

RUSTENBURG LOCAL MUNICIPALITY
OFFICE OF THE EXECUTIVE MAYOR

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ADOPTION OF THE 2018/19 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

The Vision for Rustenburg still remains to be “World Class City where all communities can enjoy a high quality of Life and Diversity” and continues to define the chosen development path of the city. In preparing the 2018/19 MTREF it was critical that there was alignment between this vision, the strategic goals as enshrined in the revised IDP and supported by a credible and funded 2018/19 MTREF budget.

The adoption of the consolidated **R5.6 billion** Multi-Year Budget (R5.7 billion and R6.1 billion respectively for the two outer years), is a representation of the overall planning framework and includes both capital and operating projects together with programmes aimed at ensuring that the strategic objectives, as set out in the revised 5-year Integrated Development Plan (IDP), of the Rustenburg Local Municipality are met.

This multi-year budget is a financial plan to support council’s commitment in the attainment of both the vision and the following strategic priorities as detailed in the revised IDP of the Rustenburg Local Municipality: delivery of quality basic services; developing, diversifying and strengthening the local economies; building spatially integrated communities; preserve and conserve the natural environment; ensure sound financial management together with achievement of clean administration; intensifying the fight against crime, fraud and corruption and promoting social cohesion.

This 2018/19 MTREF is prepared under a challenging economic climate. South Africa’s GDP is expected to grow by 1.9% in 2018 and 2.0% in 2019. The mining sector continues to make up 74.6% of the key economic sectors and contributes to 35% of employment opportunities in the city. The current unemployment rate is estimated at above 26.5% which remains a huge concern given the volatility of the mining sector. Due to persistent pressure on platinum price, Rustenburg’s economy remains under severe pressure.

This reality serves to reinvigorate efforts to promote economic growth and diversification. The consolidated 2018/19 MTREF Budget represents the municipality’s strategic intent and focuses on the expansion of both service and economic infrastructure investment that is

The **Key Highlights** from the approved budget are summarised below:

OPERATING BUDGET

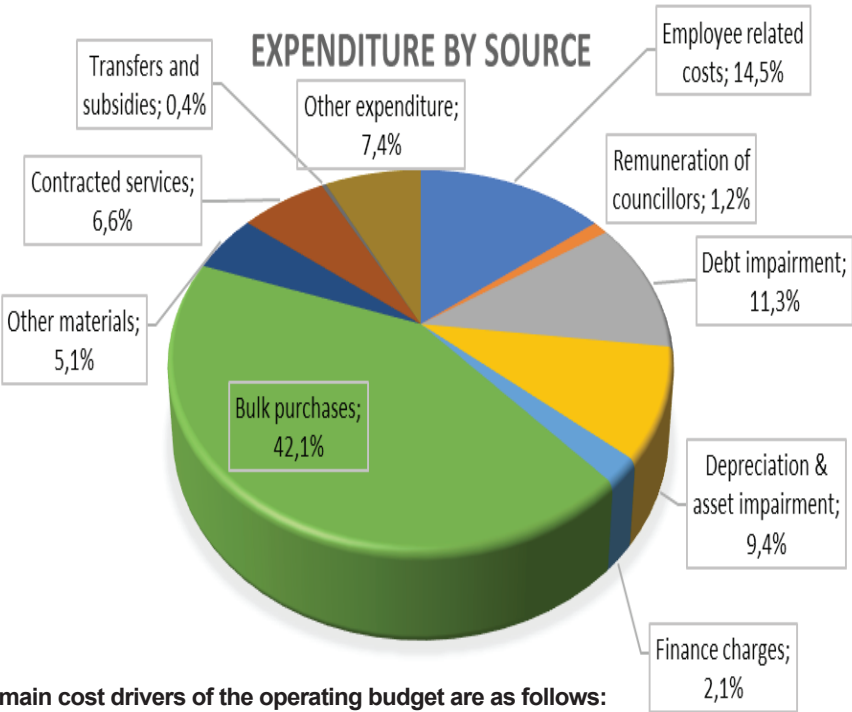
Revenue

The proposed operating **revenue** budget is approximately R4.779 billion in 2018/19, R5.063 billion in 2019/20 and R5.397 billion in 2020/21.

	Adjusted Budget 2017/18	Budget 2018/19	%	Estimate 2019/20	Estimate 2020/21
	R'000	R'000		R'000	R'000
Revenue	4 787 919	4 779 287	-0.18%	5 062 815	5 397 151
Expenditure	4 779 643	4 772 532	-0.15%	5 028 718	5 330 419
Surplus/(Deficit)	8 276	6 755	-18.38%	34 097	66 732
Capital transfers and contributions	526 208	506 885		470 684	498 769
Surplus/(Deficit) - After capital transfers and contributions	534 483	513 640		504 781	565 501

Expenditure

In aggregate, the multi-year budget provides for total expenditure amounting to R4.772 billion in 2018/19, R5.029 billion in 2019/20 and R5.330 billion in 2020/21 which is distributed as follows:



The main cost drivers of the operating budget are as follows:

- Cost of bulk purchases - water and electricity
- Repairs and maintenance of infrastructure
- Cost of addressing service delivery backlogs
- Impact of capital spending on operating expenditure
- Remuneration of councillors and employees as a result of filling of vacancies and provision for salary increase

Rustenburg Local Municipality is budgeting for a surplus (after capital transfers and contributions) of R0.514 billion in 2018/19, R0.505 billion in 2019/20 and R0.566 billion in 2020/21 which will be utilised towards funding the capital investment, building of reserves as well as the working capital of the municipality.



critical in boosting investor confidence. A lot of work has been done and will be done to implement numerous projects contained in the Integrated Development Plan (IDP) together with the 2040 LED Masterplan. Implementation of Legacy Projects including other strategic projects identified through the 2040 LED Masterplan and approved Precinct Plans is currently underway. Expressions of Interest have been issued and some already appointed for the following Legacy Projects and precincts:

- Fresh produce market
- Education Hub
- Phatsima Precinct
- Lethabong Precinct
- Monnakato Precinct
- Boitekong Precinct
- Tlhabane Precinct

Additional legacy projects under way include the facilitation of Township Establishment for the Farm Town and Townlands 272 JQ, which has been identified for industrial development and will include the Logistics and Mining Supplier Park. The municipality is making progress in the development of green economies through waste to energy projects from the rehabilitation of the Townlands landfill site, development of the Tourism Gateway Convention Centre and Hotel, development of the Rustenburg Airport and the establishment of a University/Education precinct through partnerships with interested public and private sector stakeholders.

Monitoring of the implementation of approved private sector developments is being conducted on the following projects:

- Tlhabane Mall Development by PIC worth about R1.4 billion
- Safari Investment Mixed-use Development worth about R3 billion
- Bellevue Mixed-use Development worth about R600 million
- Rustenburg Extension 30 Mixed-use Development

The municipality has also issued Request for Proposals for the Revitalisation of the Showgrounds targeting private sector investment on a long-term lease basis.

CAPITAL BUDGET

The level of capital expenditure and borrowings are based on affordability, prudential indicators and sustainability (debt ratio, current ratio, operating surplus and the impact or return of the capital investment on the operating account). The table below reflects the medium-term capital budget over the 2018/19 MTREF.

Funding Source	Proposed 2018-2019	Proposed 2019-2020	Proposed 2019-2021
GRANTS	506 885	470 684	498 769
CRR	119 607	166 384	163 447
LOAN	203 000	60 000	60 000
TOTAL	829 492	697 068	722 216

The capital budget of Rustenburg Local Municipality projects a spending plan of approximately R2.2 billion over the next three-year period.

FREE BASIC SERVICES

Rustenburg Local Municipality offers the following Free Basic Services (FBS)

- Water: 6Kl per household per month
- Electricity: 50KWH per household per month
- Sanitation: 100% subsidy
- Refuse Removal: One free refuse removal per week
- Property rates: 100% subsidy

The above FBS are in line with the national framework.

TARIFF OVERVIEW

Tariff-setting was an integral part of the compilation of the budget. The input costs, national and local economic challenges and outlook together with the affordability of services were some of the key considerations in the determination of cost reflective tariffs of the municipality. The municipality commissioned an engineering study in terms of cost of supply for all electricity and water services and the tariffs are based on that study. The overall indication is that the residents have been subsidising business and hence the review of both the residential and commercial tariffs in order to rectify this anomaly.

The Table below sets out the average tariff increases for 2018/19 – 2020/21 financial years:

Service	Budget Year 2018/2019	Budget Year +1 2019/20	Budget Year +2 2020/21
Property Rates	6.4%	6.4%	6.4%
Water - Basic	11.6%	6.5%	6.7%
Water - Consumption	15.5%	16.6%	17.8%
Electricity - Residential	6.6%	6.6%	6.6%
Electricity - Commercial	2.3%	2.3%	2.9%
Electricity - Government	0.0%	0.0%	0.0%
Electricity - Agricultural	3.7%	3.7%	3.7%
Electricity - Industrial	4.8%	4.3%	4.3%
Electricity - Time of Use	5.4%	5.4%	5.4%
Sanitation	15.0%	6.7%	6.7%
Waste Removal	9.2%	5.2%	5.2%

Under the leadership of the Executive Mayor, Cllr. Mpho Khunou together with the Municipal Manager, Ms. Nqobile Sithole, is a continued shared commitment to work with all stakeholders in ensuring the realisation of the city’s vision of making Rustenburg a “**A world class city, where all citizens enjoy a high quality of life**”.

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