



MOSES KOTANE LOCAL MUNICIPALITY

Council Resolution Number 158/05/2023

Date of Council 31 May 2023

Municipal Manager Signature *W. M. M. M. M.*

NW375

MOSES KOTANE LOCAL MUNICIPALITY

2023/2024

ADOPTED BUDGET FUNDING PLAN

1. PURPOSE

The purpose of this document is to provide a response/remedy to the municipality's unfunded budget position. This plan considers the 2023/2024 Budget year and the 2 Outer Years of the Medium-Term Revenue and Expenditure Framework (MTREF).

2. LEGISLATIVE FRAMEWORK

Municipal Finance Management Act No.56 of 2003.

Chapter 4 of the Municipal Finance Management Act No.56 of 2003 ("MFMA") deals with the drafting and adopting of municipal budgets by municipalities. Section 18(1) of the MFMA states that an "annual budget may only be funded from –

- a) Realistically anticipated revenues to be collected;
 - b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - c) Borrowed funds, but only for the capital budget referred to in section 17(2)."
- Section 18(2) adds that "revenue projections in the budget must be realistic, taking into account-
- d) Projected revenue for the current year based on collection levels to date; and
 - e) Actual revenue collected in previous financial years."

The Municipal Budget and Reporting Regulations ("MBRR") sets out standards for sound and sustainable management of the budgeting and reporting practices in municipalities. It states in paragraph 10(1)(b) that "the funding of an annual budget must be consistent with the trends, current and past, of actual funding collected or received." It further states in paragraph 10(4) that "the cash flow budget required in terms of Schedule A must reflect all funds realistically forecast to be collected, including arrears."

3. BACKGROUND, FACTS, EXPOSITION AND PROPOSAL

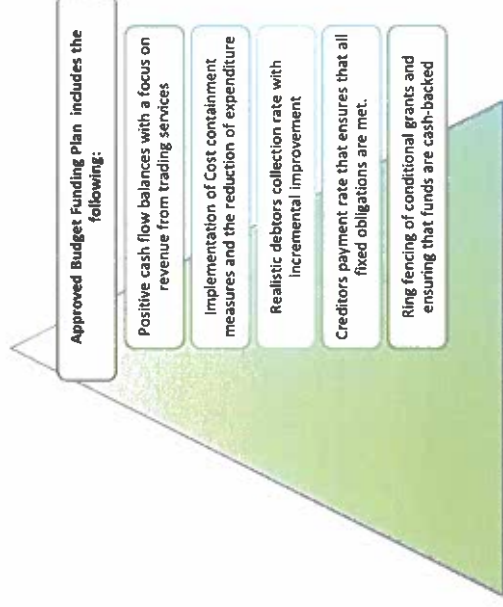
The municipality's budget for the 2023/2024 MTREF is currently unfunded. There are various factors that have resulted in the current cash flow position of the municipality as outlined in this plan and the remedial action that the municipality will be implementing to address these issues in order to achieve a funded budget position.

Moses Kotane is classified as Category B4 Local Municipality which is mainly rural with communal tenure. Its headquarters are based in Mogwase Townships with satellite offices in Madikwe Township.

- The municipality has a total population of 242 553 (as per the 2011 Census),
- Estimate that there are 75 193 households. The Municipality has predominantly African population, with fewer Indian, Coloured and White groups mostly residing in Sun City
- The official Unemployment rate was at 33.5% (2011),
- The total households within the municipality's jurisdiction amounts to 75 193 as at 2011,
- The current number of households registered as indigent vs the total municipal households equates to 31% (**which directly impacts on our revenue and the debtors book**),

4. FUNDING PLAN PILLARS

In order to give effect and structure to the Budget Funding Plan referenced above, the budget funding plan must be based on pillars.



The following Budget funding plan pillars are been looked at in detail:

1. Positive cash flows with a focus on revenue from trading services;
2. Implementation of cost containment measures and a reduction of expenditure;
3. Realistic debtors' collection rates with incremental improvements year on year;
4. Creditors payment rates that ensure that all fixed obligations, including obligations for bulk purchases, are met; and
5. Ring fencing of conditional grants and ensuring that conditional grant funding is cash backed.

Below are plans that the municipality commits to implement to ensure that it has a funded budget over the MTREF:

5. POSITIVE CASH FLOW BALANCES

(a) Cash/Cost Coverage Ratio

The cash/cost coverage ratio indicates the municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investments without collecting any additional revenue during that month {MFMA Circular No. 71}.

The municipality's cash coverage calculated as at 30 August 2022 resulted in the following outcome;

Cash coverage = < 1 month

The cash coverage ratio is in line with the norms of the circular which require that the municipality maintains a cash coverage of between 1 to 3 months.

(b) Current Ratio

The current ratio is used to assess the municipality's ability to pay back its short-term liabilities (Debt & Payables) with its short-term Assets (Cash, Inventory, and Receivable) {MFMA Circular No. 71}.

The municipality's working capital position for the past 3 years can be summarized as follows:

Description	R000'	FINANCIAL YEARS		
		2021/22	2020/21	2019/20
Current Assets	229 144	146 054	126 650	
Current Liabilities	268 825	319 188	295 652	
Current Ratio	- 39 681	- 173 134	- 169 002	
Net working capital (%)	0.85	0.46	0.43	

PRIORITY AREA	FOCUS AREA	ACTIVITY	TIME FRAME (start end)	RESPONSIBLE PERSON	COSTS (& Source of funding)	OUTCOME	EXPECTED INFLOW	IMPACT ON FUNDING STATUS
Revenue Management	Registration of motor vehicles	Claiming 20% Commission from the department of Community Safety and Transport Management	July 2021 to June 2024	HOD Community Services	R 200 000	Compliance with the National Road Traffic ACT	R3 000 000	Improved Cash flow status Year 1 – R1 M Year 2 – R1 M Year 3 – R1 M
Revenue Management	Learners licenses testing	Appointment of examiners for learners license	July 2022 to June 2024	HOD Community Services	R200 000	Compliance to traffic regulations	R500 000	Improved Cash flow Status Year 1 – R0 Year 2 – R 300 T Year 3 – 200 T
Revenue Management	Outdoor advertising	Appointment of additional law enforcement officer to implement by-laws unit	July 2022 to June 2024	HOD community services and HOD Planning	R 200 000 Own source	Adherence to the bylaws of the institution	R 300 000	Improved Cash flow Status Year 1 – R0 Year 2 – R 150 T Year 3 – 150 T
Revenue Management	Rental equipment & facilities	Leasing of Municipal satellites (mobile	July 2023 to June 2026	HOD LED and HOD Corporat	No cost implications	Additional Rental Income	R 936 000	Improved Cash flow status Year 1 – 312 T Year 2 – R312T

PRIORITY AREA	FOCUS AREA	ACTIVITY	TIME FRAME (start end)	RESPONSIBLE PERSON	COSTS (& Source of funding)	OUTCOME	EXPECTED INFLOW	IMPACT ON FUNDING STATUS
	facilities (Rental of stalls)	network towers) & facilities (R26T p.m +12 months		e Services				Year 3 – R312T
	Traditional Authorities	Implementation of flat rate	July 2023 - ongoing	CFO	No costs implication	Additional income increase revenue	R300 000	Improved Cash Flow status Year 1 – R100 T Year 2 - R100 T Year 3 – R100 T
	Arrear Debtors	Implementation of credit control on municipal employees	July 2023 - ongoing	CFO	No costs implication	Reduced Debtors Book	R300 000	Improved Cash Flow status Year 1 – R100 T Year 2 - R100 T Year 3 – R100 T

PRIORITY AREA	FOCUS AREA	ACTIVITY	TIME FRAME (start end)	RESPONSIBLE PERSON	COSTS (& Source of funding)	OUTCOME	EXPECTED INFLOW	IMPACT ON FUNDING STATUS
<p>7. IMPLEMENTATION OF COST CONTAINMENT MEASURES</p> <p>(a) REDUCTION OF NON-CORE EXPENDITURE</p> <p>The municipality has identified the following expenditure items for reduction during the MTREF period, so as to improve the municipality's cash position and the impact on the overall annual budget:</p>								
Expenditure Management	Outsourced services/Contracted services	Preparation of financial statements	July 2023 to ongoing	CFO	SETA	Employee skills development and reduction on outsourced service/consultants.	R7 500 000	Year 1 – R2.5 M Year 2 – R2.5 M Year 3 – R2.5 M
	Reductions on repairs and maintenance of vehicle	Repairs and Maintenance Fleet	July 2023 to June 2024	HOD COMMUNITY SERVICES		Reductions on repairs and maintenance of vehicle	R 7 500 000	Year 1 – R 2.1 M Year 2– R2.45 M Year 3 – R 2.8 M

PRIORITY AREA	FOCUS AREA	ACTIVITY	TIME FRAME (start end)	RESPONSIBLE PERSON	COSTS (& Source of funding)	OUTCOME	EXPECTED INFLOW	IMPACT ON FUNDING STATUS
	Water Tankering	Implementation of cost containment	July 2023 to June 2024	HOD TECHNICAL SERVICES		Reduction on operational costs.	R6 000 000	Moses Kotane received water tankers from Bakubung mine as a donation so municipality will save on the cost of hiring water tankers
								Year 1 – R600 Year 2– R600 T Year 3 – R900 T

7 DEBTOR'S AGE ANALYSIS

NW375 Moses Kotane - Supporting Table SC3 Monthly Budget Statement - aged debtors - M10 April

Description	NT Code	Budget Year 2022/23										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts L.O Council Policy		
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days-1 Yr.	Over 1Yr.	Total	Total over 90 days				
R thousands															
Debtors Age Analysis By Income Source															
Trade and Other Receivables from Exchange Transactions - Water	1200	38,929	18,829	19,673	22,378	19,914	20,239	86,245	766,432	992,639	915,208	-	-		
Trade and Other Receivables from Exchange Transactions - Electricity	1300														
Receivables from Non-exchange Transactions - Property Rates	1400	20,137	9,661	9,499	9,435	7,015	6,702	34,077	326,312	422,859	383,542	-	-		
Receivables from Exchange Transactions - Waste Water Management	1500	791	389	351	366	361	355	2,379	11,698	16,691	15,159	-	-		
Receivables from Exchange Transactions - Waste Management	1600	2,244	1,122	1,118	1,120	1,116	1,118	6,784	83,404	98,026	93,542	-	-		
Receivables from Exchange Transactions - Property Rental Debts	1700														
Interest on Arrear Debtor Accounts	1810	17,965	8,765	8,731	8,517	8,362	8,301	46,001	393,133	489,774	464,313	-	-		
Recoverable unauthorised, irregular, tullest and wasteful expenditure	1820														
Other	1900	976	423	502	418	391	408	1,400	33,004	37,523	35,621	-	-		
Total By Income Source	2000	81,042	39,210	39,874	42,235	37,159	37,123	176,886	1,613,983	2,067,512	1,907,386	-	-		
2021/22 - totals only		1,168,12464	402,10410	452,37522	408,39421	354,11098	375,94644	2,176,54716	1,833,843	1,833,843	1,831,583	0	0		
Debtors Age Analysis By Customer Group															
Organs of State	2200	13,679	6,409	6,220	6,292	6,344	6,404	33,129	240,413	318,891	292,583	-	-		
Commercial	2300	24,636	12,448	13,197	14,796	10,713	10,028	21,033	240,771	347,822	297,341	-	-		
Households	2400	41,754	19,931	19,956	20,729	19,711	20,286	121,328	1,126,665	1,390,361	1,308,720	-	-		
Other	2500	973	421	501	417	390	403	1,396	6,135	10,637	8,742	-	-		
Total By Customer Group	2600	81,042	39,210	39,874	42,235	37,159	37,123	176,886	1,613,983	2,067,512	1,907,386	-	-		

The above tables reflect gross debtors' book of the municipality. The balance at the end of the reporting month amount to R2 billion. Of the total balance, 92% or R1.9 billion is older than 90 days, rendering it difficult to collect. The municipality is experiencing serious challenges with revenue collection. For the successful implementation of the financial plan and the ultimate achievement of a funded budget, both Political and Administration must join efforts.