

ITEM:K (ii) 3 (03/2024)

REPORT:2024_2027 PROPOSED MTREF BUDGET SUPPORT PLAN

COUNCIL: 26 MARCH 2024

REPORT OF THE EXECUTIVE MAYOR

1. PURPOSE OF THE REPORT

The purpose of this report is to table before Council the proposed tabled budget Support plan that is intended to support and fund estimates contained in the proposed budget for 2024/2025 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 26 March 2024, the Council will note the draft Budget to the 2024 - 2027 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 Tabled Budget.

PILLAR DESCRIPTION	FINAL BUDGET SUPPORT PLAN				
	ACTUAL R'000	COST ESTIMATES R'000	2024/2025 ESTIMATES R'000	2025/2026 ESTIMATES R'000	2026/2027 ESTIMATES R'000
1. Positive cash flow with a focuss on revenue from trading services	R 9,000	R 9,357.000	R 144,949	R 147,647	R 163,750
2. Implementation of cost containment measures and a reduction of expenditure	R 22,173	R 54,427.000	R 52,257	R 68,291	R 70,228
3. Realistic debtor's collection rates with incremental improvements year on year	R 28,615	R 36,924.000	R 40,476	R 40,833	R 43,200
4. Creditors payments rates that ensure that all fixed obligations, including obligations for bulk purchases are met	R -	R -	R -	R 52,651	R -
5. Ring fencing of conditional grants and ensuring that conditional grant funding is cash backed	R 5,982	R -	R 2,285	R 2,381	R 2,519
TOTAL	R 65,770	R 100,708	R 239,967	R 311,803	R 279,697

LEGEND

Green: Completed

Yellow: In Progress

Red: In Plannin

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

Department	Objective	Improvement Measures				Final Budget Support Plan							Comments	YTD revenue received '000	
		Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2024-2025 revenue Estimate '000	2025 - 2026 revenue Estimate '000	2027 - 2028 revenue Estimate '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.	2/1/2023	Q1	R5m	R9m						The project is about bulk connection mainly bulk users, project costs are budgeted under capital budget and it is ongoing project is mainly for recoveries	R9m
					6/30/2027	Q2	R5m	R0							
						Q3	R5m	R0							
						Q4	R5M								
								R16,000	R20,980	R20,940	R26,125				

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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.	7/1/2023	Q1	Planning and procurement process.	In progress					Replacing meters for existing customers.	R0
					6/30/2026	Q2	660	Turnkey service provider appointed.						
						Q3	600	Interviews done						
						Q4	600							
								R7,900	R5,635	R5,300	R5,300			

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		Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2024 - 2025 revenue Estimate s '000	2024 - 2025 revenue Estimate '000	2025 - 2026 revenue Estimate '000		Comments
Energy Services	Augment electricity revenue by at least R78 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 2024/2025 financial year	Manager: Energy services		7/1/2023	Q1	R0	R0	cost covered in the budget	R78,890	R74,200	R84,800	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 mid March 2024.	R0
					6/30/2026	Q2	R0	R0						
						Q3	R0	R0						
						Q4	R0	R0						

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Water Services	Increase revenue through bulk water users.	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.	6/1/2021	Q1	Procurement.	Assignment letter.	R0	R0	R7,080	R7,391	The professional engineers have been assigned to kick start the project. Inception stage, audit and verification completed. construction will begin and overlapping to next financial year.	R0
					6/30/2024	Q2	Audit and verification.	Inception stage, audit and verification completed.						
						Q3	Meter replacement.							
						Q4	Meter replacement and closeout report.							

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Integrated Environmental Management	To increase refuse revenue by adding more service points to billing and billing all properties for refuse arccording to evaluation roll.	To extend the current service points.	EM /DIEM/ Manager/ waste.	Increase in service points.	7/1/2023 to 30/06/2025	Q1	1500 bins	2000 bins					Billing reconciliation shows a variance between the properties billed according to the General Valuation Roll and properties billed for refuse removal.Once those properties have been identified a report with a list of those properties to be billed for refuse removal will then be send to revenue for billing.	R0
						Q2	1500 bins	1000 bins						
						Q3	0	0						
						Q4	0	0						
								6,471	R40m	R40m	R40m			

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		Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2024 - 2025 revenue Estimate '000	2025 - 2026 revenue Estimate '000	2026 - 2027 revenue Estimate '000	Comments	
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.	4/1/2023	Q1	R32	R0	R121	R134	R127	R134	ToR have been drafted and served in the BSC. The department to discuss the viability of the project with EDS.	R0
					2026/06/30	Q2	R32	R0						
						Q3	R32	R0						
						Q4	R32	R0						

2. Implementation of cost containment measures and reduction of expenditure

Department	Objective	Improvement Measures				Final Budget Support Plan							Comments	YTD Cost Savings '000
		Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2024 - 2025 Cost Savings Estimate s '000	2025 - 2026 Cost Savings Estimate s '000	2026 - 2027 Cost Savings Estimate s '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	7/1/2022	Q1	R5m	R5,2m					Trucks are operational for the current year and municipality has saved R22m expanded for the same period during the the financial year.	R22,173m
					6/30/2024	Q2	R5m	R15,377m						
						Q3	R5m	R1,596m						
						Q4	R5m							
								R0	R20,980	R36,660	R38,236			

2. Implementation of cost containment measures and reduction of expenditure

Department	Objective	Improvement Measures				Final Budget Support Plan							Comments	YTD Cost Savings '000
		Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2024 - 2025 Cost Savings Estimate s '000	2025 - 2026 Cost Savings Estimate s '000	2026 - 2027 Cost Savings Estimate s '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 conventional meters.	Acting EM: Infrastructure Development Services/	A decrease in water inventory purchases and distribution losses	3/1/2023	Q1	Procurement	Assignment letter.	R20,000m	R24.000	R24.000	R24.000	Installation of counter meters to verify the charges billed by the Rand Water and also replacing current. zonal meters. Engeneer has been assigned.	R0
					6/30/2024	Q2	Audit and verification	Inception stage, audit and verification completed.						
						Q3	Meter zoning.							
						Q4	Installation and closement							

2. Implementation of cost containment measures and reduction of expenditure

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		Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2023 - 2024 Cost Savings Estimate s '000	2024 - 2025 Cost Savings Estimate s '000	2025 - 2026 Cost Savings Estimate s '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 zonal meters.	Acting EM: Infrastructure Development Services/	A decrease in water inventory purchases and distribution losses	3/1/2023	Q1	Procurement	Assignment letter.	R1,500m	R0	R0	R0	Replacement target is 20 metres. We are following a list that is at our disposal and we are making replacement at strategic location in order to assist us with water demand management initiatives.	R0
					6/30/2024	Q2	Audit and verification	Inception stage, audit and verification completed.						
						Q3	Meter zoning.							
						Q4	Installation and closement							

3. Realistic debtors collection rates incremental improvements year on year

Department	Objective	Improvement Measures				Final Budget Support Plan							Comments	YTD revenue received '000	
		Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2024 - 2025 revenue Estimate s '000	2025 - 2026 revenue Estimate s '000	2026 - 2027 revenue Estimate s '000			
Credit Control Management	Increase in collection of revenue by implementing Credit Control & Debt Management Policy	To increase collection rate by 1% annually	CFO/ Manager: Credit Control	In Year Monitoring report	7/1/2022	Q1	R9,231m	R7,508m						2% of collection currently recorded is R24,709m.	R28,615m
					6/30/2026	Q2	R9,231m	R17,201m							
						Q3	R9,231m	R3,906m							
						Q4	R9,231m								
								R36,924	R40476	R40833	R43.200				

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

Department	Objective	Improvement Measures				Final Budget Support Plan							Comments	YTD revenue received '000
		Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2024 - 2025 Cost Savings Estimate s '000	2025 - 2026 Cost Savings Estimate s '000	2026 - 2027 Cost Savings Estimate s '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	7/1/2022 6/30/2026	Q1	5 tenders	5 tenders	R0	R0	R52651	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 procurement process supply chain	R0
				Service Level and Agreement on recently appointed service providers.		Q2	12 tenders	12 tenders						
						Q3	4 tenders	4 tenders						
						Q4								

5. Ringfencing of conditional grants and ensuring that conditional grant funding is cash backed

Department	Objective	Improvement Measures				Final Budget Support Plan							Comments	YTD revenue received '000
		Action Plan	Responsible Official	Evidence	Start - End Date	Quarter	Target	Outcome	Cost Estimate '000	2024 - 2025 revenue Estimate s '000	2025 - 2026 revenue Estimate s '000	2026 - 2027 revenue Estimate s '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.	7/1/2021	Q1	R545k	R1,444m	Conditional grant funding	R 2,285	R 2,381	R 2,519	Grants are invested as and when received. Interest received is R1 178m recorded as of January 2024.	R5,982m
					6/30/2023	Q2	R545k	R3,318m						
						Q3	R545k	R1,220m						
						Q4	R545k							

CONCLUSION

Based on the tables above:

- a) Positive cash flow with focus on revenue from trading services has six projects, nine are in progress, and two have not yet started, revenue of R9,000 million was recorded and going forward the municipality is expecting to generate revenues amounting to R144,949million.
- b) Implementation of cost containment measures and a reduction of expenditure has five projects, and all are in progress, savings amounting to R 22,173 million was recorded. Municipality is hoping to save R52,257 million
- c) Realistic debtor's collection rates with incremental improvements year on year has one project and is in progress, R28,615 million has been recorded for the current and future collection is R40,476 million.
- d) Creditor's payments rates that ensure that all fixed obligations, including obligations for bulk purchases are met have one project and SCM continues to negotiate with appointed providers.
- 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 R5,982 million has been recorded for the 8 months. Municipality is expecting to receive R2,285 million on conditional grant 2023/2024

4. IMPLICATIONS

4.1 Financial Implications

A total of R R65,770 million revenues have been recorded for the current period. and at cost of R100,708 million in the municipality is estimated a cash flow improvement of R239,967 million.

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

6. Recommendation to Council

- 6.1 That cognizance be taken on the following:
- 6.2 The proposed 2024/2025 adjusted 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 total combination of revenue and savings generated to date amounts to R65,770 million.

ALDERMAN D. THUPANE
EXECUTIVE MAYOR

DATE: _____