

SA1 of 2019

DELIMITATION OF WARD BOUNDRIES: (SPEAKER) (18/1/1)

PURPOSE

To let the Council know about the delimitation processes of Ward boundaries for the Municipal Elections of 2021

BACKGROUND

Municipal Demarcation Board (MDB) has released Circular 2 of 2019, which is the document that outlines process of demarcation of Wards of the local elections of 2021. Municipalities are expected to communicate the contents of this Circular to the members of the public and encourage participation in the Ward Delimitation process. Attached to the Circular is the programme starting in 2019-2020.

*** *Attached under Separate Cover (1) is the Part 1 and Part 2 of MDB Circular 2 of 2019*

FINANCIAL IMPLICATIONS

Cannot be quantified at the moment

LEGAL IMPLICATIONS

Municipal Demarcation Act No.27 of 1998

Municipal Structures Act No. 117 of 1998

RECOMMENDATIONS

1. The Speaker to establish a Committee of Councillors that will work with his Office.
2. Municipal Manager to work with the committee through his technical officials who are dealing with GIS for the duration of delimitation of Wards throughout the process.
3. The Committee report to the Speaker from time to time during this process of delimitation of Ward Boundaries.

SA2 of 2019

SPECIAL ADJUSTMENT BUDGET 2019/20 (EXECUTIVE MAYOR) (6/1/1/2019/20)

PURPOSE

To report to Council on the progress on the progress in terms of the process to move the budget from an unfunded to a funded position and to propose a Special Adjustment Budget as per directive from National Treasury.

BACKGROUND

The Matjhabeng Local Municipality Annual Budget for the 2019/20 MTREF is compiled in accordance with the prescripts of the Municipal Finance Management Act 56 of 2003, Municipal Budget and Reporting Regulations and National Treasury's MFMA Circulars.

Section 16 (2) of the Municipal Finance Management Act states that the Municipal Council must at least 90 days before the start of the budget year consider approval of the annual budget to be able to adhere to subsection 1 of section 16, which stipulates "The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 24(1) of the same act further stipulates that a municipal council must at least 30 days before the start of the new financial year, consider approval of the annual budget.

On 28 May 2019 the Annual Budget for the 2019/2020 medium term revenue and expenditure framework (MTREF) was tabled in Council for adopting. Council resolved as follows:

COUNCIL RESOLVED: (28 MAY 2019)

1. That the Annual Budget for the year 2019/2020 MTREF **BE ADOPTED** by the Council.
2. That Council **MUST TABLE** the MTREF in terms of Circular 93 and 94 of 2019.
3. That Council **MUST HAVE** a budget funding plan for this Budget.
4. That Council **MUST ADOPT** this Budget with all relevant Budget Policies with permission to review Indigent Policy in particular application requirements.
5. That the Yellow Fleet and Meters must **BE INCLUDED** in the budget

DISCUSSIONS

The Matjhabeng Municipality's Annual Budget includes an Operational Budget that provides for the annual expenditure and revenue estimates for 2019/20 MTREF, as well as a Capital Budget that provides for the on-going investment in infrastructure necessary to provide services to the community.

The consolidated Revenue Budget for the 2019/20 financial year is R 2 843 418 385, inclusive of operating and capital transfers and R 2 672 803 385 excluding capital transfers and contributions.

Total operating expenditure for the 2019/20 financial year is appropriated at R 3 246 216 513 and translates into a budgeted deficit of R 402 798 128 and subsequently a deficit for reserves and cash banking which translates into an unfunded budget.

The importance of tabling funded budgets is highlighted in previous circulars however there are cases that may warrant a plan as this is not achievable over one year. As a result, the municipality must, together with their 2019/20 MTREF budget, table a plan in council to show they will move from an unfunded position to a funded position (**MFMA Circular 93**).

The Budget Funding Plan 2019/20 (BFP) is developed in response to the Municipality's current financial situation and strategies that will be applied to ensure a funded budget for the 2019/20 medium term revenue and expenditure framework (MTREF) and an on-going financially sustainable municipality.

Progress Budget Funding Plan

The municipality has taken the following steps to ensure that we move from an unfunded to a funded position within the set period:

1. 10 July 2019 the municipality informed National Treasury of the adoption of the unfunded budget for the 2019/20 MTREF.
2. On 31 October 2019 the municipality scheduled a working/technical session with Provincial Treasury to re-assess the 2019/20 budget in order to ensure that Council adopts a funded budget during November 2019.

*** See attached under Separate Cover (2) is the 2019/20 Adjustment Budget and MTREF

*** See attached under Separate Cover (3) is the mscoa 2019/20

Report on the National Treasury (NT), Provincial Treasury (PT) and Matjhabeng Municipality (MLM) working/technical session.

On 31 October 2019 the NT, PT and MLM had a working/technical session to re-assess the 2019/20 budget in order to improve our unfunded position. The methodology applied was to look at the revenue and the expenditure, the statement of financial position and the cash flow of the municipality. The 2018/19 AFS, Budget Funding Plan and the approved tariff, each line item was re-assessed and where possible the team recommended adjustments to both revenue and expenditure items. The proposed adjustments are as follow:

1. Revenue

Revenue source	Proposed adjustment
Property rates	+ R65 000 000
Electricity	- R30 000 000
Sanitation	+R3 000 000
Refuse	+ R14 000 000
Interest earned – outstanding debtors	+ R60 000 000
Total Adjustments	R 112 000 000

The revenue (excl. capital grants) will increase from R 2 672 803 385 to R 2 784 803 385. The total revenue will R 2 843 418 385 to R 2 955 418 385.

2. Expenditure

Expenditure type	Proposed adjustment
Debt Impairment	+ R65 000 000
Depreciation and Asset impairment	- R100 000 000
Finance Charges	+R50 000 000
Bulk purchases	-R305 750 128

Other materials	- R5 765 599
Contracted services	- R8 890 936
Transfers & Subsidies	- R800 000
Other expenditure	+R 408 535
Total Adjustments	R68 952 000

The expenditure moves from R 3 246 216 513 to R 2 955 418 385.

3. Funding of Capital Expenditure

Capital Funding	Proposed adjustment
Own funding	- R30 000 000
Total Adjustments	R30 000 000

Funding of capital with own funding will decrease from R50 000 000 to R 20 000 000.

After the re-assessment we will see the budget moving from a deficit to break-even.

The budget will therefore remain unfunded in the 2019/20 financial year after the re-assessment. The proposed recommendations after the intervention from NT and PT are as follow:

1. The re-assessed budget is a true reflection of the current status.
2. It must be noted that the creditors will still increase with the deficit amount.
3. The collection rate should be improved to 95% and this effort should be viewed as a business reform and not only a finance or budget reform.
4. Strict adherence to the approved Cost Containment measures.
5. The implementation, regular review and assessing of the Budget Funding Plan.
6. Installation of pre-paid water meters to indigents.
7. Provide options to consumers to install pre-paid water meters.
8. That the matters for both Eskom and Sedibeng should be prioritized, in order to reduce payables.

POLICY POSITION

Municipal Finance Management Act
Municipal Systems Act
Municipal Budget Regulations

RECOMMENDATION

1. That a Special Adjustment Budget as per directive from National Treasury be tabled before the Council.