

ITEM

FINAL ANNUAL BUDGET FOR 2022/2023

5/1/1-2022/2023

EXCO:

REPORT OF THE MAYOR

1. PURPOSE

To present to Council the Final Budget for the 2022/23 financial year, In terms of Section 16 of the Municipal Finance Management Act, 56 of 2003,

The Council of a Municipality must for each financial year approve an Annual Budget for the Municipality before the start of that financial year.

2. LEGAL/STATUTORY REQUIREMENTS

- Constitution of SA 1996
- MFMA 56/2003
- MFMA
- National Treasury Regulations

3. BACKGROUND

In terms of Section 16 of the MFMA act, The Council of a Municipality must for each financial year approve an Annual Budget for the Municipality before the start of that financial year.

The Final budget was tabled before council on the 31 May 2022 and the Council recommended that the public engagement meeting be held by the 13 June 2022 to inform the public on the water tariff increase and that Special Council meeting be arranged on or before the 30 June 2022 to present feedback on the outcome of Public engagement pertaining to the proposed water tariff increase.

On the 19 March 2012 the minister pronounced the establishment of 9 catchment management areas in 9 water management areas with DWS. Lephalale Municipality acquired a license in 2012 and signed a contract in 2015 with DWS for the abstraction of raw water from Mokolo Dam (MCWAP-1)

In terms of section 59 (2) of the National water Act 36 of 1998 (the NWA), Water Users must pay all water uses charge imposed under section 57 of the NWA read with the pricing strategies promulgated from time to time in terms of section 56 of NWA.

Lephalale Municipality is required to pay extraction of water from Mokolo in order to comply to the Act and retain the water license.

During the public participations held in April and May 2022, the members of the public were presented with the tariff increment of 4.8% as per the MTREF Circular 115 of the National Treasury. However, upon performance of sensitivity analysis and budget permutations, it was discovered that the percentage increment of 4.8% will not be financially viable for the municipality to still have a funded budget and meet the monthly instalments to DWS.

The sensitivity analysis indicated that the Municipality would only breakeven when it implemented 60% increase on water consumption tariffs. The proposed tariff was then presented to the members of the public at the special public participation that was held at Mogol Function Hall on 13 June 2022. During the engagements the members of the public objected the proposed water increase due to affordability, unfavorable economic conditions, and service delivery issues.

The Municipality considered the concerns of the public and reviewed the water tariffs to be affordable and collectable. Therefore, a further budget analysis was performed, and the Municipality then arrived at decision to meet the consumers halfway by rather increasing the water consumption tariff by 30% in 2022/2023 and cut on the budget expenditure to still maintain a funded budget.

The total budget for MTREF 2022/23 includes Total Operating Revenue is R741 million and Total Operating Expenditure of R739 million resulting in the operating Surplus of R1,8 million.

The operating Revenue budget has changed from R667 million in 2021/2022 to R749 million in 2022/2023 FY, R784 million 2023/2024 FY and R833 million in 2024/2025 FY respectively.

REVENUE BY SOURCE	BUDGET 2022/2023	BUDGET 2023/2024	BUDGET 2024/2025
Property Rates	112 986 507	117 957 913	123 266 019
Service Charges - Electricity revenue	251 439 352	262 502 684	274 315 304
Service Charges - Water Revenue	69 973 913	73 052 765	76 340 139
Service Charges - Sanitation Revenue	25 851 230	26 988 684	28 203 175
Service Charges - Refuse Revenue	20 660 540	21 569 603	22 540 235
Rental of Facilities and Equipment	329 400	343 894	359 369
Interest earned - external investments	2 298 581	2 399 719	2 507 706
Interest earned - outstanding debtors	36 698 022	38 312 734	40 036 807
Fines, penalties and forfeits	727 166	759 161	793 322
Licences and permits	8 711 581	9 094 891	9 504 161
Transfers and subsidies	207 992 600	227 556 350	251 226 950
Other revenue	4 000 669	4 176 698	4 364 650
Total Revenue (including Transfers & subsidies)	741 669 560	784 715 096	833 457 839

The operating Expenditure budget has changed from R663 million in 2021/2022 to R739 million in 2022/2023 FY, R777 million 2023/2024 FY and R812 million in 2024/2025, resulting to a surplus of R 1,8 Million for 2021/22 FY and R7 million and R20 million in the outer years.

Expenditure By Type	BUDGET 2022/2023	BUDGET 2023/2024	BUDGET 2024/2025
Employee related costs	236 854 011	247 275 588	258 402 989
Remuneration of councillors	12 921 083	13 489 611	14 096 643
Debt impairment	17 620 353	23 867 648	26 131 693
Depreciation & asset impairment	97 154 670	101 429 476	105 993 802
Finance charges	14 895 531	15 550 934	16 250 726
Bulk purchases - electricity	146 424 386	152 867 059	159 746 076
Inventory consumed	58 864 659	61 454 704	64 220 166
Contracted services	70 909 224	74 029 229	77 360 545
Transfers and subsidies	1 024 088	1 069 148	1 117 259
Other expenditure	83 102 703	86 520 889	89 228 684
Total Expenditure	739 770 708	777 554 285	812 548 585

The Capital expenditure is R183 million which includes R35m Own capital Funded and R148m National Grant Funded Projects.

DESCRIPTION	2022/23	2023/24	2024/25
MIG	56 612 400	49 140 650	51 299 050
WSIG	67 160 000	122 058 000	115 740 000
INEP	20 000 000	22 500 000	10 971 000
ELECTRICITY EFFICEINCY	4 000 000	-	5 000 000
OWN FUNDING	35 255 000	-	-
TOTAL	183 027 400	193 698 650	183 010 050

3.1 CHALLENGES

Low percentage increase on the operational budget due to the CPI Projection below 6%.
The incorporation the extraction of Raw water from Mokolo dam in inline Water Authority License.

The water Tariff is currently not cost reflective.

3.2 WAY FORWARD

To avoid Unauthorized Expenditure.

4. STAFF IMPLICATIONS

The budget includes the critical positions to strengthen governance and improve service delivery, this aligns to resolution taken at the strategic session to capacitate the Governance and assurance units.

The budget includes the following critical position to strengthen governance and improve service delivery. Existing Organogram has been optimized to address shortage of critical skills.

Accountant Revenue Property and Clearance L4
Accountant Budget and reporting L4
Financial system analyst L3
Operator TLB/Mechanical broom L10
Quantity Surveying L3
Manager Fleet and Workshop Management L2-1
Fleet Data Capturer /Clerk L7

5. FINANCIAL IMPLICATIONS

The total budget for MTREF 2022/23 includes Total Operating Revenue is R741 million and Total Operating Expenditure of R739 million resulting in the operating Surplus of R1,8 million.

The operating Revenue budget has changed from R667 million in 2021/2022 to R741 million in 2022/2023 FY, R784 million 2023/2024 FY and R833 million in 2024/2025 FY respectively.

The operating Expenditure budget has changed from R663 million in 2021/2022 to R739 million in 2022/2023 FY, R777 million 2023/2024 FY and R812 million in 2024/2025, resulting to a surplus of R 1,8 million for 2022/23 FY and R7 million and R20 million in the outer years.

The Capital expenditure is R183 million which includes R35m Own capital Funded and R148m National Grant Funded Projects

Provision has been made in for employee cost to be adjusted by 4,8% in 2021/2022 financial year which is as per Circular 115.

All Tariffs have been adjusted with 4,8 % for the current financial year except electricity which is adjusted by 9,6 % and as per Nersa guideline and the incorporation the extraction of Raw water from Mokolo dam in line Water Authority License and 30% of Water consumption Charges.

The budget includes critical positions to strengthen governance and improve service delivery. Existing Man plan has been optimized to improve the efficiency in the Implementation of IDP.

Capital Expenses

The grants funding projects are as follows:

- MIG R56,6 million
- INEP R24 million
- WISIG R67 million (Schedule 6)

The own Funding Projects are R35 million.

6. OTHER PARTIES CONSULTED

- Management

7. ATTACHMENTS

The following tables are attached as **ANNEXURES**:

- a) Mayor Report (**ANNEXURE 1**)
- b) Executive Summary (**ANNEXURE 2**)
- c) Overview of annual budget process (**ANNEXURE 3**)
- d) Overview of alignment of annual budget with IDP(**ANNEXURE 4**)
- e) Measurable performance objectives and indicators (**ANNEXURE 5**)
- f) Overview of the budget related policies (**ANNEXURE 5**)
- g) Overview of the Budget assumptions (**ANNEXURE 5**)
- h) Overview Budget Funding (**ANNEXURE 5**)
- i) Expenditure on allocations and grants programmes (**ANNEXURE 6**)
- j) Allocations and Grants by the Municipality (**ANNEXURE 7**)
- k) Councillor and board member allowances and employee benefits (**ANNEXURE 7**)
- l) Legislation compliance status (**ANNEXURE 7**)
- m) Budget Summary Tables (**ANNEXURE 8**)
- n) Tariffs (**ANNEXURE 9**)

8. RECOMMENDATIONS

1. That the Final Annual Budget for 2022/23 and indicative allocations for the two projected outer years 2023/2024 and 2024/2025 and related Policies be approved
2. That the total Operating Revenue of R 741 million for 2022/23 be approved.
3. That total operating Expenditure of R739 million resulting in an operating surplus of R 1,8 million be approved.

REVENUE BY SOURCE	BUDGET 2022/2023	BUDGET 2023/2024	BUDGET 2024/2025
Property Rates	112 986 507	117 957 913	123 266 019
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Total Revenue (including Transfers & subsidies)	741 669 560	784 715 096	833 457 839

4. That the capital expenditure of R183 million be approved.

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OWN FUNDING	35 255 000	-	-
TOTAL	183 027 400	193 698 650	183 010 050

5. That in terms of Section 23 of the MFMA, the tabled Final Annual budget be send to the National and Provincial Treasury, and CoGHSTA.
6. That the following Annexures be approved as part of the Final Budget for 2022/2023.
 - a) Mayor Report (**ANNEXURE 1**)
 - b) Executive Summary (**ANNEXURE 2**)
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 - k) Councillor and board member allowances and employee benefits (**ANNEXURE 11**)
 - l) Legislation compliance status (**ANNEXURE 12**)
 - m) Budget Summary Tables (**ANNEXURE 13**)
 - n) Tariffs (**ANNEXURE 14**)



LEPHALALE LOCAL MUNICIPALITY

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Ms M M Cocquyt/nps

Your Ref:

Attention:

Certified copy from the minutes of a Special Council meeting of the Lephalale Municipality held on Tuesday, 28 June 2022.

ITEM A91/2022[6]

FINAL ANNUAL BUDGET FOR 2022/2023

5/1/1-2022/2023

SP/COUNCIL: 28 JUNE 2022

RESOLVED

1. That the Final Annual Budget for 2022/2023 and indicative allocations for the two projected outer years 2023/2024 and 2024/2025 and related Policies be approved
2. That the total Operating Revenue of R741 million for 2022/23 be approved.

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Total Revenue (including capital transfers and contributions)	741 669 560	784 715 096	833 457 839

OUR VISION
A VIBRANT CITY AND THE ENERGY HUB

3. That total operating Expenditure of R739 million resulting in an operating surplus of R 1,8 million be approved.

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7. That it be noted that Democratic Alliance Representatives i.e Clr N H Pienaar, Clr S M Niewoudt and Clr L E Setho have distanced themselves from the recommendation of this report. Therefore, Council resolved that, Clr N H Pienaar to lead benchmarking with other Municipalities to compare water charges so that they can inform their respective communities that the water increase is far less to other municipalities.

CERTIFIED A TRUE COPY FROM THE MINUTES OF A SPECIAL COUNCIL MEETING OF LEPHALALE MUNICIPALITY HELD ON TUESDAY, 28 JUNE 2022.

Signed at Lephalale on this 29 day of JUNE 2022

Yours sincerely


MM COCOQUYT
MUNICIPAL MANAGER