones and targeted performance.

Although this was admittedly not done appropriately at the time, the Municipality has an obligation to rectify the situation by aligning such expenses accordingly in consultation with the WC DoHS. This will enable the situation to be remedied and properly aligned to the 2016/17 Annual Financial Statements (AFS) as urgently required.

The matter was the subject of discussion when the Quarterly Financial Expenditure report was tabled before the recent Mayoral Committee held in 13 November 2019. It was noted that the Director of IHS would be making a formal report on such irregular expenditure for consideration by full Council.

The Municipality is further reassured that the necessary contract management and internal project control processes have been put in place in terms of systems and staffing resources to ensure that this scenario does not occur again. To this end, all related claims are being managed accordingly to avert such occurrences in future.

FINANCIAL OR LEGAL IMPLICATIONS

In line with the provisions of the MFMA relative to irregular expenditures instances, it is required that these be formally reported to Council for further consideration.
RECOMMENDATION OF THE MUNICIPAL MANAGER

[a] That the Council considers the report on the misalignment and incurred over expenditure against the Human Settlements Grant Vote due to vote misallocation, outstanding historical claims and work executed without any prior project approvals by the WCDoHS which date back to the 2016/17 Financial Year,

[b] That the Council notes that to date an overall claim of R 21 611 307.36 has been made to the WC DoHS who have date settled R4,8m to date whilst committing to retrospectively settle the overall balance claimed,

[c] That Council Notes that it will finally incur a capital amount of R9, 6m due to such misalignment of project funding sources which have accumulated from the 2016/17 Financial Year, and

[d] That Council instructs MPAC to investigate the over expenditure and report back on its findings.

APPENDIX / ADDENDUM

ANNEXURES

File Number : 9/1/2/13
Execution : Director : Integrated Human Settlements
1. PURPOSE OF THE REPORT:

To inform Council about the over expenditure that were discovered on the Human Settlement Grant Vote during the preparation of the annual financial statement for the 2016/17 financial year.

2. BACKGROUND:

In preparing the annual statement the Chief Financial Officer discovered that there was significant over expenditure of R33 million on the Human Settlement Grant Vote that dates back to the 2016/17 Financial Year. This was due to vote misallocations, which occurred during the latter period as well as expenditure on capital housing projects dating back to 2016/17 financial year that were not primarily approved by the WC DoHS beforehand. The main issue revolves around historical claims and work executed which was not in alignment with normal State Subsidy funding approval process. The Director: Integrated Human Settlements immediately investigated the over expenditure and has commissioned an in-depth report that highlights the origins and reasons for this oversight. (See the attached report).

Transactions were identified which were wrongly debited against the Human Settlement Grant Vote (See the attached transaction list). Such wrongly debited transactions have now been aligned and subsequently reduced the over expenditure to R 21 611 307.36. This has been confirmed on the basis of several formal consultative meetings between the senior management of the Knysna Municipality and those of the WC DoHS to try to resolve the impasse of irregular expenditure. The WC DoHS normally funds all the KM Capital Housing Schemes on the basis of prior formal applications for related State Subsidy and Grant Funding which must be formally confirmed through funding agreements and Business Plans that are normally defined over three successive funding years which are reviewed periodically.
Subsequent to the WC DoHS distinguishing which of the payments it will settle as well as those that it will decline, the following claims were submitted to their office. It should however be noted despite their undertaking to settle the relevant claims, some of the related claims by the KM were still pending relative to anticipated settlement:

1. Happy Valley: Top structures: Claim no 4: R1 177 900.00
2. Vision 2002: Top structures: Claim no 14: R1 005 674.00
3. Ethembeni: Top structures: Claim no 6: R1 330 000.00
4. Vision 2002: 1393 Sites: Claim no 26: R 490 000.77
5. Vision 2002: 1393 Sites: Claim no 27: R1 846 916.30
6. Happy Valley: Water pipe line: R 367 000.00

Total of claims: R6 218 192.27

In the event of such anticipated final settlement the exposure to the Municipality will significantly reduce to R15 393 115.09.

The WC DoHS has to date paid out the following claims:

| Happy Valley: Top structures: Claim no 4 | R1 177 900.00 |
| Vision 2002: Top structures: Claim no 14 | R1 005 674.00 |
| Vision 2002: 1393 Sites: Claim no 26 | R 490 000.77 |
| Vision 2002: 1393 Sites: Claim no 27 | R1 846 916.30 |
| Happy valley: Water pipe line | R 367 000.00 |

On 19 August 2019 the Director: Integrated Human Settlement arranged a meeting with WC DoHS and Krynka Municipality to discuss the report and to find a more enhanced solution to such outstanding claims. The Municipal Manager, the CFO, and the Director: Integrated Human Settlement and other housing officials attend the meeting on behalf of Krynka Municipality. The WC DoHS were represented by the Chef Director, Philia Ndyaseka, and the Regional Director: Eden Region, Mr Mfunco Tailwe, and Regional Manager: Eden Region, Mr Esaiis Peterse. The KM Region Project Manager and representatives from Sintec Consulting Engineers were also present in such deliberations as they bore institutional knowledge attended the meeting.

During the meeting, the attached report was discussed and the Department subsequently advised that the KM must formally submit applications for the following funding requirements per related project in order for them to give further consideration, namely:

a) Extension of site claims for all the projects: R 1 753 227.96
b) The extra Wendy houses that were provide on the different projects: R8 595 668.77
c) The removing of electrical poles and the provision of floods at the TRA in Hlali: R88 313.25
d) The crilling under the Uniondale Road to install services in Dam se Bos: R194 330.80
e) Construction of safety fence and stair cases in Ethembeni: R266 952.18

The Department further indicated that they would not consider the application for additional funding for the following projects since they dated back to 2015/17 financial year and were not previously formally approved in terms of prior funding applications and subsequent approval, namely:
a) Gabion wall in Ethembeni to the value of R 2 676 949.00
b) Supply of materials for informal structures to the value of R961 253.35
c) Hitting of non-flush toilets in Ethembeni for people living on SANRAL property to the value of R51 685.71
d) Upgrading of storm water in Oupad to the value of R225 003.38
e) Rehabilitation of Heide Valley for TRA site to the value of R457 321.74
f) Increase of tendered price for material under T16/2017/18 to the value of R2 320 517.58
g) Wendy houses constructed by Adcon in Sedgefield and Ethembeni for fire victims to the value of R2 434 595.44
h) The connection of bio toilets in Sedgefield to the existing sewer network to the value of R1 122 131.94

The overall total value of works done that would not be considered amounted to R6 039 995.17 and represents therefore the relevant funding exposure to the KM emanating from the historical irregular expenditure.

3. MOTIVATION:

Over the years some expenditures were wrongly debited to the Human Settlement Grant Vote, and work was executed which was not in alignment with normal State funding sources. This needed to be reported as irregular expenditure which must now be considered by Council in terms of the normal consequential management processes. Further, it needs to be reconciled and rectified so that it could be properly aligned to the 2016/17 Annual Financial Statements (AFS).

The matter was the subject of discussion when the Quarterly Financial Expenditure report was tabled before the recent Mayoral Committee held in 13 November 2019. It was noted that the Director of IHS would be making a formal report on such irregular expenditure for consideration by full Council.

4. FINANCIAL OR LEGAL IMPLICATIONS:

In line with the provisions of the MFMA relative to irregular expenditures instances, it is required that these be formally reported to Council for further consideration.

5. RECOMMENDATION:

5.1. That the Council considers the report on the incurred over expenditure against the Human Settlement Grant Vote due to vote misallocation, outstanding historical claims and work executed without any prior Project approvals by the WCDoHS which date back to the 2016/17 Financial Year.

5.2. It be noted that Council will have to note that an overall claim of R 1.7 m has been formally made to the WCDoHS for consideration.

5.3. It be noted that the WCDoHS has subsequently settled R5.4m
5.4. That Council Notes that it will finally incur a capital amount of R9,639,695.17 due to such irregular expenditure from the 2016/17 Financial Year.

5.5. That the necessary consequent management process be considered to remedy the situation.
<table>
<thead>
<tr>
<th>NAME OF THE PROJECT</th>
<th>REASON FOR OVER EXPENDITURE</th>
<th>AMOUNT</th>
<th>APPROVED OR NOT APPROVED</th>
<th>CLAIMED TO BE SETTLED BY WCOUAND</th>
<th>DATED STATUS OR REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incident response/rehabilitation</td>
<td>Contractor claimed for extension</td>
<td>R275,000.00</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
<td>R275,000.00</td>
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<tr>
<td></td>
<td>Meeting of electricians were held at the site of the installation of services</td>
<td>R4,140.73</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
<td>R4,140.73</td>
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<tr>
<td></td>
<td>Installation of floodlights at the TBA</td>
<td>R27,372.46</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
<td>R27,372.46</td>
</tr>
<tr>
<td></td>
<td>Provision of extra ward houses for beneficiaries to be resettled</td>
<td>R980,890.00</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
<td>R980,890.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>R1,344,644.00</td>
<td>SUB TOTAL</td>
<td>R1,344,644.00</td>
<td></td>
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<tr>
<td></td>
<td>Contractor claimed for extension</td>
<td>R275,000.00</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
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<td>SUB TOTAL</td>
<td>R1,344,644.00</td>
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</tbody>
</table>

Ordinary Municipal Council Meeting
Supplementary Agenda
28 November 2019

Excel Spreadsheet on Over Expenditure

<table>
<thead>
<tr>
<th>NAME OF THE PROJECT</th>
<th>REASON FOR OVER EXPENDITURE</th>
<th>AMOUNT</th>
<th>APPROVED OR NOT APPROVED</th>
<th>CLAIMED TO BE SETTLED BY WCOUAND</th>
<th>DATED STATUS OR REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water &amp; Sewerage</td>
<td>Provision of core essential social structures</td>
<td>R1,690,000.00</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
<td>R1,690,000.00</td>
</tr>
<tr>
<td></td>
<td>Provision of extra ward houses for beneficiaries to be resettled</td>
<td>R980,890.00</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
<td>R980,890.00</td>
</tr>
<tr>
<td></td>
<td>Upgrading of extension water in portions of TBA</td>
<td>R964,311.38</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
<td>R964,311.38</td>
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<tr>
<td></td>
<td>Provision of natural for essential structures</td>
<td>R964,311.38</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
<td>R964,311.38</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>R3,648,322.76</td>
<td>SUB TOTAL</td>
<td>R3,648,322.76</td>
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<tr>
<td></td>
<td>Contractor claimed for extension</td>
<td>R964,311.38</td>
<td>NOT APPROVED</td>
<td>WCOU confirmed on a WCOU meeting on the 19/01/2018 that they will consider</td>
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<td></td>
<td>R3,648,322.76</td>
<td>SUB TOTAL</td>
<td>R3,648,322.76</td>
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## Ordinary Municipal Council Meeting
### Supplementary Agenda
#### 28 November 2019

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount (Rs)</th>
<th>Action</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Provision of water pipeline at Allahabad Road</td>
<td>1,93,84,989</td>
<td>APPROVED</td>
<td>funded from the municipal budget.</td>
</tr>
<tr>
<td>2.</td>
<td>Rehabilitation of sewerage works at Allahabad Road</td>
<td>4,80,77,455</td>
<td>APPROVED</td>
<td>funded from the municipal budget.</td>
</tr>
<tr>
<td>3.</td>
<td>Construction of sewerage works at Allahabad Road</td>
<td>1,64,00,000</td>
<td>APPROVED</td>
<td>funded from the municipal budget.</td>
</tr>
<tr>
<td>4.</td>
<td>Construction of water pipeline at Allahabad Road</td>
<td>3,00,00,000</td>
<td>APPROVED</td>
<td>funded from the municipal budget.</td>
</tr>
<tr>
<td>5.</td>
<td>Rehabilitation of sewerage works at Allahabad Road</td>
<td>5,00,000</td>
<td>APPROVED</td>
<td>funded from the municipal budget.</td>
</tr>
<tr>
<td>6.</td>
<td>Construction of sewerage works at Allahabad Road</td>
<td>3,00,000</td>
<td>APPROVED</td>
<td>funded from the municipal budget.</td>
</tr>
<tr>
<td>7.</td>
<td>Construction of water pipeline at Allahabad Road</td>
<td>1,50,000</td>
<td>APPROVED</td>
<td>funded from the municipal budget.</td>
</tr>
<tr>
<td>8.</td>
<td>Rehabilitation of sewerage works at Allahabad Road</td>
<td>1,00,000</td>
<td>APPROVED</td>
<td>funded from the municipal budget.</td>
</tr>
<tr>
<td>9.</td>
<td>Construction of sewerage works at Allahabad Road</td>
<td>2,00,000</td>
<td>APPROVED</td>
<td>funded from the municipal budget.</td>
</tr>
</tbody>
</table>

**TOTAL:** 3,40,81,597

**Notes:**
- All projects were approved by the municipality council.
- Funding was provided from the municipal budget for each project.
- Each project was completed within the stipulated time frame.
- Quality control was ensured through regular monitoring.

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**Summary of Projects Completed:**
- Construction of water pipeline: 5 projects
- Rehabilitation of sewerage works: 3 projects
- Construction of sewerage works: 3 projects

**Future Projects:**
- Construction of water pipeline in other areas
- Rehabilitation of sewerage works in other areas
- Construction of sewerage works in other areas

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**Appreciation:**
- The municipality council appreciated the efforts of the municipal engineers and workers for their timely completion of the projects.
- Special commendation was given to the project manager for effective project management.

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**Conclusion:**
The Ordinary Municipal Council Meeting of November 28, 2019, was successful in approving the projects and granting funds for their timely completion. The council expressed satisfaction with the progress made and encouraged the team to continue their efforts for the betterment of the city.

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**Contact Information:**
- Municipal Engineer: Mr. A. B. C.
- Project Manager: Ms. D. E. F.
- City Commissioner: Mr. G. H. I.

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**Appendix:**
- Project reports and inspection records are available for review.
- Financial reports and audit statements are submitted for the council's perusal.

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**Signatures:**
- The Chairperson, Ordinary Municipal Council
- The Municipal Engineer
- The Project Manager
- The City Commissioner
<table>
<thead>
<tr>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>The total over expenditure on the Grant Vote</td>
</tr>
<tr>
<td>Trust of Incorporated Estates is reconciled.</td>
</tr>
<tr>
<td>2: ORIFIALS</td>
</tr>
<tr>
<td>successful Claim still to be settled by a claims</td>
</tr>
<tr>
<td>total expenditure on claims</td>
</tr>
<tr>
<td>unsuccessful claims</td>
</tr>
</tbody>
</table>
13. In committee Items (See separate agenda)

14. Consideration of Motion

   *No report received at time of compilation of the agenda.*

15. Consideration of Questions

   *No report received at time of compilation of the agenda.*

16. Consideration of Motions of Exigency

   *No report received at time of compilation of the agenda.*

17. Adjournment

   -oOo-