Mogale City
Local Municipality

REPORT

ITEM NO: K(ii) 3 (06/2023)
REPORT: 2023_2024 APPROVED MTREF BUDGET SUPPORT PLAN
COUNCIL: 20 JUNE 2023

REPORT OF THE EXECUTIVE MAYOR

1. PURPOSE OF THE REPORT

The purpose of this report is to table before the Council final budget Support plan that is intended to support and fund estimates contained in the approved final 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 April 2023, the Council approved the Adjustment Budget to the 2022 - 2025 Medium Term Revenue and Expenditure Framework (MTREF) for the municipality together with the Budget Support Plan. The Municipality must review the Budget Support plan to be aligned with the approved Final Budget.

REPORT

PILLAR DESCRIPTION	Final Budget Support Plan				
	Status	Cost Estimates	2023/2024 Estimates	2024/2025 Estimates	2025/2026 Estimates
1. Positive cash flow with a focus on revenue from trading services	In progress	R 24 896 000	R 100 291 000	R 126 345 000	R 137 891 000
2. Implementation of cost containment measures and a reduction of expenditure	In progress	R 32 927 000	R 92 345 000	R 108 722 000	R 112 547 000
3. Realistic debtor's collection rates with incremental improvements year on year	In progress	R 10 350 000	R 36 200 000	R 36 924 000	R 38 585 000
4. Creditors payments rates that ensure that all fixed obligations, including obligations for bulk purchases are met	In progress	R 0	R 0	R 0	R 50 287 600
5. Ring fencing of conditional grants and ensuring that conditional grant funding is cash backed	In progress	R 0	R 2 086 000	R 2 178 000	R 2 274 000
TOTAL		**R68 176 000**	**R230,924,000**	**R274,169,000**	**R341,584,000**

LEGEND

Green: Completed

Yellow: In Progress

Red: In Planning

Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023-2024 Estimates '000	2024/2025 Estimates '000	2025/2026 Estimates '000	
1. Positive cash flow with a focus on revenue from trading services											
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	2026/06/30	R 16 000	R 20 000	R 20 000	R 25 000	This is an ongoing project.

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

Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023-2024 Estimates '000	2024/2025 Estimates '000	2025/2026 Estimates '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	2024/06/30	R 4 231	R 2 400	R 5 000	R5000	Project to commence in 2023/2024 financial year, funds are provided for in the budget. Acting EM: Infrastructure Development Services and Manager Energy Services to develop Business Plan to source external funding.

1. Positive cash flow with a focus on revenue from trading services											
Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023-2024 Estimates '000	2024/2025 Estimates '000	2025/2026 Estimates '000	
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	-New tariff schedule -NERSA approval letter	2023/07/01	2024/06/30	Costs covered under Municipal Running Costs	R 70 000	R 70 000	R 75 000	Project to be implemented within one year

1. Positive cash flow with a focus on revenue from trading services											
Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023-2024 Estimates '000	2024/2025 Estimates '000	2025/2026 Estimates '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	2026/06/30	2 090	6 471	6 762	7 073	Purchase of 3000 240 liters bins, budget has been provided in the 2023/2024.

1. Positive cash flow with a focus on revenue from trading services											
Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023-2024 Estimates '000	2024/2025 Estimates '000	2025/2026 Estimates '000	
Water Services	Increase revenue through top 20 bulk water users.	Top 20 business and industrial bulk water meters audit and replacement. Installation and /or replacement of prepaid water meters	Acting EM: Infrastructure Development Services /Manager: Water services	Increase in water billing and meter audit and replacement report.	2021/06/01	2024/06/30	R 1 256	R 0	R 23 000	R 24 127	R10 million has been provided in the 2023/2024 financial to purchase smart conventional meters. Acting EM: Infrastructure Development Services and Manager: Water & Sanitation to develop Business Plan to source external funding.

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

Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023/2024 Estimates '000	2024/25 Estimates' 000	2025/2026 Estimates' 000	
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/Cashflow Statement for Community Facilities	2023/07/01	2024/06/30	R200	R 200	R 242	R 266	Project ongoing over the MTREF period
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	2026/06/30	R489	R 537	R 591	R 626	Project ongoing over the MTREF period

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		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023/2024 Estimates '000	2024/25 Estimates' 000	2025/2026 Estimates' 000	
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	2026/06/30	R180	R 198	R 217	R 230	Project ongoing over the MTREF period
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	R250	R 275	R 302	R 320	Project ongoing over the MTREF period

1. Positive cash flow with a focus on revenue from trading services											
Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023/2024 Estimates '000	2024/25 Estimates' 000	2025/2026 Estimates' 000	
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	2026/06/30	R100	R 110	R 121	R 128	Project ongoing over the MTREF period
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	2026/06/30	R100	R 100	R 110	R 121	Project ongoing over the MTREF period, to be carried out quarterly

2. Implementation of cost containment measures and reduction of expenditure											
Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023-2024 Estimates '000	2024/2025 Estimates '000	2025/2026 Estimates '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	2024/06/30	R 23 000	R20 000	R 35 014	R 36 589	All 12 trucks has been delivered in 2022/2023 financial year and drivers were appointed from the 01 June 2023. Water & Sanitation must provide all the routes to Fleet Management

2.Implementation of cost containment measures and a reduction of expenditure

Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023/2024 Estimates '000	2024/2025 Estimates '000	2025/2026 Estimates '000	
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/ Manager: water services	A decrease in water inventory purchases and distribution losses	2023/03/01	2024/06/30		R 23 000	R 23 000	R 23 000	The reduction of distribution losses by using allocated maintenance budget and improve financial operations. Conversion of all non-functional prepaid water meters to smart conventional meters. Installation of counter meters to verify the charges billed by the Rand Water and also replacing current zonal meters.
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	2024/06/30	To be covered in the budget	R 7 277	R 7 305	R 7 600	Energy Services Positions have been advertised; appointment underway.
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	2024/06/30	costs covered in the capex budget funded by WSIG	R 15 000	R 16 335	R 17 070	The installation of water pipelines in the Rural settlements, will reduce the distribution of water tankering which should eventually reduce the water tankering expenditure.

2. Implementation of cost containment measures and a reduction of expenditure

Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023/24 Estimates '000	2024/25Estimates '000	2025/26 Estimates '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	2023/06/30	R 9 927	R 27 068	R 27 068	R 28 286	The purchasing of 4 Refuse removal compactor trucks process will be done in 2023/2034 financial year. The purchasing of the above trucks will reduce the financing lease expenditure which will result in a saving and irregular expenditure.

	3. Realistic debtors' collection rates with Incremental improvements year on year										
Department	Objective	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023/24 Estimates '000	2024/25 Estimates '000	2025/26 Estimates '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	2026/06/30	R 10 350	R 36 924	R 38 585	R 39 000	To utilize appointed debt collectors to collect more and vigorous implementation of credit control policy.

	4. Creditors Payment Rates That Ensure That All Fixed Obligations, Including Obligations for Bulk Purchase are Met										
Department	Objective	Improvement Measures					Final Budget Support Plan				Comment
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate	2023/24 Estimates '000	2024/25 Estimates '000	2025/26 Estimates '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 Minutes of negotiations Service Level and Agreement on recently appointed service providers	2022/07/01	2026/06/30	R 0	R 0	R 50 287	R 0	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.

4 Creditors Payment Rates That Ensure That All Fixed Obligations, Including Obligations for Bulk Purchase are Met											
Department	Objectives	Improvement Measures					Final Budget Support Plan				Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate '000	2023-2024 Estimates '000	2024/2025 Estimates '000	2025/2026 Estimates '000	
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	2024/06/30	Additional 20% on Agency fee	R 28 000	R 30 800	R 33 880	

5. Ring fencing of conditional grants and ensuring that conditional grant funding is cash backed										
Department	Objectives	Improvement Measures					Final Budget Support Plan			Comments
		Action Plan	Responsible Official	Evidence	Start Date	End Date	Cost Estimate ‘000	2023/24 Estimates ‘000	2024/25 Estimates ‘000	2025/26 Estimates ‘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	2023/06/30	Conditional grant funding	R 2 178	R 2 274	R 2 410	Grants are invested as and when received. Interest received.

CONCLUSION

Based on the tables above:

a) Positive cash flow with focus on revenue from trading services has ten projects, two are in progress, and eight have not yet started.

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.

c) Realistic debtor's collection rates with incremental improvements year on year has one project and is in progress.

d) Creditor's payments rates that ensure that all fixed obligations, including obligations for bulk purchases are met have two projects, one is in progress, and the other will commence at the beginning of the financial year.

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.

4. IMPLICATIONS

4.1 Financial Implications

An estimate of **R 68 million** is required to implement projects to release a saving, funded by both grants and internally generated funds, **due to financial constraints service delivery departments must source external funding to finance these projects**.

A potential estimated amount of **R 845 million** is forecasted to be injected into the budget through a combination of cost saving and additional revenue streams identified over the MTREF 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

Accounting Officer

Executive Management Committee

Departmental Managers

Finance Portfolio Committee

Budget Steering Committee

Mayoral Committee

6. Recommendation to Council

6.1. That cognizance be taken on the following:

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

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

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

CLLR D. THUPANE
EXECUTIVE MAYOR
DATE: 15.06.23