

## Executive Summary

### 1. PURPOSE

The purpose of this report is to present to Council the final budget for 2018/2019 financial year as compiled with inputs from all departments and Directors.

### 2. BACKGROUND

Chapter 4, Section 28 of the Municipal Finance Management Act No. 56 of 2003, prescribes. The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

### Contents of annual budgets and supporting documents

- (1) An annual budget of a municipality must be a schedule in the prescribed format
  - (a) Setting out realistically anticipated revenue for the budget year from each revenue source;
    - (a) Appropriating expenditure for the budget year under the different votes of the municipality;
    - (b) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
    - (d) Setting out—
      - (i) Estimated revenue and expenditure by vote for the current year; and
      - (ii) Actual revenue and expenditure by vote for the financial year preceding the current year; and
    - (e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.
  - (b) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.
  - (c) When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents:
    - (a) Draft resolutions
      - (i) approving the budget of the municipality;
      - (ii) Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and
      - (iii) approving any other matter that may be prescribed;

- (b) measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;
- (c) a projection of cash flow for the budget year by revenue source, broken down per month;
- (d) any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;
- (e) any proposed amendments to the budget-related policies of the municipality;
- (f) particulars of the municipality's investments;
- (g) any prescribed budget information on municipal entities under the sole or shared control of the municipality;
- (h) particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;
- (i) particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
- (j) particulars of any proposed allocations or grants by the municipality to—
  - (i) other municipalities;
  - (ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
  - (iv) any other organs of state;
  - (v) any organisations or bodies referred to in section 67(1);
- (k) the proposed cost to the municipality for the budget year of the salary, allowances and benefits of
  - (i) each political office-bearer of the municipality;
  - (ii) councillors of the municipality; and
  - (iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;
- (l) the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of—
  - (i) each member of the entity's board of directors; and
  - (ii) the chief executive officer and each senior manager of the entity; and
- (m) any other supporting documentation as may be prescribed.

## Summary of Income and Expenditure

| FS162 Kopanong - Table A4 Budgeted Financial Performance (Revenue) |   |                        |                        |
|--|---|------------------------|------------------------|
| Description  | 2018/19 Medium Term Revenue & Expenditure Framework |                        |                        |
|  | Budget Year 2018/19                                 | Budget Year +1 2019/20 | Budget Year +2 2020/21 |
| R thousand   |   |                        |                        |
| <u>Revenue By Source</u>   |   |                        |                        |
| Property rates   | 21 158  | 23 973                 | 27 093                 |
| Service charges - electricity revenue                              | 70 080  | 74 644                 | 79 506                 |
| Service charges - water revenue                                    | 16 427  | 18 070                 | 19 877                 |
| Service charges - sanitation revenue                               | 15 347  | 16 965                 | 18 748                 |
| Service charges - refuse revenue                                   | 11 181  | 12 360                 | 13 659                 |
| Rental of facilities and equipment                                 | 1 037   | 1 141                  | 1 255                  |
| Interest earned - external investments                             | 302   | 333                    | 366                    |
| Interest earned - outstanding debtors                              | 13 117  | 14 428                 | 15 871                 |
| Fines, penalties and forfeits                                      | 60  | 66                     | 72                     |
| Transfers and subsidies  | 80 580  | 86 141                 | 92 653                 |
| Other revenue  | 1 016   | 1 117                  | 1 229                  |
|  |   |                        |                        |
| Total Revenue (excluding capital transfers and contributions)      | 230 305   | 249 238                | 270 330                |

### 3. INCOME

#### Rates

Due to the payment rate of rates of 85% we have to budget for 15% debt impairment.

#### Water

Due to the payment rate of water of 35% we have to budget for 65% Debt impairment.

#### Sanitation

Due to the payment rate of sanitation of 45% we have to budget for 55% Debt impairment.

### **Refuse**

Due to the payment rate of sanitation of 45% we have to budget for 55% Debt impairment.

### **Plans that can help with revenue enhancement.**

#### **Short Term**

- If the customer fails to pay any account within a period of fourteen (14) days after the expiry of the due date, then
- Without further notice, the Municipality may limit, disconnect the supply of water to the immovable property in question.
- Repayment plan for all councillors and officials to repay their municipal accounts.
- Clear all Government accounts with the different with National and Provincial Departments.
- Meters in all unmetered areas.
- Replace broken water meters.
- Minimize water losses on Network.
- Give targets of collection to all units starting form 01<sup>st</sup> April 2018.
- Appoint a debt recovery person within the municipality without burdening the municipality.
- Complete household profiling done by Rand water students.

#### **Medium Term**

- Installation of prepaid water meters.
- Take over electricity functions from Centlec Pty Ltd (Magaung Metro entity) to the municipality.
- Take over water functions from Bloemwater
- Pay points during the pension and SASA pay-outs.

- Pay points at Hlasela offices (There is only one operational in the nine towns at the moment.
- Debts which have been outstanding for more than 90 days from due date may be handed over to debt collectors appointed by the Municipality for the purposes of collecting such debt.

#### Bad Debt Provision

| Type     | Budget |
|----------|--------|
| Rates    | 15%    |
| Water    | 65%    |
| Refuse   | 55%    |
| Sewerage | 55%    |

If all measures is put in places we can turn our payment rate around.

#### 4. EXPENDITURE

| FS162 Kopanong - Table A4 Budgeted Financial Performance (Expenditure) |   |                           |                           |
|--|---|---------------------------|---------------------------|
| Description  | 2018/19 Medium Term Revenue & Expenditure Framework |                           |                           |
| R thousand   | Budget Year 2018/19                                 | Budget Year +1<br>2019/20 | Budget Year +2<br>2020/21 |
| <u>Expenditure By Type</u>   |   |                           |                           |
| Employee related costs   | 112 523   | 120 393                   | 128 821                   |
| Remuneration of councillors  | 5 042   | 5 395                     | 5 772                     |
| Debt impairment  | 30 613  | 32 442                    | 33 386                    |
| Depreciation & asset impairment  | 65 000  | 65 000                    | 65 000                    |
| Bulk purchases   | 82 657  | 87 476                    | 92 612                    |
| Other expenditure  | 89 932  | 92 896                    | 97 955                    |
| <b>Total Expenditure</b>   | <b>385 767</b>                                      | <b>403 601</b>            | <b>423 546</b>            |

All budget assumptions is based on National Treasury circulars.

#### **4.1 Salaries**

Current percentage of the salary budget against the total budget is 34.8%.

#### **Cost containment measures**

##### **Short Term**

- Only critical post will be filed.
- Consultants will only be use where the municipality don't have the capacity to do it in-house.
- Telephone cost where only certain officials can make calls to cell phones.
- No official have access to internet only where the official can proves and provide reasons will he be granted access to internet for a certain time depending on the work he or she must do.
- Request Financial Recovery plan internally and assistance from Provincial and National Treasury to be tabled to the next ordinary Council.

##### **Medium Term**

- Auction off all redundant buildings and land.
- Yield must firstly be used to pay Pension funds to encourage people to go on early retirement and to assist medically unfit personnel.
- Repayment of arrear creditors.
- Land must be sell for Xhariep grounds

- Memorandum of understanding must be renegotiated with Bloem Water and Centlec.
- All rental agreements must be renegotiated.

## **5. Changes to Policy's**

**There were only changes made to the following Policy's**

Credit Control Policy  
Rates Policy

**There were no changes made to the following:**

Budget Policy  
SCM Policy  
Investment Policy  
Asset Management Policy  
Debt write of Policy  
Travel and Subsistence Policy  
Indigent Policy  
Tariff Policy  
Human Resources Policy

## **Recommendations**

- 1.1 That the Council approves the 2018/2019 Final budget with a cash deficit on the cash flow side off the draft budget.
- 1.2 That the Council also needs an update workshop on the short, medium and long term plan to turn around the financial deficit.
- 1.3 That the Council approves the 2018/2019 Final tariff list.