

Ordinary Meeting of Council. 29 April 1975

MANAGEMENT COMMITTEE 21.4.75

CITY TREASURER'S DEPARTMENT

17. FINANCIAL SETTLEMENT BETWEEN THE
COUNCIL AND THE WEST RAND BANTU
AFFAIRS ADMINISTRATION BOARD

On 21 October 1974 the Management Committee considered the proposals regarding the disengagement of the presently enmeshed finances of the Board and the Council, which are set out below, and resolved that subject to the acceptance of the proposals by the Board and the approval of the Minister of Bantu Administration and Development it was prepared to recommend the acceptance of the proposals to the Council. The proposals were adopted by the Board at a meeting held on 30 October 1974 and Ministerial approval has been given. It is now necessary for the Council to formally agree to the suggested settlement detailed in this report and its annexures.

It is proposed that after initial cash payments, each authority issue the other with stock or acknowledgements of debt that will be repaid over a certain number of years. The issue of securities will enable both parties to clear their accounting records of entries relating to the other party. Details of these transactions are set out below.

It is proposed that the Council makes an initial cash payment of R4 265 865 and issue the Board with six stock certificates of R1 850 000 each falling due in each year from 1976 to 1981. A report dealing with the creation of the stock appears elsewhere in the agenda. The Board will pay the Council R1 593 210 in cash and issue ten acknowledgements of debt for R1 million each to be paid in each year from 1976 to 1985. It is suggested that the rate of interest for the securities be 6,5%; this was the average interest rate of the Consolidated Loans Fund at the time of the establishment of the Board. The securities will not be transferable. The cash transactions will provide the Board with a net amount of R2 672 655 which should help solve any liquidity problems it may have.

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Item 117 contd

Two loans, numbered 33 and 49 for R6 million and R750 000, were issued in order to assist the housing programme undertaken by the Council. These loans are known as the Mining House Loans and are listed on the Stock Exchange as City of Johannesburg securities. The Council will continue to manage the redemption funds and service these two stock issues. The interest payable and the annual contributions to the redemption funds will be for the Board's account.

Negotiations are being conducted between the organisations concerned for the Board to assume direct responsibility for the loans from the Soldiers Housing Organisation. A further report on this matter will be submitted at a later stage.

Certain items appearing in the attached balance sheet are not dealt with in this report. Government Housing Loans have been transferred by the Department of Community Development to the Board, which assumed responsibility for the administration of the loans with effect from 1 July 1973. Debtors, creditors and stores were taken over by the Board on its establishment. Unallocated Bantu beer profits are part of the cash balance.

Regarding assets, it was reported to the Management Committee on 16 September 1974 that certain items forming part of the Capital Account of the Council's former Bantu Revenue Account at 30 June 1973 were remaining in the Council's accounts at this stage. Although some assets are not completely debt free it is considered that the acknowledgement of debt in favour of the Council should cover the overall position as revealed in the books of account at 30 June 1973 less redemption charges debited to the Board during the twelve months which ended on 30 June 1974.

When the distribution of all former Bantu Revenue Account assets still held in trust by the Council is finally resolved there could be a reduction in the Board's indebtedness; the passing of further credits in favour of the Board to adjust the position would be a relatively simple matter.

/Finally

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Item 117 contd

Finally it must be noted that it is only the Council's former Bantu Revenue Account that is being dealt with in this report. There are assets belonging to other Council departments, for example, the buildings and loose assets belonging to the Non-European Services Branch of the City Engineer's Department, about which there will have to be further negotiations. If and when it is decided to transfer any of the assets involved to the Board, any loan debt attaching to such assets would increase the Board's indebtedness and a further acknowledgement of debt would have to be called for.

IT IS RECOMMENDED

1 That the Council accept a cash payment of R1 593 210 and acknowledgement of debt to the satisfaction of the Clerk of the Council for R10 million bearing interest at 6,5% per annum due in equal amounts of R1 million in each of the years from 1976 to 1985 in settlement of the amount due to the Council by the West Rand Bantu Affairs Administration Board.

2 That the Council make a cash payment of R4 265 865 and issue the West Rand Bantu Affairs Administration Board with six stock certificates of R1 850 000 each bearing interest at 6,5% per annum due in each of the years from 1976 to 1981 in settlement of the amount due to the West Rand Bantu Affairs Administration Board by the Council.

3 That the Council continue to administer the redemption funds established to redeem the City of Johannesburg 4,875% Local Registered Stock 1989 (Loan 33) and the City of Johannesburg 6,5% Local Registered Stock 1997 (Loan 49) and service the loans and recover annual interest and redemption charges from the Board.

(401/40/1)
(CT 24/75)

THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM

BANTU REVENUE ACCOUNT

BALANCE SHEET AT 30 JUNE 1973

ADJUSTED FOR DECEMBER 73 AND JUNE 74 TRANSACTIONS

	R	R	R		R	R
<u>Loans Outstanding</u>				<u>Capital Outlay</u>		
Consolidated Loans Fund		10 288 240		Property and Permanent Works	77 452 246	
Capital Development Fund		1 171 931		Other Capital Outlay	<u>2 232 210</u>	79 744 456
Reserve & Trust Funds		<u>2 324</u>				
		11 463 155		<u>Sundry Debtors</u>		1 304 036
Temporary Advances from Rate Fund		<u>130 055</u>				
		11 593 210				
Bantu Services Levy Fund		<u>1 556 973</u>				
		13 150 183				
<u>Other Bodies</u>						
Mining House Loan	6 000 000					
Mining House Loan	750 000					
Soldiers Housing Organisation	<u>57 936</u>	<u>6 807 936</u>				
		19 958 119				
Government Housing Loans		<u>23 187 919</u>	43 146 038			
<u>Capital Surplus</u>			<u>37 902 454</u>			
			81 048 492			<u>81 048 492</u>
<u>Sundry Creditors</u>			2 627 128			
<u>Reserve and Trust Funds</u>				<u>Stores and Debtors</u>		1 552 081
Maintenance Reserve Fund		2 153 098		<u>Investments of Reserve & Trust Funds</u>		
Bad Debt Reserve		583 955		With City Council	14 488 237	
Security Deposits		<u>54 562</u>		Loans for Bantu Housing	2 984	
		2 791 615		Loans for Capital Projects from Bantu Services Levy Fund	<u>1 556 973</u>	16 048 194
Bantu Schools Levy Fund		<u>102 607</u>		<u>Investment of Redemption Fund</u>		2 721 973
		2 900 222				
Bantu Services Levy Fund		<u>13 147 972</u>	16 048 194	<u>Cash</u>		
<u>Redemption Funds (Mining House Loans)</u>			2 721 973	On Hand	223 626	
<u>Unallocated Bantu Beer Profits</u>			109 597	Advance to Rate Fund	<u>651 018</u>	874 644
			<u>21 506 892</u>			<u>21 506 892</u>
			<u>102 555 384</u>			<u>102 555 384</u>

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ANNEXURE

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SUGGESTED SETTLEMENT WITH THE WEST RAND BOARD

Pay to the Board:

Reserve and Trust Funds

Maintenance Reserve Fund	2 153 098
Bad Debt Reserve	583 955
Security Deposits	54 562
Bantu Schools Levy Fund	108 607
Bantu Services Levy Fund	13 147 972
	<hr/>
	16 048 194

Less:30.6.74

Advances from Consolidated Loans Fund	10 288 240	
Advances from Capital Development Fund	1 171 931	
Loans from Reserve and Trust Funds	2 984	
Temporary Advance from Rate Fund	130 055	
Loans from Bantu Services Levy Funds	1 556 973	
	<hr/>	13 150 183
		R2 898 011

Add:

Cash on Hand at 30 June 1973	223 626
Temporary Advance to Rate Fund	651 018
	<hr/>
	R3 772 655

S U M M A R YDue to Board

Reserve and Trust Funds	R16 048 194
Cash on Hand	223 626
Temporary Advance to Rate Fund	651 018
	<hr/>
	16 922 838
Less Bantu Services Levy Loans	1 556 973
	<hr/>
	15 365 865

Due to Council

Advances Consolidated Loans Fund	10 288 240
Advances Capital Development Fund	1 171 931
Advances Reserve and Trust Funds	2 984
Temporary Advance From Rate Fund	130 055
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	R11 593 210

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