

SMC1 of 2018

MONTHLY FINANCE REPORT – JULY 2018 (CFO) (6/1/2/2)

PURPOSE

To submit to the Mayoral Committee the Monthly Finance Report for July 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003.

BACKGROUND

Section 71 of the Municipal Finance Management Act no 56 of 2003 states that the Accounting Officer must submit to the Executive Mayor a statement in a prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- 1) Actual revenue per revenue source
- 2) Actual borrowings
- 3) Actual expenditure per vote
- 4) Actual capital expenditure per vote
- 5) The amount of any allocations received
- 6) Actual expenditure on allocations received

The compilation of the Section 71 report is as follows:

1. After the billing cycle the Income Department compile the income reports which consist of the following and submit to the Budget Department:
 - Billing and Income per month
 - Top Outstanding debtors for the month
 - Income per ward
 - Debtors age analysis per service
2. After month end the ICT Department runs all the month end reports.
3. The Budget Department then extracts the required income and expenditure information from Solar. This is done with the GS 560 procedures. This report shows the transactions for the month VAT EXCLUSIVE.
4. The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
5. The Costing Section provides the Budget Department with the employee related reports and the overtime per department.
6. The Section 71 report is then compiled with all the information received from other
7. Sections and extracted from the Solar System.

DISCUSSIONS

*** The finance report for July 2018 is attached under **Separate Cover 1**.

FINANCIAL IMPLICATIONS

TABLE 1	Actual For the Month (July 2018)	For Year to date (2018/2019)
All Grants Received	266 946 000	266 946 000
Actual Revenue Received	79 642 888	79 642 888
Actual Expenditure	137 271 030	137 271 030
Salaries	53 611 618	53 611 618
Water	-	-
Electricity	68 837 699	68 837 699
Other Expenditure	14 821 713	14 821 713
Sub-Total	209 317 858	209 317 858
Loan Redemptions	-	-
Net Surplus/(Deficit) before Capital payments	209 317 858	209 317 858
MIG Payments	11 052 965	11 052 965
INEG Payments	-	-
WSIG Payments	-	-
Capital Assets procured - Equitable Share	-	-
Fleet & Equipment	-	-
Office convention/ Furniture	-	-
Net Surplus/(Deficit) after Capital payments	198 264 893	

Table 1: The municipality had a surplus of R198 264 893 for the month of July after capital payments, This surplus indicates that the expenditure incurred is less than the revenue received for month. This surplus is due to grants received for the reporting period.

TABLE 2	Actual For the Month (July 2018)	For Year to date (2018/2019)
Total Billings	186 136 863	186 136 863
Less: Indigent Billings	-	-
Actual Billings	186 136 863	186 136 863
Actual Revenue Received	78 290 618	78 290 618
Consumer Revenue	69 255 964	69 255 964
Other	9 034 654	9 034 654
Grants & Subsidies	266 946 000	266 946 000

Pay rate for July 2018 (Total Billings)	42%
Total income percentage - July 2018	43%
Total income percentage – YTD	43%

The pay rate for July 2018 was 42%

The total income percentage July 2018 was 43%.

In order for the municipality to be financially sustainable the pay rate will have to be increased to 80% monthly on the consumer services.

LEGAL IMPLICATIONS

The Finance Report is submitted in compliance with Section 71 of the MFMA no 56 of 2003.

RECOMMENDATIONS

1. That the Finance Report for July 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, be noted.
2. That the Finance Report for July 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, be submitted to Provincial and National Treasury.

SMC2 of 2018**MONTHLY FINANCE REPORT – AUGUST 2018 (CFO) (6/1/2/2)****PURPOSE**

To submit to the Mayoral Committee the Monthly Finance Report for August 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003.

BACKGROUND

Section 71 of the Municipal Finance Management Act no 56 of 2003 states that the Accounting Officer must submit to the Executive Mayor a statement in a prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- 7) Actual revenue per revenue source
- 8) Actual borrowings
- 9) Actual expenditure per vote
- 10) Actual capital expenditure per vote
- 11) The amount of any allocations received
- 12) Actual expenditure on allocations received

The compilation of the Section 71 report is as follows:

- 8. After the billing cycle the Income Department compile the income reports which consist of the following and submit to the Budget Department:
 - Billing and Income per month
 - Top Outstanding debtors for the month
 - Income per ward
 - Debtors age analysis per service
- 9. After month end the ICT Department runs all the month end reports.
- 10. The Budget Department then extracts the required income and expenditure information from Solar. This is done with the GS 560 procedures. This report shows the transactions for the month VAT EXCLUSIVE.
- 11. The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
- 12. The Costing Section provides the Budget Department with the employee related reports and the overtime per department.
- 13. The Section 71 report is then compiled with all the information received from other sections and extracted from the Solar System.

DISCUSSIONS

*** The finance report for August 2018 is attached under **Separate Cover 2.**

FINANCIAL IMPLICATIONS

TABLE 1	Actual For the Month (August 2018)	For Year to date (2018/2019)
All Grants Received	-	266 946 000
Actual Revenue Received	97 822 211	177 465 099
Actual Expenditure	116 338 318	253 609 348
Salaries	65 647 343	119 258 961
Water	-	-
Electricity	17 975 948	86 813 647
Other Expenditure	32 715 027	47 536 740
Sub-Total	-18 516 107	190 798 751
Loan Redemptions	-	-
Net Surplus/(Deficit) before Capital payments	-18 516 107	190 798 751
MIG Payments	5 308 383	16 361 348
INEG Payments	-	-
WSIG Payments	-	-
Capital Assets procured - Equitable Share	-	-
Fleet & Equipment	-	-
Office convention/ Furniture	-	-
Net Surplus/(Deficit) after Capital payments	-23 824 490	

Table 1: The municipality had a deficit of R23 824 490 for the month of August after capital payments, This deficit indicates that the expenditure incurred is more than the revenue received for month.

TABLE 2	Actual For the Month (August 2018)	For Year to date (2018/2019)
Total Billings	152 560 646	338 697 509
Less: Indigent Billings	1 012 724	1 012 724
Actual Billings	152 560 646	337 684 785
Actual Revenue Received	96 526 830	174 817 448
Consumer Revenue	86 050 162	155 306 126
Other	10 476 668	19 511 322
Grants & Subsidies	-	266 946 000
Pay rate for August 2018 (Total Billings)	64%	
Total income percentage - August 2018	65%	
Total income percentage – YTD	53%	

The pay rate for August 2018 was 64%

The total income percentage August 2018 was 65%.

In order for the municipality to be financially sustainable the pay rate will have to be increased to 80% monthly on the consumer services.

LEGAL IMPLICATIONS

The Finance Report is submitted in compliance with Section 71 of the MFMA no 56 of 2003.

RECOMMENDATIONS

1. That the Finance Report for August 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, be noted.
2. That the Finance Report for August 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, be submitted to Provincial and National Treasury.

SMC3 of 2018**PROGRESS ON THE IMPLEMENTATION OF 2018/2019 ANNUAL BUDGET (CFO)****PURPOSE**

To report to the Mayoral Committee on the progress made regarding the implementation of the 2018/19 Annual Budget resolution (A43 of 2018).

Background

On 30 May 2018 the Council adopted the Annual Budget for the 2018/19 financial year. However, council stated that the municipal budget was not funded and suggested the following measures:

- That all non-income generating expenditure must be reduced;
- That the income must be ring-fenced;
- That financial discipline should be maintained- deviations should not be allowed;
- That no purchases of luxurious furniture should be done;
- That no projects should be funded internally;
- That a Multi-Party Committee be established to deal with the impediments in the budget and review of contracts;
- That action be taken against Managers who do not honour meetings called by Council appointed Committees;
- That consumers must be educated to pay for services rendered.

Council further resolved as follows:

COUNCIL RESOLVED: (30 MAY 2018)

1. That Council ADOPTS the 2018/19 MTREF Budget, subject to the following conditions:
 - 1.1 Revenue Enhancement by INCREASING the sale of land to R110 million in order to ensure a funded and credible Budget.
 - 1.2 DECREASE of Overtime budget by R40 million to R32 million.
 - 1.3 REVIEW of all contracts by a Multi-Party Committee within the next (3) months.
 - 1.4 EXPENDITURE REDUCTION of R100 million, should the real income not be increased by a minimum of another R100 million by 30 September 2018.
 - 1.5 TABLING of an Adjustment Budget before the end of September 2018 to reflect expenditure reduction and/or revenue increase as mentioned above.
 - 1.6 TABLING of progress reports on movement on the budget at every Council meeting.
 - 1.7 IMPLEMENTATION of the full operations system/ shift system endorsed by SALGA in order to reduce overtime.
2. That Council APPROVES the amended Fixed Assets Management Policy as submitted to be GRAP compliant.

3. That Council APPROVES the de-recognition of the attached list of minor assets for the year ended 30 June 2018.
4. That Council APPROVES the Budget of R2.6 billion with the collection rate of 60%.

FINANCIAL IMPLICATIONS

Progress on 2018/19 Annual Budget funding measures:

- The total overtime budget was reduced to R 32 million and controls were implemented to ensure compliance with the budgeted amount. The respective overtime budgets were made available to all departments and work shopped. All overtime for administrative departments were stopped.
- Expenditure was reduced with a total amount of R 179 million. The contracted services were reduced from R167 million to R104 million which amounts to a reduction of R 63 million and other expenditure was reduced from R 208 million to R92 million which amounts to a R 116 million reduction.
- The pay rate for July 2018 was at 42% on the total billing inclusive of the indigents.

Cash Flow Statement as at 31 August 2018.

FS184 Matjhabeng - Table C7 Monthly Budget Statement - Cash Flow - M02 August

Description	Ref	2017/18	Budget Year 2018/19							Full Year Forecast
		Original Budget	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands	1								%	
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		262 455	264 647		19 057	38 111	44 108	(5 997)	-14%	228 668
Service charges		1 017 779	833 734		66 993	117 195	138 956	(21 761)	-16%	703 169
Other revenue		203 989	160 174		11 056	20 859	26 696	(5 837)	-22%	125 155
Government - operating		396 776	461 252		—	191 265	76 875	114 390	149%	1 147 590
Government - capital		156 216	163 406		—	75 681	27 234	48 447	178%	454 086
Interest		145 890	139 323		716	1 300	23 221	(21 921)	-94%	7 799
Dividends		19	20		—	—	3	(3)	-100%	—
Payments										
Suppliers and employees		(2 210 059)	(2 281 571)	—	(116 232)	(253 503)	(380 262)	(126 759)	33%	(1 521 015)
Finance charges		(112 763)	(133 865)	—	(107)	(108)	(22 311)	(22 203)	100%	(647)
Transfers and Grants		—	—	—	—	—	—	—		—
NET CASH FROM/(USED) OPERATING ACTIVITIES		(139 698)	(392 879)	—	(18 516)	190 801	(65 480)	(256 281)	391%	1 144 805

Overtime Budget Status as at 31 August 2018

MATJHABENG MUNICIPALITY - OVERTIME - AUGUST 2018							
OVERTIME	Mnth Budget	Actual	Variance	YTD Budget	YTD Actual	YTD Variance	Annual Budget
Council General							
Office of the Executive Mayor							
Policial Appointments	50 930	68 254	-17 324	101 859	93 577	8 282	611 156
Municipal Manager	26 191	7 146	19 044	52 381	17 688	34 693	314 286
Corporate Services	37 943	60 686	-22 742	75 887	115 058	-39 171	455 321
Financial Services	92 981	93 203	-222	185 962	241 827	-55 865	1 115 770
Human Resources	8 492	12 773	-4 282	16 983	29 013	-12 030	101 900
Community Services	655 846	1 414 775	-758 929	1 311 692	3 093 667	-1 781 975	7 870 151
Protection Services	460 406	544 522	-84 116	920 812	939 753	-18 941	5 524 872
Economical Development	1 424	3 584	-2 160	2 849	14 978	-12 129	17 093
Engineering Services	1 321 294	2 558 691	-1 237 397	2 642 587	4 866 867	-2 224 280	15 855 522
Housing Services	11 161	-	11 161	22 322	36 875	-14 554	133 929
TOTAL	2 666 667	4 763 634	-2 096 967	5 333 333	9 449 303	-4 115 969	32 000 000

Financial Performance as at 31 August 2018 (Revenue)

ACTUAL REVENUE PER REVENUE SOURCE [S71]	Budget for the month	Actual for the month	% Received	Budgeted for year to date	Actual for year to date	% Received	Budget 2018/2019
Intergovernmental Transfers	52 054 833	-	0%	104 109 667	266 943 000	256%	624 658 000
Operational Grants - Equitable Share/FMG	38 437 667	-	0%	76 875 333	191 262 000	249%	461 252 000
Capital Grants - MIG/WSIG/INEG	13 617 167	-	0%	27 234 333	75 681 000	278%	163 406 000
Consumer Revenue and Assessment rates	131 066 413	86 050 162	66%	262 132 826	155 306 126	59%	1 572 796 958
Assessment Rates	24 504 378	19 057 232	78%	49 008 756	38 111 363	78%	294 052 535
Electricity	56 123 005	50 696 403	90%	112 246 010	82 603 640	74%	673 476 058
Water	30 104 972	7 893 120	26%	60 209 943	17 385 100	29%	361 259 659
Sewerage	12 964 861	5 617 297	43%	25 929 721	11 920 218	46%	155 578 326
Refuse Removal	7 369 198	2 786 110	38%	14 738 397	5 285 805	36%	88 430 380
Other Revenue	26 410 497	11 055 733	42%	52 820 994	20 859 085	39%	316 925 965
Fines, Licences & Permits	1 761 290	228 248	13%	3 522 580	688 047	20%	21 135 482
Market	-	890 527		-	1 732 590	#DIV/0!	-
Rentals	1 755 000	386 039	22%	3 510 000	3 835 025	109%	21 060 000
Dividends Received & Gains on Disposal of Assets	4 168 359	-	0%	8 336 717	-	0%	50 020 304
Other Revenue	18 725 848	9 550 919	51%	37 451 697	14 603 423	39%	224 710 179
Interest	11 610 269	716 316	6%	23 220 538	1 299 888	6%	139 323 227
Interest - Investments	303 273	176 606	58%	606 547	227 014	37%	3 639 279
Interest - Debtors	11 306 996	539 710	5%	22 613 991	1 072 874	5%	135 683 948
TOTAL	221 142 013	97 822 211	44%	442 284 025	444 408 099	100%	2 653 704 150

Financial Performance as at 31 August 2018 (Expenditure)

ACTUAL EXPENDITURE PER VOTE [S71]	Budgeted for the month	Actual for the month	% Spend	Budgeted for year to date	Actual for year to date	% Spend	Budget 2018/2019
Council General	2 151 978	5 928 268	275%	4 303 955	8 559 631	199%	25 823 732
Office of the Executive Mayor	1 491 077	1 043 957	70%	2 982 154	1 923 397	64%	17 892 921
Office of the Speaker	379 291	596 829	157%	758 582	1 086 758	143%	4 551 494
Council Whip	538 664	2 488 035	462%	1 077 328	4 508 966	419%	6 463 970
Municipal Manager	6 557 554	4 870 197	74%	13 115 109	11 186 964	85%	78 690 653
Corporate Services	6 031 095	5 088 598	84%	12 062 191	8 430 059	70%	72 373 145
Financial Services	30 085 439	7 139 626	24%	60 170 878	14 869 532	25%	361 025 267
Human Resources	1 306 356	1 255 447	96%	2 612 712	2 250 727	86%	15 676 270
Community Services	20 837 252	18 917 822	91%	41 674 504	32 097 658	77%	250 047 026
Protection Services	13 552 765	13 935 875	103%	27 105 530	23 662 740	87%	162 633 178
Economic Development	1 622 000	1 939 494	120%	3 244 000	2 941 873	91%	19 463 999
Engineering Services	114 913 983	49 957 099	43%	229 827 966	138 502 143	60%	1 378 967 795
Housing Services	1 818 904	3 177 071	175%	3 637 807	3 588 900	99%	21 826 844
TOTAL	201 286 358	116 338 318	58%	402 572 716	253 609 348	63%	2 415 436 294

RECOMMENDATION

1. That the progress report on Implementation of the 2018/2019 Budget be noted.

SMC4 of 2018

**PROGRESS REPORT ON THE IMPLEMENTATION OF THE SOCIAL LABOUR PLAN
BETWEEN MATJHABENG LOCAL MUNICIPALITY, HARMONY AND SEBANYE
(AED: HS, P& LED)**

PURPOSE

To submit to the Mayoral Committee a draft Memorandum of Understanding between Matjhabeng, Harmony mines and Sebanye regarding the implementation of the Social and Labour Plans.

BACKGROUND

The Department of Mineral Resources is entrusted with the regulations of mineral resources in South Africa through amongst others, The Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002). One of the critical components is that the Mining Houses must have an approved five year Social and Labour Plan by the DMR within their Area of Jurisdiction. The Social and Labour Plans must be concluded in consultation with the local authority within which they operate.

Several engagement between the Municipality, Sebanye and Harmony has led to the conclusion that the SLP should concentrate on Road Infrastructure in the entire municipality for a period of five years. As a result, a draft Tripartite Memorandum of Understanding has been developed in order to harmonise the implementation of the SLPs.

*** **A draft copy of the Tripartite Agreement is attached as Separate Cover 3.**

FINANCIAL IMPLICATIONS

There is currently no financial to the municipality as the agreement is intended to harmonise the implementation of the SLP.

LEGAL REQUIREMENT

The Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) enjoins Mining Houses to have approved Social and Labour Plan for a period of five years within the area of operation by the Department of Minerals Resources.

RECOMMENDATIONS

1. That the report be noted.
2. That a Tripartite Agreement be concluded between the parties.
3. That the Municipal Manager be mandated to conclude the agreement.

SMC5 of 2018**PROGRESS REPORT ON THE PROPOSED DEVELOPMENT OF MATJHABENG LOCAL MUNICIPALITY TOWARDS BEING A SMART CITY (AED: HS, P& LED)****PURPOSE**

The purpose of the report is to advise Mayoral Committee about the proposed development of Matjhabeng Local Municipality towards being a Smart City as outlined in their Business Plan for consideration.

BACKGROUND

The Mayoral Committee received A deputation from Korean Solar Power Consortium South Africa Ltd. (hereinafter referred to as “KSPC”) is a South Africa based Public company with its registration No. of 2011/005118/06. KSPC is a vertically fully integrated green energy, property and information technology development company located in Durban, South Africa. KSPC's core businesses include but not limited to: design, construction, operation and maintenance of power plant, and develop infrastructure and Information and Communication Technology. KSPC intends to establish a long-term partnership with MATJHABENG to promote and develop through the model of Public Private Partnership and Technology Training/Education Programs that include construction of Social Mix Township, Innovation/Techno-Park under the theme of Afro-Asia Industrial Complex, Theme property development as well as development of high-tech, automotive, green energy, environment, and agro-business as well as the manufacturing plant in the region.

*** **Copy of the Business Plan is on pages 1 to 9 of the Annexures.**

*** **Copy of the Service Level Agreement is attached under Separate Cover 4.**

FINANCIAL IMPLICATIONS

There is currently no financial implications on the part of the Municipality.

LEGAL REQUIREMENT

Conclusion between the parties of a Service Level Agreement as a baseline document for the implementation of the proposal.

RECOMMENDATIONS

1. The report be noted
2. A Service Level Agreement be concluded between Matjhabeng and KSCP
3. That the Municipal Manager be mandated to conclude a Service Level Agreement.

SMC6 of 2018

REPORT ABOUT HARMONY GOLDMINE'S INTENTION TO DONATE THE REMAINING EXTENT OF THE FARM, MEALIE BUILT NO.49 TO THE MUNICIPALITY (AED: HS, P &LED) (6/4/2/2)

PURPOSE

The purpose is to submit a report to council about Harmony Gold Mine's intention to donate the remaining extent of the farm, Mealie Built no.49 (next to Pabalong Village) to the municipality.

BACKGROUND

On or about 24 February 2018 , some members of the community occupied the remaining extent of the farm, Mealie Built no.49 (next to Pabalong Village) to the municipality which is owned by Harmony Gold Mine. Pursuant to such occupation, Harmony Gold Mine launched an urgent interdict application in the Bloemfontein High Court. A meeting was also arranged between the Executive Mayor and the CEO of Harmony and held on 1 March 2018.

Harmony made the following proposal to the municipality at the meeting:

1. They will stay the legal proceedings (interdict) against the illegal occupants and the municipality.
2. That they will donate the occupied land the remaining extent of the farm, Mealie built no.49 (next to Pabalong Village) to the municipality.
3. That they will provide the maps of the entire occupied area and all the necessary information pertaining to structural plans (underground infrastructure).
4. That the municipality will provide basic services i.e. temporary water taps, electricity and sanitation facilities until the informal settlement is formalised.

COUNCIL RESOLVED: (28 MARCH 2018)

1. **That Council TAKES NOTE of the report.**
2. **That Council DELEGATES a team led by the Executive Mayor consisting of the Provincial and National government representatives, to interact with Harmony to discuss the issue of infrastructure funding for the Mealie Built No.49 area and other areas where Harmony has donated land. (Council will only consider the donation once funding to provide basic infrastructure had been secured).**
3. That the matter must be **BROUGHT BACK** to Council upon receipt of financial support from whoever could give financial support pertaining to the matter.
4. That Council **DOES NOT** condone any arbitrary land grabbing, irrespective whether the land is owned by Council, individuals or multi-national companies.

After the above resolution, the Executive mayor consulted the Premier of the Free State Province and Harmony Gold Mine pertaining to the above. The consultation culminated in a meeting between the Director General of the Province, Matjhabeng and Harmony Gold Mine on 23 October 2018 where it was agreed as follows:

1. That the Provincial Government will provide a guarantee that funding for the affected Area will be included in the next budget cycle, which is two years from the current cycle.
2. The Letter of guarantee will be transmitted to Matjhabeng within reasonable time from the date of the meeting.
3. That Harmony mine and Matjhabeng will conclude a donation agreement with the necessary conditions.

*** See attached copy of the Draft Deed of Donation under Separate Cover 5.

FINANCIAL IMPLICATION

The land will be donated to the municipality. The financial implication for provision of bulk services will only be determined after an assessment / investigation has been conducted by the Infrastructure department including costs.

LEGAL IMPLICATION

The municipality will be required to provide alternative accommodation (land) should the donation not be accepted by council. The reason being that if Harmony Gold Mine is successful with their eviction application, the court is likely to compel the municipality to provide alternative accommodation.

RECOMMENDATIONS

1. That Mayoral Committee takes note of the report.
2. That Mayoral Committee accepts the donation of the remaining extent of the farm, mealie built no.49 (next to Pabalong Village) by Harmony Gold Mine.
3. The municipal manager be mandated to conclude the deed of donation.
4. That the Municipal Manager should obtain the Maps of the entire area and structural plans (underground Infrastructure) from Harmony.
5. That the Municipal Manager be mandated to finalize the transfer of the land to the Municipality.
6. That the Municipal Manager to proceed to install temporary water taps, electricity and sanitary facilities.

SMC7 of 2018

PROPOSED ORGANISATIONAL STRUCTURE (ED: CSS) (2/1)

To table the Proposed Organisational Structure of the Matjhabeng Local Municipality to the Mayoral Committee for discussion.

INTRODUCTION AND BACKGROUND

At its meeting held on 16 January 2018 COUNCIL RESOLVED:

- “1. That the item BE NOTED AND REFERRED BACK for re-submission at the next Ordinary Council meeting.
2. That Municipal Manager MUST IDENTIFY all critical positions that Council should approve to be filled.
3. That the Whips of different political parties MUST MEET with the Municipal Manager to deliberate on the Organogram, clarify matters, agree and present their consensus and their disagreements to Council, to deal with disagreements.”

Subsequent to the above resolution, Management requested SALGA’s inputs regarding the proposed organizational structure

***** Attached as Separate Cover 6 is a report from SALGA.**

The report proposes the approach that must be followed to ensure the birth of a comprehensive Organogram. During interaction with SALGA the municipality indicated that although it welcomed the proposed approach and guidance in developing the structure, there is however pressure from Council to complete the organizational structure and therefore will not afford to undergo the proposed model by SALGA. SALGA however recommended a phased approach in dealing with the proposed structure review process, rationalising which positions to prioritize etc. guided by the Municipality’s current IDP priorities.

In its advice, SALGA identified key success factors that would ensure completion of the organizational structure:

- a. Political will and Council support.
- b. Management support.
- c. Change management.
- d. Identification of critical and strategic positions.
- e. LLF buy-in the organization review so that there is common understanding of the process.
- f. Dedicated resources to drive the process.

DISCUSSION

The various directorates reviewed the proposed organizational structure to align it with current Municipal's financial needs and functions. The costs related to the new proposed Organisational structure could not be sufficiently brought down to acceptable level. The Executive Management Committee then resolved that sessions should be conducted with Directorates to with the view to reduce the cost of the Proposed Organisational Structure.

PROBLEM STATEMENT

1. The cost of the proposed organizational structure exceeds the 2018/19 staff establishment budget by R153 million per annum.
2. The number of directorates in the proposed organogram has increased from current 7 directorates to 8 directorates including the Office of the Municipal Manager.
3. The proposed organizational structure does not align to some of the provision of Powers and Functions in terms of Section 84 of the Municipal Structures Act. An example is the establishment of a component responsible for external training in the Directorate Community Services.
4. The structure stifles cross departmental communication and cooperation and as an example the IDP and Development are all in different Directorates with different line reporting structures.
5. Functions are wrongly placed within department, not allowing optimum and effective organisational functioning e.g. Placement of core artisan service delivery function of maintenance, in Corporate Services.

Local Government: Municipal Systems Act (32/2000): Regulations on appointment and conditions of employment of senior managers, chapter 2 on Staff Establishment states as follows:

“Organisation of administration

5. (1) *The number of departments necessary for a municipal council to perform its functions must be determined by the municipal council in accordance with*
 - a) *the powers and functions allocated to a municipal council in terms of section 84 and 85 of the Municipal Structures Act ;*
 - b) *the municipal council's integrated development plan ; and*
 - c) *having regard to the medium term expenditure budget.*
- (2) *A municipality must at least have the following departments –*
 - a) *Office of the Municipal Manager;*
 - b) *Development and Town Planning Services;*
 - c) *Engineering Services;*
 - d) *Community Services;*
 - e) *Office of the Chief Financial Officer; and*
 - f) *Corporate Support Services*

- (3) *Depending on the size, medium term expenditure budget and powers and functions, a municipality may deviate from the provisions of sub-regulation (2) after taking into considerations factors listed in regulation 43 of these regulations.”*

*** **Attached as Separate Cover 7** are the financial implications tables of the Proposed Macro and Micro Organizational Structure of the Matjhabeng Local Municipality. Also attached are the comparative tables that indicate cost movements from the earlier submissions made to Council and recently to Executive Management.

*** **Attached as Separate Cover 8** is the Organisational Structure.

The total cost of the Organisational Structure tabled in Mayoral Committee was R 905,124,161. After the exercise conducted by directorates to reduce non-crucial posts in the proposed structure, the total cost of the organogram has come down to R 900, 032,906.

LEGAL REQUIREMENTS

- Constitution of the RSA, Act 108 of 1996 (156 & 229)
- Local Government Municipal Structures Act, Act 117 of 1998
- Local Government Municipal Systems Act, Act 32 of 2000, as amended by Act No. 7 of 2011
- Municipal Finance Management Act, Act 56 of 2003 IDP of the Municipality.
- Local Government: Municipal Systems Act (32/2000): Regulations on appointment and conditions of employment of senior managers.

RECOMMENDATIONS

1. That the following methodical manner be followed in developing the new organisational structure :

Step Nr	Key Steps
Step 1	Analysis and understanding of the current structure
Step 2	Analysis of Strategic Plan, IDP and SDBIP
Step 3	Determine legislative requirements
Step 4	Determine and assess required functions and services
Step 5	Determine functions and activities performed by all departments
Step 6	Determine gaps between actual and required functions and competencies.
Step 7	Determine resource requirements
Step 8	Assessment of key management and institutional system and processes
Step 9	Formulate skeleton organisational structure
Step 10	Ensure consultation with: Councillors Staff Unions
Step 11	Final Report

2. The number of proposed macro components of the proposed organisational structure be limited to six as stipulated in Chapter 2 of Local Government: Municipal Systems Act (32/2000) : Regulations on appointment and conditions of employment of senior managers.

