Mogale City Local Municipality

REPORT

ITEM: K (ii) 02 (02/2024)

REPORT: PROPOSED 2023_2024 ADJUSTED MTREF BUDGET SUPPORT PLAN

COUNCIL: 28 FEBRUARY 2024

REPORT OF THE EXECUTIVE MAYOR

1. PURPOSE OF THE REPORT

The purpose of this report is to table before Council the proposed adjusted budget Support plan that is intended to support and fund estimates contained in the proposed adjusted budget for 2023/2024 Financial year.

2. BACKGROUND

Section 18(1) of the MFMA states that an "an annual budget may only be funded from

a. Realistically anticipated revenues to be collected,

b. Cash backed accumulated funds from previous year's surpluses not committed for other purposes, and

c. Borrowed funds, but only for the capital" Section 18(2) further states that "revenue projections in the budget must be realistic, considering,

a. Projected revenue for the current year based on collection levels to date, and

b. Actual revenue collected in previous years".

3. DISCUSSION

On the 20th of June 2023, the Council approved the Original Budget to the 2024 - 2026 Medium Term Revenue and Expenditure Framework (MTREF) for the municipality together with the Budget Support Plan. The Municipality reviews the Budget Support plan to be aligned with the proposed Final Budget.

REPORT

PILLAR DESCRIPTION	FINAL BUDGET SUPPORT PLAN				
	ACTUAL R'000	COST ESTIMATES R'000	2023/2024 ESTIMATES R'000	2024/2025 ESTIMATES R'000	2025/2026 ESTIMATES R'000
1. Positive cash flow with a focuss on revenue from trading services	R 9,098	R 31,812	R 33,363	R 40,513	R 46,362
2. Implementation of cost containment measures and a reduction of expenditure	R 21,377	R 74,427	R 77,345	R 92,387	R 95,475
3. Realistic debtor's collection rates with incremental improvements year on year	R 28,615	R 36,924	R 38,585	R 39,000	R 41,340
4. Creditors payments rates that ensure that all fixed obligations, including obligations for bulk pirchases are met	R -	R -	R -	R 50,287	R -
5. Ring fencing of conditional grants and ensuring that conditional grant funding is cash backed	R 5,940	R -	R 2,178	R 2,274	R 2,410
TOTAL	**R 65,030**	**R 143,163**	**R 151,471**	**R 224,461**	**R 185,587**

LEGEND

Green: Completed

Yellow: In Progress

Red: In Planning

1. Positive cash flow with a focus on revenue from trading services														
		Improvement Measures				Final Budget Support Plan								
Department	Objective	Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 revenue Estimate '000	2024 - 2025 revenue Estimate '000	2025 - 2026 revenue Estimate '000	Comments	YTD revenue received '000
Energy Services	Increase MCLM revenue through embarking on projects with industrial customers.	Assign a works order to a contractor to construct and install electrical infrastructure.	Acting EM: Infrastructure Development Services /Manager: Energy services	Remittance advice from customers and invoices for project costs.	2023/02/01	Q1	R5m	R9m	R16 000	R20 000	R20 000	R25 000	Applications received so far are for bulk connections in Leratong and Chamdor. Tiger Brand installation is completed. Received application from Ankot Plastics and a quote has been issued and accepted, project will be completed in Quarter 3. Ankot plastics enetered into a proposed payment arrangemnet for 12-18 months.	R9m
					2026/06/30	Q2	R5m	R0						
						Q3	R5m	R0						
						Q4	R5M							

1. Positive cash flow with a focus on revenue from trading services

		Improvement Measures				Final Budget Support Plan								
Department	Objective	Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 revenue Estimates '000	2024 - 2025 revenue Estimate '000	2025 - 2026 revenue Estimate '000	Comments	YTD revenue received '000
Energy Services	Improve electricity metering accuracy thereby improving revenue.	Replace Analogue Meters with Digital Meters.	Acting EM: Infrastructure Development Services /Manager: Energy Services	Increase in electricity billing accuracy and a list of digital meters replaced.	2023/07/01	Q1	Planning and procurement process.	In progress					Replacing meters for existing customers.	R0
					2024/06/30	Q2	660	Turnkey service provider appointed.						
						Q3	600	0						
						Q4	600		R7 900	R5 000	R5 000	R5 000		

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Department	Objective	Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 revenue Estimates '000	2024 - 2025 revenue Estimate '000	2025 - 2026 revenue Estimate '000	Comments	YTD revenue received '000
Water Services	Increase revenue through top 20 bulk water users.	Top 20 business and industrial bulk water meters audit and replacement.	Acting EM: Infrastructure Development Services /Manager: Water services.	Acting EM: Infrastructure Development Services /Manager: Water services.	2021/06/01	Q1	Procuremnet.	Assignment letter.					The professional engineers have been assigned to kick start the project. Inception stage, audit and verification completed.	R0
					2024/06/30	Q2	Audit and verification.	Inception stage, audit and verification completed.						
						Q3	Meter replacement.	R0						
						Q4	Meter replacement and closeout report.		R0		R6 762	R7 073		

1. Positive cash flow with a focus on revenue from trading services												
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Department	Objective	Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 revenue Estimates '000	Comments	YTD revenue received '000
Integrated Environmental Management	To increase refuse revenue by adding more service points to billing.	To extend the current service points.	EM /DIEM/ Manager/ waste.	Increase in service points.	2023/07/01	Q1	1500 bins	2000 bins	6 471	6 762	2500 bins have been distributed. A report has been submitted to Revenue department for billing of 2500 bins distributed. 3000 bins were purchased.	R0
						Q2	1500 bins	1000 bins				
						Q3	0					
						Q4	0					

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Community Development Services	Strict Implementation of the approved tariffs and usage levy for community facilities.	Non-sport related activities to charge full tariffs as approved by Council. Non-affiliated sport activities to be charged the relevant tariff.	EM: CDS/ Manager SACR	Income report/Cash flow Statement for Community Facilities	2023/07/01 2024/06/30	Q1	R60,00	R11,913k	R200	R242	R242	R266	The Sport and Recreation division continues to charge tariffs as per Council approval. Implementation of the Council approved tariffs is on-going and charged as per different user types.	R85,468k
						Q2	R60,00	R73,555k						
						Q3	R60,00							
						Q4	R62,00							

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Community Development Services	Execution of warrant of arrest for Traffic fines.	Appointment of a Service Provider to supply and deliver automated number plate recognition system with roadblock busses for the execution of warrants.		Warrant of arrest operations and notifications to offenders through the SMS/MMS system	2023/04/01	Q1	R147,00	Transfer of arrests.					Service Provider was appointed on the 29th June 2023. Acceptance done on the 30th June 2023. Roadblock busses were delivered in mid December. Two roadblocks have already been mended.	R6,700k
					2026/06/30	Q2	R147,00	R6,700k						
						Q3	R147,00							
						Q4	R150,00		R537	R591	R591	R626		

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Community Development Services	Enforcement of speed violation through Traffic contravention system, speed cameras and license recognition systems.	Appointment of a Service Provider for the supply and delivery of the traffic contravention system, speed cameras, accident system and license recognition systems.	EM: CDS/ Manager: Public Safety	Copies of speed camera fines	2023/04/01	Q1	R54,00	R0	R198	R217	R217	R230	Preparation for the Application for Director of Public Prosecution to approve the location site for speed operations. Awaiting calibration certificate from the service provider to be submitted before the application can be send to the Director of Public Prosecution.	R0
					2026/06/30	Q2	R54,00	R0						
						Q3	R54,00							
						Q4	R55,00							

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Community Development Services	Increase traffic fines income	Implementation of a Traffic Fines target-based strategy for one Officer to issue a minimum of five (5) traffic fines per day.	BIQ report reflecting increased income received from issued traffic fines.		2023/04/01 2026/06/30	Q1	R75,00		R275	R302	R302	R320	Software of the traffic contravention system was uploaded on MCLM computers. Training commenced on the capturing of the traffic fines is completed. There is a plan in place to monitor the performance of the officers. System is in place.	
						Q2	R75,00							
						Q3	R75,00							
						Q4	R77,00							

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Community Development Services	Increase revenue on law enforcement.	implementation of parking meter system in the CBD.		BIQ report reflecting total income received from parking tickets.	2023/04/01	Q1	R32	R0	R121	R128	R121	R128	Draft TORs available, to be submitted to MM for approval.The report to implement was approved and will be advertised on the 10 January 2024 and closed. People parking by the outside parking bases will also be charged due to law enforcement. R10 per day per parking bay. The strategy is to be discussed with the Economic Services Division. The render will be closed 15 February 2024. The department will also involve EDS to discuss the viability of the project to ensure that business in CBO is not killed.	R0
					2026/06/30	Q2	R32	R0						
						Q3	R32	R0						
						Q4	R32	R0						

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Community Development Services	Usage of Weighbridge	Joint utilization of weighbridge with Public Safety to generate more revenue.	EM: CDS/Manager Public safety/ Acting Manager Licensing	BIQ report reflecting an increased income from the weighbridge fees	2023/04/01	Q1	R31k	R3,500k					Meetings were held to discuss the operations for Public Safety to utilize the weighbridge. Joint operations plan to be made available.	R6,800k
					2026/06/30	Q2	R30k	R3,300k						
						Q3	R30k							
						Q4	R30k		R110k	R121k	R110	R121		

2. Implementation of cost containment measures and reduction of expenditure														
		Improvement Measures				Final Budget Support Plan								
Department	Objective	Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 Cost Savings Estimates '000	2024 - 2025 Cost Savings Estimates '000	2025 - 2026 Cost Savings Estimates '000	Comments	YTD Cost Savings '000
Water Services	Decrease in water tanker expenditure.	Procurement of water tankering trucks was done in the 2022/2023 financial year.	Acting EM: Infrastructure Development Services /Manager: Water Services	A decrease in water tankering expenditure	2022/07/01	Q1	R5m	R5,2m					All 12 trucks have been delivered in 2022/2023 financial year and drivers were appointed from the 01 June 2023. Currently no expenditure recorded compared to R5,2m expanded for the same period during the the financial year.	R21377m
					2024/06/30	Q2	R5m	R15,377m						
						Q3	R5m	R800k						
						Q4	R5m		R23 000	R20 000	R35 014	R36 589		

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Water Services	Reduction of water losses with the resultant reduction water on inventory expenses.	Reduce distribution losses by 10% in the current financial year MTREF, installation of counter meters and replacement of the current zonal meters.	Acting EM: Infrastructure Development Services/	A decrease in water inventory purchases and distribution losses	2023/03/01	Q1	Procurement	Assignment letter.					Installation of counter meters to verify the charges billed by the Rand Water and also replacing current. zonal meters. Engeneer has been assigned.	R0
					2024/06/30	Q2	Audit and verification	Inception stage, audit and verification completed.						
						Q3	Meter zoning.							
						Q4	Installation and closement		R22,000	R23 000	R23 000	R23 000		

2. Implementation of cost containment measures and reduction of expenditure

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Water Services	Reduction of water losses with the resultant reduction water on inventory expenses.	Reduce distribution losses by 10% in the current financial year MTREF, installation of counter meters.	Acting EM: Infrastructure Development Services/	A decrease in water inventory purchases and distribution losses	2023/03/01	Q1	Procurement	Assignment letter.	R22,000	R23 000	R23 000	R23 000	Installation of counter meters to verify the charges billed by the Rand Water and also replacing current. zonal meters. Engeneer has been assigned.	R0
					2024/06/30	Q2	Audit and verification	Inception stage, audit and verification completed.						
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Water Services	Reduction of water losses with the resultant reduction water on inventory expenses.	Reduce distribution losses by 10% in the current financial year MTREF, installation of zonal meters.	Acting EM: Infrastructure Development Services/	A decrease in water inventory purchases and distribution losses	2023/03/01	Q1	Procurement	Assignment letter.	R22,000	R23 000	R23 000	R23 000	Installation of counter meters to verify the charges billed by the Rand Water and also replacing current. zonal meters. Engeneer has been assigned.	R0
					2024/06/30	Q2	Audit and verification	Inception stage, audit and verification completed.						
						Q3	Meter zoning.							
						Q4	Installation and closement							

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Energy Division	Reduction of external service providers in maintenance	Employ internal staff to do maintenance of traffic and streetlights.	Executive Manager: IDS /Manager: Energy Services	A decrease in street and traffic light electricity consumption and a decrease in maintenance expenditure.	2022/07/01	Q1	4 Electricians to appointed.	4 electricians have been appointed.	To be covered in the budget	R7 277	R7 305	R7 600	4 electricians have been appointed. 2 supervisors is in the process of shortlisting . Procurement process in place.	R0
					2024/06/30	Q2	Appointment of 2 senior supervisors	2 Supervisor positions have been advertised, shortlisting will be done the 3rd Qaurter.						
						Q3	Awarding a contractor for purchasing material							
						Q4	Implementation							

2. Implementation of cost containment measures and reduction of expenditure														
		Improvement Measures				Final Budget Support Plan								
Department	Objective	Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 Cost Savings Estimates '000	2024 - 2025 Cost Savings Estimates '000	2025 - 2026 Cost Savings Estimates '000	Comments	YTD Cost Savings '000
Refuse Removal	Decrease contractual commitment and irregular expenditure	Procure 4 Refuse removal Compactor Trucks	EM: Integrated Environmental Management	Request to procure through National Treasury RT57 approved by Accounting Officer.	2022/07/01	Q1	To procure through RT	RT-57	R9 927	R27 068	R27 068	R28 286	The purchasing of 4 Refuse removal compactor trucks process will be done in 2023/2024 financial year, only 2 trucks were purchased due to the budget being insufficient, the outright purchase of the 2 trucks is stil ongoing. The contract with Tallis has been terminated as September and in October there was no expenditure. A notice of termination for the Aqua trucks has been submitted, and as of January 2024 there will be no expenditure.	R0
					2023/06/30	Q2		Currently being assembled by the supplier						
						Q3								
						Q4								

3. Realistic debto'rs collection rates incremental improvements year on year														
		Improvement Measures				Final Budget Support Plan								
Department	Objective	Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 revenue Estimates '000	2024 - 2025 revenue Estimates '000	2025 - 2026 revenue Estimates '000	Comments	YTD revenue received '000
Credit Control Management	Increase in collection of revenue by implementing Credit Control & Debt Management Policy	To increase collection rate by 2% annually	CFO/ Manager: Credit Control	In Year Monitoring report	2022/07/01	Q1	R9,231m	R7,508m					2% of collection currently recorded is R24,709m.	R28,615m
					2026/06/30	Q2	R9,231m	R17,201m						
						Q3	R9,231m	R3,906m						
						Q4	R9,231m		R36,924	R38,585	R39,000	R41,340		

4. creditor's payments rates that ensure that all fixed obligations, including obligations for bulk purchases are met															
		Improvement Measures				Final Budget Support Plan									
Department	Objective	Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 Cost Savings Estimates '000	2024 - 2025 Cost Savings Estimates '000	2025 - 2026 Cost Savings Estimates '000	Comments	YTD revenue received '000
Supply Chain Management	Efficient and effective management of all service delivery functionalities by reducing costs across all Departments	Negotiate all Inflationary increases to new Service Providers before awarding a tender, increases to be yearly CPI	CFO/ Manager SCM	Tender Documents	2022/07/01	Q1	5 tenders	5 tenders	R0	R0	R50,287	R0	New tender adverts include a clause that fixes first year rate, then the second & third year as per CPI issued by reserve bank every January. Negotiate with recommended bidders to reduce the prices to be within market related prices. At the end of the	R0
				Service Level and Agreement on recently appointed service	2026/06/30	Q2	12 tenders	12 tenders						
				Minutes of negotiations		Q3	2 tenders	2 tenders						
						Q4								

5. Ringfencing of conditional grants and ensuring that conditional garnt funding is cash backed														
		Improvement Measures				Final Budget Support Plan							Comments	
Department	Objective	Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 revenue Estimates '000	2023 - 2024 revenue Estimates '000	2024 - 2025 revenue Estimates '000	2025 - 2026 revenue Estimates '000	YTD revenue received '000
Budget & Treasury	Earn interest through Investing all conditional grants received.	Invest conditional grant funding as and when received	CFO and Manager: Budget & Treasury	Interest earned from call Investment.	2021/07/01	Q1	R545k	R1,444m					Grants are invested as and when received. Interest received is R1 178m recorded as of January 2024.	R5,940m
					2023/06/30	Q2	R545k	R3,318m						
						Q3	R545k	R1,178m						
						Q4	R545k		Conditional grant funding	R 2,178	R 2,274	R 2,410		

CONCLUSION

Based on the tables above:

a) Positive cash flow with focus on revenue from trading services has eleven projects, nine are in progress, and two have not yet started, revenue of R 9,098 million was recorded. One project (NERSA tariff restructuring application) has been removed; it will be added back in the 2024/2025 original budget.

b) Implementation of cost containment measures and a reduction of expenditure has five projects, and all are in progress and Corporate Support Services is in planning stage of advertising critical vacant positions, savings amounting to R 21,377 million was recorded. one project has been removed and two were added.

c) Realistic debtor's collection rates with incremental improvements year on year has one project and is in progress, R 28,615 million has been recorded for the current month.

d) Creditor's payments rates that ensure that all fixed obligations, including obligations for bulk purchases are met have two projects, one project in progress and the other removed, it will be added back in the 2024/2025 original budget, savings of R0 was recorded.

e) Ring fencing of conditional grants and ensuring that conditional grant funding is cash backed has one 1 project which is on-going as when we received conditional grants R5,940 million has been recorded for the current month.

4. IMPLICATIONS

4.1 Financial Implications

A total of R 65,030 million revenue has been recorded for the current period.

4.2 Legislative Implications

In compliance with sections 18(1), (2) of the Municipal Finance Management Act.

4.3 Human Resources Implications

None

4.4 Business Risks Implications

None

5. Stakeholder Consulted

Departmental Managers

Joint Finance and Corporate Support Services Committee

Mayoral Committee

6. Recommendation to Council

6.1 That cognizance be taken on the following:

6.2 The proposed 2023/2024 adjusted MTREF Budget Support Plan be noted.

6.3. That three projects that have been removed from the MTREF Budget Support Plan be noted – **Annexure A**

6.4. That the two new projects have been included in the Budget Funding Plan be noted

6.5 That all affected departments must work towards ensuring the implementation plan for the budget support plan.

6.6 That all activities in the support plan must be included in the adjusted SDBIP for all Senior Managers.

6.7 That total combination of revenue and savings generated as at the end of 31 January 2024 amounts to R 65,030 million.

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ALDERMAN D. THUPANE
EXECUTIVE MAYOR

DATE: ________________________________

Annexure A – Projects Removed From The Adjusted Funding Plan

1. Positive cash flow with a focus on revenue from trading services														
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Energy Services	Augment electricity revenue by at least R70 million and the following years. To support the municipal budget.	Review and restructure electricity tariffs for the 2023/2024 Financial year. _Seek NERSA approval to the tariff. -implement the new tariffs during 2023/2024 financial year	Manager: Energy services		2023/07/01	Q1	R0	R0	R70 000	R70 000	R70 000	R75 000	Application made to NERSA to approve tariff restructuring and awaiting approval. NERSA and MCLM are still in consultation on cost supply analysis. MCLM and NERSA agreed on updating of cost of supply data provided to NERSA for analysis. Approval of restructuring expected to be finalised by end of February 2024.	R0
					2024/06/30	Q2	R0	R0						
						Q3	R0	R0						
						Q4	R0	R0						

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Water Services	Decrease in water tanker expenditure	Installation of water pipelines to rural settlements	EM: IDS/Manager: Water Services	A decrease in water tankering expenditure	2022/07/01	Q1	R0	R0	Costs coverd in the Capex budget funded by WSIG	R15 000	R16 335	R17 070	Budget has been requested and reallocated. As per communication from the WSIG. Project to be removed during adjustment budget.	R0
					2024/06/30	Q2	R0	R0						
						Q3	R0	R0						
						Q4	R0							

4. creditor's payments rates that ensure that all fixed obligations, including obligations for bulk purchases are met

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Community Development Services	Negotiate better income split between MCLM and DOT	To negotiate for 40/60 % on the revenue collected in the Delporton Licensing Centre	EM: CDS/ Manager Licensing	BIQ report reflecting an increased agency fee	2023/04/01	Q1	On-going negotiations	SLA drawed	Additional 20% on Agency fee	R28 000	R30 800	R33 880	Discussions are still in progress on the 40/60 split.The Service Level agreement has been renewed for another twelve (12) months from 15 September 2023 to 14 September 2024 with the GDRT. Cost of service study also to be included as part of negotiations. SALGA currently negotiating with Province on behalf of municipalities.	R0
					2024/06/30	Q2	On-going negotiations	Conference negotiations on-going between SALGA/process.						
						Q3	On-going negotiations							
						Q4	On-going negotiations							

Mogale City
Local Municipality

REPORT

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REPORT: PROPOSED 2023_2024 ADJUSTED MTREF BUDGET SUPPORT PLAN
COUNCIL: 28 FEBRUARY 2024

REPORT OF THE EXECUTIVE MAYOR

1. PURPOSE OF THE REPORT

The purpose of this report is to table before Council the proposed adjusted budget Support plan that is intended to support and fund estimates contained in the proposed adjusted budget for 2023/2024 Financial year.

2. BACKGROUND

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a. Projected revenue for the current year based on collection levels to date, and

b. Actual revenue collected in previous years".

3. DISCUSSION

On the 20th of June 2023, the Council approved the Original Budget to the 2024 - 2026 Medium Term Revenue and Expenditure Framework (MTREF) for the municipality together with the Budget Support Plan. The Municipality reviews the Budget Support plan to be aligned with the proposed Final Budget.

6. Recommendation to Council

6.1 That cognizance be taken on the following:

6.2 The proposed 2023/2024 adjusted MTREF Budget Support Plan be noted.

6.3. That three projects that have been removed from the MTREF Budget Support Plan be noted – **Annexure A**

6.4. That the two new projects have been included in the Budget Funding Plan be noted

6.5 That all affected departments must work towards ensuring the implementation plan for the budget support plan.

6.6 That all activities in the support plan must be included in the adjusted SDBIP for all Senior Managers.

6.7 That total combination of revenue and savings generated as at the end of 31 January 2024 amounts to R 65,030 million.

ALDERMAN D. THUPANE
EXECUTIVE MAYOR

DATE: 23.02.24