Notice is hereby given, in terms of Section 19(b) of the Local Government: Municipal Systems Act, 32 of 2000 as amended, that a SPECIAL MEETING of the MUNICIPAL COUNCIL of Knysna Municipality will be held in the COUNCIL CHAMBER, Clyde Street, Knysna on WEDNESDAY, 26 FEBRUARY 2020 at 14:00 to consider the business set forth in the attached agenda.

Kennis geskied hiermee as gevolg van Artikel 19(b) van die Plaaslike Regering: Munisipale Stelsels Wet, 32 van 2000, dat 'n SPESIALE VERGADERING van die MUNISIPALE RAAD van Knysna Munisipaliteit in die RAADSAAL, Clydestraat, Knysna op WOENSDAG, 26 FEBRUARIE 2020 om 14:00 gehou sal word ten einde sake soos uiteengesit in die aangehegte agenda te oorweeg.

Ibhunga likaMASIPALA waseKnysna lazisa ngomthetho okwisolotya 19(b) wenqubo mgaqo olawula oMasisala, 32 of 2000, njengoko utshintshiwe, NGENTLANGANISO EKHETHEKILEYO yeBHUNGA likaMASIPALA waseKnysna eyakubanjelwa KWIGUMBI LEKHANSILE kwisitalato iClydee, Knysna lentlanganiso iyakuba NGOLWESITHATHU, NGOMHLA WE 26 EYOMDUMBA 2020 ngentsimbi ye 14:00 umba iyakuba lushishino oluchazwe kwi-agenda.

CLLR T GOMBO
The Speaker

DR M R GRATZ
Acting Municipal Manager

Die Speaker
Waarnemende Munisipale Bestuurder

Usomlomo
iBambela Mawejala Masipala

Date : 21 February 2020
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AGENDA

1. OPENING AND WELCOMING

2. SILENT PRAYER

3. ATTENDANCE OF MEMBERS
   3.1 COUNCILLORS PRESENT
   3.2 COUNCILLORS WITH LEAVE
   3.3 COUNCILLORS WITHOUT LEAVE


5. DISCLOSURE OF INTERESTS BY COUNCILLORS
6. **NEW MATTERS SUBMITTED BY THE ACTING MUNICIPAL MANAGER**

6.1

**REPORT FROM THE DIRECTOR: CORPORATE SERVICES**

**PURPOSE OF THE REPORT**

This report contains the recommendations of the Grant-in-Aid Ad Hoc Committee regarding the awarding of Grants-in-Aid for the 2019/20 Financial year for consideration by the Municipal Council.

**BACKGROUND**

The appointed Grant-in-Aid Ad Hoc Committee consist of:

- Deputy Executive Mayor – Chairperson
- Cllr Croutz - member
- Cllr Davis - member
- Cllr Uys - member

Notices inviting applications for Grants-in-Aid where placed end of July in the Municipal website and August 2019 in the local Press. A workshop and presentation session explanation the policy and other requirements was also held on 23 August 2019 where more than 40 prospective applicants were in attendance.

The said Committee met on 10 and 17 February 2020 to discuss and evaluate the applications received.

**DISCUSSION**

Every application received were duly evaluated by the Committee against the stipulations of the Grant-in-Aid Policy and the attached report contains the proposed award amounts for all qualifying applications.

An amount of R1,5m was budgeted for Ad Hoc grants to be awarded to qualifying applicants. The attached report only prosposed that R1,464 300.00 be awarded.

The Committee further resolved that the awarding of the remaining **R35 700.00** to deserving organisations be delegated to the Deputy Executive Mayor.

**RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER**


[b] That an amount of **R1,464 300.00** be awarded to the organisations as indicated in the Report of the Grant-in-Aid Ad Hoc Committee, attached to the Item; and
[c] That the Executive Mayor be delegated to award **R37 500.00** of the budgeted amount to deserving organisations before 30 June 2020.

**APPENDIX / ADDENDUM**


File Number: 9/1/1/1
Execution: Deputy Executive Mayor
 Director: Corporate Services
 Manager: Administration
 Chief Clerk: Administrative Services
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Special Municipal Council Meeting

Agenda

26 February 20\_\_\_

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<tr>
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<td>26 February</td>
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Meeting Location:

Location A

Meeting Purpose:

To discuss and approve the following items on the agenda:

- Item 1
- Item 2
- Item 3
- Item 4
- Item 5
- Item 6
- Item 7
- Item 8
- Item 9
- Item 10
- Item 11
- Item 12
- Item 13
- Item 14
- Item 15
- Item 16
- Item 17
- Item 18
- Item 19
- Item 20
- Item 21
- Item 22
- Item 23
- Item 24
- Item 25
- Item 26
- Item 27
- Item 28
- Item 29
- Item 30

Note: The meeting will be held in accordance with the local health guidelines and safety protocols.
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<td>Other Business</td>
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<td>SPECIAL MUNICIPAL COUNCIL MEETING</td>
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26 FEBRUARY 2020
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**Late Grant in Aid Application Detailed Report 2019/20**
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<tr>
<td>1</td>
<td>Provide opportunities for children from diverse backgrounds to explore the arts, dance, and expressive arts.</td>
<td>20,000</td>
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<td>Enhance the program through community engagement and collaboration with local organizations.</td>
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<td>3</td>
<td>Expand the program to include adult workshops and community outreach.</td>
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<td>4</td>
<td>Upgrade the facilities to accommodate larger groups.</td>
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<tr>
<td>5</td>
<td>Develop a marketing plan to increase community awareness.</td>
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**Total:** 35,000

**Budgeted:** 35,350

**Spent:** 1,464,300

**Remaining:** 35,760
6.2

SC02/02/2020

ADJUSTMENTS BUDGET FOR THE 2019-2020 MTREF

REPORT FROM THE DIRECTOR FINANCIAL SERVICES

The report with applicable annexures will be e-mailed to all Councillors by the Chief Financial Officer, in due course.
REPORT FROM THE ACTING MUNICIPAL MANAGER

PURPOSE OF THE REPORT

For Council to cease the 20% payment of Scarce Skills Allowances to the Municipal Manager and Managers directly accountable to the Municipal Manager. Furthermore, for Council to approve that all Scarce Skills Allowances paid to the said Managers in terms of the Scarce Skills Policy are to be recovered from the Senior Managers. For Council to resolve to settle the High Court Application of the MEC: Local Government.

BACKGROUND

On 17 January 2014, the then Minister of Cooperative Governance and Traditional Affairs (COGTA) published the Local Government Regulations of Appointment and Conditions of Employment of Senior Managers. The remuneration packages of Senior Managers are determined annually in terms of the Regulations Upper Limits of Senior Managers of the Municipal Systems Act. Section 72 (1)(g) and (i), read with Section 120 of the Municipal Systems Act empowers the Minister of COGTA to make Regulations inter alia to cater for the regulation of remuneration and other conditions of service of staff members of municipalities, subject to applicable labour legislation and the development of remuneration grading and incentive frameworks for staff members of municipalities.

Council resolved on 13 August 2018 to pay all senior managers a 20% Scarce Skills Allowance as from 25 August 2018 in addition to the remuneration as determined in the said Regulations. The 20% scarce skills allowance was implemented in order to attract suitable candidates. On 29 October 2018, Council rescinded its decision as the Municipality had been advised by the MEC: Local Government in the Western Cape, MEC A. Bredell, that the payment of such Scarce Skills Allowance was unlawful. On 11 June 2019, the Municipal Manager, Dr Vatala, submitted item C06/06/19 to Council to reinstate the Scarce Skills Allowance. This was done in view of the fact that the Constitutional Court had rendered the Municipal Systems Amendment Act unlawful. Council then reinstated the Scarce Skills Policy and paid all the Senior Managers the Scarce Skills Allowance retrospectively from their date of appointment.

The relevant resolution is attached for ease of reference. However, the High Court held that the declaration of invalidity of the Municipal Systems Amendment Act would operate prospectively as from 9 March 2017. The Regulations pertaining to the Upper Limits for Senior Managers were promulgated on 17 January 2014 and are therefore still valid. The validity of the Upper Limits of Remuneration for Senior Managers was reaffirmed by the Minister of COGTA in a circular.

DISCUSSION

The MEC has now launched an application to the High Court (C 2667/2020) against the Knysna Municipality. He is seeking an order that the Municipality must cease the payment of
the Scarce Skills Allowance and that the Municipality must recover the amounts paid to the Senior Managers in terms of the Scarce Skills Policy. Council has 15 days to indicate whether they wish to oppose the application. Should they fail to do so, the MEC’s application will be made an order of court. Should Council wish to oppose, the Municipality will be liable for the legal costs in the event of the Municipality unsuccessfully defending the MEC’s court application.

Provincial Treasury have also advised that the payment of the Scarce Skills Allowances to the Senior Managers is unlawful. They are of the view that the payment of these Scarce Skills Allowances amounts to irregular expenditure in terms of the Municipal Finance Management Act, 56 of 2003.

In addition, Knysna Municipality is presently facing a cash flow crisis. The costs of the 20% Scarce Skills Allowance to the Section 56 Managers amounts to R 117894.63 per month. Council should also consider the costs of court action and the very distinct possibility of a cost order being awarded against the Municipality.

It is therefore proposed that the Scarce Skills Allowances be stopped with immediate effect. In addition, in view of the apparent unlawfulness of these allowances, the amounts which have been received by the Section 56 managers and the Municipal Manager since the inception of the policy should be recovered from the Senior Managers. The Scarce Skills Allowances for the Municipal Manager and the Managers directly accountable to the Municipal Manager have not been paid for February 2020.

RELEVANT LEGISLATION

Municipal Systems Amendment Act 32 of 2000

ATTACHMENT


RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER

[a] That Council rescinds the resolution to pay the Scarce Skills Allowances to the Municipal Manager and the Managers directly accountable to the Municipal Manager;

[b] That Council notes that no Scarce Skills Allowances have been paid to the Municipal Manager and the Managers directly accountable to the Municipal Manager for February 2020;

[c] That no further Scarce Skills Allowances be paid to the Municipal Manager and the Managers directly accountable to the Municipal Manager with immediate effect;

[d] That all Scarce Skills Allowances paid to the Municipal Manager and the Managers directly accountable to the Municipal Manager in terms of the Scarce Skills Policy be recovered;

[e] That the MEC: Local Government be advised that Council do not oppose the court application (C 2667/2020) and will abide by the decision of the court.
SPECIAL MUNICIPAL COUNCIL MEETING
AGENDA
26 FEBRUARY 2020

File number:
Execution: Acting Municipal Manager
            Chief Financial Officer
            Director: Corporate Services
            Manager: Human Resources
REPORT FROM THE ACTING MUNICIPAL MANAGER

PURPOSE OF THE REPORT

The purpose of this report is to inform the Municipal Council of the letter received from Minister Bredell dated 24 February 2020, following the request for assistance regarding the appointment of an independent investigator in relation to the alleged misconduct of the Municipal Manager, Dr SW Vatala.

BACKGROUND

A letter, requesting appropriate assistance, was sent to Minister Bredell on 20 February 2020. Kindly find attached hereto, as Annexure A, the relevant letter, which is self-explanatory.

Honourable Minister Bredell replied to the above-mentioned letter on 24 February 2020, of which a copy is attached hereto, as Annexure B, for ease of reference.

DISCUSSION

In the last paragraph of the letter from Minister Bredell, it is stated that in the 2020/2021 Provincial financial year (1 March 2020 - 28 February 2021) an amount of R250 000.00 will be earmarked towards defraying the cost of an independent investigator.

The commitment of financial assistance from the Ministry of Local Government, Environmental Affairs and Development Planning, towards the cost of an independent investigator is highly appreciated given the current financial position of Knysna Municipality.

The Minister, in his mentioned letter, also share an interesting opinion that the appointment of an independent investigator in terms of Regulation 5(3)(a) of the (Local Government : ) Disciplinary Regulations for Senior Manager, is not delegable.

The contention that the Knysna Municipal Council could not delegate the appointment of an independent investigator to the Acting Municipal Manager is, with respect, not agreed with, for the following reasons:

- The Regulations mentioned herein is subservient to the suite of Local Government legislation, which is subservient to the Constitution;
- Section 59(1)(a) of the Local Government : Municipal Systems Act, 2000, clearly states that appropriate powers, except those specifically mentioned therein, may be delegated to, amongst others, staff members;
• The non-delegable powers mentioned in the above-quoted Section 59(1)(a) are expressly mentioned and includes the following:
  ❖ Powers mentioned in Section 160(2) of the Constitution
  ❖ Power to set tariffs
  ❖ Decision to enter into service delivery agreements
  ❖ Approval or amendments of the IDP

• The appointment of an independent investigator is a supply chain management procedure in which the Municipal Council or Councillors are prohibited to be involved in (See Sections 117 and 118 of the Local Government : Municipal Finance Management Act, 2003).

• The above-mentioned exclusion of Councillors from the supply chain management procedure was confirmed by the Auditor-General in the 2018/19 financial year audit (Comaf 36) where the appointment of De Swardt Vogel Myambo, as independent investigator in the Kam Chetty case, by the Municipal Council was raised in the Management Report.

Notwithstanding the above it would be prudent to inform the Municipal Council of the appointment of Attorney André Swart of Stadler Swart Inc and for the Municipal Council to reconfirm, condone and ratify the appointment insofar as it may be necessary.

RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER

[a] That the report on the contribution from the Western Cape Provincial Government towards the funding of the independent investigator for Dr Vatala’s alleged misconduct, be noted;

[b] That the appointment of Attorney André Swart as the independent investigator to investigate the allegations of misconduct levelled against the Municipal Manager, Dr SW Vatala, be reconfirmed, condoned and ratified, insofar it may be necessary; and

[c] That sincere gratitude be expressed to the Honourable Minister A Bredell for the financial assistance of R250 000.00 committed towards defraying the cost of an independent investigator, mentioned in [b] above.

APPENDIX / ADDENDUM

Annexure A : Letter to Honourable MEC Bredell requesting financial assistance for Knysna Municipality; and
Annexure B : Letter to the Acting Municipal Manager regarding financial assistance for Knysna Municipality

File number: 9/1/2/14
Execution: Acting Municipal Manager
          Director : Financial Services
          Director : Corporate Services
          Manager : Human Resources
REFERENCE: 3/11/2/16 (2020/36)

Dr. MR Gratz  
Acting Municipal Manager  
Knysna Municipality  
P O Box 21  
KNYSNA  
6570

Per Email: mmr@knysna.gov.za / mgomobo@knysna.gov.za / etsengwa@knysna.gov.za /  
cwotswan@knysna.gov.za /  
khophus@knysna.gov.za

Dear Dr. Gratz

REQUEST FOR ASSISTANCE: KNYSNA MUNICIPALITY

I refer to your letter, dated 20 February 2020, whereby the Municipality, due to its financial difficulties, seeks the assistance of the Western Cape Government to either fund the appointment of an independent investigator or appoint an independent investigator from within the administration of the Western Cape Government.

Before responding on the aforementioned request, it is noted that, at a Special Council meeting held on 19 February 2020, Council unanimously resolved to delegate the authority to you, in your capacity as Acting Municipal Manager, to appoint an independent investigator. I have been advised that such delegation is not permissible in terms of the provisions of Regulation 5(3)(a) of the Disciplinary Regsulations for Senior Managers, published as GNR 344 in GG 342/13 dated 21 April 2011 (the Regulations). The authority to appoint an independent investigator has been expressly vested in the Municipal Council itself and further manifests within the context of the entire provision of Regulation 5(3).
Taking cognisance that the 7 (seven) day period specified in Regulation 5(3)(a) has lapsed, that the Knysna Municipal Council has affirmed that it has reason to believe that an act of misconduct has been committed, and that the Regulations referred to above do not provide for a delegation of the authority to appoint an independent investigator, the said Council is recommended to urgently appoint an independent investigator without unreasonable delay. A failure on the part of the Knysna Municipal Council to adhere to the requirements of the Regulations could result in a legal challenge to the basis for the investigation and any action that is taken in response to the findings and recommendations of such investigation.

In the event that the Knysna Municipal Council resolves to appoint an independent investigator, my Department will during the 2020/2021 Financial Year earmark R250,000.00 as a contribution towards defraying the costs of an independent investigator. Funds within my Department’s current financial year have already been committed and, as such, my Department is not in a position to make the said contribution within its current financial year. This does not excuse the Knysna Municipal Council from discharging its legal obligation to appoint an independent investigator.

Yours sincerely,

[Signature]

A BREDELL
MINISTER
DATE: 24/2/2020
Ref: SP, Dr Vatala, SW

Honourable MEC Bredell
Ministry of Local Government, Environmental Affairs and Development Planning
Western Cape Government
Private Bag X 8188
Cape Town
8000

PS to the Minister: Magdalena Griesel
magdalena.griesel@westerncape.gov.za

Honourable Minister Bredell,

REQUEST FOR ASSISTANCE : KNYSNA MUNICIPALITY

I refer to the recent telephonic conversation with Mr. Graham Paulse and the writer hereof regarding the above matter.

Your Ministry has recently been informed that the Municipal Council of Knysna Municipality unanimously placed the Municipal Manager, Dr SW Vatala, on precautionary suspension on 13 February 2020, in terms of Regulation 6 read with Regulation 5 of the Local Government: Disciplinary Regulations for Senior Managers made in terms of the Local Government: Municipal Systems Act, 2000. The Municipal Council also confirmed that it is satisfied that there is reason to believe that an act of misconduct has been committed by the Municipal Manager. The Municipal Council furthermore unanimously resolved that an independent investigator, to investigate the allegations of misconduct against the suspended Municipal Manager, be appointed before the close of business on Thursday, 20 February 2020 (today).

At the Municipal Council meeting referred to above, held on 13 February 2020, it was also unanimously resolved that the writer hereof be appointed as the Acting Municipal Manager. I commenced acting on 18 February 2020. At a Special Municipal Council meeting held on Wednesday, 19 February 2020 (yesterday), it was unanimously resolved that the Acting Municipal Manager be delegated the authority to appoint an independent investigator, as envisaged in the above quoted Regulations.

The drafting of an Adjustments Budget was my first priority since taking up my office. It soon became abundantly clear that Knysna Municipality is in serious financial difficulty, so much so that there is almost no working capital available due to amongst others, no proper cash management.

The above-mentioned financial crises in Knysna Municipality has the resulting effect that there would be no funds available, after the unavoidable operational expenditure is effectuated, to pay for the services of an independent investigator as mentioned herein.
Therefore, your Ministry is hereby respectfully requested to either fund the appointment of an independent investigator or to appoint an independent investigator from the officialdom of the Provincial Administration. The investigator needs to be appointed by 20 February 2020.

Lastly, it should also be mentioned that the Knysna Ratepayers Association has submitted allegations of serious financial misconduct against the suspended Municipal Manager in terms of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings made in terms of the Local Government: Municipal Finance Management Act, 2003. In this regard, it is envisaged that the duly appointed disciplinary board, established in terms of Regulation 4 of the Regulations, will investigate the allegations.

Trusting that the request herein would be favorably considered taking into consideration that an appropriate appointment of an independent investigator must be made today.

Kind Regards,

Yours faithfully,

Acting Municipal Manager
Dr M R Gratz

20 February 2020

Copies to:
mgombo@knysna.gov.za (Speaker)
atsengwa@knysna.gov.za (Deputy Executive Mayor)
cfo@knysna.gov.za
graham.paulse@pqwc.gov.za
REPORT FROM THE ACTING MUNICIPAL MANAGER

PURPOSE OF THE REPORT

The purpose of this report is to inform the Municipal Council of the written representation of Municipal Manager Vatala as to why he should not be suspended regarding the allegations of serious financial misconduct levelled against him by the Knysna Ratepayers Association.

BACKGROUND

It is common cause that Municipal Manager Vatala has been placed on precautionary suspension in terms of the Local Government: Disciplinary Regulations for Senior Managers duly made in terms of the Local Government: Municipal Systems Act, 2000.

Allegations of serious financial misconduct were also made against Municipal Manager Vatala by the Knysna Ratepayers Association in terms of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings made in terms of the Local Government: Municipal Finance Management Act, 2003 (MFMA).

The Municipal Council unanimously resolved, per Item SC05/02/2020IC, on 13 February 2020, as follows:

“[a] That the tabling by the Deputy Executive Mayor, acting in terms of Section 56(6) of the Local Government: Municipal Structures Act, 1998, of the Allegations of serious financial misconduct against the Municipal Manager, Dr. SW Vatala, by the Knysna Ratepayers Association, be noted;

[b] That the Municipal Manager, in terms of Regulation 3(5) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, be given an opportunity to make written representation in relation to the allegations of serious financial misconduct against him by the Knysna Ratepayers Association, as to why he should not be suspended, within seven (7) days of being notified of the allegations; and

[c] That a Special Municipal Council meeting be called soon after the written representation from the Municipal Manager, as envisaged in [b] above, is received.”

The Municipal Manager was notified, under the hand of the Deputy Executive Mayor, of the said allegations and given until 25 February 2020 to make written representations as to why he should not be suspended. The relevant letter is attached hereto as Annexure A.
No representation was received from the Municipal Manager at the time of compiling the Agenda. Seeing that the Municipal Manager is already on suspension, it is not necessary to consider the precautionary suspension further.

**DISCUSSION**

The MFMA, in Section 171(4) compel a municipality to investigate allegations of financial misconduct against, amongst others, the Accounting Officer unless those allegations are frivolous, vexations, speculative or obviously unfounded. The opinion is offered that the allegations of the Knysna Ratepayers Association, as submitted to the Municipal Council per Item SC05/02/2020IC on 13 February 2020, might be of a serious nature and needs further investigation.

Due to the possibility that there could be reasonable cause to believe that acts of financial misconduct have been committed, the matter must be referred to the recently appointed disciplinary board to conduct a preliminary investigation into the allegations of the Knysna Ratepayers Association, as determined in Regulation 5 of the Regulations mentioned herein. If during the preliminary investigation the disciplinary board determines that the allegations are founded, they must proceed to conduct a full investigation and submit a report with recommendations to the Executive Mayor within a period of 30 (thirty) days.

The disciplinary board, appointed by the Municipal Council per Item SC04/02/2020, on 19 February 2020, consist of the following members:

[i] The Chief Audit Executive of Knysna Municipality  
[ii] The Legal Advisor of Mossel Bay Municipality  
[iii] The Chairperson of the Audit Committee of Knysna Municipality; and  
[iv] The Head of Legal Services of George Municipality.

**RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER**

[a] That the report regarding the allegations of serious financial misconduct against the Municipal Manager, Dr SW Vatala, by the Knysna Ratepayers Association, be noted;

[b] That it be noted that the Municipal Manager did not respond to the letter of the Deputy Executive Mayor regarding an opportunity to submit written representation against the allegations levelled against him by the Knysna Ratepayers Association;

[c] That the disciplinary board under the Chairpersonship of the Chairperson of the Audit Committee, be appointed to conduct a preliminary investigation into the allegations of financial misconduct by the Knysna Ratepayers Association against the Municipal Manager, Dr SW Vatala, and if such allegations are founded, to proceed with a full investigation of the allegations, as stipulated in Regulation 5 of the Municipal Regulations of Financial Misconduct Procedures and Criminal Proceedings; and

[d] That the disciplinary board submit a report, with recommendations, if applicable, as to further steps to be taken against the Municipal Manager, Dr SW Vatala, to the Executive Mayor within 30 (thirty) days of appointment, as required in Regulation 5(6) of the Regulations mentioned in [c] above.
APPENDIX / ADDENDUM

Annexure A : Letter to the Municipal Manager, Dr SW Vatala regarding Notice of Precautionary Suspension.

File number: 9/1/2/14
Execution: Acting Municipal Manager
Director : Financial Services
Director : Corporate Services
Manager : Human Resources
Collab. Ref.: SP SW Vatala
File Ref.: 2020-02-18

Municipal Manager
Dr SW Vatala
Knysna Municipality

Dear Dr Vatala

NOTICE OF PRECAUTIONARY SUSPENSION IN TERMS OF REGULATION 3(5) OF THE MUNICIPAL REGULATIONS ON FINANCIAL MISCONDUCT PROCEDURES AND CRIMINAL PROCEEDINGS, 2014

You are hereby advised that Council at a special meeting held on the 13th of February 2020, unanimously resolved to give notice in terms of the provisions of Regulation 3(5) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, following allegation of financial misconduct levelled against you.

In light of the said resolution, it is evident that Council is of the view that:
1. Your continued presence at the work place may jeopardise any investigation into the alleged misconduct;
2. That as a result of your position you have access to sensitive documentation;
3. You may be in a position to influence employees to interfere with potential witnesses.

You are called upon to submit written representations to Council as to why you should not be suspended, within seven (7) days of receipt hereof.

Please address all correspondence to the Municipal Manager and quote the above reference.

PO Box 21, Knysna 6570 • T: +27 44 302 6300 • F: +27 44 302 6333 • E: knysna@knysna.gov.za • W: www.knysna.gov.za
Your representations are to reach the office of the Executive Deputy Mayor by no later than close of business on the 25th of February 2020.

Should you require any further information, kindly contact the office of the Executive Deputy Mayor on (044) 302 6355.

Yours faithfully

CLLR AUBREY TSENGWA
EXECUTIVE DEPUTY MAYOR

Cc: Director: Corporate Services
Manager: Human Resources
REPORT FROM THE ACTING MUNICIPAL MANAGER

PURPOSE OF THE REPORT

For Council to consider various short-term, medium-term and long-term strategies in order to address the cash flow crisis currently being faced by the Municipality.

Previous resolutions

N/A

BACKGROUND

Various factors have led to the current cash-flow crisis currently faced by the Municipality. Unrealistic budgeting with over projection on income and under projection on expenditure has played a role. Debtors are higher than budgeted and the debtor's age analysis indicates that many of these debtors are outstanding for more than 180 days. Capital expenditure has been funded from own revenue instead of from loans. The Municipality has not adjusted its capital and operating expenditure downward in line with less income received. The capital budget has increased by 293% over the past 4 years. There has also been poor financial control with over expenditure on some votes. Excessive spending on employee-related costs has also contributed to the crisis.

DISCUSSION

A synopsis of the actuals vs budgeted performance for the 6-months under review is depicted below.
In terms of Liquidity Management, the current ratio of current assets to current liabilities is 1.24:1. The national norm as set by National Treasury is 1.5:1. This means that the municipality’s immediate available cash and cash equivalents would not be available to settle accounts payable within the legally prescribed period of 30 days. The quick ratio measures the current assets excluding receivables and inventory against current liabilities is only 0.56. This is well below the norm of 1.00.

In terms of debtor’s management, the debtor’s collection ratio is 91.0% which is below the target of National Treasury’s norm of 95%. The Net Debtors Days, which is the time for the Municipality to receive payment for bills is 78 days. Of most concern is the fact that of the R 417,3 million which is currently owed to the Municipality, R 275,8 million is doubtful debt and is unlikely to be collected.

The Capital Cost to total Operating Expenditure is 5% against the norm of 6% to 8%. This indicates that the Municipality does have an opportunity to borrow funds for capital expenditure for service delivery.

The ratio of total borrowings to total operating revenue is 21% compared to the norm of 45%. The Municipality is, therefore, spending cash reserves on capital projects and exhausting cash reserves.

The Municipality currently has a loan of R 87 million. This could be increased to R 150 million.

It is proposed that the strategy be divided into short-term, medium-term and long-term actions.
The following actions are proposed for implementation in the short-term:

- Obtaining a short-term loan/overdraft facility
- Freezing of all unfilled posts
- Curtailment of capital projects funded by own funds
- Curtailment of travelling and subsistence costs
- Curtailment of overtime
- Curtailment of catering
- Implementation of strict budget control measures
- Implementation of strict credit control procedures
- Curtailment of all capital projects funded by internal funds
- Efficient collection of grants that are outstanding
- Establishment of a project team with the sole purpose and responsibility to implement the short-term recovery plan.

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

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

The following long-term actions are proposed:

That a long-term financial recovery plan be designed with the purpose of improving service delivery. This plan should include a revision of the roles and responsibilities of local authorities as envisaged in the Local Government Turnaround Strategy (LGTAS)

These are:

- service delivery
- governance
- financial management
- infrastructure development
- fighting corruption

That only functions allocated to the local government in terms of schedules 4 Part B and 5 Part B of the Constitution be undertaken/funded by Council

**FINANCIAL IMPLICATIONS**

None applicable.
RELEVANT LEGISLATION

Municipal Finance Management Act, No.56 of 2003.

RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER

[a] That the following actions are proposed for implementation in the short-term:

(i) Obtaining a short –term loan/overdraft facility
(ii) Freezing of all unfilled posts
(iii) Curtailment of travelling and subsistence costs
(iv) Curtailment of overtime
(v) Curtailment of catering
(vi) Implementation of strict budget control measures
(vii) Implementation of strict credit control procedures
(viii) Curtailment of all capital projects funded by internal funds
(ix) Efficient collection of grants that are outstanding
(x) Establishment of a project team with the sole purpose and responsibility to implement the short-term recovery plan.
(xi) Regular report;

[b] That in the medium-term, the following actions need to be followed:

(i) Issue of a proper budget procedure for the 2020 / 2021 Budget year.
(ii) Revise SDBIP targets for performance evaluation.
(iii) Ensure that municipal activities, rules and procedures are consistent with relevant policies, legislations and by-laws.
(iv) Revision of all municipal policies, strategies and operational plans.
(v) Taking up of loans at the beginning of the financial year and not bridge financing
(vi) Revision of all employee related policies
(vii) Revision of organisational structure in line with revised SDBIP and within the affordability of Municipality.
(viii) Revision of tariffs in line with actual costs
(ix) Cashflows;

[c] That the following long-term actions are proposed:

(i) That a long-term financial recovery plan be designed with the purpose of improving service delivery.
(ii) The plan to include a revision of the roles and responsibilities of local authorities as envisaged in the Local Government Turnaround Strategy (LGTAS)
(iii) That only functions allocated to the local government in terms of schedules 4 Part B and 5 Part B of the Constitution be undertaken/funded by Council;

[d] That regular progress reports be submitted to Council on the implementation of the short, medium and long term actions and outcomes.
APPENDIX / ADDENDUM

File Number: 9/1/2/14
Execution: Municipal Manager
           Chief Financial Officer
7. Adjournment