

8.	CONSIDERATION OF REPORTS, COMMUNICATIONS, PETITIONS AND APPLICATIONS SUBMITTED BY THE MUNICIPAL MANAGER
8.1	STRUCTURING OF COUNCIL: ESTABLISHMENT OF SECTION 79 -/ STATUTORY COMMITTEES
8.1.1	ESTABLISHMENT OF A MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) AND OVERSIGHT COMMITTEE

1. PURPOSE OF REPORT

For Council to establish a Municipal Public Accounts Committee (MPAC) and Oversight Committee.

2. BACKGROUND

The former Council had established an 8-member Municipal Public Accounts Committee (MPAC), which was fully functional. As per the Establishment Notice of Stellenbosch Municipality the Chairperson of MPAC was a full-time Councillor. For transparency, ethics and good governance, the Chairperson was from an opposition party.

By virtue of the termination of the 2011-2016 Council's term of office, the former MPAC has also dissolved. Council is obliged to re-establish MPAC as an oversight committee to exercise oversight over the executive obligations of council.

3. LEGAL FRAMEWORK

3.1 Section 79 Committees

An MPAC is generally a committee of Council established in terms of Section 79 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998).

In terms of Section 79 of the Structures Act, a municipal council may establish one or more Committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers, and appoint the members of such Committee(s) from among its members.

If Council wishes to establish such Committees, it:-

1. must determine the functions of such Committees;
2. may delegate duties and powers to it in terms of Section 59 of the Systems Act;
3. must appoint the Chairperson(s); and
4. may authorise a Committee to co-opt advisory members who are not members of the Council, within the limits determined by Council.

3.2 Composition of Committees

In terms of Section 160(8) of the Constitution of the Republic of South Africa, members of a municipal Council are entitled to participate in its proceedings and those of its Committees in a manner that, inter alia:-

- (a) allows parties and interests reflected within the Council to be fairly represented; and
- (b) is consistent with democracy.

4. SCOPE OF MPAC OPERATIONS

The establishment, overarching purpose, function and Terms of Reference of the Municipal Public Accounts Committee as defined in the *SALGA Guideline for the Establishment of MPACs (March 2012)* (**APPENDIX 1**), is applicable. (Council Resolution: Item 7.11 of the 15th Council held on 2013-08-29 is attached as **APPENDIX 2**).

Notwithstanding what is contained in the above, the following specific Terms of Reference are highlighted:

1. MPAC shall not be responsible for policy formulation;
2. MPAC is authorised to co-opt members of the public with expertise in specific fields to assist and advise the Committee when deliberating before it, as and when necessary, taking note of the fact that such non-elected members shall enjoy no status in Council and will have no voting rights in any political structure of Council;
3. MPAC may engage directly with the public and consider public comments when received and will be entitled to request documents or evidence from the Accounting Officer;
4. MPAC shall have permanent referral of documents relating to:
 - (i) In-Year reports of Stellenbosch Municipality;
 - (ii) Financial statements of Stellenbosch Municipality as part of its oversight process;
 - (iii) Audit opinion, reports and recommendations from the Audit Committee;
 - (iv) Information relating to compliance in terms of Section 128 and Section 133 of the Local Government: Municipal Finance Management Act, 2003 (MFMA);
 - (v) Information in respect of any disciplinary action taken in terms of the MFMA where it relates to an item that is currently serving or has served before it;
 - (vi) Any other audit report of Stellenbosch Municipality; and
 - (vii) Performance information of Stellenbosch Municipality;
5. MPAC shall consider and evaluate the content of the Annual Report and make recommendations to Council when adopting an Oversight Report on the Annual Report;

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6. In order to assist with the conclusion of matters that may not have been finalized, information relating to past recommendations made on the Annual Report, information relating to current in-year reports including quarterly, mid-year and Annual Reports, shall be reviewed by MPAC;
 7. MPAC shall examine the financial statements and audit reports of Stellenbosch Municipality, and in doing so, consider improvements from previous statements and reports and evaluate the extent to which the Audit Committee's and the Auditor-General's recommendations have been implemented;
 8. MPAC shall promote good governance, transparency and accountability on the use of municipal resources;
 9. MPAC shall recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by Stellenbosch Municipality or the Audit Committee;
 10. MPAC shall request the support of both the internal and external auditors in an advisory capacity when necessary;
 11. MPAC shall conduct investigations into unauthorized, irregular and/or fruitless and wasteful expenditure in accordance with Section 32(2)(a)(ii) of the MFMA and Regulation 74 of the Municipal Budget and Reporting Regulations;
 12. MPAC shall perform any other functions within its area of responsibility assigned to it through a resolution of Council; and
 13. that the function of an oversight committee in relation to the Annual Report be incorporated into the roles and responsibilities of MPAC;
 14. The Rules of Order of Stellenbosch Council shall be applicable to all meetings of MPAC.

Attached as **APPENDIX 3** is the Stellenbosch Municipality Terms of Reference of MPAC.

5. PROCEDURE FOR THE APPOINTMENT OF MPAC MEMBERS AND MPAC CHAIRPERSON

5.1 Membership of MPAC

In terms of the SALGA Guideline the previous MPAC membership (8 members) was determined along the following principles:

1. Membership of MPAC should consist of up to 11 Councillors selected from all parties represented in Council;
2. MPAC must be represented by a wide range of experience and expertise available in Council and should reflect the various political parties represented in Council;
3. The Executive Mayor, Deputy Executive Mayor, Speaker, Whip or a member of the Mayoral Committee must be excluded from membership of MPAC;

4. Council members serving on other Committees of Council should preferably not serve as members of MPAC; and
5. Secundi for the members of MPAC should be designated by Council.

5.2 Chairperson of MPAC

As per the amended Stellenbosch Establishment Notice, published in the Government Gazette 7460 on 31 July 2015 (P.N. 261/2015), the Chairperson of MPAC is a designated full-time Councillor.

Accordingly, at the 33rd Council Meeting held on 2015-08-25, Council resolved that the position of the Chairperson of MPAC be that of a full-time Councillor with effect from 31 July 2015.

Taking into account the principles of transparency, ethics and good governance, the Chairperson of MPAC could be appointed from members of the political parties represented in Council other than the majority party. The directive from SALGA (SALGA Guideline for the Establishment of MPAC: March 2012) is that the Chairperson of MPAC can be from the ruling or an opposition party, at the choice of the municipal Council.

Due to the fact that no other equivalent procedure has been promulgated in terms of relevant legislation, Council could opt to use any appropriate procedure to determine the appointment of the MPAC Chairperson, or alternatively, Council could decide to use the procedures set out in Schedule 3 of the Municipal Structures Act (see below) during the election of the Chairperson for MPAC.

5.3 MSA Schedule 3 Election Procedure

"SCHEDULE 3

Application

1. *The procedure set out in this Schedule applies whenever a municipal Council meets to elect a Speaker, an Executive Mayor, a Deputy Executive Mayor, a Mayor or Deputy Mayor.*

Nominations

2. *The person presiding at a meeting to which this Schedule applies must call for the nomination of candidates at the meeting.*

Formal requirements

3. (i) *A nomination must be made on the form determined by the Municipal Manager.*
- (ii) *The form on which a nomination is made must be signed by two members of the Municipal Council.*
- (iii) *A person who is nominated must indicate acceptance of the nomination by signing either the nomination form or any other form of written confirmation.*

Announcement of names of candidates

4. *At a meeting to which this Schedule applies, the person presiding must announce the names of the persons who have been nominated as candidates, but may not permit any debate.*

Single candidate

5. *If only one candidate is nominated, the person presiding must declare that candidate elected.*

Election procedure

6. *If more than one candidate is nominated –*
 - (a) *a vote must be taken at the meeting by secret ballot;*
 - (b) *each Councillor present at the meeting may cast one vote; and*
 - (c) *the person presiding must declare elected the candidate who receives a majority of the votes.*

Elimination procedure

7. (i) *If no candidate receives a majority of the votes, the candidate who receives the lowest number of votes must be eliminated and a further vote taken on the remaining candidates in accordance with Item 6. This procedure must be repeated until a candidate receives a majority of the votes.*
- (ii) *When applying sub item (1), if two or more candidates each have the lowest number of votes, a separate vote must be taken on those candidates, and repeated as often as may be necessary to determine which candidate is to be eliminated.*

Further meetings

8. (i) *If only two candidates are nominated, or if only two candidates remain after an elimination procedure has been applied, and those two candidates receive the same number of votes, a further meeting must be held within seven days at a time determined by the person presiding.*
- (ii) *If a further meeting is held in terms of sub item (1), the procedure prescribed in this Schedule must be applied at that meeting as if it were the first meeting for the election in question.*
- (iii) *If at the further meeting held in terms of sub item (1) only two candidates are nominated, or if only two candidates remain after an elimination procedure has been applied, and those two candidates receive the same number of votes, the person presiding at such meeting must*

determine by lot who of the two candidates will hold the office for which the election has taken place."

In terms of Item 3(1) of Schedule 3, a nomination must be made on a form determined by the Municipal Manager. The nomination form will be distributed in Council.

RECOMMENDED

- (a) that Council establishes a Municipal Public Accounts Committee (MPAC) in accordance with Section 79 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
- (b) that Council considers the following nominations:
 - Cllr DA Hendrickse (EFF)
 - Cllr MC Johnson (DA)
 - Cllr NS Louw (DA)
 - Cllr N Mananga-Gugushe (Ms) (ANC)
 - Cllr N Olayi (DA)
 - Cllr WF Pietersen (PDM)
- (c) that Council elects a Chairperson for the Municipal Public Accounts Committee (MPAC); and
- (d) that Council adopts the Stellenbosch Municipality Terms of Reference of the MPAC, as applicable to the Stellenbosch Municipal Public Accounts Committee.

Meeting: Ref No:	<i>Council: 2016-10-26 3/3/3/6/7</i>	Submitted by Directorate: Author: Referred from:	<i>Office of the Municipal Manager Acting MM: (R Bosman) Council: 2016-10-05</i>
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SALGA
South African Local Government Association

March 2012

MUNICIPAL
PUBLIC
ACCOUNTS
COMMITTEE
(MPAC)

Enhancing oversight in the Municipality

Practical Guide

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ENHANCING OVERSIGHT IN MUNICIPALITIES

A PRACTICAL GUIDE

1. INTRODUCTION

One of the strategic objectives of the Local Government Turnaround Strategy is to build clean, effective, efficient, responsive and accountable local government. While governance systems and structures are operational in municipalities, its quality and effectiveness is sometimes questionable.

Oversight is a concept that refers primarily to the crucial role of legislatures in reviewing and monitoring the actions of the executive organs of government. The executive in carrying out its tasks, whether by implementing legislation or policy, acquires considerable power (the ability to influence or determine a person's conduct). A condition of the exercise of that power in a constitutional democracy is that the administration or executive is checked by being held accountable to an organ distinct from it (the legislature). This notion is inherent in the concept of the separation of powers, which simultaneously provides for checks and balances on the exercise of executive power, making the executive more accountable to an elected legislature.

While our Constitution gives expression to the principle of separation of powers by recognising the functional independence of the three branches of government (executive, legislature and judiciary), at local government level, however, a municipal council is vested with both legislative and executive authority. Subsequent legislation, in particular the Local Government: Municipal Finance Management Act, 2003, requires a certain level of oversight by the municipality over the executive authority. This entails amongst others, the annual report which includes the financial statements, the SDBIP, and also the performance of the municipal manager and other section 57 employees.

Since there is no neat distinction between the 'executive' and 'legislative' arms of council as it were, effective and proper oversight of the 'executive' at local level thus requires members of Council to fully understand the justifications and rationale behind accountable government and the purpose it serves. The oversight role is often seen as that of opposition parties alone, designed to police and expose maladministration and corruption. Such a view is limited and deficient. Oversight and accountability helps to ensure that the executive implements programmes and plans in a way consistent with policy, legislation and the dictates of the Constitution.

The Local Government: Municipal Structures Act, 1998, provides that a municipality, taking into account the extent of its functions and powers, the need for delegation and the resources available, may establish committees. Clearly, a municipality has substantial discretion on how to structure its committee system. Importantly, the manner in which a municipality uses that discretion can have consequences for the capacity of the council to hold the executive to account, which directly affects the quality of the governance in the municipality and ultimately the sustainability of such a municipality. The important role of committees in assisting the Council (section 79 committees) and Executive Committee or Executive Mayor (section 80 committees) to perform their functions effectively should thus be clearly understood and utilised for that purpose, so as to ensure good governance in the municipality.

Section 129 of the Municipal Finance Management Act requires a municipality to prepare an oversight report over the annual report and to publish the same. However, no further formal oversight requirements are contained in the legislation. Section 129(4) of the MFMA only provides for the issuance of guidance on the manner in which municipal councils should consider annual reports and conduct public hearings, and the functioning and composition of any public accounts or oversight committees established by the council to assist it to consider an annual report.

Section 79 of the Municipal Structures Act provides for committees of the Council reporting directly to the council, in accordance with the terms of reference of such committees are developed by the councils. Such committees, because of its direct reporting lines to the full council, are best suited to do oversight in the municipality, not only in terms of the oversight report referred to above, but general oversight over both the administrative and executive arms of the municipality.

It is against this background that SALGA, as well as National Treasury and DCOG, are promoting the establishment and effective functioning of Municipal Public Accounts Committees (MPACs). This guide is intended to supplement the guidelines on establishment of MPACs issued jointly by National Treasury and the Department of Cooperative Governance in August 2011, after consultation with SALGA. In particular it focuses on internal oversight as well as the establishment and effective functioning of MPACs, its terms of reference and delegations.

The document was approved by the SALGA NEC in March 2012.

2. INTERNAL OVERSIGHT

Internal oversight of the municipal administration is done by the internal Audit Division and the Audit Committee.

2.1 Internal Audit Unit

Section 165 of the Local Government: Municipal Finance Management Act, 2003, (hereinafter referred to as the MFMA) requires each municipality to have an internal audit unit. As the municipal manager is the accounting officer of the municipality, the internal audit unit is best situated in the office of the municipal manager. The internal audit unit must:

- 2.1.1 prepare a risk-based audit plan and an internal audit program for each financial year;
- 2.1.2 advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to
 - internal audit;
 - internal controls;
 - accounting procedures and practices;
 - risk and risk management;
 - performance management;
 - loss control; and
 - compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation; and
- 2.1.3 perform such other duties as may be assigned to it by the accounting officer.

The annual audit plan and internal audit program needs to be submitted to the municipal council for approval. As indicated, the internal audit unit reports to the audit committee on the implementation of its plan and program, but the audit committee only makes recommendations to the municipal council as there is no enforcement mechanism.

In addition to the statutory requirements set out above, internal audit should also ensure that the King III report as far as it relates to local government is implemented in the municipality. The actual implementation will be a cross cutting responsibility in the administration, but the implementation plan and monitoring thereof must rest with internal audit, as it is also interlinked with the internal controls, risk management as well as performance management.

2.2 **Audit Committee**

Section 166 of the MFMA requires each municipality to have an audit committee. The audit committee is an independent advisory body which must:

- 2.2.1 advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of a municipal entity, on matters relating to
 - internal financial control and internal audits;
 - risk management;
 - accounting policies;
 - the adequacy, reliability and accuracy of financial reporting and information;
 - performance management;
 - effective governance;
 - compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation;
 - performance evaluation; and
 - any other issues referred to it by the municipality or municipal entity.
- 2.2.2 review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation;
- 2.2.3 respond to the municipal council on any issues raised by the Auditor-General in the audit report;
- 2.2.4 carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request; and
- 2.2.5 perform such other functions as may be prescribed.

The members of an audit committee are appointed by the municipal council of the municipality (in the case of a municipal entity, by the council of the parent municipality). It consists of at least three persons with appropriate experience, of whom the majority may not be in the employ of the municipality or municipal entity, as the case may be; and one of the members who is not in the employ of the municipality or municipal entity, must be appointed as the chairperson of the committee. No councillor may be a member of an audit committee.

The committee is a committee of the municipal council, as contemplated in section 79 of the Local Government: Municipal Structures Act, 1998 (hereinafter referred to as the Structures Act), but none of its members are councillors, contrary to the normal nature of a section 79 committee. The committee also advises and makes recommendations to the municipal council, but does not have any executive functions or enforcement powers.

However, the aforesaid does not detract from the requirement of the committee to specifically interrogate the following financial and governance aspects in the municipality:

- internal financial controls in the municipality;
- identification of strategic risks in the municipality;
- the establishment and updating of a municipal risk register;
- management and mitigation of risks contained in the risk register;
- accounting policies in the municipality;
- the frequency, accuracy and reliability of financial reporting by the municipality and where applicable, municipal entities;
- the performance management system of the municipality;
- the implementation and effectiveness of the performance management system;
- evaluation of the actual performance of the municipality;
- compliance with legislation;
- effective governance in the municipality;
- review of the annual financial statements;
- financial position of the municipality;
- the municipal response to the A-G report;
- loss control; and
- implementation of the King III principles.

The view of the audit committee on these matters provides the municipality with an objective and expert view which should guide the municipal council and executive. The development of strategies to address these aspects rests with the internal audit unit. The audit committee therefore casts an expert eye on the strategies developed by the internal audit section and the implementation thereof by the municipality as a whole.

3. EXECUTIVE OVERSIGHT

Municipal Public Accounts Committee (MPAC): Appointment and Legal Framework

Within the context of this guide, it refers to oversight of the ‘executive’ of the municipality by council structures. The MPAC is a committee of the municipal council, appointed in accordance with section 79 of the Structures Act. It is also important to note that in metros and large category B municipalities it is, due to the number of councillors, easier to appoint section 79 oversight committees to provide oversight over the functions of the section 80 committees. Many of the smaller municipalities do not have enough councillors to appoint such section 79 committees and can only appoint one oversight committee tasked with the complete oversight role, but focusing mainly on compliance with the provisions of the Local Government: Municipal Finance Management Act, 2003.

Nevertheless, municipalities are encouraged to establish MPACs as far as is possible and practical. As a section 79 committee, the following principles will apply:

- the municipal council must resolve to establish a MPAC by way of a council resolution;
- the municipal council must determine the functions of the committee and agree on the terms of reference for the committee;
- the municipal council must delegate functions to the MPAC in accordance with the terms of reference of the committee;
- the municipal council may determine the procedure of the committee or allow it to determine its own procedure;
- the municipal council appoints the members of the MPAC from amongst the councillors;
- section 160(8) of the Constitution applies to the committee and therefore its composition must be such that it allows parties and interests reflected within the Council to be fairly represented in the MPAC;
- the municipal council appoints the chairperson of the MPAC;
- the municipal council may dissolve the MPAC at any time;
- the municipal council may remove any member of the committee at any time;
- the municipal council may allow the MPAC to co-opt advisory members who are not members of the council, within the limits determined by the council;
- the meetings of the MPAC should, as far as is possible and practical, be open to the public in accordance with section 160(7) of the Constitution;
- the municipal administration must ensure that adequate financial and human resources are made available to support the functions of the MPAC;
- meetings of the MPAC should be provided for and included in the annual calendar of the council; and
- the MPAC reports directly to the municipal council and the chairperson of the MPAC liaise directly with the Speaker on the inclusion of reports of the MPAC in the council agenda.

What follows is a three-part guide to the establishment and effective functioning of MPACs, its terms of reference and delegations.

Part 1

Guidelines for the establishment, appointment and general functioning of MPACs:

1. Establishment of the MPAC

A report needs to be submitted to the municipal council that recommends the establishment of the MPAC. The report also needs to include all the aspects dealt with above, and which will be further unpacked below. The resolution passed by the municipal council must be clear on all powers and functions of the committee in order to prevent disputes in this regard. Disputes must be referred to the municipal council for resolution.

2. Functions and terms of reference of the committee

The main purpose of the MPAC is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality. This will include oversight over municipal entities. In order for the MPAC to fulfill this oversight role, it needs to be provided with the necessary information and documentation to interrogate the actions of the executive. Part 2 below provides generic terms of reference for the MPAC.

3. Delegation of functions to the MPAC

Functions must be formally delegated to the MPAC in accordance with the provisions of section 59 of the Local Government: Municipal Systems Act, 2000 (hereinafter referred to as the Systems Act). The delegations must be included as part of the System of Delegations of the Municipality. It should be noted that with regard to the delegations to the MPAC, the municipality should not allow for a review of the decisions of the MPAC by the Exco or Executive Mayor in accordance with section 59(3)(b) of the Systems Act, as the purpose of the MPAC is to do oversight of the executive. The delegations to the MPAC should specifically exclude the said powers to the executive of the municipality.

The requirement to report on the delegated authorities by the MPAC can be included as part of the quarterly report submitted to the council by the MPAC. The delegations required in this regard are further alluded to in Part 3 below.

4. The procedures and rules of order of the committee

Due to the nature of the committee, it is proposed that the municipal council determines the procedures of the committee with its establishment, provided that the committee may make recommendations to the council on possible amendments to be approved by the council once the activities of the MPAC commences. Such an arrangement will allow the MPAC to operate efficiently from its appointment and not having to spend time on the development of procedures.

5. Appoint of the members of the MPAC

There is no prescription on the number of members elected to serve on the MPAC committee. The municipality must determine the number of members that will be appointed, taking into account the number of councillors in the municipality and the fact that no office bearers/ executive councillors in the municipality may serve on the committee. It is ideal that the members be appointed for the term of the council, to ensure

continuity across financial years. However, this is subject to the right of the council to remove committee members by way of council resolution.

The National Treasury and DCOG guidelines propose maximum numbers of committee members but municipalities are not required to follow the guideline and a smaller number can also be appointed, provided that section 160(8) of the Constitution apply to the composition of the committee, which requires that the membership of the committee must be such that it allows parties and interests reflected within the Council to be fairly represented in the MPAC.

Once the number of MPAC members are agreed upon, the actual appointment can take place. The number of members as well as the names of the councillors appointed as members must be specified in the council resolution. The councillors appointed to the committee should have a wide range of experience and expertise in order to enable the committee to exercise its oversight function optimally.

6. Appointment of the chairperson of the MPAC

The chairperson of the MPAC must be appointed in terms of a council resolution. The chairperson may not be an office bearer/ executive councillor in the municipality. The chairperson of the MPAC should be an experienced councillor, due to the important role to be played by the MPAC in the council. The chairperson can be from the ruling or an opposition party, at the choice of the municipal council.

7. Co-opting of advisory members to the MPAC

The council must indicate whether it will allow the MPAC to co-opt advisory members, which are not councillors, but based on their expertise. This will be informed by the experience and capacity of members appointed to the MPAC. In the event where such co-option is allowed, the council has to prescribe the number of members that may be co-opted, the expertise required, the manner of co-option as well as the payment of a stipend to such co-opted members.

8. Meetings of the MPAC should be open to the public

Section 160(7) of the Constitution provides that a municipal council must conduct its business in an open manner, and may close its sittings, or those of its committees, only when it is reasonable to do so having regard to the nature of the business being transacted. As a principle, the meetings of the MPAC should be open to the public and the rules and procedures of the committee should specify in which instances the meeting can be closed to the public.

9. Availability of resources for the MPAC

The municipal administration must ensure that adequate financial and human resources are made available to support the functions of the MPAC. As the MPAC is a formal committee of the council, dedicated administrative as well as committee staff members must be made available to assist it in its functions. Formal agendas and minutes of meetings need to be prepared by committee staff under the guidance of the chairperson. Administrative staff should also assist committee members and the necessary infrastructure must be provided to the MPAC as well as all the finances required to fulfill its obligations.

10. Minutes and Agendas

Agendas of meetings need to be delivered to members in advance in order for them ample time to prepare for the meeting. Documents produced in the municipality that need to be submitted to the MPAC in terms of its terms of reference, must be submitted to the committee staff as soon as it is finalised in order to include it in the MPAC agenda for the next meeting.

11. Meetings of the MPAC

The MPAC needs to meet at least 4 times per annum, each such meeting to be held prior to the quarterly meeting of the municipal council (where applicable) or before the council meeting schedules for the month in which the MPAC meets, to allow ample time to include the report of the MPAC in the agenda for each council meeting. Meeting dates should be set and should be included in the annual calendar of meetings.

12 Reporting

The MPAC reports directly to the municipal council and the chairperson of the MPAC must liaise directly with the speaker on the inclusion of reports of the MPAC in the council agenda. As the MPAC is a committee of the council, its reports are submitted directly to the council without being submitted to the Exco or Mayoral Committee. The chairperson of the MPAC liaises directly with the speaker on the inclusion of its report in the council agenda, and the committee staff ensures that the documentation is physically included in the agenda of the council meeting.

Part 2

Terms of reference for the MPAC

1. The MPAC must interrogate the following financial aspects addressed in the Municipal Finance Management Act:
 - 1.1 **Unforeseen and unavoidable expenditure** (Section 29)
 - any unforeseen and unavoidable expenditure incurred must be reported to the MPAC;
 - proof of the necessary appropriation in an adjustment budget;
 - the MPAC must consider the expenditure and make recommendations to the council; and
 - where the necessary adjustment budget has not been prepared, the MPAC must report same to the council.
 - 1.2 **Unauthorized, irregular or fruitless and wasteful expenditure** (Section 32)
 - any unauthorized, irregular or fruitless and wasteful expenditure by the council, the executive mayor / mayor, executive committee or any political office bearer of the municipality must also be reported to the MPAC;
 - the municipal manager must report to the MPAC on all steps taken to either authorize or certify the payment or to recover or write off the expenditure;

- the municipal manager must report on whether any criminal action was instituted in this regard; and
- the MPAC must report to the council on the appropriateness of the any criminal or civil steps taken and report where no further action was taken and why.

1.3 **The quarterly report of the mayor on the implementation of the budget and the state of affairs of the municipality / SDBIP (Section 52(d))**

- a copy of the quarterly report of the mayor on the implementation of the budget and the state of affairs of the municipality must be submitted to the MPAC;
- where the report is not submitted to the MPAC within 30 days after the end of the quarter, the MPAC must report this to the council;
- where the report is submitted, it must be interrogated and recommendations must be made to the council;
- the MPAC must ensure that the mayor attend to the necessary amendments to the SDBIP and submit the necessary report to the council with proposals for the adjustment budget, and where this is not done by the mayor, report it to the council;
- the MPAC must report any matter of concern regarding the report of the mayor to the council.

1.4 **Monthly budget statements (Section 71)**

- the monthly budget statement submitted to the mayor must be submitted to the MPAC;
- the MPAC must interrogate the statement and report any matter of concern on the statement to the council.

1.5 **Mid-year budget and performance assessment (Section 72)**

- the mid-year budget and performance assessment report submitted to the mayor must be submitted to the MPAC;
- the MPAC must interrogate the assessment and submit its comments on the assessment to the council.

1.6 **Mid-year budget and performance assessment of municipal entities (Section 88)**

- the mid-year budget and performance assessment report submitted by the municipal entity needs to be submitted to the MPAC;
- the MPAC needs to interrogate the report and report matters of concern to the council;
- where the report has not been received or not published, it must be reported to the council.

1.7 **Disclosures concerning councillors, directors and officials (Section 124)**

- as part of its interrogation of the annual financial statements, the MPAC must ensure that the necessary disclosures were made in the financial statements, including:

- salaries, allowances and benefits of political office bearers and councilors of the municipality;
- arrears owed by individual councilors by the municipality for more than 90 days;
- salaries, allowances and benefits of the municipal manager, CFO and senior managers;
- salaries, allowances and benefits of the board of directors of municipal entities
- the salaries, allowances and benefits of the chief executive officer and senior managers of municipal entities;

1.8 **Submission and auditing of annual financial statements (Section 126)**

- copies of the financial statements submitted to the A-G must be submitted to the MPAC as well as the financial statements of any municipal entity under the control of the municipality as well as proof of submission thereof to the A-G;
- where the MPAC has not been provided with the financial statements or with proof that it has been submitted to the A-G it must be reported to the council.

1.9 **Submission of the annual report (Section 127)**

- the annual report must be submitted to the MPAC no later than two weeks after the date required for submission to the council;
- where the annual report is not submitted to the council as required, the MPAC must be provided with a copy of the written explanations of the mayor as submitted to the council;
- where neither the annual report nor the explanation has been submitted, the MPAC must report same to the council;
- the MPAC must monitor that the annual report has been submitted to the A-G, as well as the provincial government departments required and has been published for comment; and
- the MPAC must also monitor that all municipal entities have complied with the said requirements.

1.10 **Oversight report on the annual report (Section 129)**

- the MPAC must consider the annual report and prepare a draft oversight report to be submitted to the council for purposes of adopting the oversight report;
- in preparing the draft oversight report, the MPAC must consider all representations in connection with the annual report received from the local community;
- the meeting of the MPAC considering the annual report must be open to the public and members of the local community must be allowed to make representations in connection with the annual report at the meeting;
- National Treasury Circular 32 provides guidance on the preparation of the oversight report and a copy is attached as Annexure "A" hereto. Reference to the oversight committee must be read as the MPAC.

1.11 **Issues raised by the Auditor-General in audit reports (Section 131)**

- the MPAC must be provided with the report prepared to address issues raised by the A-G;
- where the report is submitted, MPAC should interrogate same and make recommendations to the

council; and

- where the report has not been submitted, MPAC should report this to the council.

1.12 **Audit Committee (Section 166)**

- the MPAC must ensure that the municipality at all times have an operational audit committee;
- all reports received from the audit committee need to be submitted to the MPAC to assist it in its functions and to capacitate the MPAC;
- where no audit committee has been appointed or where the audit committee is not operative, the MPAC must report this to the council.

1.13 **Disciplinary action instituted in terms of the MFMA**

- all disciplinary processes instituted for the contravention of the MFMA must be reported to the MPAC;
- MPAC must monitor that all matters are brought to conclusion;
- MPAC must report to council where matters are not dealt with effectively and timeously.

2. The MPAC must interrogate the following aspects addressed in the Municipal Systems Act.

2.1 **Review of the IDP post elections (Section 25)**

- MPAC must monitor whether the Executive mayor / Exco initiate the review of the IDP posts elections;
- Where the review is not done, the MPAC must report same to the council.

2.2 **Annual review of the IDP (Section 34)**

- MPAC must monitor whether the Executive mayor / Exco initiate the annual review of the IDP;
- Where the review is not done, the MPAC must report same to the council.

2.3 **Performance management plan (Section 39)**

- MPAC must monitor whether the annual performance plan is being prepared;
- Where the plan is not prepared, the MPAC must report same to the council.

2.4 **Monitoring that the annual budget is informed by the IDP (Regulation 6 of the Local Government: Municipal Planning and Performance Management Regulations)**

- MPAC must review the draft annual budget and ensure that it is informed by the IDP adopted by the municipal council; but
- Where the draft annual budget is not aligned with the IDP, the MPAC must report same to the municipal council.

- 2.5 **Monitoring that all declaration of interest forms are completed by councillors on an annual basis** (Section 54 read with Item 7 of Schedule 1)
- MPAC must monitor whether all councillors have completed their declaration of interest forms and update it annually;
 - Where declaration of interest forms have not be completed or updated same must be reported to the municipal council.
3. The MPAC must prepare an annual work plan for approval by the municipal council prior to start of the financial year.

PART 3

Delegations to the MPAC

The following responsibilities are to be delegated to the MPAC in terms of the provisions of section 59 of the Systems Act:

1. The authority to interrogate the following documents and to make recommendations to the municipal council in accordance with the terms of reference of the committee:
 - 1.1 Unforeseen and unavoidable expenditure;
 - 1.2 Unauthorised, irregular or fruitless and wasteful expenditure;
 - 1.3 SDBIP;
 - 1.4 Monthly budget statements;
 - 1.5 Mid-year budget and performance assessment;
 - 1.6 Mid-year budget and performance assessment of municipal entities;
 - 1.7 Disclosures concerning councillors, directors and officials;
 - 1.8 Annual financial statements;
 - 1.9 Annual report;
 - 1.10 Issues raised by the A-G in the audit reports;
 - 1.11 The appointment of the audit committee;
 - 1.12 Disciplinary steps instituted in terms of the MFMA;
 - 1.13 The review of the IDP post elections;
 - 1.14 The annual review of the IDP;
 - 1.15 Performance management plan;
 - 1.16 The draft annual budget with reference to the approved IDP; and
 - 1.17 Declaration of interest forms submitted by councillors.

2. The authority to consider all presentations made by the community on the annual report and the authority to have interviews with members of the community to obtain input on the annual report, as

well as the authority to prepare the draft oversight report over the annual report.

3. The authority to instruct any member of the executive or the municipal manager to attend the meeting of the MPAC to address matters specified by the MPAC and to provide the MPAC with copies of documents to be dealt with by the committee in terms of its terms of reference.
4. The authority to instruct any member of the board or the CEO of a municipal entity to attend the meeting of the MPAC to address matters specified by the MPAC and to provide the MPAC with copies of documents to be dealt with by the committee in terms of its terms of reference.
5. The authority to obtain legal, technical and other specialised assistance required to exercise its functions and duties within the budget approved for the committee and subject to the supply chain management policy where applicable.

4. CONCLUSION

The functionality of the internal governance arrangements in a municipality is to a large extent determined by the effectiveness of its committee system and oversight in the municipality. Accountability and oversight can be most effective if recognised by those in power as promoting accountability and good governance, which in turn are there to enhance performance, effectiveness and efficiency of service delivery. Seen in this light the oversight function complements rather than hampers the effective delivery of services, which is the ultimate aim.

The establishment and effectiveness of MPACs is thus critical for this purpose. Municipalities must ensure that members of oversight committees are continually empowered with the necessary skills, knowledge and information needed to execute the oversight function effectively so as to enhance good governance and ultimately the performance of the municipality, in accordance with the constitutional vision of local government being a developmentally orientated sphere. SALGA will undertake continuous training and coordinate information-sharing sessions periodically for the benefit of our members.

7.11 ESTABLISHMENT OF A MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) FOR STELLENBOSCH MUNICIPALITY

15TH COUNCIL MEETING: 2013-08-29: ITEM 7.11

RESOLVED (nem con)

- (a) that Council take cognizance of the “*Guideline for Establishment of Municipal Public Accounts Committees*”, jointly issued by the Department of Cooperative Governance (CoGTA) and National Treasury (NT), attached as **APPENDIX 1**;
- (b) that the Section 32 Committee be disestablished;
- (c) that the Oversight Committee be disestablished and that the function of the Oversight Committee be taken over by the MPAC;
- (d) that it be recommended to the MEC that the Chairperson of the Municipal Public Accounts Committee be designated full-time.
- (e) that the Municipal Public Accounts Committee (MPAC) be established in terms of and in accordance with Section 79 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998).
- (f) that MPAC be comprised as follows:
 - (i) 5 Councillors of the DA:
 - Councillor E Groenewald (Ms)
 - Councillor R du Toit (Ms)
 - Councillor NE McOmbring (Ms)
 - Councillor MC Johnson
 - Councillor N August
 - 2 Councillors of the ANC
 - Councillor RS Nalumango (Ms)
 - Councillor MM Ngcofe
 - 2 Councillors of the smaller parties
 - Councillor HC Bergstedt (Ms)
 - Councillor M Wanana
- (ii) that Councillor HC Bergstedt (Ms) be appointed as Chairperson of MPAC on a full-time basis;
- (g) that MPAC be authorised to co-opt members of the public with expertise in specific fields to assist and advise the Committee when deliberating before it, as and when necessary, taking note of the fact that such non-elected members shall enjoy no status in Council and will have no voting rights in any political structure of Council;

-
- (h) that the Rules of Order of Stellenbosch Council shall be applicable to all meetings of MPAC; and
- (i) that in addition to the other relevant functions and duties set out in the "Guideline for Establishment of Municipal Public Accounts Committees" as well as Circular 32 of National Treasury, the Terms of Reference depicted below, be applicable:
- (1) the Committee shall not be responsible for policy formulation;
 - (2) the Committee may engage directly with the public and consider public comments when received and will be entitled to request documents or evidence from the Accounting Officer;
 - (3) the Committee shall have permanent referral of documents as they become available relating to:
 - (i) In-year reports of Stellenbosch Municipality;
 - (ii) Financial statements of Stellenbosch Municipality as part of its oversight process;
 - (iii) Audit opinion, other reports and recommendations from the Audit Committee;
 - (iv) Information relating to compliance in terms of Sections 128 and 133 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA);
 - (v) Information in respect of any disciplinary action taken in terms of the MFMA where it relates to an item that is currently serving or has served before it;
 - (vi) Any other audit report of Stellenbosch Municipality; and
 - (vii) Performance information of Stellenbosch Municipality.
 - (4) the Committee shall consider and evaluate the content of the Annual Report and to make recommendations to Council when adopting an Oversight Report on the Annual Report;
 - (5) In order to assist with the conclusion of matters that may not be finalized, information relating to past recommendations made on the Annual Report must also be reviewed, relating to current in-year reports, including the quarterly, mid-year and Annual Reports;
 - (6) the Committee shall examine the financial statements and audit reports of Stellenbosch Municipality and in doing so, consider improvements from previous statements and reports and evaluate the extent to which the Audit Committee's and the Audit General's recommendations have been implemented;

-
- (7) the Committee shall promote good governance, transparency and accountability on the use of municipal resources;
 - (8) the Committee shall recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by Stellenbosch Municipality or the Audit Committee;
 - (9) the Committee shall request the support of both the internal and external auditors in an advisory capacity when necessary;
 - (10) the Committee shall conduct investigations into unauthorized, irregular and/or fruitless and wasteful expenditure in accordance with Section 32(2)(a)(ii) of the MFMA and Regulation 74 of the Municipal Budget and Reporting Regulations; and
 - (11) the Committee shall perform any other functions within its area of responsibility assigned to it through a resolution of Council.
- (j) that Council approve the Section 80 Committees, attached as **APPENDIX 3**.

**(DIRECTOR STRATEGIC AND CORPORATE SERVICES
TO ACTION)**

STELLENBOSCH MUNICIPALITY
TERMS OF REFERENCE OF THE MPAC

1. MPAC may evaluate, direct and supervise investigations into any matters within the scope of its roles and responsibilities as instructed by the Council.
2. MPAC has –
 - (a) an oversight role in respect of the Municipality's Annual Report with specific focus on the financial aspects as contained in the Auditor-General's Report on the Annual Financial Statements, as envisaged in section 129 of the MFMA
 - (b) an investigative and reporting role in respect of unauthorised, irregular or fruitless and wasteful expenditure, as envisaged in section 32 of the MFMA
3. MPAC must consider the Annual Report and in respect of the supporting oversight report, which the Municipal Council must adopt in terms of section 129 of the MFMA, the MPAC must -
 - (a) consider and make recommendations on the report to Council regarding specific reports of the Auditor-General and queries, comments and responses in respect thereof;
 - (b) recommend and make proposals in respect of the oversight process for improving efficiency, effectiveness and economy in the financial sphere of the Municipality; and
 - (c) liaise with the Audit Committee and any other relevant committees and role-players.
4. MPAC is authorised to investigate unauthorised, irregular or fruitless and wasteful expenditure in terms of section 32 of the MFMA and may recommend to Council whether such expenditure –
 - (a) resulted in the Municipality receiving "value-for-money" (i.e. services received within a reasonable price);
 - (b) is recoverable or not (financial implications);
 - (c) resulted from non-compliance in following due process and subsequent disciplinary action is necessary, including whether legal action is appropriate; and /or
 - (d) was a result of control failures or gaps and what remedial and disciplinary actions are proposed.
5. Except in so far Council has delegated oversight to the Municipal Manager and Executive Mayor and except in so far as the Executive Mayor has statutory powers of oversight, MPAC must ensure that corrective action has been taken in respect of the comments and resolutions of MPAC during the oversight reporting process as envisaged in 3 and 4 herein above.

6. In performing its functions the MPAC with reference to the mandate as stipulated in 3 and 4 above:
 - (a) must quarterly report to Council on its activities.
 - (b) may co-opt advisory members who are not members of Council provided that such members may not vote on any matter.
 - (c) may seek any information from, and have access to, any councillor and or/employee with reference to 3 and 4 herein above, and to direct all councillors and employees to co-operate with any request made by the committee.
 - (d) has unrestricted access through the Office of the Municipal Manager/Internal Audit to information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities;
 - (e) request councillors and officials, including the accounting officer to attend any of its meetings for interview and input regarding items on the agenda.
 - (f) has direct access to internal and external auditors and to all accounts and financial statements of the municipality, all reports of the Auditor-General and audit opinions, other reports and recommendations from the Audit Committee.
7. The Municipal Manager must provide MPAC with adequate secretariat services and other resources subject to financial resources provided for this purpose in the budget.

8.1.2	ESTABLISHMENT OF A RULES COMMITTEE
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1. PURPOSE OF REPORT

For Council to establish a Rules Committee for the Stellenbosch Council.

2. BACKGROUND

By virtue of the termination of the 2011-2016 Council's term of office, the former Rules Committee has also dissolved. It is prudent for the newly elected Council to establish a multi-party Rules Committee to be responsible for developing Rules of Order and amendments thereto, and to recommend same to Council for adoption.

The former Council had established an 8-member multi-party Rules Committee, with The Speaker serving as its Chairperson.

3. LEGAL FRAMEWORK**3.1 Section 79 Committees**

In terms of Section 79 of the Structures Act, a municipal council may establish one or more Committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers, and appoint the Committee members from among its members.

If Council wishes to establish such Committees, it:-

1. must determine the functions of such Committees;
2. may delegate duties and powers to it in terms of Section 59 of the Systems Act;
3. must appoint the Chairperson(s); and
4. may authorise a Committee to co-opt advisory members who are not members of the Council, within the limits determined by Council.

The proposed Rules Committee is to be a committee established in terms of Section 79 of the Structures Act. As such, the provisions of Section 79 referred to above are applicable, namely: that the municipal council determines the functions of the Rules Committee and may delegate powers and duties to it, that Council appoints the members of the Rules Committee, and that Council must also appoint the Rules Committee's Chairperson.

Section 79(2) further provides that Council may authorise a committee to co-opt advisory members who are not members of the council within the limits determined by the council, may remove a member of a committee at any time, and may determine a committee's procedure.

3.2 Composition of Committees

Section 33 of the Structures Act stipulates that, with the establishment of committees, cognisance must be taken of the extent of the functions and powers of the municipality, as well as the need for the delegation of those

functions and powers in order to ensure efficiency and effectiveness in their performance.

In terms of Section 160(8) of the Constitution of the Republic of South Africa, members of a municipal Council are entitled to participate in its proceedings and those of its Committees in a manner that, *inter alia*:-

- (a) allows parties and interests reflected within the Council to be fairly represented; and
- (b) is consistent with democracy.

Furthermore, attention is drawn to the fact that in terms of the Stellenbosch Municipality (WCO24) Establishment Notice, read with the Provincial Gazette: 7460, 31 July 2015, only the following office bearers are designated as full-time councillors:-

- the Executive Mayor;
- the members of the Mayoral Committee;
- the Speaker;
- the Single Whip; and
- the Chairperson of MPAC (Municipal Public Accounts Committee).

RECOMMENDED

- (a) that Council considers the following nominations:

Cllr DS Arends (ACDP)
Cllr PR Crawley (Ms) (DA)
Cllr JG Hamilton (DA)
Cllr DD Joubert (Speaker) (DA)
Cllr WC Petersen (Ms) (DA)
Cllr P Sitshoti (Ms) (ANC); and

- (b) that Council appoints a Chairperson for the Rules Committee.

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8.1.3	ESTABLISHMENT OF A DISCIPLINARY COMMITTEE
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1. PURPOSE OF REPORT

For Council to establish a Disciplinary Committee for the Stellenbosch Council.

2. BACKGROUND

By virtue of the termination of the 2011-2016 Council's term of office, the former 6-member Disciplinary Committee has also dissolved. It is prudent for the newly elected Council to establish a Disciplinary Committee to assist in the discipline of Councillors by conducting disciplinary hearings and to make recommendations to Council in terms of its findings.

3. LEGAL FRAMEWORK**3.1 Section 79 Committees**

In terms of Section 79 of the Structures Act, a municipal council may establish one or more Committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers, and appoint the members of such Committee(s) from among its members.

If Council wishes to establish such Committees, it:-

1. must determine the functions of such Committees;
2. may delegate duties and powers to it in terms of Section 59 of the Systems Act;
3. must appoint the Chairperson(s); and
4. may authorise a Committee to co-opt advisory members who are not members of the Council, within the limits determined by Council.

The proposed Disciplinary Committee is to be a committee established in terms of Section 79 of the Structures Act. As such, the provisions of Section 79 referred to above are applicable, namely: that the municipal council determines the functions of the Disciplinary Committee and may delegate powers and duties to it, that Council appoints the members of the Disciplinary Committee, and that Council must also appoint the Disciplinary Committee's Chairperson.

Section 79(2) further provides that Council may authorise a committee to co-opt advisory members who are not members of the council within the limits determined by the council, may remove a member of a committee at any time, and may determine a committee's procedure.

3.2 Composition of Committees

Section 33 of the Structures Act stipulates that, with the establishment of committees, cognisance must be taken of the extent of the functions and powers of the municipality, as well as the need for the delegation of those functions and powers in order to ensure efficiency and effectiveness in their performance.

In terms of Section 160(8) of the Constitution of the Republic of South Africa, members of a municipal Council are entitled to participate in its proceedings and those of its Committees in a manner that, *inter alia*:-

- (a) allows parties and interests reflected within the Council to be fairly represented; and
- (b) is consistent with democracy.

Furthermore, attention is drawn to the fact that in terms of the Stellenbosch Municipality (WCO24) Establishment Notice, read with the Provincial Gazette: 7460, 31 July 2015, only the following office bearers are designated as full-time councillors:-

- the Executive Mayor;
- the members of the Mayoral Committee;
- the Speaker;
- the Single Whip; and
- the Chairperson of MPAC (Municipal Public Accounts Committee).

RECOMMENDED

- (a) that Council considers the following nominations:

Cllr DS Arends (ACDP)
Cllr MB De Wet (DA)
Cllr E Groenewald (Ms) (DA)
Cllr N Mananga-Gugushe (Ms) (ANC)
Cllr WC Petersen (Ms) (DA)
Cllr N Sinkinya (Ms) (ANC); and

- (b) that Council appoints a Chairperson for the Disciplinary Committee.

Meeting: Ref No:	<i>Council: 2016-10-26 3/3/3/6/16</i>	Submitted by Directorate: Author: Referred from:	<i>Office of the Municipal Manager Acting MM: (R Bosman) Council: 2016-10-05</i>
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8.1.4	ESTABLISHMENT OF APPEAL AUTHORITY (SECTION 62: SYSTEMS ACT)
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1. PURPOSE OF REPORT

For Council to establish an Appeal Authority in terms of Section 62 of the Municipal Systems Act.

2. BACKGROUND

By virtue of the termination of the 2011-2016 Council's term of office, the former Council Appeal Committee has dissolved, which now necessitates the establishment of a new Appeal Committee. During the previous term, 7 (seven) Councillors were appointed to serve on the Council Appeal Committee, with the Speaker appointed as Chairperson.

3. LEGAL FRAMEWORK**3.1 MUNICIPAL SYSTEMS ACT, Section 62 APPEALS**

In the case of Stellenbosch Municipality which comprises of more than 14 councillors, MSA Section 62(4)(c)(ii) is applicable, which states: *"when the appeal is against a decision taken by a political structure or political office bearer, a committee of councillors who were not involved in the decision and appointed by the municipal council for this purpose is the appeal authority..."*.

3.2 Section 79 Committees

In terms of Section 79 of the Structures Act, a municipal council may establish one or more Committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers, and appoint the members of such Committee(s) from among its members.

If Council wishes to establish such Committees, it:-

1. must determine the functions of such Committees;
2. may delegate duties and powers to it in terms of Section 59 of the Systems Act;
3. must appoint the Chairperson(s); and
4. may authorise a Committee to co-opt advisory members who are not members of the Council, within the limits determined by Council.

The Council Appeal Committee is established as per the provisions of Section 79 of the Structures Act. As such, the municipal council determines the functions of the Council Appeal Committee and may delegate powers and duties to it, and Council appoints the members as well as the Chairperson of the Council Appeal Committee.

3.3 Composition of Committees

Section 33 of the Structures Act stipulates that, with the establishment of committees, cognisance must be taken of the extent of the functions and powers of the municipality, as well as the need for the delegation of those

functions and powers in order to ensure efficiency and effectiveness in their performance.

In terms of Section 160(8) of the Constitution of the Republic of South Africa, members of a municipal Council are entitled to participate in its proceedings and those of its Committees in a manner that, *inter alia*:-

- (a) allows parties and interests reflected within the Council to be fairly represented; and
- (b) is consistent with democracy.

Furthermore, attention is drawn to the fact that in terms of the Stellenbosch Municipality (WCO24) Establishment Notice, read with the Provincial Gazette: 7460, 31 July 2015, only the following office bearers are designated as full-time councillors:-

- the Executive Mayor;
- the members of the Mayoral Committee;
- the Speaker;
- the Single Whip; and
- the Chairperson of MPAC (Municipal Public Accounts Committee).

RECOMMENDED

- (a) that Council considers the following nominations:

Cllr GN Bakubaku-Vos (Ms) (ANC)
Cllr MB De Wet (DA)
Cllr A Florence (DA)
Cllr DD Joubert (Speaker) (DA)
Cllr MD Oliphant (ANC);
Cllr WC Petersen (Ms) (DA); and

- (b) that Council appoints a Chairperson for the Council Appeal Committee.

Meeting: Ref No:	<i>Council: 2016-10-26 3/P/8</i>	Submitted by Directorate: Author: Referred from:	<i>Office of the Municipal Manager Acting MM: (R Bosman) Council: 2016-10-05</i>
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8.1.5	APPOINTMENT OF COUNCILLORS TO SERVE ON THE LOCAL LABOUR FORUM
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1. PURPOSE OF REPORT

For Council to consider the appointment of Councillors to serve on the Local Labor Forum.

2. BACKGROUND

The termination of the 2011-2016 Council's term of office necessitates the appointment of Councillors to represent the Employer on the Local Labour Forum.

As per the SALGBC Main Collective Agreement, the Employer representatives shall consist of at least 2 (two) Councillors, and Management.

During the previous term of office, 6 (six) Councillors were appointed to serve on the Local Labour Forum.

RECOMMENDED

(a) that Council considers the following nominations:

- | | | |
|----|------------------------|------|
| 1. | Cllr DS Arends | ACDP |
| 2. | Cllr R Du Toit (Ms) | DA |
| 3. | Cllr AR Frazenburg | DA |
| 4. | Cllr XL Mdemka (Ms) | DA |
| 5. | Cllr RS Nalumango (Ms) | ANC |

(b) that Council appoints a Chairperson for the Local Labour Forum.

Meeting: Ref No:	Council: 2016-10-26 3/3/3/6/4	Submitted by Directorate: Author: Referred from:	Office of the Municipal Manager Acting MM: (R Bosman) Council: 2016-10-05
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8.2	STRUCTURING OF COUNCIL: ESTABLISHMENT OF SECTION 80 COMMITTEES (PORTFOLIO COMMITTEES)
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1. LEGAL FRAMEWORK

1.1 Section 80 Committees

In terms of Section 80 of the Structures Act, if a municipality has an Executive Committee or Executive Mayor, it may appoint Committees of Councillors to assist the Executive Committee or Executive Mayor.

Such Committees may not in number exceed the number of members of the Executive Committee or Mayoral Committee.

The Executive Committee or Executive Mayor, *inter alia*:-

- appoints a Chairperson for each Committee; and
- may delegate any powers and duties of the Executive Committee or Executive Mayor to the Committee.

Such Committee(s) must report to the Executive Committee or Executive Mayor in accordance with the directions of the Executive Committee or Executive Mayor.

1.2 Composition of Committees

In terms of Section 160(8) of the Constitution of the Republic of South Africa, members of a municipal Council are entitled to participate in its proceedings and those of its Committees in a manner that, *inter alia*:-

- (a) allows parties and interests reflected within the Council to be fairly represented; and
- (b) is consistent with democracy.

The allocation of Councillors to the various Section 80 Committees shall be such that every Councillor, with the exception of the Executive Mayor, the Deputy Executive Mayor, the Speaker and the Single Whip, is allocated to at least one of the Committees.

2. Status Quo

The Portfolio Committees operational during the 2011-2016 term of office were:-

- Finance, Strategic and Corporate Services;
- Engineering Services and Human Settlements;
- Planning, Economic and Community Development; and
- Community and Protection Services.

RECOMMENDED

- (a) that the establishment of Section 80 portfolio committees be approved, in principle;

(b) that Council establishes the following eight (8) Section 80 Portfolio Committees, namely:

- Community Development and Community Services Committee
- Corporate and Strategic Services Committee
- Economic Development and Planning Committee
- Financial Services Committee
- Human Settlements Committee
- Infrastructure Committee
- Protection Services Committee
- Youth, Sports and Culture Committee

(c) that Council considers the following nominations:

COMMUNITY DEVELOPMENT & COMMUNITY SERVICES

- | | | |
|----|---------------------------|-----|
| 1. | Cllr GN Bakubaku-Vos (Ms) | ANC |
| 2. | Cllr A Crombie (Ms) | DA |
| 3. | Cllr AR Frazenburg | DA |
| 4. | Cllr E Fredericks (Ms) | DA |
| 5. | Cllr MD Oliphant | ANC |

CORPORATE AND STRATEGIC SERVICES

- | | | |
|----|------------------------------|-----|
| 1. | Cllr MB De Wet | DA |
| 2. | Cllr E Groenewald (Ms) | DA |
| 3. | Cllr J Hamilton | DA |
| 4. | Cllr L Maseba | ANC |
| 5. | Cllr FT Bangani-Menzina (Ms) | ANC |

ECONOMIC DEVELOPMENT AND PLANNING

- | | | |
|----|------------------------|------|
| 1. | Cllr F Adams | DNCA |
| 2. | Cllr FJ Badenhorst | DA |
| 3. | Cllr L Maseba | ANC |
| 4. | Cllr RS Nalumango (Ms) | ANC |
| 5. | Cllr JP Serdyn (Ms) | DA |
| 6. | Cllr P Sitshoti (Ms) | ANC |
| 7. | Cllr S Schäfer | DA |

FINANCIAL SERVICES

- | | | |
|----|------------------------|-----|
| 1. | Cllr P Crawley (Ms) | DA |
| 2. | Cllr FJ Badenhorst | DA |
| 3. | Cllr RS Nalumango (Ms) | ANC |
| 4. | Cllr M Oliphant | ANC |
| 5. | Cllr S Peters | DA |

HUMAN SETTLEMENTS

- | | | |
|----|---------------------------|-----|
| 1. | Cllr GN Bakubaku-Vos (Ms) | ANC |
| 2. | Cllr PW Biscoombe | DA |
| 3. | Cllr R Du Toit (Ms) | DA |
| 4. | Cllr E Fredericks (Ms) | DA |
| 5. | Cllr LK Horsband (Ms) | EFF |

INFRASTRUCTURE

1. Cllr F Bangani-Menziwa (Ms) ANC
2. Cllr J De Villiers DA
3. Cllr A Florence DA
4. Cllr AJ Hanekom DA
5. Cllr N Mananga-Gugushe (Ms) ANC
6. Cllr N Sinkinya (Ms) ANC

PROTECTION SERVICES

1. Cllr DS Arends ACDP
2. Cllr J Hendriks DA
3. Cllr NE McOmbring (Ms) DA
4. Cllr Q Smit DA
5. Cllr C Manuel DA
6. Cllr LM Mqeba ANC

YOUTH, SPORT AND CULTURE

1. Cllr LK Horsband (Ms) EFF
2. Cllr XL Mdemka (Ms) DA
3. Cllr MM Pietersen DA
4. Cllr N Sinkinya (Ms) ANC
5. Cllr E Vermeulen (Ms) DA

- (d) that the Executive Mayor, in terms of Section 80(3) of the Municipal Structures Act, appoints a Chairperson for each of the Section 80 Committees from the Mayoral Committee.

Meeting: Ref No:	<i>Council: 2016-10-26</i>	Submitted by Directorate: Author: Referred from:	<i>Office of the Municipal Manager Acting MM: (R Bosman) Council: 2016-10-05</i>
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8.3	APPOINTMENT OF REPRESENTATIVES ON SALGA – WESTERN CAPE
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1. PURPOSE OF REPORT

For Council to appoint representatives and secundi to serve on the various SALGA Provincial Working Groups.

2. BACKGROUND

The Council must appoint representatives to serve on the various SALGA provincial working groups.

The following are the SALGA Working Groups on which nominated councillors from Stellenbosch Municipality should serve:

SALGA Provincial Working Groups	
1	Economic Development and Planning
2	Municipal Finance
3	Community Development
4	Human Resource Development and Collective Bargaining
5	Municipal Infrastructure and Related Services [which includes] – <ul style="list-style-type: none"> • Climate Change, Environmental Affairs and Sustainability • Municipal Infrastructure Planning • Municipal Trading Services
6	Governance, Intergovernmental and International Relations

RECOMMENDED

that Council considers the following nominations for the SALGA Provincial Working Groups:

	SALGA PROVINCIAL WORKING GROUP	PRIMARY REP: COUNCILLOR	SECUNDI: COUNCILLOR
1	Economic Development and Planning	JP Serdyn (Ms)	FJ Badenhorst
2	Municipal Finance	S Peters	PR Crawley (Ms)
3	Community Development	Q Smit	XL Mdemka (Ms)
4	Human Resource Development and Collective Bargaining	E Groenewald (Ms)	JG Hamilton
5	Municipal Infrastructure and Related Services (which include): <ul style="list-style-type: none"> • Climate Change, Environmental Affairs and Sustainability • Municipal Infrastructure Planning • Municipal Trading Services 	JN de Villiers	AJ Hanekom
6	Governance, Intergovernmental and International Relations	E Groenewald (Ms)	MB de Wet

Meeting: Ref No:	Council: 2016-10-26 3/6/3	Submitted by Directorate: Author: Referred from:	Office of the Municipal Manager Acting MM: (R Bosman) Council: 2016-10-05
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8.4	APPOINTMENT OF COUNCILLORS TO SERVE ON EXTERNAL BODIES
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1. PURPOSE OF REPORT

For Council to consider the appointment of Representatives of Council to serve on external bodies.

2. BACKGROUND

The table below indicates the various external bodies where the former Council was represented:

BODY/INSTITUTE	Number of Council Reps
Jan Marais Nature Reserve Advisory Committee	1
Mont Rochelle Nature Reserve Advisory Committee	2
Pension Fund and Retirement Fund	1
Stellenbosch Tourism and Information Bureau	2
Stellenbosch Museum Trustee	1
Franschhoek Museum	1
Franschhoek Valley Tourism	2
Community Police Forum Stellenbosch	3
Community Police Forum Kayamandi	3
Community Police Forum Franschhoek	2
Community Police Forum Klapmuts	2
Community Police Forum Cloetesville	2
Community Police Forum Groot Drankenstein	1
SWOKK (Stellenbosch Welsyns en Ontwikkelings-koördinerings Komitee)	3
FREMCO Trust	3
Hospital Board	1
University Board	1
Winelands Water Utilisation Association	1
Dilbeek Trust Committee	3

RECOMMENDED

that Council considers the following nominations to serve on the external bodies:

BODY/INSTITUTE	Name of Councillors
Jan Marais Nature Reserve Advisory Committee	XL Mdemka (Ms)
Mont Rochelle Nature Reserve Advisory Committee	AR Frazenburg C Manuel
Pension Fund and Retirement Fund	XL Mdemka (Ms)
Stellenbosch Tourism and Information Bureau	JP Serdyn (Ms)
Stellenbosch Museum Trustee	JP Serdyn (Ms) NS Louw
Franschhoek Museum	S Schäfer WC Petersen (Ms)
Franschhoek Valley Tourism	S Schäfer
Community Police Forum Stellenbosch	All Ward Councillors
Community Police Forum Kayamandi	All Ward Councillors
Community Police Forum Franschhoek	WC Petersen (Ms) AR Frazenburg

Community Police Forum Klapmuts	E Fredericks (Ms) LK Horsband (Ms)
Community Police Forum Cloetesville	DD Joubert E Vermeulen (Ms) NE McOmbring (Ms)
Community Police Forum Groot Drankenstein	MM Johnson C Manuel
SWOKK (Stellenbosch Welsyns en Ontwikkelings-koördinerings Kommittee)	WF Pietersen DS Arends A Crombie (Ms)
Hospital Board	E Vermeulen (Ms)
University Board	G van Deventer (Ms)
Winelands Water Utilisation Association	JN De Villiers

Meeting: Ref No:	<i>Council: 2016-10-26 3/6/3</i>	Submitted by Directorate: Author: Referred from:	<i>Office of the Municipal Manager Acting MM: (R Bosman) Council: 2016-10-05</i>
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8.5	ESTABLISHMENT OF WARD COMMITTEES
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1. PURPOSE OF REPORT

To inform Council of the process and the progress toward establishing ward committees within the Stellenbosch Municipal area.

2. BACKGROUND

At the Council meeting held on 2016-10-05, it was resolved

- (a) that Council notes that, in terms of Section 73 of the Municipal Structures Act, Ward Committees must be established for each ward;
- (b) that, in terms of the Municipality's System of Delegations (72-75), Council designates the Speaker to facilitate the establishment of Ward Committees in line with the provisions and stipulations of the Municipal Structures Act and Council's policy for the establishment of Ward Committees; and
- (c) that the Speaker reports back to Council by the end of January 2017 on the progress of the establishment of the Ward Committees.

3. DISCUSSION**3.1 Establishment Notice**

Stellenbosch Municipality as a category B Municipality, established in accordance with Section 9 (d) of the Local Government Municipal Structures Act, 1998, is compelled to implement a mayoral executive system combined with a ward participatory system (Chapter 4 of the Act).

3.2 Policy Guidelines and Procedures for the establishment of Ward Committees

The Policy and Procedures for Ward Committees for the Stellenbosch Municipality has been approved by Council in October 2015, and is attached as **APPENDIX 1**. This policy stipulates that *"the municipality, after consultation with ward councilors, is to recommend to Council what type of election system to be used for each ward."*

The composition of ward committees is guided by this policy, which stipulates that a ward committee will comprise of the Ward Councillor representing that ward and not more than 10 other persons elected through ward committee elections. The policy requires that all organisations/associations/bodies on the stakeholder database of the Municipality be notified in writing at least 45 days before nominations close for the opportunity to nominate candidates for the ward committee elections.

It is also required to publish a call for nominations for candidates for the ward committee elections in one or more of the local newspapers in the Stellenbosch Municipal area. The following newspapers are recommended for this purpose: Eikestad News, Riviernuus, Boland Gazette and Franschhoek Tatler. This will be extended to municipal notice boards, facilities, the online environment and cellular (SMS) communication.

4. LEGAL COMMENT

The item is legally compliant.

4.1 Legislative Framework

Section 152 of the Constitution places the participation of communities at the centre of service delivery and other matters of Local Government.

The Municipal Structures Act, No 117 of 1998 and the Municipal Systems Act, No 32 of 2000, provide the legislative framework for the establishment of Ward Committees.

In terms of section 72(3) of the Structures Act, the object of a ward committee is to enhance participatory governance.

Sect. 73 of the Structures Act states that:-

“(1) If a metro or local council decides to have ward committees, it must establish a ward committee for each ward in the municipality.

(2) A ward committee consists of

(a) the councillor representing that ward in the council, who must also be the chairperson of the committee; and

(b) not more than 10 other persons.

(3) A metro or local council must make rules regulating

(a) the procedure to elect the subsection (2) (b) members of a ward committee, taking into account the need

(i) for women to be equitably represented in a ward committee; and

(ii) for a diversity of interests in the ward to be represented;

(b) the circumstances under which those members must vacate office; and

(c) the frequency of meetings of ward committees.

(4) A metro or local council may make administrative arrangements to enable ward committees to perform their functions and exercise their powers effectively.”

The term of office of the Ward Committee shall be determined by Council resolution in terms of Section 75 of the Municipal Structures Act.

5. PROGRESS TO DATE, AND WAY FORWARD

A communication campaign has been launched in June 2016, calling on organisations and/or interest groups to register on the Municipal Stakeholder database.

At an All Ward Councillors' meeting held on 17 October 2016, consensus was reached regarding the type of electoral system to be used. All Councillors present indicated a preference for the geographical electoral system.

An indicative time-table has been developed and will be confirmed with each individual ward councillor.

Advertisements calling for nominations to ward committees have been developed. The call for nominations will be advertised on notice boards in municipal buildings and municipal libraries and will be placed in all local media (print and online) for a period of at least 30 days starting from 9 November to 9 December 2016, to adhere to the policy requirement.

A single ward committee election will be held with the required transport and logistical arrangements to ensure the attendance of community members and registered voters in the different parts of a particular ward.

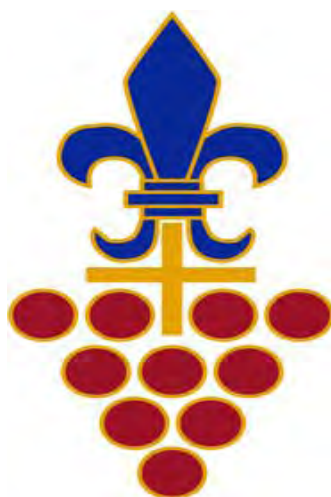
An update on the progress of the establishment of ward committees will be submitted to the January 2017 Council meeting.

RECOMMENDED

- (a) that Council approves the recommendation that all ward committees be established according to the geographical electoral system in line with the consultation that was done with Ward Councillors on 17 October 2016;
- (b) that Council takes note of the policy guidelines and procedures, as well as the communication activities and timelines outlined above; and
- (c) that the election of ward committees may commence during the week of 12 January 2017.

Meeting: Ref No:	<i>Council: 2016-10-26 3/3/1/1</i>	Submitted by Directorate: Author: Referred from:	<i>Corporate and Strategic Services Act. Director: Strat & Corp: (V Bowers)</i>
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Stellenbosch Municipality



Policy and Procedures For Ward Committees

Adopted by Council on 29 November 2006
As amended by Council on 26 August 2010, 20 June 2012 and 28
October 2015

Policy and Procedures for Ward Committees
Compiled in terms of the Local Government: Municipal Structures
Act, 1998
(Act 117 of 1998)

Preamble

WHEREAS Stellenbosch Municipality is committed to encouraging the involvement of communities and community organisations in its affairs;

AND WHEREAS Stellenbosch Municipality is a municipality with an Executive Mayoral System combined with a ward participatory system as set out in section 9(d) of the Municipal Structures Act;

AND WHEREAS the Council has resolved in terms of section 72(2) of the Act to adopt the ward participatory system;

IT IS THEREFORE RESOLVED by the Council of Stellenbosch Municipality as follows:-

Definitions

1. In this Policy and Procedures, a word or expression has the meaning assigned to it in applicable national legislation; otherwise it has the meaning as defined below:

“**the Act**” means a Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

“**election officer**” means the person in charge of the election of ward committee members at an election meeting, which person shall be an official of the municipality or an impartial person appointed by the municipality for this purpose;

“**geographical representation system**” means a system where the seats on a ward committee are reserved in proportion to a predetermined number of members per sub-ward;

“**nominee**” means a person, nominated in terms of section 6 for election to the ward Committee by a sector to represent that sector;

“**out of pockets expenses**” means the payment of out of pocket expenses to members of ward committees in respect of participation by ward committee members in the activities of the ward committees as contemplated in section 73(5)(c) of the Local Government: Municipal Structures Act, 117 of 1998,

“resident” means a resident of the ward for which the ward committee was established;

“sector” means –

- (a) Youth;
- (b) Women;
- (c) Religion;
- (d) Sports and culture;
- (e) Health and welfare;
- (f) Business;
- (g) Environment;
- (h) Heritage;
- (i) Education;
- (j) Senior citizens;
- (k) Community safety;
- (l) Community based organisations;
- (m) Ratepayers'/civic associations;
- (n) Agriculture;
- (o) Informal trade;
- (p) People living with disabilities;
- (q) Farm workers;
- (r) Employment
- (s) Tourism' and
- (t) Public transport.

“sectional representation system” means a system where each member on the ward committee represents one of the sectors above;

“Sub-ward” means a single voting district, portion of a voting district or combination of voting districts as determined by council.

CHAPTER 1 ESTABLISHMENT AND ELECTION

Establishment

2. With the effect from a date set by the Municipality, ward committees will be established for all the wards.

Status of ward committees

3. (1) The object of a ward committee is to enhance participatory democracy in local government.
- (2) A ward committee:
 - (a) Is an advisory body;
 - (b) Is a representative structure;
 - (c) Is independent; and
 - (d) Must be impartial and perform its functions without fear, favour or prejudice

Composition of ward committees

4. (1) A ward committee will comprise of the ward councillor representing that ward in the Council and not more than 10 other persons elected according to sections 6 to 10.
- (2) Gender equity and diversity of interests will be pursued by the election officer. This will be done by drawing the attention of the voters at the start of an election meeting to the importance of –
 - (a) striving for an equal representation of men and women on a ward committee;
 - (b) ensuring the inclusion of a wide as possible variety of the sectors listed under section 1 (Definitions) on a ward committee in the case of a sectoral representation system; and
 - (c) having representatives for different communities within the ward on the ward committee in the case of a geographical representation system.
- (3) Unless the municipality appoints administrative support, the ward committee must appoint one or more of its members to fulfil the administrative and /or secretarial duties of the ward committee.
- (4) A ward councillor may delegate in writing the chairing of a meeting in his/her absence to a proportional representation councillor or any member of the ward committee.

- (5) A ward committee may extend a standing invitation to a maximum of two individuals which they feel will contribute to a better representativity of the committee, as observers to the ward committee.
- (6) The observers mentioned in subsection (5) above will have no voting rights during ward Committee meetings.

Decision on type of ward committee

- 5. (1) When a new ward committee is to be established, the municipality must determine beforehand whether the particular ward warrants a single election following the sectoral representation system or more than one election following the geographical representation system taking into account the diversity of communities as well as the geography of that ward.
- (2) The Municipality, after consultation with ward councillors, is to recommend to council what type of election system to be used for each ward.
- (3) In the case of a geographical representation system the municipality, in consultation with the ward councillors, must determine beforehand how many ward committee members will be representing each sub-ward, taking into consideration the pro-rata numbers of registered voters in each voting district.

Nomination

- 6. (1) Before the municipality calls for nominations for a general election of ward committees, an information campaign must be undertaken to inform the public and councillors on all aspects of the election.
- (2) Only the following nominations will be valid:
 - (a) In the case of a sectoral representation system, those made by organisations/associations/bodies that represent one or more of the sectors identified under section 1 (Definitions); and
 - (b) In the case of a geographical representation system, those made by organisations/associations/bodies that are active in the particular sub-ward.
- (3) Council may consent to a deviation from subsection (1) above if it is of the opinion that it will not be feasible in a particular ward or sub-ward.
- (4) The municipality must –
 - (a) Notify all organisations/associations/bodies on the database of the municipality in writing at least 45 days before nominations close of the opportunity to nominate candidates for the ward committee elections;
 - (b) Publish a call for nominations for candidates for the ward committee elections in one or more of the local newspapers in the Stellenbosch Municipal area; and

- (c) Advertise the call for nominations on notice boards in municipal buildings and municipal libraries for a period of at least 30 days.

(5) A nomination must be accompanied –

- (a) by a written acceptance of the nomination by the nominee,
- (b) by the constitution, establishment notice or any other form of proof of formal existence of the nominating organisation/association/body or by the minutes and attendance register of the last meeting of the nominating organisation/association/body.

Election criteria

7. To be elected as a member of a ward committee, a person -

- (a) must be a registered voter in the ward concerned;
- (b) may not be a member of the Stellenbosch Town Council;
- (c) may not work for the Stellenbosch municipality;
- (d) may not be in arrears to the Municipality for rates and service charges for a period of more than 3 months since the date of the nomination;
- (e) may not be someone who, after February 1997, have been convicted of an offence and sentenced to imprisonment without the option of a fine for a period of not less than twelve months, or
- (f) may not be someone of unsound mind who have been declared so by a competent court.

Election meeting

8. (1) Elections will be held according to the type of election system determined by council for each ward in terms of section 5 above.

(2) On determining the election meeting venue or venues in the case of separate meetings, the municipality must take into account inter alia:

- (a) The input of ward councillors concerned;
- (b) Distances for voters to travel;
- (c) The needs of minority or vulnerable groups to be accommodated on the ward committee, and
- (d) The existence or not of separate communities within the ward with dissimilar needs.

(3) After the nominations have closed, the municipality must –

- (a) convene an election meeting for each of the wards or sub-wards after confirmation of the election date with the relevant ward councillor, and
 - (b) make public the date, time and place of a ward or sub-ward election meeting by way of official notice in local newspapers in all the official languages of the province; as well as other means of public communication as determined by council.
- (4) Only residents who are registered voters in the ward or sub-ward concerned may attend and vote at the meeting.
This does not exclude municipal officials and members of the media to attend the meeting without the right to vote
 - (5) The ward election meeting is chaired by the election officer.
 - (6) Provision must be made for the illiterate, where applicable.

Election procedure

9. (1) The ward councillor, if present, may welcome the voters and the candidates and must then take a seat amongst those present at the meeting and refrain from any interference with the proceedings.
- (2) The election officers will then take control of the voting process and explain the procedure to be followed.
- (3) In the case of a sectoral representation system –
 - (a) the meeting, through a voting procedure, selects the 10 most appropriate sectors for the ward concerned; and
 - (b) the nominees from the sectors not selected in terms of subsection (a) above are eliminated from the rest of the procedure.
- (4) the nominees are –
 - (a) introduced by the election officer, and
 - (b) allocated, on an even basis, time to address the meeting.
- (5) After nominees for a sector (in the case of a sectoral representation system) or a sub-ward (in the case of a Geographical representation system) were introduced and had an opportunity to address the meeting, the election Officer will call for a vote on the nominees within that sector or sub-ward.
- (6) If only one person was nominated, the election officer must declare that person elected.

- (7) The election officer must declare elected the nominee who receives a majority of the votes (50% plus one) cast.
- (8) If no nominee receives a majority of the votes cast, a second vote is taken on the three nominees that received the highest number of votes in the first vote.
- (9) If no nominee receives a majority of the votes cast in the second vote, a third vote is taken on the two nominees that received the highest number of votes in the second vote.
- (10) If the two nominees have exactly the same number of votes after the process in subsection (9) above, the election officer will determine the elected person by the draw of lots.
- (11) Once all vacancies have been filled, the election officer must indicate to those present their right to appeal.
 - (a) Any such appeal must be lodged with the Office of the Speaker within one week of the election.
 - (b) Appeals will be dealt with by an independent person appointed for this purpose by the Speaker. This person's findings will be final and binding.
- (12) The ward councillor may at this point in time take control of the meeting to thank everybody present, congratulate the successful candidates and to close the meeting; should he/she so wish.

Voting

- 10** (1) Each community member present may cast one vote (in case of a sectoral representation system one vote per sector).
- (2) Voting shall be by ballot paper unless 75% or more of the voters decide to vote by show of hands. This may be determined for the meeting as a whole or for each sector or sub-ward separately.
 - (3) Where voting is done by show of hands, the nominees for each sector or sub-ward will leave the hall for the duration of the election with respect to that sector or sub-ward.
 - (4) The ward councillor may take part in the voting process.
 - (5) The ward councillor may in no way before or during the election meeting influence the election of ward committee members.

CHAPTER 2 TERMS OF OFFICE, VACANSIES AND DISSOLUTION

Term of office

11. (1) The term of office for a ward committee will run concurrently with that of the Council up to the day of the next municipal elections.
- (2) Members of a ward committee will vacate office when a new Council is declared elected.
- (3) The vacation of office by the ward councillor does not affect the term of office of the 10 additional members elected in accordance with sections 6 to 10.
- (4) A ward committee member may be re-elected, subject to the above subsections.

Dissolution

12. (1) The Council may, by notice addressed to the ward committee, dissolve the ward committee if it fails to fulfil its object:
- (a) When it fails to meet three consecutive times;
 - (b) When members recommend to council to dissolve it, and
 - (c) When maladministration, fraud, corruption or any serious malpractice has occurred or is occurring in a committee.
- (2) The Council must give prior notice to the ward committee of the intention to dissolve a ward committee.

Termination of membership

13. The membership of a ward committee member will be terminated if that member -
- (a) resigns in writing;
 - (b) is no longer qualified, in terms of section 7, to be a member of a ward committee;
 - (c) is removed from office by the Speaker in terms of section 14; or
 - (d) dies.

Removal from office

14. The Speaker can remove a member of a ward committee from office if that member -
- (a) Fails to attend three consecutive meetings without obtaining leave of absence from the ward committee;
 - (b) fails to adhere to meeting procedures or is guilty of misconduct during ward committee meetings;
 - (c) is involved in proven activities that undermines the authority of the Council or the ward councillor, or
 - (d) is engaged in corruption.

Filling of vacancies

15. (1) The Speaker must fill the vacancy by declaring as elected the person who received the second highest number of votes in the sector or sub-ward concerned during the election held in terms of section 9.
- (2) If nobody can be declared elected in terms of subsection (1) above, the ward committee may by a majority vote of the members' present, fill the vacancy through a process of co-optation.
- (3) The intention to fill a vacancy through a process of co-optation must be placed on the ward committee's agenda beforehand, which agenda must be circulated to members at least 7 days before the meeting.
- (4) Sectoral representation (in the case of a sectoral representation system) or geographical representation (in the case of a geographical representation system) of the member, who vacated his /her position, must be taken into account when filling a vacancy.
- (5) A person co-opted as a ward committee member must comply with the criteria in section 7.

**CHAPTER 3
POWERS AND FUNCTIONS AND CONDUCT OF MEMBERS**

Powers and functions

16. (1) A ward committee may take recommendations on any matter affecting its ward to the ward councillor, or through the ward councillor, to the Council or to the Executive mayor.
- (2) The following duties and powers are delegated to ward committees by the Council in terms of Section 59 of the Municipal Systems Act:
- (a) To serve as an official specialised participatory structure in the municipality.
 - (b) To create formal unbiased communication channels as well as co-operative partnerships between the community and the Council. This will be achieved as follows:
 - (i) Advise and make recommendations to the ward councillor on matters and policy affecting the ward;
 - (ii) Assist the ward councillor in identifying challenges and needs of residents;
 - (iii) Disseminate information in the ward concerning municipal affairs such as the budget, integrated development planning, performance management system (PMS), service delivery options and municipal properties;
 - (iv) Receive queries and complaints from residents concerning municipal service delivery, communicate it to Council and provide feedback to the community on Council's response;

- (v) Ensure constructive and harmonious interaction between the municipality and community through the use and co-ordination of ward residents meetings and other community development forums; and
 - (vi) Interact with other forums and organisations on matters affecting the ward.
- (c) To serve as a mobilising agent for community action within the ward. This may be achieved as follows:
- (i) Attend to all matters that affect and benefit the community;
 - (ii) Act in the best interest of the community; and
 - (iii) Ensure the active participation of the community in –
 - (aa) service payment campaigns;
 - (bb) the integrated development planning process;
 - (cc) the municipality's budgetary process;
 - (dd) decisions about the provision of municipal services, and
 - (ee) decisions about by-laws;
- (d) No executive powers will be delegated to ward committee members;
- (e) A ward committee may express dissatisfaction in writing to the Council on the non-performance of a ward councillor.

Subcommittees

17. (1) A ward committee may establish one or more subcommittees necessary for the performance of its functions and involve organisations more broadly.
- (2) A ward committee must –
- (a) appoint the members of such a committee;
 - (b) appoint the chairperson of such a committee from amongst its members, and
 - (c) determine the function of such a committee.
- (3) the ward committee and sub-committees may meet together as a ward forum for major discussions.
- (4) Stakeholders in the ward may apply to the ward committee to participate in sub-committees that are relevant to their fields of interest and to their day-to-day functioning as a sector.

Conduct of members

18. A member of the ward committee:
- (a) Must perform the functions of the committee in good faith and without fear, favour or prejudice.
 - (b) My not use the position or privileges of a member for private gain, or to improperly benefit another person.
 - (c) May not act in any other way that compromises the credibility, impartiality, independence or integrity of the committee.

- (d) Must adopt the principle of accountability to the community and all political parties represented in Council.
- (e) Must be accessible for the community and ensure that all role players can relate to the process and the issues at hand and are able to make their input into the processes of the committee.
- (f) Must adopt the principle of transparency to promote openness, sincerity and honesty among all the role-players in a participative process and promote trust and respect for the integrity of each role-player and a commitment by all to the overriding objectives of the process in the interest of the common good.
- (g) Must recognise diversity and understand the differences associated with race, gender, religion, ethnicity, language, age, economic status and sexual orientation, among other.
- (h) Must embrace all views and opinions in the process of community participation. Special effort should be made to include previously disadvantaged persons and groups, including women and youth in the activities of the ward committee.
- (i) Must provide an apology with a valid reason to the chairperson of the committee if a meeting cannot be attended.

CHAPTER 4 MEETINGS WARD COMMITTEE MEETINGS

Chairperson

19. (1) Subject to section 4(5) above, ward committee meetings are convened and chaired by the ward councillor.
- (2) Members of the ward committee must submit items to be discussed, well in advance to the chairperson.
 - (3) The chairperson will be responsible to prepare an agenda for ward committee meetings.
 - (4) The chairperson determines when and where a ward committee meets, subject to subsection (5) below.
 - (5) A ward committee should meet on a monthly basis but must meet at least quarterly.

Purpose

20. The purpose of the ward committee meetings is:
- (a) for ward committee members to raise matters affecting the ward;
 - (b) for the ward councillor to report on –
 - (i) matters decided by the Council;
 - (ii) Initiatives, information, campaigns and programmes of the Council,
 - (c) To discuss complaints received by ward committee members on municipal service delivery in the ward; and
 - (d) To formulate views and action plans on the above matters.

Quorum and decisions

21. (1) Half (50%) of the serving ward committee members must be present before a vote may be taken on any matter.
- (2) A ward committee shall endeavour to adopt its views on the basis of consensus.
- (3) If consensus on any matter cannot be achieved, such matter may be determined by a supporting vote of at least the majority of the members present.

Procedures

22. (1) A ward committee with a supporting vote of the majority of its serving members may determine its own procedures subject to any directions of the chairperson.
- (2) Meetings of a ward committee are normally open to the public.

Work programme

23. The Ward committee:
- (a) Must submit a programme with specific outputs of work for one year to the office of the Speaker or other designated political functionary in July of each year;
- (b) Must perform the functions as set out to achieve and indicated in the work programme
- (i) On own initiative;
 - (ii) on request by the ward councillor;
 - (iii) on request by the Speaker or other designated political functionary;
 - (iv) in accordance with priorities and reasonable time frames determined by the Speaker or other designated political functionary.

Administrative support

24. (1) The municipality must make administrative and secretarial arrangements to enable ward committees to perform their functions and exercise their powers effectively.
- (2) The municipality may put in place conditions, such as periods of notice of meetings, in order to organise administrative and secretarial support to the ward committee.
- (3) In the case where the Municipal Manager receives correspondence from a ward committee, he/she must give feedback to the ward councillor concerned (with a copy to the Executive Mayor) on the information or action required within 14 days of receipt of the correspondence.
- (4) Ward committees are entitled to the free use of venues in municipal buildings in order to hold official meetings.

Budget

25. (1) Members of ward committees will be reimbursed for out of pocket expenses as contemplated in section 25 (2) (a)(i) below.

- (2) The Municipality will annually budget for the reimbursement of –
- (a) Out of pocket expenses for member of ward committees in respect of their participation in ward committees subject to the following criteria as approved by Council on 20 June 2012 and revised by Council on 28 October 2015;
 - (i) That **fourteen (14)** ward committee meetings which will comprise of **one (1)** ward committee meetings every month and **one (1)** open public meeting every semester (every six (6) months) be identified and approved by the ward committee as paid meetings and that each serving member present at these meetings, be paid an out of pocket allowance of **R350.00 per meeting (R350 x 14 = R4900.00)**. Payment of out of pocket allowances will be made quarterly; and
 - (ii) The reimbursement amount will be paid to the ward committee members in person and not to organisations that he/she represents;
 - (iii) That reimbursements only be paid on verification of attendance register of meetings attended and that reimbursements will only be electronically transferred to the bank account of the relevant ward committee member(s);
 - (iv) That ward committee members may elect not to be reimbursed;

Accountability

26. The ward councillor must -

- (a) Ensure that full and proper records are kept of the minutes of ward committee meetings.
- (b) Ensure that the committee's available resources are properly safeguarded and used in the most effective and efficient way.
- (c) Ensure that all statutory measures applicable to the committee are complied with.
- (d) Ensure that all recommendations made by the ward committee is formalised and submitted to the Office of the Speaker or other designated political functionary for presentation to the Council at intervals determined by the Speaker or designated political functionary.
- (e) Must report a view adopted by the ward committee to the Council but may indicate his/her agreement with the view in the report.
- (f) Ensure the production of a progress report on major achievements and areas of failure, with reasons, within two months after the end of the financial year.
- (g) Submit the progress report to the Speaker or other designated political functionary for a review of the performance of the committee.
- (h) Implement any corrective measures to ensure effective and efficient performance of the committee as suggested by the Speaker or other designated political functionary.

Dispute resolution

27. The following mechanisms are recommended when disputes arise within ward committees:

- (a) Every effort should be made to deal with disputes.

- (b) When a dispute arises, the ward councillor should appoint a person or persons, the maximum being two, to attempt and resolve the dispute through mediation.
- (c) If the attempt at mediation fails, the matter is then submitted to the ward councillor who should arbitrate, provided that the matter does not involve the councillor and the majority of the members of the committee.
- (d) If the majority of committee members remain aggrieved, the matter should be taken to the Council through a channel decided upon by Council or through the Office of the Speaker or other designated political functionary. This should be avoided as far as possible.

PUBLIC MEETINGS (WARD MEETINGS)

Chairperson

28. (1) Public meetings (ward meetings are chaired by the ward councillor. A ward councillor may delegate in writing the chairing of the meeting to a proportional representation councillor or any member of the ward committee.
- (2) The ward councillor determines when and where the meeting will be held, subject to subsection (3).
- (3) A public meeting must be held at least twice per calendar year.

Purpose

29. Public meetings are mainly held in order -
- (a) To register the concerns and inputs of the community with regard to service delivery, general development of the community, disaster management and any other municipal concern the community may have; and
 - (b) To report back to the public on issues that affects it.

Meeting arrangements

30. (1) If the committee decides to hold a public meeting it may publish a notice in a newspaper circulating in the area concerned, stating the time, date and place of the meeting and inviting the public to attend the meeting.
- (2) The scheduled date, time and place of the public meeting should be convenient so as to encourage the greatest number of people to attend. The venue -
- (a) Must be in a well known place;
 - (b) Must be easily accessible and where possible, also disabled-friendly; and
 - (c) Must be large enough to accommodate all people present.
- (3) When the committee publishes a notice, it must convey, where appropriate, by radio or other appropriate means of communication, such as direct mail outs and posters or notices in key areas such as clinics, schools, bus stops and libraries, the contents of the notice in the area concerned.

- (4) At the public meeting a representative of the committee must –
- (a) explain the meeting procedures, such as adoption of agenda and time allowed for questions;
 - (b) explain the issues the committee has to consider, including any options open to the committee;
 - (c) allow members of the public attending the meeting to present their views on these issues;
 - (d) answer relevant questions;
 - (e) keep minutes of the meeting and inform the public that ward committee meeting and public meeting minutes are public documents, and that the community has access to these documents and may make copies at their own cost; and
 - (f) give feedback on previous issues, including reasons if there is a lack of progress.

8.6	FIXING OF CONTRAVENTION LEVY IN TERMS OF SECTION 40(3) OF THE LAND USE PLANNING ORDINANCE 15 OF 1985 IN RESPECT OF THE FARM NO 1353/1, PAARL DIVISION AS WELL AS THE DETERMINATION OF A DEEMED ZONING IN TERMS OF SECTION 40(4)(C) OF THE LAND USE PLANNING ORDINANCE 15 OF 1985
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1. PURPOSE OF THE REPORT

This report was compiled by the Manager: Land Use Management (the Manager) to be considered by Council after re-consideration for the following matters:

- 1.1 The fixing of a Contravention Levy in terms of Section 40(3) of the Land Use Planning Ordinance No. 15 of 1985 (the "LUPO") payable by the owner (Brashville Properties 51 (Pty - "Brashville") Ltd) of Farm No. 1353/1, Paarl Division (the "Property");
- 1.2 The determination of a deemed zoning of a portion of the Property in terms of section 40(4)(c) of the LUPO.

2. BACKGROUND

The factual background to this matter will be evident for the members of the COUNCIL from the **APPENDICES** available for perusal and the members are requested to have due and proper regard to all the appendices. It should be noted that although appendices 1 to 7 are not referred to in the body of this document under the section background, such appendices still form an integral part of this report.

Summary of the background to this report is recorded in the paragraphs below:

- 2.1 On 28 April 2009, the Provincial Minister for Local Government, Environmental Affairs and Development Planning ("the MEC") approved Brashville's application for rezoning in terms of Sections 16 and 42 of the LUPO, ("rezoning approval") subject to inter alia the following conditions:

"2.1 the approval applies only to the rezoning in question, as indicated on the proposed site development plan attached, and shall not be construed as authority to depart from any other legal prescriptions or requirements.

2.11...all final building plans be submitted to the Franschhoek Aesthetic Committee [FAC], or any similar body nominated by Council, for recommendation before submission to council for approval."

- 2.2 On 7 December 2009, Brashville applied to the Municipality for an amendment to the MEC's conditions of approval, in terms of section 42(3)(a) of LUPO, "so as to amend the Site Development Plan (SDP) previously approved to allow for the expansion of the guesthouse on the property". The SCA observed in this regard that Brashville now sought to erect six self-standing structures which would give it ten additional suites and that the revised site development plan thus differed entirely from the original one.

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- 2.3 On 8 December 2009, Brashville commenced clearing the relevant site on the farm in preparation for construction works in accordance with the revised SDP.
 - 2.4 On 18 December 2009, the Municipality purported to amend the MEC's condition of rezoning by substituting the original site development plan with an amended site development plan. On the same day, however, the Municipality served an "illegal building / cease works order" on Brashville for want of approved building plans. The notice instructed Brashville to submit building plans for approval within 30 days and to cease building operations. On 4 January 2010, Brashville undertook to stop operations until the plans had been approved.
 - 2.5 Brashville thereafter submitted building plans to the Municipality, on 6 January 2010, which was approved on 12 January 2010 ("the first building plan decision").
 - 2.6 On 22 January 2010, the legal representative for Jean-Phillipe Colmant (the owner of Portion 1 of the Farm No. 1447, situated in the Municipality for Stellenbosch, Division Paarl), Anne Gillian Stone (the owner of Portion 3 of Farm No. 1643, situated in the Municipality for Stellenbosch, Division Paarl) and La Bourgogne Farm (Pty) Ltd (the owner of Farm 1106 and Portion 3 of Farm 1654 in the Municipality Stellenbosch, Division Paarl) (hereinafter referred to as "the Applicants") launched urgent interdict proceedings in the Western Cape High Court in order to interdict Brashville from continuing with further building work on the farm ("the first interdict application").
 - 2.7 On 28 January 2010, and pursuant to the first interdict application, Brashville agreed to not undertake further building work without providing the Applicants with one month's prior notice, and to apply to the Provincial Minister for an amendment of the conditions of the rezoning approval (in order to construct the guest houses in terms of an amended site development plan), alternatively, for the rezoning of the farm.
 - 2.8 Brashville thereafter made an application to the MEC for the amendment of the relevant condition of approval, alternatively, for rezoning. The MEC refused this application, and stated by letter dated 25 March 2011 that the Municipality should advise Brashville to apply for a contravention levy in terms of section 40 of LUPO for the structures already constructed on the farm. The Municipality thereafter instructed Brashville to apply for a contravention levy ("the contravention levy decision").
 - 2.9 Brashville paid a contravention levy in the amount of R51 910,08, to the Municipality, and on 20 July 2011, the Municipality approved and/or reinstated Brashville's building plans ("the second building plan decision").
 - 2.10 On 25 July 2011, Brashville allegedly commenced with building work, but, however, failed to give the Applicants one month's notice of its intention to commence, as required by the order taken by agreement pursuant to the first interdict application. Brashville thereafter advised that it would commence with building work on 25 August 2011.

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- 2.11 On 25 August 2011, the Applicants launched an application for a final interdict, and for an interim interdict pending a review application to be instituted in due course ("the second interdict application"). The Applicants elected not to persist with the second interdict application, as they considered the building work on the farm to have advanced too far, and instead focused on the review application.
- 2.12 The Applicants' review application was heard on 9 October 2011 in the Western Cape High Court and judgment was thereafter granted in favour of the Applicants.
- 2.13 Brashville appealed to the SCA in respect of the following three decisions of the Municipality which the Western Cape High Court had set aside:
- The approval of Brashville's building plans on 12 January 2010 (i.e. the first building plan decision).
 - The decision of the Municipality to instruct Brashville to apply for the determination of a contravention levy (i.e. the contravention levy decision).
 - The decision taken by the Municipality on 20 July 2011 to re-approve Brashville's building plans following payment of the contravention levy (i.e. the second building plan decision).
- 2.14 The SCA handed down judgment on 6 May 2014 and held inter alia as follows:
- The first building plan decision was challenged on the basis that inter alia there was no compliance with condition 2.11 of the Provincial Minister's rezoning approval. The Municipality failed to ensure that the original condition, viz, the submission of plans to the Franschoek Aesthetics Committee [replaced by the PAC], was fulfilled. As this condition was peremptory, the first building plan decision fell to be set aside.
 - The Municipality's decision to instruct Brashville to apply for a contravention levy was pursuant to an instruction the Municipality received from the MEC, and that the Municipality did not apply its mind to the legal alternatives prescribed by section 40 of LUPO. The contravention levy decision was set aside on this basis.
 - Both the Municipality and Brashville conceded that if the contravention levy decision was set aside, then the second building plan decision must also be set aside. The SCA found this concession to have been properly made.
- 2.15 On 16 January 2015 the Director: Planning and Economic Development considered an Application (attached as **APPENDIX 8**) in terms of Section 40(1)(a) of the LUPO, that allows the Municipality to exercise its discretion and decide whether it will instruct the owner to rectify the contravention or to submit an application for the determination of a contravention levy on or to apply for a departure on the Property the report dated the 16th of January 2015 deals with all the relevant information which assisted the Director: Planning &

Economic Development to take all relevant factors into consideration and to exercise his discretion to instruct Brashville to apply for the determination of a contravention levy.

- 2.16 The decision from the Director that Brashville must apply for a contravention levy was conveyed to them by registered mail dated 21 January 2015 (attached as **APPENDIX 9**).
- 2.17 Werksmans Attorneys (“Werksmans”) who represented Jean-Phillipe Colmant (the owner of Portion 1 of the Farm No. 1447, Paarl Division), Anne Gillian Stone (the owner of Portion 3 of Farm No. 1643, Paarl Division) and La Bourgogne Farm (Pty) Ltd (the owner of Farm 1106 and Portion 3 of Farm 1654, Paarl Division) was also notified per registered mail, dated 21 January 2015, of the instruction to Brashville properties to apply for the determination of a contravention levy (attached as **APPENDIX 10**).
- 2.18 On 10 February 2015, Mr J P du Plessis from Du Plessis, Hofmeyr, Malan Land and Law specialists (“du Plessis”), Brashville’s attorney, responded in writing to the decision of the Director: Planning and Economic Development. The said letter contained an application for determination of payment of a contravention levy of R100,00 (one hundred rand). (Attached as **APPENDIX 11**).
- 2.19 On 9 April 2015 and 13 July 2015 (“Werksmans”) requested written reasons explaining the justification for allowing Brashville to apply for a contravention levy determination as well as clarification on the procedures followed to reach the decision. (Attached as **APPENDIX 12**).
- 2.20 On 8 July 2015, Mr JP du Plessis from Du Plessis expressed their concern on the letter from Werksmans. (Attached as **APPENDIX 13**).
- 2.21 On 15 July 2015, the Director: Planning and Economic Development replied in writing with additional further comments to Werksmans explaining the reasons for the determination of the contravention levy for portion 1 of the Farm 1353, Paarl Division of Brashville Properties (Pty) Ltd. (Attached as **APPENDIX 14**).
- 2.22 The application of Brashville for the determination of a contravention levy was internally processed by the Municipality, during which process certain concerns were raised regarding the incidental legal complexities, including the factors and criteria to be considered by Council when determining the amount of a contravention levy and the basis upon which Council must determine a deemed zoning as envisaged in terms of Section 40(4)(c) of LUPO.
- 2.23 Due to concerns regarding the incidental legal complexities of the matters at hand, it was decided by the Municipality to appoint Smith Tabata Buchanan Boyes (“STBB”) to provide legal assistance. Such appointment was done in the course of April 2016.
- 2.24 On 22 June 2016 Werksmans addressed a letter to the Director: Planning and Economic Development of the Stellenbosch Municipality in which their concerns regarding the matter was set out in some detail. (Attached as **APPENDIX 15**).

- 2.25 On 14 July 2016 Mr Truter of Werksmans addressed an email to Mr Swart of STBB in which he set out the grievances of his client pertaining to the matter. (Attached as **APPENDIX 16**).
- 2.26 On 25 July 2016 STBB on behalf of the Municipality sent out a Compliance Notice to the land owner regarding unlawful uses on the Property. (Attached as **APPENDIX 17**).
- 2.27 On 10 August 2016 Du Plessis a letter to STBB in which they set out the position of the land owner with regard to the issues at hand. (Attached as **APPENDIX 18**).
- 2.28 On 17 August 2016 STBB addressed a letter to Du Plessis referring to the Municipality's Compliance Notice dated 25 July 2016. (Attached as **APPENDIX 19**).
- 2.29 On 1 September 2016 Du Plessis addressed further correspondence to STBB regarding the position of its client. (Attached as **APPENDIX 20**).
- 2.30 On 9 September 2016 STBB addressed a letter to inter alia Werksmans as well as other interested and affected parties, granting such parties the opportunity to make representations regarding the deemed zoning. (Attached as **APPENDIX 21**).
- 2.31 On 21 September 2016 Du Plessis addressed certain correspondence to STBB regarding their client's land use on the relevant property. (Attached as **APPENDIX 22**).
- 2.32 Comments were received from interested and effected parties (Attached as **APPENDIX 23**).

3. ITEMS FOR CONSIDERATION

- 3.1 On 8 November 2015 COUNCIL resolved that this matter be referred back to the COUNCIL after outstanding information has been obtained.
- 3.2 The COUNCIL must make a recommendation to the Municipal Council regarding the determination of the amount of the Contravention Levy payable by the owner of the Farm No. 1353/1, Paarl Division as envisaged in terms of Section 40(3)(a) of LUPO.
- 3.3 The COUNCIL must also make a recommendation to Council regarding the determination of the deemed zoning of the Property as envisaged in terms of Section 40(4)(c) of LUPO.

4. PROPERTY INFORMATION

Farm number	1353/1, Paarl Division
Location	±1km south of Franschoek Town, with access off a private road (Verdun Road) that links up with Divisional Road No. 26. (APPENDIX 2)
Zoning/Zoning Scheme	Agricultural Zone I with a spot zoning for Residential Zone V for a guesthouse / Section 8 Zoning Scheme Regulations
Current Land Use	Agriculture & Guest accommodation
Unauthorized land use/building work	Yes / Yes

Property size	4,08ha
Applicant	DHM Land Law Specialists
NHRA Applicable	No
Title deed conditions	None

5. DISCUSSION REGARDING THE DETERMINATION OF THE CONTRAVENTION LEVY AMOUNT

5.1 The relevant provisions of Section 40 of the LUPO states as follows:

“40. Rectification of contraventions.—

(1)(a) If a building or any part thereof was erected in contravention of section 39 (2) (a), the local authority shall serve an instruction (hereinafter referred to as the instruction) on the owner concerned—

(i) to rectify such contravention before a date specified in the instruction, being not more than six months after the date of the instruction or, at the option of the said council,

(ii) to apply for the determination of a contravention levy, or in terms of section 15 for a departure, before a date specified in the instruction, being not more than thirty days after the date of the instruction.

(d) The Administrator shall thereupon, having regard to all the facts and after consultation with the council concerned reconsider the state of affairs and make a final decision—

(i) in relation to the existence or the nature and extent of the contravention, and

(ii) whether the contravention shall be rectified or a contravention levy paid.

(e) If the Administrator decides in terms of paragraph (d) (ii) that a contravention shall be rectified, he shall fix the period within which the contravention shall be rectified.

(2) Any amount spent by a local authority in terms of subsection (1) shall be recoverable by that local authority from the owner.

(3)(a) If a contravention levy is to be paid in terms of subsection (1) (d) (ii), the Administrator shall after consultation with the local authority concerned fix such levy and notify the owner and local authority concerned there anent.

(b) Such a contravention levy shall become due and payable—

(i) in one capitalised sum on or before such date, or

(ii) periodically at such intervals as the Administrator may determine and may be calculated with retrospective effect from the date on which the erection of the building or part thereof concerned commenced.

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- (4)(a) *The owner on the date when the instruction is served shall be liable for the payment of the contravention levy.*
- (b) *Prior to the transfer of the land concerned the contravention levy shall be capitalised.*
- (c) *When a contravention levy is capitalised, the land concerned shall be deemed to be zoned in accordance with the utilisation thereof as determined by the council concerned.*
- 5.2 Section 40 does not in specific terms prescribe what factors are to be taken into account in determining the amount of a contravention levy. Bearing in mind that the contravention levy is to apply in circumstances where a building has been constructed in contravention of the zoning scheme and that the result of the imposing and capitalizing of the contravention levy will lead to a deemed zoning to be granted by Council in accordance with the utilization of the land, the members of the COUNCIL are requested to specifically have regard to the following factors:
- 5.2.1 The nature, extent and circumstances of the contravention of the zoning scheme;
- 5.2.2 The benefit conferred on the offender as a result of achieving rezoning via the contravention levy;
- 5.2.3 The broader planning and land use consequences of the building standing and the property being rezoned.
- 5.2.4 All these aspects are dealt with at length in the **APPENDICES** attached hereto.
- 5.3 In view of his report of 12 February 2016 the Manager specifically considered the contemplated utilization of the Property not to be undesirable.
- 5.3.1 The contemplated utilization of the land can be considered to be desirable in view of the following factors:
- 5.3.1.1 Extend of structures;
- 5.3.1.2 Position of flood line;
- 5.3.1.3 Guest Houses are characteristic of all rural areas within the jurisdiction of the Municipality;
- 5.3.1.4 Guest Houses attract tourists and provides an additional form of capital input and income to sustain agricultural activities;
- 5.3.1.5 No loss of productive agricultural land;
- 5.3.1.6 Investment by tourists without compromising or destroying the agricultural character of the property and the surrounding area.

5.4 RECOMMENDED REGARDING DETERMINATION OF AMOUNT OF CONTRAVENTION LEVY:

- 5.4.1 Having considered all the relevant detail and the following specifics, a contravention levy amount can be determined.
- 5.4.2 The guest house is located in an area where buildings proliferated Since 2004. Neighboring properties added tourist facilities accommodation and agricultural related buildings.
- 5.4.3 Tourism activities and movement are of similar scale and significance in the area as agriculture, with no less than 18 guest accommodation establishments within a 1 000 m radius of the property more than 20 individual properties within a 500 m radius.
- 5.4.4 The contravention levy determined in 2011 amounted to R 51 910,08 and was determined prior to the beneficial use of the property as a guest accommodation establishment and considering the time lapse and the roughly 770 m² of building development at the heart of the matter of the illegal use, then a determination of value must be significantly more than the previous amount.

6. DISCUSSION REGARDING DETERMINATION OF DEEMED ZONING OF THE PROPERTY

- 6.1 Once a contravention levy amount has been capitalized, the Municipality will have to determine the deemed zoning of the Property, in terms of Section 40(4)(c) of the LUPO. The determination of the amount of the contravention levy and the determination of the deemed zoning can be done simultaneously by the Municipality during the same meeting, however the contravention levy is firstly determined where-after the deemed zoning of the Property can be attended to. Only once such zoning determination has been done by the Municipality can a building application such as the current one of Brashville be considered. This application will be considered by the delegated official in terms of the Municipal system of delegations.
- 6.2 When the Municipality determines the zoning of the Property, it must grant the most restrictive zoning permitting of the utilization of the land concerned either in conjunction with a departure or not. Section 14(3) of LUPO states as follows:
- “(3) When land is deemed to be zoned as contemplated by sub section (1), (2), (4)(d) or 5 of this section or section 16(2)(b) or 40(4)(c), the most restrictive zoning permitting of the utilization of the land concerned either in conjunction with a departure or not, as the council concerned may determine, shall be granted.”*
- 6.3 The LUPO does not prescribe a specific process to be followed when the Council of the Municipality must determine a deemed zoning of a property, but the High Court in the matter of Hangklip Environmental Action Group vs Minister of Agriculture, Environmental Affairs and Development Planning, Western Cape and others (7139/03) [2007] ZAWCHC 41 (15 June 2007) laid down the following principles applicable to zoning determinations in accordance with the utilisation and associated utilisation of the land in question on any given date:

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- 6.3.1 The determination of “utilisation” of the land entails a purely factual enquiry into the purpose for and the manner in which the land is actually being used.
- 6.3.2 Once the Municipality has finally “determined” the “utilisation” of the land, it must then grant a deemed zoning to the property as envisaged in terms of Section 40(4)(c) of the LUPO.
- 6.3.3 In terms of Section 14(3) of the LUPO, the Municipality must grant the most restrictive zoning permitting of the “utilisation” of the land, either in conjunction with a departure or not.
- 6.4 In the LUPO “utilisation” is defined as follows:
- “in relation to land means the use of land for a purpose or the improvement of land, and ‘utilise’ has a corresponding meaning”.*
- 6.5 Council must note that the zoning determination in this matter relates to that part of the Property being utilized for purposes of a guest house, as indicated on the attached ‘as built’ building plans submitted by Brashville to the Municipality. This will be the land concerned in respect of which the zoning determination must be undertaken by Council.
- 6.6 **RECOMMENDED REGARDING DETERMINATION OF DEEMED ZONING.**
- 6.6.1 The only appropriate zoning for the property in keeping with the requirement to limit it to the most restrictive zoning is a special zone. Previously a zoning of Residential Zone 5 was granted, however this zoning is not appropriate in rural areas. Instead, a special zone permitting the development as it exists would be more appropriate.
- 6.6.2 There is little or no objection to the use of the property as a guest accommodation establishment, as even the objectors indicate that the originally approved SDP with two wings to the house would be acceptable. The guest accommodation use is desirable as has been confirmed on more than one occasion, contrary to the comment in the Werksmans’ submission in the Annexure.
- 6.6.3 The remaining portion of the property should be used for agricultural purposes only, with no building development in order to retain the overall character of the property.

RECOMMENDED

- (a) that approval be granted that in terms of Section 40(3)(a) and (b)(ii) of LUPO a contravention levy of R250 000,00 (two hundred and fifty thousand rand) be paid on Farm No. 1353/1, Paarl Division, quarterly in four equal portions over a period of one year from date of final notification of Council’s resolution. That the amount of R51 910,08 (Fifty one thousand nine hundred and ten rand and eight cent) already paid by the property owner as a contravention levy to the Municipality’s reinstatement of Brashville’s building plans on 20 July 2011, be credited from the abovementioned amount of R250 000,00;

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- (b) that, in terms of Section 40(4) of the LUPO the zoning of the property be splinted into a developed portion of 14 500 m2 zoned Special zone Lavender Farm and the remaining area that remains Agricultural Zone 1;
- (1) The use permitted in the Special Zone Lavender Farm be limited to current development consisting of:
- (i) parking for 16 vehicles and loading areas
 - (ii) access road;
 - (iii) recreation space; facilities and landscaping;
 - (iv) 10 guest cottages linked by covered walkways;
 - (v) house and tourist facilities; and
 - (vi) related outbuildings, as shown on Munnik Visser Architects plan M-202 DWG001 Rev A dated 04/12/2009
- (2) The portion zoned Agricultural Zone 1 may not be developed or improved by buildings without the prior consideration of an application for amendment of the zoning of the property.
- (c) that building plans be submitted in terms of the National Building regulations and Building Standards Act, 103 of 1977 which will be considered in terms of the said requirements, inclusive of prior circulation for comment to the FAC; and
- (d) that this approval applies only to the application in question and shall not be construed as authority to depart from any legal prescriptions or requirements.

KINDLY NOTE: DUE TO BULKINESS, THE APPENDICES ARE AVAILABLE FOR PERUSAL AT THE OFFICES OF COMMITTEE SERVICES ON 4TH FLOOR.

Meeting: Ref No:	<i>Council: 2016-10-26 PL1353/1P</i>	Submitted by Directorate: Author: Referred from:	<i>Economic Development & Planning Dir: Plan & Econ Dev: (D Lombaard)</i>
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8.7	MFMA SECTION 116 (3) – EXTENSION OF THE CURRENT NETWORKED MULTI-FUNCTIONAL PRINTER & SCANNING CONTRACT TO 31 DECEMBER 2018
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1. PURPOSE OF REPORT

To obtain approval from Council to follow the MFMA S116 (3) process to extend the existing networked multi-functional printer and scanning contract for a further period of 24 months.

2. BACKGROUND

Council resolved at a meeting on 30 March 2016 that the existing multi-functional printer and scanning contract be extended for a period of six months until 31 December 2016.

The process outlined in the S116 (3) of the MFMA was then duly followed. No objections or comments were received following the notice that was placed on the Eikestad News on 19 May 2016. **(APPENDIX 1)**

The contract was extended for 6 months and the printing and scanning facilities will lapse on the 31 December 2016.

3. DISCUSSION

The Stellenbosch Municipality is renting 50 printers from Pinnacle Business Solutions (PBS) and 2 scanners which were installed during the months of June and July 2014. The current agreement expires on the 31 December 2016. This short period of 29 months means that the machines are still fairly new and have done relatively few copies.

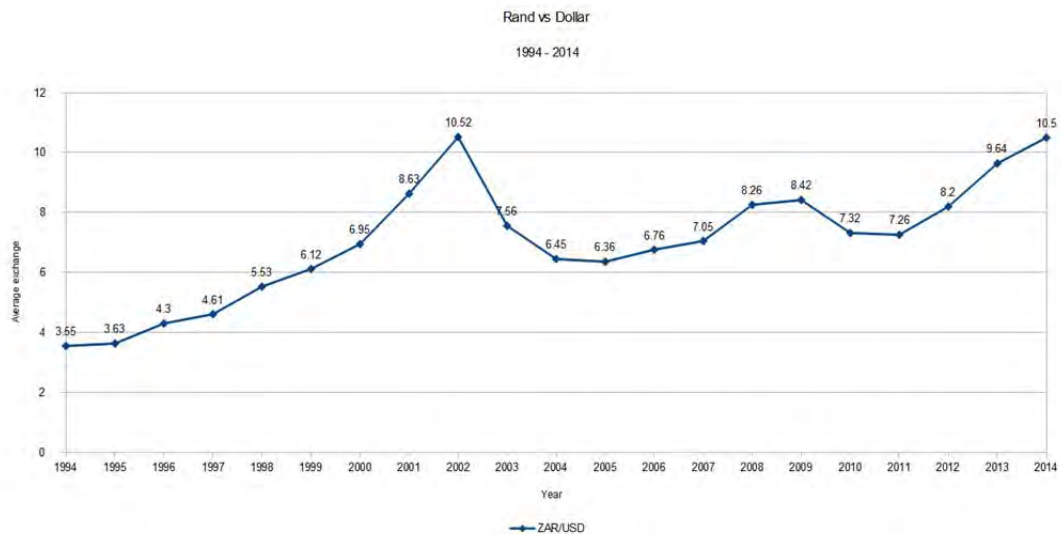
Some installations like Beltana Water Services, Franschoek Youth Centre, Stores, Electricity, and some of the libraries etc. have never had technical calls being logged yet, besides a request for toner. The general feedback that the ICT department has received from Pinnacle Business Solution (PBS) technicians, who maintain the machines, is that a vast majority of the printers are under-utilized.

3.1 PRINTER UTILISATION ASSESSMENT

The ICT department has recently conducted a survey on the utilization of the printers from the date of installation until August 2016. It has become apparent that in just about every installation there has been a strong under-utilization of the equipment. This has resulted in there being an enormous life span remaining in the machines.

The Utilization table, **(APPENDIX 2)**, is a summary of the utilization % which, through a calculation, you can arrive at the months of life left in each machine, based on factory specifications.

Due to the fact that nearly all the machines still have a lot of life left, it is our recommendation that we internally move the machines that are being under-utilized to departments where they can be better used. We would do this internal movement at no cost. Going to tender towards the end of the year would result in a substantial jump in rental costs when you look at the graph below:



Throughout 2013, the year this tender was awarded, the Rand/US\$ price ranged between R9.64 and R10.5/\$. All tenderers at the time would have based their tender pricing on this rate.

Current levels are close to R14/\$ and therefore prospective tender prices would be close to 40% higher than current levels, resulting in budgets having to be substantially increased. For this reason, combined with the fact that all of the machines have only done a fraction of their factory specified lifespan, we would recommend that the rental agreement be extended until the end of December 2018.

4. LEGAL IMPLICATIONS

Section 116(3) of the Municipal Finance Management Act 56 of 2003 provides that a contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, but only after-

- (a) The reasons for the proposed amendment have been tabled in the council of the municipality...
- (b) The local community-
 - (i) Has been given reasonable notice of the intention to amend the contract or agreement, and
 - (ii) Has been invited to submit representations the municipality.

Thus in order to extend the existing printer and scanning contract for 24 months to 31 December 2018, the municipality is legislatively obligated to ensure that process outlined above is adhered to.

5. FINANCIAL IMPLICATIONS

The total current rental premium is R124 159.12 per month and the agreed 24-month rental premium is R 99 800.00 per month upon discussion with the current provider. The saving of at least R 24 359.12 per month will yield a total saving of R584 618.88 for 24 months. The benefit of the ICT proposal to

Council is substantial as this will yield a savings of well over a **half a million Rand**.

6. COMMENTS FROM OTHER RELEVANT DEPARTMENTS

6.1 Office of the Municipal Manager

The Acting MM approved an internal memo with regards to the extension of the multi-functional printers and scanners contract and that this item be submitted to Council to approve the S116 (3) process. **(APPENDIX 3)**

6.2 Finance

Finance supports the item.

RECOMMENDED

that the current multi-functional printing and scanning contract be extended for a period of 24 months till 31 December 2018 after the required process as outlined in S116 (3) of the MFMA 56 of 2003 has been duly followed.

Meeting: Ref No:	<i>Council: 2016-10-26 13/6 x 6/4/1</i>	Submitted by Directorate: Author: Referred from:	<i>Corporate Services Manager: ICT (B Mkaza)</i>
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AMENDMENTS TO LICENSE AND SUPPORT CONTRACTS FOR ICT RELATED SYSTEMS AND SERVICES

ADVERTISED IN:	MUNICIPAL NOTICE BOARD, MUNICIPAL WEBSITE, EIKESTAD NUUS		
DATE PUBLISHED:	19 MAY 2016	NOTICE NO :	33/2016

In terms of the Municipal Finance Management Act, Act 56 of 2003, Section 116(3)(b), notice is hereby given of the proposed amendment of the contract below:

CONTRACT NO:	DESCRIPTION	REASON FOR AMENDMENT
DEPARTMENT:	STRATEGIC & CORPORATE SERVICES	
INFORMATION SYSTEM & SERVICES	<ul style="list-style-type: none"> Bytes Universal (SAMRAS) PAYDAY (HR Payroll) IGNITE (Performance Management) GEODEBT (Creditors Control) PBS (Printing & Scanning) IMQS (Infrastructure & Assets) Avalon (Network Management) ABC (Evaluations & Rates) Barnowl (Risk Management) CATS (Meter Reading) Teamamate (Audit System) Valuprop (Valuation System) Business Engineering (Collaborator) 	<p>Due to the complexities inherent to such application systems conversions, a best practice research methodology will be followed over the next three financial years (2016/2017, 2017/2018 and 2018/2019) commencing 01 July 2016, to enable the Stellenbosch Municipality to assess the functional viability and cost effectiveness to assimilate the similar functionalities of the various business application systems into a single integrated business systems architecture framework (ERP).</p> <p>In order to do this, the current ICT contracts are to be extended by 6 months ending on 31 December 2016.</p>

- The public is hereby invited to submit written presentations to the municipality for the extension of all ICT systems from 1 July 2016 – 31 December 2016.
- 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.
- Comments and supporting documents may be placed in a sealed envelope and externally endorsed with "RESPONSE TO NOTICE OF AMENDMENTS TO CONTRACTS FOR LICENSE AND SUPPORT AGREEMENTS FOR ICT RELATED SYSTEMS AND SERVICES", and be deposited in the Tender Box, at the office of the, **The Supply Chain Management Unit, Stellenbosch Municipality, 1st Floor, Room no.121, Plein Street, Stellenbosch**, or by post, addressed to: **The Municipal Manager, Stellenbosch Municipality, PO Box 17, Stellenbosch, 7599**, not later than the closing date and time.

CLOSING DATE:	03 JUNE 2016	AT THE TIME:	No later than 12H00
ANY ENQUIRIES REGARDING TECHNICAL INFORMATION MAY BE DIRECTED TO:		ANY ENQUIRIES REGARDING THE COMMENT PROCEDURE MAY BE DIRECTED TO:	
Section:	Information Systems & Services	Section:	Supply Chain Management
Contact Person:	Mr. B Mkaza	Contact Person:	Mr. I Saunders
Tel:	E-mail enquiries only	Tel:	E-mail enquiries only
Email:	brian.mkaza@stellenbosch.gov.za	Email:	israel.saunders@stellenbosch.gov.za
Authorised by:	Mr. R Bosman	MUNICIPAL MANAGER	

Model	Location	Seria Number	Current	Average	Factory Specified current usage against		% of	Lifespan remaining
			Meter Reading	Monthly Usage	Monthly Usage	factory specified Usage	Lifespan done	in months based on current usage
MX-M1204N	Print Room	35000126	2799835	99994	200000	50.0	23.3	92.0
MX-M1204N	Print Room	35000146	2693835	96208	200000	48.1	22.4	96.7
MX-M314N	Support Council	3505687Y	88941	3176	20000	15.9	7.4	349.8
MX-4110N	Directorate Office & Management	35129726	385363	13763	30000	45.9	21.4	102.8
MX-M314N	Support Council	3505692Y	24009	857	20000	4.3	2.0	1371.5
MX-M314N	Electricity Depot	2503446X	55534	1983	20000	9.9	4.6	577.0
MX4110N	IDP & PM	35114186	290135	10362	30000	34.5	16.1	145.7
MX-4110N	HR	35114166	292768	10456	30000	34.9	16.3	144.1
MX-4110N	Communications	35129706	88671	3167	30000	10.6	4.9	540.4
MX-M314N	Electricity Franschoek	3505696Y	8840	316	20000	1.6	0.7	3772.9
MX-M314N	Water Services Beltana	2504461Y	94089	3360	20000	16.8	7.8	329.1
MX-M452N	Franschoek Youth Centre	35023691	216234	7723	40000	19.3	9.0	282.8
MX-M452N	Finance Revenue	35023631	436700	15596	40000	39.0	18.2	125.9
MX-M452N	Finance Budgets	35023681	639472	22838	40000	57.1	26.6	77.1
MX-M452N	Logistics & Fleet Management	35023721	156986	5607	40000	14.0	6.5	400.1
MX-M314N	Water Treatment Paradyskloof	35050866	16288	582	20000	2.9	1.4	2034.9
MX-5110N	Electricity Services	45049224	138188	4935	40000	12.3	5.8	458.3
MX-5110N	Director's Office & Civil Eng Services	45049393	225791	8064	40000	20.2	9.4	269.6
MX-3610N	HIS & Property Management	25077881	256796	9171	30000	30.6	14.3	168.3
MX-M354N	Sport & Recreation	25033430	63724	2276	20000	11.4	5.3	499.3
MX-M314N	LED & Community Development	35050896	163819	5851	20000	29.3	13.7	177.1
MX-M314N	Vehicle Registrations	35050886	91968	3285	20000	16.4	7.7	337.3
MX-M314N	Driver's License	2503423x	90128	3219	20000	16.1	7.5	344.8
MX-M314N	Law Enforcement	35050876	74405	2657	20000	13.3	6.2	423.6
MX-M502N	Planning Administration	2503119Y	125946	4498	40000	11.2	5.2	505.6
MX-4110N	Plein Street Library Colour	45048964	6867	245	30000	0.8	0.4	7311.4
MX-M452N	Plein Street Library Mono	35020276	18141	648	40000	1.6	0.8	3676.3
MX-M314N	Building Control Franschoek	2503432X	32012	1143	20000	5.7	2.7	1021.6
MX-M354N	Housing	25033460	90124	3219	20000	16.1	7.5	344.8
MX-M314N	Wate Water Devon Valley	2503420X	25125	897	20000	4.5	2.1	1309.3
MX-M452N	Franschoek Library	45004514	149105	5325	40000	13.3	6.2	422.7
MX-M452N	Pniel Library	35020286	23987	857	40000	2.1	1.0	2773.5
MX-M452N	Kayamandi Library	35020066	58585	2092	40000	5.2	2.4	1119.1
MX-M452N	Planning MFP	35020086	94966	3392	40000	8.5	4.0	679.6
MX-M452N	Jamestown Library	35019996	2412	86	40000	0.2	0.1	27832.7
MX-M452N	Cloetesville Library	2502863Y	52521	1876	40000	4.7	2.2	1251.5
MX-M452N	Idas Valley Library	35020296	363796	12993	40000	32.5	15.2	156.7
MX-M452N	Registration	45004524	125817	4493	40000	11.2	5.2	506.1
MX-4110N	MM	45048954	211320	7547	30000	25.2	11.7	210.5
MX-5110N	Director's Office & Planning	45049174	267740	9562	40000	23.9	11.2	223.0
MX-M264N	Stores	35052736	12012	429	20000	2.1	1.0	2769.2
MX-M452N	Fires Services	45004534	32455	1159	40000	2.9	1.4	2042.6
MX-M354N	Forestry & Parks	25051225	120505	4304	20000	21.5	10.0	250.8
MX-M314N	Traffic Fines	25030988	65813	2350	20000	11.8	5.5	482.5
MX-4110N	Community Directors Office	45048944	40564	1449	30000	4.8	2.3	1214.5
MX-M354N	Reception	25033670	112095	4003	20000	20.0	9.3	271.7
MX-M452N	Building Control	35019946	147289	5260	40000	13.2	6.1	428.2
MX-M452N	Plein Street Library	45004504	32953	1177	40000	2.9	1.4	2011.3
MX-M452N	Committee Services	45004494	168063	6002	40000	15.0	7.0	371.9



Kantoor van die Munisipale Bestuurder
Office of the Municipal Manager
I ofisi yomphathi Maspala

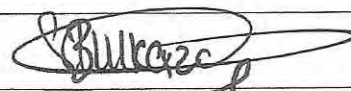
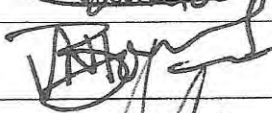
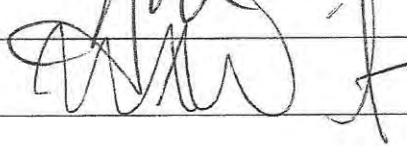
DOCUMENT ROUTE FORM

Including "For noting" Reports

DOCUMENT TYPE

ITEM	DEVIATION (EXCLUDING COUNCILLORS)	CONTRACT (EXCLUDING COUNCILLORS)	X	REPORT (COUNCILLORS INPUT)	OTHER
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SUBJECT: Extension of the PBS Multi-Functional Printer Contract for 24-months through section 116 (3)

REQUESTED SIGNATORY	SUPPORTED/ NOT SUPPORTED/ APPROVED	SIGNATURE/COMMENTS	DATE
MANAGER: ICT	<i>Requested</i>		11 Feb 2015
DIRECTOR STRATEGIC & CORPORATE SERVICES	<i>Supported</i>		21/9/2016
SCM MANAGER	<i>S</i>		06.09.2016
CFO	<i>S</i>		7/9/16
MUNICIPAL MANAGER			
COMMENTS:			



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TO : MUNICIPAL MANAGER

**CC : DIRECTOR STRATEGIC & CORPORATE SERVICES
 CHIEF FINANCIAL OFFICER
 HEAD SUPPLY CHAIN MANAGEMENT**

FROM : BRIAN MKAZA

JOB TITLE : MANAGER: INFORMATION SYSTEMS & SERVICES

DATE : 29 AUGUST 2016

**RE : EXTENSION OF THE CURRENT PRINTER CONTRACT FOR 24
 MONTHS**

1. PURPOSE OF THE MEMO

The purpose of this memo is to acquire approval from the Stellenbosch Municipality Executive Management for the extension of the current printer contract which expires on the 31 December 2016.

2. BACKGROUND

The Stellenbosch Municipality is renting 50 printers from Pinnacle Business Solutions (PBS) which were installed during the months of June and July 2014. The agreement with PBS expires on the 31 December 2016. This short period of 29 months means that the machines are still fairly new and have done relatively few copies.

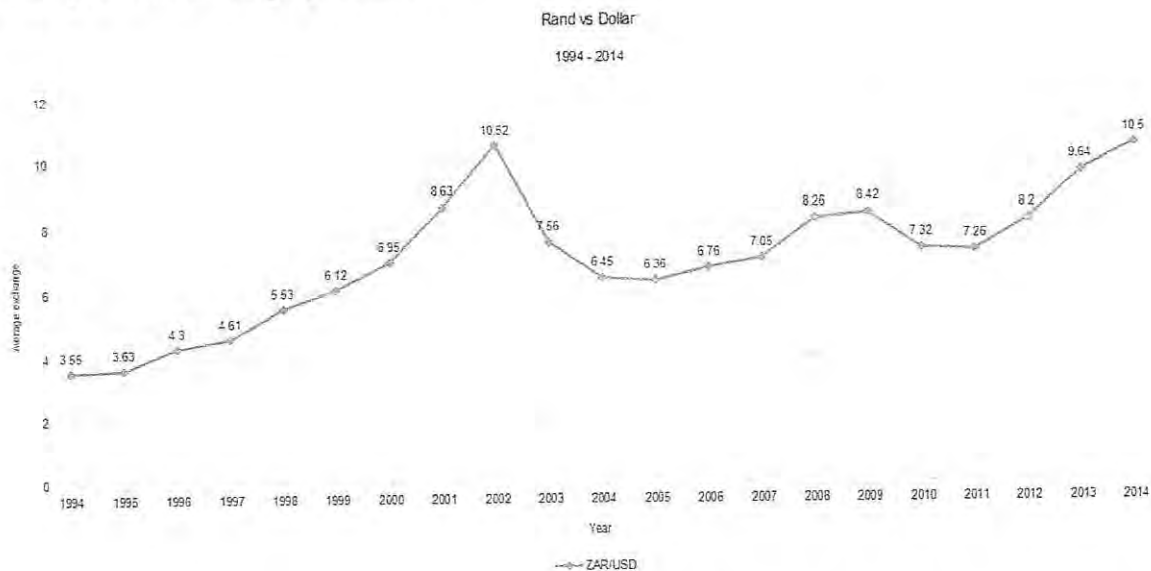
Some installations like Beltana Water Services, Franschoek Youth Centre, Stores, Electricity, and some of the libraries etc. have never had technical calls being logged yet, besides a request for toner. The general feedback that the ICT department has received from Pinnacle Business Solution (PBS) technicians, who maintain the machines, is that a vast majority of the printers are under-utilized.

3. DISCUSSION

The ICT department has recently conducted a survey on the utilization of the printers from the date of installation until August 2016. It has become very apparent that in in just about every installation there has been a strong under-utilization of the equipment. This has resulted in there being an enormous life span remaining in the machines.

The Utilization table, on **Appendix 1**, is a summary of the utilization % which, through a calculation, you can arrive at the months of life left in each machine, based on factory specifications.

Due to the fact that nearly all the machines still have a lot of life left, it is our recommendation that we internally move the machines that are being under-utilized to departments where they can be better used. We would do this internal movement at no cost. Going to tender towards the end of the year would result in a substantial jump in rental costs when you look at the graph below:



Throughout 2013, the year this tender was awarded, the Rand/US\$ price ranged between R9.64 and R10.5/\$. All tenderers at the time would have based their tender pricing on this rate.

Current levels are close to R14/\$ and therefore prospective tender prices would be close to 40% higher than current levels, resulting in budgets having to be substantially increased. For this reason, combined with the fact that all of the machines have only done a fraction of their factory specified lifespan, we would recommend that the rental agreement be extended until the end of December 2018.

Given the current scenario of machines still being in excellent condition due to the short period that have been installed and our budget constraints, the ICT would like to propose that the Executive Management consider the extension of the current Rental Agreement through proper SCM processes and relevant regulations (possibly section 116 (3)) by at least 24- months at a reduced rental.


4. FINANCIAL IMPLICATION

The total current rental premium is R124 159.12 per month and the agreed 24-month rental premium is R 99 800.00 per month upon discussion with the current provider. The saving of at least R 24 359.12 per month will yield a total saving of R584 618.88 for 24 months. The benefit of the ICT proposal to Stellenbosch Municipality executive management is substantial as this will yield a saving of well over a half a million Rand.

In light of the cost cutting measures put in place by the Stellenbosch Municipality, the ICT department would like to echo the sentiments of curbing irregular expenditure through this value proposition and alleviate the cost of compliance.

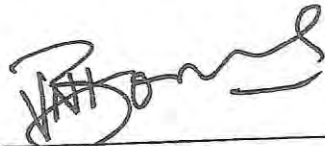
5. RECOMMENDATION

It is therefore recommended that this memo be approved for the Multi-Functional Printer Contract to be extended for a period of 24-months through a section 116 (3) report before the contract expires on the 31 December 2016.



September 2016

MR BRIAN MKAZA
MANAGER: INFORMATION SYSTEMS & SERVICES



MR VERNON BOWERS
ACTING DIRECTOR: STRATEGIC & CORPORATE SERVICES

Supported Yes No

DATE: 2/9/2016



MR ISRAEL SAUNDERS
HEAD SUPPLY CHAIN MANAGEMENT

Supported Yes No

DATE: 06/09/2016

Marius Wüst

MR MARIUS WÜST
CHIEF FINANCIAL OFFICER

Supported

Yes

No

DATE:

7/9/16

Richard Bosman

MR RICHARD BOSMAN
ACTING MUNICIPAL MANAGER

Approved

Yes

No

DATE:

2016/09/09

SUPPORTING - REPORT TO BE SUBMITTED
TO COUNCIL TO APPROVE THE SECTION 110(3)
PROCESS

Moved to Community Development 58 Andringa Steer in 2015

Model	Location	Serial Number	Current Meter Reading	Average Monthly Usage	Factory Specified, current usage against Monthly Usage	% of Lifespan done	Lifespan remaining in months based on current usage
MX-M1204N	Print Room	35000126	2799835	99994	200000	23.3	92.0
MX-M1204N	Print Room	35000148	2693835	96208	200000	22.4	96.7
MX-M314N	Support Council	3505687Y	88941	3176	20000	7.4	349.8
MX-M4110N	Directorate Office & Management	35129726	385363	13763	30000	21.4	102.8
MX-M314N	Support Council	3505692Y	24009	857	20000	2.0	1371.5
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MX-M4110N	IDP & PM	35114186	290135	10362	30000	16.1	145.7
MX-M4110N	HR	35114166	292768	10456	30000	16.3	144.1
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MX-M452N	Franschoek Youth Centre	35023691	216234	7723	40000	9.0	282.8
MX-M452N	Finance Revenue	35023631	436700	15596	40000	18.2	125.9
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MX-M314N	Water Treatment Paradyskloof	35050866	16298	582	20000	1.4	2034.9
MX-M5110N	Electricity Services	45049224	138188	4935	40000	5.8	458.3
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MX-M5110N	HIS & Property Management	25077881	256796	9171	30000	14.3	168.3
MX-M354N	Sport & Recreation	25033430	63724	2276	20000	5.3	499.3
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MX-M314N	Building Control Franschoek	2503432X	90124	3219	20000	2.7	1021.6
MX-M354N	Housing	2503420X	25125	897	20000	7.5	344.8
MX-M314N	Water Water Devon Valley	45004514	149105	5325	40000	2.1	1309.3
MX-M452N	Franschoek Library	35020286	23987	857	40000	6.2	422.7
MX-M452N	Kayamandi Library	35020066	58565	2092	40000	1.0	2773.5
MX-M452N	Planning MFP	35019996	94966	3392	40000	2.4	1119.1
MX-M452N	Jamestown Library	2502863Y	2412	86	40000	4.0	679.6
MX-M452N	Cloetesville Library	35020296	52521	1876	40000	0.1	27832.7
MX-M452N	Idas Valley Library	45004524	363796	12983	40000	2.2	1251.5
MX-M4110N	Registration	45048954	211320	4493	40000	15.2	156.7
MX-M4110N	Director's Office & Planning	45049174	267740	7547	30000	5.2	506.1
MX-M264N	Stores	35052736	12012	9562	40000	11.7	210.5
MX-M452N	Fires Services	45004534	32455	429	20000	11.2	223.0
MX-M354N	Forestry & Parks	25051225	120505	1159	40000	1.0	2769.2
MX-M314N	Traffic Fines	25030968	68813	4304	20000	1.4	2042.6
MX-M4110N	Community Directors Office	45048944	40564	2350	20000	10.0	250.8
MX-M354N	Reception	25033670	112095	4003	30000	5.5	482.5
MX-M452N	Building Control	35019946	147289	5260	20000	2.3	1214.5
MX-M452N	Plein Street Library	45004504	32953	1177	40000	9.3	271.7
MX-M452N	Committee Services	45004494	168063	6002	40000	6.1	428.2
						1.4	2011.3
						7.0	371.9

8.8	BUSINESS CASE FOR RESEARCH AND ASSESSMENT OF AN ALTERNATIVE ICT ENTERPRISE RESOURCE PLAN SOLUTION (ERP)
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1. INTRODUCTION

An Enterprise Resource Planning (ERP) system is an application that replaces many standalone systems of individual departments – such as finance, budget, procurement, customer billing, project accounting, grants management, payroll and human resource management. It integrates the functions into a single, automated system that runs off a single database.

Today, more than ever, municipalities in South Africa are realizing that new technologies such as ERP systems can enable organizations not only to operate in a single database but can use ERP to break-down silo working practices which developed from operating multiple applications. An ERP system by design is to break-down these silos by integrating all facets of the business across all departments and functional processes. This capability provides advantages over usage of multiple applications which are often comprised of a variety of separate systems and databases that perform the various administrative operations tasks within an organization. Using separate, non-integrated systems appears cheaper in the short term but is significantly more expensive and inefficient manual intervention compounds the problem faced by multiple application environments. ERP system reduces the complexity of accessing, viewing, and managing the vast sums of information collected and disseminated by municipalities in the public sector.

In addition to creating new opportunities for reshaping internal legacy operations, functions and practices, such as how accounting, procurement, and payroll activities, these systems also enhance the ability to deliver service to external stakeholders, such as citizens and suppliers. ERP has a common user interface that allows it to link with systems outside its design, such as self-service facilities available through citizen portals. As a result, the entire municipal environment is modernized and transformed to operate in the 21st century leveraging the transformation that started two decades ago.

2. PURPOSE OF REPORT

The purpose of this report is to provide recommendations to Council on the outcome of the research and assessment that was conducted by Zimele Technologies for an alternative Enterprise Resource Planning (ERP) solution in compliance with National Treasury system requirements.

3. BACKGROUND

On 30 March 2016, Council took a strategic resolution to extend all ICT contracts for only six (6) months pending research and assessment of alternative ERP solution in compliance with National Treasury requirements. See Appendix 1: Minutes of the 39th Meeting of the Council of Stellenbosch Municipality – 2016-03-30.

Subsequently, Zimele was appointed through the proper SCM tender process to conduct the research and assessment of an alternative ERP solution and produce a business case for Council approval and all ICT

contracts were approved for 6 months from (1 July 2016 – 31 December 2016).

4. DISCUSSION

In April 2016, Zimele Technologies conducted a series of interviews and workshops with the respective Stellenbosch Municipal's Executive Directors, Managers, Heads, System Owners, System Administrators and Business Process Owners respectively in order to best identify current application systems gaps and business processes.

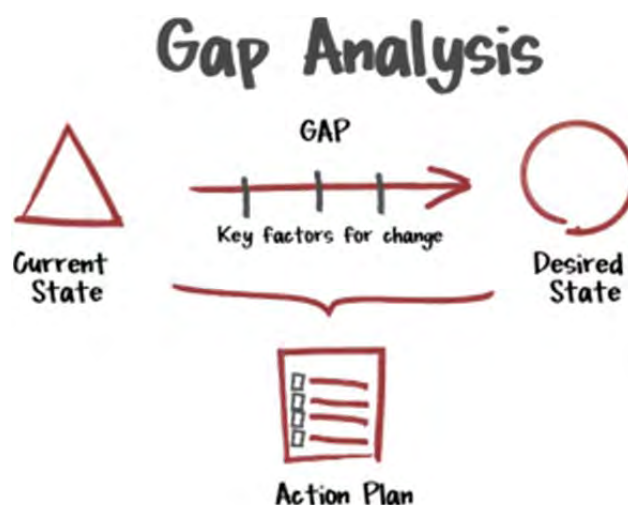
During these interviews and workshops, the following were identified as the goals for the business case development project:

- (a) Identify the governance, process, people and application gap to become mSCOA compliant using 1 July 2017 target architecture as defined in NT's MFMA Circular No.80 Annexure B: System Specifications of 8 March 2016.
- (b) Identify redundant use of systems where more than one application is used for similar business processing in order to consolidate where possible by eliminating the redundant application as defined in the MFMA mSCOA Circular3 of 02 November 2015.
- (c) Identify areas where there is currently little automation; understand the business impact and what remedies can be put in place in the medium to long term.
- (d) Ensure quality, consistency and accessibility of information delivered to the managers by identifying current bottlenecks in the information flow that inhibits quick decision making.
- (e) Identify areas of low business process efficiency and ineffectiveness which is highlighted by duplicate manual capture of data and presence of time delayed transaction capturing.
- (f) Identify what opportunities exist to create a people enabling environment that expands employees' knowledge of the municipality's objectives, processes and systems. Stellenbosch Municipality should be an environment where employees are trained to solve problems and equipped with the necessary tools for their jobs.
- (g) Identify future opportunities where current technologies can migrate to the technologies of the future at low cost, characterized by open standards-based technical platforms, relational database systems, standard reporting capability, tight security and authentication technology, and integration of business processes.

The above have also been addressed accordingly on **MFMA mSCOA Circular 3** which states that, mSCOA regulations require seamless integration between the system(s) implemented by the municipality.

4.1. Current AS-IS performance analysis

In assessing the current as-is performance of our current application systems, Zimele Technologies incorporated 3 system analysis steps defined in the **MFMA mSCOA Circular6 of 02 August 2016** which requires an understanding of the current as-is system landscape and functionalities through interviews and workshops with system administrators and users. This allowed the team to determine the current system functionality gaps and recommend the desired business processes and system functions to ensure mSCOA compliance. This is further depicted in the diagram below:



During this phase, it was discovered that some systems have similar capabilities but only selected modules are used in different municipal directorates which potentially lead to duplication and underutilisation of systems and applications. Some if not all of these ICT systems are not integrated thus do not communicate with each other forcing manual sharing of data and information between systems which is prone to human error and manipulation.

Moreover, due to extensive customisation of some of these current systems, a huge reliance on the system vendors prevails across the Stellenbosch Municipality. In order to further develop the use of ICT to offer innovative services, the municipality want to effectively and efficiently deal with “back office” system issues.

4.2. Outcome of the AS-IS analysis

The key themes listed below emerged from the analysis of the current AS-IS application systems and process performance:

(a) Lack of system integration

Integration is bringing together smaller components into a single system that functions as one. In the Stellenbosch Municipality context it refers to the process end result that should happen in a single system while in the Stellenbosch Municipality context it is stitched together in different, often disparate subsystems. The data therefore is no longer contained in a single unit but it is dispersed in all subsystems. The data no longer becomes part of a larger, more comprehensive dataset in a single system that can easily be shared when needed. A lack of integration exists across process areas within the Stellenbosch Municipality application landscape.

For example the main financial management system and payroll should either be one system or have real time integration without any human intervention. Information captured by HR has to be manually verified and updated if necessary by the salaries department, before the payroll can be performed. A file then has to be created and manually renamed to be uploaded to the financial system (SAMRAS). This is the most inefficient use of system and human resources and these activities increase the possibility of the business outcome not being met.

(b) **Too many manual processes**

There is currently very little automation across Stellenbosch municipality application landscape, the business impact is that it takes much longer to complete simple tasks. The impact of manual process is that it introduces human error as it is dependent on the interpretation of individuals and without proper business validation rules. It is hard to identify handover points in the manual process environment. The process owners tend to find it difficult to take full accountability as the processes are not consistent to allow for a predictable handover points. Manual processing is significantly cumbersome in the Stellenbosch Municipality not only compromising customer service, but also renders information useless for reporting or finding trends or actionable intelligence.

Due to the amount of manual processes, Excel is the tool of choice in Stellenbosch Municipality. However utilising Excel to this extent opens up the entire reporting process to manipulation. Human intervention is still required which may lead to errors occurring. Some of the major processes which are performed manually are dependent one user and if the specific user is not available, the process will not be actioned. The bank reconciliation for example, is currently being performed manually, and there are no robust controls in place. There is a significant reliance on the individual who does the bank reconciliation.

(c) **Duplication of data on systems**

Lack of system integration is the cause of data duplication at the Stellenbosch Municipality. The example used for the Lack of System Integration above represents a scenario of data duplication on two systems; payroll should be a sub-ledger of the main financial management system that is maintaining the General Ledger of accounts. The situation where data is duplicated in multiple systems leads to the confusion of having “no single source of the truth”. In the Stellenbosch Municipality scenario, significant data has to be transferred from one system to another system.

Due to the transfers, reconciliations must be performed to ensure that the data on the two systems is aligned. This is cumbersome and time consuming and is equally prone to data manipulation and human intervention which may lead to errors. Extra storage capacity and hardware is also required as data is not stored in a single organized location, which introduces significant data security concerns. If the data on the two systems do not align a manual process must be performed to rectify the issue.

(d) **Ageing ICT infrastructure and obsolete ICT systems**

The server room has remained the same for more than 10 years and some of the applications are old and obsolete. The current supporting architecture

of these applications is built with tools, technologies, and a coding style that does not support reasonable methods for making quick configuration modifications, changing business needs or sharing data between multiple systems in a standard manner.

(e) **Inflexible and Expensive System Changes**

Major changes in system structure or function caused by changes in the regulatory environment such as mSCOA are going to be costly for Stellenbosch Municipality. The system design approach is such that efficiencies in business processes cannot be realized as there are significant code changes required instead of configuration user driven changes.

The SAMRAS system currently has a backlog of requests for modifications and enhancements, most of which will never be addressed requiring incorporation of manual processes to supplement data collection, calculations, and additional data validation steps.

(f) **Vendor Lock-in for product and services**

The current Financial Management System can only be maintained by a single vendor which is the supplier of the product; this is different approach to more open ERP systems where the skillset could be purchased from the market.

Vendor lock-in has two impacts, cost continue to rise in an uncontrollable manner. Since the deep product expertise only resides within the OEM, it also results in the skills shortage and there is nowhere else to go. This creates a risk that is not easy to mitigate.

(g) **Lack of ICT support personnel**

The current ICT department is highly under staffed and under skilled to support disparate ICT applications. The operating model to date has been not to invest in the ICT personnel but to provide ICT support using external vendors which has created a vendor lock-in scenario described above.

An analysis of the services that are to be provided by the ICT department will determine the number of ICT personnel required. The vacancies and lack of ICT Governance were also identified on the STB ICT Strategic Plan as items requiring immediate actions.

4.3 Proposed Solutions

The baseline to evaluate which of the solution alternatives best meets the sponsor goals and resolves or fixes the current performance gaps was based on the outcome of the current as-is performance of application systems.

*According to the MFMA Circular 3 of 02 November 2016, The Municipal Regulations on a Standard Chart of Accounts, 2014 (mSCOA), requires a significant change in municipal business processes. Consequently, mSCOA implementation involves system conversion and/ or re-implementation with all the typical risks associated with any system conversion or implementation. **Implementing mSCOA therefore requires organisational change across the municipality since not only financial and budget***

orientated practitioners are involved. A common misconception among municipalities and other stakeholders relates to the fact that the mSCOA Regulation is perceived to be a finance reform only, an extremely dangerous assumption.

The Solution Alternatives below includes an exploration to enhance the existing systems to ensure both completeness and a complete exploration of other technologically viable possibilities. The solution alternatives considered are summarized below:

AGENDA

3RD COUNCIL MEETING OF THE COUNCIL
OF STELLENBOSCH MUNICIPALITY

2016-10-26

#	System for Change Alternative Description	Benefits	Total Cost	Risks	Stakeholder Impact
1	Enhance the existing systems , a possible re-implementation of the newer version of the current financial management system, packaged in a manner that addresses the common Stellenbosch municipality issues and addresses solution goals as stated in section 4. This involves people, process and technology considerations.	<ul style="list-style-type: none"> • System familiarity. Users will only have to be trained on the changes. • Data conversion is minimal. • Simple implementation compared to implementing a brand new product. • Realizing ROI will be sooner. 	<ul style="list-style-type: none"> • 3 year cost is R22,6m • 5 year cost is R34,7m • 10 year cost is R90,9m 	<ul style="list-style-type: none"> • Vendor lock-in. • Multiple disparate systems. • Lack of integration. • Manual processes will still exist. • High maintenance costs 	<ul style="list-style-type: none"> • Top Management: Maintenance expense, vendor lock-in. • Managers: Lack of accuracy of information. • End-users: low morale if the same issues persist.
2	Acquire and implement a single, integrated administrative system solution using a commercially available ERP package in a manner that addresses the common municipalities processes such Corporate governance, Municipal budgeting, planning and financial modelling, Municipal budgeting, planning and financial modelling, Financial accounting, Project accounting, Treasury and cash management, Procurement Cycle management, Grant management, Full Asset life cycle management, Real estate and resource management, Human resources and payroll management, Customer care, credit control & debt collection, Valuation roll management, Land use building control and Revenue cycles billing.	<ul style="list-style-type: none"> • Single integrated system • Business process improvement • Improved customer services • Transparency of data across the organisation • Accuracy of centralised business data. • Revenue/Profit increase • Building business innovations, supporting business growth. 	<ul style="list-style-type: none"> • 3 year cost is R21,7m • 5 year cost is R30,9m • 10 year cost is R50,8m 	<ul style="list-style-type: none"> • High initial costs • Intensive implementation process • Extensive training required • Possible re-engineering of business processes to fit the ERP system. 	<ul style="list-style-type: none"> • Top Management: High initial costs • Managers: Accuracy of information. Better resource management. Improved decision making. • End-users: Extensive training on new systems.

AGENDA

3RD COUNCIL MEETING OF THE COUNCIL
OF STELLENBOSCH MUNICIPALITY

2016-10-26

#	System for Change Alternative Description	Benefits	Total Cost	Risks	Stakeholder Impact
3	Acquire and implement a single, integrated administrative system solution using a commercially available ERP package in a manner that addresses the common municipalities processes (similar to alternative 2), leveraging the City of Cape Town installation to reduce infrastructure and licensing cost.	<ul style="list-style-type: none"> • Tried and tested system • CoCT has over 10 years' experience in implementation and maintenance of an ERP system. • Ease of implementation • Proven methodologies for best practise implementation. • New developments at CoCT will immediately become available to Stellenbosch. • CoCT is mSCOA compliant. • Reduced licencing costs 	<ul style="list-style-type: none"> • 3 year cost is R14,1m • 5 year cost is R23,3m • 10 year cost is R61,3m 	<ul style="list-style-type: none"> • CoCT downtime will mean STB downtime • System bugs would exist on both sides. • STB does not have the required on-site skills to maintain the system and would rely on CoCT. 	<ul style="list-style-type: none"> • Top Management: Improved budgeting • Managers: Accuracy of information. Better resource management. Improved decision making. • End-users: Extensive training on new systems.
4	Acquire and implement a single, integrated administrative system solution using a commercially available ERP package in a manner that addresses the common municipality's processes (similar to alternative 2), leveraging a hosting third party for Infrastructure and ERP licenses.	<ul style="list-style-type: none"> • Low costs while accessing state of the art technology • Unrestricted choice of service providers. • System is built and operated to global best practice. 	<ul style="list-style-type: none"> • 3 year cost is R10,8m • 5 year cost is R14,9m • 10 year cost is R31,8m 	<ul style="list-style-type: none"> • Unsecure data residing in a cloud. • Connectivity to the data centre might fail. • Data centre could be destroyed. • Power supplies could be cut preventing access to the data centre. 	<ul style="list-style-type: none"> • Top Management: Low cost • Managers: Accuracy of information. Better resource management. Improved decision making. • End-users: Extensive training on new systems.

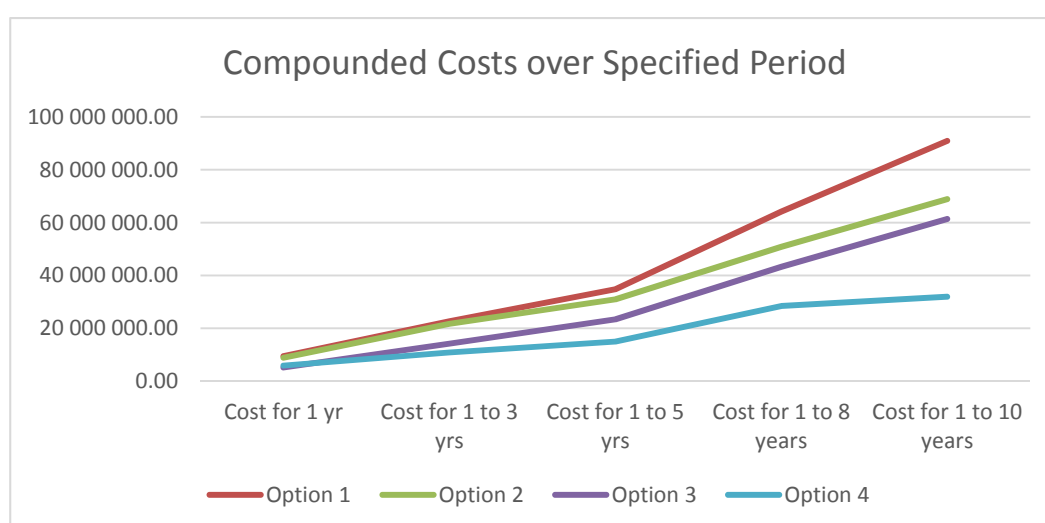
4.4 Selected Option 4 budget implications

The recommended Option 4: which is to acquire and implement a single, integrated administrative system solution using a commercially available ERP package and leveraging a hosting third party for Infrastructure and ERP licenses.

System	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Option 1 (Baseline Option)	9 421 168.31	10 795 336.14	2 459 604.08	5 679 870.24	6 412 857.26	34 768 836.04
ERP Option 4	5 847 058.34	4 822 738.25	147 970.81	1 915 207.55	2 200 424.15	14 933 399.11
Difference	-3 574 109.97	-5 972 597.88	-2 311 633.27	-3 764 662.69	-4 212 433.11	-19 835 436.93
Stellenbosch will be:	Paying Less	Paying Less	Paying Less	Paying Less	Paying Less	Paying Less

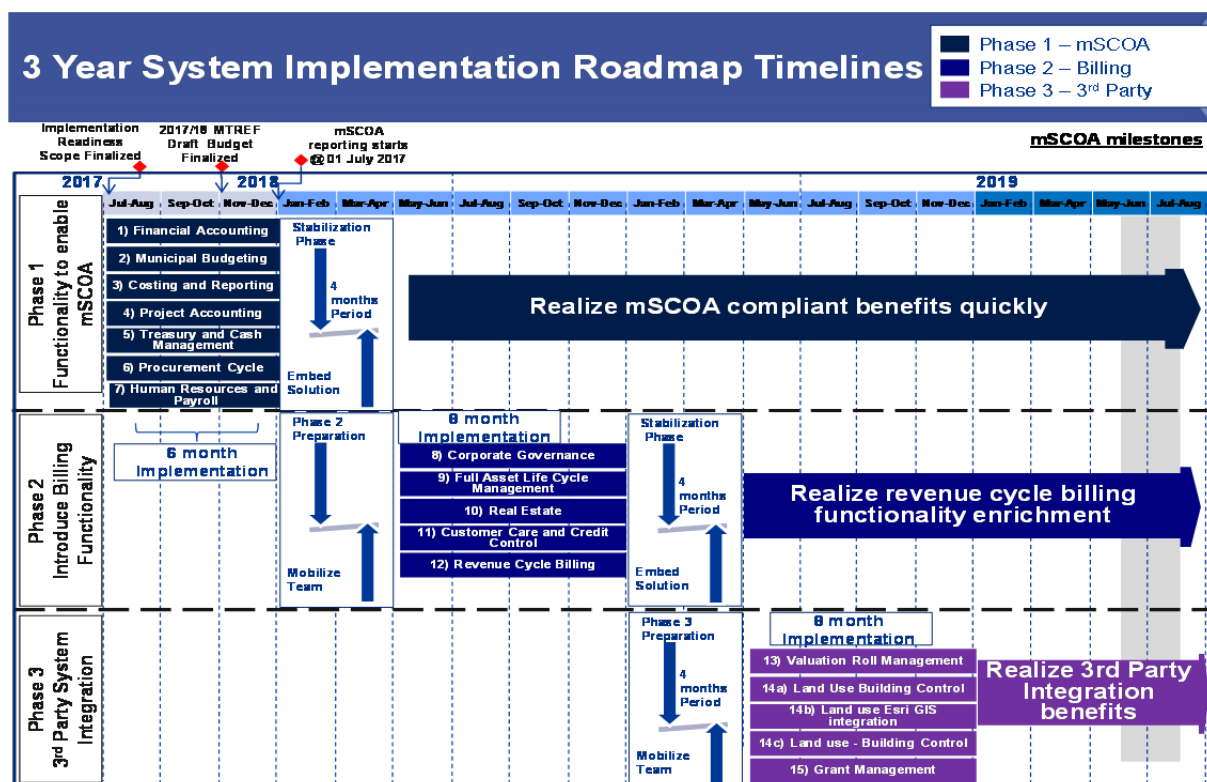
By leveraging on 3rd party systems the implementation costs are almost identical as in option 2, due to the high implementation costs. The initial configuration and setup must be performed. Due to initial configuration and setup, comprehensive direct savings will only be achievable as from year 4 onwards, as depicted above and this is due to the significantly lower hardware maintenance costs and less resources being required.

This graph below depicts the compounded cost ascertained over a period for the various systems. The periods are: 1 to 3 years, 1 to 5 years, 1 to 8 years and 1 to 10 years

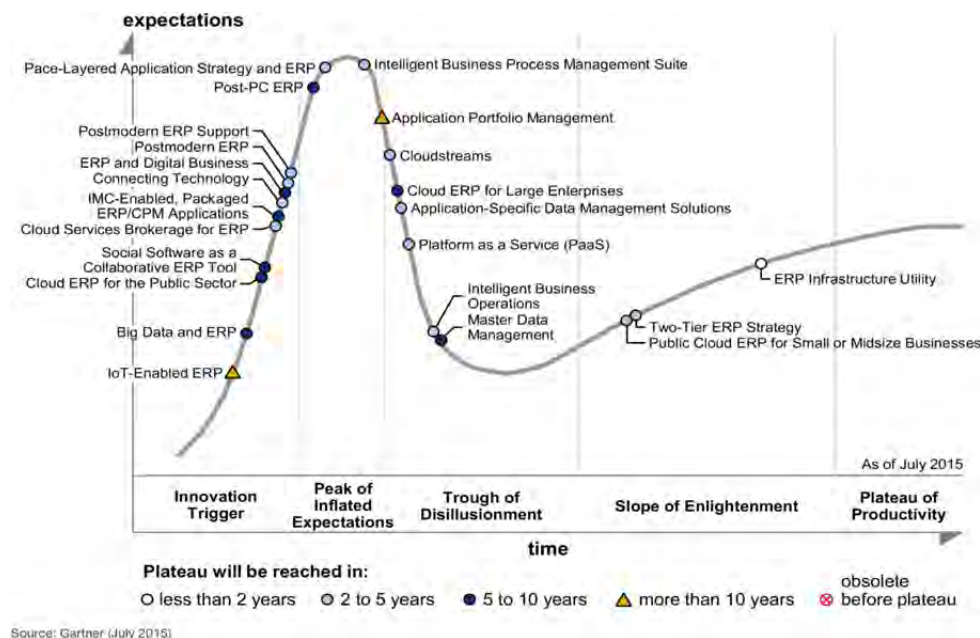


4.5 Proposed Implementation Roadmap for Selected Option 4

Stellenbosch Municipality will only realise their strategic benefits driven by the two components, i.e. what to do and how to do it. These components are presented on the diagram below. The diagram shows which main processes and functionality to enable first and how to phase this functionality over a 3 year period.



According to best practises furnished by Gartner's through the Technological Hype cycle below published on the 29 July 2015, "The traditional ERP world no longer exists; it has been replaced by postmodern ERP. CIOs must begin to address the realities of transforming to the postmodern ERP world, which has the potential to deliver improved business value."



5. ESTIMATED FINANCIAL IMPLICATIONS

The estimated cost for the implementation of the proposed cloud-based Enterprise Resource Plan Solution (ERP) with maintenance and support for a period of 10 years is just over R 31 million. This cost also includes software licenses, hardware, training and disaster recovery.

6. LEGAL IMPLICATIONS

In terms of this item, the intention is to procure a system for a period of 10 years. It is important to note that in order to procure the system for 10 years, there must be compliance with Section 33 of the MFMA which makes provision for contracts having future budgetary implications.

In terms of Section 33, any contract which will incur financial obligations beyond the relevant budget cycle requires a specific process to be followed. Section 33 provides:

“(1) A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year , but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if-

- (a) the municipal manager, at least 60 days before the meeting of the municipal council at which the contract is to be approved-
- (i) has, in accordance with section 21 A of the Municipal Systems Act-
- (aa) made public the draft contract and an information statement summarising the municipality's obligations in terms of the proposed contract; and

- (bb) invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and
- (ii) has solicited the views and recommendations of-
 - (aa) the National Treasury and the relevant provincial treasury;
 - (bb) the national department responsible for local government and
 - (cc) if the contract involves the provision of water, sanitation, electricity or any other service as may be prescribed by the responsible national department
- (b) the municipal council has taken into account-
 - (i) The municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;
 - (ii) The impact of those financial obligations on the municipality's future municipal tariffs and revenue;
 - (iii) Any comments or representations on the proposed contract received from the local community and other interested persons; and
 - (iv) Any written views and recommendations on the proposed contract by the National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph(a)(ii)(cc); and
- (c) the municipal council has adopted a resolution in which-
 - (i) It determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract;
 - (ii) It approves the entire contract exactly as it is to be executed; and
 - (iii) It authorises the municipal manager to sign the contract on behalf of the municipality."

The prescriptive legislative processes outlined must be adhered to and there must be compliance with National Treasury Regulations regarding MSCOA. The council must consider the *draft contract* prior to it (the contract) being concluded.

The item is supported.

7. COMMENTS FROM OTHER DIRECTORATES

7.1 FINANCE DEPARTMENT

Changing an organisation's ICT systems is not to be done lightly or hastily. The possibilities and opportunities must be investigated thoroughly and if a decision is indeed made to change systems, the migration must be carried out in a very well planned, methodical and well documented manner. This is

a time consuming exercise, hence the need for an extension of current ICT contracts in the mean-time.

The report includes many financial estimates on which recommendations are made. It must be noted that the budgetary implications will only become known when the market is tested. Finance supports the item, its objectives contemplated and measures proposed are supported.

8. CONCLUSION

Technology typically evolves around the current organization structures and legacy business processes. Stellenbosch Municipality systems evolution was no different as it evolved over time with applications being added to cover specific system gaps at that time, resulting in a disparate system architecture serving short-term needs with poor operating efficiencies over the long-term. Over the last 20 years, Stellenbosch Municipality has operated successfully in siloed business units or directorates driving their own core business processes with a significant lack of integration. The first decision that needs to be made is that ICT cannot continue to operate this disparate system architecture and business cannot continue to work in these siloed business units.

Today, this disparate architecture has also created unintended consequences where this lack of systems integration increases the dependency on external service providers as the SLAs needs to be managed across these services providers and it is not possible for the ICT to have sufficient resources that could cover the multiple applications. There are also new environmental factors facing the Local Government environment that require a re-evaluation of the municipality core business processes and systems to support them. The new environmental factors facing the Stellenbosch Municipality include:

- (a) **mSCOA compliance** – there is a **governance, processes, people** and **systems gaps** in Stellenbosch in order to become mSCOA compliant using **1 July 2017** target architecture as defined in **NT's MFMA Circular 80 Annexure B** released on the **8 March 2016**.
- (b) **Quest for Excellence** or **Stellenbosch Municipality's vision to be the Innovation Capital of South Africa** – Stellenbosch Municipality has a reputation for being one of the top municipalities in the Western Cape with its clean audit. STB needs to continue to invest in initiatives that will help to maintain its reputation as one of the best performing municipalities.
- (c) **Citizen Access through e-Government** –As internet usage continues to grow in the Stellenbosch Municipality, the need for a transparent, open and online government continues to grow as well. Employees, elected officials, business partners and constituents need local government to provide self-help service tools online. The ERP solution will enable Stellenbosch Municipality to provide online service tools such as self-service for employees, online RFP tools for vendors, and other standardized e-Government tools. In order for Stellenbosch Municipality to meet the demands of the upcoming decade, standardization of its core business processes needs to occur across the enterprise. **Manual processes** need to be removed. **Lack of system integration** needs to be replaced with a more integrated

approach to managing core processes in Finance, Supply Chain, Human Resources (including Payroll) and Customer Billing environments. An investment in modern ERP technology will provide a foundation for more standardized and automated processes. Not only will an ERP serve as the foundational toolset for standardizing core processes, it also will enable automation of many manual processes through a more integrated technology that promotes one time data input and reuse of data across the enterprise.

Stellenbosch Municipality is an over R1.0 billion annual operation that is supported by many paper-based, labour intensive systems. ERP will mean using multi-module software applications to improve, standardize and automate a wide range of local government operations that directly contributes to service delivery. Implementing ERP will require a massive, multiyear project that will integrate processes across directories and substantially reduce manual, paper-based systems.

ERP systems provide for policies and procedures to be built into the system and updated as necessary. This will greatly reduce our dependence on policy and procedure manuals for knowledge transfer and provide a much more efficient means to handle knowledge retention, especially as experienced staff retires. This will create a people enabling environment that expands employees' knowledge of the municipality objectives, processes and systems.

Since National Treasury has led the financial management reform agenda across all spheres of government since 1994. The aims of these reforms – to improve governance, accountability, transparency and management of limited public resources – remain largely unchanged. Ultimately these reforms are intended to improve service delivery outcomes, by enhancing transparency of information and decision-making. With reference to local government, substantial effort has been placed towards developing and institutionalising the 'local government accountability cycle'.

Based on **Annexure B** sent out by **NT (MFMA mSCOA Circular No.6 of 02 August 2016)**, there are 5 steps required before the item can be submitted to Council for approval and Step 3 of the 5 clearly states that the Municipality must solicit comments on this item from either National Treasury and Provincial Treasury. This can only take place after Step 2 which states that the mSCOA project steering committee must decide and recommend to Council once the current ICT system report has been completed.

RECOMMENDED

that Council

- (a) takes note of the new central government regulation e.g. the Municipal Standard Charter of Accounts (mSCOA) that has also forced the Stellenbosch Municipality to relook the efficiency and effectiveness of the current ICT systems in order to comply with the regulations;
- (b) approves that the Accounting Officer can proceed in terms of the process plan to ensure that the Stellenbosch Municipality implement the proposed Option 4 from the Business Case (**Appendix 1**);

-
- (c) amends all current ICT contracts through section 116 (3) for 30 months (1 January 2016 – 30 June 2019) whilst implementing the proposed System Alternative 4 from the Business Case (**Appendix 1**), and ensure go-live and proper roll-out by 1 July 2019; and
- (d) reprioritizes the existing ICT budget allocation to provide funding for the Implementation of this strategic and necessary financial management reform as proposed in the Business Case - Option 4.

Meeting: Ref No:	<i>Council: 2016-10-26 7/4/1/1/2</i>	Submitted by Directorate: Author: Referred from:	<i>Corporate Services Manager: ICT (B Mkaza)</i>
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Business Case Summary Document



Business Case for B/SM 61/16: MUNICIPAL SYSTEM INTEGRATION

Prepared by:



Prepared for:



STELLENBOSCH
STELLENBOSCH • PNIEL • FRANSCHHOEK
MUNISIPALITEIT • UMASIPALA • MUNICIPALITY



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1. Foreword

An Enterprise Resource Planning system (ERP) is an application that replaces many standalone systems of individual departments – such as finance, budget, procurement, customer billing, project accounting, grants management, payroll and human resource management. It integrates the functions into a single, automated system that runs off a single database.

Today, more than ever, municipalities in South Africa are realizing that new technologies such as ERP systems can enable organizations not only to operate in a single database but can use ERP to break-down silo working practices which developed from operating multiple applications. An ERP system by design is to break-down these silos by integrating all facets of the business across all departments and functional processes. This capability provides advantages over usage of multiple applications which are often comprised of a variety of separate systems and databases that perform the various administrative operations tasks within an organization. Using separate, non-integrated systems appears cheaper in the short term but is significantly more expensive and inefficient manual intervention compounds the problem faced by multiple application environments. ERP system reduces the complexity of accessing, viewing, and managing the vast sums of information collected and disseminated by municipalities in the public sector.

In addition to creating new opportunities for reshaping internal legacy operations, functions and practices, such as how accounting, procurement, and payroll activities are performed, these systems also enhance the ability to deliver service to external stakeholders, such as citizens and suppliers. ERP has a common user interface that allows it to hook up with systems outside its design, such as self-service facilities available through citizen portals. As a result, the entire municipal environment is modernized and transformed to operate in the 21st century leveraging the transformation that started two decades ago.

2. Authority Signatures

I, the undersigned, hereby acknowledge that I have read and agree to the content of this proposed business case.

Project Manager Stellenbosch Municipality

Date

Full name: Brian Mkaza

Title: Manager: ICT

Project Manager Zimele Technologies

Date

Full name: Lungile Mginqi

Title: COO Zimele Technologies

Project Sponsor Stellenbosch Municipality

Date

Full name: Vernon Bowers

Title: Acting Director Strategic & Corporate Services

Project Owner Stellenbosch Municipality

Date

Full name: Richard Bosman

Title: Acting Municipal Manager

3. Project Background

1.1 External Factors

Local government is the frontline of public service which plays the role of delivering basic services such as electricity, water, sewerage and refuses removal. Yet recent studies have shown that municipalities often operate with out-dated ICT systems resulting in internal inefficiencies that hinder service delivery. In a recent study, Douglas Cohen, an economic development and ICT specialist at SALGA found that ICT in municipalities is treated as a junior operational function. ICT is often under-funded, making system and technological upgrades a huge challenge and therefore poses high risk to a municipality's revenue management. Stellenbosch Municipality (STB) is an example of such municipality where ICT is heavily underfunded.

Stellenbosch Municipality's vision is to be the Innovation Capital of South Africa, whose mission is to deliver cost-effective services that will provide the most enabling environment for civil and corporate citizens. First, to support this initiative, it is important for the municipality to target ICT as a delivery vehicle for service delivery. Second, mSCOA compliance is driving a major conversation that puts focus into major municipal business processes and ICT adherence to the identified system requirements.

This business case was mandated to explore in details the current business performance gaps from both systems and processes, present various solution alternative options and recommend a single option that best resolves the performance gaps identified. The business case will cover the following discussion points:

- a. Business Need
- b. Sponsor Goals
- c. Current AS-IS Performance Analysis
- d. Solution Alternative Considerations
- e. Recommended Solution
- f. Return on Investment
- g. Implementation Readiness Scope
- h. Strategy for Realizing Investments

1.2 Stellenbosch Municipality Response

The project was established to respond to various needs and resolutions within Stellenbosch Municipality (STB) governance structures. The project was primarily initiated to perform a business case study for the ERP feasibility as a solution to various ICT issues that are being experienced at the STB. This business case had to include identification of the AS-IS business performance gaps and cost to fix those gaps in order to ensure completeness.

On the 30th March 2016 a submission was made to the Stellenbosch Municipality Council to request permission from Council to research alternative ERP solutions to assimilate the functionalities of various disparate legacy ICT systems into one Enterprise Resource Plan. ICT management provided a motivation that the annual payment of license fees and support fees to multiple service providers for totally disparate systems should not continue indefinitely. ICT management noted that this lack of systems integration increases the dependency on multiple external service providers as the SLAs need to be managed across these service providers and it is not attainable for the municipality to have sufficient resources that could cover the different applications.

ICT management motivated that a seamless, real-time integration between ICT Systems represents best practice in the ICT industry. ICT management further noted that it is the intent of National Government to encourage Local Government Institutions to establish a more cost effective and sustainable portfolio of ICT Business Applications Systems. The Stellenbosch Municipality Council approved through a resolution that ***“that the applicable ICT contracts be extended on a monthly basis to a maximum period of six (6) months pending research and assessment of alternative ERP Solutions in compliance with Treasury Requirements”***. This approved the strategic intent of the Stellenbosch Municipality to go to market requesting service providers to submit responses to research and assess alternative ERP solutions over the next three financial years that will enable the Municipality to establish a Business Systems Architecture Framework and then to assimilate the functionalities of the various disparate legacy ICT systems within a single Enterprise Resource Plan.

In April 2016, The Stellenbosch Municipality issued a public notice with the above resolution as requested by Council through the input from Legal department that ***“Council advertise its intention to amend all one year contractual agreements for***

ICT-related systems and services for a period of 6 months for public input, and that, should any public comment be received, be considered by Council before a final decision is made”.

The supporting rationale provided on the public notice issued on the April 2016 was due to the complexities inherent in ERP transformation journey, it is the best practice to follow a rigorous methodology over the next three financial years (2016/2017, 2017/2018 and 2018/2019) commencing 01 July 2016, to enable the Stellenbosch Municipality to assess the functional viability and cost effectiveness to assimilate the similar functionalities of the various business application systems into a single integrated business systems architecture framework (ERP).

It is important to note that an audit finding exists with regards to the risk introduced by the lack of integration between disparate legacy applications in the Stellenbosch Municipality system landscape. This lack of integration between systems introduces data errors as it relies on the individuals to interpret data without proper business validation rules. This compromises the data integrity but more severely it leads to poor decisions making. On the last audit committee meeting held on the 28 June 2016, it was officially reported that a service provider has been appointed to conduct the study of cost versus benefit regarding the ERP solution.

4. Business Need

Stellenbosch Municipality started their journey towards “Innovation” by undertaking two ICT initiatives, namely the ICT Risk Assessment and Strategic ICT Plan. These two initiatives confirmed that the Municipality operates at large disparate and heterogeneous ICT systems. Although a birds-eye view of the municipality reflects that it is successful at a detail level these out-dated and un-integrated systems are exposing the Stellenbosch Municipality to massive risks including the difficult to meet mSCOA process and system requirements.

Stellenbosch Municipality systems have organically evolved over time with sub-systems being added to cover the system gaps at that time. This has resulted in poorly planned architecture that handles short-term needs while holding the municipality back from operating efficiently over the long-term. The wide customizations of these systems

have made Stellenbosch Municipality extremely reliant on system vendors to support their applications, increasing licensing and maintenance costs.

Stellenbosch Municipality (STB) undertook a study to evaluate the best alternative to move-forward based on their current business pain points and the state of their ICT system's ability to support the business consistently. The objective of this study is to identify alternatives to improve service delivery through improved ICT systems.

Zimele Technologies was appointed to assist STB to identify the burning business issues, provide a broad view of the AS-IS current performance gaps and to identify solution alternatives to address these issues. These solution alternatives must be applied to the goals or gaps to determine the way-forward.

The project was kicked off on the 7th April 2016; this project phase ended in 30 June 2016. The outcome of the study is a report recommending the best alternative.

5. Sponsor Goals

The business sponsor was engaged on various meetings to identify what he considered as the goals of this study. The following were identified as the goals for the business case development project:

- 1 **Identify the governance, process, people and application gap** to become **mSCOA** compliant using **1 July 2017** target architecture as defined in NT's circular 80.
- 2 **Identify redundant use of systems** where more than one application is used for similar business processing in order to consolidate where possible by eliminating the redundant application.
- 3 **Identify areas where there is currently little automation**; understand the business impact and what remedies can be put in place in medium and long term.
- 4 **Ensure quality, consistency and accessibility of information** delivered to the managers by identifying current bottlenecks in the information flow that inhibits quick decision making.
- 5 **Identify area of low business process efficiency and ineffectiveness** which is highlighted by duplicate manual capture of data and presence of time delayed transaction capturing.

- 6 **Identify** what **opportunities** exist to create a **people enabling environment** that expands employees' knowledge of the municipality objectives, processes and systems. Stellenbosch Municipality should be environment where employees are trained to solve problems and equipped with the necessary tools for their jobs.
- 7 **Identify future opportunities** that **current technologies** can migrate to the technologies of tomorrow at low cost, characterized by open standards-based technical platforms, relational database systems, standard reporting capability, tight security and authentication technology, and integration of business processes.



6. Current AS-IS Performance Analysis

This section covers the current AS-IS performance analysis both from the applications or systems, i.e. mainly the uniqueness of the disparate application and the process coverage, i.e. how is the process currently supported with regards to delivering the business value.

1.3 Systems

#	Stellenbosch Applications	Unique Enterprise Level	Unique 3 rd Party Application	Same Capabilities Duplication	Significantly Underutilised	Island or Lack Integration	Holistically Manual	Extensive Customisation	Vendor Dependency	Elimination without ERP	ERP assisted Elimination	Key Highlights
1	Bytes Universal (SAMRAS)			◆	◆	◆		◆	◆	◆		Not a Gartner recognized ERP, overlapping function with PAYDAY and GEODEBT
2	PAYDAY (HR Payroll)			◆		◆		◆	◆	◆		Lack of integration with SAMRAS, significantly customized, vendor dependent
3	IGNITE (Performance Management)					◆		◆	◆			Lack of integration, significantly customized, vendor dependent
4	GEODEBT (Creditors Control)			◆				◆	◆	◆		SAMRAS can replaced this fully, vendor dependent, can be eliminated without ERP
5	IMQS (Infrastructure & Assets)			◆		◆				◆		Same functionality as Esri GIS, can be replaced fully, island that can be eliminated now
6	BarnOwl (Risk Management)				◆	◆					◆	Significantly Underutilised, Lack of integration, this application can be replaced with ERP
7	CATS (Meter Reading)		◆				◆					Unique 3 rd Party application that can work side by side with ERP
8	Itron (Prepaid Vending System)	◆	◆			◆				◆		Unique 3 rd Party application that can work side by side with ERP
9	Teamamate (Audit System)						◆				◆	Lack of integration, this application can be replaced with ERP
10	Valuprop (Valuation System)		◆			◆		◆	◆			Unique 3 rd Party application that can work side by side with ERP
11	Business Engineering (Collaborator)			◆	◆	◆	◆	◆	◆		◆	Underutilised, lack system integration, significantly customised, vendor dependent
12	Geographic Information System (Esri GIS)	◆	◆	◆	◆							Unique 3 rd Party application that can work side by side with ERP

Unique Enterprise Level	Gartner qualified Application
Unique 3 rd Party Application	Utilized along ERP installation
Same Capabilities Duplication	Can replace each other's function
Significantly Underutilised	Fewer users at low usage
Island or Lack Integration	Automated with itself -no other

Holistically Manual	Manual itself & no connections
Extensive Customisation	Customer specific code or programs
Vendor Dependency	Require OEM to support
Elimination without ERP	Can be removed without ERP
ERP assisted Elimination	Requires ERP to be removed



The table above shows the matrix of the Stellenbosch Municipality application landscape with certain key questions about the sustainability of these applications. The Top 3 items per key question are highlighted on the table below:

#	Key Question	1 st	2 nd	3 rd
1	Which of the systems in STB landscape is a Unique Enterprise Level Application; Gartner represents the significant qualifying of application at an international level.	<ul style="list-style-type: none"> Esri GIS is among the leading GIS 	<ul style="list-style-type: none"> Itron (Prepaid Vending Application) is among the leading applications in their sphere. 	<ul style="list-style-type: none"> None.
2	Which of the systems in STB landscape is an Unique 3rd Part Application that is uniquely position and whose functionality cannot be easily replaced by the cannot be easily replaced.	<ul style="list-style-type: none"> Esri GIS is among the leading GIS 	<ul style="list-style-type: none"> Itron (Prepaid Vending Application) is among the leading applications in their sphere. CATS (meter reading) is not part of the core ERP functionality. 	<ul style="list-style-type: none"> A number of ERP claims to replace Valuprop (Valuation System), this study does not recommend a replacement of Valuprop .
3	Which of the systems in STB landscape has the same capability or can duplicate each other's functionality or can replace each other?	<ul style="list-style-type: none"> Bytes Universal (SAMRAS) & PAYDAY (HR Payroll) – SAMRAS does have Payroll capability that can be enabled. 	<ul style="list-style-type: none"> Bytes Universal (SAMRAS) & GEODEBT (Creditors Control) – SAMRAS does have creditors management capability that can replace GEODEBT. 	<ul style="list-style-type: none"> Geographic Information System (Esri GIS) & IMQS (Infrastructure & Assets) – Esri GIS contains all geographical asset management that can integrate with IMQS.
4	Which of the systems in STB landscape is significantly underutilized fewer users at a low level of activity?	<ul style="list-style-type: none"> Esri GIS has a rich functionality that includes mobile technology that is currently not exploited in STB. 	<ul style="list-style-type: none"> Barn Owl (Risk Management) functionality is rich – its functionality is significant undervalued and underutilized in STB. 	<ul style="list-style-type: none"> Business Engineering (Collaborator) can be expanded to exploit it functionality more broadly.
5	Which of the systems in STB landscape Lack system integration that could add significant benefits, this means that the system could be automated within itself but it is not connected to other systems or applications.	<ul style="list-style-type: none"> Bytes Universal (SAMRAS), PAYDAY (HR Payroll), IGNITE (Performance Management), GEODEBT (Creditors Control) – all these application should be connected to deliver business value. 	<ul style="list-style-type: none"> Bytes Universal (SAMRAS), Itron (Prepaid Vending System), Valuprop (Valuation System) – all these application should be connected to deliver business value. 	<ul style="list-style-type: none"> Bytes Universal (SAMRAS) & Valuprop (Valuation System), Geographic Information System (Esri GIS) & IMQS (Infrastructure & Assets) – all these application should be connected to deliver business value.
6	Which of the systems in STB landscape is Holistically Manual, this is our definition means it is both manual by itself and not connected to other applications.	<ul style="list-style-type: none"> CATS (Meter Reading) – this system is holistically manual 	<ul style="list-style-type: none"> Teammate (Audit System) – this system is holistically manual 	<ul style="list-style-type: none"> Business Engineering (Collaborator) – this system is holistically manual



7	<p>Which of the systems in STB landscape is significantly customized. this means a significant prevalent of Customer specific code or programs that are dependent on companies or people that developed them.</p>	<ul style="list-style-type: none"> Bytes Universal (SAMRAS), PAYDAY (HR Payroll), IGNITE (Performance Management); GEODEBT (Creditors Control) – this combination of application is significantly customized. 	<ul style="list-style-type: none"> Valuprop (Valuation System) is significantly customized. 	<ul style="list-style-type: none"> Top Management: Business Engineering (Collaborator) is significantly customized.
8	<p>Which of the systems in STB landscape are exclusive Vendor Dependency with regards to their support and maintenance?</p>	<ul style="list-style-type: none"> Bytes Universal (SAMRAS), PAYDAY (HR Payroll), IGNITE (Performance Management); GEODEBT (Creditors Control) – this combination of application is vendor dependent with regards to their support and maintenance. 	<ul style="list-style-type: none"> Itron (Prepaid Vending System) is vendor dependent with regards to their support and maintenance. 	<ul style="list-style-type: none"> Valuprop (Valuation System) is vendor dependent with regards to their support and maintenance.
9	<p>Which of the systems in STB landscape can be eliminated without ERP replacement? .</p>	<ul style="list-style-type: none"> Bytes Universal (SAMRAS) & PAYDAY (HR Payroll) – SAMRAS does have Payroll capability that can be enabled. 	<ul style="list-style-type: none"> Bytes Universal (SAMRAS) & GEODEBT (Creditors Control) – SAMRAS does have creditors management capability that can replace GEODEBT. 	<ul style="list-style-type: none"> Geographic Information System (Esri GIS) & IMQS (Infrastructure & Assets) – Esri GIS contains all geographical asset management that can integrate with IMQS.
10	<p>Which of the systems in STB landscape require ERP to be eliminated</p>	<ul style="list-style-type: none"> Bytes Universal (SAMRAS), PAYDAY (HR Payroll), IGNITE (Performance Management); GEODEBT (Creditors Control) – this combination of application can be easily eliminated by the introduction of ERP. 	<ul style="list-style-type: none"> Barn Owl (Risk Management) is an enterprise risk management tool which can be replaced by a number of ERP systems. 	<ul style="list-style-type: none"> Teammate (Audit System) & Business Engineering (Collaborator) can be easily eliminated by the introduction of ERP.



1.4 Processes

The table below shows the findings from the AS-IS current performance across the 15 main municipal processes.

Business Process	Process	Application	Primary Issue	Secondary Issue	Utilisation	Processes	Processes automated	Overall Qualification	
Corporate Governance	Internal Audit	Teammate	Too many manual processes		Fully Utilized	6	5	17%	Poorly supported too many manual processes
	Audit Committee	No System	No System	Too many manual processes	No System	3	3	0%	
	Performance Management System	Ignite	Too many manual processes		Fully Utilized	6	4	33%	
Municipal Budgeting	Main Budget	SAMRAS	Too many manual processes	Lack of uniform software	Partially Utilized	5	5	0%	Poorly supported too many manual processes
	Budget Management	SAMRAS	Too many manual processes	Lack of system integration	Partially Utilized	5	5	0%	
Financial Accounting	General Ledger (Core Financials)	SAMRAS	Lack of system integration		Fully Utilized	1	1	0%	Weakly supported lack of system integration
	Accounts Receivable	SAMRAS	Lack of system integration	Too many manual processes	Fully Utilized	9	7	22%	
	Accounts Payable	SAMRAS	Lack of system integration	Too many manual processes	Fully Utilized	5	4	20%	
	Bank Reconciliation	SAMRAS	Too many manual processes		Partially Utilized	8	7	13%	
Costing and Reporting	Cost Planning	SAMRAS	Too many manual processes	Lack of system integration	Partially Utilized	4	3	25%	Poorly supported no system
Project Accounting	Project Creation and Planning	SAMRAS	Too many manual processes	Lack of system integration	Partially Utilized	8	7	13%	Poorly supported no system
	Project Management	No System	Too many manual processes	Lack of system integration	No System	1	1	0%	Poorly supported no system
Treasury and Cash Management	Cash Management	SAMRAS	Lack of system integration	Too many manual processes	Partially Utilized	9	9	0%	Weakly supported lack of system integration
Procurement Cycle	Supply Chain Management	Flexgen/SAMRAS	Too many manual processes	Lack of system integration	Partially Utilized	16	14	13%	Poorly supported no system
	Inventory	SAMRAS	Too many manual processes	Lack of system integration	Fully Utilized	7	5	29%	Weakly supported lack of system integration
Grant Management	Subsidies	SAMRAS	Too many manual processes		Partially Utilized	5	4	20%	Poorly supported too many manual processes
Full Asset Life Cycle Management	Asset Management	SAMRAS	Too many manual processes	Lack of system integration	Fully Utilized	13	10	23%	Poorly supported too many manual processes
Real Estate	Rental	SAMRAS	Too many manual processes	Lack of system integration	Fully Utilized	4	4	0%	Poorly supported limited functionality
Human Resources and Payroll	Human Resources	Payday	Lack of system integration	Too many manual processes	Fully Utilized	23	19	17%	Weakly supported lack of system integration
	Time Management	No System	Lack of system integration		No System	2	2	0%	
	Payroll	Payday/SAMRAS	Lack of system integration		Fully Utilized	13	10	23%	
Customer Care and Credit Control	Credit Control	GeoDebt	Lack of system integration	Duplication of data	Fully Utilized	14	12	14%	Weakly supported lack of system integration
	Customer Management	No System	Too many manual processes		No System	2	0	100%	
Valuation Roll Management	Valuations	Valuprop/SAMRAS	Lack of system integration		Fully Utilized	17	15	12%	Weakly supported lack of system integration
Land Use Building Control	Land Use	SAMRAS	Too many manual processes	Lack of system integration	Fully Utilized	11	9	18%	Weakly supported lack of system integration
	GIS	Esri SA GIS	Lack of system integration		Partially Utilized	4	2	50%	Weakly supported lack of system integration
	Building Control	Collaborator	Too many manual processes	Limited functionality	Partially Utilized	14	9	36%	Weakly supported limited functionality
Revenue Cycle Billing	Billing	SAMRAS	Too many manual processes	Lack of system integration	Fully Utilized	6	4	33%	Weakly supported lack of system integration
	Invoicing	SAMRAS	Lack of system integration		Fully Utilized	4	2	50%	
	Meter Management	CATS/Livewire/SAMRAS	Lack of system integration		Partially Utilized	24	19	21%	
		Partially Utilized	Partially utilized – used to capture, store, view and reporting						

The key themes as listed as primary and second issues above have emerged from the analysis of the current AS-IS performance are as follows:

1. **Lack of system integration** - Integration is bringing together smaller components into a single system that functions as a one. In the Stellenbosch Municipality context it refers to the process end result that should happen in a single system while in the Stellenbosch Municipality context it is stitched together in different, often disparate subsystems. The data therefore is no longer contained in a single unit but it is dispersed in all subsystems. The data no longer becomes part of a larger, more comprehensive dataset in a single system that can easily be shared when needed. A lack of integration exists across process areas as shown above table within the Stellenbosch Municipality application landscape. For an example the main financial management system and payroll owe to either be one system or have real time integration without any human intervention. Information captured by HR has to be manually verified and updated if necessary by the salaries department, before the payroll can be performed. A file then has to be created and manually renamed to be uploaded to the financial system (SAMRAS). This is the most inefficient use of system and human resources and these activities increase the possibility of the business outcome not being met.
2. **Too many manual processes** – There is currently very little automation across Stellenbosch municipality application landscape, the business impact is that it takes much longer to complete simple tasks. The impact of manual process is that it introduces human error as it is dependent on the interpretation of individuals and without proper business validation rules. It is hard to identify handover points in the manual process environment. The process owner's tend to find it difficult to take full accountability as the processes are not consistent to allow for a predictable handover points. Manual processing is significantly cumbersome in the Stellenbosch Municipality not only compromising customer service customer service, it renders information useless for reporting or finding trends or actionable intelligence. Due to the amount of manual processes, excel is the tool of choice in Stellenbosch Municipality. However utilising excel in this extent, the entire reporting process is prone to manipulation and human intervention is still required which may lead to errors occurring. Some of the major processes

which are performed manually are performed by one user and if the specific user is not available, the process will not be actioned. For example on the bank reconciliation which is currently being performed manually, there are no robust checks and balances. There is a significant reliance on the individual who does the bank reconciliation.

3. **Duplication of data on systems** – Lack of system integration is the cause of data duplication at the Stellenbosch Municipality. The example used for the Lack of System Integration above represents a scenario of data duplication on two systems; payroll should be a sub-ledger of the main financial management system that is maintaining the General Ledger of accounts. The situation where data is duplicated in multiple systems leads to the confusion of having “no single source of the truth”. In the Stellenbosch Municipality scenario, significant data has to be transferred from one system to another system. Due to the transfers, reconciliations must be performed to ensure that the data on the two systems is aligned. This is cumbersome and time consuming and is equally prone to data manipulation and human intervention which may lead to errors. Extra storage capacity and hardware is also required as data is not stored in a single organized location, which introduces significant data security. If the data on the two systems do not align a manual process must be performed to rectify the issue.
4. **Ageing ICT infrastructure and obsolete ICT systems** – The server room has remained the same for more than 10 years and some of the applications are old and obsolete. The current supporting architecture of these applications is built with tools, technologies, and a coding style that does not support reasonable methods for making quick configuration modifications, changing business needs or sharing data between multiple systems in a standard manner.
5. **Inflexible and Expensive System Changes** - Major changes in system structure or function caused by changes in the regulatory environment such as mSCOA are going to be costly for Stellenbosch Municipality. The system design approach is in such a manner that efficiencies in business processes cannot be realized as the changes require a significant code changes instead of configuration user driven changes. The SAMRAS system currently has a backlog of requests for modifications and enhancements, most of which will

never be addressed requiring incorporation of manual processes to supplement data collection, calculations, and additional data validation steps.

6. **Vendor Lock-in for product and services** – The current Financial Management system can only be maintained by a single vendor which is the supplier of the product, this is different approach to more open ERP systems where the skillset could be purchased from the market. Vendor lock-in has two impacts, cost continue to rise in an uncontrollable manner. Since the deep product expertise only resides within the OEM, it also results in the skills shortage and there is nowhere else to go. This creates a risk that is not easy to mitigate.
7. **Lack of ICT support personnel** – The current ICT department is highly under staffed and under skilled to support the ICT applications. The operating model to date has been not to invest on the ICT personnel but to provide ICT support using external vendors which has created a vendor lock-in scenario described above. An analysis of the services that owe to be provided by the ICT department will determine the number of ICT personnel required. The vacancies and lack of ICT Governance were also identified on the STB ICT Strategic Plan as items requiring immediate actions.



7. Solution Options

The Sponsor Goals and AS-IS Current Performance Analysis described in Section 4 and Section 5 of this document respectively, establishes the baseline or guidelines to evaluate which of the solution alternatives best meets the sponsor goals and resolves or fixes the current performance gaps. The Solution Alternatives include an exploration to enhance the existing systems to ensure both completeness and a complete exploration of possibilities. The solution alternatives considered are summarized below:

#	System for Change Alternative Description	Benefits	Total Cost	Risks	Stakeholder Impact
1	Enhance the existing systems , a possible re-implementation of the newer version of the current financial management system, packaged in a manner that addresses the common Stellenbosch municipality issues and addresses solution goals as stated in section 4. This involves people, process and technology considerations.	<ul style="list-style-type: none"> • System familiarity. Users will only have to be trained on the changes. • Data conversion is minimal. • Simple implementation compared to implementing a brand new product. • Realizing ROI will be sooner. 	<ul style="list-style-type: none"> • 3 year cost is R22,6m • 5 year cost is R34,7m • 10 year cost is R90,9m 	<ul style="list-style-type: none"> • Vendor lock-in. • Multiple disparate systems. • Lack of integration. • Manual processes will still exist. • High maintenance costs 	<ul style="list-style-type: none"> • Top Management: Maintenance expense, vendor lock-in. • Managers: Lack of accuracy of information. • End-users: low morale if the same issues persist.
2	Acquire and implement a single, integrated administrative system solution using a commercially available ERP package in a manner that addresses the common municipalities processes such Corporate governance, Municipal budgeting, planning and financial modelling, Municipal budgeting, planning and financial modelling, Financial accounting, Project accounting, Treasury and cash management, Procurement Cycle management, Grant management, Full Asset life cycle management, Real estate and resource management, Human resources and payroll management, Customer care, credit control & debt collection, Valuation roll management, Land use building control and Revenue cycles billing.	<ul style="list-style-type: none"> • Single integrated system • Business process improvement • Improved customer services • Transparency of data across the organisation • Accuracy of centralised business data. • Revenue/Profit increase • Building business innovations, supporting business growth. 	<ul style="list-style-type: none"> • 3 year cost is R21,7m • 5 year cost is R30,9m • 10 year cost is R50,8m 	<ul style="list-style-type: none"> • High initial costs • Intensive implementation process • Extensive training required • Possible re-engineering of business processes to fit the ERP system. 	<ul style="list-style-type: none"> • Top Management: High initial costs • Managers: Accuracy of information. Better resource management. Improved decision making. • End-users: Extensive training on new systems.
3	Acquire and implement a single, integrated administrative system solution using a commercially available ERP package	<ul style="list-style-type: none"> • Tried and tested system • CoCT has over 10 years' experience in 	<ul style="list-style-type: none"> • 3 year cost is R14,1m • 5 year cost is R23,3m 	<ul style="list-style-type: none"> • CoCT downtime will mean STB downtime 	<ul style="list-style-type: none"> • Top Management: Improved budgeting • Managers: Accuracy of



#	System for Change Alternative Description	Benefits	Total Cost	Risks	Stakeholder Impact
	in a manner that addresses the common municipalities processes (similar to alternative 2), leveraging the City of Cape Town installation to reduce infrastructure and licensing cost.	<p>implementation and maintenance of an ERP system.</p> <ul style="list-style-type: none"> • Ease of implementation • Proven methodologies for best practise implementation. • New developments at CoCT will immediately become available to Stellenbosch. • CoCT is mSCOA compliant. • Reduced licencing costs 	<ul style="list-style-type: none"> • 10 year cost is R61,3m 	<ul style="list-style-type: none"> • System bugs would exist on both sides. • STB does not have the required on-site skills to maintain the system and would rely on CoCT. 	<p>information. Better resource management. Improved decision making.</p> <ul style="list-style-type: none"> • End-users: Extensive training on new systems.
4	Acquire and implement a single, integrated administrative system solution using a commercially available ERP package in a manner that addresses the common municipality's processes (similar to alternative 2), leveraging a hosting third party for Infrastructure and ERP licenses.	<ul style="list-style-type: none"> • Low costs while accessing state of the art technology • Unrestricted choice of service providers. • System is built and operated to global best practice. 	<ul style="list-style-type: none"> • 3 year cost is R10,8m • 5 year cost is R14,9m • 10 year cost is R31,8m 	<ul style="list-style-type: none"> • Unsecure data residing in a cloud. • Connectivity to the data centre might fail. • Data centre could be destroyed. • Power supplies could be cut preventing access to the data centre. 	<ul style="list-style-type: none"> • Top Management: Low cost • Managers: Accuracy of information. Better resource management. Improved decision making. • End-users: Extensive training on new systems.

8. Recommended Solution

Zimele Technologies recommends the following strategic approach with respect to Stellenbosch Municipality systems context:

System Alternative 3 - Acquire and implement a single, integrated administrative system solution using a commercially available ERP package in a manner that addresses the common municipalities processes (similar to alternative 2), leveraging the City of Cape Town with regards to lessons learned, best practice, training and operation model to reduce cost.

The table below aims to justify the recommended solution based on its ability to address the major pain points of the Stellenbosch Municipality.

STB Problem Theme		SOLUTION OPTIONS			
		Option 1 Enhance the existing systems	Option 2 ERP Implementation	Option 3 Acquire the use of the ERP by leveraging an existing installation	Option 4 Acquire ERP through leveraging a hosted solution through a third party
Lack of system integration	Issue Addressed? (Y/N)	Y	Y	Y	Y
Duplication of data on systems		N	Y	Y	Y
Too many manual processes		N	Y	Y	Y
Ageing ICT infrastructure and obsolete ICT systems		N	Y	Y	Y
Inflexible and expensive system changes		N	N	Y	Y
Vendor lock-in for product and services		N	Y	Y	Y
ICT department resourcing		N	N	N	N
TOTAL ISSUES ADDRESSED		15%	70%	85%	70%

9. Stellenbosch Municipality Selected Solution

The common consensus throughout the collective at the Directors Forum held on the 13 September 2016 was Option 4 of this business case to acquire and implement a single, integrated administrative system solution using a commercially available ERP package in a manner that addresses the common municipality's processes **leveraging a hosting third party for Infrastructure and ERP licenses.**

Based on the Directors Forum of 13 September 2016, It was recommended by the Executive Directors that Stellenbosch Municipality:

- a) Amend all the ICT application systems contracts terminating on the 31 December 2016 for 30 months through S116 (3) of the MFMA.
- b) Procure the selected Option 4 of this Business Case through SCM process and test the new ERP solution by 1 Jan 2019.

10. Return on Investment

1.5 Existing Systems Scenario

Option 1 is built from the ICT expenditure on the current systems plus the upgrade required on the current system to resolve business pain points. This current cost plus the upgrade cost are added together and an average increase year on year is applied. The average inflation increase is assumed to be 10 percent per annum. This figure of 10% is higher than the current inflation published by Stats SA. However it is considered prudent to have it at that level. This 10% is utilized to calculate the expenditure over a 5 period or a 10-year period.

Our approach to the Return of investment is to compare various ERP options to the non-ERP option. However, it is important to note that this is essential comparing the same scope using different paths (ERP versus non-ERP) to achieve the same objective, i.e. the system resolution of business pain points. We can therefore consider option 1, the non-ERP as a “do-nothing” option with regards to the ERP implementation. The cost of the ERP and non-ERP includes the following cost elements:

#	Year 1 to Year 3	Year 4 onwards:
Option 1 – Option 4	<ol style="list-style-type: none"> 1. Implementation cost 2. Hardware cost 3. Consulting fees 4. License fees 5. Service Level Agreement 	<ol style="list-style-type: none"> 1. Onsite Support Consulting fees License fees 2. Service Level Agreement

All scenarios from option 1 to option 4 are calculated on an identical scope, using mSCOA framework to resolve the business pain points. Option 1: Enhance the existing systems to resolve Stellenbosch Municipality pain points.

Option 1: Enhance the existing systems to resolve Stellenbosch Municipality's pain points.

System	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Current Systems	4 007 040.00	4 557 744.00	9 963 518.40	5 679 870.24	6 412 857.26	30 621 029.90
Option 1 (Baseline Option)	9 421 168.31	10 795 336.14	2 459 604.08	5 679 870.24	6 412 857.26	34 768 836.04
Difference	5 414 128.31	6 237 592.14	-7 503 914.32	0.00	0.00	4 447 806.13
Stellenbosch will be:	Paying More	Paying More	Paying Less	Paying Same	Paying Same	Paying More

1.6 ERP Implementation Scenario

Option 2: Acquire and implement a single, integrated administrative system solution

System	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Option 1 (Baseline Option)	9 421 168.31	10 795 336.14	2 459 604.08	5 679 870.24	6 412 857.26	30 928 503.49
ERP Option 2	8 827 947.36	7 107 945.48	5 766 823.97	4 372 012.82	4 853 773.85	34 048 934.88
Difference	-593 220.96	-3 687 390.65	3 307 219.89	-1 307 857.42	-1 559 083.41	-11 968 805.97
Stellenbosch will be:	Paying Less	Paying Less	Paying More	Paying Less	Paying Less	Paying Less

using a commercially available ERP package.

In Year 1 and Year 2 quite substantial amount is required to implement the system, but as from Year 3 direct savings achievable due to more cost efficient licensing, consultant fees or service level agreement costs, as depicted above.

Option 3: Acquire and implement a single, integrated administrative system solution using a commercially available ERP package and leverage the City of Cape Town installation.

System	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Option 1 (Baseline Option)	9 421 168.31	10 795 336.14	2 459 604.08	5 679 870.24	6 412 857.26	34 768 836.04
ERP Option 3	5 143 345.20	4 081 443.62	4 929 336.51	4 372 012.82	4 853 773.85	23 379 912.01
Difference	-4 277 823.11	-6 713 892.51	2 469 732.43	-1 307 857.42	-1 559 083.41	-11 388 924.03
Stellenbosch will be:	Paying Less	Paying Less	Paying More	Paying Less	Paying Less	Paying Less

Majority of the costs are utilized for the assessment of requirements to implement an ERP. Due majority of the requirements being received from City of Cape Town, the costs are reduced significantly. By leveraging the City of Cape Town, direct savings can be achieved as almost immediately as depicted above.

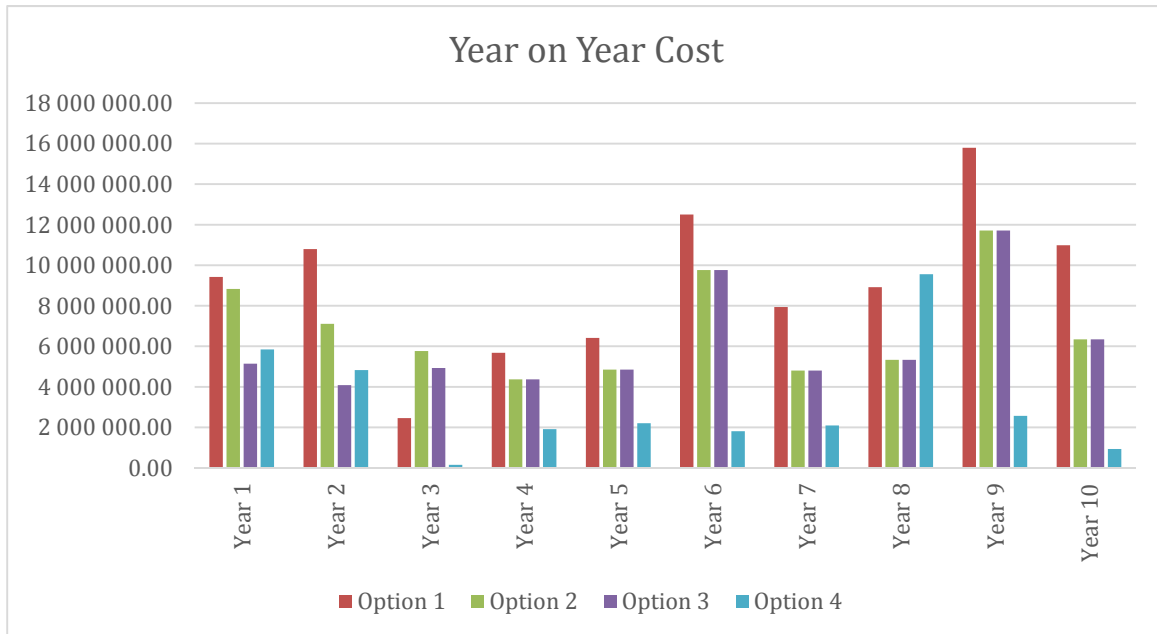
Option 4: Acquire and implement a single, integrated administrative system solution using a commercially available ERP package and leveraging a hosting third party for Infrastructure and ERP licenses.

System	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Option 1 (Baseline Option)	9 421 168.31	10 795 336.14	2 459 604.08	5 679 870.24	6 412 857.26	34 768 836.04
ERP Option 4	5 847 058.34	4 822 738.25	147 970.81	1 915 207.55	2 200 424.15	14 933 399.11
Difference	-3 574 109.97	-5 972 597.88	-2 311 633.27	-3 764 662.69	-4 212 433.11	-19 835 436.93
Stellenbosch will be:	Paying Less	Paying Less	Paying Less	Paying Less	Paying Less	Paying Less

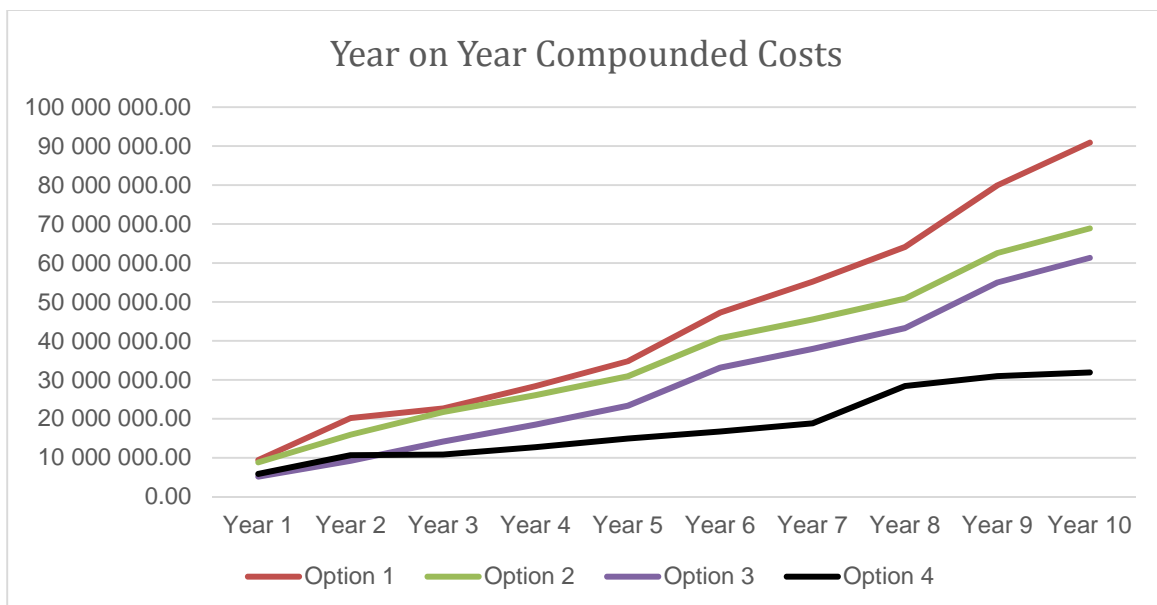
By leveraging a 3rd party system the implementation costs are almost identical as in option 2, due to the high implementation costs. The initial configuration and setup must still be performed. Due to initial configuration and setup, comprehensive direct savings

will only be achievable as from year 4 onwards, as depicted above and this is due to the significantly lower hardware maintenance costs and less resources being required.

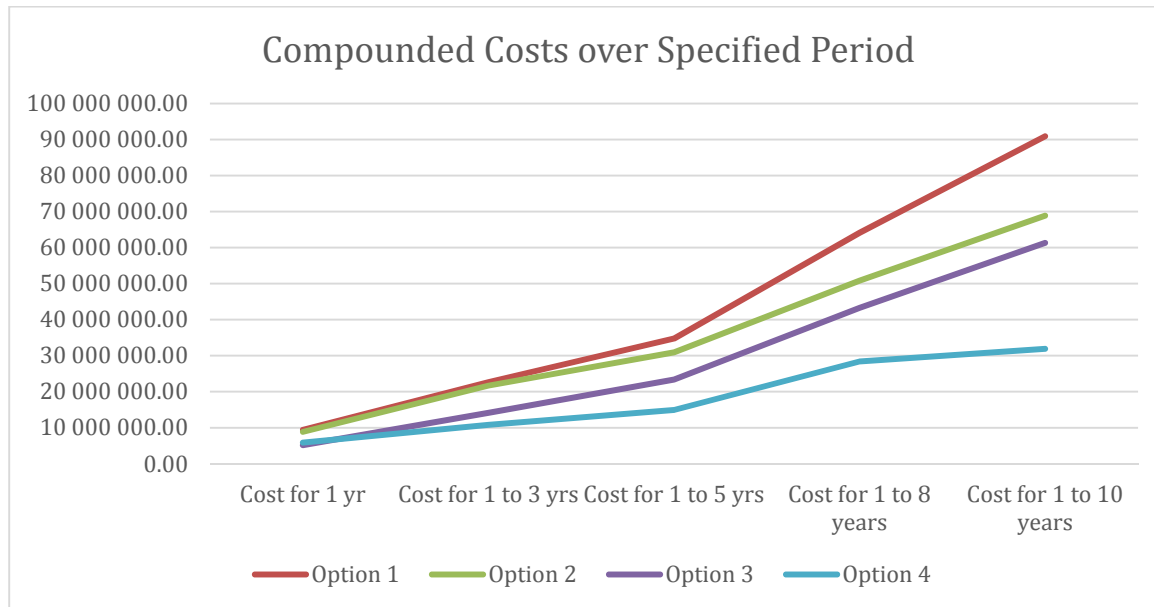
The graph below depicts the various options and the total expenditure over the next 10 years:



This graph depicts the compounded cost ascertained over a period of 10 years for the various systems.



This graph depicts the compounded cost ascertained over a period for the various systems. The periods are: 1 to 3 years, 1 to 5 years, 1 to 8 years and 1 to 10 years.



11. Implementation Readiness Scope

The purpose of this section is to describe the scope of work that is required beyond the current project timelines before the “**Selected Solution Option**” implementation phase. This section describes the Change Management Programme required to prepare the organization for the new operating environment. This section also proposes the alignment of the Change Management Programme with mSCOA compliant project.

1.7 Change Management Programme Scope

The objective of the Change Management Programme will be to prepare the organization to successfully implement the “**Selected Solution Option**”. This Change Management Programme will provide by large Programme Management to coordinate a number of related scope items. The preparation for implementation scope involves analysing the business and ICT impacts of the recommended “**Selected Solution Option**” to ensure that the implementation is successful. The scope and associated deliverables will cover five areas of the Programme Management:

- Programme Management;
- Change Management;
- ICT - Business Integration;
- Procurement Support; &
- Business Architecture - definition of the To-Be mSCOA processes

The table below summarises these five areas, the responsibilities associated with it and the key deliverables.

#	Programme Component	Scope Area	Deliverables
1	Programme Management	<ul style="list-style-type: none"> Update Programme Purpose Provide Risk and Issue Management Support Manage Project Resource process Knowledge Management Transfer Provide Project Support Services 	<ul style="list-style-type: none"> Provide Business Case Support Draft Project charter Update Milestone chart Top Risks and Issues Summary Programme Monthly Reports & Bi-Weekly Meetings
2	Change Management & Organizational sizing	<ul style="list-style-type: none"> Organisation Competency Assessment Conduct an organization assessment for staffing, facilities, and equipment considerations Acceptance of Change Effective Sponsorship Communication 	<ul style="list-style-type: none"> Competency model – skills gap Draft Communication plan Draft Change management plan Draft Training Needs Analysis Draft Support Organization Plan
3	ICT-Business Integration Management	<ul style="list-style-type: none"> Business Performance and ICT Delivery Management Business SLA management Draft Support requirements with regards to subject matter experts. Manage Impacts of Multiple Initiatives 	<ul style="list-style-type: none"> Draft ICT Service Portfolio Catalogue Draft and Validate Timelines & Dependencies Draft and agree Implementation readiness criteria Verify Implementation costing
4	Business Architecture - definition of To Be mSCOA processes	<ul style="list-style-type: none"> mSCOA To Be Business Architecture 	<ul style="list-style-type: none"> Verify mSCOA charts of accounts Define mSCOA to be processes Provide mSCOA training inputs
5	Procurement – Selection of the Implementation Partner	<ul style="list-style-type: none"> Scope of Work RFP Process 	<ul style="list-style-type: none"> Scope of Work Documents/URS Short-list mSCOA implementation partners from the National Treasury approved list RFP Evaluation Facilitation and Results Presentation

1.8 Immediate Executive Actions

These are the immediate next steps for executive decision makers to support the Stellenbosch Business Case project:

- a) Full Executive Committee buy-in
- b) Select system for moving forward.
- c) Announce an executive sponsor to champion the project.
- d) Select or maintain the existing project team to lead the state through the finalization of the selected option and procurement processes.

1.9 Stellenbosch Municipality Business & ICT Project Manager

In the case of Stellenbosch Municipality the selection of business and ICT project management team to lead the project is crucial. This is to ensure that the business begins to take ownership for some of the non-ICT deliverables on the implementation readiness scope. This partnership will participate in driving implementation readiness scope as described in section 9.2 above. The key highlights of the immediate next steps from this partnership are on the scope number 2 and 3 from section 9.2. The following should be achievement of this partnership by end of year 1 which ends of 2016.

- a) Conduct an organization assessment of future subject matter experts for Finance, Supply Chain, Human Resources (including Payroll), Real Estate and Land Use Planning and Customer Billing to determine who can support the project, and who can maintain services during the project.
- b) Determine the organization, staffing, facilities, and equipment considerations for the selected solution implementation.
- c) Set up Implementation Readiness Criteria that will need to be achieved before Stellenbosch Municipality can be ready for implementation.

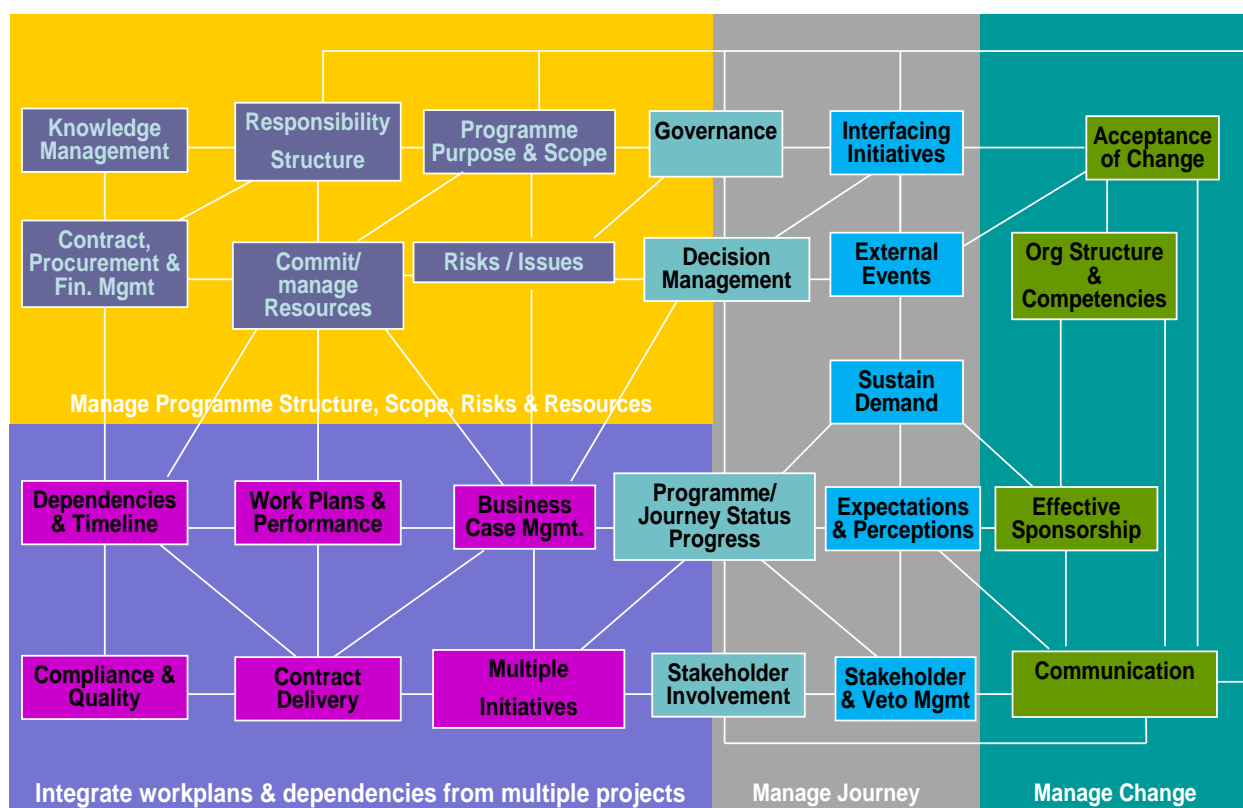
1.10 Programme Management Office Establishment

Stellenbosch Municipality is not ready for the system implementation; in order for the system implementation to be successful a Change Programme is required. We propose the PMO to be established that will coordinate various projects. The PMO will support various new and existing initiatives as a programme office:

- Enable co-ordination and integration of projects and resources;
- Allow focus on managing individual projects whilst the overall coordination and administration functions is kept in place; and
- Keep internal project and external business stakeholders updated with regular reporting and communication.

The diagram below illustrates the scope for programme management office, grouped by responsibility for Programme Management Office.

Programme Management Delivery Strategy



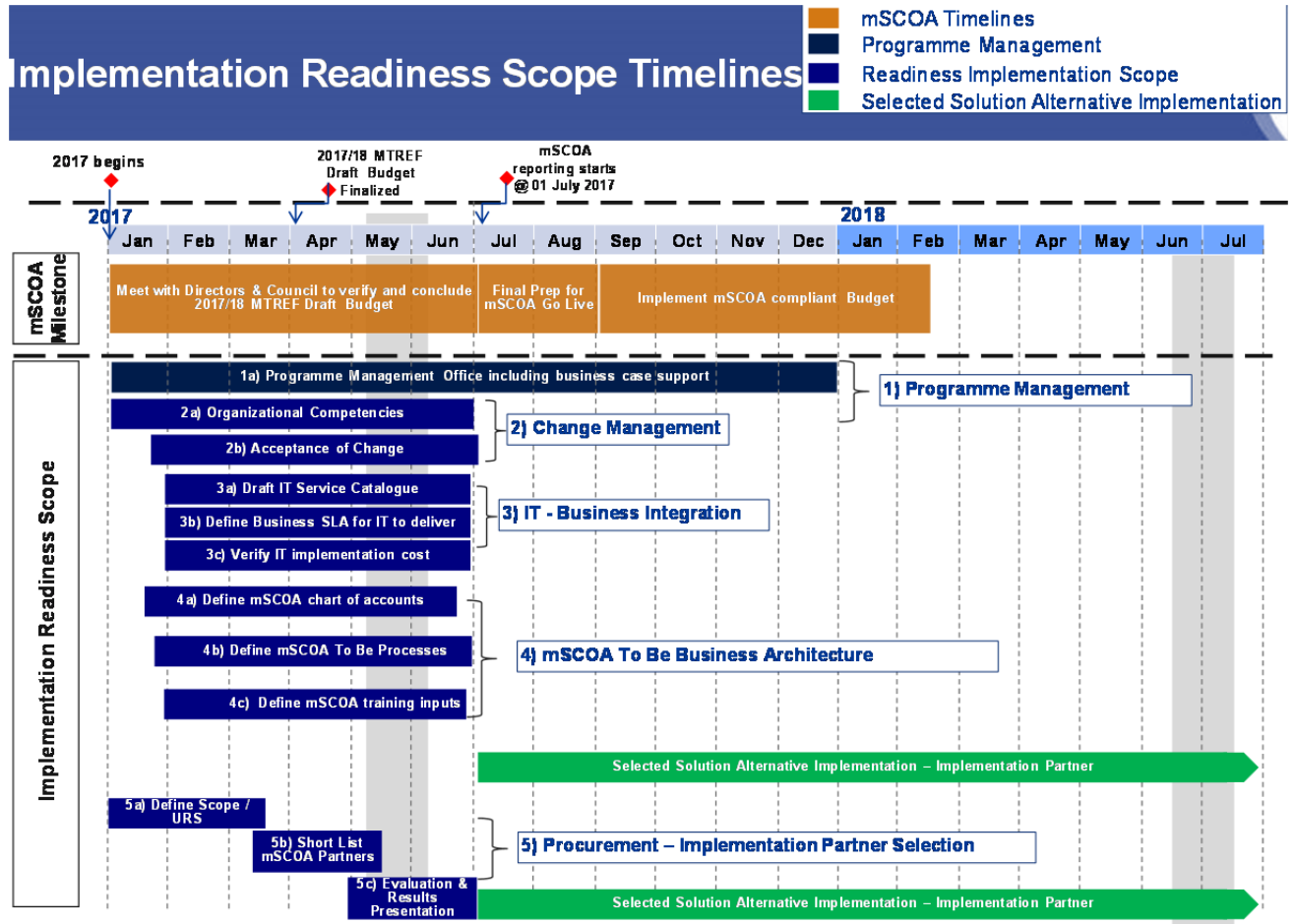
1.11 Programme Management Office Timelines

The Programme Management Office timelines have to consider the scope that is required before implementation can commence however it is equally important that the timeline depicts other key dependencies such as mSCOA compliant implementation timelines. The following dependencies or groupings have been identified:

- mSCOA Timelines
- Programme Management Office

- Implementation Readiness Scope
- Selected Solution Alternative Implementation

The diagram below illustrates the envisaged Programme timelines:



1.12 Critical Success Factors

Understanding the critical success factors for the Stellenbosch Municipality initiative is critical to the success of this Change Programme including the subsequent system implementation. The following identifies critical success factors that have been identified for the Stellenbosch Municipality initiatives which should be used as a guide to management the process going forward.

- Integrate** the Implementation Readiness Scope executive with other key initiatives (mSCOA compliance programme) and programmes within Stellenbosch Municipality to ensure alignment.
- Develop** strong and consistent executive support.

- c. **Phase** in processes or functions to help manage organization change.
- d. **Commit** the appropriate level of resources to match the scope and schedule of the project.
- e. **Establish and maintain** a strong Project Management Office to coordinate activities.
- f. **Invest** in proven ERP software solution that has a high probability of long-term viability.
- g. **Avoid** extensive customization or modifications to allow for application of vendor enhancements and a manageable upgrade path.
- h. **Redesign** your current processes to take advantage of best practices system and do not transport current inefficiencies to the new system.
- i. **Make** timely decisions and stick to them.
- j. **Make** training a high priority. Cut scope before cutting training and cultural change activities.

1.13 Risk Analysis

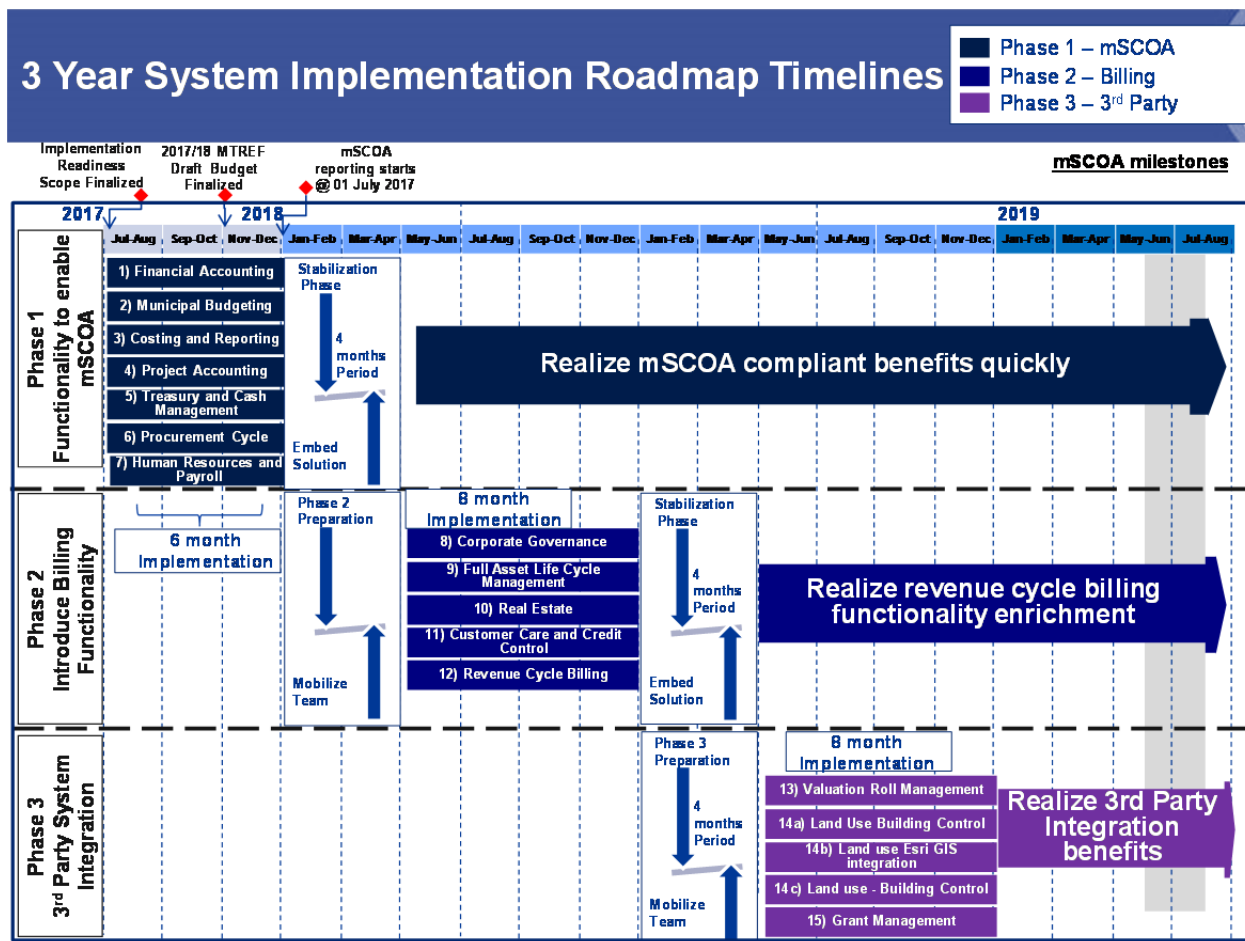
This section describes a number of risks anticipated during the Implementation Readiness Scope execution, the overall this project risk profile is medium, the project will focus on people matters, preparing people, understanding capacity, aligning expectation and ensuring the acceptance of the “Selected Solution Alternative”.

Risk Description	Management Approach
1. Lack of executive management involvement - a common issue in implementation readiness projects where senior management takes it lightly as there is no risky system implementation involved.	Senior management sponsorship of the project, with a weekly feedback session to keep the sponsor fully informed.
2. Release of staff to participate in the Change Programme to ensure that change is owned by those responsible for implementation.	We recommend that an appropriate number of full time Stellenbosch Municipality business and ICT staff be allocated to match project consultant resources.
3. Scope expectations such as “Acceptance of Change” are open-ended when compared to level of effort and timing expected. How do we guarantee results?	There is a methodology involved to ensure that the Stellenbosch Municipality personnel are giving sufficient opportunity to accept the new environment. The continuous involvement at senior management is the catalyst for the individual staff acceptance of the change initiative.

Risk Description	Management Approach
4. Senior management failure to support the solution alternative recommended - there is a chance that some senior management could be hostile to the recommended option.	Sufficient communication to Stellenbosch Municipality managers to ensure their support for recommendations
5. Uncertainty over approach results in lack of support during critical review activities - some notable projects have seen delays due to lack of confidence in methodologies adopted.	Use of proven methodology accepted by key management and assigned resources

12. Strategy for Realizing Savings

For Stellenbosch municipality the strategy for realizing benefits will be driven by two components, i.e. what to do and how to do it. These components are presented on the diagram below. The diagram shows which main processes or functionality to enable first and how to phase this functionality over a 3 year period.



The recommendation solution alternative 3 is assumed in drafting the figure above, i.e. the approach to leverage process design documents from the City of Cape Town and that the Implementation Readiness Scope as documented on this business case is completed. Only then would Stellenbosch Municipality be ready to implement the entire financial module and human resources module in 6 months. The assumption is that the following work would have been completed prior to the beginning of the implementation phase.

- a. mSCOA To Be Business Architecture completed
- b. Selection of the Implementation Partner completed
- c. ICT - Business Integration with an approved Service Catalogue completed
- d. Change Management – prepare the organization to accept change activities in progress
- e. Programme Management Office establishment completed.

13. Conclusion

Technology typically evolves around the current organization structures and legacy business processes. Stellenbosch Municipality systems evolution was no different as it evolved over time with applications being added to cover specific system gaps at that time, resulting in a **disparate system architecture** serving short-term needs with poor operating efficiencies over the long-term. Over the last 20 years, Stellenbosch Municipality has operated successfully in **siloed business units** or directorates driving their own core business processes with a significant lack of integration. The first decision that needs to be made is that ICT cannot continue to operate **this disparate system architecture** and business cannot continue to work in these **siloed business units**.

Today, this disparate architecture has also created unintended consequences where this lack of systems integration increases the dependency on external service providers as the SLAs needs to be managed across these services providers and it is not possible for the ICT to have sufficient resources that could cover the multiple applications. There are also new environmental factors facing the Local Government environment that require a re-evaluation of the municipality core business processes and systems to support them. The new environmental factors facing the Stellenbosch Municipality include:

- a. **mSCOA compliance** – there is a **governance, processes, people and systems gaps** in Stellenbosch in order to become mSCOA compliant using **1 July 2017** target architecture as defined in NT's circular 80.
- b. **Quest for Excellence or Stellenbosch Municipality's vision to be the Innovation Capital of South Africa** – Stellenbosch Municipality has a reputation for being one of the top municipalities in the Western Cape with its clean audit. STB needs to continue to invest in initiatives that will help to maintain its reputation as one of the best performing municipalities.
- c. **Citizen Access through eGovernment** –As internet usage continues to grow in the Stellenbosch Municipality, the need for a transparent, open and online government continues to grow as well. Employees, elected officials, business partners and constituents need local government to provide self-help service tools online. The ERP solution will enable Stellenbosch Municipality to provide online service tools such as self-service for employees, online RFP tools for vendors, and other standardized eGovernment tools.

In order for Stellenbosch Municipality to meet the demands of the upcoming decade, standardization of its core business processes needs to occur across the enterprise. **Manual processes** need to be removed. **Lack of system integration** needs to be replaced with a more integrated approach to managing core processes in Finance, Supply Chain, Human Resources (including Payroll) and Customer Billing environments. An investment in modern ERP technology will provide a foundation for more standardized and automated processes. Not only will an ERP serve as the foundational tool set for standardizing core processes, it also will enable automation of many manual processes through a more integrated technology that promotes one time data input and reuse of data across the enterprise.

Stellenbosch Municipality is an over R1.0 billion annual operation that is supported by many paper-based, labour intensive systems. ERP will mean using multi-module software applications to improve, standardize and automate a wide range of local government operations that directly contributes to service delivery. Implementing ERP will require a massive, multiyear project that will integrate processes across directories and substantially reduce manual, paper-based systems.

ERP systems provide for policies and procedures to be built into the system and updated as necessary. This will greatly reduce our dependence on policy and procedure manuals for knowledge transfer and provide a much more efficient means to handle knowledge retention, especially as experienced staff retires. This will create a people enabling environment that expands employees' knowledge of the municipality objectives, processes and systems.

9.	MATTERS FOR NOTIFICATION
9.1	REPORT ON DECISIONS TAKEN BY THE EXECUTIVE MAYOR
NONE	
9.2	REPORT BY THE MUNICIPAL MANAGER
9.2.1	QUARTERLY REPORT OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE FOR THE PERIOD: 01 JULY 2016 TO 30 SEPTEMBER 2016

1. PURPOSE OF REPORT

To inform Council of the activities of the Audit and Performance Audit Committee for the period 01 July 2016 till 30 September 2016 (1st Quarter). The Minutes of the meetings held for this period mentioned is herewith attached as **APPENDICES 1 and 2 respectively** which outline the activities of the Audit and Performance Audit Committee and the Internal Audit Unit.

2. BACKGROUND

The Audit and Performance Audit Committee has executed its duties and responsibilities during the period under review in accordance with its terms of reference as they relate to Council's accounting, internal auditing, internal control and financial reporting practices.

During this period the committee considered, amongst other matters, the following and would like to raise the following concerns in conjunction with the minutes of the meeting attached:

In respect of the external auditors and the external audit

- reviewed the strategic Audit Plan of the AG for the regulatory audit for the period 2013-14 (refer to **APPENDIX 2: Minutes of the meeting of 27-09-16**);
- the Audit Committee takes note of the combined assurance effort made by Internal Audit and notes the reliance that is placed on some of the work of Internal Audit by the AG;
- the Auditor General's Action Plan as followed up by Internal Audit to eliminate repeat findings.

In respect of financial statements

- the Audit Committee reviewed the draft AFS for the period 2015-16;
- the input and concerns of the Audit Committee in this regard are raised in the attached minutes (**APPENDIX 1: Minutes of the meeting of 30-08-16**).

In respect of internal control and internal audit

- reviewed and approved the amended Internal Audit Operational Plan;
- reviewed the reports of Internal Audit submitted in the 1st quarter and raised concerns surrounding the Supply Chain Management and PDO's reports respectively;
- the Audit Committee takes note of the Municipal Manager's response on outstanding follow-up reports and the requested extended due dates of Directorates to implement the recommendations of Internal Audit.

In respect of risk management

- noted the progress report from the Chief Risk Officer;
- reviewed minutes of Risk Management Committee meetings;
- raised concerns regarding the delay of submission of risk registers that are updated and aligned with the strategic goals and objectives;
- requested an updated Combined Assurance Plan linked to the risk appetite of Stellenbosch Municipality.

In respect of Investigations

- noted the updated report on current and outstanding investigations;
- recommends that the capacity constraints be addressed to effectively deal with outstanding investigations.

3. APPLICABLE LEGISLATION

- Section 166 of the MFMA (Act 56 of 2003)

RECOMMENDED

that the concerns, the report and the minutes of the meetings of the Audit Committee for the period 01 July 2016 till 30 September 2016, **be noted**.

Meeting: Ref No:	<i>Council: 2016-10-26 3/5/4/1/AUDIT_COMMITTEE</i>	Submitted by Directorate: Author: Referred from:	<i>Municipal Manager Office Chief Audit Executive: (F Hoosain) Mayco: 2016-10-19</i>
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2016-09-05

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MINUTES

**SPECIAL AUDIT AND PERFORMANCE AUDIT
COMMITTEE MEETING
[IN-COMMITTEE]**

2016-08-30

MINUTES

SPECIAL AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING

2016-08-30

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	None	
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	None	
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	None	
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PRESENT	Ms R Gani (Chairperson) Mr J Fairbairn Dr LN Mortimer Ms RLC Strydom Ms M van der Merwe
Office of the A-G	N Benjamin (until 18:05) S Nxweni (Ms) (until 18:05)
Councillors	Executive Mayor, Ald G van Deventer Deputy Executive Mayor, N Jindela Cllr S Louw Cllr S Peters
Officials	Acting Municipal Manager (R Bosman) Director: Strategic and Corporate Services (until 18:10) Acting Director: Engineering (W Pretorius) Chief Audit Executive Chief Risk Officer Manager: Budget Office Manager: ICT Committee Clerk

1. APPLICATION FOR LEAVE OF ABSENCE (3/5/4/1)

**AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING: 2016-08-30:
ITEM 1**

RESOLVED (nem con)

- (a) that leave of absence be granted to the CFO, Mr M Wüst; and
- (b) that the Executive Mayor's request to be excused to attend another engagement, be noted.

(HEAD: COMMITTEE SERVICES TO ACTION)

2.1 DECLARATION OF INTEREST (3/5/4/1)

**AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING: 2016-08-30:
ITEM 2.1**

RESOLVED (nem con)

that it be noted that the necessary documentation in respect of Declaration of Interest and Confidentiality was completed and signed by all Audit Committee members present.

(CHIEF AUDIT EXECUTIVE TO ACTION)

2.2 COMMUNICATION BY THE CHAIRPERSON (3/5/4/1)

2.2.1. The Chairperson extended a cordial welcome to the Executive Mayor, the Deputy Executive Mayor and the other councillors present. After a brief summary of her own role and professional experience in relation to the Audit Committee, the Chairperson requested each member to give a brief synopsis of their professional profile.

2.2.2. The Chairperson reminded administration of the legislative deadlines for submission of Financial Statements to the Auditor-General, and urged Internal Audit and the CFO to strive to meet those deadlines.

(-)

3. CONFIRMATION OF MINUTES AND MATTERS ARISING (3/5/4/1)

None

4. AUDITOR- GENERAL (3/5/4/1)

None

5. FINANCIAL STATEMENTS (3/5/4/1)

5.1 Draft Unaudited Annual Financial Statements for the period 1 July 2015 till 30 June 2016

THE APPENDIX [1] WILL BE DISTRIBUTED UNDER SEPARATE COVER.

FOR CONSIDERATION**AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING: 2016-08-30:
ITEM 5.1**

The Audit Committee expressed concern over the high level of accumulated surpluses. A clarifying note should be included in the Annual Financial Statements in respect of the amount provided for the landfill sites.

After an incisive page-by-page discussion on the Financial Statements, it was

RESOLVED (nem con)

- (a) that the Draft Unaudited Annual Financial Statements for the period 1 July 2015 till 30 June 2016, be noted;
- (b) that the final Audited Financial Statements which will be submitted to the Auditor-General also be submitted to the Audit Committee; and
- (c) that the working papers, as well as the assumptions which informed the provision for doubtful debt, be provided to the Audit Committee.

(CHIEF AUDIT EXECUTIVE TO ACTION)

3

MINUTES

SPECIAL AUDIT AND PERFORMANCE AUDIT
COMMITTEE MEETING

2016-08-30

6. INTERNAL AUDIT AND INTERNAL CONTROL (3/5/4/1)

- 6.1 Internal Audit Report: SUPPLY CHAIN MANAGEMENT, attached as **APPENDIX 2.**

**AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING: 2016-08-30:
ITEM 6.1**

The Chief Audit Executive informed the meeting of a request for this item to be considered at the next Audit Committee meeting in order to allow members additional and sufficient time to work through the voluminous batch of documentation.

RESOLVED (nem con)

that the Internal Audit Report on Supply Chain Management stands over till the next meeting.

(CHIEF AUDIT EXECUTIVE TO ACTION)

- 6.2 Internal Audit Report: DORA, attached as **APPENDIX 3.**

FOR CONSIDERATION**AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING: 2016-08-30:
ITEM 6.2**

RESOLVED (nem con)

that the Internal Audit Report: DORA, be noted.

(CHIEF AUDIT EXECUTIVE TO ACTION)

- 6.3 Key Controls: Quarter 4, 2015/16, attached as **APPENDIX 4.**

FOR CONSIDERATION**AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING: 2016-08-30:
ITEM 6.3**

The Chief Audit Executive highlighted IT-Governance as still an area of some concern, but indicated that Senior Management is giving due attention to the matter, and that notable improvement has been recorded.

The Audit Committee registered its concern that the internal controls and the action plan with reference to the Financial Statements and reconciliations need to be strengthened and more stringently adhered to.

The Organizational Structure, as well as the management of Human Resources information, are further areas that warrant focused attention.

RESOLVED (nem con)

- (a) that the report on Key Controls: Quarter 4, 2015/16, be noted;
- (b) that the areas of IT-Governance, Financial Controls and Human Resources Management be given focused and urgent attention; and
- (c) that the aspect of monthly reconciliations of Financial Statements be placed as a standing item on the Audit Committee Agenda for monitoring purposes.

(CHIEF AUDIT EXECUTIVE TO ACTION)**7. COMPLIANCE WITH LAWS AND REGULATIONS (3/5/4/1)**

None

8. RISK MANAGEMENT AND ICT (3/5/4/1)

None

9. FRAUD RESPONSE COMMITTEE: INVESTIGATIONS AND FRAUD (3/5/4/1)

None

10. DATE OF NEXT MEETING (3/5/4/1)**AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING: 2016-08-30:
ITEM 10****RESOLVED** (nem con)

that the date of the next meeting is Tuesday, 27 September 2016.

(CHIEF AUDIT EXECUTIVE TO ACTION)

Meeting adjourned at 20:05.

CONFIRMED**CHAIRPERSON**

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MINUTES

AUDIT AND PERFORMANCE AUDIT COMMITTEE MEETING [IN-COMMITTEE]

2016-09-27

PRESENT: Ms R Gani (Chairperson)
Mr. J Fairbairn
Ms RLC Strydom
Ms M van der Merwe

Office of the A-G: Ms A Krieg

Councillors: Executive Mayor, Ald GM van Deventer (Ms)
S Louw

Officials: Acting Municipal Manager (R Bosman)
Chief Financial Officer
Acting Director: Strategic & Corporate Services (V Bowers)
Chief Audit Executive
Chief Risk Officer
Head: Supply Chain Management
Internal Auditor (A Damba)
Committee Clerk (Ms T Samuels)

1.	APPLICATION FOR LEAVE OF ABSENCE
----	---

The following applications for leave were approved:-

Dr. LN Mortimer	– 2016-09-27
Mr. L Ndzamela (Senior Manager: Office of the A-G)	– 2016-09-27
Ms M Krige (Senior Internal Auditor)	– 2016-09-27

2.1	DECLARATION OF INTEREST
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It was noted that the necessary documentation in respect of Declaration of Interest and Confidentiality was completed and signed by all Audit Committee members present.

2.2	COMMUNICATION BY THE CHAIRPERSON
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None

3.	CONFIRMATION OF MINUTES
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- 3.1 The minutes of the Audit & Performance Audit Committee held on 2016-06-28 was **confirmed as correct.**
- 3.2 The minutes of a Special Audit & Performance Audit Committee held on 2016-08-30 was **confirmed as correct.**

3.3	MATTERS ARISING FROM PREVIOUS MINUTES / ACTION POINTS OF THE MEETING HELD ON 2016-06-28
-----	--

The Chief Audit Executive provided a brief summary on each of the previously outstanding matters.

RESOLVED

- (a) that the progress made on previous outstanding Action Items, **be noted**; and
- (b) that the status of the outstanding Action Items depicted in the table below be reported on at the next Audit Committee meeting:

Item Description	Action to be performed
ERP business case	The report is still work in progress; to be submitted to the next AC meeting.
IT Report: Implementation dates	The patch management process is still under way; a report to be submitted to the next AC meeting.
<ul style="list-style-type: none"> • Risk register • Combined Assurance Framework 	<ul style="list-style-type: none"> • A risk register and combined assurance framework to be finalised and submitted to the next AC meeting. • Minutes of the recent Risk Management meetings (June/September 2016) to be submitted to next AC.

4.	AUDITOR-GENERAL
4.1	A-G STRATEGIC PLAN

Ms Annette Krieg (Office of the A-G) gave a PowerPoint presentation on the scope, time-table and cost of the planned audit. Key focus areas of the audit will be service delivery in terms of water, sanitation and roads infrastructure; financial indicators; consultants; management of conditional grants; and housing development projects.

RESOLVED

that the A-G Strategic Plan, **be noted**.

4.2	A-G ACTION PLAN, as at 2016-09-20
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Human Resources Management, Performance Management, and IT-related security risks were flagged as areas of concern, requiring focused intervention.

RESOLVED

- (a) that the follow-up work done in respect of the A-G Action Plan, **be noted**;
- (b) that the internal controls of employee leave arrangements and the pre-approval of leave applications be given specific attention by HR Management;
- (c) that the implementation of Performance Agreements for managers/heads be resolved, and the matter be reported at the next Audit Committee meeting; and
- (d) that monitoring of IT-system controller activities relating to password settings on SAMRAS and Ignite, be reported on at the next Audit Committee meeting.

5.	FINANCIAL STATEMENTS
5.1	SUSTAINABILITY REVIEW

RESOLVED

that the Chief Audit Executive's comments on the arrangements to provide the Audit Committee with a quarterly report pertaining to sustainability, financial ratios and the financial health of the Municipality, **be noted**.

5.2	Monthly Reports: Section 71 Reports for July and August 2016
-----	---

RESOLVED

- (a) that the Section 71 Reports for July and August 2016, **be noted**; and
- (b) that an explanatory note be provided to the Audit Committee to clarify the following issues, namely:
 - (i) perceived disparities between related tables and schedules supposedly based on the same data;
 - (ii) seeming discrepancies when tallying the progressive totals; and
 - (iii) the variances between the planned budget and the actual expenditure.

6.	INTERNAL AUDIT AND INTERNAL CONTROL
6.1	INTERNAL AUDIT REPORT: SUPPLY CHAIN MANAGEMENT

It was noted that the SAMRAS version/module currently in use does not provide for automated supplier rotation; a manual process for supplier rotation is being followed, which is subject to manipulation.

RESOLVED

- (a) that the Internal Audit Report on Supply Chain Management, **be noted**;
- (b) that the due dates for implementation of remedial actions as captured in the Executive Summary should be clearly specified; and
- (c) that a comprehensive Systems Risk Assessment be undertaken to compile a risk rating schedule for all the systems currently in use.

5

MINUTES

AUDIT AND PERFORMANCE AUDIT
COMMITTEE MEETING

2016-09-27

6.2	INTERNAL AUDIT REPORT: PRE-DETERMINED OBJECTIVES, Q 4, 2015/16
-----	---

The Audit Committee made the observation that KPI targets (e.g. for water losses) have to be clearly reflected in order for a determination to be made as to whether a given KPI target has been achieved or not.

RESOLVED

that the Internal Audit Report on Pre-determined Objectives, Quarter 4, 2015/16, **be noted.**

6.3	INTERNAL AUDIT FOLLOW-UP REPORT
-----	--

The Audit Committee requested that, going forward, additional detail be provided in the reporting template so that comparative progress in addressing the findings over a specified period can be established more readily. Management undertook to improve the quality of the report in line with the Audit Committee's suggestion.

RESOLVED

that the Internal Audit Follow-up Report, **be noted.**

6.4	INTERNAL AUDIT PROGRESS REPORT
-----	---------------------------------------

Management undertook to include MSCOA as a standing item on the Audit Committee's quarterly agenda, whereby regular feedback will be provided on the implementation of MSCOA.

RESOLVED

that the Internal Audit Progress Report, **be noted.**

6.5	INTERNAL AUDIT PLAN 2016/17 (REVISED)
-----	--

RESOLVED

that the Internal Audit Plan 2016/17 (as Revised), **be approved.**

7.	COMPLIANCE WITH LAWS AND REGULATIONS
----	---

None

8.	RISK MANAGEMENT AND ICT
8.	RISK ASSESSMENT AND PROGRESS REPORT, AS AT 2016-09-09

The Chief Risk Officer drew attention to the following matters which inform Risk Management per se, but more particularly the compilation of the Risk Register:

- (i) attention will be given to the alignment of the Risk Register with the IDP;
- (ii) Combined Assurance and Risk Appetite will be looked at in great detail as per the guidelines contained in Provincial Treasury's circulars;
- (iii) The Risk Management Policy and Terms of Reference will be reviewed; and
- (iv) the Engineering Department will be engaged to identify and formulate its top 10 operational risks.

It is anticipated that the Risk Register on strategic level (i.e. the top ten corporate risks with the risk appetite) will be completed by end November 2016; whereafter the risk profile on operational level will be drafted.

RESOLVED

that the Risk Assessment And Progress Report, **be noted**.

9.	FRAUD RESPONSE COMMITTEE: INVESTIGATIONS AND FRAUD
9.1	FRAUD REGISTER STATUS REPORT

RESOLVED

that the Fraud Register Status Report, **be noted**.

10.	DATE OF NEXT MEETING
-----	-----------------------------

RESOLVED

that the date of the next meeting be determined by the Chief Audit Executive in consultation with the Chairperson.

The meeting adjourned at 20:10.

CHAIRPERSON:

DATE:

Confirmed on **with/without amendments.**

9.2.2	SUPPLY CHAIN MANAGEMENT 1st QUARTER IMPLEMENTATION REPORT FOR THE 2016/2017 FINANCIAL YEAR
-------	---

1. PURPOSE OF REPORT

To comply with Regulation 6(2) (a) (and 6(3) of the Municipal Supply Chain Management Regulations, by reporting on the state of the implementation of Supply Chain Management Policy of the Stellenbosch Municipality.

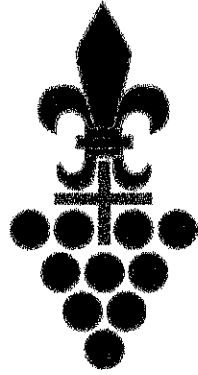
2. DISCUSSION

The Supply Chain Management 1st Quarter Implementation Report for the financial year 2016/2017 is attached (**APPENDIX A**) which contains detailed discussion.

RECOMMENDED

that the Supply Chain Management 1st Quarter Implementation Report for the financial year 2016/2017, **be noted**.

Meeting:	Council: 2016-10-26	Submitted by Directorate:	Chief Financial Officer
Ref No:	8/1/Financial	Author:	Manager: Supply Chain Management
		Referred from:	



**Supply Chain
Management
Implementation
Report
1st Quarter**

September 2016

To Stellenbosch Municipality's Council

In accordance with Regulation 6(2) (a) (i) and 6(3) of the Municipal Supply Chain Management Regulations, I submit the required report on the implementation of Stellenbosch Municipality's Supply Chain Management Policy for the period: 01 July 2016 to 30 September 2016.



.....
Richard Bosman
Acting Municipal Manager
07 October 2016



.....
G. Van Deventer
Executive Mayor
07 October 2016

Executive Summary

Introduction

This report is a summary of the implementation of the Supply Chain Management Policy at Stellenbosch Municipality, in order to give effect to paragraph 6 (2) (a) (i) as well as paragraph 6 (3) of the Supply Chain Management Regulations. Regulation 6(2) (a) (i) of the SCM Regulations, requires the Accounting Officer to report on the implementation of the Supply Chain Management Policy to the Mayor within 10 days of the end of each financial quarter, in a bid to give effect to Council's oversight role.

Implementation of Supply Chain Management

Policy

The Supply Chain Management Policy was revised and adopted by Council in 25 May 2016 for the 2016/2017 financial year, as **APPENDIX 7** of the budget related policies, in terms of section 17 (1) – (3) of the MFMA (Act 56 of 2003).

Committees

The below mentioned committees are established and are functioning fully according to Council's Supply Chain Management Policy and the Supply Chain Management Regulations. The committees are as listed below:

- Bid Specifications Committee (BSC) Mondays Chairperson Mr Blake D'Oliveira
- Bid Evaluation Committee (BEC) Wednesdays Chairperson Mr Theo Rhode
- Bid Adjudication Committee (BAC) Fridays Chairperson Mr M Wüst

The number of meetings that the **BAC** had within the 2016/2017 fourth quarter amounts to 6.

<u>Quarters</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
<u>Quantity</u>	6			

Staffing Issues

The permanent staff complement of the Supply Chain Management unit is as follows:

- 1x Manager: Supply Chain Management,
- 1x Senior Accountant: SCM,
- 3x SCM Practitioners,

- 5x SCM Buyers,
- 1x Database Administrator and,
- 1x Administrator Assistant: Committee Administration and Reporting.
- 1xLiaison Officer
- 1xSCM Demand and value for money

The unit have also appointed 5 additional Contract Workers to assist with the increase in workload.

The unit have also entered into contracts with 4 Boland College students who will be completing their 18 month Practical at the Municipality which will enable them to achieve their diplomas.

The Supply Chain Management Unit (SCMU) operates under the direct supervision of the Chief Financial Officer and is led by the Head Supply Chain Management, Mr Israel Saunders.

The structure of the SCMU covers the following disciplines within Supply Chain Management:

Demand Management : Demand Planning and Specifications

Acquisition Management: Procurement of Goods & Services below R30 000- Buyer's Division

Procurement of Goods & Services above R30 000- Procurement Division

As at 30 September 2016 no vacancies existed in the Department, representing a 0% vacancy rate. A revised Organogram have been submitted to the CFO for additional positions which will enable the unit to be more effective.

Systems

- Supplier Database

The database for suppliers that was operated on the Collaborator system has been transferred to SAMRAS Financial system. This in essence was done to be able to have better reporting data.

The total number of registered suppliers amounts to **3713**

- Samras Electronic requisitions

Samras online electronic requisition's Vote numbers parameters are in process of being populated and implemented in all the Directorates. Herewith employees would not be allowed to utilise other departments vote numbers. Samras online requisitions have passed the **21706** request mark on 30 September 2016 which serves as proof of a successful implementation.

Reporting

- Please find the following diagrams in terms of reporting on SCM matters for the financial quarter ending 30 September 2016.
- The number of **formal quotations** that were approved by the Manager: Supply Chain Management within the following quarter are as follows: 57
- The number of Tenders awarded: 11

DESCRIPTION	FINANCIAL YEARS 2015/2016			
	1 st	2 nd	3 rd	4 th
	Quarter	Quarter	Quarter	Quarter
Number of Formal Quotations Awarded	57			
Number of Tenders Awarded	11			
Total	68			

- The number of **deviations and ratifications** that were approved in terms of section 4.36 of the SCM Policy within the quarter are as follows::

DESCRIPTION	Quarters			
	1 st	2 ND	3 rd	4 th
	Quarter	Quarter	Quarter	Quarter
<u>Deviations:</u> Approved by the MM in terms of section 4.36.1 (a) of the SCM Policy	13			
<u>Ratifications:</u> Approved by the Accounting Officer in terms of section 4.36.1 (b) of the SCM Policy	2			
TOTAL	15			

Objections Received:

Bid nr	Description of Bid	Objector	Opinion
BSM105 16	Street lighting	Carbon Reduction	Dismissed
BSM 06 17	CBD cleaning	Infonetix	Pending

Deviations approved by the accounting officer for the 1st Quarter 2016/2017 are listed below by directorate.

Directorate	Number of Deviations approved	Total for deviations excluding rates approved
Engineering Services	6	R15 667 700.10
Community and Protection Services	2	R4 610 252.00
Municipal Manager	1	R45 000.00
Human Settlements and Property Management	4	R2 055 688.06
Total	13	R22 378 640.16

The details of the deviations and ratifications are as follows:

Stellenbosch Municipality
Deviations 2016 2017

Deviation no:	Date:	Name of contract	Reason	Name of contractor:	Directorate:	Amount
D/SM 1/17	4 7 2016	Office Space	Office space required	Atterbury Holdings	Human Settlements and Property Management	R 1 746 145.60
D/SM 2/17	14 7 2016	Recruitment and selection process- Municipal manager	Formal quotation route would be impractical due to short timelines	Roy Steel and Associates	Office of the Municipal Manager	R 45 000.00
D/SM 3/17	14 7 2016	The provision of Fuel for the municipal fleet, for a contract period of 6 months ending 31 December 2016	The use of the provincial Fleet Management was explored	Total SA	Community and Protection Services	R 4 200 000.00
D/SM 4/17	29 7 2016	Repairs to building and equipment following attempt of theft and vandalism at Kayamandi substation	Equipment vandalised and stolen	Fair Build cc/Substation building Rhotech CBI Electric Fair Build cc/razor wire	Engineering Services	R 67 859.80

D/SM 5/17	5	7	2016	Motivation for appointment of service provider for the demolishing of the existing building in erf 62, Kayamandi	Building vandalised and dilapidated/ safety and health risk	Blue Civils	Human Settlements and Property Management	R 113 145.00
D/SM 6/17	2	8	2016	Urgent repairs and service of Wemmershoek wastewater treatment plant blowers	Problematic blower units since installation/ tripping electricity on regular basis/ one of four blowers in working condition	Sowerby Engineering Company HSM Amanzi	Engineering Services	R 644 178.00
D/SM 7/17	8	9	2016	Emergency relocation, Zone K	Fire in informal settlement Zone K, Kayamandi	JR Wendy's cc	Human Settlements and Property Management	R 83 300.00
D/SM 8/17	8	9	2016	Planning of zone O and projects management for servicing of 295 sites in Watregang, Kayamandi	Additional work required	Jubilee projects	Human Settlements and Property Management	R 113 097.46
D/SM 9/17	8	9	2016	Emergency procurement of fire kits	Fires in Langrug and Kayamandi	Country Building Supplies	Community and Protection Services	R 410 252.00
D/SM 10/17	16	9	2016	Repairs and installation of outdoor detection at the Main substation, Vredenburg Street	Equipment vandalised and parts stolen due to break in's and theft	Rhotech	Engineering Services	R 57 205.20

D/SM 11/17	21	9	2016	Repairs and replacement of medium voltage cables at Le Seur Street, Brandwacht following extensive damage to cables during excavation works for burst water pipes	Water pipes burst, prolonged power failure to area	Grace Construction	Engineering Services	R 113 110.00
D/SM 12/17	26	9	2016	Repairs/refurbishment of the damaged HUBER Ro2 1000/3 fine screen at Pniel WWTW	Manuel screen is not managing the peak flows	HUBER Technology	Engineering Services	R 168 235.00
D/SM 13/17	21	9	2016	Construction of the Paradyskloof to Jamestown water supply	Current contractor failed to achieve any substantial progress during the first three months of contract period.	Exeo Khokela	Engineering Services	R 14 617 112.10
Grand Total								R 22 378 640.16

**Stellenbosch Municipality
Ratifications 2016/2017**

2016/17

Date:	Service provider:	Amount:	Description	Reason	Directorate:
15 8 2016	Jonty Engineering	R 8 208.00	Emergency repairs Bloemhof parking area	Service provider commence with repairs without official order. Services rendered does not form part of bid spec and no indication could be given which department would be responsible for expenditure	Community and Protection Services
13 9 2016	Abrina/Use-it	R 529 179.00	Waste minimization	Project encountered various challenges. Unforeseen costs due to lack of block off-take	Engineering Services

CENTRAL SUPPLIER DATABASE (CSD)

National Treasury's Web Base Central Supplier Database (CSD) was issued through Circular No. 81 dated 18 March 2016 which came into effect on 1st July 2016. Provincial Treasury is rolling out the program and facilitates communication with National Treasury.

As this report is written there are still unresolved issues on which National Treasury must issue instructions as to compliance, i.e. National and Provincial spheres do not apply the same legislation on which the CSD was designed. For municipalities to comply with its legislation, some issues must still be addressed. National Treasury indicated in the circular that the following aspects are work-in-progress and further information will be provided once systems have been upgraded after consultation with relevant stakeholders:

- BBBEE Status
- CIDB
- Municipal Account status

For the interim it is therefore the responsibility of the municipality to continue with verification of any listing criteria which are not currently validated through the CSD system, for instance, proof of municipal accounts.

National Treasury rolled out the CSD as a "ONE-AND-ONLY" database for the whole country. It confuses suppliers because municipalities still require documents to do its own accreditation.

A very important point to take notice of is that National Treasury made registration on the CSD mandatory with the following clause in its circular:

"With effect from 1 July 2016, Municipalities and Municipal Entities must use the CSD supplier number starting with (MAAA) which is auto generated by the Central Database System after successful registration and validation of the prospective provider as mandatory requirement as part of listing criteria for accrediting prospective providers in line with Section 14(1) (b) of the Municipal Supply Chain Management Regulations".

implies that the municipality must still maintain a Supplier Database and accredit its suppliers. No SOP (Standardised Operating Procedure) has been issued to give more clarity on the issue and it can therefore be argued that the municipality only needs to obtain the CSD registration number to comply, and then it is business as usual.

Stellenbosch municipality raised its concerns to National Treasury with an official letter signed by the Accounting Officer (AO). Certain instructions that were issued by the circular were in direct conflict with the SCM REGULATIONS that was issued in 2005.

The Municipality started to prepare ourselves to adhere to the circular's request once the differences have been sorted with the following:

- Training has been provided to all relevant officials in SCM;
- Suppliers were informed by advert on website, e-mail and letters of the requirements;
- Notice has been circulated to LED unit and Ward Councillors;
- CSD registration numbers are not recorded on the municipality's supplier database as the current financial system SAMRAS do not do developments on the system;
- Other avenues of promotion are continually investigated. (E.g. Stellenbosch partnered with Department. of Public Works to register the Service Providers in our areas ending on 13.10.2016 with Stellenbosch Town hall.

DEMAND MANAGEMENT PLAN (DMP)

SCM also submitted and implemented a DEMAND MANAGEMENT PLAN (DMP) approved by the Accounting Officer for the 1st time since circular 62 was issued. The purpose of the DMP is to provide Accounting Officers with a management tool that will enable them to better plan procurement, take advantage of economies of scale, and determine strategic procurement ventures and to eradicate re-active purchases. SCM worked in tandem with end-user departments to produce a working document that will accommodate both. The progress on this report will be monitored closely and Directors will be informed of non-adherence to the planned approach and dates agreed upon. The DMP will be reviewed on a quarterly basis.

PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT 2000 PPPFA

In terms of section 5(2) of the PPPFA Act no 5 of 2000 draft regulations were published for comments which ended 23.09.2016. The draft regulations had the following and other changes in mind:

- References were made to tender and not to bids
- 80/20 Preference points system for the acquisition of goods and services was raised from a threshold value of R1million to R100million
- 90/10 Preference points system for the acquisition of goods and services was raised from a threshold value more than R1million to more than R100million
- For contracts above R30 million the tenderer must sub-contract a minimum of 30% of the value of the contract to
 - i. One or more of the categories referred to in regulation 10(b)
 - ii. One or more EME's or QSE's etc.
 - iii. One or more small business

Which in itself would greatly benefit previously disadvantaged individuals/ companies etc.

- The preference point system for acquisition of goods or services threshold has been raised to R100 million. This is 100 times higher than the current status and is therefore significant. This will result in greater exposure to price variations than before. The outcome will be that the price at which bids are awarded may be higher than before thus impacting on value for money. Under the new regulations, a bidder with an excellent BBBEE rating is incentivised not to be competitively priced as greater weighting has been placed on their BBBEE rating. This however will result in the tender coming up to 25% more expensive than it would have been under the current regulations if all else remains equal within a single tender. This could heavily influence the financial sustainability of municipalities and effective service delivery.

AMENDED BBBEE CODES OF GOOD PRACTICES

The Amended BBBEE had the following and other changes in mind:

The BEE Act 2013 now empowers the creation of a BEE Commission, to amongst other things:

- oversee, supervise and promote adherence with the BBBEE Act in the interest of the public;
- receive complaints relating to BEE;
- investigate, either of its own initiative or in response to complaints received, any matter concerning BEE; and
- to promote good governance and accountability by creating an effective and efficient environment for the promotion and implementation of BEE.
- may make a finding as to whether any BEE initiative involves a fronting practice.
- may institute proceedings in a court to restrain any breach of the BEE Act, including any fronting practice, or to obtain appropriate remedial relief.

The concept of fronting is now widely defined in the BEE Act.

- A person commits an offence if he/she knowingly engages in fronting, or
- knowingly misrepresents its BEE status, or
- provides false information to secure a particular BEE status or outcome.

Penalties:

- An offender may be subjected to a fine or imprisonment not exceeding 10 years, or to both
- If the offender is an enterprise and not a natural person, it could be subject to a fine of up to 10% of its turnover.
- No contract with any sphere of government for up to 10 years.

- Cancellation of contracts.

BBBEE threshold adjustments were increased to the following:

Exempted Micro Enterprises (EME's) from R5 million to R10 million

Qualified Small Enterprises (QSE's) from R5 million to R 35 million to R10million to R50m

Large Entities R50 million and above

Start-up enterprises were also included for the 1st time:

Measured as an Exempted Micro Enterprise for the first year following their formation or incorporation. This provision is regardless of the expected total revenue. Start-up Enterprises therefore apply all of the principles of the EME classification and an Affidavit confirms this. If a Start-up Enterprise (level 4) is tendering for a State contract or tender, covered in Section 10 of the Act, it will be required to submit a full scorecard relative to the contract value e.g.

- Contracts more than R50 million –submit a Generic Scorecard
- Contracts less than R50 million, but more than R10 million –submit a QSE Scorecard

Concerns that municipalities raised was the following for EMEs, Start-ups and QSEs (51% black-owned):

That a sworn Affidavit is considered sufficient evidence confirming Annual total revenue and black Ownership. A Sworn Affidavit must be completed and signed in front of a Commissioner of Oaths. Once the Affidavit has been stamped by a Commissioner of Oaths, the Affidavit serves as a BEE certificate as no other verification is required.

CIPC BBBEE Certification: Customers can download a B-BBEE certificate at the CIPC Self Service Terminals after registering a business, or when filing Annual Returns.

SEs who is less than 51% black-owned must, submit a BBBEE certificate and thus be verified by a BEE verification agency.

Conclusion

The Supply Chain Management Unit is continuously improving its processes and procedures in order to ensure that Council receives value for money in terms of demand and acquisition management.

9.2.3	QUARTERLY BUDGET STATEMENTS REPORTING: JULY 2016 – SEPTEMBER 2016
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1. PURPOSE OF REPORT

To comply with the requirements of Section 52 (d) of the Municipal Finance Management Act, 56 of 2003, dealing with the general responsibilities of the mayor of a municipality by reporting to Council on the financial position and financial performance measured against the approved budget for the 1st quarter as at 30 September 2016.

2. DISCUSSION

This report illustrates the implementation of the budget for the relevant quarter and the financial state of the municipality.

The Operating expenditure reflects a **1.22%** under spending for the year to date.

The **37.06%** under spending of the year to date capital budget is of great concern. Capital Expenditure Report for September 2016 is attached as Appendix A to the Quarterly report.

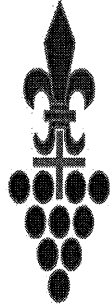
The Office of the CFO is currently, in terms of s126 (1) (a) of the MFMA, preparing the annual financial statements for the financial period ended 30 June 2016. It is important to note that the information in this report are preliminary results and may not be an accurate reflection of the financial position of the municipality as same will materially be influenced by year-end journals and processes still to be finalised which will influence the financial position. The latter process alluded to will only be finalised by the end of August 2016.

The Financial Services Quarterly Report for July 2016 – September 2016 is attached as **APPENDIX A**.

RECOMMENDED

that Council notes the Quarterly Report (**APPENDIX A**) as envisaged by Section 52 of the MFMA detailing the implementation of the budget and the financial state of affairs of the municipality.

Meeting:	Council: 2016-10-26	Submitted by Directorate:	Chief Financial Officer
Ref No:	8/1/Financial QUARTERLY BUDGET	Author:	CFO: M Wüst
		Referred from:	



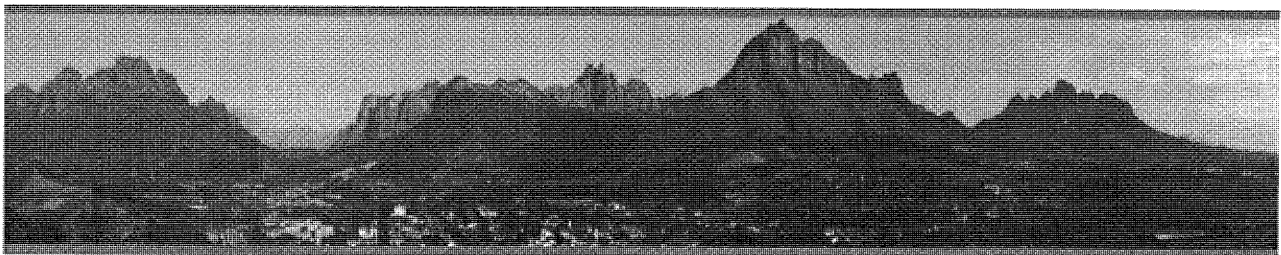
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QUARTERLY BUDGET MONITORING REPORT

1st Quarter 2016/17



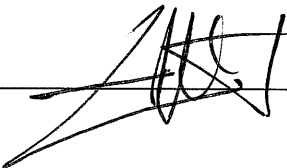
QUALITY CERTIFICATE

I, Tabiso Mfeya, the Acting Municipal Manager of Stellenbosch Municipality, hereby certify that the quarterly report the period ending September 2016 has been prepared in accordance with Section 52 of the Municipal Finance Management Act and regulations made under the Act and accordingly submit the required quarterly statement on the state of Stellenbosch Municipality's budget reflecting the particulars up until the end of September 2016.

Name: Tabiso Mfeya

Acting Municipal Manager of Stellenbosch Municipality- WC024

Signature

A handwritten signature in black ink, appearing to be 'T. Mfeya', written over a horizontal line.

Date:

20/10/2016

To Council

In accordance with Section 52(d) of the Municipal Finance Management Act, I submit the required report on the implementation of the budget and the financial state of affairs of Stellenbosch Municipality reflecting the particulars of the first quarter of the financial year 2016/17.

The submission of this report forms part of my general responsibilities as the Mayor of Stellenbosch Municipality. The purpose of the report serves to inform Council on the financial affairs of Stellenbosch Municipality and to enable Council to fulfil its oversight responsibility in this regard.

.....
Alderman G M M van Deventer
Executive Mayor
Date:

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1. Recommendations

These recommendations are linked to the responsibilities of the Mayor under Section 52 of the MFMA.

- (a) That the content of the quarterly budget statement and supporting documentation be noted.

2. Executive Summary

2.1 Introduction

The mayor, who must provide general political guidance over the fiscal and financial affairs of the Municipality, is required by Section 52(d) of the Municipal Finance Management Act to submit a report on the implementation of the budget and the financial state of affairs of the Municipality, to the Council within 30 days after end of each quarter.

This report is a summary of the main budget issues arising from the monitoring process. It compares the implementation of the budget to the commitments/promises made and contained in the Service Delivery and Budget Implementation Plan (SDBIP), and is intended to inform and enable the Council with a view of giving effect to Council's oversight responsibility.

2.2 Summary of 2016/17 budget progress / implementation

The following table summarises the overall position of the capital and operating budgets.

	Capital Expenditure	Operating Expenditure	Operating Revenue (excluding capital transfers and contributions)
Original Budget	463,791,713	1,380,139,101	1,310,077,084
Adjustment Budget	539,200,043	1,380,139,101	1,310,077,084
Plan to Date (SDBIP)	46,575,385	229,933,452	581,895,483
Actual	29,314,384	227,123,099	602,281,258
Variance to SDBIP	(17,261,001)	(2,810,353)	20,385,775
Year to date % Variance to SDBIP	-37.06%	-1.22%	3.50%

The above figures are explained in more detail throughout this report.

3. Operating Revenue

The following table shows the actual operating revenue per National Treasury Reporting regulations against that planned in the SDBIP for the 1st Quarter of 2016/17

Operating Revenue by Source:

Description	Original Budget	Adjustment Budget
Revenue by Source		
Property rates	276 645 094	276 645 094
Property rates – penalties & collection charges	2 854 850	2 854 850
Service charges – electricity revenue	486 545 350	486 545 350
Service charges – water revenue	125 481 030	125 481 030
Service charges – sanitation revenue	73 484 000	73 484 000
Service charges – refuse revenue	42 012 720	42 012 720
Service charges – other	-	-
Rental of facilities and equipment	19 488 230	19 488 230
Interest earned – external investments	36 877 070	36 877 070
Interest earned – outstanding debtors	7 284 370	7 284 370
Fines	78 317 530	78 317 530
Licences and permits	8 099 750	8 099 750
Agency services	2 267 910	2 267 910
Transfers authorized – operational	112 721 000	112 721 000
Other revenue	36 628 400	36 628 400
Gains on disposal of PPE	1 369 780	1 369 780
Total Revenue (excluding capital transfers and contributions)	1 310 077 084	1 310 077 084

	Quarter 1 - 2016/17		
	PLANNED	ACTUALS	VAR
	286 816 315	288 523 163	1%
	340 928	460 558	35%
	115 858 932	105 344 482	-9%
	17 616 444	21 694 025	23%
	60 642 247	62 219 374	3%
	42 955 336	42 742 596	0%
	-	-	0%
	4 294 902	3 227 418	-25%
	4 356 327	9 252 139	112%
	1 753 192	1 561 587	-11%
	4 426 515	8 567 106	94%
	1 781 159	2 719 438	53%
	562 639	764 164	36%
	33 248 635	45 988 000	38%
	7 241 912	9 217 209	27%
	0	0	0%
	581 895 483	602 281 258	4%

	Quarter 1 - 2015/16		
	PLANNED	ACTUALS	VAR
	264 959 600	270 529 069	2%
	869 380	628 692	-28%
	121 438 482	105 588 379	-13%
	18 921 354	15 178 663	-20%
	57 139 383	55 962 635	-2%
	43 019 439	39 290 071	-9%
	-	-	0%
	3 943 050	4 390 336	11%
	4 895 365	4 228 381	-14%
	1 071 144	1 464 096	37%
	5 055 708	4 033 144	-20%
	1 683 203	1 665 185	-1%
	498 246	540 783	9%
	13 740 512	49 650 684	261%
	4 082 582	5 307 093	30%
	0	0	0%
	541 317 448	558 457 212	3%

NB: - The “year to date actual for property rates income” refers to the total billed for the year and not actual receipts.

Operating Revenue Variance Report

The variances between actual operating revenue and the planned operating revenue contained in the SDBIP are explained per revenue source and are as follow:

Revenue by Source

3.1 Service Charges: Refuse and Sanitation

The service charges for refuse and sanitation includes annual rates which were levied in July 2016 but only due on the 7th of October 2016.

3.2 Service Charges: Water and Electricity

The service charges for electricity and water billed in July 2016 relates to meter readings for June 2016. In terms of accounting standard GRAP 9 (Revenue from Exchange Transactions) revenue should be recognised in the correct financial period. This correction was processed in August 2016 and resulted in a decrease.

3.3 Interest Earned- External Investments

There was an under collection of R4 110 914, due to the interest earned for September 2016 which will only be accounted for in October 2016.

3.4 Fines

The municipality collected R3 880 211 more than it had projected. The variance relates to an increase in the quantity fines issued.

3.5 Transfers recognised

The variance on the transfers recognised- operational grants were due to the first portion of the Equitable share of R39 992 000 which we received.

4. Operating Expenditure

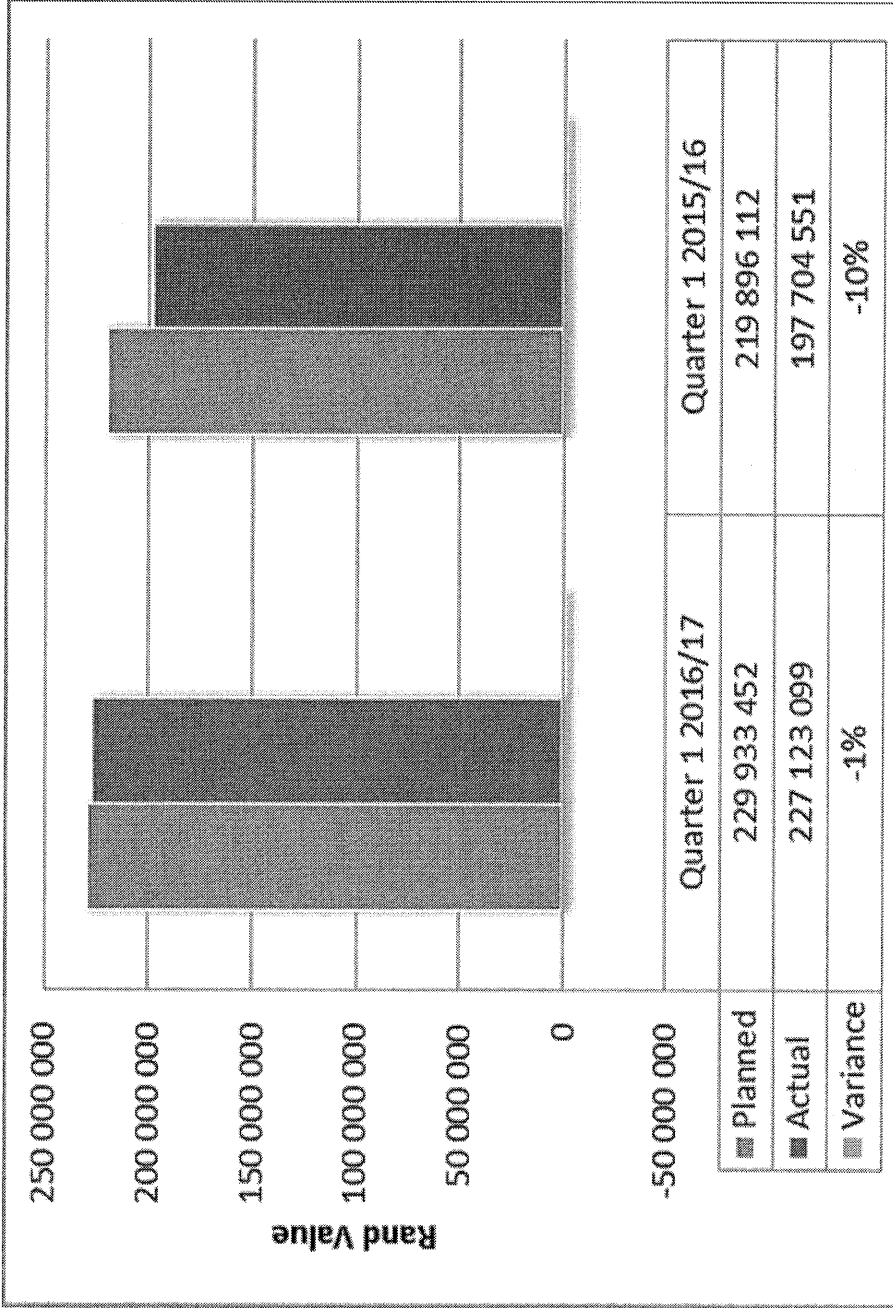
The following table illustrates the actual operating expenditure for each Directorate against planned expenditure in the SDBIP for the 1st Quarter of 2016/17.

Operating Expenditure (Per Directorate):

DIRECTORATE	ORIGINAL BUDGET	AMENDED BUDGET	QUARTER 1 2016/17		QUARTER 1 2015/16	
			PLANNED	ACTUAL	PLANNED	ACTUAL
Municipal Manager	14,291,032	14,291,032	1,943,068	3,025,976	1,453,245	2,904,324
Planning and Development Services	53,834,924	53,834,924	17,862,563	15,547,372	9,499,039	6,602,634
Human Settlements	69,261,208	69,261,208	11,584,711	9,883,369	11,171,725	15,035,713
Community and Protection Services	215,176,303	215,176,303	32,287,117	39,843,876	34,065,278	32,130,695
Engineering Services	890,833,688	890,833,688	148,327,812	126,591,860	143,441,010	116,542,692
Strategic and Corporate Services	71,680,067	71,680,067	9,366,376	18,127,061	13,557,820	15,364,170
Financial Services	65,061,880	65,061,880	8,561,805	14,103,585	6,707,995	9,124,324
TOTALS	1,380,139,102	1,380,139,102	229,933,452	227,123,099	219,896,112	197,704,551

During the first quarter of the financial year the directorates spent R227 123 099, 1% less than the planned expenditure for the first quarter. At the same period last year the directorate spent 10% less than the planned expenditure.

QUARTERLY BUDGET STATEMENT FOR SEPTEMBER 2016



The year on year comparison for the first quarter is 1% actual spending rate of the total operating budget for the financial year 2016/17, compared to a 10% actual spending rate for the same period in the previous financial year.

Operating Expenditure Variance Report

The variances between actual operating expenditure and the planned operating expenditure contained in the SDBIP are explained per directorate and are as follow:

4.1 Municipal Manager

The Municipal Manager Directorate planned to spend R1 943 068 of the approved budget. The year-to-date actuals spend amounted to R 3 025 976, which resulted in an over spending of R 1 082 908. The over spending is mainly attributed to audit fees for September that was more than what was projected.

The Auditor General communicated as part of the audit strategy that the projected amount for the 2015/16 audit will be R4.4 million. The audit fees are still within the budget for the financial year and the municipality will not run the risk of over spending.

4.2 Planning and Development

The Planning and Development Directorate planned to spend R17 862 563 of the approved budget. The year-to-date actuals spend amounted to R 15 547 372. The directorate had an under spending of R 2 315 191. The items that attributed to the under spending is as follow:

4.2.1 Hire of Equipment

The funds are for the hire of copying machines. The under spending relates to the payment of outstanding invoices for the months of July and August. The outstanding invoices will be processed during October 2016.

4.2.2 External Bodies: Animal Welfare

This funding is allocated to organisations performing the animal welfare function in the Stellenbosch and Franschhoek areas. The funding that was set aside for the Franschhoek area was not allocated to an organisation and resulted in the under spending. The municipality will embark on a process to allocate the funds. It's expected that this process will be finalised in January 2017 and that all the funding will be allocated.

4.3 Human Settlements

The Directorate planned to spend R11 584 711 year-to-date of the approved budget. The year-to-date actual spend amounted to R 9 883 369. This resulted in a under spending of R1 701 342. The following items attributed to the under spending within the Directorate:

4.3.1 Rent: Offices

Additional funds were allocated for the rental of additional office space. The municipality planned to rent the additional space from 1 July 2016 however this will not take place and it resulted in the under spending.

4.3.2 Routine maintenance

The funds are allocated for day to day unplanned maintenance. During September the following projects were completed: Cleaning of Gutters at Kayamandi (R17 500), Repairs of Ablution Facilities (R23 416), Repairs and Internal Painting (R26 700), Repairs of Flat M3 Kayamandi (R15 000), Reallocate Distribution Board to new position (28 900), Kwikot Geyser (R11 346), amongst others.

4.4 Community and Protection Services

The Directorate planned to spend R32 287 117 year-to-date of the approved budget. The year to date actuals spend amounted to R 39 843 876, which resulted in an over spending of R7 556 759. The items that attributed to the over spending is as follow:

4.4.1 Security

Funds were allocated for the appointment of security services at the various municipal properties and facilities. Payments were processed during September 2016 for the amount of R 416 316 and orders to the amount of R 394 120 for the appointment of security guards at various municipal facilities.

4.4.2 Agency Services: Speeding

The over spending was due to a payment for the amount of R1 069 272 that were processed during September. The payment was inclusive of July and August invoices. The requisitions that were processed during August for the amount of R917 556 were paid on 4th October 2016.

4.4.3 Agency Services: Street Parking

The under spending is due to payments that could not be processed as the relevant invoices have not been submitted by service provider. A requisition to the amount of R3 221 was submitted for the Hiring of Parking Bays in Church Street.

4.4.4 Special Projects (Million Trees)

Payments for the amount of R43 175 and orders for the amount of R6 393 were processed during September.

4.4.5 Grass Cutting

The over spending is due to payments that were processed for the maintenance of various municipal properties, grass cutting of open erven and other areas within WC024 during September. The day-to-day maintenance cannot be planned.

4.4.6 Area cleaning

The over spending are due to payments that were processed during September for the amount of R1 241 195 for various area cleaning projects. Orders amounting to R 521 397 were processed for the following items: Cleaning of Stellenbosch CBD, Hire of a 6 Ton Cage Tipper, FQ 16/17 Cleaning, Cleaning of Watergang, Cleaning of Dumping Areas, Cleaning of CBD Weekends, Cleaning of lower Nkannini for 1x month, amongst others.

The funds will be insufficient to service all the areas within the WC024 and will be considered during the Mid-Year Adjustments budget process.

4.5 Engineering Services

The Engineering Services Directorate planned to spend R 148 327 812 of the approved budget. The year-to-date actuals spend amounted to R 126 591 860, which resulted in under spending of R21 735 952. The following items attributed to this under spending:

4.5.1 Purchases

There was an under spending of R 2 994 058. The purchase of electricity is dependent on the electricity usage. Electricity purchases decreased due to the increase in tariffs which resulted in a decrease in the demand. This could also be due to consumers preparing themselves for power outages this year, by for instance having a generator on standby, etc.

4.5.2 Fuel and Oil: Refuse Removal

The under spending of R 201 047 in fuel and oil is due to the fact that some of the vehicles under refuse removal is currently being rented/ hired because 4 of the departments trucks are to be repaired/ replaced.

4.5.3 Agency Services: Solid Waste

There was an over spending in the agency services for the dumping site. This was due to payments processed during September to the amount of R885 430 for door-to-door refuse removal, chipping of green garden waste, disposal of contaminated waste and for the operation and management of the landfill site. Orders for the amount of R3 481 368 were generated during September for chipping of green garden waste, removal of greens offsite, BSM 70/14 for repairs and maintenance and the operation and management of the landfill site.

4.5.4 Consulting and Planning Fees

A payment was processed on 9 September for BICLS Support and Development services.

4.5.5 Water Sample Analysis

A contractor who will conduct the tests has been appointed. Payments to the amount of R4 891 and orders for the amount of R14 376 during September were processed and generated respectively.

4.6 Strategic and Corporate Services

The Strategic and Corporate Services Directorate planned to spend R9 366 376 of the approved budget. The year-to-date actuals spend amounted to R 18 127 061. This resulted in an over spending of R8 760 685. The following items attributes to the over spending:

4.6.1 Licences: TV/Software/ Network

The Tender to the amount of R1.4 million for the desktop, laptops and data backup software (software encryption) closed recently. This software will allow municipality to backup data from laptop and remotely wipe data from laptop if it gets stolen or are lost. Microsoft is also up for renewal. The over spending is due to the following payments that were processed to the amount of R 2 445 717 during September: VM-Ware Software Licenses 3YR (R 319 490), VM Ware Renewal Reinstatement Fee (R21 599), Kasperski Endpoint Security 3YR Renewal (R 253 153), Mimecast Licenses 3YR (R1 633 671), PayDay Annual License Fee (R142 400), and Annual Software Licenses & SLA for CAT System (R75 404). Orders were also created to the amount of R 423 853 for ESRI Capped Enterprise Agreement and Annual License and Software Agreement.

4.6.2 Service Level Agreements

Payments were processed for Avalon to the amount of R105 143 during September for Support and Maintenance SLA (Wireless). Two orders were generated during September for a SLA Agreement (1 October- 31 December 2016) and for the Support and Maintenance SLA (Wireless LAN).

5. Capital Expenditure

The following table illustrates the actual capital expenditure per directorate against the planned in the SDBIP for the 1st Quarter of 2016/17.

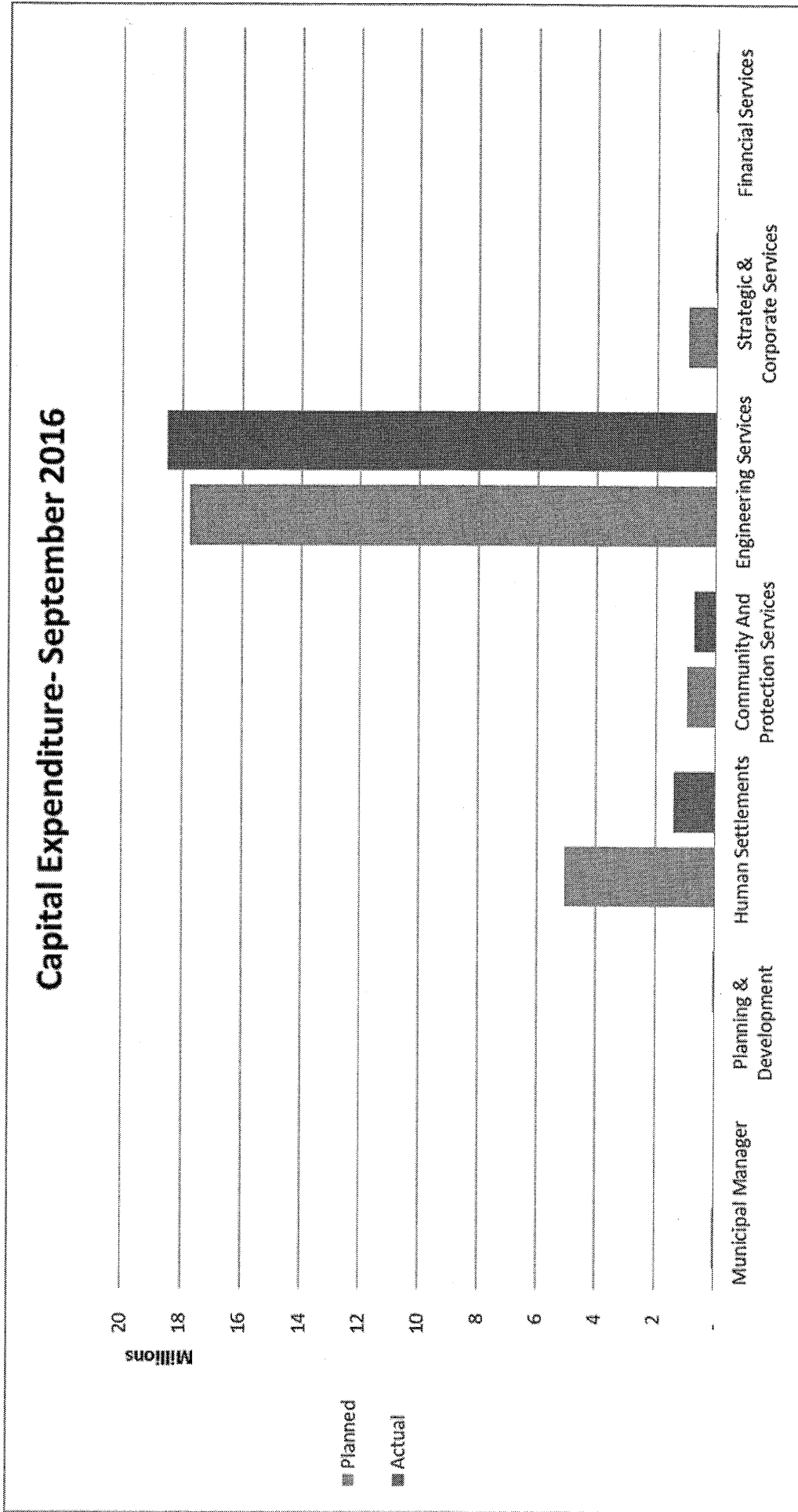
DIRECTOR	ORIGINAL BUDGET	AMENDED BUDGET
Municipal Manager	35,000	35,000
Planning & Development	3,076,749	4,182,732
Human Settlements	53,570,000	74,082,520
Community and Protection Services	24,868,370	31,893,184
Engineering Services	373,651,744	417,035,579
Strategic & Corporate Services	7,560,000	10,941,178
Financial Services	1,029,850	1,029,850
TOTALS	463,791,713	539,200,043

QUARTER 1 2016/17		
PLANNED	ACTUAL	VAR %
12,754.00	0	-100%
0	72,607	100%
7,123,130	1,995,861	-72%
1,057,000	746,052	-29%
37,460,445	25,948,592	-31%
922,056	486,936	-47%
-	64,337	100%
46,575,385	29,314,384	-37%

QUARTER 1 2015/16		
PLANNED	ACTUAL	VAR %
12,754.00	-	-100%
35,000	4,737	-86%
6,683,017	1,367,865	-80%
1,931,511	1,210,179	-37%
44,713,789	45,826,279	2%
487,501.00	73,039.10	-85%
106,500	229,849	116%
53,970,072	48,711,947	-10%

The 37% under spending is of great concern which might have negative impacts. Currently Commitments to the tune of R211 530 967 are reflected on the financial system. This committed expenditure relate to work in progress for which the municipality must still be invoiced.

The year on year comparison for the first quarter is [29, 314, 384/539,200,043] 5.44% of the total capital budget of R539 200 043 for the 2016/17 financial year compared to a [48,711,947/471,851,402] 11% spending rate for the same period in the previous financial year measured against a budget of R 471 851 402.



6. Investments and Borrowings

Investments

ACC. NR	BANK	TYPE OF INVESTMENT	INTEREST RATE	MATURITY DATE	OPENING BALANCE AS AT 1 JULY 2016	INVESTMENTS MADE FOR THE FIRST QUARTER	INVESTMENTS WITHDRAWALS FOR THE FIRST QUARTER	ACCRUED INTEREST FOR THE QUARTER	CLOSING BALANCE AS AT 30 SEPTEMBER 2016
20-7611-2110	ABSA BANK AH2110	FIXED DEPOSIT	8.250%	12-Dec-16	120,461,095.89			2,495,342.47	122,956,438.36
					120,461,095.89			2,495,342.47	122,956,438.36
71-6186-16357	FNB F#6357	FIXED DEPOSIT	8.250%	12-Dec-16	120,406,849.32			2,495,342.47	122,902,191.79
					120,406,849.32			2,495,342.47	122,902,191.79
03/7881123974/000002	NEDBANK	FIXED DEPOSIT	8.250%	15-Dec-16	120,461,095.89			2,495,342.47	122,956,438.36
03/7881123974/000003	NH003	FIXED DEPOSIT	7.550%	25-Aug-16		20,000,000.00	(20,124,109.59)	124,109.59	(0.00)
03/7881123974/000004	NH004	FIXED DEPOSIT	7.650%	10-Oct-16		40,000,000.00		192,317.81	40,192,317.81
					120,461,095.89	60,000,000.00	(20,124,109.59)	2,811,769.86	163,148,756.16
30000059124	INVESTEC BANK I#500	CALL ACCOUNT	6.900%	Call Account	41,467,765.17			717,825.20	22,185,590.37
					41,467,765.17			717,825.20	22,185,590.37
258489367-007	STANDARD BANK S#007	FIXED DEPOSIT	7.700%	19-Jul-16	80,742,575.34			286,904.11	(0.00)
258489367-008	S#008	FIXED DEPOSIT	8.250%	14-Dec-16	120,433,972.60			2,495,342.47	122,929,315.07
258489367-003	S#003	FIXED DEPOSIT	7.575%	26-Aug-16		20,000,000.00	(20,128,671.23)	128,671.23	0.00
258489367-009	S#009	CALL ACCOUNT	6.950%	Call Account		20,000,000.00		256,091.22	20,256,091.22
258489367-011	S#011	FIXED DEPOSIT	7.650%	07-Nov-16	201,176,547.94			184,438.36	40,184,438.36
					201,176,547.94	80,000,000.00	(101,158,150.68)	3,351,447.38	183,369,844.64
	NEW REPUBLIC BANK NEW REPUBLIC BANK		0.000%		170,839.00				170,839.00
					170,839.00				170,839.00
	INVESTMENT TOTAL				604,144,193.21	140,000,000.00	(141,282,260.27)	11,871,727.37	614,733,660.31

7. Borrowings

Lending Institution	Balance 1/07/2016	RECEIVED	Interest Capitalised	REDEEMED	Balance 30/09/2016	Percentage	Sinking Funds (R'000)
DBSA @ 9.25%	13 965 825	-	-	-	13 965 825	9.25%	
DBSA@ 11.1%	23 787 216	-	-	-	23 787 216	11.10%	
DBSA@ 10.25%	64 756 963	-	-	-	64 756 963	10.25%	
DBSA @ 9.74%	95 784 358	-	-	-	95 784 358	9.74%	
	198 294 362	-	-	-	198 294 362	R -	R -

8. Allocations and grant receipts and expenditure for the 1st quarter of 2016/17

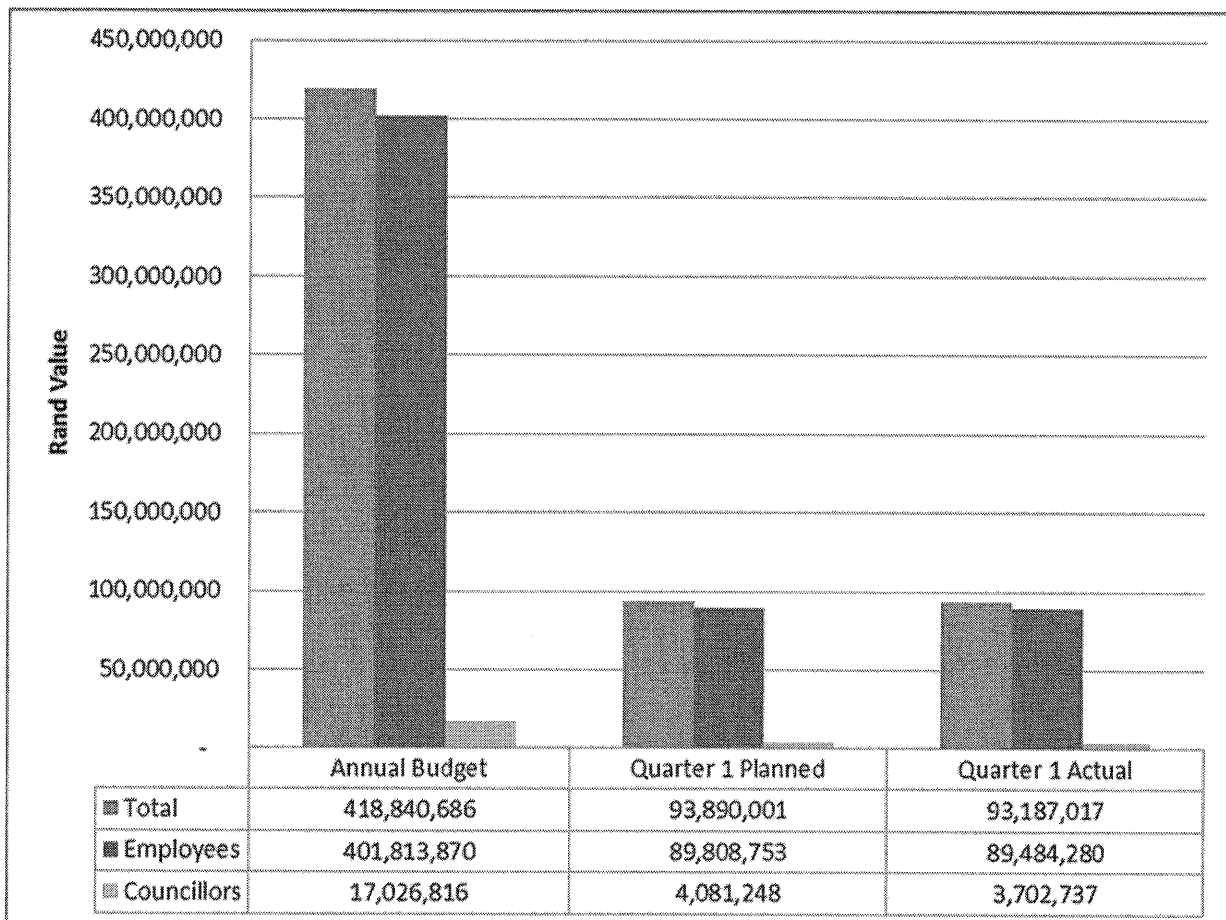
OPERATING & CAPITAL GRANTS	EXPECTED ALLOCATION	RECEIPTS FOR THE QUARTER	ACTUAL EXPENDITURE FOR THE QUARTER	UNSPENT CONDITIONAL GRANTS AT 30 SEPTEMBER 2016
EPWP Incentive Grant for Municipalities	1,758,000	440,000	262,692	177,308
Community Development Workers Operational Support Grant	56,000	-	-	-
Library Services	12,229,000	5,556,000	661,009	4,894,991
Human Settlements Development Grant	34,150,000	-	-	-
Municipal Infrastructure Grant (MIG)	34,147,000	3,000,000	5,700,562	(2,700,562)
Maintenance and Construction of Transport Infrastructure	2,171,000	-	-	-
Regional Bulk Infrastructure Grant	32,809,000	16,405,000	16,490,996	(85,996)
Financial Management Grant (FMG)	1,475,000	-	81,007	(81,007)
Integrated National Electrification Programme Grant	5,000,000	5,000,000	289	4,999,711
Energy Efficiency and Demand Side Management	8,000,000	-	-	-
Preparation of Human Settlement Plan	400,000	-	-	-
Development of Sport and recreation Facilities	60,000	-	-	-
WC Financial management capacity building grant	120,000	-	-	-
TOTAL	132,375,000	30,401,000	23,196,556	7,204,444

9. Personnel Expenditure

In terms of Section 66 of the MFMA, all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits must be reported to council.

The total expenditure relating to employee related costs for 2016/17 is budgeted at R401 813 870 which represents 29.11% of the total budget. The councillor's allowances represent 1.23% or R17 026 816 of the total budget. The total salary budget for the financial year 2016/17 is R418 840 686 which is equal to 30.35% of the total operating budget, and compares favourably with industry norms.

The following graph indicates the actual expenses for the first quarter of the 2016/17 financial year.



During the first quarter of the financial year directorates spent R93 187 017, 1% less than the planned expenditure of R93 890 001.

QUARTERLY BUDGET STATEMENT FOR SEPTEMBER 2016

10. Cash Flow Statement

The following table shows the summarised cash flow of Stellenbosch Municipality for the 1st quarter of 2016/17.

Detail	July	August	September	TOTAL
Cash Receipts by Source				
Property rates	26 753 552	30 093 955	26 541 665	83 389 172
Property rates - penalties & collection charges	-24 946	-	-	-24 946
Service charges - electricity revenue	32 985 324	27 955 841	39 850 529	100 791 694
Service charges - water revenue	12 019 391	7 594 817	7 087 135	26 701 343
Service charges - sanitation revenue	5 330 301	4 864 806	5 217 423	15 412 531
Service charges - refuse revenue	3 766 902	3 483 465	3 342 189	10 592 556
Service charges - Foregone	-2 243 586	-	-	-2 243 586
Rental of facilities and equipment	190 542	613 397	659 241	1 463 180
Interest earned - external investments	433 381	4 407 676	4 410 998	9 252 054
Interest earned - outstanding debtors	-11 776	-	528 942	517 166
Dividends received	-	-	-	-
Fines	2 147 941	3 234 783	3 076 782	8 459 506
Licences and permits	989 283	1 005 780	724 375	2 719 438
Agency services	303 131	261 038	199 995	764 164
Transfer receipts - operational	-	-	-	-
Other revenue	96 458 556	13 781 786	1 277 913	111 518 255
Cash Receipts by Source	179 097 995	97 297 344	92 917 189	369 312 527
Other Cash Flows/Receipts by Source				
Transfer receipts - capital	363 452	24 041 548	-	24 405 000
Increase (decrease) in consumer deposits	27 620	-	-	27 620
Total Cash Receipts by Source	179 489 067	121 338 892	92 917 189	393 745 147
Cash Payments by Type				
Employee related costs	29 545 140	27 358 529	32 580 610	89 484 279
Remuneration of councillors	1 259 157	1 172 002	1 271 579	3 702 738
Collection costs	-	-	-	-
Interest paid	-	-	-	-
Bulk purchases - Electricity	-	39 801 650	40 436 699	80 238 349
Bulk purchases - Water & Sewer	-	1 268 637	750 876	2 019 513
Other materials	-	-	-	-
Contracted services	-	-	-	-
Grants and subsidies paid - other municipalities	-	-	-	-
Grants and subsidies paid - other	4 551 610	2 101 786	-	6 653 396
General expenses	6 163 592	13 727 616	24 676 115	44 567 323
Cash Payments by Type	41 519 500	85 430 219	99 715 879	226 665 598
Other Cash Flows/Payments by Type				
Capital assets	57 000	8 557 667	20 690 727	29 305 394
Repayment of borrowing	-	-	-	-
Other Cash Flows/Payments	56 325 673	63 225 987	-16 102 388	103 449 272
Total Cash Payments by Type	97 902 173	157 213 873	104 304 218	359 420 265
Net Increase/(Decrease) in Cash Held	81 586 894	-35 874 981	-11 387 030	34 324 883
begin:	613 807 934	695 394 828	659 519 846	613 807 934
Cash/cash equivalents at the month/year end:	695 394 828	659 519 846	648 132 817	648 132 817

11. Withdrawals

NOT PART OF NORMAL OPERATIONS		
Withdrawals from Municipal Bank Accounts		
In accordance with Section 11, Sub-section 1 (b) to (j)		
	Amount	Reason for withdrawal
MFMA section 11. (1) Only the <i>accounting officer</i> or the <i>chief financial officer</i> of a <i>municipality</i> , or any other senior financial <i>official</i> of the <i>municipality</i> acting on the written authority of the <i>accounting officer</i> may withdraw money or authorize the withdrawal of money from any of the <i>municipality</i> bank accounts, and may do so only -		
(b) to defray expenditure authorized in terms of section 26(4);	R 0.00	
l to defray unforeseeable and unavoidable expenditure authorized in terms of section 29(1);	R 0.00	
(d) in the case of a bank account opened in terms of section 12. To make payments from the account in accordance with subsection (4) of that section;	R 9,250.00	
(e) to pay over to a person or organ of state money received by the <i>municipality</i> on behalf of that person or organ of state, including -	R 0.00	
(i) money collected by the <i>municipality</i> on behalf of that person or organ of state by agreement; or	R 7,624,761.81	The municipality acts as an agent for PAWC for collection of licensing fees.
(ii) any insurance or other payments received by the <i>municipality</i> for that person or organ of state;	R 1,114,757.62	Group Insurance
(f) to refund money incorrectly paid into a bank account;	R 0.00	
(g) to refund guarantees, sureties and <i>security</i> deposits;	R 0.00	
(h) for cash management and <i>investment</i> purposes in accordance with section 13;	R 140,000,000.00	Investments in accordance with the Cash Management and Investments Policy.
(i) to defray increased expenditure in terms of section 31; or	R 0.00	
(j) for such other purposes as may be <i>prescribed</i> .	R 0.00	

12. Operating and Capital Cash flow projections for rest of the year

	QUARTER 2			QUARTER 3			QUARTER 4		
	Operational Expenditure	Operational Revenue	Capital Expenditure	Operational Expenditure	Operational Income	Capital Expenditure	Operational Expenditure	Operational Income	Capital Expenditure
MUNICIPAL MANAGER	5,597,271	-	9,081	3,311,865	-	9,081	3,438,827	-	4,084
PLANNING & DEVELOPMENT	11,780,066	2,855,870	1,025,596.00	10,320,135	1,958,200	2,476,388	13,872,162	1,678,534	680,748
HUMAN SETTLEMENTS	19,410,544	4,502,646	25,528,390.00	17,274,103	8,847,037	17,734,000	20,991,885	7,941,402	23,697,000
COMMUNITY AND PROTECTION SERV	47,144,531	10,311,286	4,991,364.00	41,229,052	11,363,447	9,804,371	94,515,775	62,629,598	16,040,449
ENGINEERING SERVICES	238,753,496	165,558,783	85,468,301.00	198,399,221	186,536,792	110,435,610	305,353,302	221,559,620	183,671,223
STRATEGIC & CORPORATE SERVICES	15,078,983	140,858	3,879,591.00	15,511,049	176,581	2,905,000	31,723,683	1,005,403	3,234,531
FINANCIAL SERVICES	13,476,858	11,688,131	85,000.00	15,281,882	8,035,129	350,000	27,741,351	21,392,284	594,850
	351,241,749	195,057,574	120,987,323	301,327,307	216,917,186	143,714,450	497,636,985	316,206,841	227,922,885

13. Monthly Budget Statements

Table C1: Monthly Budget Statement Summary

WC024 Stellenbosch - Table C1 Monthly Budget Statement Summary - Q1 First Quarter

Description	2015/16	Budget Year 2016/17							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	259 584	279 500	279 500	898	288 984	287 157	1 826	1%	279 500
Service charges	715 331	727 523	727 523	64 268	232 000	237 073	(5 072)	-2%	727 523
Investment revenue	50 505	36 877	36 877	4 411	9 252	4 356	4 896	112%	36 877
Transfers recognised - operational	124 406	112 721	112 721	-	45 988	33 249	12 739	38%	112 721
Other own revenue	153 856	153 456	153 456	7 061	26 057	20 060	5 997	30%	153 456
Total Revenue (excluding capital transfers and contributions)	1 303 682	1 310 077	1 310 077	76 638	602 281	581 895	20 386	4%	1 310 077
Employee costs	368 142	397 314	401 814	32 581	89 484	89 809	(324)	-0%	401 814
Remuneration of Councillors	15 165	17 027	17 027	1 272	3 703	4 081	(379)	-9%	17 027
Depreciation & asset impairment	153 613	165 200	165 200	-	-	-	-	-	165 200
Finance charges	20 391	31 472	31 472	-	-	-	-	-	31 472
Materials and bulk purchases	324 777	351 285	351 285	41 188	82 258	84 037	(1 779)	-2%	351 285
Transfers and grants	6 231	8 703	9 032	-	6 653	7 672	(1 018)	-13%	9 032
Other expenditure	370 307	409 139	404 310	24 676	45 025	44 335	690	2%	404 310
Total Expenditure	1 258 625	1 380 139	1 380 139	99 716	227 123	229 933	(2 810)	-1%	1 380 139
Surplus/(Deficit)	45 057	(70 062)	(70 062)	(23 078)	375 158	351 962	23 196	7%	(70 062)
Transfers recognised - capital	103 360	126 560	126 560	-	-	2 207	(2 207)	-100%	126 560
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	148 416	56 498	56 498	(23 078)	375 158	354 170	20 989	6%	56 498
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	148 416	56 498	56 498	(23 078)	375 158	354 170	20 989	6%	56 498
Capital expenditure & funds sources									
Capital expenditure	377 394	463 792	539 200	20 691	29 314	46 575	(17 261)	-37%	539 200
Capital transfers recognised	103 360	116 536	116 536	15 225	21 492	35 450	(13 958)	-39%	116 536
Public contributions & donations	-	11 024	11 024	2 702	3 826	1 450	2 376	164%	11 024
Borrowing	92 567	161 000	161 000	-	-	-	-	-	161 000
Internally generated funds	181 467	175 231	250 640	2 763	3 997	9 675	(5 679)	-59%	250 640
Total sources of capital funds	377 394	463 792	539 200	20 691	29 314	46 575	(17 261)	-37%	539 200
Financial position									
Total current assets	878 982	563 137	621 548	-	925 207	-	-	-	621 548
Total non current assets	4 603 752	5 208 328	5 283 736	-	4 633 066	-	-	-	5 283 736
Total current liabilities	323 738	256 237	256 237	-	171 686	-	-	-	256 237
Total non current liabilities	470 495	590 501	590 501	-	470 495	-	-	-	590 501
Community wealth/Equity	4 688 502	4 924 727	5 058 546	-	4 916 092	-	-	-	5 058 546
Cash flows									
Net cash from (used) operating	(170 816)	223 401	223 401	(6 799)	103 826	150 957	47 132	31%	223 401
Net cash from (used) investing	(349 282)	(458 093)	(533 502)	(4 588)	(69 529)	(56 054)	13 475	-24%	(533 502)
Net cash from (used) financing	38 855	150 429	150 429	-	28	-	(28)	#DIV/0!	150 429
Cash/cash equivalents at the month/year end	128 187	395 726	454 137	-	648 133	708 712	60 579	9%	454 137
Debtors & creditors analysis									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis									
Total By Income Source	62 207	5 801	38 175	2 886	114 704	-	-	-	223 773
Creditors Age Analysis									
Total Creditors	50 419	-	-	-	-	-	-	-	50 419

QUARTERLY BUDGET STATEMENT FOR SEPTEMBER 2016

Table C2: Monthly Budget Statement – Financial Performance (standard classification)

WC024 Stellenbosch - Table C2 Monthly Budget Statement - Financial Performance (standard classification) - Q1 First Quarter

Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Revenue - Standard										
<i>Governance and administration</i>		348 668	370 402	370 402	6 229	327 905	314 901	13 004	4%	370 402
Executive and council		519	279	279	51	100	23	76	327%	279
Budget and treasury office		340 029	352 585	352 585	5 532	326 629	311 477	15 153	5%	352 585
Corporate services		8 121	17 539	17 539	646	1 175	3 401	(2 226)	-65%	17 539
<i>Community and public safety</i>		162 304	145 091	145 091	3 997	16 886	14 660	2 226	15%	145 091
Community and social services		10 502	11 929	11 929	106	5 919	5 779	140	2%	11 929
Sport and recreation		2 429	10 111	10 111	21	24	335	(311)	-93%	10 111
Public safety		95 594	75 723	75 723	3 155	8 864	5 262	3 601	68%	75 723
Housing		53 779	47 329	47 329	715	2 080	3 284	(1 204)	-37%	47 329
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		19 259	26 908	26 908	1 208	5 041	4 541	501	11%	26 908
Planning and development		6 459	7 971	7 971	428	2 111	1 522	589	39%	7 971
Road transport		12 799	18 937	18 937	780	2 930	3 018	(88)	-3%	18 937
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		877 900	893 566	893 566	65 203	252 449	249 644	2 805	1%	893 566
Electricity		501 100	521 683	521 683	50 400	121 787	124 831	(3 044)	-2%	521 683
Water		168 948	157 708	157 708	12 620	22 467	18 603	3 864	21%	157 708
Waste water management		148 537	149 466	149 466	2 075	64 207	61 326	2 882	5%	149 466
Waste management		59 316	64 710	64 710	108	43 987	44 884	(897)	-2%	64 710
<i>Other</i>	4	(1 090)	669	669	-	-	357	(357)	-100%	669
Total Revenue - Standard	2	1 407 041	1 436 637	1 436 637	76 638	602 281	584 103	18 178	3%	1 436 637
Expenditure - Standard										
<i>Governance and administration</i>		171 031	233 912	237 462	20 114	48 058	32 238	15 820	49%	237 462
Executive and council		52 836	40 519	40 019	3 248	8 797	5 565	3 233	58%	40 019
Budget and treasury office		41 336	64 625	64 625	5 068	14 173	8 618	5 554	64%	64 625
Corporate services		76 859	128 767	132 817	11 798	25 088	18 055	7 033	39%	132 817
<i>Community and public safety</i>		246 861	216 560	213 378	13 747	39 080	38 029	1 051	3%	213 378
Community and social services		24 595	35 692	36 060	2 175	12 235	13 190	(955)	-7%	36 060
Sport and recreation		34 397	33 375	33 375	2 965	7 041	5 103	1 937	38%	33 375
Public safety		138 371	112 308	108 758	6 556	14 461	13 660	801	6%	108 758
Housing		49 376	35 061	35 061	2 051	5 343	6 076	(733)	-12%	35 061
Health		123	125	125	-	-	-	-	-	125
<i>Economic and environmental services</i>		101 313	119 231	118 863	5 736	14 563	16 234	(1 671)	-10%	118 863
Planning and development		31 581	42 532	42 163	3 440	8 682	9 588	(906)	-9%	42 163
Road transport		65 806	72 528	72 528	2 073	5 330	5 701	(371)	-7%	72 528
Environmental protection		3 926	4 172	4 172	223	550	945	(395)	-42%	4 172
<i>Trading services</i>		734 541	805 542	805 542	59 124	123 476	143 141	(19 665)	-14%	805 542
Electricity		455 440	484 464	484 464	45 597	91 634	105 098	(13 464)	-13%	484 464
Water		107 663	116 795	116 607	3 877	9 287	12 112	(2 826)	-23%	116 607
Waste water management		108 083	127 587	127 775	5 459	13 295	15 582	(2 287)	-15%	127 775
Waste management		63 356	76 697	76 697	4 190	9 261	10 348	(1 088)	-11%	76 697
<i>Other</i>		4 879	4 895	4 895	995	1 947	292	1 654	566%	4 895
Total Expenditure - Standard	3	1 258 625	1 380 139	1 380 139	99 716	227 123	229 933	(2 810)	-1%	1 380 139
Surplus/ (Deficit) for the year		148 416	56 498	56 498	(23 078)	375 158	354 170	20 989	6%	56 498

Table C2: Monthly Budget Statement – Financial Performance, reflects the operating revenue and operating expenditure in the standard classifications which are the Government Finance Statistics Functions and Sub-functions. The main functions are Governance and Administration; Community and public safety; Economic and environmental services; and Trading services.

QUARTERLY BUDGET STATEMENT FOR SEPTEMBER 2016

Table C3: Monthly Budget Statement – Financial Performance (revenue & expenditure by municipal vote)

WC024 Stellenbosch - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - Q1 First Quarter

Vote Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue by Vote	1									
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-
Vote 2 - PLANNING AND ENVIRONMENT		6 423	8 015	8 015	428	2 111	1 522	589	38.7%	8 015
Vote 4 - HUMAN SETTLEMENTS		57 450	63 582	63 582	1 280	3 135	6 641	(3 506)	-52.8%	63 582
Vote 5 - ENGINEERING SERVICES		883 729	903 929	903 929	65 225	252 488	250 640	1 849	0.7%	903 929
Vote 6 - COMMUNITY AND PROTECTION SERVICES		114 490	107 030	107 030	4 050	17 713	13 769	3 944	28.6%	107 030
Vote 7 - STRATEGIC AND CORPORATE SERVICES		1 540	1 377	1 377	122	204	54	150	276.7%	1 377
Vote 9 - FINANCIAL SERVICES		343 408	352 705	352 705	5 532	326 629	311 477	15 153	4.9%	352 705
Total Revenue by Vote	2	1 407 041	1 436 637	1 436 637	76 638	602 281	584 103	18 178	3.1%	1 436 637
Expenditure by Vote	1									
Vote 1 - MUNICIPAL MANAGER		8 303	14 291	14 291	1 301	3 026	1 943	1 083	55.7%	14 291
Vote 2 - PLANNING AND ENVIRONMENT		35 444	53 835	53 835	3 531	15 547	17 863	(2 315)	-13.0%	53 835
Vote 4 - HUMAN SETTLEMENTS		73 679	69 261	69 261	3 925	9 883	11 585	(1 701)	-14.7%	69 261
Vote 5 - ENGINEERING SERVICES		795 495	890 834	890 834	60 169	126 592	148 328	(21 736)	-14.7%	890 834
Vote 6 - COMMUNITY AND PROTECTION SERVICES		226 087	215 176	215 176	17 011	39 844	32 287	7 557	23.4%	215 176
Vote 7 - STRATEGIC AND CORPORATE SERVICES		78 354	71 680	71 680	8 748	18 127	9 366	8 761	93.5%	71 680
Vote 9 - FINANCIAL SERVICES		41 262	65 062	65 062	5 030	14 104	8 562	5 542	64.7%	65 062
Total Expenditure by Vote	2	1 258 625	1 380 139	1 380 139	99 716	227 123	229 933	(2 810)	-1.2%	1 380 139
Surplus/ (Deficit) for the year	2	148 416	56 498	56 498	(23 078)	375 158	354 170	20 989	5.9%	56 498

Table C3: Monthly Budget Statement – Financial Performance, reflects the operating revenue and operating expenditure by municipal vote. The municipal directorates are Municipal Manager; Planning Development; Human Settlements; Engineering Services; Community and Protection Services; Strategic and Corporate Services; and Financial Services. The operating expenditure budget is approved by Council on the municipal vote level.

QUARTERLY BUDGET STATEMENT FOR SEPTEMBER 2016

Table C4: Monthly Budget Statement – Financial Performance (revenue & expenditure)

WC024 Stellenbosch - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Q1 First Quarter

Description	Ref	Budget Year 2016/17								
		2015/16 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		258 000	276 645	276 645	755	288 523	286 816	1 707	1%	276 645
Property rates - penalties & collection charges		1 584	2 855	2 855	142	461	341	120	35%	2 855
Service charges - electricity revenue		467 365	486 545	486 545	50 168	105 344	115 859	(10 514)	-9%	486 545
Service charges - water revenue		138 615	125 481	125 481	12 360	21 694	17 616	4 078	23%	125 481
Service charges - sanitation revenue		71 115	73 484	73 484	1 987	62 219	60 642	1 577	3%	73 484
Service charges - refuse revenue		38 231	42 013	42 013	(247)	42 743	42 955	(213)	0%	42 013
Service charges - other		5	-	-	-	-	-	-	-	-
Rental of facilities and equipment		16 791	19 488	19 488	1 253	3 227	4 295	(1 067)	-25%	19 488
Interest earned - external investments		50 505	36 877	36 877	4 411	9 252	4 356	4 896	112%	36 877
Interest earned - outstanding debtors		6 145	7 284	7 284	529	1 562	1 753	(192)	-11%	7 284
Dividends received		-	-	-	-	-	-	-	-	-
Fines		97 145	78 318	78 318	3 077	8 567	4 427	4 141	94%	78 318
Licences and permits		7 239	8 100	8 100	724	2 719	1 781	938	53%	8 100
Agency services		1 907	2 268	2 268	200	764	563	202	36%	2 268
Transfers recognised - operational		124 406	112 721	112 721	-	45 988	33 249	12 739	38%	112 721
Other revenue		24 630	36 628	36 628	1 278	9 217	7 242	1 975	27%	36 628
Gains on disposal of PPE		-	1 370	1 370	-	-	-	-	-	1 370
Total Revenue (excluding capital transfers and contributions)		1 303 682	1 310 077	1 310 077	76 638	602 281	581 895	20 386	4%	1 310 077
Expenditure By Type										
Employee related costs		368 142	397 314	401 814	32 581	89 484	89 809	(324)	0%	401 814
Remuneration of councillors		15 165	17 027	17 027	1 272	3 703	4 081	(379)	-9%	17 027
Debt impairment		69 067	23 887	23 887	-	-	205	(205)	-100%	23 887
Depreciation & asset impairment		153 613	165 200	165 200	-	-	-	-	-	165 200
Finance charges		20 391	31 472	31 472	-	-	-	-	-	31 472
Bulk purchases		324 777	351 285	351 285	41 188	82 258	84 037	(1 779)	-2%	351 285
Other materials		-	-	-	-	-	-	-	-	-
Contracted services		9 812	17 209	16 984	1 332	2 665	3 509	(844)	-24%	16 984
Transfers and grants		6 231	8 703	9 032	-	6 653	7 672	(1 018)	-13%	9 032
Other expenditure		290 494	368 043	363 439	23 344	42 360	40 620	1 739	4%	363 439
Loss on disposal of PPE		934	-	-	-	-	-	-	-	-
Total Expenditure		1 258 625	1 380 139	1 380 139	99 716	227 123	229 933	(2 810)	-1%	1 380 139
Surplus/(Deficit)										
Surplus/(Deficit)		45 057	(70 062)	(70 062)	(23 078)	375 158	351 962	23 196	0	(70 062)
Transfers recognised - capital		103 360	126 560	126 560	-	-	2 207	(2 207)	(0)	126 560
Contributions recognised - capital		-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		148 416	56 498	56 498	(23 078)	375 158	354 170			56 498
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		148 416	56 498	56 498	(23 078)	375 158	354 170			56 498
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		148 416	56 498	56 498	(23 078)	375 158	354 170			56 498
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		148 416	56 498	56 498	(23 078)	375 158	354 170			56 498

QUARTERLY BUDGET STATEMENT FOR SEPTEMBER 2016

Table C5: Monthly Budget Statement – Capital Expenditure

WC024 Stellenbosch - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - Q1 First Quarter

Vote Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-
Vote 2 - PLANNING AND ENVIRONMENT		-	897	897	-	-	-	-	-	897
Vote 4 - HUMAN SETTLEMENTS		-	39 700	50 980	107	626	2 445	(1 819)	-74%	50 980
Vote 5 - ENGINEERING SERVICES		-	284 126	301 124	17 341	23 607	33 000	(9 393)	-28%	301 124
Vote 6 - COMMUNITY AND PROTECTION SERVICES		-	2 138	2 290	55	60	132	(72)	-55%	2 290
Vote 7 - STRATEGIC AND CORPORATE SERVICES		-	-	-	-	-	-	-	-	-
Vote 9 - FINANCIAL SERVICES		-	500	500	-	-	-	-	-	500
Total Capital Multi-year expenditure	4,7	-	327 361	355 790	17 503	24 293	35 577	(11 284)	-32%	355 790
Single Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER		36	35	35	-	-	13	(13)	-100%	35
Vote 2 - PLANNING AND ENVIRONMENT		1 315	2 180	3 286	44	73	-	73	#DIV/0!	3 286
Vote 4 - HUMAN SETTLEMENTS		27 822	13 870	23 103	1 269	1 370	4 678	(3 308)	-71%	23 103
Vote 5 - ENGINEERING SERVICES		326 980	89 526	115 912	1 154	2 341	4 460	(2 119)	-48%	115 912
Vote 6 - COMMUNITY AND PROTECTION SERVICES		14 091	22 730	29 603	643	686	925	(239)	-26%	29 603
Vote 7 - STRATEGIC AND CORPORATE SERVICES		5 860	7 560	10 941	39	487	922	(435)	-47%	10 941
Vote 9 - FINANCIAL SERVICES		1 289	530	530	38	64	-	64	#DIV/0!	530
Total Capital single-year expenditure	4	377 394	136 431	183 410	3 188	5 021	10 998	(5 977)	-54%	183 410
Total Capital Expenditure		377 394	463 792	539 200	20 691	29 314	46 575	(17 261)	-37%	539 200
Capital Expenditure - Standard Classification										
<i>Governance and administration</i>		14 590	29 188	32 569	1 433	2 445	4 570	(2 125)	-46%	58 159
Executive and council		36	35	35	-	-	13	(13)	-100%	35
Budget and treasury office		1 289	880	880	38	64	-	64	#DIV/0!	1 030
Corporate services		13 266	28 273	31 654	1 395	2 381	4 558	(2 177)	-48%	57 094
<i>Community and public safety</i>		31 565	56 090	83 628	738	867	4 720	(3 853)	-82%	62 504
Community and social services		1 845	2 917	17 707	296	301	27	274	1014%	3 213
Sport and recreation		6 735	12 713	13 426	327	369	570	(201)	-35%	12 976
Public safety		571	2 900	8 917	15	15	105	(90)	-86%	3 094
Housing		22 414	37 560	43 579	100	182	4 018	(3 835)	-95%	43 221
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		38 072	52 638	59 459	465	1 545	2 738	(1 193)	-44%	59 410
Planning and development		1 315	3 077	4 183	44	73	-	73	#DIV/0!	4 183
Road transport		34 651	48 081	53 796	420	1 471	2 738	(1 267)	-46%	53 697
Environmental protection		2 106	1 480	1 480	1	1	-	1	#DIV/0!	1 530
<i>Trading services</i>		293 118	325 876	363 544	18 055	24 457	34 547	(10 090)	-29%	358 727
Electricity		40 105	49 590	63 375	169	189	200	(11)	-5%	61 917
Water		86 520	59 719	66 966	2 690	5 977	1 562	4 415	283%	65 466
Waste water management		163 874	200 567	208 269	15 122	18 207	31 600	(13 393)	-42%	209 769
Waste management		2 820	16 000	24 935	84	84	1 185	(1 102)	-93%	21 574
<i>Other</i>		48	-	-	-	-	-	-	-	400
Total Capital Expenditure - Standard Classification	3	377 394	463 792	539 200	20 691	29 314	46 575	(17 261)	-37%	539 200
Funded by:										
National Government		86 977	80 106	80 106	15 225	21 492	33 300	(11 808)	-35%	80 106
Provincial Government		16 383	36 430	36 430	-	-	2 150	(2 150)	-100%	36 430
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		103 360	116 536	116 536	15 225	21 492	35 450	(13 958)	-39%	116 536
Public contributions & donations	5	-	11 024	11 024	2 702	3 826	1 450	2 376	164%	11 024
Borrowing	6	92 567	161 000	161 000	-	-	-	-	-	161 000
Internally generated funds		181 467	175 231	250 640	2 763	3 997	9 675	(5 679)	-59%	250 640
Total Capital Funding		377 394	463 792	539 200	20 691	29 314	46 575	(17 261)	-37%	539 200

Table C5: Monthly Budget Statement – Capital Expenditure consists of three sections: Appropriations by vote; Standard classification and funding portion.

Table C6: Monthly Budget Statement – Financial Position

WC024 Stellenbosch - Table C6 Monthly Budget Statement - Financial Position - Q1 First Quarter

Description	Ref	2015/16	Budget Year 2016/17			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		7 948	30 416	88 827	33 399	88 827
Call investment deposits		600 239	365 310	365 310	614 734	365 310
Consumer debtors		144 885	96 734	96 734	155 346	96 734
Other debtors		91 604	55 877	55 877	91 604	55 877
Current portion of long-term receivables		1 387	40	40	–	40
Inventory		32 919	14 761	14 761	30 123	14 761
Total current assets		878 982	563 137	621 548	925 207	621 548
Non current assets						
Long-term receivables		2 188	2 006	2 006	2 188	2 006
Investments		–	–	–	–	–
Investment property		413 958	551 396	551 396	413 958	551 396
Investments in Associate		–	–	–	–	–
Property, plant and equipment		4 171 197	4 628 865	4 703 400	4 200 512	4 703 400
Agricultural		–	–	–	–	–
Biological assets		8 907	11 545	11 545	8 907	11 545
Intangible assets		6 777	14 516	15 388	6 777	15 388
Other non-current assets		724	–	–	724	–
Total non current assets		4 603 752	5 208 328	5 283 736	4 633 066	5 283 736
TOTAL ASSETS		5 482 734	5 771 465	5 905 284	5 558 273	5 905 284
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		11 908	10 039	10 039	11 908	10 039
Consumer deposits		13 191	12 976	12 976	13 219	12 976
Trade and other payables		252 498	190 547	190 547	100 419	190 547
Provisions		46 140	42 675	42 675	46 140	42 675
Total current liabilities		323 738	256 237	256 237	171 686	256 237
Non current liabilities						
Borrowing		186 386	349 342	349 342	186 386	349 342
Provisions		284 109	241 159	241 159	284 109	241 159
Total non current liabilities		470 495	590 501	590 501	470 495	590 501
TOTAL LIABILITIES		794 233	846 738	846 738	642 181	846 738
NET ASSETS	2	4 688 502	4 924 727	5 058 546	4 916 092	5 058 546
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		4 688 502	3 276 555	3 410 375	4 916 092	3 410 375
Reserves		–	1 648 172	1 648 172	–	1 648 172
TOTAL COMMUNITY WEALTH/EQUITY	2	4 688 502	4 924 727	5 058 546	4 916 092	5 058 546

Table C7: Monthly Budget Statement – Cash Flow

WC024 Stellenbosch - Table C7 Monthly Budget Statement - Cash Flow - Q1 First Quarter

Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates, penalties & collection charges		254 392	281 200	281 200	26 542	83 364	75 709	7 656	10%	281 200
Service charges		701 024	700 832	700 832	55 497	151 255	174 836	(23 581)	-13%	700 832
Other revenue		(407 832)	79 292	79 292	5 938	124 925	9 584	115 340	1203%	79 292
Government - operating		133 649	110 550	110 550	-	-	49 550	(49 550)	-100%	110 550
Government - capital		103 360	128 731	128 731	-	24 405	64 633	(40 228)	-62%	128 731
Interest		49 468	43 433	43 433	4 940	9 769	10 195	(426)	-4%	43 433
Dividends		-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees		(978 270)	(1 081 273)	(1 081 273)	(99 716)	(283 238)	(233 549)	49 689	-21%	(1 081 273)
Finance charges		(20 391)	(31 472)	(31 472)	-	-	-	-	-	(31 472)
Transfers and Grants		(6 216)	(7 891)	(7 891)	-	(6 653)	-	6 653	#DIV/0!	(7 891)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(170 816)	223 401	223 401	(6 799)	103 826	150 957	47 132	31%	223 401
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		353	5 698	5 698	-	-	-	-	-	5 698
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		(2 040)	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	16 102	(40 223)	-	(40 223)	#DIV/0!	-
Payments										
Capital assets		(347 595)	(463 792)	(539 200)	(20 691)	(29 305)	(56 054)	(26 749)	48%	(539 200)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(349 282)	(458 093)	(533 502)	(4 588)	(69 529)	(56 054)	13 475	-24%	(533 502)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		50 000	161 000	161 000	-	-	-	-	-	161 000
Increase (decrease) in consumer deposits		-	1 387	1 387	-	28	-	28	#DIV/0!	1 387
Payments										
Repayment of borrowing		(11 145)	(11 958)	(11 958)	-	-	-	-	-	(11 958)
NET CASH FROM/(USED) FINANCING ACTIVITIES		38 855	150 429	150 429	-	28	-	(28)	#DIV/0!	150 429
NET INCREASE/ (DECREASE) IN CASH HELD										
Cash/cash equivalents at beginning:		609 430	479 989	613 808		613 808	613 808			613 808
Cash/cash equivalents at month/year end:		128 187	395 726	454 137		648 133	708 712			454 137

QUARTERLY BUDGET STATEMENT FOR SEPTEMBER 2016

14. Supporting Documentation

Debtors Age Analysis

Supporting Table SC3: Monthly Budget Statement - Aged Debtors

WC024 Stellenbosch - Supporting Table SC3 Monthly Budget Statement - aged debtors - Q1 First Quarter

Description	NT Code	Budget Year 2016/17								Total	Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr				
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	9 266	1 285	1 208	1 142	39 361	-	-	-	52 262	40 503		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	34 932	1 920	497	122	4 936	-	-	-	42 408	5 058		
Receivables from Non-exchange Transactions - Property Rates	1400	10 701	1 343	27 727	547	22 929	-	-	-	63 247	23 477		
Receivables from Exchange Transactions - Waste Water Management	1500	1 829	372	4 463	302	15 020	-	-	-	21 985	15 321		
Receivables from Exchange Transactions - Waste Management	1600	4 669	683	3 854	291	14 510	-	-	-	24 006	14 801		
Receivables from Exchange Transactions - Property Rental Debtors	1700	305	147	137	327	12 526	-	-	-	13 443	12 853		
Interest on Arrear Debtor Accounts	1810	-	-	-	-	-	-	-	-	-	-		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-		
Other	1900	506	50	289	156	5 421	-	-	-	6 422	5 577		
Total By Income Source	2000	62 207	5 801	38 175	2 886	114 704	-	-	-	223 773	117 590	-	-
2015/16 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200	2 315	1 609	31	29	702	-	-	-	4 686	731		
Commercial	2300	13 360	770	5 663	78	5 450	-	-	-	25 220	5 628		
Households	2400	29 950	4 257	26 638	2 390	95 607	-	-	-	158 742	97 997		
Other	2500	16 583	(835)	6 043	388	12 946	-	-	-	35 125	13 334		
Total By Customer Group	2600	62 207	5 801	38 175	2 886	114 704	-	-	-	223 773	117 590	-	-

Creditors Age Analysis

Supporting Table SC4: Monthly Budget Statement – Aged Creditors

WC024 Stellenbosch - Supporting Table SC4 Monthly Budget Statement - aged creditors - Q1 First Quarter

Description	NT Code	Budget Year 2016/17								Total	Prior year totals for chart (same period)
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year		
R thousands											
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	27 393	-	-	-	-	-	-	-	27 393	
Bulk Water	0200	168	-	-	-	-	-	-	-	168	
PAYE deductions	0300	5 358	-	-	-	-	-	-	-	5 358	
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	
Loan repayments	0600	-	-	-	-	-	-	-	-	-	
Trade Creditors	0700	17 500	-	-	-	-	-	-	-	17 500	
Auditor General	0800	-	-	-	-	-	-	-	-	-	
Other	0900	-	-	-	-	-	-	-	-	-	
Total By Customer Type	1000	50 419	-	-	-	-	-	-	-	50 419	-

Investments and Borrowings

Supporting Table SC5: Monthly Budget Statement – Investment Portfolio

WC024 Stellenbosch - Supporting Table SC5 Monthly Budget Statement - investment portfolio - Q1 First Quarter

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
		Yrs/Months							
R thousands									
Municipality									
ABSA BANK A#2110		6 Months	Fixed deposi	12/12/2016	814		122 143	814	122 956
FIRST NATIONAL BANK F#6357		6 Months	Fixed deposi	12/12/2016	814		122 088	814	122 902
NEDBANK N#002		6 Months	Fixed deposi	15/12/2017	814		122 143	814	122 956
N#003		1 Month	Fixed deposi	25/08/2016	-		-	-	-
N#004		1 Month	Fixed deposi	2016/10/10	192		-	40 192	40 192
INVESTEC BANK I#500			Call Account		230		41 955	(19 770)	22 186
STANDARD BANK S#007		2 Months	Fixed deposi	18/07/2016	-		-	-	-
S#008		6 Months	Fixed deposi	14/12/2016	814		122 116	814	122 929
S#003		1 Month	Fixed deposi	26/08/2016	-		-	-	-
S#009			Call Account		115		20 141	115	20 256
S#011		2 Months	Fixed deposi	2016/11/07	184		-	40 184	40 184
New Repblic Bank							171	-	171
Municipality sub-total					3 977		550 757	63 977	614 734
Entities									
Entities sub-total					-		-	-	-
TOTAL INVESTMENTS AND INTEREST	2				3 977		550 757	63 977	614 734

QUARTERLY BUDGET STATEMENT FOR SEPTEMBER 2016

Supporting Table SC6: Monthly Budget Statement – Transfers and grant receipts

WC024 Stellenbosch - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - Q1 First Quarter

Description	Ref	Budget Year 2016/17								
		2015/16 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		88 417	99 065	99 065	-	440	99 065	(95 982)	-96.9%	99 065
Local Government Equitable Share		84 962	95 982	95 982			95 982	(95 982)	-100.0%	95 982
Municipal Systems Improvement		930	-	-			-			-
EPWP Incentive		1 075	1 758	1 758		440	1 758			1 758
Finance Management		1 450	1 325	1 325			1 325			1 325
Other transfers and grants [insert description]								-		
Provincial Government:		29 834	12 756	12 756	-	5 556	12 756	(7 144)	-56.0%	12 756
Library Services: Conditional Grant		8 607	10 009	10 009		5 556	10 009	(4 453)	-44.5%	10 009
Community Development Workers Operational Support Grant		54	56	56			56			56
Human Settlements Development Grant		20 423	-	-			-			-
WC Financial management capacity building grant	4	-	120	120			120	(120)	-100.0%	120
WC Financial management support grant		250								
Other transfers and grants [insert description]										
Spatial Development framework		500	400	400			400	(400)	-100.0%	400
Maintenance and Construction of Transport Infrastructure		-	2 171	2 171			2 171	(2 171)	-100.0%	2 171
District Municipality:		-	300	300	-	-	-	-		300
Hosting of cultural events			300	300						300
Other grant providers:		-	600	600	-	-	-	-		600
Public contributions &			600	600						600
Total Operating Transfers and Grants	5	118 251	112 721	112 721	-	5 996	111 821	(103 126)	-92.2%	112 721
Capital Transfers and Grants										
National Government:		92 785	80 106	80 106	-	24 405	79 956	(31 147)	-39.0%	80 106
Municipal Infrastructure Grant (MIG)		34 657	34 147	34 147		3 000	34 147	(31 147)	-91.2%	34 147
Regional Bulk Infrastructure		48 128	32 809	32 809		16 405	32 809			32 809
Integrated National Electrification Programme (Municipal) Grant		4 000	5 000	5 000		5 000	5 000			5 000
Energy Efficiency and Demand Side Management Grant		6 000	8 000	8 000			8 000			8 000
Financial Management Grant		-	150	150						150
Other capital transfers [insert description]										
Provincial Government:		20 207	36 430	36 430	-	-	36 370	(36 370)	-100.0%	36 370
Human Settlements Development Grant		20 127	34 150	34 150			34 150	(34 150)	-100.0%	34 150
Acceleration of Housing Delivery		-	-	-						-
Library Services: Conditional Grant		80	2 220	2 220			2 220			2 220
Integrated Transport Planning		-	-	-						-
Development of Sport and Recreational Facilities		-	60	60						60
District Municipality:		-	-	-	-	-	-	-		-
[insert description]										
Other grant providers:		-	11 024	11 024	-	-	-	-		11 024
Public contributions &			11 024	11 024						11 024
Total Capital Transfers and Grants	5	112 992	127 560	127 560	-	24 405	116 326	(67 517)	-58.0%	127 500
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	231 243	240 281	240 281	-	30 401	228 147	(170 643)	-74.8%	240 221

Supporting Table SC7 (1) Monthly Budget Statement – transfers and grant expenditure

WC024 Stellenbosch - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - Q1 First Quarter

Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
EXPENDITURE										
Operating expenditure of Transfers and Grants										
National Government:		88 417	99 065	99 065	1 220	17 841	99 065	(81 224)	-82.0%	99 065
Local Government Equitable Share		84 962	95 982	95 982	1 077	17 498	95 982	(78 484)	-81.8%	95 982
Municipal Systems Improvement		930	-	-	-	-	-	-	-	-
EPWP Incentive		1 075	1 758	1 758	112	263	1 758	(1 495)	-85.1%	1 758
Finance Management		1 450	1 325	1 325	32	81	1 325	(1 244)	-93.9%	1 325
Other transfers and grants [insert description]										
Provincial Government:		29 334	10 185	10 185	230	661	10 185	(9 524)	-93.5%	10 185
Library Services: Conditional Grant		8 607	10 009	10 009	230	661	10 009	(9 348)	-93.4%	10 009
Community Development Workers Operational Support Grant		54	56	56	-	56	56	(56)	-100.0%	56
Human Settlements Development Grant		20 423	-	-	-	-	-	-	-	-
WC Financial management capacity building grant			120	120	-	-	120	(120)	-100.0%	120
WC Financial management support grant		250	-	-	-	-	-	-	-	-
Other transfers and grants [insert description]		500	400	400	-	-	400	-	-	400
Spatial Development framework			2 171	2 171	-	-	2 171	-	-	2 171
Maintenance and Construction of Transport Infrastructure										
District Municipality:		-	300	300	-	-	-	-	-	300
Hosting of cultural events			300	300	-	-	-	-	-	300
Other grant providers:		-	600	600	-	-	-	-	-	600
Public contributions &			600	600	-	-	-	-	-	600
Total operating expenditure of Transfers and Grants:		117 751	110 150	110 150	1 450	18 502	109 250	(90 748)	-83.1%	110 150
Capital expenditure of Transfers and Grants										
National Government:		92 785	80 106	80 106	15 480	22 192	80 106	(57 914)	-72.3%	80 106
Municipal Infrastructure Grant (MIG)		34 657	34 147	34 147	2 074	5 701	34 147	(28 446)	-83.3%	34 147
Regional Bulk Infrastructure		48 128	32 809	32 809	13 406	16 491	32 809	(16 318)	-49.7%	32 809
Integrated National Electrification Programme (Municipal) Grant		4 000	5 000	5 000	0	0	5 000	(5 000)	-100.0%	5 000
Energy Efficiency and Demand Side Management Grant		6 000	8 000	8 000	-	-	8 000	(8 000)	-100.0%	8 000
Financial Management Grant			150	150	-	-	150	(150)	-100.0%	150
Provincial Government:		20 207	36 430	36 430	-	-	36 430	(36 430)	-100.0%	36 430
Human Settlements Development Grant		20 127	34 150	34 150	-	-	34 150	(34 150)	-100.0%	34 150
Acceleration of Housing Delivery			-	-	-	-	-	-	-	-
Library Services: Conditional Grant		80	2 220	2 220	-	-	2 220	-	-	2 220
Integrated Transport Planning			-	-	-	-	-	-	-	-
Development of Sport and Recreational Facilities		-	60	60	-	-	60	(60)	-100.0%	60
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	11 024	11 024	-	-	-	-	-	11 024
Public contributions &			11 024	11 024	-	-	-	-	-	11 024
Total capital expenditure of Transfers and Grants		112 992	127 560	127 560	15 480	22 192	116 536	(94 344)	-81.0%	127 560
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		230 743	237 710	237 710	16 930	40 694	225 786	(185 092)	-82.0%	237 710

QUARTERLY BUDGET STATEMENT FOR SEPTEMBER 2016

Councillor Allowances and Employee Benefits

Supporting Table SC8 Monthly Budget Statement – Councillor and staff benefits

WC024 Stellenbosch - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M03 September

Summary of Employee and Councillor remuneration	Ref	2015/16		Budget Year 2016/17						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands		A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		10,718	11,308	11,308	827	2,410	2,723	(313)	-11%	11,308
Pension and UIF Contributions		288	965	965	33	73	241	(168)	-70%	965
Medical Aid Contributions		264	129	129	13	58	32	26	81%	129
Motor Vehicle Allowance		3,615	3,817	3,817	310	902	908	(7)	-1%	3,817
Cellphone Allowance		960	808	808	89	260	177	83	47%	808
Housing Allowances								-		
Other benefits and allowances								-		
Sub Total - Councillors		15,844	17,027	17,027	1,272	3,703	4,081	(379)	-9%	17,027
% increase	4		7.5%	7.5%						7.5%
Other Municipal Staff										
Basic Salaries and Wages		250,952	269,494	269,494	22,451	63,142	63,311	(170)	0%	269,494
Pension and UIF Contributions		37,836	46,029	46,029	3,352	10,082	10,870	(788)	-7%	46,029
Medical Aid Contributions		16,743	22,338	22,338	1,498	4,485	5,294	(808)	-15%	22,338
Overtime		19,401	13,055	13,055	1,991	3,651	1,973	1,678	85%	13,055
Performance Bonus		180			-			-		
Motor Vehicle Allowance		10,643	15,982	15,982	901	2,691	3,780	(1,090)	-29%	15,982
Cellphone Allowance		704	883	883	57	172	208	(37)	-18%	883
Housing Allowances		1,921	2,774	2,774	199	538	639	(100)	-16%	2,774
Other benefits and allowances		29,082	26,759	26,759	2,131	4,723	3,734	990	27%	26,759
Payments in lieu of leave								-		
Long service awards								-		
Post-retirement benefit obligations								-		
Sub Total - Other Municipal Staff		367,463	397,314	397,314	32,581	89,484	89,809	(324)	0%	397,314
% increase	4		8.1%	8.1%						8.1%
Total Parent Municipality		383,307	414,341	414,341	33,852	93,187	93,890	(703)	-1%	414,341

10.	CONSIDERATION OF NOTICES OF QUESTIONS AND NOTICES OF MOTIONS RECEIVED BY THE SPEAKER
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10.1	MOTION BY COUNCILLOR DA HENDRICKSE: SURVEY: LIVING CONDITIONS OF PEOPLE LIVING IN THE HOSTELS LOCATED IN KAYAMANDI
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A Notice of a Motion, dated 2016-10-11 was received from Councillor DA Hendrickse regarding a request to conduct a survey of the living conditions of people living in the Hostels located in Kayamandi.

The said Motion is attached as **APPENDIX 1**.

FOR CONSIDERATION

Meeting: Ref No:	<i>Council: 2016-10-26 3/4/1/4</i>	Submitted by Directorate: Author: Referred from:	<i>Office of Municipal Manager Acting MM: (R Bosman)</i>
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11 October 2016

The Single Whip
Stellenbosch Municipal Council
Plein Street
STELLENBOSCH
7600



BY HAND

Attention : Clr W Pietersen (Ms)

Dear Whip

RE NOTICE OF MOTION TO SERVE AT THE 26 OCTOBER 2016 COUNCIL MEETING

MOTION

That Council instruct the Acting Municipal Manger to conduct a survey of the living conditions of the people living in the Hostels located in Kayamandi. That such survey include the state of the buildings and access to basic services people have . That a cost estimate be done on any repairs, renovations needed and provision of basic services needed so that Council can resolve to authorise such expenditure.

That the Acting Municipal Manager report back to Council on this matter at the January 2017 Council meeting.

MOTIVATION

I have been requested by Mr Zukazi Xewana, the EFF chairperson of Ward 13 Committee, to bring this motion to Council so that Council can be made aware of the poor living condition of the people living in the Hostels in Kayamandi and that Council can resolve to address this urgent matter.

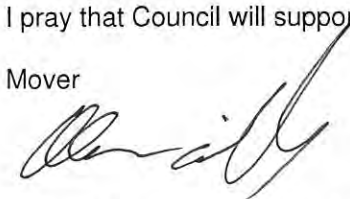
I have visited the hostels and the people living there do not have Dignified living conditions. The roofs are leaking , there is no running water and toilet facilities. Nor is there prepaid electricity. It is unsafe for people moving around at night to go to toilets and to get water.

Surely within 21 years since the fall of Apartheid this Council cannot stand by and watch our people still living under Apartheid conditions. Nor can Council justify spending moneys on paving sidewalks and beatification of CBD and entrance to town when people are allowed to live in these appalling conditions

Of concern is that as far back as 2013 and 2014 Clrs Jindela , Mdenka and Adams has also brought similar motions to improve the living conditions of the people of Kayamandi and Slab Town. Reports were submitted to Council , but years later the living conditions of these effected people has not improved.

I pray that Council will support this motion.

Mover



Mr. D.A Hamrakse

Seconded



W. Pietersen
18.10.16

10.2	MOTION BY COUNCILLOR DA HENDRICKSE: ALTERNATIVE WAY OF RECOVERING OUTSTANDING DEBT
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A Notice of a Motion, dated 2016-10-11 was received from Councillor DA Hendrickse regarding a request not to block electrical prepaid metres and disconnect people's electrical supply, but to find an alternative way of recovering outstanding debt.

The said Motion is attached as **APPENDIX 1**.

FOR CONSIDERATION

Meeting: Ref No:	<i>Council: 2016-10-26 3/4/1/4</i>	Submitted by Directorate: Author: Referred from:	<i>Office of Municipal Manager Acting MM: (R Bosman)</i>
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11 October 2016

The Single Whip
Stellenbosch Municipal Council
Plein Street
STELLENBOSCH
7600



BY HAND

Attention : Clr W Pietersen (Ms)

Dear Whip

RE NOTICE OF MOTION TO SERVE AT THE 26 OCTOBER 2016 COUNCIL MEETING

MOTION

That Council instruct the administration not to block electrical prepaid meters and disconnect peoples electrical supply to those persons whose outstanding monthly municipal accounts is less than two thousand Rands and that the administration come up with an alternative way of recovering the outstanding debt.

MOTIVATION

I have been made aware that lots of people including SASSA recipients get their prepaid electrical boxes blocked for having not paid their municipal accounts on time or having outstanding debt. In some cases their meters get blocked for even having small amounts outstanding of less than R200. They also have to pay a reconnection fee of around R150 to have their meters reconnected which some cannot afford.

By preventing people from buying electrically some people cannot use their electrical medical appliances nor can they prepare food or have lighting.

It is also common knowledge that the municipality has a big mark up on the sale of this basic serves of electricity Thus by not selling electricity to those whose meters are blocked the municipality are losing income.

There is also no consistence in how the administration is applying the blocking of electrical supply to those that owes the municipality moneys. The Stellenbosch Golf club and Van der Stel owes the municipality more than a million rand each for years , just to name two , never mind other businesses.

I pray that Council will support this motion.

Mover

C. V. A. HENDRIKS

Secondar

W. Pietersen
18.10.16

11.	URGENT MATTERS SUBMITTED BY THE MUNICIPAL MANAGER
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12.	CONSIDERATION OF MOTION OF EXIGENCY
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13.	CONSIDERATION OF REPORTS
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13.1	CONSIDERATION OF REPORTS SUBMITTED BY THE SPEAKER
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NONE

13.2	CONSIDERATION OF REPORTS SUBMITTED BY THE EXECUTIVE MAYOR
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NONE

14.	MATTERS TO BE CONSIDERED IN-COMMITTEE
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NONE