

Council (S): 2022-05-31

A58 REPORT ON THE APPROVAL OF THE 2022/2023 TO 2024/2025 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) (5/1/2/1/1) (5/1/2/1/2)

Report: Executive Mayor: 2022-05-24

1. PURPOSE

The purpose of this report is to enable the Council to consider approving the 2022/2023 to 2024/2025 Medium Term Revenue and Expenditure Framework (MTREF) and as well as the amendments made on budget related policies in terms of section 24 of the MFMA as well as to enable the municipality to approve a 3 years operational plan in line with its IDP for Council approval.

2. BACKGROUND

The Municipal Finance Management Act (MFMA) No 56 of 2003 section (24)(1) stipulates the municipal council must at least 30 days before the start of the budget consider approval of the annual budget (31st May each year)

Section 24(2) of the MFMA requires the following annual budget –

- (a) must be approved before the start of the budget year;
- (b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i);
and
- (c) must be approved together with the adoption of resolutions as may be necessary –
 - (i) imposing any municipal tax for the budget year;
 - (ii) setting any municipal tariffs for the budget year;
 - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - (iv) approving any changes to the municipality's integrated development plan; and
 - (v) approving any changes to the municipality's budget-related policies.

3. DISCUSSION

Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

In line with section 16 of the Municipal Budget & Reporting Regulations, the Municipality has considered the views of stakeholders received during the IDP & budget consultations. It worth mentioning that though there were numerous priority areas that were listed the Municipality still needed to ensure that it remains sustainable.

During the community consultation on the IDP & budget that will be implemented with effect from 1st July 2022, the community raised key service delivery priorities that the Municipality has taken into consideration when preparing both the IDP & the budget. The key priority areas included but not limited to the following:

- That there are areas that have inconsistent water supply
- That there are areas that do not have access to water supply
- That there are areas that have inadequate electricity supply
- There are areas that have high illegal connections and
- That there is inadequate roads maintenance thus resulting in potholes & roads that are not drivable
- Inadequate billing and meter reading.
- No tariff increases

It will not be possible to finance all the key service delivery issues raised in one financial year however systems and strategies will need to be implemented overtime to ensure the provision of services to communities in a sustainable manner as enshrined in section 152 (b) of the Constitution of the Republic of South Africa, 1996.

The Municipality had numerous budget engagement with the Provincial Treasury and subsequently with MEC Finance & Economic Development as well the MEC COGTA (Mpumalanga) to assess the credibility, relevancy and sustainability of the budget.

The objective for credibility is to determine if the budget is funded in terms of Section 18 of the MFMA perspective. In assessing the credibility of the budget, the revenue planning framework and associated assumptions are interrogated to determine if they are realistic and indicative of multi-year budgeting.

The objective for relevancy is to:

- test if the budget is aligned to the Integrated Development Plan (IDP) of the Municipality and the extent to which the National Development Plan and provincial priorities, including MFMA Circulars were considered.
- determine whether the Municipality adopted a budget process with evidence of sufficient political oversight and public participation.
- Ensure political oversight and guidance is crucial for the budget process as the approval of the budget is the responsibility of Council and not that of the Budget and Treasury Office. The budget brings effect to Council priorities and hence these priorities should be funded and Council must ensure that its priorities are affordable from a budgeting perspective.

The following we some of the key observation made by Provincial Treasury:

- The municipal operational budget (A4) projected a deficit of R358 million (2022/23), R306 million (2023/24) and R295 million (2024/25) based on PT calculations. The projected revenue amount to R1.2 billion and expenditure R1.5 billion.
- The municipality is currently faced with cashflow problems, for 2021/22 the adjustment budget show a shortfall of R403 million and projecting a shortfall of R714 million for 2022/23 which is increasing on the outer years. The municipality will not be able to pay its current obligations and outstanding creditors
- The Draft budget was tabled to Council on 30 March 2022 and submitted to LG Upload portal on the prescribed mSCOA data strings which enabled PT to analyse the budget
- The municipality's total creditors as at end of March 2022 amount to R1.9 billion and Eskom alone is at R1.8 billion and increasing on a monthly basis due to failure in paying the current account and poor revenue collection.
- Based on A2 the municipality is projecting trading losses for electricity at a R32 million, water R24 million, waste water R22 surplus and waste management R5 million shortfall
- The Municipality's budget is unfunded by R2.5 billion in 2022/23 financial year and increasing to R 2.8 billion and R 3 billion for the outer two years according to PT's calculations.
- The FRP is being implemented and there is room for improvement specifically revenue management
- The Municipality has not been able to factor in the debt repayment amounts in the current and future cash flow statement.
- The Municipality has established a cash flow management committee and a revenue management steering committee

In principle Provincial Treasury notes that it will take the Municipality number of years to get the budget to be funded. This is further evident from the quantification of the Financial Recovery Plan that suggested that it will take the Municipality anything between 5 – 7 years to get the budget to be funded. That with the intervention that the Municipality is receiving this should assist with the reduction of the deficit. The Municipality must have clear revenue raising targets with clear deadlines to all for adequate oversight.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. This includes but not limited to;

- Data Enrichment
- Property Valuation Roll reconciliation and billing reconciliation
- Account corrections (linking service tariffs to accounts)
- Credit Control
- The Municipality has further given the community amnesty one month period to report bridged/tempered meters
- Implementing a project for eradication of illegal electricity connection
- Indigent Management including building capacity within the indigent registration unit
- Improve meter reading

The Municipality has established governance structure that are functional these includes Council, Mayoral Committee, Section 79 & 80 Committees as well as the Audit Committee. The stability within the governance structure will assist immensely in ensuring that the Municipality is able to implement the Financial Recovery Plan thus enabling the financial stability and provision of sustainable basic services.

In terms of section 18 of the MFMA the municipality may only fund its budget from realistically anticipated revenue to be collected as well as cash-backed surpluses. Therefore the municipality must provide for expenditure in line with the revenue that can be collected and don't overstate the revenue as this will result in cash flow challenges.

The budget has to be cash-backed in order for the municipality to be able to implement its Service Delivery Budget Implementation Plans,

National Treasury has issued Municipal Finance Management Act (MFMA) circular numbers 98, 99 107 & 115 to guide the compilation of the 2022/2023 medium term revenue and expenditure framework (MTREF) which emphasises that during this tough economical period the municipalities should tighten their spending and reduced unnecessary or nice to have expenditures, improve and prioritise service delivery.

The National Treasury projects real economic growth of 2.1 per cent in 2022. Real GDP growth is expected to moderate to 1.8 per cent over the medium term.

The municipality has fallen into financial distress and face liquidity problems. These include the municipality being unable to meet their payment obligations to Eskom, water boards and other creditors. There is a need for municipality to focus on collecting revenues owed to it, and eliminate wasteful and non-core spending.

The non-payment of creditors is a symptom of underlying problems which include, among others, weaknesses in revenue collection and underinvestment in asset maintenance and renewal, which compromises the reliability of delivering basic services. In order to achieve financial sustainability, the municipality must demonstrate the political & administrative will to implement the changes required to improve the performance.

The Municipality must ensure that expenditure is limited to the maximum revenue collected and not spend on money that it does not have. Municipality is reminded that, the local government equitable share allocation is mainly to fund the costs of free basic services and to subsidise some of the administrative costs. The increasing unemployment and growth in the number of persons per household means that the revenue foregone in respect of free basic services will likely increase and it will become even more difficult to collect revenue. The household budget will be under pressure and trade-offs will be applied as it may be unaffordable to pay all household expenses with regularity.

The Risks to the fiscal framework in the compilation of the 2022/2023 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Slowing global and domestic economic growth;
- The need for permanent increase in social protection (Indigent support) that exceed available resources.
- Pressures from the municipal employee related that contribute 25% of the total operating expenditure budget and this is without considering the filling of critical vacant positions;
- Pressure from the increased cost of bulk electricity that contributes 38% of the total operating expenditure budget (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2022/23 MTREF process; and
- The increase in unemployment due to slow economic growth within Lekwa

- Demand for increased bulk infrastructure (electricity, water, and sanitation) to stimulate growth and unlock developments
- Reprioritization of projects and expenditures given the cash flow realities of the municipality
- Revenue recovery, credit control and declining revenue base due to the current economic environment

The application of sound financial management principles is essential to ensure the municipality remains financially viable and the municipal services are provided economically and sustainably.

Overview of the proposed 2022/23 Medium-term Revenue and Expenditure Framework:

The operating revenue has grown from R 637 million in the 2018/19 financial year to R 842 million in the 2020/21 financial period. This reflects a revenue growth of 32% or R205 million over the period. The growth is mainly attributed to property rates that increased with R 86 million, electricity R 67 million and grants & subsidies R 41 million.

Total operating revenue increases from R 967 118 738 when compared to the 2021/2022 adjustment budget and amounts to R 1 179 544 980 in the 2022/23 which will increase to R 1 289 229 000 in the 2024/2025 financial year.

The main revenue projections are contributed to the following revenue streams:

Property Rates R 199 million (47%)

Electricity R 553 million (16%)

Water R 98 million (8%)

Sanitation R 77 million (7%)

Grants & Subsidies R 154 million (13%)

From the above it is evident that electricity is the main revenue sources, thus requires and compels that the stream should be nurtured and protected in order to ensure that the service is profitable. The Municipality should ensure that mechanisms are in place including but not limited to:

- Eradication of illegal electricity connection
- Replacement of bridged, faulty & tempered electricity meters
- Installation of meters to areas that are not metered
- Ensuring that all properties are billed correct tariffs
- Constant reviewing of electricity to ensure cost reflecting whilst ensuring affordability by consumers
- Investigating the possibility of collect arrears debt through the prepaid vending system

The operating expenditure has increased from R 858 million in 2018/19 to R 1 133 billion in the 2020/2021 financial year. This reflects a growth of R 275 million (32%) on expenditure. The expenditure growth is attributed to employee related costs amounting to R 51 million, debt impairment R 166 million and bulk purchases R 53 million.

The operating expenditure increased from R 1 250 238 316 to R 1 272 168 000 in the 2022/23 and subsequently increased to R 1 349 016 000 in the 2024/25.

The main expenditure projections are contributed to the following expenditure streams:

Employee related costs R305 million (24%)

Bulk Purchases R 469 million (37%)

Other Material R 102 million (8%)

Contracted services R 120 million (9%)

The capital budget amounts to R 54 million in the 2022/23 financial year.

Table below illustrate Revenue & Expenditure Medium Term Revenue Expenditure Framework

MP305 Lekwa - Table A1 Budget Summary

| Description | 2018/19 | 2019/20 | 2020/21 | Current Year 2021/22 | | | | 2022/23 Medium Term Revenue & Expenditure Framework | | |
|--|------------------|------------------|--------------------|----------------------|------------------|--------------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| R thousands | | | | | | | | | | |
| Financial Performance | | | | | | | | | | |
| Property rates | 69 846 | 98 385 | 156 421 | 179 005 | 179 005 | 179 005 | 142 333 | 191 633 | 199 298 | 207 270 |
| Service charges | 393 749 | 441 363 | 481 260 | 696 319 | 541 568 | 541 568 | 430 115 | 759 142 | 790 903 | 822 539 |
| Investment revenue | 4 768 | 17 140 | 1 613 | 654 | 654 | 654 | 1 038 | 700 | 728 | 757 |
| Transfers recognised - operational | 111 422 | 122 249 | 152 770 | 141 569 | 140 702 | 140 702 | 137 220 | 158 754 | 169 726 | 183 742 |
| Other own revenue | 57 927 | 59 913 | 50 743 | 58 759 | 65 450 | 65 450 | 56 416 | 69 317 | 72 039 | 74 921 |
| Total Revenue (excluding capital transfers and contributions) | 637 713 | 739 051 | 842 806 | 1 076 307 | 927 380 | 927 380 | 767 124 | 1 179 546 | 1 232 694 | 1 289 229 |
| Employee costs | 188 020 | 238 547 | 239 009 | 247 018 | 250 660 | 250 660 | 246 616 | 305 229 | 315 079 | 327 667 |
| Remuneration of councillors | 11 362 | 20 883 | 12 090 | 12 663 | 8 876 | 8 876 | 5 137 | 13 024 | 13 674 | 14 351 |
| Depreciation & asset impairment | 78 308 | 87 252 | 94 926 | 85 588 | 85 588 | 85 588 | — | 85 679 | 89 107 | 92 671 |
| Finance charges | 110 501 | 121 999 | 99 693 | 42 758 | 57 641 | 57 641 | 45 668 | 44 306 | 46 078 | 47 921 |
| Inventory consumed and bulk purchases | 318 291 | 373 010 | 377 388 | 416 458 | 510 467 | 510 467 | 365 555 | 572 244 | 594 641 | 618 426 |
| Transfers and grants | — | — | — | — | — | — | — | — | — | — |
| Other expenditure | 152 237 | 379 111 | 310 147 | 232 615 | 339 555 | 339 555 | 99 367 | 251 686 | 238 523 | 247 979 |
| Total Expenditure | 858 718 | 1 220 802 | 1 133 252 | 1 037 100 | 1 252 787 | 1 252 787 | 762 343 | 1 272 168 | 1 297 102 | 1 349 016 |
| Surplus/(Deficit) | (221 005) | (481 751) | (290 446) | 39 207 | (325 407) | (325 407) | 4 780 | (92 622) | (64 408) | (59 787) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 68 039 | 31 835 | 38 320 | 40 307 | 39 659 | 39 659 | — | 37 888 | 47 140 | 49 147 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all) | 27 | — | 14 684 | 100 | 100 | 100 | — | — | — | — |
| Surplus/(Deficit) after capital transfers & contributions | (152 939) | (449 916) | — | 79 614 | (285 649) | (285 649) | 4 780 | (54 734) | (17 267) | (10 639) |
| Share of surplus/ (deficit) of associate | — | — | — | — | — | — | — | — | — | — |
| Surplus/(Deficit) for the year | (152 939) | (449 916) | — | 79 614 | (285 649) | (285 649) | 4 780 | (54 734) | (17 267) | (10 639) |
| Capital expenditure & funds sources | | | | | | | | | | |
| Capital expenditure | 483 495 | 521 701 | 590 413 | 60 292 | 72 662 | 72 662 | 21 268 | 54 888 | 50 160 | 52 688 |
| Transfers recognised - capital | 321 655 | 332 862 | 376 779 | 33 302 | 39 659 | 39 659 | 13 110 | 37 888 | 47 140 | 49 147 |
| Borrowing | — | — | — | — | — | — | — | — | — | — |
| Internally generated funds | 77 744 | 87 488 | 101 831 | 9 489 | 33 003 | 33 003 | 7 631 | 17 000 | 3 020 | 3 541 |
| Total sources of capital funds | 399 399 | 420 350 | 478 610 | 42 792 | 72 662 | 72 662 | 20 741 | 54 888 | 50 160 | 52 688 |
| Financial position | | | | | | | | | | |
| Total current assets | 640 752 | 683 411 | 582 321 | 203 214 | (2 301) | (2 301) | 528 732 | 137 338 | 181 757 | 302 920 |
| Total non current assets | 1 175 816 | 1 234 210 | 1 193 435 | (23 296) | (10 926) | 160 250 | 1 215 676 | (30 791) | (72 737) | (115 740) |
| Total current liabilities | 1 647 764 | 2 250 277 | 2 425 790 | 94 388 | 65 828 | (65 828) | 2 332 286 | 25 564 | 23 457 | 19 601 |
| Total non current liabilities | 580 528 | 577 845 | 589 135 | — | — | — | 589 135 | — | — | — |
| Community wealth/Equity | (111 694) | (323 478) | (708 105) | 85 530 | (79 055) | (79 055) | (1 172 115) | 80 983 | 85 562 | 167 579 |
| Cash flows | | | | | | | | | | |
| Net cash from (used) operating | (231 003) | 85 725 | 837 489 | 233 953 | 46 002 | 46 002 | (85 785) | (135 849) | (129 531) | (127 061) |
| Net cash from (used) investing | — | — | (45 304) | (60 292) | (60 292) | (60 292) | (20 326) | (53 888) | (47 140) | (49 147) |
| Net cash from (used) financing | — | — | (246) | — | — | — | (22) | — | — | — |
| Cash/cash equivalents at the year end | (231 003) | 85 725 | 923 296 | 173 661 | (14 290) | (14 290) | (246 219) | (146 386) | (323 057) | (499 266) |
| Cash backing/surplus reconciliation | | | | | | | | | | |
| Cash and investments available | 12 446 | 44 377 | (138 741) | 153 665 | (14 290) | (14 290) | (525 459) | (146 386) | (419 895) | (649 653) |
| Application of cash and investments | 669 875 | 921 982 | 1 754 603 | 11 718 | (17 744) | (149 400) | 1 103 969 | (349 570) | (609 280) | (896 676) |
| Balance - surplus (shortfall) | (657 429) | (877 605) | (1 893 344) | 141 948 | 3 454 | 135 110 | (1 629 428) | 203 184 | 189 386 | 249 023 |
| Asset management | | | | | | | | | | |
| Asset register summary (WDV) | 940 413 | 994 416 | 939 923 | (68 088) | (54 943) | (54 943) | (54 943) | (66 039) | (154 626) | (240 776) |
| Depreciation | 78 308 | 87 252 | 94 926 | 85 588 | 85 588 | 85 588 | 85 588 | 85 679 | 89 107 | 92 671 |
| Renewal and Upgrading of Existing Assets | 402 100 | 416 253 | 478 276 | 32 792 | 42 017 | 42 017 | 42 017 | 43 748 | 40 140 | 32 147 |
| Repairs and Maintenance | 15 375 | 17 417 | 14 820 | 53 262 | 26 404 | 26 404 | 26 404 | 58 812 | 61 165 | 63 612 |

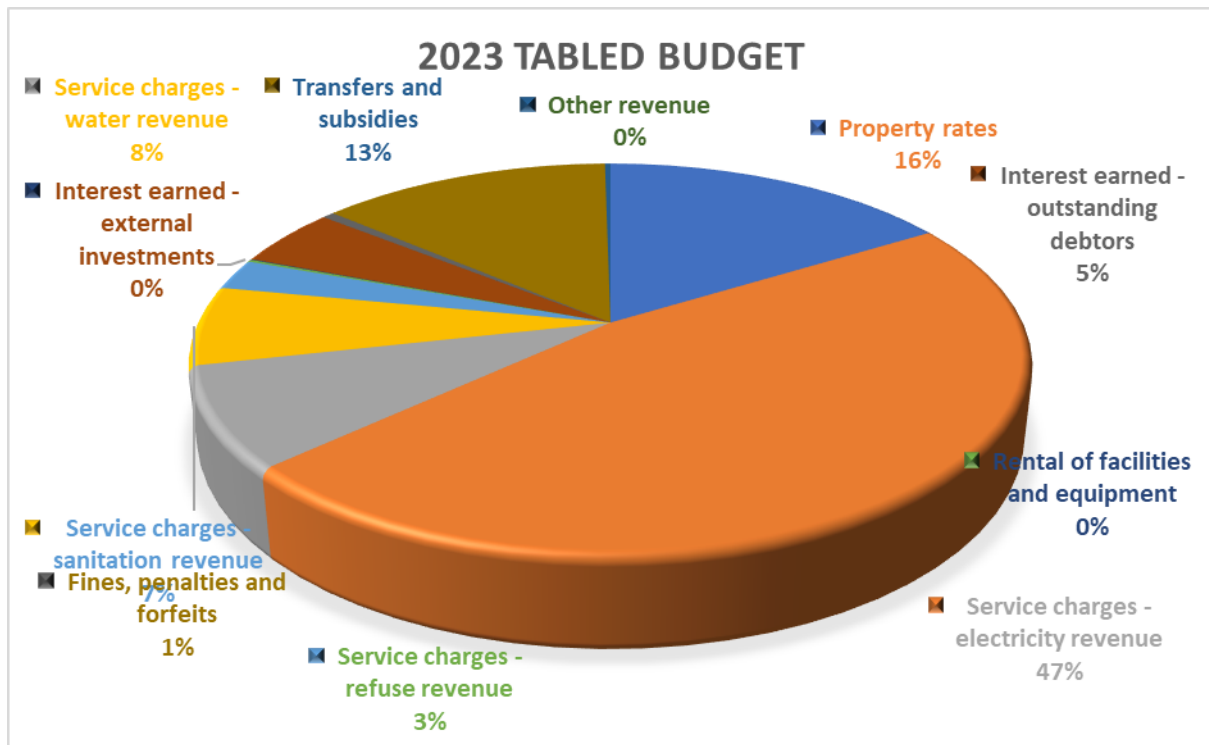
Operating Revenue Framework

Revenue management is fundamental to the financial sustainability of the Municipality. The reality is that we are faced with development backlogs and poverty and therefore the municipal revenue strategy is built around the following key components:

- To seek alternative sources of own revenue to increase the municipal revenue base (rental of properties, outdoor advertising, sales of stands etc)
- Tightening credit control measures and increase debt collection targets
- Improve customer relations and promote a culture of payment of services
- Create an environment which enhances growth, development and service delivery
- Implementation of the indigent support policy to provide free basic services to poor households and protect them from the worst impacts of the economy; and
- Implementation of Revenue Enhancement Strategy
- Implementation of Financial Recovery Plan
- Creation of Job Opportunities
- Installation and Replacement of Meters including meter audit
- Ensure all tariffs are fully cost reflective.

Total operating revenue increases from R 967 118 738 when compared to the 2021/2022 adjustment budget and amounts to R 1 179 544 980 in the 2022/23 which will increase to R 1 289 229 000 in the 2024/2025 financial year.

| Function | Adjsutment Budget | % | 2023 Tabled Budget | % | 2024 Tabled Budget | % | 2025 Tabled Budget | % |
|--|-----------------------|-------------|-------------------------|-------------|-------------------------|-------------|-------------------------|-------------|
| Property rates | 179,005,429.00 | 19% | 191,633,000.00 | 16% | 199,298,000.00 | 16% | 207,270,000.00 | 16% |
| Service charges - electricity revenue | 377,060,138.00 | 39% | 553,106,980.55 | 47% | 575,309,000.00 | 47% | 598,322,000.00 | 46% |
| Service charges - water revenue | 94,056,076.00 | 10% | 98,388,000.00 | 8% | 102,324,000.00 | 8% | 106,417,000.00 | 8% |
| Service charges - sanitation revenue | 42,655,812.00 | 4% | 77,607,000.00 | 7% | 80,712,000.00 | 7% | 83,940,000.00 | 7% |
| Service charges - refuse revenue | 27,551,333.00 | 3% | 29,965,000.00 | 3% | 32,559,000.00 | 3% | 33,861,000.00 | 3% |
| Rental of facilities and equipment | 2,010,000.00 | 0% | 2,184,000.00 | 0% | 2,184,000.00 | 0% | 2,271,000.00 | 0% |
| Interest earned - external investments | 653,828.00 | 0% | 700,000.00 | 0% | 728,000.00 | 0% | 757,000.00 | 0% |
| Interest earned - outstanding debtors | 57,693,484.00 | 6% | 57,683,000.00 | 5% | 60,001,000.00 | 5% | 62,401,000.00 | 5% |
| Fines, penalties and forfeits | 2,520,924.00 | 0% | 6,500,000.00 | 1% | 6,760,000.00 | 1% | 7,030,000.00 | 1% |
| Transfers and subsidies | 180,361,000.00 | 19% | 158,754,000.00 | 13% | 169,726,000.00 | 14% | 183,742,000.00 | 14% |
| Other revenue | 3,550,714.00 | 0% | 3,024,000.00 | 0% | 3,094,000.00 | 0% | 3,218,000.00 | 0% |
| Total Revenue | 967,118,738.00 | 100% | 1,179,544,980.55 | 100% | 1,232,695,000.00 | 100% | 1,289,229,000.00 | 100% |



Impact of the Revenue Budget on the Municipal Budget

The local government equitable share allocation is mainly to fund the costs of free basic services and to subsidise the administrative costs of the smaller and more rural municipalities. The increasing unemployment and growth in the number of persons per household means that the revenue foregone in respect of free basic services will likely increase, and it will become even more difficult to collect revenue. Household budgets are becoming increasingly under more pressure, and trade-offs might be applied when it becomes unaffordable to pay all household expenses on a monthly basis.

Municipalities must ensure that they render basic services, maintain their assets and clean environment. Furthermore, there must be continuous communication with the community and other stakeholders to improve the municipality's reputation. This will assist in attracting investment in the local economy which may result in reduced unemployment. Some municipalities are experiencing serious liquidity challenges.

It is essential that municipalities reconcile their most recent valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are accurate. Municipalities should undertake this exercise as a routine practice during the budget process so that supplementary adjustments to the valuation roll are kept up to date. The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates. A further test would be to reconcile this information with the Deeds Office registry.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the lower limit of the 3 to 6 per cent target band.

The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (FFC, 2011).

Municipality must adopt a tariff setting methodology that achieves an appropriate balance between the interest of poor households and other customers while ensuring financial sustainability of the municipality

When setting tariffs the following was considered:

- cost of bulk purchases and the fluctuation of seasonal consumption;
- consumption patterns to enable better planning;
- cost of providing services; and
- Sound baseline information.

The proposed tariffs are contained in the draft resolution and attached schedule which provides a comparison of proposed tariffs with the previous financial year. During the IDP and budget consultation held during the month of May 2022, the community sighted that the Municipal Tariffs are unaffordable in comparison to the level of service as the unreliable service provision the community inputted that the Municipality should not increase the tariffs whilst improving service delivery. In terms of section 152 (b) of the Constitution of the Republic of South Africa, 1996 - Chapter 7: Local Government that the Municipality object are to ensure the provision of services to communities in a sustainable manner.

The Municipality has considered the inputs of the community not to increase tariffs however the decisions not to increase tariffs will also have an impact on the affordability and sustainability of the budget over the MTREF. Therefore, should the Municipality not increase tariffs it might not be able to render any form of services, including the repayment of creditors.

The Municipality needs to ensure that there is improvement on the level of services thus rebuilding the trust and confidence of the Municipality thus ensuring that the communities are willingly paying for services.

The Municipality for the 2022/23 financial year will be increasing tariffs for the services charges on average of 5.2% (water, sanitation, refuse and other sundry services) an electricity will be increased with 7.47% in line with the NERSA guidelines.

Proposed Tariffs Increases

Property rates

An average increase of 5.2%.

The tariff structure is in accordance with the different categories in the valuation roll

Sewerage tariffs

An average increase of 5.2%.

Refuse tariffs

An average increase of 5.2%.

Water tariffs

An average increase of 5.2%.

Electricity tariffs

An average increase of 7.47% %.

Operating Expenditure Framework

National Treasury has again emphasized in the MFMA circular that municipalities must implement cost containment measures and eliminate non-priority spending and the cost containment measures were regulated in Government

Employee related costs

Pressures from the municipal employee related that contribute 25% of the total operating expenditure budget and this is without considering the filling of critical vacant positions. Provision has been made for salary increases of 4.1% in line with the collective agreement. The Municipality needs to find alternative ways to reducing the employee related costs this includes amongst other:

- Organizational restructuring
- Performance of skills audit & job placement
- Strick monitoring of the overtime and standby allowance
- Reviewing scares skills policy in line with the skills sector plans
- Reviewing of acting, travelling allowance amongst other benefit
- Prioritisation of recruitment process

Operating Expenditure

The Municipality will be reducing some of the operating costs inline with the cost curtailment policy which includes but not limited to:

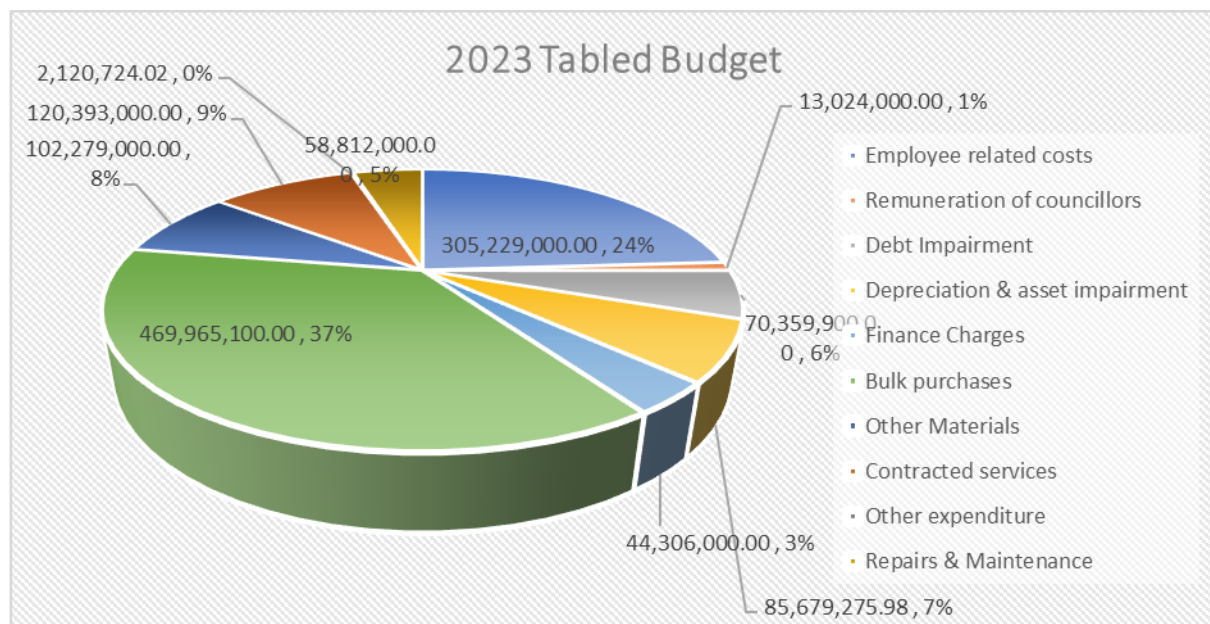
- Ensuring value for money through the procurement process
- The affordability of providing free basic services to all households
- Use of consultants.
- Vehicles used for political office-bearers.
- Travel and subsistence according to maximum limits set by National Treasury.
- No credit cards are allowed.
- No sponsorships or municipal funds may be used for social functions, team building, year-end functions such as staff year-end functions, staff wellness and attendance of sporting events by municipal officials.
- Catering to be provided only when meetings exceed five (5) hours.
- Communication to be done in an electronic format, such as internal newsletters et cetera.
- Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation
- Not taking on unfunded mandates

The Municipality has further implemented the following cost curtailment measure to reduce expenditure:

- Monitor employee related costs by ensuring employees only work 40 hrs overtime
- Prioritising of filling of critical post that have impact on revenue generation and reduces overtime
- Enforce all procurement to be undertaken through and by SCM Unit only
- Manage all procurement through Cashflow Management Committee on procurement below R 200 000.00 including contracted services

The operating expenditure increased from R 1 250 238 316 to R 1 272 168 000 in the 2022/23 and subsequently increased to R 1 349 016 000 in the 2024/25.

| Function | Adjstment Budget | % | 2023 Tabled Budget | % | 2024 Tabled Budget | % | 2025 Tabled Budget | % |
|---------------------------------|-------------------------|-------------|-------------------------|-------------|-------------------------|-------------|-------------------------|-------------|
| Employee related costs | 248,621,680.00 | 20% | 305,229,000.00 | 24% | 315,079,000.00 | 24% | 327,667,000.00 | 24% |
| Remuneration of councillors | 10,848,889.00 | 1% | 13,024,000.00 | 1% | 13,674,000.00 | 1% | 14,351,000.00 | 1% |
| Debt Impairment | 207,588,641.00 | 17% | 70,359,900.00 | 6% | 51,002,000.00 | 4% | 53,042,000.00 | 4% |
| Depreciation & asset impairment | 85,587,976.00 | 7% | 85,679,275.98 | 7% | 89,107,000.00 | 7% | 92,671,000.00 | 7% |
| Finance Charges | 57,651,403.00 | 5% | 44,306,000.00 | 3% | 46,078,000.00 | 4% | 47,921,000.00 | 4% |
| Bulk purchases | 427,241,000.00 | 34% | 469,965,100.00 | 37% | 488,763,800.00 | 38% | 508,314,400.00 | 38% |
| Other Materials | 72,004,383.00 | 6% | 102,279,000.00 | 8% | 105,877,000.00 | 8% | 110,112,000.00 | 8% |
| Contracted services | 69,398,012.00 | 6% | 120,393,000.00 | 9% | 124,573,000.00 | 10% | 129,545,000.00 | 10% |
| Other expenditure | 41,250,359.00 | 3% | 2,120,724.02 | 0% | 1,783,200.00 | 0% | 1,780,600.00 | 0% |
| Repairs & Maintenance | 30,045,973.00 | 2% | 58,812,000.00 | 5% | 61,165,000.00 | 5% | 63,612,000.00 | 5% |
| Total Expenditure | 1,250,238,316.00 | 100% | 1,272,168,000.00 | 100% | 1,297,102,000.00 | 100% | 1,349,016,000.00 | 100% |



Repairs & Maintenance

| Description | Adjstment Budget | 2023 Tabled Budget | 2024 Tabled Budget | 2025 Tabled Budget |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Building & Structures | 573,192.00 | 792,700.00 | 824,600.00 | 857,800.00 |
| Electricity Maintenance | 16,750,100.00 | 19,782,200.00 | 20,813,000.00 | 20,464,700.00 |
| Machinery & Equipments | 1,450,000.00 | 2,290,200.00 | 2,382,000.00 | 2,477,400.00 |
| Motor Vehicles | 3,582,581.00 | 9,127,200.00 | 9,252,700.00 | 10,803,300.00 |
| Roads Mainteance | - | 5,000,000.00 | 5,200,000.00 | 5,408,000.00 |
| Sewer Network | 3,000,000.00 | 9,285,800.00 | 9,657,300.00 | 10,043,700.00 |
| Traffic Signs | 580,000.00 | 551,800.00 | 573,900.00 | 596,900.00 |
| Water Network | 4,110,100.00 | 11,982,100.00 | 12,461,500.00 | 12,960,200.00 |
| Grand Total | 30,045,973.00 | 58,812,000.00 | 61,165,000.00 | 63,612,000.00 |
| Repairs & Mainteance % of Expenditure | 2% | 5% | 5% | 5% |

In terms of the National Treasury Norms and Standards the municipality should provide for at least 8% of the budget towards repairs and maintenance. The municipality has budget 5% of the budget towards repairs and maintenance, whilst a provision of R 5 million has been allocated towards maintenance of roads network, R 19

million to address electricity network, R 11 million towards water network and R 9 million towards addressing sewer network related challenges.

The Municipality needs additional budget for the Electricity maintenance that amounts to R 164.9 million to stabilise the current electricity challenges over the medium term. The Municipality further needs to additional funding for the Sewer network, water network and roads maintenance estimated to be in excess of R 400 million.

Bulk Purchases

During 2018/19, intense work had been undertaken to resolve systemic and structural issues pertaining to the electricity function in municipalities. Core to this work was addressing the escalating Eskom debt that threatened the sustainability of Eskom as well as that of municipalities

During the process, Eskom was engaged on providing relieve in certain areas. Municipalities must be made aware that the following concessions were agreed upon:

- Reducing the interest rate charged on overdue municipal bulk accounts from prime plus 5 per cent to prime plus 2.5 per cent;
- Payment terms being extended from 15 days to 30 days for municipal bulk accounts; and
- Payments received from municipalities will be allocated to capital first and then the interest.

These concessions are aligned to the MFMA and are meant to curb the growing debt levels by allowing municipalities a more conducive payment regime than what was previously employed. In addition, municipalities are encouraged to budget for bulk services and honour their current account payments religiously to avoid stringent application of the bulk suppliers' credit control policy.

Municipalities are also advised to enforce a culture of payment for services through their normal credit control processes. In this regard it should be noted that municipalities are only compensated for free basic services based on an indigent user component calculation through the equitable share. As such, a municipality's allocation of free basic services to all of the municipality's consumers is not funded in the equitable share. Every municipality, during the budget process, must consider the affordability to the municipality when allocating free basic services above the national norm and to consumers other than indigent consumers. If a municipality has any arrears on any of its bulk supplier's accounts, it must limit its provision of free basic services to registered indigent consumers only. In this regard municipalities are reminded to take note of the Constitutional Court decision in

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. Bulk electricity costs are consistently much higher than inflation, having gone as high as 17.8 per cent in the 2021/22 municipal financial year. Eskom's need for increased funding means that over the period ahead they are applying for much higher tariff increases. In their Multi-Year Price Determination (MYPD 5) application Eskom requested approval for municipal bulk tariff increases of 20.5 per cent in 2022/23, 15 per cent in 2023/24 and 10 per cent in 2024/25. NERSA rejected this revenue application at the end of September 2021 and in October 2021 ESKOM filed an application in the High Court to review NERSA's decision. Following the deliberations, NERSA has approved a 9.6 per cent tariff increase for Eskom starting from April 2022 and this figure accounts for a 3.49 per cent increase in 2022/23.

The Municipality should ensure that measures & systems are put in place and continue to be implemented which includes amongst others aggressive revenue improvement strategy, employee related cost reduction, phasing out contracted services, better contract management, reduction in material losses, decreasing of general expenditure in line with the cost curtailment measures as well as the implementation of the Financial Recovery Plan.

Overview of the Revenue & Expenditure

MP305 Lekwa - Table A4 Budgeted Financial Performance (revenue and expenditure)

| Mr SJO Lekwa - Table A4 Budgeted Financial Performance (Revenue and expenditure) | | | | | | | | | | | |
|---|------|------------------|------------------|------------------|----------------------|------------------|--------------------|-------------------|---|------------------------|------------------------|
| Description | Ref | 2018/19 | 2019/20 | 2020/21 | Current Year 2021/22 | | | | 2022/23 Medium Term Revenue & Expenditure Framework | | |
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| Revenue By Source | | | | | | | | | | | |
| Property rates | 2 | 69 846 | 98 385 | 156 421 | 179 005 | 179 005 | 179 005 | 142 333 | 191 633 | 199 298 | 207 270 |
| Service charges - electricity revenue | 2 | 262 006 | 303 059 | 329 137 | 465 516 | 377 285 | 377 285 | 314 449 | 553 182 | 575 309 | 598 322 |
| Service charges - water revenue | 2 | 77 385 | 80 043 | 84 777 | 94 076 | 94 076 | 94 076 | 61 190 | 98 388 | 102 324 | 106 417 |
| Service charges - sanitation revenue | 2 | 32 858 | 34 660 | 40 882 | 71 214 | 42 656 | 42 656 | 31 268 | 77 607 | 80 712 | 83 940 |
| Service charges - refuse revenue | 2 | 21 500 | 23 602 | 26 465 | 65 513 | 27 551 | 27 551 | 23 208 | 29 965 | 32 559 | 33 861 |
| Rental of facilities and equipment | | 1 778 | 1 690 | 1 666 | 2 154 | 2 160 | 2 160 | 1 459 | 2 100 | 2 184 | 2 271 |
| Interest earned - external investments | | 4 768 | 17 140 | 1 613 | 654 | 654 | 654 | 1 038 | 700 | 728 | 757 |
| Interest earned - outstanding debtors | | 50 579 | 53 966 | 46 930 | 53 637 | 57 693 | 57 693 | 52 033 | 57 693 | 60 001 | 62 401 |
| Dividends received | | - | - | - | - | - | - | - | - | - | - |
| Fines, penalties and forfeits | | 4 028 | 3 203 | 1 114 | 550 | 2 499 | 2 499 | 1 483 | 6 500 | 6 760 | 7 030 |
| Licences and permits | | 0 | - | - | 1 000 | 1 000 | 1 000 | 0 | - | - | - |
| Agency services | | - | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies | | 111 422 | 122 249 | 152 770 | 141 569 | 140 702 | 140 702 | 137 220 | 158 754 | 169 726 | 183 742 |
| Other revenue | 2 | 1 541 | 1 054 | 1 033 | 1 419 | 2 098 | 2 098 | 1 441 | 3 024 | 3 094 | 3 218 |
| Gains | | - | - | - | - | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | | 637 713 | 739 051 | 842 806 | 1 076 307 | 927 380 | 927 380 | 767 124 | 1 179 546 | 1 232 694 | 1 289 229 |
| Expenditure By Type | | | | | | | | | | | |
| Employee related costs | 2 | 188 020 | 238 547 | 239 009 | 247 018 | 250 660 | 250 660 | 246 616 | 305 229 | 315 079 | 327 667 |
| Remuneration of councillors | | 11 362 | 20 883 | 12 090 | 12 663 | 8 876 | 8 876 | 5 137 | 13 024 | 13 674 | 14 351 |
| Debt impairment | 3 | 45 043 | 189 237 | 210 632 | 67 594 | 207 594 | 207 594 | 121 | 70 360 | 51 002 | 53 042 |
| Depreciation & asset impairment | 2 | 78 308 | 87 252 | 94 926 | 85 588 | 85 588 | 85 588 | - | 85 679 | 89 107 | 92 671 |
| Finance charges | | 110 501 | 121 999 | 99 693 | 42 758 | 57 641 | 57 641 | 45 668 | 44 306 | 46 078 | 47 921 |
| Bulk purchases - electricity | 2 | 310 372 | 360 425 | 363 481 | 374 289 | 427 241 | 427 241 | 362 379 | 469 965 | 488 764 | 508 314 |
| Inventory consumed | 8 | 7 919 | 12 585 | 13 907 | 42 170 | 83 226 | 83 226 | 3 177 | 102 279 | 105 877 | 110 112 |
| Contracted services | | 53 507 | 67 780 | 55 318 | 104 282 | 78 817 | 78 817 | 60 742 | 120 393 | 124 573 | 129 545 |
| Transfers and subsidies | | - | - | - | - | - | - | - | - | - | - |
| Other expenditure | 4, 5 | 53 687 | 122 094 | 41 959 | 60 739 | 53 144 | 53 144 | 38 504 | 60 933 | 62 947 | 65 392 |
| Losses | | - | - | 2 238 | - | - | - | - | - | - | - |
| Total Expenditure | | 858 718 | 1 220 802 | 1 133 252 | 1 037 100 | 1 252 787 | 1 252 787 | 762 343 | 1 272 168 | 1 297 102 | 1 349 016 |
| Surplus/(Deficit) | | (221 005) | (481 751) | (290 446) | 39 207 | (325 407) | (325 407) | 4 780 | (92 622) | (64 408) | (59 787) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | 68 039 | 31 835 | 38 320 | 40 307 | 39 659 | 39 659 | - | 37 888 | 47 140 | 49 147 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporators, Higher Educational Institutions) | 6 | 27 | - | 0 | 100 | 100 | 100 | - | - | - | - |
| Transfers and subsidies - capital (in-kind - all) | | - | - | 14 683 | - | - | - | - | - | - | - |
| Surplus/(Deficit) after capital transfers & contributions | | (152 939) | (449 916) | (237 442) | 79 614 | (285 649) | (285 649) | 4 780 | (54 734) | (17 267) | (10 639) |
| Taxation | | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after taxation | | (152 939) | (449 916) | (237 442) | 79 614 | (285 649) | (285 649) | 4 780 | (54 734) | (17 267) | (10 639) |
| Attributable to minorities | | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) attributable to municipality | | (152 939) | (449 916) | (237 442) | 79 614 | (285 649) | (285 649) | 4 780 | (54 734) | (17 267) | (10 639) |
| Share of surplus/ (deficit) of associate | 7 | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) for the year | | (152 939) | (449 916) | (237 442) | 79 614 | (285 649) | (285 649) | 4 780 | (54 734) | (17 267) | (10 639) |

Overview of Trading Services

It should be noted that trading & economic services are operating at a loss of R 69 million in the 2022/23 financial period and the loss will reduce in the 2024/25 financial year and subsequently the service will operate with a surplus of R 29 million in the 2024/2025 financial year. Poor revenue collection as the Municipality is delivering the electricity service at a gross loss due to meter tampering, unmetered properties, and faulty meters, lack of bulk meters and vandalism and theft. Not all domestic and big consumers are getting metered. The Municipality should continue to introduce and implementation of adequate measures to properly sustain the funding of the trading & economic Services. The Municipality needs to fulfil the obligations of correcting accounts and metering all services correctly as this will ensure that the deficit is reduced.

| Function | Adjsutment Budget | 2023 DRAFT BUDGET | 2024 DRAFT BUDGET | 2025 DRAFT BUDGET |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Electricity:Electricity (Dept 603) | - 389 284 062.00 | - 563 181 980.55 | - 665 073 351.57 | - 711 818 144.04 |
| Solid Waste Removal:Cleansing (Dept 302) | - 27 551 333.00 | - 29 964 703.17 | - 32 558 662.91 | - 33 861 009.43 |
| Waste Water Treatment:Sewerage (Dept 407) | - 42 655 812.00 | - 77 607 311.96 | - 80 711 604.44 | - 83 940 068.62 |
| Water Distribution:Water (Dept 607) | - 94 076 076.00 | - 98 388 193.13 | - 102 322 920.86 | - 106 415 037.69 |
| Total Revenue | - 553 567 283.00 | - 769 142 188.81 | - 880 666 539.78 | - 936 034 259.78 |

| Function | Adjsutment Budget | 2023 DRAFT BUDGET | 2024 DRAFT BUDGET | 2025 DRAFT BUDGET |
|--|-----------------------|-----------------------|-----------------------|------------------------|
| Electricity:Electricity (Dept 603) | 578 887 392.00 | 596 080 266.44 | 619 925 200.00 | 644 723 900.00 |
| Solid Waste Removal:Cleansing (Dept 302) | 95 315 483.00 | 57 330 600.00 | 59 624 800.00 | 62 010 800.00 |
| Waste Water Treatment:Sewerage (Dept 407) | 68 095 990.00 | 52 380 296.00 | 54 476 400.00 | 56 656 900.00 |
| Water Distribution:Water (Dept 607) | 151 101 043.00 | 132 579 256.93 | 137 883 600.00 | 143 400 400.00 |
| Total Expenditure | 893 399 908.00 | 838 370 419.37 | 871 910 000.00 | 906 792 000.00 |
| Operating Surplus/Deficit | 339 832 625.00 | 69 228 230.56 | - 8 756 539.78 | - 29 242 259.78 |

The table below shows the consolidated revenue and expenditure per function.

MP305 Lekwa - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

| Functional Classification Description | Ref | 2018/19 | 2019/20 | 2020/21 | Current Year 2021/22 | | | 2022/23 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| R thousand | 1 | | | | | | | | | |
| Revenue - Functional | | | | | | | | | | |
| <i>Governance and administration</i> | | 235 088 | 290 042 | 372 194 | 371 311 | 375 696 | 375 696 | 366 624 | 387 839 | 410 578 |
| Executive and council | | — | 326 | — | — | — | — | — | — | — |
| Finance and administration | | 235 088 | 289 716 | 372 194 | 371 311 | 375 696 | 375 696 | 366 624 | 387 839 | 410 578 |
| Internal audit | | — | — | — | — | — | — | — | — | — |
| <i>Community and public safety</i> | | 431 | 2 224 | 1 216 | 791 | 812 | 812 | 5 199 | 5 356 | 5 570 |
| Community and social services | | 152 | 137 | 94 | 149 | 170 | 170 | 399 | 364 | 379 |
| Sport and recreation | | — | — | — | — | — | — | — | — | — |
| Public safety | | 279 | 2 086 | 1 122 | 642 | 642 | 642 | 4 800 | 4 992 | 5 192 |
| Housing | | — | — | — | — | — | — | — | — | — |
| Health | | — | — | — | — | — | — | — | — | — |
| <i>Economic and environmental services</i> | | 34 736 | 30 816 | 31 125 | 38 243 | 37 063 | 37 063 | 37 369 | 36 952 | 38 480 |
| Planning and development | | 2 125 | 339 | 404 | 1 800 | 2 115 | 2 115 | 850 | 884 | 919 |
| Road transport | | 32 612 | 30 477 | 30 720 | 36 443 | 34 948 | 34 948 | 36 519 | 36 068 | 37 560 |
| Environmental protection | | — | — | — | — | — | — | — | — | — |
| <i>Trading services</i> | | 435 524 | 447 805 | 491 275 | 706 369 | 553 567 | 553 567 | 808 242 | 849 687 | 883 749 |
| Energy sources | | 268 366 | 309 514 | 339 152 | 475 566 | 389 284 | 389 284 | 573 197 | 603 845 | 628 073 |
| Water management | | 112 660 | 80 029 | 84 777 | 94 076 | 94 076 | 94 076 | 114 321 | 118 894 | 123 650 |
| Waste water management | | 33 003 | 34 660 | 40 882 | 71 214 | 42 656 | 42 656 | 85 159 | 88 565 | 92 108 |
| Waste management | | 21 495 | 23 602 | 26 465 | 65 513 | 27 551 | 27 551 | 35 565 | 38 383 | 39 919 |
| <i>Other</i> | 4 | — | — | — | — | — | — | — | — | — |
| Total Revenue - Functional | 2 | 705 779 | 770 886 | 895 810 | 1 116 714 | 967 139 | 967 139 | 1 217 434 | 1 279 834 | 1 338 376 |
| Expenditure - Functional | | | | | | | | | | |
| <i>Governance and administration</i> | | 212 665 | 349 622 | 248 775 | 192 729 | 190 211 | 190 211 | 219 422 | 227 555 | 236 682 |
| Executive and council | | 107 260 | 101 469 | 38 996 | 57 872 | 54 489 | 54 489 | 68 630 | 70 845 | 73 817 |
| Finance and administration | | 105 404 | 248 153 | 209 779 | 134 857 | 135 722 | 135 722 | 150 793 | 156 710 | 162 865 |
| Internal audit | | — | — | — | — | — | — | — | — | — |
| <i>Community and public safety</i> | | 58 377 | 170 369 | 72 902 | 72 420 | 68 166 | 68 166 | 111 673 | 113 618 | 118 162 |
| Community and social services | | 25 160 | 47 158 | 32 988 | 24 278 | 27 219 | 27 219 | 50 256 | 49 873 | 51 868 |
| Sport and recreation | | 128 | 6 376 | 135 | 7 677 | 507 | 507 | 10 764 | 11 195 | 11 642 |
| Public safety | | 33 088 | 112 814 | 39 776 | 36 231 | 40 307 | 40 307 | 44 939 | 46 737 | 48 606 |
| Housing | | (0) | 4 021 | 3 | 4 235 | 133 | 133 | 5 715 | 5 813 | 6 045 |
| Health | | — | — | — | — | — | — | — | — | — |
| <i>Economic and environmental services</i> | | 28 970 | 23 805 | 102 970 | 114 213 | 101 010 | 101 010 | 103 225 | 106 737 | 111 013 |
| Planning and development | | 10 140 | 11 479 | 17 317 | 26 039 | 22 644 | 22 644 | 18 801 | 18 935 | 19 699 |
| Road transport | | 18 830 | 12 325 | 85 653 | 88 174 | 78 366 | 78 366 | 84 424 | 87 802 | 91 314 |
| Environmental protection | | — | — | — | — | — | — | — | — | — |
| <i>Trading services</i> | | 632 565 | 743 294 | 801 776 | 718 415 | 893 400 | 893 400 | 837 847 | 849 192 | 883 159 |
| Energy sources | | 438 259 | 535 762 | 455 916 | 496 063 | 578 887 | 578 887 | 596 080 | 619 925 | 644 721 |
| Water management | | 134 318 | 145 015 | 232 448 | 124 540 | 151 101 | 151 101 | 132 576 | 137 880 | 143 395 |
| Waste water management | | 25 021 | 37 552 | 55 089 | 42 926 | 68 096 | 68 096 | 51 860 | 53 935 | 56 092 |
| Waste management | | 34 967 | 24 964 | 58 323 | 54 885 | 95 315 | 95 315 | 57 331 | 37 453 | 38 951 |
| <i>Other</i> | 4 | — | — | — | — | — | — | — | — | — |
| Total Expenditure - Functional | 3 | 932 576 | 1 287 089 | 1 226 422 | 1 097 777 | 1 252 787 | 1 252 787 | 1 272 168 | 1 297 102 | 1 349 016 |
| Surplus/(Deficit) for the year | | (226 797) | (516 203) | (330 612) | 18 937 | (285 649) | (285 649) | (54 734) | (17 267) | (10 639) |

Overview of Monthly Revenue & Expenditure Targets

MP305 Lekwa - Supporting Table SA25 Budgeted monthly revenue and expenditure

| Description | Ref | Budget Year 2022/23 | | | | | | | | | | | | Medium Term Revenue and Expenditure Framework | | |
|--|-----|---------------------|---------|---------|---------|----------|----------|---------|----------|---------|---------|---------|---------|---|------------------------|------------------------|
| | | July | August | Sept. | October | November | December | January | February | March | April | May | June | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| R thousand | | | | | | | | | | | | | | | | |
| Revenue By Source | | | | | | | | | | | | | | | | |
| Property rates | | 15 969 | 15 969 | 15 969 | 15 969 | 15 969 | 15 969 | 15 969 | 15 969 | 15 969 | 15 969 | 15 969 | 15 969 | 191 633 | 199 298 | 207 270 |
| Service charges - electricity revenue | | 46 098 | 46 098 | 46 098 | 46 098 | 46 098 | 46 098 | 46 098 | 46 098 | 46 098 | 46 098 | 46 098 | 46 098 | 553 182 | 575 309 | 598 322 |
| Service charges - water revenue | | 8 199 | 8 199 | 8 199 | 8 199 | 8 199 | 8 199 | 8 199 | 8 199 | 8 199 | 8 199 | 8 199 | 8 199 | 98 388 | 102 324 | 106 417 |
| Service charges - sanitation revenue | | 6 467 | 6 467 | 6 467 | 6 467 | 6 467 | 6 467 | 6 467 | 6 467 | 6 467 | 6 467 | 6 467 | 6 467 | 77 607 | 80 712 | 83 940 |
| Service charges - refuse revenue | | 2 497 | 2 497 | 2 497 | 2 497 | 2 497 | 2 497 | 2 497 | 2 497 | 2 497 | 2 497 | 2 497 | 2 497 | 29 965 | 32 559 | 33 861 |
| Rental of facilities and equipment | | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 2 100 | 2 184 | 2 271 |
| Interest earned - external investments | | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 700 | 728 | 757 |
| Interest earned - outstanding debtors | | 4 808 | 4 808 | 4 808 | 4 808 | 4 808 | 4 808 | 4 808 | 4 808 | 4 808 | 4 808 | 4 808 | 4 808 | 57 693 | 60 001 | 62 401 |
| Dividends received | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Fines, penalties and forfeits | | 542 | 542 | 542 | 542 | 542 | 542 | 542 | 542 | 542 | 542 | 542 | 542 | 6 500 | 6 760 | 7 030 |
| Licences and permits | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Agency services | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Transfers and subsidies | | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 158 754 | 169 726 | 183 742 |
| Other revenue | | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 3 024 | 3 094 | 3 218 |
| Gains | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Total Revenue (excluding capital transfers and contributions) | | 98 295 | 98 295 | 98 295 | 98 295 | 98 295 | 98 295 | 98 295 | 98 295 | 98 295 | 98 295 | 98 295 | 98 295 | 1 179 546 | 1 232 694 | 1 289 229 |
| Expenditure By Type | | | | | | | | | | | | | | | | |
| Employee related costs | | 25 436 | 25 436 | 25 436 | 25 436 | 25 436 | 25 436 | 25 436 | 25 436 | 25 436 | 25 436 | 25 436 | 25 436 | 305 229 | 315 079 | 327 667 |
| Remuneration of councillors | | 1 085 | 1 085 | 1 085 | 1 085 | 1 085 | 1 085 | 1 085 | 1 085 | 1 085 | 1 085 | 1 085 | 1 085 | 13 024 | 13 674 | 14 351 |
| Debt impairment | | 5 863 | 5 863 | 5 863 | 5 863 | 5 863 | 5 863 | 5 863 | 5 863 | 5 863 | 5 863 | 5 863 | 5 863 | 70 360 | 51 002 | 53 042 |
| Depreciation & asset impairment | | 7 140 | 7 140 | 7 140 | 7 140 | 7 140 | 7 140 | 7 140 | 7 140 | 7 140 | 7 140 | 7 140 | 7 140 | 85 679 | 89 107 | 92 671 |
| Finance charges | | 3 692 | 3 692 | 3 692 | 3 692 | 3 692 | 3 692 | 3 692 | 3 692 | 3 692 | 3 692 | 3 692 | 3 692 | 44 306 | 46 078 | 47 921 |
| Bulk purchases - electricity | | 39 164 | 39 164 | 39 164 | 39 164 | 39 164 | 39 164 | 39 164 | 39 164 | 39 164 | 39 164 | 39 164 | 39 164 | 469 965 | 488 764 | 508 314 |
| Inventory consumed | | 8 523 | 8 523 | 8 523 | 8 523 | 8 523 | 8 523 | 8 523 | 8 523 | 8 523 | 8 523 | 8 523 | 8 523 | 102 279 | 105 877 | 110 112 |
| Contracted services | | 10 033 | 10 033 | 10 033 | 10 033 | 10 033 | 10 033 | 10 033 | 10 033 | 10 033 | 10 033 | 10 033 | 10 033 | 120 393 | 124 573 | 129 545 |
| Transfers and subsidies | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Other expenditure | | 5 078 | 5 078 | 5 078 | 5 078 | 5 078 | 5 078 | 5 078 | 5 078 | 5 078 | 5 078 | 5 078 | 5 078 | 60 933 | 62 947 | 65 392 |
| Losses | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Total Expenditure | | 106 014 | 106 014 | 106 014 | 106 014 | 106 014 | 106 014 | 106 014 | 106 014 | 106 014 | 106 014 | 106 014 | 106 014 | 1 272 168 | 1 297 102 | 1 349 016 |
| Surplus/(Deficit) | | | | | | | | | | | | | | | | |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | (7 719) | (7 719) | (7 719) | (7 719) | (7 719) | (7 719) | (7 719) | (7 719) | (7 719) | (7 719) | (7 719) | (7 719) | (92 622) | (64 408) | (59 787) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) | | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 37 888 | 47 140 | 49 147 |
| Transfers and subsidies - capital (in-kind - all) | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Surplus/(Deficit) after capital transfers & contributions | | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (54 734) | (17 267) | (10 639) |
| Taxation | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Attributable to minorities | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Share of surplus/ (deficit) of associate | | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Surplus/(Deficit) | 1 | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (4 561) | (54 734) | (17 267) | (10 639) |

Cash Flow Statement

MP305 Lekwa - Table A7 Budgeted Cash Flows

| MP 303 Lekwa - Table A7 Budgeted Cash Flows | | | | | | | | | | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| Description | Ref | 2018/19 | 2019/20 | 2020/21 | Current Year 2021/22 | | | | 2022/23 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| R thousand | | | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Property rates | | 46 932 | 372 527 | 85 743 | 177 626 | 176 749 | 176 749 | 94 626 | 153 306 | 159 438 | 165 816 |
| Service charges | | 371 989 | 407 460 | 68 497 | 659 419 | 507 582 | 507 582 | 395 756 | 665 632 | 691 754 | 719 864 |
| Other revenue | | 55 046 | 2 081 | (738) | 4 883 | 5 578 | 5 578 | 18 918 | 11 989 | 12 384 | 12 764 |
| Transfers and Subsidies - Operational | 1 | 2 251 | 129 547 | 241 929 | 141 579 | 140 702 | 140 702 | 142 700 | 158 754 | 169 726 | 183 742 |
| Transfers and Subsidies - Capital | 1 | 12 000 | 84 043 | 38 320 | 40 307 | 39 659 | 39 659 | 60 307 | 37 888 | 47 140 | 49 147 |
| Interest | | 1 669 | – | – | 654 | 654 | 654 | – | 700 | 728 | 757 |
| Dividends | | – | – | – | – | – | – | – | – | – | – |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | (609 623) | (787 935) | 403 737 | (790 516) | (824 922) | (824 922) | (798 093) | (1 164 118) | (1 210 701) | (1 259 151) |
| Finance charges | | (111 266) | (121 999) | – | – | – | – | – | – | – | – |
| Transfers and Grants | 1 | – | – | – | – | – | – | – | – | – | – |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | (231 003) | 85 725 | 837 489 | 233 953 | 46 002 | 46 002 | (85 785) | (135 849) | (129 531) | (127 061) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | – | – | – | – | – | – | – | – | – | – |
| Decrease (increase) in non-current receivables | | – | – | – | – | – | – | – | – | – | – |
| Decrease (increase) in non-current investments | | – | – | – | – | – | – | (973) | – | – | – |
| Payments | | | | | | | | | | | |
| Capital assets | | – | – | (45 304) | (60 292) | (60 292) | (60 292) | (19 353) | (53 888) | (47 140) | (49 147) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | – | – | (45 304) | (60 292) | (60 292) | (60 292) | (20 326) | (53 888) | (47 140) | (49 147) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | | – | – | – | – | – | – | – | – | – | – |
| Borrowing long term/refinancing | | – | – | – | – | – | – | – | – | – | – |
| Increase (decrease) in consumer deposits | | – | – | (246) | – | – | – | (22) | – | – | – |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | – | – | – | – | – | – | – | – | – | – |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | – | – | (246) | – | – | – | (22) | – | – | – |
| NET INCREASE/ (DECREASE) IN CASH HELD | | (231 003) | 85 725 | 791 939 | 173 661 | (14 290) | (14 290) | (106 133) | (189 737) | (176 671) | (176 209) |
| Cash/cash equivalents at the year begin: | 2 | – | – | 131 357 | – | – | – | (140 085) | 43 351 | (146 386) | (323 057) |
| Cash/cash equivalents at the year end: | 2 | (231 003) | 85 725 | 923 296 | 173 661 | (14 290) | (14 290) | (246 219) | (146 386) | (323 057) | (499 266) |

The Municipality has reduced the cash flow shortfall from R 403 million in the draft budget tabled in March 2022 to R 146 million after consultation with Provincial Treasury. The following were taken into consideration and would require significant oversight.

- Increased revenue through revenue enhancement
- Increased collection rate from 70% to 80%
- Adequate Expenditure Management and reduction of non-essential expenditure

Monthly Cashflow Projections

MP305 Lekwa - Supporting Table SA30 Budgeted monthly cash flow

| MONTHLY CASH FLOWS | Budget Year 2022/23 | | | | | | | | | | | | Medium Term Revenue and Expenditure Framework | | |
|--|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---|------------------------|------------------------|
| | July | August | Sept. | October | November | December | January | February | March | April | May | June | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| R thousand | | | | | | | | | | | | | | | |
| Cash Receipts By Source | | | | | | | | | | | | | | | |
| Property rates | 11 977 | 11 977 | 11 977 | 11 977 | 11 977 | 11 977 | 11 977 | 11 977 | 11 977 | 11 977 | 11 977 | 11 977 | 143 725 | 149 474 | 155 452 |
| Service charges - electricity revenue | 39 434 | 39 434 | 39 434 | 39 434 | 39 434 | 39 434 | 39 434 | 39 434 | 39 434 | 39 434 | 39 434 | 39 434 | 473 205 | 490 513 | 510 573 |
| Service charges - water revenue | 6 149 | 6 149 | 6 149 | 6 149 | 6 149 | 6 149 | 6 149 | 6 149 | 6 149 | 6 149 | 6 149 | 6 149 | 73 791 | 76 743 | 79 813 |
| Service charges - sanitation revenue | 4 850 | 4 850 | 4 850 | 4 850 | 4 850 | 4 850 | 4 850 | 4 850 | 4 850 | 4 850 | 4 850 | 4 850 | 58 205 | 60 534 | 62 955 |
| Service charges - refuse revenue | 1 873 | 1 873 | 1 873 | 1 873 | 1 873 | 1 873 | 1 873 | 1 873 | 1 873 | 1 873 | 1 873 | 1 873 | 22 474 | 24 419 | 25 396 |
| Rental of facilities and equipment | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 100 | 120 | 150 |
| Interest earned - external investments | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 700 | 728 | 757 |
| Interest earned - outstanding debtors | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Dividends received | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Fines, penalties and forfeits | 292 | 292 | 292 | 292 | 292 | 292 | 292 | 292 | 292 | 292 | 292 | 292 | 3 500 | 3 500 | 3 500 |
| Licences and permits | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 3 000 | 3 000 | 3 000 |
| Agency services | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Transfers and Subsidies - Operational | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 13 229 | 158 754 | 169 726 | 183 742 |
| Other revenue | 449 | 449 | 449 | 449 | 449 | 449 | 449 | 449 | 449 | 449 | 449 | 449 | 5 389 | 5 764 | 6 114 |
| Cash Receipts by Source | 78 570 | 78 570 | 78 570 | 78 570 | 78 570 | 78 570 | 78 570 | 78 570 | 78 570 | 78 570 | 78 570 | 78 570 | 942 842 | 984 519 | 1 031 452 |
| Other Cash Flows by Source | | | | | | | | | | | | | | | |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 37 888 | 47 140 | 49 147 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Proceeds on Disposal of Fixed and Intangible Assets | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Short term loans | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Borrowing long term/refinancing | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Increase (decrease) in consumer deposits | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Decrease (increase) in non-current receivables | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Decrease (increase) in non-current investments | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Cash Receipts by Source | 81 728 | 81 728 | 81 728 | 81 728 | 81 728 | 81 728 | 81 728 | 81 728 | 81 728 | 81 728 | 81 728 | 81 728 | 980 730 | 1 031 660 | 1 080 599 |
| Cash Payments by Type | | | | | | | | | | | | | | | |
| Employee related costs | 28 994 | 28 994 | 28 994 | 28 994 | 28 994 | 28 994 | 28 994 | 28 994 | 28 994 | 28 994 | 28 994 | 28 994 | 347 922 | 361 849 | 376 333 |
| Remuneration of councillors | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Finance charges | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Bulk purchases - electricity | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Acquisitions - water & other inventory | 8 555 | 8 555 | 8 555 | 8 555 | 8 555 | 8 555 | 8 555 | 8 555 | 8 555 | 8 555 | 8 555 | 8 555 | 102 664 | 106 772 | 111 045 |
| Contracted services | 11 074 | 11 074 | 11 074 | 11 074 | 11 074 | 11 074 | 11 074 | 11 074 | 11 074 | 11 074 | 11 074 | 11 074 | 132 888 | 138 205 | 143 736 |
| Transfers and grants - other municipalities | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Transfers and grants - other | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other expenditure | 48 387 | 48 387 | 48 387 | 48 387 | 48 387 | 48 387 | 48 387 | 48 387 | 48 387 | 48 387 | 48 387 | 48 387 | 580 643 | 603 875 | 628 037 |
| Cash Payments by Type | 97 010 | 97 010 | 97 010 | 97 010 | 97 010 | 97 010 | 97 010 | 97 010 | 97 010 | 97 010 | 97 010 | 97 010 | 1 164 118 | 1 210 701 | 1 259 151 |
| Other Cash Flows/Payments by Type | | | | | | | | | | | | | | | |
| Capital assets | 4 491 | 4 491 | 4 491 | 4 491 | 4 491 | 4 491 | 4 491 | 4 491 | 4 491 | 4 491 | 4 491 | 4 491 | 53 888 | 47 140 | 49 147 |
| Repayment of borrowing | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other Cash Flows/Payments | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Cash Payments by Type | 101 500 | 101 500 | 101 500 | 101 500 | 101 500 | 101 500 | 101 500 | 101 500 | 101 500 | 101 500 | 101 500 | 101 500 | 1 218 006 | 1 257 841 | 1 308 298 |
| NET INCREASE/(DECREASE) IN CASH HELD | (19 773) | (19 773) | (19 773) | (19 773) | (19 773) | (19 773) | (19 773) | (19 773) | (19 773) | (19 773) | (19 773) | (19 773) | (237 276) | (226 181) | (227 699) |
| Cash/cash equivalents at the monthly/year begin: | 43 351 | 23 578 | 3 805 | (15 967) | (35 740) | (55 513) | (75 286) | (95 059) | (114 832) | (134 605) | (154 378) | (174 151) | 43 351 | (183 324) | (425 106) |
| Cash/cash equivalents at the monthly/year end: | 23 578 | 3 805 | (15 967) | (35 740) | (55 513) | (75 286) | (95 059) | (114 832) | (134 605) | (154 378) | (174 151) | (193 924) | (193 924) | (420 106) | (647 805) |

Accumulated cash backed reserves/accumulated

MP305 Lekwa - Table A8 Cash backed reserves/accumulated surplus reconciliation

R thousand

| Description | Ref | 2018/19 | 2019/20 | 2020/21 | Current Year 2021/22 | | | | 2022/23 Medium Term Revenue & Expenditure Framework | | |
|---|-----|------------------|------------------|--------------------|----------------------|-----------------|--------------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| Cash and investments available | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | (231 003) | 85 725 | 923 296 | 173 661 | (14 290) | (14 290) | (246 219) | (146 386) | (323 057) | (499 266) |
| Other current investments > 90 days | | 243 449 | (42 618) | (1 063 382) | (19 996) | (0) | (0) | (281 558) | (0) | (96 838) | (150 387) |
| Non current assets - Investments | 1 | - | 1 270 | 1 344 | - | - | - | 2 318 | - | - | - |
| Cash and investments available: | | 12 446 | 44 377 | (138 741) | 153 665 | (14 290) | (14 290) | (525 459) | (146 386) | (419 895) | (649 653) |
| Application of cash and investments | | | | | | | | | | | |
| Unspent conditional transfers | | 6 735 | 1 776 | 535 | - | - | - | 65 963 | - | 0 | - |
| Unspent borrowing | | - | - | - | - | - | - | - | - | - | - |
| Statutory requirements | 2 | - | - | - | - | - | - | 186 754 | (72 168) | (72 168) | (72 168) |
| Other working capital requirements | 3 | 663 140 | 920 205 | 1 754 068 | 11 718 | (17 744) | (149 400) | 869 070 | (277 401) | (537 112) | (826 507) |
| Other provisions | | - | - | - | - | - | - | (17 818) | - | - | - |
| Long term investments committed | 4 | - | - | - | - | - | - | - | - | - | - |
| Reserves to be backed by cash/investments | 5 | - | - | - | - | - | - | - | - | - | - |
| Total Application of cash and investments: | | 669 875 | 921 982 | 1 754 603 | 11 718 | (17 744) | (149 400) | 1 103 969 | (349 570) | (609 280) | (898 676) |
| Surplus/(shortfall) | | (657 429) | (877 605) | (1 893 344) | 141 948 | 3 454 | 135 110 | (1 629 428) | 203 184 | 189 386 | 249 023 |

The accumulated deficit has increased from R 657 million in the 2018/19 to R 1.8 billion in the 2020/2021 financial year. The high deficit is attributed to high outstanding creditors and low collection rate. The Municipality inline with the Provincial Treasury guidelines & the quantification enshrined in the quantification of the Financial Recovery Plan did not make provision to settle the outstanding creditors in the 2022/23 financial year however the repayment will commence in the 2023/24 financial year. The deferring of repayment of creditors will assist the Municipality to ensure that it has accumulated surpluses amounting to R 203 million in the 2022/23 financial and subsequently to R 249 million in the 2024/25. Though provision was made for the implementation of internally funded capital projects, the implementation of those projects will be delayed until the financial position of the Municipality has improved.

Overview of Government & Other Grants

Total operating grants for the 2022/23 MTREF financial year are summarised in the table below:

| MP305 LOCAL GOVERNMENT MTREF ALLOCATIONS: 2022/23 - 2024/25 | | | | | | | | | | | | |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2021/2022 | Current Year 2021/22 | | | 2021/22 Medium Term Revenue & Expenditure Framework | | |
| | Type of Allocation | Audited Outcome | Audited Outcome | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| Equitable share | Schedule 2 | 86,239,624 | 93,948,000 | 107,256,000 | 118,689,000 | 149,432,000 | 134,933,000 | 134,933,000 | 134,933,000 | 152,423,000 | 165,184,000 | 179,130,000 |
| Infrastructure | | | | | | | | | | | | |
| Municipal infrastructure grant | Schedule 4 | 38,531,000 | 29,293,000 | 30,034,000 | 28,844,000 | 28,672,000 | 30,307,000 | 30,307,000 | 30,307,000 | 32,514,000 | 33,832,000 | 35,235,000 |
| Integrated national electrification programme (municipal) grant | Schedule 5B | 7,000,000 | 8,000,000 | | 4,050,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 7,000,000 | 15,000,000 | 15,674,000 |
| Water services infrastructure grant | Schedule 6B | | - | 20,000,000 | 20,000,000 | - | | | | | | |
| Water services infrastructure grant | Schedule 5B | | 30,000,000 | | | | | | | | | |
| Capacity building and other current transfers | | | | | | | | | | | | |
| Local government financial management grant | Schedule 5B | 1,625,000 | 1,700,000 | 1,770,000 | 2,235,000 | 2,600,000 | 2,650,000 | 2,650,000 | 2,650,000 | 2,850,000 | 2,850,000 | 2,850,000 |
| Municipal systems improvements grant | Schedule 6 | | | | | - | | | | | | |
| Expanded public works programme integrated grant for municipalities | Schedule 5B | 1,012,000 | 1,013,000 | 1,000,000 | 1,000,000 | 1,272,000 | 2,471,000 | 2,471,000 | 2,471,000 | 1,855,000 | | |
| Energy efficiency and demand side management grant | | | | 6,000,000 | | | | | | | | |
| Total Allocation | | 134,407,624 | 163,954,000 | 166,060,000 | 174,818,000 | 191,976,000 | 180,361,000 | 180,361,000 | 180,361,000 | 196,642,000 | 216,866,000 | 232,889,000 |

Capital Projects Framework

One of the greatest challenges facing municipalities is the public perception in service delivery. Investment in municipal infrastructure is critical to sustaining growth, rehabilitating ageing infrastructure and eradicating service delivery backlogs. Therefore the capital financing strategies taken into consideration are:

- Ensure capital programme is based on priorities, programmes and projects of the IDP;
- Expedite spending on capital budget especially projects that are funded from conditional grants;
- Explore new ways to fund capital expenditure from own revenue contribution;
- Analyze feasibility and impact on operating budget before capital projects are approved

| IDP No | Project name | Proposed Budget | | | Ward Location |
|----------------|--|-------------------|-------------------|-------------------|------------------------------|
| | | 2022/2023 FY | 2023/2024 FY | 2024/2025 FY | |
| MIG 01/2123 | Upgrading of the Standerton Bulk Water Supply System phase 2(Construction of Kieser Reservoir & Pressure Tower) | 13,248,300.00 | 12,000,000.00 | | 10 |
| MIG 02/2123 | Coligny sewer line upgrade | 13,000,000.00 | 8,000,000.00 | | 10 |
| MIG 03/2223 | Purchase of 10 ton payload refuse truck | 2,640,000.00 | | | N/A |
| MIG 04/2223 | Reconstruction of tarred roads | 500,000.00 | 5,140,400.00 | 9,000,000.00 | |
| MIG 05/2223 | Construction of booster pump stations and pressure towers for Sakhile | 500,000.00 | 6,000,000.00 | 9,000,000.00 | |
| MIG 06/2223 | Installation of VIP toilets | 1,000,000.00 | 1,000,000.00 | 8,000,000.00 | 9,12 & 13 |
| MIG 07/2223 | Upgrade of roads within Lekwa LM | | | 7,473,250.00 | |
| INEP 01/202223 | Upgrade of Standerton Substation A Phase 1 | 7,000,000.00 | 15,000,000.00 | 15,674,000.00 | 28,653 |
| EPWP 01/202223 | Keep Lekwa Clean | 1,855,000.00 | | | 1,2,3,4,5,6,7,8,10,11,14 &15 |
| LLM 01/202223 | Fencing of reservoirs | 2,000,000.00 | | | 10 |
| LLM 02/202223 | Installation of telemetry system to monitor reservoir water levels | 2,000,000.00 | | | 0 |
| LLM 03/202223 | Rehabilitation of tarred roads within Lekwa LM | 10,000,000.00 | | | N/A |
| | | | | | |
| | | 53,743,300 | 47,140,400 | 49,147,250 | |

Capital Expenditure per GFS

MP305 Lekwa - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

| Vote Description | Ref | 2018/19 | 2019/20 | 2020/21 | Current Year 2021/22 | | | | 2022/23 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| Capital expenditure - Vote | | | | | | | | | | | |
| Multi-year expenditure, to be appropriated | 2 | | | | | | | | | | |
| Vote 1 - Council & Executive | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 2 - Budget and Treasury Office | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 3 - Corporate Services | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 4 - Community Services | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 5 - Roads | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 6 - Planning and Development | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 7 - Electricity | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 8 - Water | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 9 - Waste Water Management | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 10 - Waste Management | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 11 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 12 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 13 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 14 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 15 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Capital multi-year expenditure sub-total | 7 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Single-year expenditure, to be appropriated | 2 | | | | | | | | | | |
| Vote 1 - Council & Executive | | -- | -- | -- | 10 000 | (0) | (0) | -- | 500 | 520 | 541 |
| Vote 2 - Budget and Treasury Office | | 2 853 | 7 274 | 2 853 | -- | 670 | 670 | -- | 500 | -- | -- |
| Vote 3 - Corporate Services | | 3 572 | 13 020 | 3 810 | 3 000 | 2 500 | 2 500 | 227 | 2 000 | 2 500 | 3 000 |
| Vote 4 - Community Services | | -- | -- | 4 032 | 2 000 | 2 000 | 2 000 | -- | -- | -- | -- |
| Vote 5 - Roads | | 74 891 | 85 154 | 99 903 | 5 489 | 26 830 | 26 830 | 8 456 | 13 140 | 5 140 | 16 473 |
| Vote 6 - Planning and Development | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 7 - Electricity | | 80 525 | 83 391 | 90 972 | 10 000 | 13 200 | 13 200 | 4 764 | 7 000 | 15 000 | 15 674 |
| Vote 8 - Water | | 77 069 | 77 069 | 115 450 | 14 029 | 16 380 | 16 380 | 408 | 17 748 | 18 000 | 9 000 |
| Vote 9 - Waste Water Management | | 244 566 | 255 773 | 273 793 | 15 774 | 11 081 | 11 081 | 7 413 | 14 000 | 9 000 | 8 000 |
| Vote 10 - Waste Management | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 11 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 12 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 13 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 14 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Vote 15 - | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Capital single-year expenditure sub-total | | 483 495 | 521 791 | 590 413 | 60 292 | 72 662 | 72 662 | 21 268 | 54 888 | 50 160 | 52 688 |
| Total Capital Expenditure - Vote | | 483 495 | 521 791 | 590 413 | 60 292 | 72 662 | 72 662 | 21 268 | 54 888 | 50 160 | 52 688 |
| Capital Expenditure - Functional | | | | | | | | | | | |
| Governance and administration | | 81 316 | 105 447 | 102 889 | 13 000 | 13 170 | 13 170 | 227 | 5 640 | 3 020 | 3 541 |
| Executive and council | | -- | -- | -- | 10 000 | (0) | (0) | -- | 500 | 520 | 541 |
| Finance and administration | | 81 316 | 105 447 | 102 889 | 3 000 | 13 170 | 13 170 | 227 | 5 140 | 2 500 | 3 000 |
| Internal audit | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Community and public safety | | -- | -- | 4 032 | 2 000 | 2 000 | 2 000 | -- | -- | -- | -- |
| Community and social services | | -- | -- | -- | 2 000 | 2 000 | 2 000 | -- | -- | -- | -- |
| Sport and recreation | | -- | -- | 4 032 | -- | -- | -- | -- | -- | -- | -- |
| Public safety | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Housing | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Health | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Economic and environmental services | | -- | -- | 3 277 | 5 489 | 16 830 | 16 830 | 8 456 | 10 500 | 5 140 | 16 473 |
| Planning and development | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Road transport | | -- | -- | 3 277 | 5 489 | 16 830 | 16 830 | 8 456 | 10 500 | 5 140 | 16 473 |
| Environmental protection | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Trading services | | 402 180 | 416 254 | 480 216 | 39 802 | 40 662 | 40 662 | 12 585 | 39 748 | 42 000 | 32 674 |
| Energy sources | | 80 525 | 83 391 | 90 972 | 10 000 | 13 200 | 13 200 | 4 764 | 7 000 | 15 000 | 15 674 |
| Water management | | 77 069 | 77 069 | 115 450 | 14 029 | 16 380 | 16 380 | 408 | 17 748 | 18 000 | 9 000 |
| Waste water management | | 244 566 | 255 773 | 273 793 | 15 774 | 11 081 | 11 081 | 7 413 | 14 000 | 9 000 | 8 000 |
| Waste management | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Capital Expenditure - Functional | 3 | 483 495 | 521 791 | 590 413 | 60 292 | 72 662 | 72 662 | 21 268 | 54 888 | 50 160 | 52 688 |
| Funded by: | | | | | | | | | | | |
| National Government | | 321 655 | 332 862 | 376 779 | 33 302 | 39 659 | 39 659 | 13 110 | 37 888 | 47 140 | 49 147 |
| Provincial Government | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| District Municipality | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Transfers recognised - capital | 4 | 321 655 | 332 862 | 376 779 | 33 302 | 39 659 | 39 659 | 13 110 | 37 888 | 47 140 | 49 147 |
| Borrowing | 6 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Internally generated funds | | 77 744 | 87 488 | 101 831 | 9 489 | 33 003 | 33 003 | 7 631 | 17 000 | 3 020 | 3 541 |
| Total Capital Funding | 7 | 399 399 | 420 350 | 478 610 | 42 792 | 72 662 | 72 662 | 20 741 | 54 888 | 50 160 | 52 688 |

References

Overview of Monthly Capital Expenditure

MP305 Lekwa - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)

| Description | Ref | Budget Year 2022/23 | | | | | | | | | | | | Medium Term Revenue and Expenditure Framework | | |
|--|-----|---------------------|--------|-------|---------|-------|-------|---------|-------|-------|-------|-------|-------|---|------------------------|------------------------|
| | | July | August | Sept. | October | Nov. | Dec. | January | Feb. | March | April | May | June | Budget Year 2022/23 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| Capital Expenditure - Functional | 1 | | | | | | | | | | | | | | | |
| <i>Governance and administration</i> | | 470 | 470 | 470 | 470 | 470 | 470 | 470 | 470 | 470 | 470 | 470 | 470 | 5 640 | 3 020 | 3 541 |
| Executive and council | | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 500 | 520 | 541 |
| Finance and administration | | 428 | 428 | 428 | 428 | 428 | 428 | 428 | 428 | 428 | 428 | 428 | 428 | 5 140 | 2 500 | 3 000 |
| Internal audit | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| <i>Community and public safety</i> | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Community and social services | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sport and recreation | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Public safety | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Housing | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 10 500 | 5 140 | 16 473 |
| Planning and development | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Road transport | | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 875 | 10 500 | 5 140 | 16 473 |
| Environmental protection | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | | 3 229 | 3 229 | 3 229 | 3 229 | 3 229 | 3 229 | 3 229 | 3 229 | 3 229 | 3 229 | 3 229 | 3 229 | 38 748 | 42 000 | 32 674 |
| Energy sources | | 583 | 583 | 583 | 583 | 583 | 583 | 583 | 583 | 583 | 583 | 583 | 583 | 7 000 | 15 000 | 15 674 |
| Water management | | 1 479 | 1 479 | 1 479 | 1 479 | 1 479 | 1 479 | 1 479 | 1 479 | 1 479 | 1 479 | 1 479 | 1 479 | 17 748 | 18 000 | 9 000 |
| Waste water management | | 1 167 | 1 167 | 1 167 | 1 167 | 1 167 | 1 167 | 1 167 | 1 167 | 1 167 | 1 167 | 1 167 | 1 167 | 14 000 | 9 000 | 8 000 |
| Waste management | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| <i>Other</i> | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Capital Expenditure - Functional | 2 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 54 888 | 50 160 | 52 688 |
| Funded by: | | | | | | | | | | | | | | | | |
| National Government | | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 37 888 | 47 140 | 49 147 |
| Provincial Government | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| District Municipality | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 3 157 | 37 888 | 47 140 | 49 147 |
| Borrowing | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Internally generated funds | | 1 417 | 1 417 | 1 417 | 1 417 | 1 417 | 1 417 | 1 417 | 1 417 | 1 417 | 1 417 | 1 417 | 1 417 | 17 000 | 3 020 | 3 541 |
| Total Capital Funding | | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 4 574 | 54 888 | 50 160 | 52 688 |

Overview of Budget Process

Political Oversight of Budget Process

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs the budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

Schedule of Key Deadlines Relating of Budget Process

One of the objectives of the budget timetable is to ensure the development/review of the IDP and the budget and also to ensure that a funded budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2022/23 budget cycle was approved by the Administrator during August 2021 in compliance with the MFMA.

Process for Consultations with Stakeholder Groups and Outcomes [MFMA 21(1)(b)]

Section 22 of the MFMA requires that after tabling of the annual budget in Council, the municipality must make public the draft budget and also invite the local communities to submit representations thereon. Accordingly the tabling of the budget in the Council will be followed by the following activities:

The tabled budgeted document to be published on the website generally to be distributed to libraries and other municipal offices. Submission of the tabled budget to Provincial and National Treasuries. Public meetings have been held in various wards and their inputs during the public consultation were considered when the budget was prepared.

RECOMMENDATION BY THE EXECUTIVE MAYOR

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2022/23; and indicative allocations for the two projected outer years 2023/24 and 2024/25; and the multi-year capital appropriations **BE APPROVED**;
2. That the Operating Revenue amounting to R 1 179 544 980 for the 2022/23 financial year **BE APPROVED**
3. That the Operating Expenditure amounting to R 1 272 168 000 for the 2022/23 financial year **BE APPROVED**
4. That the Capital Expenditure amounting to R 53 743 300 for the 2022/23 financial year **BE APPROVED**
5. That, pending approval by NERSA, the 7.47% the proposed increase on electricity tariffs, for the supply of electricity accounts rendered with effect from 1 July 2022, **BE APPROVED**; Annexure “F”
6. That the principles and budget assumptions upon which both the Operating Budget and Capital Budget have been based **BE NOTED**; Annexure ‘A’ Budget tables
7. That in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply of water, cleansing services, sanitation services property rates and sundry tariffs as set out “Annexure B - F” **BE APPROVED** for accounts rendered with effect from 1 July 2022.
8. That the proposed tariffs increase of services of 5.2% as indicated in “Annexure ‘B - F’” **BE PUBLISHED**;
9. That the 2022/23 budget together with the related policies as tabled attached as Annexure G, **BE APPROVED**
10. That the annual salary increase of 4.1% **BE NOTED**;
11. That provision **BE MADE** for a 4.1% estimate increase in the salaries of councillors, of which final approval is still to be announced in terms of Public Office Bearers Act;
12. That Heads of Department Ensure that the revenue and expenditure of their relevant department/section is monitored regularly, and, should it be found that the estimate revenue would not be realised, the Budget and Treasury Office **BE ADVISED** accordingly in order for the revenue budget to be adjusted during the budget adjustment process;
13. That the following Budget Related Policies **BE APPROVED**:
 - a) Credit Control & Debt Collection Policy
 - b) Supply Chain Management Policy.
 - c) Property Rates Policy
 - d) Tariff Policy

- e) Bad Debt Provision & Write-off Policy
 - f) Budget Policy (Virement Policy)
 - g) Asset Management Policy
 - h) Petty Cash Policy
 - i) Indigent Policy
 - j) S & T Policy
 - k) Banking & Cash Policy
 - l) Unauthorised, Irregular & Fruitless Expenditure
 - m) Meter Reading
14. All people occupying the Municipal property **TO PAY MARKET** related rental with effect from 1st July 2022
15. That the Municipality **DO NO LONGER** charge for proof of residence