



Mogale City

Local Municipality

2020/2021 ADJUSTED BUDGET SUPPORT PLAN

1.1 PURPOSE

The purpose of this report is to provide Adjusted Budget Funding Plan that is intended to support and fund estimates contained in the proposed Mid-Year Adjustment Budget.

1.2 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, taking into account,

- a. *Projected revenue for the current year based on collection levels to date, and*
- b. *Actual revenue collected in previous years”.*

1.3 DISCUSSION

On 30 November 2020, Council approved the Special Adjustment Budget to the 2020 - 2023 Medium Term Revenue and Expenditure Framework (MTREF) for the municipality together with the Budget Support Plan.

1. POSITIVE CASH FLOW WITH A FOCUS ON REVENUE FROM TRADING SERVICES										
Department	Objective	Improvement Measures				Progress Reporting				
		Action Plan	Responsible official	Evidence	Due Date	Status	Cost Estimates	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Human Settlement and Real Estate Programme Management	Disposal of land not required for provision of basic services.	Dispose land identified and approved by Council for disposal.	Acting EM EDS / Assistant Manager: Real	Council Resolution, Deed of Sale.	30 April 2021	In progress	Minor admin costs.	R 192 362 215	R 0	R 0

The table above indicate the change on the Budget Support Plan whereby the disposing of the land has been accelerated to this current financial year, estimated income will be R180 million to fund this budget.

Therefore, it is the objective of this plan is to support the 2020/21 Proposed Mid-Year Adjustment Budget and to make it viable and funded in the next two years.

The Budget Funding Plan contains five pillars on which it is anchored; the pillars assist in giving effect and structure to the plan in order to indicate how the municipality will move from the unfunded to the funded position. The table below summarises the pillars, the estimates, and is followed by a detailed list of the objectives grouped under each pillar. It is estimated that the objectives listed under the pillars have a potential to provide a cash injection of **R 842 million** largely influenced by the disposal of land and Eskom tariff restructuring, with estimated implication costs of **R 336 million** over the medium term period.

PILLAR DESCRIPTION	Progress Reporting				
	Status	Cost Estimates	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
1. Positive cash flow with a focus on revenue from trading services	In progress	R 3 521 436	R 235 669 215	R 73 157 000	R 83 257 000
2. Implementation of cost containment measures and a reduction of expenditure	In progress	R 323 022 000	R 18 818 181	R 88 874 218	R 93 930 283
3. Realistic debtors collection rates with incremental improvements year on year	In progress	R 10 350 000	R 32 800 000	R 34 500 000	R 36 200 000
4. Creditors payments rates that ensure that all fixed obligations, including obligations for bulk purchases are met	In progress	R 0	R 40 000 000	R 44 000 000	R 48 400 000
5. Ring fencing of conditional grants and ensuring that conditional grant funding is cash backed	In progress	R 0	R 5 053 630	R 6 813 407	R 7 262 919
TOTAL		R 336 893 436	R 332 341 026	R 240 404 625	R 269 050 202

1. POSITIVE CASH FLOW WITH A FOCUS ON REVENUE FROM TRADING SERVICES

Department	Objective	Improvement Measures				Status	Progress Reporting			
		Action Plan	Responsible official	Evidence	Due Date		Cost Estimate	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Energy Services	Improve electricity measurement accuracy thereby improving revenue	Replace Analogue Meters with Digital Meters.	EM: UMS Manager: Energy services	Increase in electricity billing and a list of digital meters replaced.	30 June 2021	In progress	Covered in the budget: phase 1 replace 600 meters	R 1 000 000	R 2 400 000	R 2 400 000
Energy Services	To curb electricity theft in informal settlements due to illegal connections and safeguard the public and personnel from electrocutions	Augment formal electrification of informal settlements including an installation of new technology meters that are vandal proof and having remote control and monitoring capabilities as part of the electrification projects.	EM: UMS Manager: Energy services	Decrease in electricity losses and maintenance expenses.	30 June 2021	In progress	Covered in the budget: grant funded INEP	R 12 000 000	R 12 000 000	R 12 000 000
Energy Services	Revenue increase in electricity	Upgrade and refurbishment of a distribution Spruit 33/11kV 2x20MVA substation in order to unlock economic developments like the Heritage Manor housing estate in Krugersdorp West area.	EM: UMS Manager: Energy services	Increase in electricity billing and a completion certificate.	30 June 2021	In progress	Covered in the budget: grant funded NDPG	R 0	R 0	R 10 000 000

1. POSITIVE CASH FLOW WITH A FOCUS ON REVENUE FROM TRADING SERVICES

Department	Objective	Improvement Measures				Status	Progress Reporting			
		Action Plan	Responsible official	Evidence	Due Date		Cost Estimate	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Water Services	Increase revenue through top 200 bulk water users	Top 200 business and industrial bulk water meters' audit and replacement.	EM: UMS Manager: Water services	Increase in water billing and meter audit and replacement report	30 June 2021	In progress	R1,256,000	R 5 000 000	R 23 000 000	R 23 000 000
Waste Management	Maximize refuse removal revenue from new housing developments and residential complexes	Increase refuse removal revenue by verifying and ensuring billing of new housing developments such as Chief Mogale, Ext 13, eThembaletu	EM: IEM Manager: Waste Management	Submission of lists of accounts to Revenue for billing purposes	Quarterly	In progress	Costs are covered in the budget	R 1 200 000	R 1 200 000	R 1 200 000
Waste Management	Maximize refuse removal revenue from new housing developments and residential complexes	Increase refuse removal revenue by verifying and ensuring billing of newly developed residential complexes	EM: IEM Manager: Waste Management	Submission of lists of accounts to Revenue for billing purposes	Monthly	In progress	Costs are covered in the budget	R 207 000	R 207 000	R 207 000

1. POSITIVE CASH FLOW WITH A FOCUS ON REVENUE FROM TRADING SERVICES

Department	Objective	Improvement Measures				Progress Reporting				
		Action Plan	Responsible official	Evidence	Due Date	Status	Costs Estimates	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Traffic Management	Increase in revenue	Introducing a Number plate recognition (NPR) system.	EM CDS / Manager: Traffic	Warrant register.	30 June 2021	In progress	R0	R 15 000 000	R 15 000 000	R 15 000 000
Building Development Management	Compliance with outdoor advertising by laws	Filling of vacant position.	Acting EM EDS / Manager: Building Development Management	Appointment letter	31 March 2021	In progress	R 846 548 p.a.	R 5 000 000	R 10 000 000	R 10 000 000
Building Development Management	Compliance with National Building Regulations	Filling of vacant positions.	Acting EM EDS	Appointment letter	31 March 2021	In planning	R 1 418 888 p.a.	R 3 800 000	R 8000 000	R 8000 000
Biodiversity	To conduct an internal audit regarding approved developments that were liable to pay Open Space Contributions for the past 5 years	Review all approved developments in the last five financial years to date.	EM IEM / Manager: Biodiversity	Audit report	30 June 2021	In progress	Costs are covered in the budget.	R 0	R 1000 000	R 1000 000
Biodiversity	To conduct an audit of developments that was liable for submission of landscape development plans for the past 5 years	Review all approved developments in the last five financial years to date.	EM IEM / Manager: Biodiversity	Audit report	30 June 2021	In planning	Costs are covered in the budget.	R 0	R 200 00	R 300 000
Biodiversity	Increase revenue	Implementation of parks tariffs.	EM IEM / Manager: Biodiversity	Income register	31 March 2021	In progress	Costs are covered in the budget.	R 100 000	R 150 000	R 150 000

2. POSITIVE CASH FLOW WITH A FOCUS ON REVENUE FROM TRADING SERVICES

Department	Objective	Improvement Measures				Progress Reporting				
		Action Plan	Responsible official	Evidence	Due Date	Status	Cost Estimates	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Human Settlement and Real Estate Programme Management	Disposal of land not required for provision of basic services.	Dispose land identified and approved by Council for disposal.	Acting EM EDS / Assistant Manager: Real	Council Resolution, Deed of Sale.	30 April 2021	In progress	Minor admin costs.	R 192 362 215	R 0	R 0

2. IMPLEMENTATION OF COST CONTAINMENT MEASURES AND A REDUCTION OF EXPENDITURE

Department	Objective	Improvement Measures				Progress Reporting				
		Action Plan	Responsible official	Evidence	Due Date	Status	Cost Estimate	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Energy Services	Realise an annual saving of more than 8% of the Eskom bill.	Negotiate with Eskom to implement a change from Megaflex to Nightsave Urban Large and begin to charge Mogale City for electricity purchased at Condale and Azaadville using the Nightsave Urban Large tariff rather than the Megaflex tariff	EM: UMS Manager: Energy services	Approval of tariff application	30 June 2021	In progress	Deposit required by Eskom: R299,242,000	R 0	R 60 000 000	R 60 000 000
Water Services	Reduction of water losses by resealing the Kenmare reservoir.	Resealing of Kenmare reservoir	EM: UMS Manager: Water Services	Reduction in the water losses and reduction in bulk water cost from Rand Water.	30 June 2021	Planning stage	R 3, 000, 000	R 9 600 000	R 9 600 000	R 9 600 000
Energy Division	A decrease in street and traffic light electricity consumption and a decrease in maintenance expenditure	Replace existing light fittings with energy efficient light fittings.	*Executive Manager: UMS *Manager: Electricity & Water	A decrease in street and traffic light electricity consumption and a decrease in maintenance expenditure.	30 June 2021	In planning stage	R 20,000, 000 to request funding from DMRE	R 8 000 000	R 8 000 000	R 8 000 000
Water Services	Decrease in water tanker expenditure	Installation of water pipelines to rural settlements	Executive Manager: UMS *Manager: Water	A decrease in water tankering expenditure	30 June 2021	In planning stage	Costs covered in the budget, funded WSIG.	R 0	R 10 000 000	R 15 000 000

2. IMPLEMENTATION OF COST CONTAINMENT MEASURES AND A REDUCTION OF EXPENDITURE

Department	Objective	Improvement Measures				Progress Reporting				
		Action Plan	Responsible official	Evidence	Due Date	Status	Cost Estimates	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Supply Chain Management	Decrease fuel consumption costs	Implementation of fuel management system.	CFO Manager: Supply Chain Management.	Commissioning of the system	30 June 2021	In planning	R 780 000 p.a.	R 1 218 181	R 1 274 218	R 1 330 283

3. REALISTIC DEBTORS COLLECTION RATES WITH INCREMENTAL IMPROVEMENTS YEAR ON YEAR

Department	Objective	Improvement Measures				Progress Reporting				
		Action Plan	Responsible official	Evidence	Due Date	Status	Cost Estimates	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Credit Control Management	Increase in collection of revenue.	To increase collection rate by 2% annually.	CFO	In Year Monitoring report.	30 June 2021	In progress	R 10 350 00	R 32 800 000	R 34 500 000	R 36 200 000

4. CREDITORS PAYMENT RATES THAT ENSURE THAT ALL FIXED OBLIGATIONS, INCLUDING OBLIGATIONS FOR BULK PURCHASES ARE MET

Department	Objective	Improvement Measures				Progress Reporting				
		Action Plan	Responsible official	Evidence	Due Date	Status	Cost Estimates	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Expenditure 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.	CFO	Appointment letter to new service providers.	31 March 2021	In planning	R 0	R 40 000 000	R 44 000 000	R 48 400 000

5. RING FENCING OF CONDITIONAL GRANTS AND ENSURING THAT CONDITIONAL GRANT FUNDING IS CASH BACKED

Department	Objective	Improvement Measures				Progress Reporting				
		Action Plan	Responsible official	Evidence	Due Date	Status	Cost Estimates	2020 / 21 Estimates	2021 / 22 Estimates	2022 / 23 Estimates
Budget & Treasury	Earn interest through Investing all conditional grants received.	Invest conditional grant funding as and when received	CFO	Interest earned from call Investment.	30 June 2021	In progress	Conditional grant funding	R 5 053 630	R 6 813 407	R 7 262 919

1.4 CONCLUSION

a. Application to Eskom for tariff changes

Mogale City purchases electricity from Eskom and it is charged at Eskom's Time-of-Use (ToU) tariff called Megaflex. The ToU tariff is designed to discourage intensive use of electricity during peak hours on a day (i.e. from 16h00 – 21h30) and suitable for process-based industrial customers since as they would be able to optimise their process such that electricity usage is minimised during the peak times. Considering a Nightsave Urban Large tariff, another tariff that would suit Eskom customers like Mogale City, it emerges that Mogale City could realise an annual saving of more than 8% on its Eskom bill due to the monthly savings of about 27% that could be realised during the summer season.

A request to change the tariff has been made and it has been approved subject to Mogale City paying a deposit of R299, 242,000.

b. Disposal of Land

The municipality has 718 land properties valued at R 192 million. To prevent illegal occupation of this land parcels the municipality spends an average of R 28 million in security costs.

c. Payment plan of key creditors

Mogale City has developed a proposed payment agreement with key trade creditors and both parties will sign the agreement. The signed agreements will be submitted together with the budget document for council approval.

1.5 STAKEHOLDERS CONSULTED

Accounting Officer
Executive Committee Management
Finance Portfolio Committee
Budget Steering Committee
Mayoral Committee
Council

1.6. LEGISLATIVE IMPLICATIONS

In compliance with sections 18(1), (2) of the Municipal Finance Management Act.

1.7. HUMAN IMPLICATIONS

None

1.8 RECOMMENDATIONS

That Council:

1. Note the Adjusted Budget Funding Plan as a supplement to the Mid-Year Adjusted Budget.
2. That Council adopts and approve the Adjusted Budget Funding Plan on the sale of land that will be realised on the current financial year.