

MC1/2019

MONTHLY FINANCE REPORT – DECEMBER 2018 (CFO) (6/4/1)

PURPOSE

To submit to the Mayoral Committee the Monthly Finance Report for December 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 sections and extracted from the Solar System.

DISCUSSIONS

*** The finance report for December 2018 is attached on page 1 to page 15 of the Annexures.

FINANCIAL IMPLICATIONS

TABLE 1	Actual For the Month (December 2018)	For Year to date (2018/2019)
All Grants Received	145 222 000	428 383 000
Actual Revenue Received	71 137 615	496 201 805
Actual Expenditure	181 141 589	721 620 699
Salaries	55 757 148	349 763 440
Water	1 500 000	6 698 696
Electricity	55 683 706	161 229 467
Other Expenditure	68 200 735	203 929 096
Sub-Total	35 218 026	202 964 106
Loan Redemptions	-	-
Net Surplus/(Deficit) before Capital payments	35 218 026	202 964 106
MIG Payments	6 611 018	53 289 587
INEG Payments	-	-
WSIG Payments	-	5 296 345
Capital Assets procured - Equitable Share	-	-
Fleet & Equipment	-	-
Office convention/ Furniture	-	-

Net Surplus/(Deficit) after Capital payments	28 607 008	
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Table 1: The municipality had a surplus of R28 607 008 for the month of December after capital payments, This surplus indicates that the expenditure incurred is less than the revenue received for month.

TABLE 2	Actual For the Month (December 2018)	For Year to date (2018/2019)
Total Billings	115 274 274	909 502 538
Less: Indigent Billings	3 007 993	12 095 670
Actual Billings	112 266 281	897 406 868
Actual Revenue Received	70 016 958	488 596 413
Consumer Revenue	63 767 652	441 273 329
Other	6 249 307	47 323 085
Grants & Subsidies	145 222 000	428 383 000

Pay rate for December 2018 (Total Billings)	62%
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Total income percentage - December 2018	63%
Total income percentage – YTD	55%

The pay rate for December 2018 was 62%

The total income percentage December 2018 was 63%.

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

MC2/2019

THREE MONTHS FINANCE REPORT – OCTOBER - DECEMBER 2018 (CFO)
(6/1/2/2)

PURPOSE

To submit to the Mayoral Committee three Months Finance Report for October - December 2018 in terms of Section 52(d) of the Municipal Finance Management Act, number 56 of 2003.

BACKGROUND

Section 52(d) 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 quarter and for the financial year up to the end of that quarter:

- 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 52 report is as follows:

- 7. 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
- 8. After month end the Information Communication Technology Department runs all the month end reports.
- 9. 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.
- 10. The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
- 11. The Costing Section provides the Budget Department with the employee related reports and the overtime per department.
- 12. The Section 52(d) report is then compiled with all the information received from other sections and extracted from the Solar System

DISCUSSIONS

*** The finance report for October - December 2018 is attached on page 16 to page 26 of the Annexures.

FINANCIAL IMPLICATIONS

TABLE 1	Budget for three months	Actual for three months (2018/2019)
Actual Revenue Received	507 261 538	233 932 051
All Grants Received	156 164 500	159 222 000
Total Income	663 426 038	393 154 051
Actual Expenditure	603 859 074	370 925 706
Salaries	190 866 046	170 786 135
Water	119 743 369	4 456 522
Electricity	110 063 332	72 332 331
Other Expenditure	183 186 327	123 350 718
Net Surplus/(Deficit) before Capital payments	59 566 964	22 228 346

MIG Payments	30 201 083
INEG Payments	-
WSIG Payments	5 296 345

Capital Assets procured - Equitable Share	-
Fleet & Equipment	-
Office convention/ Furniture	-

Net Surplus/(Deficit) after Capital payments	-13 269 082
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Table 1: The municipality had a deficit of R13 269 082 for the quarter after capital payments, this indicates that the expenditure incurred is more than the revenue received for quarter.

TABLE 2	Actual for three months (2018/2019)
Total Billings	420 436 617
Less: Indigent Billings	8 822 404
Actual Billings	411 614 213
Actual Revenue Received	230 063 547
Consumer Revenue	208 395 260
Other	21 668 288
Grants & Subsidies	159 222 000

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Pay rate for Second quarter (Total Billings)	56%
Total income percentage - Second quarter	57%
Total income percentage – YTD	55%

The pay rate for the Second quarter was 56%

The total income percentage for the Second quarter was 57%.

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 budget report is submitted in compliance with Section 52(d) of the MFMA no 56 of 2003. Section 52(d) stipulates that the mayor of the Municipality must, within 30 days of the end of each quarter, submit a report to council on the implementation of the budget and the financial state of the Municipality.

RECOMMENDATIONS

1. That the Finance Report for the Quarter (October - December 2018) in terms of Section 52(d) of the Municipal Finance Management Act, number 56 of 2003, be noted.
2. That the Finance Report for the Quarter (October - December 2018) in terms of Section 52(d) of the Municipal Finance Management Act, number 56 of 2003, be submitted to Provincial and National Treasury.

MC3/2019

MID-YEAR BUDGET AND PERFORMANCE REPORT - 1 JULY 2018 - 31 DECEMBER 2018 (ED: SSS) (CFO) (6/1/1/1) (2018/19)

PURPOSE

To present to Mayoral Committee a report on the Mid- year Budget and Performance Report of the Municipality for the period 1 July to 31 December 2018 as required by Section 72 of the Municipal Finance Management Act No 56 of 2003 .

BACKGROUND

In accordance with Section 72 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), hereafter referred to as the “MFMA”, the Accounting Officer of a municipality must by 25 January of each year-

1. Assess the performance of a Municipality during the first half of the financial year, taking into account-
 - a) The monthly statements submitted for the first half of the financial year in accordance with Section 71 of the MFMA;
 - b) The Municipality’s service delivery targets and performance indicators set in the service delivery and budget implementation plan (SDBIP);
 - c) The past year's annual report, and progress in resolving problems identified in the annual report; and
 - d) The performance of every Municipal entity under the sole or shared control of the Municipality, taking into account reports in terms of section 88 of the MFMA from any such entities.

Section 72 further 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 the six month period from July – December:

- Actual revenue per revenue source
- Actual borrowings
- Actual expenditure per vote
- Actual capital expenditure per vote
- The amount of any allocations received
- Actual expenditure on allocations received

The compilation of Section 72 report is as follows:

- After the billing cycle the Income Department compile the income reports debtors' age analysis and the top 20 outstanding debtors.
- After month end the Information Communication Technology Department runs all the month end reports.
- 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.
- The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
- The Costing Section provides the Budget Department with the employee related reports and the overtime per department
- The Section 72 report is then compiled with all the information received from other sections and extracted from the Solar System

DISCUSSIONS

*** **The Mid-year report Budget and Performance report – 1 July to 31 December 2018 is attached as SEPARATE COVER 1.**

*** **The finance reports for July - December 2018 is attached on page 27 to page 38 of the Annexures.**

FINANCIAL IMPLICATIONS

TABLE 1	Budget for Six months	Actual for Six months (2018/2019)
Revenue	1 014 523 075	496 201 805
Grants & Subsidies	312 329 000	428 383 000
Total Income	1 326 852 075	924 584 805
Total Expenditure	2 413 458 369	721 620 699
Salaries	381 732 091	349 763 441
Water	239 486 739	6 698 696
Electricity	220 126 664	161 229 467
Other/Stationery, Telephone	1 572 112 876	203 929 095
Sub-Total	(1 086 606 294)	202 964 106
Loan Redemptions		
Net Surplus/(Deficit) before Capital Payments	(1 086 606 294)	202 964 106

MIG Payments	53 289 587
INEG Payments	-
WSIG Payments	5 296 345

Capital Assets procured – Equitable Share	-
Fleet & Equipment	-

Office convention / Furniture	-
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Net Surplus/(Deficit) after Capital Payments	144 378 174
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Table 1: The Municipality had a surplus of R144 378 174 for the period after Capital Payments, this means that the amount received is above the amount paid.

TABLE 2	Actual for Six months (2018/2019)
Total Billings	909 502 538
Less: Indigent Billing	12 095 670
Actual Billings	897 406 868
Actual Revenue Received	488 596 413
Consumer Revenue	441 273 329
Other	47 323 084
Grants & Subsidies	428 383 000

Pay rate – (July - December 2018) Billing	54%
Total income percentage – (July - December 2018)	55%

The pay rate on consumer services for January – December 2018 was 54% and the total income percentage for January – December 2018 was 55%. In order for the Municipality to be financially sustainable the pay rate will have to be increased to 80% on the consumer services.

LEGAL IMPLICATIONS

Both the financial and non-financial reports are submitted in terms of Section 72. (1), Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (Chapter 6 and Sections 16 and 26 of Chapters 4 and 5, respectively), as read with the Local Government: Municipal Systems Amendment Act, 2003 (Act 44 of 2003).

FINANCIAL IMPLICATIONS

The municipality has currently a pay rate of **62%** and a total income percentage of **63%** as at 31 December 2018 which in line with budgeted percentage of **60%**.

RECOMMENDATIONS

1. That the financial and non-financial Reports for period of Six Months (July - December 2018) in terms of Section 72 of the Municipal Finance Management Act, number 56 of 2003, be noted.
2. That both the Financial and non-financial Reports for period of Six Months (July - December 2018) in terms of Section 72 of the Municipal Finance Management Act, number 56 of 2003, be submitted to provincial and national treasury.

MC4/2019

DRAFT AUDITED ANNUAL REPORT 2017/2018: MATJHABENG MUNICIPALITY
(ED: SSS)

PURPOSE

The purpose of the item is to table the draft Annual Report of the financial year 2017/2018 to MAYCO for consideration.

BACKGROUND

After the end of each financial year, the law requires Municipalities to develop draft annual reports for submission to Office of the Auditor General by the end of August which is the first two months of the succeeding financial year. We have been submitting the final draft annual reports as a Municipality for consideration by council for the years and we have not failed as a Municipality.

The purpose of drafting an annual report is to provide evidence of planned tasks and the actual achievements for work that was planned and achievements realized during the financial year that has gone past. In other words, the Municipality makes public a record of performance for the past financial year and in the report we indicate areas that were challenges and how we anticipate solving such challenges going forward.

According to the MFMA, the Annual Report should include:

- The Annual Financial Statements of the Municipality, and consolidated Annual Financial statements as submitted to the Auditor-General for auditing in terms of section 126(1) of the MFMA
- The Auditor General's Audit Report in terms of Section 126(3) of the MFMA on the financial statements in (a) above;
- The Annual performance report of the Municipality as prepared by the Matjhabeng Local Municipality in terms of Section 46 of the Local Government: Municipal Systems Act 32 of 2000 (MSA)
- An assessment of the Municipality's performance against the measurable objectives referred to in Section 17 (3)(b) of the MFMA for revenue collection from each revenue source and for each vote in the Municipality's approved budget for the financial year 2013/2014

The Municipality submitted the draft annual report to the Office of the Auditor General which was audited during the months of August until November 2018. The draft unaudited annual performance report was also submitted to council of the 30th August 2018 and the following were the resolutions taken from the council meeting on the basis of the annual unaudited report submitted for 2017/2018:

COUNCIL RESOLVED: (30 AUGUST 2018)

1. That Council **NOTES** the draft unaudited annual report for the Financial Year 2017/18.
2. That the draft unaudited annual performance report 2017/2018 **BE SUBMITTED** to Office of the Auditor General for audit purpose.
3. That the draft unaudited report **BE SUBMITTED** to the Provincial and National Departments of Cooperative Governance and Traditional Affairs as well as the Provincial and National Treasuries.

There were audit steering committee meetings scheduled for Thursdays throughout the four months from September until mid- December 2018. In the last audit steering committee meeting, office of the Auditor General presented the draft audit report which indicated that the municipality received a qualified audit opinion.

***** The Draft Annual Report is attached as SEPARATE COVER 2.**

LEGAL IMPLICATIONS

Local Government: Municipal Finance Management Act 2003(Act No. 56 of 2003)

Section 121(1) states as follows: ... “The council of a Municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control in accordance with section 129”.

Local Government: Municipal Systems Act 2000 (Act No 32 of 2000):

Section 46 (1) “A municipality must prepare for each financial year a performance report reflecting-

(a) The performance of the municipality and of each external service providers during the financial year;

(2) An annual performance report must form part of the municipality’s annual report in terms of Chapter 12 of the Municipal Finance Management Act.”

FINANCIAL IMPLICATIONS

There were no financial implications for the drafting of draft annual report as it was compiled internally.

RECOMMENDATIONS

1. The Mayoral Committee considers the Draft audited Annual Report for the Financial Year 2017/18.
2. That the draft annual report, after item 4 above has been satisfied, be submitted to section 80 committee, MAYCO and ultimately to Council for adoption as a draft so that public participation process can take place before final approval.

MC5/2019

EXPENDITURE REPORT ON THE MUNICIPAL INFRASTRUCTURE GRANT (MIG) 2018/19 FINANCIAL YEAR (EXECUTIVE MAYOR) (6/4/1)

PURPOSE

To provide Council with the current progress of the Municipal Infrastructure Grant (MIG) expenditure for the month of December 2018.

BACKGROUND

The Municipality was allocated an amount of **R116 581 000.00** of the Municipal Infrastructure Grant (MIG) for the 2018/19 financial year.

An amount of **R2 946 786, 95** is for PMU operational costs, which is 2.5% of the total MIG allocation.

DISCUSSION

Current MIG Expenditure can be reported as per the tables below.

ALLOCATION:

Summary of Expenditure To Date	
Allocation	R 116 581 000.00 (100%)
Planned/Target Expenditure by end December 2018	R 51 295 640.00 (44%)
Current Expenditure by end December	R 47 250 443.07 (41%)
Planned/Target Expenditure by end January 2019	R58 198 117.79 (50%)
Balance to be spent by end June 2019	R69 330 556.00 (59%)

All December invoices that were submitted on time were paid.

LEGAL IMPLICATIONS

Municipal Finance Management Act (MFMA) 56 of 2003
Division of Revenue Act (DORA) 3 of 2016

RECOMMENDATIONS

1. That Council take note of the report.

MC6/2019

SPECIAL ADJUSTMENT BUDGET FOR 2017/2018 FINANCIAL YEAR (CFO)**PURPOSE**

The purpose of the item is to request council to approve the special adjustment budget for 2017/2018 financial year.

BACKGROUND

During the 2017/2018 financial year, the Municipality incurred unauthorised expenditure as per special adjustment budget attached hereto. In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. This special adjustment budget “may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.”.

LEGAL IMPLICATIONS

Section 15 of the MFMA provides that a municipality may incur expenditure only in terms of an approved budget. This is confirmed by section 32(2)(a)(i) of the MFMA that provides that council may only authorise unauthorised expenditure in an adjustments budget.

Sections 28(c) and 28(g) of the MFMA, read together with regulations 23(1), 23(2), 23(4) and 23(6) of the MBRR, discusses *when* council may authorise unauthorised expenditure in an adjustments budget. This can be addressed in three different adjustments budgets as follows:

- (a) ***Adjustments budget for unforeseen and unavoidable expenditure:*** An adjustments budget to allow council to provide *ex post* authorisation for unforeseen and unavoidable expenditure that was authorised by the mayor in terms of section 29 of the MFMA must be tabled in council at the “first available opportunity” or within the 60 days after the expenditure was incurred (see section 29(3) of the MFMA). Should either of these timeframes be missed, the unforeseen and unavoidable expenditure must be treated in the same manner as any other type of unauthorised expenditure, and may still be authorised in one of the other adjustments budgets process described below.
- (b) ***Main adjustments budget:*** In terms of regulation 23(6)(a) of the MBRR, council may authorise unauthorised expenditure in the adjustments budget which may be tabled in council “at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year”. Therefore unauthorised expenditure that occurred in the first half of the current financial year may be authorised by council in this adjustments budget. Where unauthorised expenditure from this period is not identified or investigated in time to include in this adjustments budget, it must be held over to the following adjustments budget process noted below.

© *Special adjustments budget to authorise unauthorised expenditure*: In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. This special adjustments budget “may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.” This special adjustments budget therefore deals with:

- unauthorised expenditure that occurred in the first half of the previous financial year that was not included in the main adjustments budget or that was included but referred back for further investigation or further information;
- unauthorised expenditure that occurred in the second half of the previous financial year, and
- any unauthorised expenditure identified by the Auditor-General during the annual audit process.

All instances of unauthorised expenditure must be recovered from the liable official or political office-bearer, unless the unauthorised expenditure has been authorised by council in an adjustments budget.

***** The Special Adjustment Budget is attached as SEPARATE COVER 3.**

FINANCIAL IMPLICATIONS

The Municipality has disclosed unauthorized expenditure in Note 51 of the 2017/18 Annual Financial Statements. The amount represented the net difference between the Adjustment Budget for 2017/18 and the actual expenditure as included on the audited financial statements. Management therefore request approval of Special Adjustment Budget to increase the expenditure budget by **R927 228 581** from **R2 322 821 000** to **R 3 250 049 581**. This will effectively allow for virement of budget were the budget was not fully utilised and authorisation of overspending in expenditure categories listed below as well as the respective votes.

RECOMMENDATIONS

1. That Council approves the special adjustment budget to authorize the 2017/18 unauthorized expenditure.

MC7/2019

QUALIFICATIONS AND SKILLS AUDIT REPORT: MATJHABENG LOCAL MUNICIPALITY (ED: CSS)

1. PURPOSE OF THE REPORT

To submit findings to the Mayoral Committee in respect of a qualification audit done within the Matjhabeng Municipality. The purpose of this report is to provide a profile of qualifications, work experience and skills levels of job incumbents in order to inform a human resource development and organisational strategy.

2. BACKGROUND

As a compliance matter, qualification audits have to be undertaken frequently for competency profiling, training needs identification and to assist employees in terms of skills development interventions, talent retention, career pathing and succession planning.

3. OBJECTIVES

The main aim of this audit was to develop a profile of the human resource component of the Matjhabeng Municipality. The report provide the following:

- A demographic profile of the employees which includes an analysis of the gender composition, age, occupational category, job levels and recommendations concerning upgrading of capacity within the work force.
- A competency profile in terms of current educational and skills levels.

4. LEGISLATIVE FRAMEWORK

Section 68 of the Local Government Municipal Systems Act 32 of 2002 places an obligation on a municipality to develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way.

The Skills Development Act (97 of 1998) aims at providing an institutional framework for the development and implementation of national, sector and workplace strategies to develop and enhance the skills of the South African workforce. This Act should be read together with the Skills Development Levies Act of 1999 which regulates the imposition of skills development levies and the disbursement of skills grants by Sector Education and Training Authorities.

SUBMITTED FOR DISCUSSION

MC8/2019

SUBMISSION OF DRAFT HALF YEAR NON-FINANCIAL REPORT TO MAYCO FOR CONSIDERATION (ED: SSS)

PURPOSE

To submit a 2018/2019 section 72(Half year) draft non-financial report to MAYCO for consideration.

BACKGROUND

Section 152(2) of the Constitution of South Africa, Act 108 of 1996, clearly spells out objectives of local government as follows:

- (a) To provide a democratic and accountable government for local municipalities
- (b) To ensure provision of services to communities in a sustainable manner
- (e) To encourage the involvement of communities and community organisations in matters of local government.

It is also the requirement of section 38(a) (iii) of the Municipal Systems Act of 2000 to provide a clear linkage between the integrated development plan and the performance management system of the municipality. It is therefore critical that we measure the extent to which the objectives as set out in the integrated development plan are being achieved.

The institutional framework for the performance management process expects the following to take place:

- That council should receive a performance report from the Executive Mayor on a mid-year basis;
- That the Executive Mayor provides oversight that ensures that senior management gathers relevant and planned information throughout each reporting period and submit progress report on a quarterly basis; and
- That the internal audit function must audit and assess the accuracy of performance reports, the functionality of the performance management system.

***** Attached as SEPARATE COVER 4 is the draft half-yearly non-financial report.**

LEGAL IMPLICATIONS

- Constitutions of the Republic of South Africa, Act 106 of 1996
Section 152(2) (b) “To provide a democratic and accountable government for local municipalities”
- Municipal Systems Act, Act 32 of 2000
Section 38- A municipality must:
(a) Establish a performance management system that is-

(iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan.

FINANCIAL IMPLICATION

Development of the draft report was done internally.

RECOMMENDATIONS

1. That MAYCO considers progress achieved for the first six months of the current financial year.
2. That the draft report be submitted to council for consideration.
3. That the approved report be submitted to Cogta (Province and National) as well as Treasuries (Province and National).
4. That all changes to be effected as a result of budget adjustments be reflected in the IDP.

MC9/2019

DETERMINATION OF UPPER LIMITS OF SALARIES, ALLOWANCES AND BENEFITS OF DIFFERENT MEMBERS OF MUNICIPAL COUNCIL (CFO) (6/6/2)

PURPOSE

To submit to Council the upper limits of salaries, allowances and benefits of different members of Municipal Council as per **Government Gazette No 42134** dated **21 December 2018**.

INTRODUCTION AND BACKGROUND

The Minister of Cooperative Governance and Traditional Affairs published a notice of the determination of upper limits of salaries, allowances and benefits of the different members of Municipal Councils.

*** **A copy of the notice is attached under a SEPARATE COVER 5 as: Government Gazette No 42134 dated 21 December 2018.**

It should be noted that the determination is with effect from July 2018.

The **new** upper limits determined in the Gazette and the current salaries, allowances and benefits per annum are as follows:

TYPE	EXECUTIVE MAYOR	SPEAKER	CHIEF WHIP	FULL TIME COUN- CILLORS	CHAIR- PERSON SECT 79	P/T CHAIR- PERSON SECT 79	PART TIME COUN- CILLORS
Package	1 006 728.00	805 382.00	755 045.00	755 045.00	732 898.00	408 860.00	318 591.00
Cellphone	40 800.00	40 800.00	40 800.00	40 800.00	40 800.00	40 800.00	40 800.00
Total Package	R1 047 528.00	R846 182.00	R795 845.00	R795 845.00	R773 698.00	R449 660.00	R359 391.00

Current Packages:

TYPE	EXECUTIVE MAYOR	SPEAKER	CHIEF WHIP	FULL TIME COUN- CILLORS	CHAIR- PERSON SECT 79	P/T CHAIR- PERSON SECT 79	PART TIME COUN- CILLORS
Package	968 008.00	774 405.00	726 005.00	726 005.00	704 710.00	393 135.00	306 338.00
Cellphone	40 800.00	40 800.00	40 800.00	40 800.00	40 800.00	40 800.00	40 800.00
Total Package	R1 008 808.00	R815 205.00	R766 805.00	R766 805.00	R745 510.00	R433 935.00	R347 138.00
No of Cllrs	1	1	1	10	1	3	55
Difference							
Total p/a	R38 720.00	R30 977.00	R29 040.00	R290 400.00	R28 188.00	R47 175.00	R673 915.00
Backpay	R19 360.00	R15 488.50	R14 520.00	R145 200.00	R14 094.00	R23 587.50	R336 957.50

Total Financial Implication (12 months)	R1 138 415.00
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It should be noted that a Councillor designated by organised local government to serve in its governance structure must, in addition to the total remuneration package applicable to that Councillor, be paid an allowance not exceeding R1 060, 80, irrespective of the number of meetings attended by such Councillor on a specific date.

PROBLEM STATEMENT

None

LEGAL AND POLICY FRAMEWORK

- Remuneration of Public Office Bearers Act 20 of 1998
- Government Gazette 42134 on the determination of Upper limits of salaries and benefits of different members of Municipal Council, dated 21 December 2018.

FINANCIAL IMPLICATION

1. The budget for 2018/2019 makes provision for an increase of 8%.
2. The financial implication for backpay for the 6 months will be = **R569 205.56**

COMMENTS OF ALL HEADS OF DEPARTMENTS

None

RECOMMENDATIONS

It is **recommended** that:

1. The increase of 4% for Full-Time Councillors and 4% for Part-Time Councillors, backdated from 1 July 2018, be approved.
2. That the concurrence of the MEC for local government be obtained prior to the implementation of the provisions of this notice.

MC10/2019

REPORT ON THE UNPROTECTED STRIKE BY SAMWU (EDCS) (5/13/1)

PURPOSE

The purpose of this item is to provide the Mayoral Committee with a report of the unprotected strike by SAMWU from the 13th November 2018 until the 28th November 2018.

BACKGROUND

SAMWU requested to hold a constituency meeting with their members on the 5th November 2018 to address matters affecting their members. Such meeting was granted and took place during the day of the 13th November 2018.

*** Attached on page 1 of SEPARATE COVER 6 is the SAMWU request.

It was immediately after that constituency meeting that the members of SAMWU embarked on the rampage and destroyed municipal properties. This occurred even before SAMWU could table any demand to management.

On the 14th November 2018, the MEC, Hon. Khoaboane met the Executive Mayor and SAMWU wherein a list of fourteen (14) demands was tabled.

*** Attached on page 2 to page 5 of SEPARATE COVER 6 are the SAMWU demands.

On the 15th November 2018, the MEC, Hon. Khoaboane and his team had a meeting with the Executive Management of Matjhabeng Local Municipality wherein answers and commitments were made and submitted to SAMWU and were rejected outright.

*** The Implementation Plan to address SAMWU demands is attached on page 6 to page 10 of SEPARATE COVER 6.

The meetings with COGTA team excluding the MEC continued until SAMWU demanded that the MEC make an undertaking to place the Municipality under Section 106 of the Municipal Systems Act. SAMWU indicated that the MEC had indeed promised them the 106 of the Systems Act.

*** Attached on page 11 to page 14 of SEPARATE COVER 6 is a letter addressed to SAMWU, its members and employees participating in illegal strike.

On the 23rd November 2018, the Municipality obtained an interdict barring SAMWU from striking and from using municipal fleet for striking purposes.

*** Attached on page 15 to page 18 of SEPARATE COVER 6 is the Court Interdict.

On the 28th November 2018, a meeting with all Managers was held to advise that-

- That the Municipality has obtained an Interdict against employees participating in the illegal strike;
- This meant that the employees must return to work and resume duties effective from the 29th November 2018 at 7h30;
- Failure to report for duty will result in “**no work, no pay**” principle being applied. A notice to all employees was further issued electronically and through hard copies.

*** The Notice to all employees **is attached on page 19 of SEPARATE COVER 6.**

Most of the employees heeded the notice and resumed duties on the 29th November 2018. In a letter dated 29th November 2018, SAMWU responded to the provisions of the Interdict and further outlined the list of their demands.

*** The SAMWU letter **is attached on page 20 to page 21 of SEPARATE COVER 6.**

LEGAL FRAMEWORK

Labour Relations Act 66 of 1995

FINANCIAL IMPLICATIONS

The final figure of the financial implications of the illegal strike has not yet been finalised.

COUNCIL RESOLVED: (04 DECEMBER 2018)

1. That the Municipal Manager **MUST PRIORITIZE** Sedibeng, ESKOM and employees.
2. That the Municipal Manager **MUST ENSURE** that third parties are paid immediately.
3. That the Municipal Manager must **SORT OUT** the issue of the Executive Mayor’s vehicle and the Speaker’s vehicle before the end of 2018 year.
4. That the Municipal Manager must **ACT DECISIVELY** against those employees who breached the code of conduct of employees (breaking the Executive Mayor’s door and vandalizing the Municipal property) by applying Section 55 (1) (g) of the Municipal Systems Act.
5. That the Municipal Manager **MUST APPLY** the “no work, no pay” principle.
6. That the Executive Mayor and the Municipal Manager must **GIVE AN UPDATE** on the progress of the full operations system (shift system) in January 2019.
7. That the Municipal Manager **MUST ENSURE** that the illegality of non-payment of third parties, although the monies were deducted from employees’ salaries, never happens again.

8. That a report must **BE SUBMITTED** to Council at the end of the first quarter of 2019.

Following the EXCO meeting held on the 21 January 2019, deliberations around the strike were held and the subsequent approach in implementing the Council resolutions was adopted and is as follows:

1. That caution be applied when implementing the “No Work: No Pay” but this be implemented in a staggered manner from in February 2019. The rationale will be to ensure that the burden of repercussions of such is eased.
2. The investigation is in progress to view all the available footages to establish perpetrators of vandalism and destruction to Municipal property. As these get finalized, a comprehensive report will be submitted.
3. The report in respect of the full operations system (shift system) is herein attached separately to highlight the methodology and outcome undertaken by Management.

SUBMITTED FOR NOTIFICATION

MC11/2019

REPORT TO THE MAYORAL COMMITTEE: THABONG T16 THE PROVISION OF WATERBORNE SANITATION FOR 1300 STANDS AND DOORENPAN 450 STANDS

1. PURPOSE

To submit to the Mayoral Committee a progress report and challenges on the Thabong T16: Provision of Waterborne Sanitation for 1300 Stands and Doorenpan 450 stands project.

2. BACKGROUND

T16 is situated on the far east of the Thabong Township along the Nkoane Road in Ward 17 of our Municipality. The area consisted of 1300 households which had a bucket system and hence there was a need to implement a project to eradicate the bucket system. The project is being implemented by the Municipality through the Municipal Infrastructure Grant (MIG) funding.

The project was approved by the Department of Water and Sanitation (DWS) as well as the Department of Cooperative Governance and Traditional Affairs (CoGTA) to a total value of **R61 899 139.00** including professional fees and construction costs, thus registered and funded through the Municipal Infrastructure Grant (MIG). Amadwala Construction Trading 363 cc was awarded the tender for the project by the Municipality at a contract amount of **R 53 187 644.21** (Including Vat and Contingencies). Kindly see attached appointment letter (Annexure A).

Doorenpan, which is an area in ward 17 that consists of 450 households. There was an old sanitation project for the 450 houses in Doorenpan that failed. The Doorenpan area was not included in the initial scoping of the project. The area was also without water and sanitation services that were up to standard and was established before T16. This was resulting in a volatile situation where residents of Doorenpan were disgruntled and were frequently coming to the Municipality to complain. Kindly see attached layout plan (Annexure B)

3. PROGRESS ON THE PROJECT

The contractor has been facing several challenges which include total pipe blockages on some sections that they are supposed to work on and delayed payments. This is resulting in delays in completion of the project, vandalism and theft on the project. The original scope is at 99% to completion and the second additional scope (Doorenpan) is at 90% completion as of 3 July 2018.

Currently the original scope of 1300 stands toilet structures and connections has been 100% complete, together with the 450 stands toilet structures and connections in Doorenpan that was the additional scope is also 100% complete. The pumpstation that was vandalized has not been restored to its optimal functionality. The contractor

refuses to fix the pumpstation citing financial challenges. Pictures of the vandalized pumpstation are attached as Annexure M.

*** Please see annexure C attached as SEPARATE COVER 7 for progress and expenditure.

4. DISCUSSIONS

It was discovered during commissioning of the fully completed toilets in T16 that most of the manholes are spilling as a result of blocked existing outfall sewer pipe lines. The Municipality requested the consultant to instruct the contractor to conduct an investigation in the sewer line. The existing sewer line were not forming part of original scope of work, and if left unattended the area would still be plagued with spillage. A portion of the Existing Sewer Line was repaired, however further investigations led to the discovery of damaged pipes further downwards. This necessitated variation order no. 1 amounting to an additional **R787 365.39 including professional fees**. Kindly see attached approved variation order (Annexure D).

It was further discovered that there are 130 households within the network of T16 whose water and sewer connections were not included in the scope of works. These houses were then included in variation order no. 2 and 3 to an additional total amount of **R12 071 611.86 including professional fees**. Kindly see attached approved variation order (Annexure E)

Further on, it was discovered that the area of Doorenpan falls within the area of the Contractor's scope but not covered in their scope of work. The area consists of 450 households and has a non-functional sewer system and remains with a bucket system. This system was interlinked to the current T16 of 1300 stands, and therefore T16 would experience a lot of failures should the scope of works for Doorenpan not be covered.

The water supply in Doorenpan was RDP standard where they are using communal taps serving 8 – 10 households each. This was not practical, nor did it provide dignity to the Community. The Municipality also could not bill any household for water consumption beyond the Free Basic Service of 6kl/month because consumption is not metered. Therefore, there was a need to connect water to each yard and install water meters. This was to assist and improve the revenue service income and control the water billing system of the Municipality. All of this necessitated variation order No 4 to the additional total amount of **R 16 417 846.09 including professional fees**. Kindly see attached approved variation order (Annexure F).

Subsequent to the approval of variation order No 4 the Contractor applied for extension of time to complete the project by 10 June 2017. However, the project has not ran smoothly due to a number of delays some being the sewer lines being blocked repeatedly and Infrastructure Maintenance Section was requested to assist. The contractor was also not paid in time and the project was on a stand still for 3 months (see extension of time application on Annexure G).

The Municipality issued a warning letter to the consultant on September 2016(See Annexure H) instructing the consultant to inform the contractor to expedite progress on site as the project was behind schedule and the completion date was nearing, however no response was received. The municipality wrote again to the consultant on 14 November 2016, the letter was referring to the consultant not responding to the letter issued to them and a request for a meeting to discuss progress and the way forward (See Annexure I).

T16 was completed October 2017 and the pump station was commissioned in November 2017. The contractor is currently still busy completing plumbing for 65 houses out of 450 houses in Doorenpan. All 450 toilet structures have been completed

During the month of April 2018 there was theft and vandalism on the pump station and the following items were vandalized and stolen:

- Both steel doors have been broken off and removed.
- All electrical wiring was removed.
- The electrical control box was completely stripped.
- The block and tackle have been removed.
- The 2 major pumps with motors have been removed.
- The service pump has been removed.
- The meter box/main connection have been broken into and damaged.
- Portions of the fence have been broken down.

The total cost of this vandalism and theft is estimated between R354 421.29 and R439 169.10. However, since works are still yet to be officially handed over to the municipality by the contractor. The contractor is obliged to replace all the stolen and vandalized items using their works insurance or any other means to restore functionality of the pump station.

There was a meeting held on the 23rd of May 2018 were the contractor promised to restore functionality of the pump station (See attached minutes on Annexure J). It was also agreed in a meeting that the contractor should finish all remaining works for the project by 29 June 2018, however the project is still not complete to date.

There was a letter issued by the municipality directed to the consultant to instruct the contractor to restore the functionality of the pump station and complete all remaining works on the project, failure to do so will result to legal action being taken by the municipality.

5. **FINANCIAL IMPLICATIONS**

Cost of the project are as follows;

Item	Contractor	Consultant
Initial Contract Amount	R 53 187 644.21	R 7 718 632.47
Total Variation orders	R 25 464 525.00	R 3 812 298. 03
Total	R 78 652 169.81	R 11 530 930.50
Total Payments	R 77 670 495.29	R 11 172 086.56
Balance of the contract from MIG funding	R 158 694.80 (Remaining balance).	R 0
Balance of the contract from Municipal funding	R 0	R 368 844.23

The contractor submitted a retention guarantee in the beginning of the project therefore no retention monies are due to him. Kindly see attached copy of the contractors guarantee (Annexure K).

Kindly see attached payment certificates (Annexure L).

RECOMMENDATIONS

It is hereby recommended as follows;

1. That the report be noted.
2. That since the contractor failed by 30 December 2018 as per Council Resolution A66 of 2018 to replace the stolen and vandalized items on the project as the works were not officially handed over to the municipality a criminal case must be opened and all punitive measures be enforced as per contractual terms be enforced. Council Resolution attached as Annexure N.