

09 February 2018

To : The Speaker
Cllr M. Siyonzana

PAYMENT PLAN: BLOEM WATER DEBTS AND DISPUTE RAISED BY MANGAUNG METROPOLITAN MUNICIPALITY

15 PURPOSE

To obtain approval to enter into arrangement with Bloemwater for payment of water account previously in dispute.

2 STRATEGIC INTENT

To ensure that all obligations are properly recorded in the accounting records and processed in line with the policies and procedures of Mangaung Metropolitan Municipality.

3 FOR DECISION / CONSIDERATION BY

Finance Portfolio Committee/ MAYCO/ Council

4 EXECUTIVE SUMMARY

Mangaung Metropolitan Municipality has declared a dispute is in relation to interpretation and calculation of the Drought Tariff that Bloem Water charged to MMM as per Government Gazette No. 40229 relating to water restrictions.

The municipality implemented water restriction levels as a direct measure to limit the water usage and to achieve the targets as set out by the Department of Water and Sanitation. The implementation of these tariffs are a direct reflection of the targets set and are only implementable as and when the consumption exceeds the targets.

Mangaung Metropolitan Municipality only implemented drought tariffs for customers who exceeded the set targets with effect from 1 December 2016. Bloemwater has incorrectly applied Drought tariffs on total consumption irrespective of volumes consumed by the City.

A total of R1.1 billion was charged by Bloemwater from July 2016 to 31 January 2018 for bulk water consumption charges, however, a total of R297 million (i.e. R258 million charges using drought tariffs plus interest amounting to R39 million) has been disputed as indicated above. Despite the dispute raised above, the City paid a total of R564 million to Bloemwater between July 2016 to January 2018.

Thus, the municipality has only acknowledged charges based on normal tariffs as due and payable after a number of engagements between the City, Bloemwater, Office of the Premier, Provincial Treasury as well as the National Department of Water and Sanitation and the total outstanding as at 31 January 2018 equals R 268 million.

5 DISCUSSION

Section 41 of Intergovernmental Relations Framework Act stipulates the following:

(1) An organ of state that is a party to an intergovernmental dispute with another government or organ of state may declare the dispute a formal intergovernmental dispute by notifying the other party of such declaration in writing.

(2) Before declaring a formal intergovernmental dispute the organ of state in question must, in good faith, make every reasonable effort to settle the dispute, including the initiation of direct negotiations with the other party or negotiations through an intermediary.

Several meetings were held in order to resolve a dispute between Bloem Water and Mangaung Metro Municipality (henceforth indicated as "MMM"). The dispute is in relation to interpretation and calculation of the Drought Tariff that Bloem Water charged to MMM as per Government Gazette No. 40229 relating to water restrictions.

The reconciliation of the accounts for the 2016/17 and 2017/18 financial year was as follows:

Description	Amount
Opening Balance due as per Bloemwater	R 480 942 253
Less: Amount in Disputes (Drought tariff)	(R 162 850 060)
Less: Interest – Normal	(R 15 063 082)
Less: Interest – Drought	(R 8 314 234)
2017/18	
July 2017	42 362 696
Less: July 2017 dispute	(10 404 566)
August 2017	67 618 557

Description	Amount
Less: August 2017 dispute	(16 603 767)
September 2017	70 186 854
Less: September 2017 dispute	(17 230 307)
October 2017	65 353 881
Less: October 2017 dispute	(16 013 163)
November 2017	67 302 592
Less: November 2017 dispute	(11 994 556)
December 2017	59 592 579
Less: December 2017 dispute	(10 602 131)
January 2018	70 654 149
Less: January 2018 dispute	(12 584 274)
Interest 2017/18	15 563 444
Less: Interest 2017/18	(15 563 444)
Amount Payable	R 642 353 421
Amounts Paid:	
May 2017 payment	(R 43 733 039)
Payment Plan – 23 June 2017	(R 25 000 000)
Payment Plan – 14 July 2017	(R 60 000 000)
Payment Plan – 15 August 2017	(R 24 568 684)
Payment Plan – 19 September 2017	(R 24 568 684)
Payment Plan – 24 October 2017	(R 24 568 684)
Down payments made after announcement by the Minister	

Description	Amount
Payment Plan – 01 December 2017	(R 24 568 684)
Payment – 07 December 2017	(R 49 340 718)
Payment – January 2018	(R 48 914 511)
Payment – February 2018	(R 48 990 448)
Remaining Balance as at 09 February 2018	R 268 099 969

Summary of the dispute amounts:

1) Drought tariff 2016/17	R 162 850 060
2) Drought tariff 2017/18	R 95 432 763
Total drought disputes	R 258 282 823
3) Interest charged 2016/17	R 23 377 316
4) Interest charged 2017/18	R 15 563 444
Total interest dispute	R 38 940 760
Total dispute	R 297 223 583

6 LEGAL IMPLICATIONS

Municipal Finance Management Act, 56 of 2003

Municipal Systems Act

Water Services Act

Intergovernmental Relations Framework Act

7 FINANCIAL IMPLICATIONS

Payment plan for the settlement of outstanding Bloemwater account:

Month	Arrangement Amount
April 2018	R 22 341 664
May 2018	R 22 341 664
June 2018	R 22 341 664
July 2018	R 44 683 328
August 2018	R 44 683 328
September 2018	R 22 341 664

4

Month	Arrangement Amount
October 2018	R 22 341 664
November 2018	R 22 341 664
December 2018	R 22 341 664
January 2019	R 22 341 664
Total	R 268 099 969

8 RECOMMENDATIONS

- That Council approve payment plan for settlement of outstanding Bloemwater bulk water account;
- That Council approve the additional cash flow for the payment of Bloemwater accounts and the budget be adjusted accordingly.

Submitted by:

Recommended by:

Approved by:



Mr M.E. Mohlahlo
Chief Financial Officer



Adv. T.B. Mea
City Manager



Cllr S.M. Mlamleli
Executive Mayor