

**SMC1 of 2018****THE 2018-2019 ANNUAL BUDGET FOR THE MATJHABENG MUNICIPALITY (CFO)****PURPOSE**

To table the Annual Budget for the 2018/2019 medium term revenue and expenditure framework (MTREF) financial year.

**BACKGROUND**

According to section 16 (2) of the MFMA 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.

The Total Annual Budget for the 2018/19 financial year is R 2 726 759 150, inclusive of operating and capital transfers.

\*\*\* The Annual Budget for 2018/2019 MTREF financial year is attached under **SEPARATE COVER (1, 2 & 3).**

**A - Revenue**

Increase of 5.3% in water tariffs for the 2018/2019 financial year. The proposed increase by Sedibeng is 9%.

There will be an overall average increase of 7.23% in electricity tariffs for the 2018/2019 financial year as per NERSA guidelines

Assessment rates will increase with 5.3%.

There will be a 5.3% increase in Refuse and Sewerage Rates.

General tariffs will increase with 5.3%

Budget Assumptions:-

CPIX of approximately 5.3%

Increase in Sedibeng Water tariffs by 9%

Eskom Tariff increase of 6.84% and 7.23% for municipalities

Salary increases of approximately 8%

National Treasury (MFMA Circular No. 91)

e) The average pay rate of 60% has been informed by the following factors:-  
Historic collection trends.

Based on the 60% collection rate the projected income amount to R 1 793 229 055 on property rates, servers charges and other income for 18/19 financial year.

Based on the 70% collection rate the projected income amount to R 1 9 47 786 515 on property rates, servers charges and other income for 18/19 financial year.

The Equitable Share allocation for the 2018/19 financial year will be R 459 418 000.

With this back ground in mind, we are therefore of the view that the budgeted revenue figure is realistic. However, the major challenge facing the municipality is the huge backlog in service delivery.

### **B – Expenditure**

The salary figure is 28.61% of the total expenditure. However not all vacancies have been filled. This has an adverse impact on service delivery. If all positions were to be filled, the salary figure would be above 50% of total expenditure. This would clearly be unaffordable to the municipality. However, there are critical positions that would have to be filled. Provision is made for a 7% increase in salaries.

There are other fixed costs that the municipality cannot do without.

Supply of bulk services making up 35.90% of total expenditure.

Other General Expenditure relate to operational costs and are therefore inevitable. This makes up 4.85% of total expenditure.

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

### **Capital Budget**

The Capital Budget for the 2018/19 financial year is R 163 245 000. The sources of funds for the capital budget are as follow:

Municipal Infrastructure Grant	R 128 420 000
Water Services Infrastructure Grant	R 26 825 000
Integrated National Electrification Programme	R 8 000 000

### **POLICY POSITION**

Municipal Finance Management Act

Municipal Systems Act

Municipal Budget Regulations

### **RECOMMENDATION**

1. That Mayoral Committee takes note of the 2018-2019 Annual Budget for the Matjhabeng Municipality.

**SMC2 of 2018**

**ESKOM PAYMENT ARRANGEMENT (MM) (6/17/1)**

**PURPOSE**

To table in the Mayoral Committee the proposed Eskom Payment Agreement between Matjhabeng Local Municipality and Eskom Holdings.

**BACKGROUND**

On 12 January 2018 the municipality received a notice from Eskom indicating that they will commence with the PAJA process. Subsequent to the communicate a notice was published by Eskom. The notice stated that should the municipality fail to pay the outstanding amount the following steps will be implemented:

1. Interrupt electricity supply to the Municipality and/or
2. Disconnect the supply of electricity to the Municipality and terminate the ESA.

\*\*\* **Attached find the repayment plan and signed letter on page 1 to 10 of the Annexures.**

**POLICY POSITION**

None

**LEGAL IMPLICATIONS**

Municipal Finance Management Act 56 of 2003.

**FINANCIAL IMPLICATOINS**

The Municipality shall pay to Eskom the Principal Debt plus interest compounded monthly at the Interest Rate on the outstanding balance of the Principal Debt, in full by no later than 31 July 2031; provided further that the Municipality pays in full the Monthly Instalments as set out in this Clause 6 and Clause 7 of this Agreement, respectively. The Municipality hereby undertakes to pay the Principal Debt in Monthly Instalments starting from the Due Date of the February 2018 electricity bill as follows:

Month	Payment towards arrear debt	Outstanding Arrear Balance
<b>Agreed outstanding balance:</b>		<b>R 1 835 015 281.58</b>
Mar-18	R 45 000 000.00	R 1 790 015 281.58
Jul-18	R 45 000 000.00	R 1 745 015 281.58
Dec-18	R 45 000 000.00	R 1 700 015 281.58
Mar-19	R 45 000 000.00	R 1 655 015 281.58
Jul-19	R 45 000 000.00	R 1 610 015 281.58
Dec-19	R 45 000 000.00	R 1 565 015 281.58
Mar-20	R 45 000 000.00	R 1 520 015 281.58
Jul-20	R 45 000 000.00	R 1 475 015 281.58
Dec-20	R 45 000 000.00	R 1 430 015 281.58
Mar-21	R 45 000 000.00	R 1 385 015 281.58
Jul-21	R 45 000 000.00	R 1 340 015 281.58
Dec-21	R 45 000 000.00	R 1 295 015 281.58
Mar-22	R 45 000 000.00	R 1 250 015 281.58
Jul-22	R 45 000 000.00	R 1 205 015 281.58
Dec-22	R 45 000 000.00	R 1 160 015 281.58
Mar-23	R 45 000 000.00	R 1 115 015 281.58
Jul-23	R 45 000 000.00	R 1 070 015 281.58
Dec-23	R 45 000 000.00	R 1 025 015 281.58
Mar-24	R 45 000 000.00	R 980 015 281.58
Jul-24	R 45 000 000.00	R 935 015 281.58
Dec-24	R 45 000 000.00	R 890 015 281.58
Mar-25	R 45 000 000.00	R 845 015 281.58
Jul-25	R 45 000 000.00	R 800 015 281.58
Dec-25	R 45 000 000.00	R 755 015 281.58
Mar-26	R 45 000 000.00	R 710 015 281.58
Jul-26	R 45 000 000.00	R 665 015 281.58
Dec-26	R 45 000 000.00	R 620 015 281.58
Mar-27	R 45 000 000.00	R 575 015 281.58
Jul-27	R 45 000 000.00	R 530 015 281.58
Dec-27	R 45 000 000.00	R 485 015 281.58
Mar-28	R 45 000 000.00	R 440 015 281.58
Jul-28	R 45 000 000.00	R 395 015 281.58
Dec-28	R 45 000 000.00	R 350 015 281.58
Mar-29	R 45 000 000.00	R 305 015 281.58
Jul-29	R 45 000 000.00	R 260 015 281.58
Dec-29	R 45 000 000.00	R 215 015 281.58
Mar-30	R 45 000 000.00	R 170 015 281.58
Jul-30	R 45 000 000.00	R 125 015 281.58
Dec-30	R 45 000 000.00	R 80 015 281.58
Mar-31	R 45 000 000.00	R 35 015 281.58
Jul-31	R 35 015 281.58	R -

**RECOMMENDATIONS**

1. That the current account of R 33 525 273.83 for the March 2015 current account be paid on 24 April 2015.
2. That an immediate payment of R 45 000 000 from the March 2018 Equitable Share allocation.

**SMC3 of 2018**

**SEDIBENG WATER PAYMENT ARRANGEMENT (MM) (6/17/1)**

**PURPOSE**

To table in Mayoral Committee the proposed payment agreement between Matjhabeng Local Municipality and Sedibeng Water.

**BACKGROUND**

On 20 November 2017 the municipality received a notice of intention to restrict water from Sedibeng Water. The last notice was sent on 6 February 2018 requesting a payment of R65 000 000 in order to avoid the restriction. The municipality requested Sedibeng Water to not commence with the restriction based on the inability to pay the requested demand, Sedibeng Water proceeded with the disconnection of water to the municipality hence a court interdict was obtained by the municipality to ensure the reconnection of water. On 22 February 2018 a mediation meeting was arranged by SALGA as an attempt to resolve the matter.

**POLICY POSITION**

None

**LEGAL IMPLICATIONS**

Municipal Finance Management Act 56 of 2003.

**FINANCIAL IMPLICATOINS**

The total outstanding debt as at 28 February 2018 amounted to R 2 079 183 769.

**RECOMMENDATIONS**

1. That the monthly average income received from sale of water is R 10 000 000, we undertake to pay a minimum amount of R 10 000 000 on a monthly basis.
2. That the shortfall of R 5 000 000 will be paid on a weekly basis in order to cover the total monthly amount payable of R 15 000 000.
3. That a sum of R 30 000 000 will be paid from the March 2018 Equitable Share allocation and with every allocation until June 2019.
4. That Council rescind all previous agreements entered into with Sedibeng water.

SMC4 of 2018

**PROGRESS ON THE DRAFT REVIEWED INTEGRATED DEVELOPOMENT PLAN  
FOR THE FINANCIAL YEAR 2018/2019 (MM) (9/3/1)**

**PURPOSE**

To present to the Mayoral Committee sitting progress towards the Draft Reviewed Integrated Development Plan (IDP) for the Financial Year 2018/2019 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 2017/2018 was noted by Council on the 22<sup>nd</sup> March 2017 as a draft and the following resolutions were taken during the meeting:
- That Council **TAKES NOTE** of the draft IDP document as a work in progress.
- That the draft IDP **BE SUBJECTED** to public consultation as per adopted IDP process plan.
- That the draft IDP incorporating inputs from consultations **BE RE-TABLED** to Council for final approval.
- That the IDP **BE WARD-BASED**.
- That all issues raised by the communities in previous years **BE SUMMARIZED** and **INCORPORATED** in the current IDP.
- That the acting Municipal Manager **MUST DETERMINE** whether the priorities listed for the previous five years in all 36 wards are still current priorities.

The draft IDP was ultimately approved by Council for implementation in May 2017. Subsequent to approval and implementation of planned projects for the first six months of the 2017/2018 financial, 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 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 28<sup>th</sup> February 2018 with the following resolutions:

1. That the 2017/2018 Annual Budget **MUST REMAIN** unadjusted at R 2 480 389 358.
2. That Council **APPROVES** the virements between votes.
3. That Council **APPROVES** the mSCOA data strings.
4. That Council **SHOULD REDUCE** the budget in the next financial year.
5. That Council **MUST SPEND** according to the revenue collection, which is 60% currently.
6. That in the new budget, payment according to the recovery plan **SHOULD TAKE** preference.
7. In anticipation of the reduced budget, new project inputs to the revised IDP must really take into account the current financial situation of the Municipality and how additional budget would be sourced for implementing the new projects.

## 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-  
Annually in accordance with an assessment of its performance measurements in terms of section 41; and  
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 2018/2019 did not require financial support.

## RECOMMENDATIONS

1. That the Mayoral Committee considers progress on the Draft revised IDP for the Financial Year 2018/2019.
2. That the draft revised IDP for the Financial Year 2018/2019 be submitted to Council for adoption;