

# **MSUKALIGWA LOCAL MUNICIPALITY (MP302)**



**2023/24 – 2025/26  
ANNUAL BUDGET**

**Council meeting: 30 May 2023**

**Report of the Executive Mayor**

**A-317 REPORT ON THE MSUKALIGWA LOCAL MUNICIPALITY MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK WITH TARIFF AND BUDGET RELATED POLICIES (MTREF) FOR 2023/2024 TO 2025/2026**

**1. PURPOSE OF THE REPORT**

- 1.1 The purpose of the report is to table the Annual budget 2023/24 to 2025/26 Medium-Term Revenue and Expenditure Framework in terms of Section 24 of the Local Government Finance Management Act (MFMA) to Council for approval.

**2. BUDGET PROCESS OVERVIEW**

- 2.1 The mayor of a municipality must co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible.

- 2.2 The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget. An annual budget must be approved before the start of the budget year; is approved by the adoption by the council of a resolution referred to in section 17 (3) (a) (i); and must be approved together with the adoption of resolutions as may be necessary;

- imposing any municipal tax for the budget year;
- setting any municipal tariffs for the budget year;
- approving measurable performance objectives for revenue from each source and for each vote in the budget
- approving any changes to the municipality's integrated development plan; and
- approving any changes to the municipality's budget-related policies. The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

- 2.3 The budget process for 2023/24 started 10 months before the start of the 2023/24 financial year after the approval of the process plan and budget timetable before the 31<sup>st</sup> August 2022.

The Draft multi-year budget for 2023/24 to 2025/26 were table before Council on the 30<sup>th</sup> March 2023 in terms of the Section 16 (2) of MFMA for consultation.

- 2.4 After the approval of the budget for consultation in March 2023 the budget was made public in the Municipal Website and social media by the Accounting Officer for communities to make inputs in terms of section 17 of the MFMA. The annual budget was submitted National Treasury and Mpumalanga Provincial Treasury in electronic formats. The annual budget and supporting documentation were submitted in specified Schedule A and included all the required tables, charts and explanatory information. Community inputs submitted in all wards were considered by the Executive Mayor in terms of section 23(2) of the MFMA.

### **EXECUTIVE SUMMARY**

In terms of section 62(1)(a) of the MFMA The Accounting Officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently, and economically.

Sound Financial Viability is key to the provision of sustainable service delivery. Msukaligwa Local Municipality remain focused on development of effective and efficient revenue value chain, recognition of expenditure when incurred, procurement of goods and service in a transparent, competitive, cost-effective manner, promoting sound financial governance and sustaining healthy financial ratios. This budget therefore seeks to give meaning to implementation of these priorities.

As we approached the 2023/24 financial year South African economy is affected by continuous Loadshedding. Geopolitical developments following the war between Ukraine and Russia have added a further strain to the economy due to global uncertainty. These challenges are expected to slow the economy recovery. Inflation pressures also affect major markets and revision interest rate. South Africa is expected to follow in the same direction on interest rate trends.

Msukaligwa Local Municipality depends on grants in providing long term funding for infrastructure development. The Municipality continues to explore and engage National Treasury and Development Bank of South Africa to invest more on infrastructure development and capacity building.

The current financial performance has been taken into consideration in preparation for the 2023/24 MTREF. The following were considered:

- Provision of free basic service to registered indigent.
- Distribution losses on both water and electricity because of illegal connections, unmetered services

- Inability to pay for municipal services – pressure on collection levels,
- Distribution of municipal accounts

Amongst the challenges faces the Municipality remains committed to:

- the effective and efficient revenue management processes.
- Enforcement of Credit Control and Debt collection policy and By-law
- implementing cost containment measures
- ensuring value for money on all procurement process.
- with the TID rollover by 24 November 2024

There is a need to resolve some historical issues that remain unresolved ie, ESKOM, Department Water and Sanitation and Department of Community Safety Security and Liaison Debt that affect the fundability of the budget. Collection collections have been stagnant in the past financial years and the Municipality should intensify the Revenue Enhancement Programs.

The current administration remains committed to provision of sustainable basic delivery. The SDBIP documents gives full details on the proposed programmes to be implemented to improve the municipal performance.

#### **OPERATING BUDGET FRAMEWORK**

The operating revenue budget is R1,070,078 (billion) and the operating expenditure budget is totalling R1,177,767 (billion) for the 2023/24 financial year. Revenue increased by 8% and expenditure by 4% over the 2022/23 financial year. The table below set out the medium-term revenue and expenditure budget for the 2023/24 - 2025/26 financial years.

Description	Current Year 2022/23		2023/24 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand					
Total Revenue (excluding capital transfers and contributions)	910,645	982,436	1,070,078	1,009,483	1,168,422
Total Expenditure	1,125,364	1,133,197	1,177,767	1,244,393	1,302,211
Surplus/(Deficit)	(214,719)	(150,760)	(107,689)	(234,910)	(133,788)

The municipal audited and budgeted statement of financial performance over the years is showing a deficit.

Total operating revenue increased by 9 % or R88 million for the 2023/24 financial year, compared to the 2022/23 Adjustments Budget. For the two outer years, operational revenue increases by 3 % and 9 % respectively due to the inflation forecast.

Total operating expenditure for the 2023/24 financial year amounts to R1 ,177, 767 billion, resulting in a budgeted deficit of R 107 689 (million). Compared to the 2022/23 Adjustments Budget, operational expenditure increased by 3 % in the 2023/24 Budget; and increased by 2 % and 7% for each of the respective outer years of the MTREF.

To fund the Operating Budget, the following increase in property rates and service charges are being proposed, with effect from 1 July 2023:

Property rates – 5,30%

Water – 5,3%

Sanitation – 5,3%

Refuse – 5,3%

**Electricity – 15,1%** (Subject to NERSA Approval)

The Capital Budget over the MTREF period will be mainly funded from government grants and subsidies.

It is therefore in line with Section 16(2) of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) which stipulates that the Mayor must table the budget to Council, at least 90 days before the start of a budget year.

On 23 February 2023, the Minister of Finance tabled the 2023/24 to 2024/25 Budget in Parliament. The budget as tabled includes various grant allocations to municipalities in terms of the requirements of the Division of Revenue Act (DORA). The municipality's draft budget includes the following grant allocations:

<b>ALLOCATION OF OPERATING GRANTS IN TERMS OF THE DIVISION OF REVENUE BILL (2023/24 to 2025/26)</b>				
<b>OPERATING GRANTS</b>				
		<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Equitable Share (Schedule 3)	<b>Unconditional</b>	252 878 000	278 435 000	302 431 000
Financial Management Grant	Conditional	3 000 000	4 418 000	4 556 000
EPWP	Conditional	1 511 000	-	-
PMU (5% of MIG)	Conditional	3 134 000	3 274 000	3 419 000
<b>TOTAL - OPERATING</b>		<b>260 523 000</b>	<b>286 127 000</b>	<b>310 406 000</b>
<b>CAPITAL GRANTS</b>				
Municipal Infrastructure Grant	Conditional	59 548 000	62 206 000	64 976 000
Water Service Infrastructure Grant	Conditional	30 000 000	33 460 000	40 000 000
Regional Bulk Infrastructure Grant	Conditional	50 000 000	50 000 000	110 000 000
Integrated National electrification Programme	Conditional	1 800 000	10 449 000	10 917 000
Energy Efficiency and Demand Side management Grant	Conditional	5 000 000	5 000 000	
<b>TOTAL - CAPITAL</b>	Conditional	<b>146 348 000</b>	<b>161 115 000</b>	<b>225 893 000</b>
<b>TOTAL GRANTS (OPERATING AND CAPITAL)</b>		<b>406 872 000</b>	<b>447 242 000</b>	<b>536 300 000</b>

The key service delivery priorities, as reflected in the Integrated Development Plan (IDP), informed the development of the Budget, including the need to maintain the Municipality's financial sustainability. This budget is prepared during a time in which the Collection Rate has been reported to be at its lowest, as illustrated in other structures of Council.

Specific revenue collection strategies to improve the collection of outstanding consumer debt are being implemented by the Municipality, albeit during the tough conditions as imposed by high unemployment rate resulting to the low average Collection Rates. Cost containment Regulations and Policy are also being implemented to further curb costs and to improve operational efficiency, in line with the requirements of the Cost Containment Regulations (Number 42514 dated 7 June 2019), as well as the recently approved Cost Containment Policy of Council.

All National Treasury's MFMA Circulars were used to guide the compilation of the 2023/24 MTREF, including the latest MFMA Circulars 122 and 123. These two MFMA Circulars is tabled to the meetings of the Budget Steering Committee, as well as the EXCO meetings for their awareness.

The Municipality is faced with the following significant challenges during the compilation of the 2023/24 MTREF:

- Inability to budget for a surplus on the Operating Budget, due to various factors including prior year commitments with financial implications to the budget such as ESKOM, DWS and DCSSL.
- Ensuring that electricity and water losses are reduced to acceptable levels.
- Allocation of the required operating budget provision for newly created infrastructure and facilities, with a consequential impact on the level of property rates and tariff increases.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure, more so due to the rampant vandalization of municipal infrastructure that has recently occurred.
- The need to enhance the municipality's revenue base.

In view of the above statements, the following table represents a **consolidated overview** of the proposed 2023/24 Medium-term Revenue and Expenditure Framework:

#### **4. DISCUSSION OF THE 2023/24 MTREF**

##### **TABLE A1 (CONSOLIDATED OVERVIEW OF THE 2023/24 MTREF)**

To support the 2023/24 Operating Budget, the following increase in property rates and service charges were proposed with effect from 1 July 2023:

The following macro-economic forecasts were considered when preparing the 2023/24 MTREF municipal budgets as per MFMA circular 123 from National Treasury.

Table 1: Macroeconomic performance and projections, 2021 - 2026

Fiscal year	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Forecast		
CPI Inflation	4.9%	6.9%	5.3%	4.9%	4.7%

Source: Budget Review 2023.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

Property rates - 5.3% (Average increase on the property rates revenue)

Water - 5.3%

Sanitation - 5.3%

Refuse - 5.3%

**Electricity (Average) – 15,1% (On average depending on various customer categories, subject to NERSA approval).**

Section 17(1) of the MFMA requires that the annual budget of the municipality must be in the prescribed format as follows:

- Setting out realistically anticipated revenue for the budget year from each revenue source.
- Appropriating expenditure for the budget year under the different votes of the municipality.
- Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year.
- Setting out the estimated revenue and expenditure by vote for the current year and actual revenue and expenditure by vote for the financial year.

Msukaligwa Local Municipality is tabling an operating revenue of **R 1 070 077 610.61 million** for the 2023/24 financial year. The revenue represents an increase of 9% against the 2022/23 adjustment budget.

The operating expenditure amounts to **R 1 177 767 000 million**, an increase of 3.8% against the 2022/23 adjustment budget, resulting in a deficit of **R 107 689 000 million** for the 2023/24 financial year.

The table below indicates the high-level consolidated Annual budget 2023/24 Medium-term Revenue and Expenditure Framework.

**Table 1: Consolidated budget summary**

**MP302 Msukaligwa - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue</b>											
Total Revenue (excluding capital transfers and contributions)		737 210	801 211	906 577	910 645	982 436	982 436	787 670	1 070 078	1 009 463	1 168 422
<b>Total Expenditure</b>		874 132	956 630	1 075 784	1 125 364	1 133 197	1 133 197	574 416	1 177 767	1 244 393	1 302 211
<b>Surplus/(Deficit)</b>		<b>(136 922)</b>	<b>(155 418)</b>	<b>(169 206)</b>	<b>(214 719)</b>	<b>(150 760)</b>	<b>(150 760)</b>	<b>213 255</b>	<b>(107 689)</b>	<b>(234 910)</b>	<b>(133 788)</b>
Transfers and subsidies - capital (monetary allocations)	6	117 171	169 259	303 435	292 052	296 052	296 052	-	146 349	161 115	165 893
Transfers and subsidies - capital (in-kind)	6	1 650	1 480	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(18 101)</b>	<b>15 320</b>	<b>134 228</b>	<b>77 333</b>	<b>145 292</b>	<b>145 292</b>	<b>213 255</b>	<b>38 660</b>	<b>(73 795)</b>	<b>32 105</b>
Income Tax											
<b>Surplus/(Deficit) after income tax</b>		<b>(18 101)</b>	<b>15 320</b>	<b>134 228</b>	<b>77 333</b>	<b>145 292</b>	<b>145 292</b>	<b>213 255</b>	<b>38 660</b>	<b>(73 795)</b>	<b>32 105</b>
Share of Surplus/Deficit attributable to Joint Venture											
Share of Surplus/Deficit attributable to Minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(18 101)</b>	<b>15 320</b>	<b>134 228</b>	<b>77 333</b>	<b>145 292</b>	<b>145 292</b>	<b>213 255</b>	<b>38 660</b>	<b>(73 795)</b>	<b>32 105</b>
Share of Surplus/Deficit attributable to Associate											
Intercompany/Parent subsidiary transactions	7										
<b>Surplus/(Deficit) for the year</b>	1	<b>(18 101)</b>	<b>15 320</b>	<b>134 228</b>	<b>77 333</b>	<b>145 292</b>	<b>145 292</b>	<b>213 255</b>	<b>38 660</b>	<b>(73 795)</b>	<b>32 105</b>

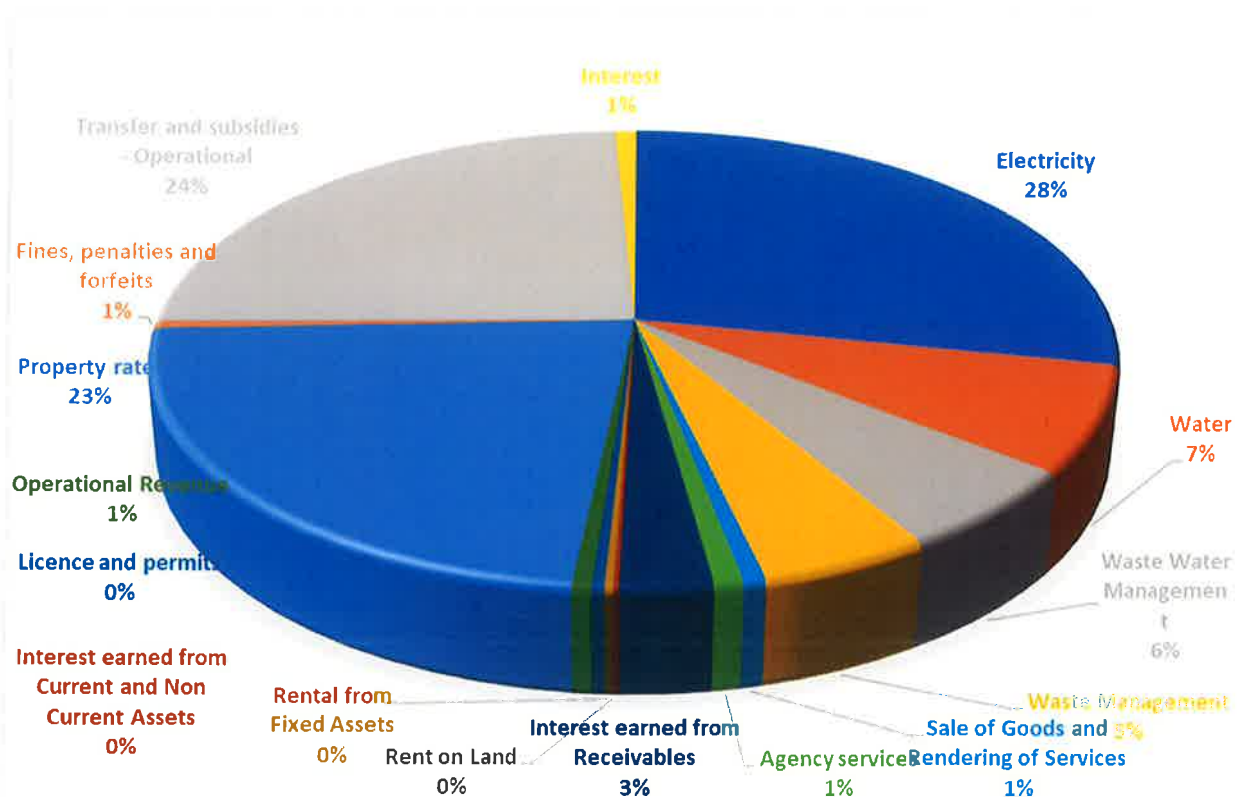
## Revenue Analysis

The Municipal's funding model continues to rely on revenue generated from own resources revenue followed by grants. Tariff-setting therefore plays a pivotal in funding the budget however the current tariffs are not cost-reflective as some of the trading services are operating at a loss.

**MP302 Msukaligwa - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	2021/22	Current Year 2022/23		2023/24 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2023/24	Budget Year +1 2024/25
<b>Revenue</b>						
<b>Exchange Revenue</b>						
Service charges - Electricity	240,824	246,323	254,046	300,969	187,648	293,808
Service charges - Water	64,326	67,192	75,529	79,532	83,429	87,350
Service charges - Waste Water Management	48,774	52,787	58,547	61,650	64,572	67,711
Service charges - Waste Management	40,181	45,048	50,142	52,800	55,387	57,990
Sale of Goods and Rendering of Services	5,120	5,638	6,948	6,931	7,339	8,034
Agency services	8,001	8,490	8,490	8,940	9,378	9,819
Interest						
Interest earned from Receivables	23,277	24,961	26,697	28,111	29,489	30,875
Interest earned from Current and Non Current Assets	1,098	932	3,133	1,500	3,460	3,623
Rent on Land	2	2	2	2	2	2
Rental from Fixed Assets	2,720	2,700	2,851	2,741	135	3,011
Licence and permits	3,666	3,636	3,636	3,829	4,016	4,205
Operational Revenue	991	2,993	5,050	5,963	5,578	5,840
<b>Non-Exchange Revenue</b>						
Property rates	181,646	207,037	230,134	242,332	254,206	266,153
<b>Surcharges and Taxes</b>						
Fines, penalties and forfeits	4,771	5,177	5,174	5,448	5,715	5,984
Licences or permits	-	-	-	-	-	-
Transfer and subsidies - Operational	207,661	231,689	243,694	260,523	289,889	314,345
Interest	6,431	6,040	8,364	8,807	9,238	9,673
Gains on disposal of Assets	66,966	-	-	-	-	-
Other Gains	123	-	-	-	-	-
Discontinued Operations						
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>906,577</b>	<b>910,645</b>	<b>982,436</b>	<b>1,070,078</b>	<b>1,009,483</b>	<b>1,168,422</b>

Msukaligwa Local Municipality is not grant dependent, 76% of the budget is funded through own revenue and 24% of the budget is funded through grants. The electricity revenue is increased by 16% from the adjusted budgeted figures due to installation of new meters and the TID rollover. Other service charges are increased by 5,3%. Property rates was also increased by 5,3% , the validity period for the current Valuation Roll is coming to an end 30 June 2023. The municipality obtained extension of the current Valuation Roll from the MEC of Department of Co-Operative Governance and Traditional Affairs for a further two years. Unconditional grants were increased by 6%.



### Expenditure Analysis

The municipal expenditure budget increased to R1,177,767 from the adjusted operating budget which represents 4% from the adjusted figures.

MP302 Msukaligwa - Table A4 Budgeted Financial Performance (revenue and expenditure)

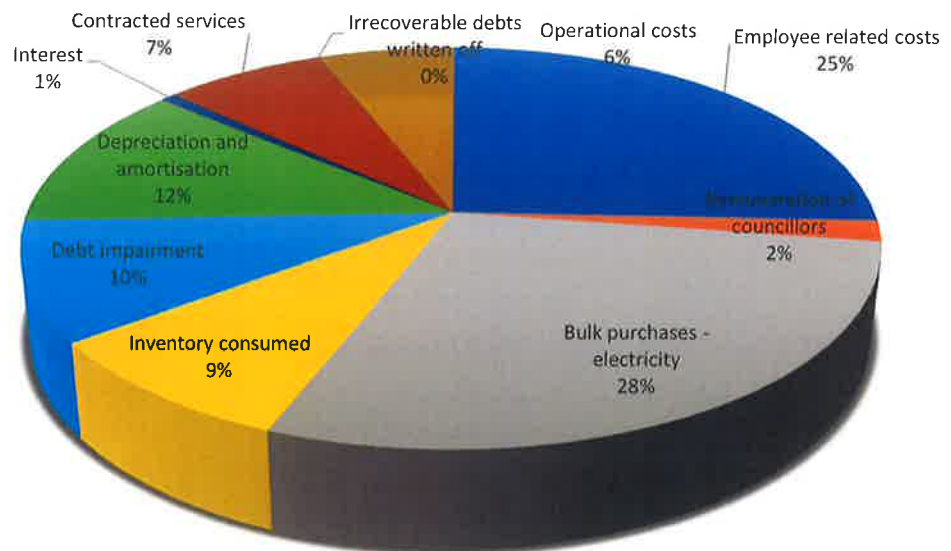
Description	2021/22	Current Year 2022/23		2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Expenditure</b>						
Employee related costs	248,969	276,107	277,539	301,679	305,042	320,464
Remuneration of councillors	15,489	18,513	18,513	19,494	20,450	21,411
Bulk purchases - electricity	321,544	319,126	319,126	336,039	352,505	369,073
Inventory consumed	9,049	81,522	81,522	104,532	109,027	114,369
Debt impairment	121,120	156,036	107,804	113,517	119,080	124,676
Depreciation and amortisation	141,732	140,616	131,613	138,589	145,379	152,212
Interest	87,000	-	28,000	6,484	32,812	32,382
Contracted services	54,762	75,718	101,172	84,366	94,113	98,537
Transfers and subsidies	-	-	-	-	-	-
Irrecoverable debts written off	-	500	500	527	552	578
Operational costs	41,752	57,226	67,409	70,538	65,433	68,508
Losses on disposal of Assets	18,049	-	-	-	-	-
Other Losses	16,318	-	-	-	-	-
<b>Total Expenditure</b>	<b>1,075,784</b>	<b>1,125,364</b>	<b>1,133,197</b>	<b>1,177,767</b>	<b>1,244,393</b>	<b>1,302,211</b>

Employee related costs represents 8% of the total expenditure, the employee related was increased by 5,4% as per SALGBC main collection agreement. The municipality will save R6 000 000 on employee related costs due to the transfer of License Function back to the Department of Community Safety Security and Liaison.

The municipal will apply for ESKOM Debt Relief as per the Circular 124 issued by National Treasury.

The total operating expenditure increased from R1 133 197 (million) to R1 177 767 (million) in the 2023/24 financial year.

- Employee related costs is 25% of the total operating expenditure which is within the National Treasury norm of 35%
- The remuneration of Councillors is as per the determination by the Minister of Co-operative Governance and Traditional Affairs in accordance with the remuneration of Public-Office Bearers
- On Inventory consumed, there is a provision of R10 million on roads maintenance.
- In response to the service delivery challenges, the Municipality prioritised roads maintenance, ICT and renovation of Municipal Hall and fencing.
- The net deficit of R 107 689 (million) is below the non-cash of debt impairment and depreciation R 252 105 869 million (R113 517 223 and R138 588 646) respectively



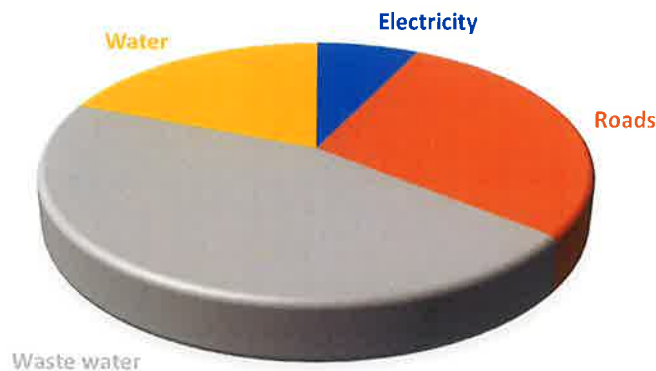
**a. Capital Budget**

The capital budget of the Msukaligwa Local Municipality projects is R116 448 000 funded from grants and own revenue, 83% of the budget is funded from grants and 17% is funded through own revenue.

The following table provides breakdown for capital projects from the Conditional grants .

Municipal Vote	Sum of 2023/24 FY	Sum of 2024/2025 FY	Sum of 2025/2026 FY
Electricity Management	6 799 550.00	13 500 000.00	36 469 942.87
Roads	27 662 527.86	11 500 000.00	27 353 933.79
Waste Water Management	43 385 922.14	68 386 265.00	42 277 717.90
Water Management	18 500 000.00	17 728 735.00	9 791 405.44
<b>Grand Total</b>	<b>96 348 000.00</b>	<b>111 115 000.00</b>	<b>115 893 000.00</b>

Municipal Infrastructure Grant	59 548 000.00	62 206 000.00	64 976 000.00
Water Service Infrastructure Grant	30 000 000.00	33 460 000.00	40 000 000.00
Integrated National electrification Pogramme	1 800 000.00	10 449 000.00	10 917 000.00
Energy Efficiency and Demand Side management Grant	5 000 000.00	5 000 000.00	
	<b>96 348 000.00</b>	<b>111 115 000.00</b>	<b>115 893 000.00</b>



### Capital: own Funding

The Municipality is planning to incur expenditure amounting to R20 100 000 (Million) on the following internal capital funding to respond to service delivery challenges.

Capital Own funding	
Grade	3 000 000.00
TLB	1 400 000.00
Kombi & 7 seater	700 000.00
4 x Traffic vehicles	2 000 000.00
Municipal building- De- bruin hall	3 000 000.00
Municipal building- Stores	2 000 000.00
Municipal building- Fencing Civic centre	2 000 000.00
ICT upgrade	6 000 000.00
	<b>20 100 000.00</b>

### Cash-flow

As reflected in Table A7, the 2023/24 cashflow the budget is cash-back by R 4 424 848 million based on a collection rate of 75%.

The municipality is working on target approach in terms of debt collection which amongst others include;

- Ensure completeness of billing
- Reconciliation of valuation roll
- Cleaning of consumer data
- Sending of Municipal bills
- Strict implementation of credit control and debt collection policies.

**MP302 Msukaligwa - Table A7 Budgeted Cash Flows**

R thousand	Description	Ref	2019/20		2020/21		2021/22		Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26	
	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>													
	<b>Receipts</b>													
	Property rates		-	118 519	207 796	133 248	150 571	150 571	114 472	181 749	190 654	199 615		
	Service charges		-	601 825	360 887	385 213	406 211	406 211	230 469	394 529	389 401	536 109		
	Other revenue		-	243 671	206 751	95 675	40 622	40 622	503 564	35 354	35 512	24 969		
	Transfers and Subsidies - Operational	1	-	-	289 167	228 686	240 692	240 692	241 707	260 523	286 127	312 049		
	Transfers and Subsidies - Capital	1	-	-	82 913	295 055	299 055	299 055	123 055	146 349	161 115	165 893		
	Interest		-	949	33	932	3 133	3 133	-	20 305	30 619	28 814		
	Dividends		-	-	-	-	-	-	-	-	-	-		
	<b>Payments</b>													
	Suppliers and employees		-	(713 218)	(220 481)	(838 995)	(313 713)	(313 713)	298	(916 651)	(982 182)	(1 027 233)		
	Interest		-	-	-	-	(28 000)	(28 000)	-	(8 484)	(30 929)	(32 382)		
	Transfers and Subsidies	1	-	-	-	-	-	-	-	-	-	-		
	<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	251 747	927 066	299 815	798 571	798 571	1 213 566	113 674	80 317	207 835		
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>													
	<b>Receipts</b>													
	Proceeds on disposal of PPE		-	(1 824)	399	-	-	-	317	-	-	-		
	Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	56 000	56 000	56 000		
	Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-		
	<b>Payments</b>													
	Capital assets		-	(3 442)	(5 383)	(297 835)	(299 055)	(299 055)	(158 734)	(166 449)	(157 637)	(167 664)		
	<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	(5 266)	(4 984)	(297 835)	(299 055)	(299 055)	(158 418)	(110 449)	(101 637)	(111 664)		
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>													
	<b>Receipts</b>													
	Short term loans		-	-	-	-	-	-	-	-	-	-		
	Borrowing long term/refinancing		-	20	-	-	-	-	-	-	-	-		
	Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-		
	<b>Payments</b>													
	Repayment of borrowing		-	-	-	-	-	-	-	-	-	-		
	<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	20	-	-	-	-	-	-	-	-		
	<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	246 501	922 082	1 980	495 516	499 516	1 055 148	3 225	(21 320)	96 171		
	Cash/cash equivalents at the year begin:	2	24 780	22 016	6 175	1 020	9 662	9 662	-	1 200	4 425	(16 895)		
	Cash/cash equivalents at the year end:	2	24 780	268 516	928 257	3 000	509 178	509 178	1 055 148	4 425	(16 895)	79 276		

Below is Table A8 Cash backed reserves the funding measurement test that National and Provincial Treasury use to assess whether the budget is funded or not.

**MP302 Msukaligwa - Table A8 Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	24 780	268 516	928 257	3 000	509 178	509 178	1 055 148	4 425	(19 257)	76 914
Other current investments > 90 days		(2 755)	(262 313)	(927 885)	249 685	(360 131)	(360 131)	(895 559)	-	84 890	118 643
Non current Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>22 025</b>	<b>6 203</b>	<b>371</b>	<b>252 685</b>	<b>149 047</b>	<b>149 047</b>	<b>159 589</b>	<b>4 425</b>	<b>65 633</b>	<b>195 557</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		16 697	1 741	1 338	700	1 400	1 400	304 159	700	-	100 000
Unspent borrowing											
Statutory requirements	2										
Other working capital requirements	3	-	-	-	-	-	-	-	876 267	-	-
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>16 697</b>	<b>1 741</b>	<b>1 338</b>	<b>700</b>	<b>1 400</b>	<b>1 400</b>	<b>304 159</b>	<b>876 967</b>	<b>-</b>	<b>100 000</b>
<b>Surplus(shortfall)</b>		<b>5 328</b>	<b>4 462</b>	<b>(966)</b>	<b>251 985</b>	<b>147 647</b>	<b>147 647</b>	<b>(144 569)</b>	<b>(872 542)</b>	<b>65 633</b>	<b>95 557</b>

Based on the management assessment, the budget indicates an unfunded position, mainly caused by the following creditors amounting **R 872 million**.

1. Department of water and sanitation with an outstanding debt of **R 980 077 604** which are currently in disputes, provided DWS confirms the write-off above R300 000 000 (Million)
2. **Eskom R359 051 608**
3. **DCSSL R111 773 302** provided that DCSSL writes-off the debt of R 111 million

5. **STAFF IMPLICATIONS**

5.1 None.

6. **FINANCIAL IMPLICATIONS**

6.1 None.

7. **OTHER PARTIES CONSULTED**

7.1 None

## 8. ANNEXURES

Annexure 1	-	2023/24 MTREF A Schedule
Annexure 2	-	2023/24 Municipal general Tariffs
Annexure 3	-	2023/24 Community Services Tariffs
Annexure 4	-	2023/24 Planning and Economic development Tarrifs
Annexure 5	-	2023/24 Budget related policies
Annexure 6	-	Draft 2023 MTREF IDP capital and operating projects
Annexure 7	-	Funding plan
Annexure 8	-	Organogram 2023/24 implementation status
Annexure 9	-	Circulars 115 of 04 March 2022

## 9. AUTHORITY

- Municipal Finance Management Act, No 56 of 2003
- Municipal Systems Act, No 32 of 2000
- Municipal Budget and Reporting Regulations, notice 393 of 2009, Government Gazette no 32141 dated 17 April 2009
- The Division of Revenue Bill 2023/24
- MFMA Budget Circulars, most recently is 122 and 123 for the 2022/24 Budget Year

## MAYORAL COMMITTEE RECOMMENDATIONS

### **THE MAYORAL COMMITTEE RECOMMENDED THAT:**

1. The annual budget report for the financial year 2023/24 and the projected outer years 2024/25 and 2025/26, and the multi-year year capital appropriations, **BE NOTED** for the purpose of complying Municipal Finance Management Act, Act 56 of 2003 (MFMA), read in conjunction with Municipal Budget and Reporting Regulations No.32141 (dated 17 April 2009)
2. That the tariffs increase for the 2023-24 **BE APPROVED** as follows with effect from 1 July 2023:
  - i. Property rates - 5.3% (Average increase on the property rates revenue)
  - ii. Water - 5.3%
  - iii. Sanitation - 5.3%

- iv. Refuse - 5.3%
  - v. **Electricity - 15,1%** (On average (depending on the various customer categories), subject to NERSA approval).
  - vi. Other Services – 5.3%
3. That Council **NOTES** the contents of National Treasury MFMA **Circulars 122 and 123** (attached to the Budget Report) for guiding the budgeting processes leading up to budget approval by the end of May 2023.
  4. That Council **NOTES** that the annual budget for 2023/24-2025/26 Medium-term Revenue and Expenditure Framework is **CASH-BACKED** by R 4 million.
  5. That Council **NOTES** that the annual budget for 2023/24-2025/26 Medium-term Revenue and Expenditure Framework is **UNFUNDED** by R 872 million.
  6. The annual budget for 2023/24-2025/26 Medium-term Revenue and Expenditure Framework, tabled in accordance with the Municipal Finance Management Act, 2003 (Act 56 of 2003) **BE APPROVED**.
  7. That the reviewed Budget Funding Plan be **APPROVED**.
  8. That the budget related policies including any amendments be **APPROVED**.
  9. That the Mayoral Committee report BE PRESENTED to Council for consideration.

#### **RECOMMENDATIONS TO COUNCIL**

1. The annual budget report for the financial year 2023/24 and the projected outer years 2024/25 and 2025/26, and the multi-year year capital appropriations, **BE NOTED** for the purpose of complying Municipal Finance Management Act, Act 56 of 2003 (MFMA), read in conjunction with Municipal Budget and Reporting Regulations No.32141 (dated 17 April 2009)
2. That the tariffs increase for the 2023-24 **BE APPROVED** as follows with effect from 1 July 2023:
  - i. Property rates - 5.3% (Average increase on the property rates revenue)
  - ii. Water - 5.3%

- iii. Sanitation - 5.3%
  - iv. Refuse - 5.3%
  - v. **Electricity - 15,1%** (On average (depending on the various customer categories), subject to NERSA approval).
  - vi. Other Services – 5.3%
3. That Council **NOTES** the contents of National Treasury MFMA **Circulars 122 and 123** (attached to the Budget Report) for guiding the budgeting processes leading up to budget approval by the end of May 2023.
  4. That the annual budget for 2023/24-2025/26 Medium-term Revenue and Expenditure Framework is **CASH-BACKED** by R 4 million.
  5. That the annual budget for 2023/24-2025/26 Medium-term Revenue and Expenditure Framework is **UNFUNDED** by R 872 million.
  6. That Council **APPROVES** the reviewed Budget Funding Plan.
  7. That Council **APPROVES** the annual budget for 2023/24-2025/26 Medium-term Revenue and Expenditure Framework, tabled in accordance with the Municipal Finance Management Act, 2003 (Act 56 of 2003).
  8. That Council **APPROVES** budget related policies including any amendments.
  9. For Council TO CONSIDER the recommendations of the Executive Mayor.