

A33 of 2019

UPDATED REPORT ON THE INVESTIGATION OF THE ALLEGED BREACH OF CODE OF CONDUCT OF COUNCILLORS BY COUNCILLOR VICKY MORRIS, AS PROVIDED IN THE MUNICIPAL SYSTEMS ACT, NO. 32 OF 2000 (SCHEDULE 1) (SPEAKER) (5/5/5)

PURPOSE

To update the Council on the investigation of the alleged breach of the Code of Conduct.

BACKGROUND

During the Council Sitting that was held on 31 January 2018, it was resolved as follows:

1. *That the matter be referred back to the Ad-hoc Committee to **RE-INVESTIGATE** and make recommendations based on information gathered in terms of Rule 99 of the Standard Rules and Orders.*
2. *That the Committee **BE BROADENED** to include other Councillors in order to add value to the quality of the report that would be submitted to Council.*
3. *That Council **EXPECTS** full cooperation from every individual who is called to appear before the Ad-hoc Committee.*
4. *That the Committee **MUST SUBMIT** a detailed report on its findings at the next Council meeting.”*

Pursuant to these resolutions, the Ad hoc Committee met and finalized the Report.

*** The final report is **attached as SEPRATE COVER 1.**

LEGAL FRAMEWORK

Matjhabeng Standard Rules and Orders.

FINANCIAL IMPLICATIONS

None

SUBMITTED FOR CONSIDERATION

A34 of 2019

OVERSIGHT REPORT IN RESPECT OF THE 2017/2018 DRAFT ANNUAL REPORT FOR THE MATJHABENG LOCAL MUNICIPALITY (MPAC CHAIRPERSON) (4/1/2/2)

PURPOSE

To submit to Council an Oversight report of the Municipal Public Accounts Committee (MPAC) regarding public participations process undertaken on the Draft Annual Report of the Municipality for the 2017/2018 financial year and recommendations made thereof.

BACKGROUND

Council of Matjhabeng Local Municipality discussed and noted the draft annual report of 2017/2018 financial year on the 31st January 2019. In terms of applicable legislation, a public participation process needed to be sanctioned and as a result, the Municipal Public Account Committee was tasked with the responsibility of soliciting views regarding service delivery evidence for the year under review.

A public participation process was planned from the 27th February and until the 25th March 2019 where views of community of the Municipality were heard and recorded as such in the oversight report. Simultaneously, a public notice was issued for comments to be submitted as required by law until the 21st March 2019.

The process of public participation was concluded within the required sixty days. The report is submitted to Council recommending on the basis of the public participation process.

*** As a result, the draft report **attached as SEPARATE COVER 2** is submitted to Council as informed by views of the Community so that Council can then approve the draft annual report that was submitted in 31st January 2019 as a true reflection of events that took place in the Municipality with specific recommendations that require to be noted as well.

LEGAL IMPLICATIONS

- Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003),

Section 129. Oversight reports on annual reports. “(1) The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council’s comments on the annual report, which must include a statement whether the council—

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised”.

- MFMA Circular No. 32 of March 2006 on the Oversight Report

FINANCIAL IMPLICATIONS

Draft annual report for 2017/2018 was developed internally. We had to source public speaking systems to assist but the cost has not yet been determined yet.

RECOMMENDATIONS

1. That Council, having fully considered the 2017/2018 Draft Annual Report of the Municipality and representations thereon, adopt the Oversight Report and approve the Annual Report without reservations.
2. That specific Committee recommendations be noted.
3. That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
4. That the Oversight Report together with the final annual report for 2017/2018 be submitted to Provincial COGTA, Provincial Treasury and National COGTA and National Treasury as required by Section 132(2) of the Municipal Finance Management Act 56 of 2003.

A35 of 2019

PROGRESS ON THE FIRST DRAFT REVIEWED INTEGRATED DEVELOPMENT PLAN FOR THE FINANCIAL YEAR 2019/2020 (EXECUTIVE MAYOR) (9/3/1)

PURPOSE

To present to a Council sitting progress towards the Draft Reviewed Integrated Development Plan (IDP) for the Financial Year 2019/2020 for consideration in terms of Chapter 5 of the Municipal Systems Act

BACKGROUND

In terms of Municipal Systems Act No. 32 of 2000, local municipalities are required to submit their revised Integrated Development Plans every year, no later than the 31st of March, to Council for consideration.

The Draft IDP for 2018/2019 was noted by Council on the 28nd March 2018 as a draft and the following resolutions were taken during the meeting:

COUNCIL RESOLVED: (28 MARCH 2018)

1. That Council **NOTES** progress on the first Draft revised IDP for the Financial Year 2018/2019.
2. That the first draft revised IDP **BE SUBJECTED** to public consultation as per adopted IDP process plan.
3. That the draft IDP **BE WARD-BASED** and **REALISTIC**.
4. That the draft IDP **MUST INCLUDE** inputs from previous and current consultations and both be incorporated to be re-tabled to Council for final approval.
5. That all Municipal Master Plans must **BE INCLUDED** in the IDP/ Budget for the 2018/19 financial year, before it is adopted.

The draft IDP was ultimately approved by Council for implementation in May 2018. Subsequent to approval and implementation of planned projects for the first six months of the 2018/2019 financial year, and as per the requirements of the law, Council received both financial and non-financial reports as per section 72 of the Municipal Finance Management Act of 2003 indicating achievements and challenges in terms of implementation of the planned projects in the IDP due to financial constraints.

An adjustment budget was then submitted to a special council held on the 28th February 2019 with the following resolutions:

COUNCIL RESOLVED: (28 FEBRUARY 2019)

1. That the Annual Budget 2018/19 **MUST NOT** be adjusted but should remain as it is.
2. That Council **APPROVES** the virements adjustments.

3. That the Municipal Manager and the CFO **MUST PERUSE** the budget, verify how much is available in votes which have savings, in order to use that money for the purchase of yellow fleet and thereafter submit that report to the next Ordinary Council.

*** **Attached as SEPARATE COVER 3** is the 2019/ 2020 draft reviewed IDP.

LEGAL IMPLICATIONS

Municipal Systems Act No. 32 of 2000- Chapter 5(s34) clearly indicates that a Municipal Council-

(a) Must review its integrated development plan-

(i) Annually in accordance with an assessment of its performance measurements in terms of section 41; and

(ii) To the extent that changing circumstances so demand; and

(b) May amend its integrated development plan in accordance with a prescribed process.

FINANCIAL IMPLICATIONS

The draft revised IDP for 2019/2020 is draft in-house.

RECOMMENDATIONS

1. That Council considers progress on the first draft revised IDP for the Financial Year 2019/2020.
2. That the first draft revised IDP for the Financial Year 2019/2020 be submitted to both Provincial and National Treasuries as required by legislation;
3. That a public participation process be undertaken before the draft IDP is approved by Council.
4. That the final draft IDP be submitted together with final draft sector plans for approval during the May 2019 Council sitting.

A36 of 2019

**THE 2019-2020 MTREF BUDGET FOR THE MATJHABENG MUNICIPALITY
(EXECUTIVE MAYOR) (6/1/1/1)**

PURPOSE

To table the Annual Budget for the 2019/2020 medium term revenue and expenditure framework (MTREF) financial year.

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.

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 2 821 699 868, inclusive of operating and capital transfers and R 2 651 084 868 excluding capital transfers and contributions. The Expenditure Budget for the 2019/20 MTREF is R 3 216 848 138.

***** The Annual Budget for 2019/2020 MTREF financial year is attached as SEPARATE COVER 4 and MSCOA as SEPARATE COVER 5.**

The Annual Budget for the 2019/20 MTREF is based on the following assumptions:

Budget Assumptions: -

- CPIX of approximately 5.6% (*Source: Reserve Bank and National Treasury*)
- Increase in Sedibeng Water tariffs by 8%
- Eskom Tariff increase of 9.41%. (*The Nersa approved tariff for municipalities is still outstanding*).
- Salary increases of approximately 7.1% (*Collective Agreement: CPIX + 1.5%*)
- National Treasury MFMA Budget Circular No. 93 (*Guideline from NT*)
- The average pay rate of **60%** has been informed by the following factors: -
- Historic collection trends.

Proposed Tariff increases for 2019/20 MTREF

- The water tariff is increasing with 5.6% as a result of the unit price of water and the present difficult economic situation. The bulk service provider, Sedibeng Water is increasing its tariffs with 8% for the 2019/20 financial year.
- The overall electricity tariff is increasing with 5.6% and Eskom, the bulk electricity supplier is increasing with 9.41%.
- The refuse tariff is increasing with 5.6%, this increase will assist with the repair and maintenance of the municipality's infrastructure.
- The sewerage tariff is increasing with 5.6%.
- Tariff for other revenue to increase with 5.6%

*** The Tariff list for 2019/2020 MTREF financial year is attached under **SEPARATE COVER 6**.

A - Revenue

Property Rates

Property Rates increase to R310 519 477 in the 2019/20 financial year and represents 11% of the revenue budget. The property rates tariffs will increase with 5.6% in the 2019/20 financial year, this increase is guided by MFMA Circular 93 and is in line with the CPIX. The collection rate on property rates is set at 60%.

Service charges

The service charges for the 2019/20 budget is R1 350 353 535, 49% of the revenue is from service charges. Service charges consist of revenue derived from electricity, water, sanitation and refuse. Electricity revenue increases with an overall average of 5.6% which is in line with the CPIX, cognizance should be taken of the fact that the NERSA guideline has not been issued yet. The budgeted amount for electricity is R711 190 717. Water revenue increases to R 381 490 031 in the 2019/20 financial year, this increase results in an average increase of 5.6%. Sanitation and Refuse service charges increase with 5.6%, this increase is in line with the CPIX as prescribed in MFMA Circular 93. The budgeted amount for Sanitation services is R 164 290 628 and R 93 382 159 for Refuse.

Operational Transfers and Grant receipts

Transfers recognized as operational receipts is the second largest revenue source totaling which is 18% of the revenue and amount to R508 333 000 for the 2019/20 financial year as per the draft Division of Revenue (DoRA) Bill 2019. The Equitable share allocation is a grant which supplements the municipality's own revenue for the provision of the necessary basic level of services to each poor household within their jurisdiction.

Other Revenue Sources

Other revenue sources consist of rental of facilities and equipment, interest earned, fines, gains on disposal of assets and other revenue.

- Gains on disposal of PPE
The municipality intends to dispose of assets during the 2019/20 financial year and has already started with the process. The projected revenue from the disposal of assets is R52 800 000. This projected revenue will be utilized as a source of funding for capital projects.

- Other Revenue

The budgeted amount for other revenue is R237 293 949.

B – Expenditure

Employee Related Cost & Councillor Remuneration

The salary figure is 25%, R785 036 022 of the total expenditure. However not all vacancies have been filled. This has an adverse impact on service delivery. Councillor Remuneration represents 8%, R33 753 672 of the total expenditure budget. Provision is made for a 7,1% increase in salaries as informed by the Collective Agreement.

Bulk Service

Supply of bulk services making up 31%, R1 001 136 570 of total expenditure budget. The total budget for electricity and water is R483 845 215 and R517 291 355. Eskom is increasing it electricity with 9.41% and Sedibeng is increasing with 8%.

Other Materials

Other Materials which relates to inventory used for repaired and maintenance is R133 183 576, this is 4% of the total expenditure budget.

Contracted Services

Contracted services consist out of outsourced services, consultants and professions; and contractors. The line item for contractors represents the repair and maintenance. The total budget for contracted services is R 210 869 319 which is 7% of total expenditure budget.

Other Expenditure

Other General Expenditure relate to operational costs and are therefore inevitable. This makes up 4.3%, R 139 215 860 of total expenditure.

Depreciation and Debt Impairment

The total amount budgeted for debt impairment and depreciation amounts to R711 291 882 which is 24% of the total expenditure budget. These items represent non-cash items however they have formed the biggest portion of the unauthorized expenditure in prior financial year. To ensure a decrease in the unauthorized expenditure it is imperative that we have a realistic budget for the non-cash items.

The Municipality therefore has a great challenge of providing basic services to its population with limited resources.

Capital Budget

The Capital Budget for the 2019/20 financial year is R 170 615 000 and is entirely funded by grants. The sources of funds for the capital budget are as follow:

Municipal Infrastructure Grant	R 119 070 000
Water Services Infrastructure Grant	R 36 000 000
Integrated National Electrification Programme	R 15 545 000

The importance of tabling funded budgets is highlighted in previous circulars however there are cases that may warrant a plan a 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.

Budget Funding Plan

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.

Implementation of the Revenue Enhancement Strategy by increasing the revenue base of the municipality.

Revenue Enhancement Committee (REC)

Installation of new meters in unmetered areas and replacement of faulty meters.

Implementation and installation of Automated meter reading (AMR) meters.

Review of municipal by-laws

Review of budget related policies

Implementation of the Supplementary Valuation Roll

Bulk Service management

Expenditure Management

Budget Related Policies attached as SEPARATE COVER 7.

Supply Chain Management Policy

Municipal Property Rates Policy

Credit Control Policy

Indigent Policy

Petty Cash Policy

Subsistence and Travelling Policy

Tariff Policy

Unallocated Deposits Policy

Budget Policy

Deposits Policy

Liability, Investment and Cash Management policy

Asset Management policy

POLICY POSITION

Municipal Finance Management Act

Municipal Systems Act

Municipal Budget Regulations

RECOMMENDATIONS

1. That Council takes note of the 2019/2020 Annual Budget for the Matjhabeng Municipality.
2. That Council takes note of the 2019/2020 reviewed budget related policies.
3. That Council takes note of the financial plan.
4. That the 2019/20 Annual Budget be subjected to a process of public participation.

A37 of 2019

DRAFT SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN FOR 2019/2020 FINANCIAL YEAR (EXECUTIVE MAYOR) (6/1/1)

PURPOSE

The purpose of this item is to submit the draft Service Delivery and Budget Implementation Plan for 2019/20 Financial Year to Council for noting.

BACKGROUND

Municipalities are required in terms of the law to develop annual service delivery and budget implementations. The Municipality has submitted a draft SDBIP in the past financial year as the requirement has been lately enforced by application of the Local Government: Municipal Finance Management Act, No.56 of 2003 and the Municipal Systems Act, Act 32 of 2000 and regulations.

We are developing and submitting the document in compliance with pieces of legislation as follows:

Municipal Systems Act, Act 32 of 2000 states as follows:

- (1) “The mayor of a municipality must-
 - (c) take all reasonable steps to ensure-
 - (ii) that the municipality’s service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget;
- (3) The mayor must ensure-
 - (a) That the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made no later than 14 days after the approval of the service delivery and budget implementation”

Municipal Financial Management Act, Act 56 of 2003: Circular 13:

“The SDBIP gives effect to the Integrated Development Plan (IDP) and budget of the municipality and will be possible if the IDP and budget are fully aligned with each other, as required by the MFMA”.

This is the first draft SDBIP for 2019/2020 submitted together with the draft IDP and budget to Council and will be resubmitted to council towards the end of May a after public participation process has been finalized on the draft IDP 2019/2020.

*** **Attached as SEPARATE COVER 8** is the 2019/ 2020 draft SDBIP.

LEGAL IMPLICATIONS

The following pieces of legislations gave legal basis for the development of the plan:

1. Municipal Finance Management Act 2003:

Section 53 of the Municipal Systems Act states:

- (3) “The mayor of a municipality must-
 - (c) take all reasonable steps to ensure-
 - (ii) that the municipality’s service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget;

2. National Treasury: Circular 13: p.1. “The SDBIP gives effect to the Integrated Development Plan (IDP) and budget of the municipality and will be possible if the IDP and budget are fully aligned with each other, as required by the MFMA”.

FINANCIAL IMPLICATION

There is no financial implications in developing the draft SDBIP for 2019/2020.

RECOMMENDATIONS

It is recommended that:

1. That Council notes the draft Service Delivery and Budget Implementation Plan for 2019/2020.
2. That the draft SDBIP for 2019/2020 be submitted to Offices of the Provincial and National Treasuries as well as Provincial COGTA.