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DRAFT FINAL REVIEWED INTEGRATED DEVELOPMENT PLAN FOR THE FINANCIAL YEAR 2019/2020 (EDSSS) (9/3/1)

PURPOSE

To present to Mayoral Committee a Draft final 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 draft revised Integrated Development Plans every year to Council for adoption.

The Draft IDP for 2019/2020 was noted by Council on the 29th March 2019 as a draft and the following resolutions were taken during the same meeting:

COUNCIL RESOLVED: (29 MARCH 2019)

1. That Council **TAKES NOTE** of the 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.
5. That all Master Plans must **BE COMPLETED** before the finalization of the IDP.

The public participation process was followed up as per the final schedule as agreed upon both during a meeting convened for the ward councilors on the 20th May 2019 in the Ballroom. A follow up meeting was convened on Tuesday, the 21st May in Room 428 where councilors also met and finalized the schedule. The process started same afternoon of Tuesday and was completed as per the programme on Thursday, the 23rd May 2019.

The public participation schedule met with a number of challenges including venues which were not booked and other areas were loud hailed but people did not come. Given that we worked on a tight schedule, we managed to visit and discuss both the IDP and budget to many clustered wards.

*** The IDP matrix for the 2019/2020 is **attached under Separate Cover (1) with the IDP under Separate Cover (2)** must then be linked with the IDP projects in order to align funding because the majority of concerns raised by the communities revolve around maintenance of existing

infrastructure so that service delivery reports must include identified priority areas within wards. The revised IDP matrix is attached with the IDP for approval so that we can start to prioritize and implement some of the projects that do not require excessive funding

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

RECOMMENDATIONS

1. That Mayoral Committee considers the final draft revised IDP for the Financial Year 2019/2020.
2. That the final draft revised IDP for the Financial Year 2019/2020 be submitted to both provincial and national treasuries as required by legislation

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THE 2019-2020 MTREF BUDGET FOR THE MATJHABENG MUNICIPALITY (CFO)
(6/1/1)

PURPOSE

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

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 2 843 418 385, inclusive of operating and capital transfers and R 2 672 803 385 excluding capital transfers and contributions. The Expenditure Budget for the 2019/20 MTREF is R 3 246 216 513. The Annual Budget for 2019/2020 MTREF financial year is attached under **Separate Cover (3)**

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

Budget Assumptions: -

- CPIX of approximately 6% (*Source: Reserve Bank and National Treasury*)
- Increase in Sedibeng Water tariffs by 8%
- Eskom Tariff increase of 15.63%. (*Consultation Paper – Municipal Tariff Guideline, Benchmark and Proposed Timelines for FY 2019/20*).
- Salary increases of approximately 7.1%
- National Treasury MFMA Budget Circular No. 93 and 94 (*Guideline from National Treasury*)

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 6% because 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 13.07% and Eskom, the bulk electricity supplier is increasing with 15.63%.
- The refuse tariff is increasing with 6%, this increase will assist with the repair and maintenance of the municipality's infrastructure.
- The sewerage tariff is increasing with 6%.
- Tariff for other revenue to increase with 6%

*** The Tariff list for 2019/2020 MTREF financial year is attached under **Separate Cover (4)**

A - Revenue

Property Rates

Property Rates increases to R311 695 687 in the 2019/20 financial year and represents 11% of the revenue budget. The property rates tariffs will increase with 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 70%.

Service charges

The service charges for the 2019/20 budget is R1 364 070 544, 48% 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 13.07% which is in line with the Nersa Consultation Paper. The budgeted amount for electricity is R761 499 379. Water revenue increases to R 359 182 759 in the 2019/20 financial year, this increase results in an average increase of 6%. Sanitation and Refuse service charges increase with 6%, this increase is in line with the CPIX as prescribed in MFMA Circular 94. The budgeted amount for Sanitation services is R 153 036 786 and R 90 351 622 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 R513 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 supplement 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 R53 000 000. This projected revenue will be utilized as a source of funding for capital projects.

- Other Revenue

The budgeted amount for other revenue is R238 192 789.

B – Expenditure

Employee Related Cost & Councillor Remuneration

The salary figure is 24%, 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 1%, 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 32%, R1 028 643 354 of total expenditure budget. The total budget for electricity and water is R511 351 999 and R517 291 355. Eskom is increasing its electricity with 15.63% and Sedibeng is increasing with 8%.

Other Materials

Other Materials which relates to inventory used for repaired and maintenance is R132 679 093, 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 215 869 319 which is 7% of total expenditure budget.

Other Expenditure

Other General Expenditure relate to operational costs and are therefore inevitable. This makes up 4%, R 139 215 860 of total expenditure.

Depreciation and Debt Impairment

The total amount budgeted for debt impairment and depreciation amounts to R768 193 421 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 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.

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

Indigent Management

Implementation of the Supplementary Valuation Roll

Bulk Service management

Expenditure Management

By implementing the above initiatives, the budget will be moving to a funded position in 2020/21 is attached under **Separate Cover (5)**

Budget Related Policies

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

RECOMMENDATION

1. That the Annual Budget 2019/20 MTREF be adopted by Council.

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

PURPOSE

The purpose of this item is to submit the final Draft Service Delivery and Budget Implementation Plan for 2019/20 Financial year to Mayoral Committee for noting.

BACKGROUND

Municipalities are required in terms of the law to develop annual service delivery and budget implementations. The Municipality has submitted final draft SDBIPs 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 final draft SDBIP for 2019/2020 submitted together with the final draft IDP and budget after public participation process has been finalized on the draft IDP 2019/2020.

*** **Attached under Separate Cover (6)** is the final 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 final draft SDBIP for 2019/2020

RECOMMENDATIONS

- 1. The Mayoral Committee notes the final draft Service Delivery and Budget Implementation Plan for 2019/2020.
- 2. That the final draft SDBIP for 2019/2020 be submitted to Council for noting.

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APPROVAL OF THE BANKING FACILITIES AND OVERDRAFT OFFERED BY ABSA BANK LIMITED FOR THE 2019/20 FINANCIAL YEAR (CFO) (6/3/1/2)

PURPOSE

To request approval for the banking facilities and overdraft offered by ABSA Bank Limited for the 2019/20 financial year.

BACKGROUND

In terms of Section 7 of the Municipal Finance Management Act 56 of 2003, must every municipality open and maintain at least one bank account in the name of the municipality. All the money received by the municipality must be paid into its bank account or accounts, and this must be done promptly and in accordance with Chapter 3 of the aforementioned act and any requirements that may be prescribed. Section 8 of the Municipal Finance Management Act 56 of 2003 indicates all the moneys that must be paid into a municipality's primary bank account.

The volume of the banking transactions that the municipality performs daily is a great number which result in too excessive banking costs, the municipality should therefore manage and reduce the banking cost by implementing a banking facility that will assist and perform the aforementioned.

Every year the Council of the municipality is responsible for approving the banking facilities offered. ABSA Bank Limited has approved banking facilities in favour of the municipality.

Council resolved previously that:

The client opens/operates bank accounts with ABSA Bank Limited ("the bank") from time to time.

The client negotiates and accepts banking facilities and/or other banking services/products, including but not limited to electronic banking products and foreign exchange products, with the bank.

The municipality be entitled to:

Request the Bank to open new or close existing bank accounts;

Negotiate and settle the terms and conditions of the banking facilities/services/products on behalf of the client;

Sign all documentation relating to 3.1 and 3.2 including but not limited to application forms, agreements, facilities letters, security documents including but not limited to indemnities, surety ships, cessions, undertakings and mortgages;

Authorize individuals to give instructions to the bank, whether verbal, written, faxed or electronic, that may be necessary for the utilization of the banking facilities/services/products;

For purpose of electronic banking services, appoint system managers who will be responsible for registration of operations; registration of modules and authorizations per operator; linking accounts to operators; changing operator detail;

Authorize individuals to sign cheques, bills of exchange, promissory notes, other negotiable instruments, documentation relating to deposit and withdrawal of funds in any bank account;

The Mayor be authorized to supply the bank with the names and specimen signatures of the persons authorized pursuant to 3 above.

DISCUSSIONS

None

POLICY POSITION

Liability, Investment and Cash Management Policy.

LEGAL IMPLICATIONS

Municipal Finance Management Act 56 of 2003 Section 7.

FINANCIAL IMPLICATOINS

ABSA Bank Limited will assist Council in reducing and effectively managing Council's banking cost.

Overdraft facility of R 10 000 000

RECOMMENDATION

1. That the Council approves the banking facilities and overdraft facilities of **R10 000 000** for the 2019/20 financial year.

A44 of 2019**UPPER LIMIT OF TOTAL REMUNERATION PACKAGES PAYABLE TO MUNICIPAL MANAGERS AND MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGERS (EDCSS) (5/1)****PURPOSE**

To provide the calculation of the total remuneration package payable to Municipal Manager and Managers directly accountable to Municipal Manager in terms of Government Notice no. 42023 of 8 November 2018.

INTRODUCTION AND BACKGROUND

During 2018 the Minister for Cooperative Governance and Traditional Affairs issued Circular No.42023 determining the upper limits of the total the total remuneration packages payable to municipal managers and managers directly accountable to municipal managers.

These remuneration packages as per the circular have not been effected for Senior Managers at Matjhabeng Local Municipality.

LEGISLATION

Local Government: Municipal Systems Act No: 32 of 2000

Government Notice No. 287 of 2016

Local Government: Competency Framework for Senior Managers

Municipal Finance Management Act No. 56 of 2003

Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers: Government Gazette No. 37245 of January 2014

Division of Revenue Act, Gazette No.41678 of 04 June 2018.

Financial Calculation**Allocation of points for total municipal income.**

Total municipal income in respect of local municipality based on actual income as stated in the audited financial statements of Matjhabeng Local Municipality for the 2016/17 financial year was R 1,539,789,661.

	2016/17
Total Municipal Income	R 1,539,789,661
Total Municipal Income	Points
R 1,539,789,661	57

1. Allocation of points for total population.

Population of Matjhabeng Local Municipality as published in the Community Survey 2016: Statistical Release No. P0301, in terms of the *Statistics Act*, 1999 (Act No.6 of 1999).

TOTAL POPULATION		
From	To	Points
426,485	495,420	18

2. Allocation of points for total local government Equitable Share.

Municipal Equitable Share allocation for the 2017/18 financial year was.

TOTAL EQUITABLE SHARE		
From	To	Points
R309,591,116	R2,011,870,725	9

3. Determination of categorization of municipality

The sum total number of points allocated to municipality in terms of **total municipal income, total population equitable share** is 84.

CATEGORISATION OF MUNICIPALITY		
Categorization	From	To
6	79	85

4. Upper limits of the total remuneration packages of municipal managers; 2017/18

MUNICIPAL CATEGORISATION	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE
	MINIMUM	MIDPOINT	MAXIMUM
6	R1,351,468	R1,618,524	R1,885,581

5. Upper limits of the total remuneration packages of managers directly accountable to municipal managers; 2017/2018.

MUNICIPAL CATEGORISATION	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE
	MINIMUM	MIDPOINT	MAXIMUM
6	R1,097,024	R1,305,982	R1,514,940

The following documents are attached under Separate Cover (7) for ease of reference:

- Statement of Financial Performance for financial years 2016 to 2017.(Total Income)
- Notes to the Annual Financial Statements for the year ended 30 June 2018 indicating Equitable Share allocated to Matjhabeng Municipality for Financial year 2017/18. (Equitable Share)
- Government Notice Number 42023 of 8 November 2018.(Upper Limits of Total Remuneration Packages Payable to Municipal Managers and Managers Directly Accountable to Municipal Managers)
- Information from Statistics South Africa's website indicating the population of Matjhabeng Local Municipality (FS184)

RECOMMENDATIONS

- That information provided in this item be verified with Finance before it can be implemented.
- That the Municipal Manager and Managers directly accountable to Municipal Manager be compensated as per the Circular No. 42023 of 8 November 2018, "Upper Limits of Total Remuneration Package Payable to Municipal Manager and Managers Directly accountable to Municipal Manager."
- That the remuneration be backdated from 8 November 2018.

A45 of 2019

PROGRESS REPORT: PROPOSED ORGANISATIONAL STRUCTURE (MM) (2/1)

PURPOSE

To provide progress on the proposed Organisational structure.

INTRODUCTION AND BACKGROUND

At its meeting held on 16 January 2018 **COUNCIL RESOLVED:**

- “1. That the item BE **NOTED AND REFERED 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.”

DISCUSSION

Council has recently agreed to review its organisational structure, with the aim to make it more cost –effective and enable the municipality to respond to the communities’ needs. In addition the local Government : MSA (32/2000) : Local Regulations on appointment and conditions of employment of senior managers (Government Gazette No.37245 of 17 January 2014); requires the municipal manager to within 12 months of the promulgation of these regulations , review the municipality’s staff establishment having regard to the principles set out in these regulations, the functions and powers listed in part B of Schedule 4 to the Constitution, part B of Schedule 5 to the Constitution, Chapter 5 of the Structures Act, and based on –

- a. A municipality’s strategic objectives; and
- b. A municipality’s core and support functions.

Having gone through the process to review the organogram, Council has since referred back the proposed organogram citing affordability for the municipality. SALGA has been requested to provide comments on the process and design of the new organisational structure.

Subsequent to the above advice from SALGA and during the Special Section 80 for Corporate Services held on 11 October 2018, and after the presentation conducted by Mr Goliath from COGTA, it was resolved as follows:

1. That the Proposed Organisational Structure be parked/suspended and not be escalated to Council for approval due to its unaffordability.
2. That the Current Approved Structure (2009 Structure) form the bases for developing the new proposed organogram and align the 2009 Structure within the financial means of the Municipality.
3. That in developing the proposed organogram the following be considered :

- a. All vacant posts on the approved structure be disestablished.
- b. All “acting positions” on the structure be disestablished.
- c. That the cost of jobs of positions in Political Office be aligned with job costs of similar positions in Administration.
- d. That the number of Directorates be reduced to six, including the Office of the Municipal Manager, as per the Regulations (Circular No.26223).

The following was undertaken by the Branch Organisational Efficiency Studies.

- a. Vacant and “Acting posts” are being disaggregated and costed.
- b. Critical vacant posts are being isolated and costed.
- c. Directorates/ Departments were being aligned as per Chapter 2 of the Regulations (Circular No.26223)

FINANCIAL IMPLICATIONS

The total financial implications of the attached adjusted 2009 Organisational Structure is R514 761 285. The budgeted employee costs of the staff establishment for financial year 2018/2019 is R739 105 674.

*** **Attached under Separate Cover (8)** are the costing tables of the proposed organisational structure as advised by COGTA

*** **Attached under Separate Cover (9)** is the proposed organisational structure.

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.

SUBMITTED FOR CONSIDERATION