



LEKWA-TEEMANE LOCAL MUNICIPALITY

FINANCIAL PLAN

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1. MAYORS OVERVIEW

The Municipality has been operating under a very tight Budget whereby the blanch needs to be struck between the needs of the Communities in the form of Service delivery as well as the revenue that is expected to be generated. The during the Public Participation process the communities continued to raise the frustration about the lack of service delivery from the inadequate roads, collection of refuse as well as the proper sewer systems. The Municipality is currently under lot of strain with the approximately 7950 indigents in the books of the Municipality without any support from the National Government and the District

Municipality as the Water Service Authority in terms of the Water Service Act. The equitable shares meant to support the Indigents for water and sanitation is received and utilized by the District Municipality without benefiting the Local Communities. The Municipality roughly spent R12 000 000 per annum for the two services.

The Municipality is currently reflecting the R 312 million for the Bulk Water Purchases which is contributing to the Budget of the Municipality been unfunded and this again is the mandate of the Water Service Authority. The debt book of the Municipality has grown over to a 1 billion and 80% of the Debt book relates to the households. 86 percent of the debtor of the Municipality remains outstanding for period exceeding 180 days plus which seriously cast the doubt of any potential recovery of such debt. The total indigent debtor of the Municipality currently amounts to R449,275 million which the Municipality is proposing for write off.

Municipality continues to suffer the non-payments of electricity accounts that from households, Government entities and particularly is worth mentioning the amount that is Jointly owed by the Sedibeng and Dr Ruth Segomotsi Mompati District Municipality amounting to R68 Million and the intervention of the Department of Local Government and Human Settlement and Office of the Premier has been sought. The amount outstanding is purely for Property Rates and the Service Charges. The Municipality is highly concern with the

The Finance Portfolio Committee will continue to interrogate the section 71 Reports as well as the reports of the Billing Reports as well as the payments. The debtors age analysis is broken into the Residents, Business and Government department. The Municipality has finally reached an agreement with the farmers regarding the rebates that were granted in terms of council resolution in the year 2012/13. The farmers boycotted the payments till, and the accounts accounted. It is expected that an amount of R5 Million net of the rebates will be collected per annum from the farmers rebates. The Council is also encouraging management to reduce the costs of operations. The Municipality is also concern about the theft of electricity hence the introduction of the prepaid meters is seen as measures to reduce the distribution loses. The Municipality has written off, all the indigent debtors that have been verified by the Budget and treasury office as well the ward councilors.

The Financial Plan will be monitored by the Municipal Council together with the Finance Portfolio Committee for implementation.

2. EXECUTIVE OVERVIEW

The Municipality is currently struggling with the debt Collection and the Credit Control becomes very difficult in the areas where Eskom is Supplying as the Communities are not paying their Monthly bills for water and other services. The Table below indicates the status of the debtors to date and the challenges that the Municipality is currently facing

Debtors Age Analysis Per Debtor Type							
Detail	30 Days	60 Days	90 Days	120 Days	150 Days	180 Days Plus	Total
Organs of State	R 3 760 402,56	R 1 385 574,28	R 1 640 491,14	R 1 630 676,54	R 1 228 199,07	R 35 922 372,05	R 45 567 715,64
Commercial	R 14 392 622,46	R 8 821 966,32	R 5 247 827,17	R 6 194 191,70	R 5 691 533,71	R 81 011 759,50	R 121 359 900,86
Households	R 25 754 538,74	R 12 553 544,63	R 11 968 281,09	R 15 356 103,72	R 17 220 136,23	R 705 510 053,25	R 788 362 657,66
Other	R 45 760,52	R 19 538,58	R 11 479,79	R 9 214,89	R 5 041,22	R 200 239,56	R 291 274,56
Total By Customer Group	R 44 029 708,55	R 22 780 623,81	R 18 868 079,19	R 23 190 186,85	R 24 144 910,23	R 822 644 424,36	R 955 581 548,72

The Municipality has implemented the 50% payment incentive to the qualifying customers, and this has only yielded minimum benefits due to the affordability of the Customers. The Municipality has during the Public Participation encouraged communities to service their account and report any irregularities relating to their account. The farmers were engaged, and their long-standing disputes has been resolved and the bona fide farmers will receive their 70% Rebates and their accounts and pay them as they are due, the average billing of the farmers per month amounts to R496 000 per month and this will assist the Municipality a lot in terms of revenue enhancement and improving the financial viability.

The Municipality has reached an agreement with the farmers reached an agreement with the farmers whereby the amount of R 11 935 428,24 will be payable to the Municipality with respect of the assessment rates for the financial years 2018/19/, 2019/20 and 2020/21. The resolution was taken in 2013 however it was never implemented by the Municipality. This will assist in the revenue enhancement of the Municipality.

The indigent debtors have been written off by council subject to verification as per the register and this will ensure a realistic debt book of the Municipality as required by GRAP 1 on fair presentation. The Municipality after detailed consultation with the Office of the Auditor General decided to remove the Bulk Water Creditors amounting to. R 304 million in the books of the Municipality the matter is settled by the Court. The matter will however remain disclosed as the Contingent Liability. The Bulk Water Creditors is unfortunately affecting the Funding of the Budget of the Municipality.

The Municipality has also implemented the Cost cutting measures in terms of the Consulting and the System support or accounting support as the Municipality feels those expense could be done without, and the contract will be expiring on the 30 June 2021. The Municipality has approached the High Court to recoup the Moneys that Sedibeng owes the Municipality to the tune estimated at 68 million.

In conclusion the Financial Plan will be monitored through the Management meeting and will be reported to council on monthly basis as we present the section 71 Reports.

3. THE FINANCIAL PLAN

The Financial Plan is NOT a Financial Recovery Plan in terms of the MFMA. A Financial Plan is a detailed plan which is developed by the Municipality in response to the identified material budget deficits the focus and essence of the Financial Plan is for the Municipality to develop and monitor implementation of realistic measures which will ensure that, if successfully implemented, the Municipality will be able to generate and collect sufficient revenue as well as realize savings through implementation of cost containment measures.

The municipality over the past years could not table a funded budget due to financial constraints the municipality experienced in prior years. These were caused amongst others spending on non-core services, high employee cost and unplanned repairs and maintenance due to breakdown of service delivery infrastructure.

The municipality is striving to reduce the expenditure through implementation of cost containment measures presented with the MTREF Budget considered by the Council on the 31 May 2021 and approved on the 30 June 2021.

The municipality constantly strives to project the realistic expenditures based on the revenue that is available for collection. The expenditure in the budget is restricted to the projected cash flow to avoid unauthorized expenditures. This conservative approach would assist us to closely monitor budget implementation over the MTREF period with the aim of further reducing the budget deficit by prioritizing core services.

3.1 PURPOSE OF THE FINANCIAL PLAN

The purpose of the Financial Plan is to guide the Municipality in preparing the necessary remedial and redress measures aimed at ensuring that revenue is generated and collected, and such revenue is appropriated to key essential expenditure items. Thereby enabling Municipalities to execute their constitutional mandate.

The plan seeks to address the **unfunded budget** in the municipality. The position of unfunded budgeted will not be immediately addressed over a single year. The legacy of the creditors that remained unpaid from the prior years. The Municipality has experienced the shortfall of the R343 100 000 after considering the

The amount is inflated by the huge by Water Creditors relating to Bulk Water Purchases for raw water amounting to R304 Million has contributed significantly to the shortfall. The Municipality has taken a decision to reclassify the creditors provision for water into a contingent liability and creditors will only be raised once the court has confirmed who owes the department between the water service authority and water service provider.

NW396 Lekwa-Teemane - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Cash and investments available											
Cash/cash equivalents at the year end	1	8 580	1 718	6 149	24 965	505	505	505	3 777	18 542	37 974
Other current investments > 90 days		(13 416)	(1 167)	9 990	(23 753)	(0)	(0)	(0)	-	-	-
Non current assets - Investments	1	(260)	170	46	22	22	22	22	46	48	51
Cash and investments available:		(5 096)	721	16 185	1 234	528	528	528	3 823	18 591	38 025
Application of cash and investments											
Unspent conditional transfers		-	23 922	21 386	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	73 426	266 162	310 033	313 138	295 133	295 133	295 133	310 229	323 598	336 821
Other provisions									36 694	38 235	39 917
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		73 426	290 084	331 419	313 138	295 133	295 133	295 133	346 923	361 833	376 738
Surplus(shortfall)		(78 522)	(289 363)	(315 234)	(311 904)	(294 606)	(294 606)	(294 606)	(343 100)	(343 243)	(338 713)

3.2. KEY FOCUS AREAS OF THE FINANCIAL PLAN

Section 17(2) of the Municipal Finance Management Act states that an annual budget of a Municipality must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.

The focus of the Financial Plan will be on the operating and capital budgets of the Municipality as in compliance with Section 17(2) of the Municipal Finance Management Act. The Municipality will be expected to demonstrate how it will effectively and efficiently conduct its operations in order to realize surpluses and to ultimately re-invest the surpluses towards eradication of long outstanding creditors as well as to start building financial reserves.

3.2.1 OPERATIONAL BUDGET (revenue & expenditure)

Revenue generation and collection and the management as well as retention of cash are critical measures in ensuring improved municipal financial management and maturity, with sufficient surpluses, the municipality will be able to settle expenditure commitments for the budget year as well as being able to reduce previous year's creditors.

To achieve the above, the Municipality is therefore expected to develop and monitor implementation of credible and realistic revenue raising measures to fund the anticipated key operational expenditure items. The crux and focus on revenue raising measures should be on addressing those factors that impedes the Municipality from achieving its revenue raising targets, factors such as the state and conditions of revenue raising assets like water and electricity meters, electricity, and water distribution channels, etc. The state of the latter infrastructure assets as well as other revenue raising assets must be considered prior to the Municipality deciding and/or an estimation of possible revenue it could raise.

Revenue generation in this context is the ability by the Municipality to collect readings for services provided by the Municipality, to eventually issue a bill to the affected consumers. The most critical process in the Financial Plan is the ability of the Municipality to convert the revenue generation (billing) process to actual cash that the Municipality can utilize to fund the budget and provide services to the communities.

Municipalities deliver services to their respective communities, and it is recognized that community members have different and sometimes, unrealistic demands that Municipalities are expected to budget for. While being cognizant of the latter conundrum that Municipalities find themselves in, Municipalities are expected to base their operational budget on what they can afford. The latter implies that operating expenditure budget of Municipalities must be based on the realistically anticipated operating revenue, Municipalities are as a result not expected to adopt unfunded budgets, since the budgeted operating expenditure budget will be based on the appropriated realistically budget operating revenue

OPERATIONAL REVENUE

Revenue Enhancement

PRIORITY ARE	FOCUS AREA	ACTIVITY	TIME FRAME (start & end)	RESPONSIBLE PERSON	COSTS (& Source of funding)	OUTCOME	EXPECTED INFLOW AND THE ACTUAL STATUS
Revenue	Government Property Audit	Auditing of all the Government Properties within the Boundaries of the Municipality and recouping all the property rates that was not paid by the department due to registration problems.	01 July 2019 to 30 June 2022	CFO and Technical Services Director	Own Funding. The Municipality will pay a commission of 20% on the recovery	The property rates register will be purified.	The Municipality has appointed a service provider already on risk to assist with the Investigation of the Properties own by public works but registered on their names. Preliminary estimates is that around R 9 500 000 in rates will be paid to the Municipality after the inception of the Project. The Public works has not been paying
Revenue	Indigent Subsidy	Engage the Local District Municipality to transfer the water and sanitation allocation to the Local Municipality. Registering of the indigents debtors to ensure the credibility of the data	30 October 2019 to Ongoing activity	Municipal Manager	None	Correct indigent register and credible indigent register	The cost of the Municipality subsidy. The Local Municipality is currently affording the communities free social packages while the Indigent Portion is only received by the District Municipality (Dr Ruth Segomotsi Mompoti District Municipality). The Municipality is currently spending R 12 million per annum amount on the water and sewer subsidy and the District Municipality is not paying the Free Basic Portion for those services.
Revenue	Electricity	Installation of smart prepaid meters in the Industrial areas and in the following,	01 July 2019 Ongoing	CFO and Technical Services Director	The meters are from a self-funded model.	Reduction of Electricity theft and	The Municipality is currently generating around R1 400 000 per annum from the prepaid sales of electricity. The prepaid electricity will roughly

		<ul style="list-style-type: none"> • Christiana Towns • Geluurksoord • Bloemhof Town 				Distribution Losses	<p>amount to R16,8 million excluding the 14,58% increment as approved by NERSA.</p> <p>Additional 350 meters will be planned to be installed between May and August in Geluukroord and this eliminated the Electricity losses and boost sales of prepaid electricity.</p> <table border="1"> <thead> <tr> <th>Count of Installed by</th> <th colspan="3">Column Labels</th> </tr> <tr> <th>Row Labels</th> <th>Cigicell</th> <th>LTLM</th> <th>Grand Total</th> </tr> </thead> <tbody> <tr> <td>Bloemhof</td> <td></td> <td>2</td> <td>2</td> <td>4</td> </tr> <tr> <td>Christiana</td> <td></td> <td>299</td> <td>69</td> <td>368</td> </tr> <tr> <td>Christiana Town</td> <td></td> <td>414</td> <td>6</td> <td>420</td> </tr> <tr> <td>Geluksoord</td> <td></td> <td>86</td> <td>3549</td> <td>3635</td> </tr> <tr> <td>Salamat</td> <td></td> <td>41</td> <td>1</td> <td>42</td> </tr> <tr> <td>Grand Total</td> <td></td> <td>842</td> <td>3627</td> <td>4469</td> </tr> </tbody> </table>	Count of Installed by	Column Labels			Row Labels	Cigicell	LTLM	Grand Total	Bloemhof		2	2	4	Christiana		299	69	368	Christiana Town		414	6	420	Geluksoord		86	3549	3635	Salamat		41	1	42	Grand Total		842	3627	4469
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Revenue	All Service charges	Perform the following activities within, Verifying the duplicated services and meters on the system.	01 June 2021 and ongoing	CFO and Revenue Manager	Own Funding	Credible data will lead to boost in the customer making payments because of the accuracy of the accounts.	*The financial injection at this point is unquantifiable.																																						
Revenue	Other Income	The Christiana Caravan Park and Resort has about 52 chalets and 12 camping sites and is municipal property. The original lease expired more than 6 years ago. The current occupants of the 52 chalets do so	1 September 2021 ongoing	CFO and Community Services Director.	No Cost	Ensuring that Revenue of the Municipality is collected	<p>Potential income: R78 000 pm (52 chalets X 1650) excluding service charges and fees collected from renting out the camping sites. Services amount to more than R20 000 pm.</p> <p>The Municipality is aiming at least 50% of the Revenue that will be Generated at the Caravan Park. Amounting to R32 500.00 per month excluding the service costs.</p>																																						

		<p>permanently but do not reside there except on holidays. There is a committee that manages the day-to-day activities. Current rental is estimated at R1650 all-inclusive of services. The municipality only gets paid for services rendered which is electricity, water and sewerage.</p> <p>The municipality needs to start collecting the outstanding rentals and put a mechanism in place to do so. Either the facility is managed by an external service provider with a management fee attached to it or the municipality takes over the running of the facility</p>					<p>The estimates income from the Project will amount to R612 500 per annual. The Council resolved that a new lease should be entered into as matter of urgency</p>
Revenue	Christiana Golf Course Revenue	Collecting the revenue from the Christiana Golf Course in the Form of Leases and services charges	01 September 2021 Ongoing	CFO and Community Services Director.	No Cost	Ensuring that Revenue of the Municipality is collected and having the Leases in the	R15 000 p.a, excluding services Council resolved that a new lease should be entered into as matter of urgency

						Municipal Infrastructure managed by third party.	
Revenue	Bloemhof Golf Course	Collecting the revenue from Bloemhof Golf Course. Currently the municipality does not receive any income from this facility. No lease agreement is in place.	01 September 2021 Ongoing	CFO and Community Services Director.	No Cost	Ensuring that Revenue of the Municipality is collected and having the Leases in the Municipal Infrastructure managed by third party.	R15 000 p.a, excluding services Council resolved that a new lease should be entered into as matter of urgency
Revenue	Christiana Vehicle Testing Station	Collecting the revenue from Christiana Vehicle Testing Station. This facility was closed down in 2016 and has since then not brought any income to the municipality. It is in the process of being opened	01 September 2021 to ongoing	CFO and Community Services Director.	R125 000	Ensuring that Revenue of the Municipality is collected	Potential income: R150 000-R200 000 pm. The council resolved that the station must be opened and already the service provider has been appointed to ensure that the minimum compliance is met.
Revenue	Other Income	Collecting Revenue from the Municipal Farms. All the tenants on municipal farms have not paid any rental since 2008. They owe the municipality a combined R2 000 000 as of September 2019. No lease	01 September 2021 to ongoing	CFO and Community Services Director.	No Cost	Ensuring that Revenue of the Municipality is collected and having the Leases in the Municipal Infrastructure managed by third party.	Potential income: R100 000 per annum excluding the services Council resolved that a new lease should be entered into as matter of urgency

		agreements are in place																																	
Revenue	Other Revenue	Resolving the long-standing farmers disputes and ensuring that property rates act is implemented as well as the 2012/13 council resolutions	1 May 2021 ongoing	CFO and Revenue Manager as well as the Municipal Manager	No costs	Implementing the Property rates act correctly on the farmers and related council resolutions.	<p>The meeting with the agricultural farmers resolved that the farmers will be committed in paying their annual property rates without default.</p> <p>The expected amount of the farmers is R 4,5 Million per annum.</p> <p>The current amount that is due to the farmers amounts to estimated R28Million. The council took a decision to write off all the farmers account due to the incorrect application of the phase in approach of the MPRA on the rural land.</p>																												
Revenue	Compilation on new Valuation Roll	Implementing of anew valuation roll to ensure that the properties are billed at the correct,	30 June 2022	CFO Budget Manager	R1 893 643,	Credible valuation rolls to be implemented	The effect of the implementation is not known now. The reconciliation of the financial system and the valuation roll and the financial system assisted the Municipality improving the collection rate.																												
Revenue	Valuation roll	<p>Reconciliation of the Valuation rolls and the financial systems</p> <p>Data Cleansing - Reconciliation of the consumers' data to the billing system, valuation roll and Deed's office.</p> <p>Reconciling the appeals and developments with the Valuation roll to ensure that they are</p>	1 June 2020 to ongoing	CFO Budget Manager	No Cost	Credible Billing system	<p>The effect of the implementation is not known now. The reconciliation of the financial system and the valuation roll and the financial system assisted the Municipality improving the collection rate</p> <table border="1"> <thead> <tr> <th></th> <th>Billing Table C4</th> <th>Actual Receipts</th> <th>Collectio</th> </tr> </thead> <tbody> <tr> <td>Property rates</td> <td>2 353 795,00</td> <td>1 953 795,00</td> <td>83,01%</td> </tr> <tr> <td>Service charges - electrici</td> <td>5 650 291,00</td> <td>5 306 068,00</td> <td>93,91%</td> </tr> <tr> <td>Service charges - water re</td> <td>1 833 437,00</td> <td>1 062 956,00</td> <td>57,98%</td> </tr> <tr> <td>Service charges - sanitatic</td> <td>1 183 298,00</td> <td>829 204,00</td> <td>70,08%</td> </tr> <tr> <td>Service charges - refuse re</td> <td>929 166,00</td> <td>324 435,00</td> <td>34,92%</td> </tr> <tr> <td></td> <td>11 949 987,00</td> <td>9 476 458,00</td> <td></td> </tr> </tbody> </table>		Billing Table C4	Actual Receipts	Collectio	Property rates	2 353 795,00	1 953 795,00	83,01%	Service charges - electrici	5 650 291,00	5 306 068,00	93,91%	Service charges - water re	1 833 437,00	1 062 956,00	57,98%	Service charges - sanitatic	1 183 298,00	829 204,00	70,08%	Service charges - refuse re	929 166,00	324 435,00	34,92%		11 949 987,00	9 476 458,00	
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		reflected correctly in the financial system					
Revenue	Revenue (Data Cleansing)	<p>Restrict the services on unpaid accounts through implementation of the strict credit control and handing over to the attorneys</p> <p>Timely and correct meter readings by resolving disputes. Meter tampering reports provided on a monthly basis by the service provider</p> <p>Imposing penalties and tampering fees for the meters that are found to be tampered</p> <p>Aligning the Municipality Tariffs with NERSA Tariffs.</p>	1 June 2020 to ongoing	CFO Budget Manager	No cost (Employee Costs)	Improved Credit control and debt Collection	<p>The effect is not quantifiable now</p> <p>The credit control has been interrupted by the Community members in Bloemhof and Christiana. This was due to the dispute in the appointment made by Municipality about Cigicell</p> <p>The installation of prepaid meter is also interrupted as the Cigicell is disputed and the complaint has been lodged with the Public protected.</p> <p>The meters are now read using the gadgets and this sometimes delay the process of reading.</p>
Revenue	Electricity	Audit of the large Powers users account	1 June 2020	Service Provider		Auditing the Large Power users. The	<p>The Municipality has identified the Large Power users who were incorrectly charged at the wrong Tariffs</p> <ul style="list-style-type: none"> • Amount of R 3 000 000 has been paid over t the Municipality as results of that activity • The total amount that is still collectable by the Municipality after finalizing

							agreements with the remaining LPU amounts to R 9 468 219.00.
Revenue	Electricity	Recovery of the current and old electricity charges for electricity used by Sedibeng water on water treatment pumps	1 November 2019 to 30 June 2020	Municipal Manager and the Chief Financial officer	No cost attached to the negotiations.	Collecting all the debts incurred by Sedibeng water on electricity and clearing the debtors. The balance is R22 Millions.	The Municipality will potentially generate the amount R3.5 per month. The amount will equate to R 68 million is successfully collected. The Municipality has escalated the matter to the Department of Local Government and the summons have been issued to the Sedibeng and District Municipality. The office of Local Government and the

Summary of the anticipated cash flow from the implementation of the above Revenue enhancements

- Revenue on Property Rates (Properties that are occupied by Public Works but not in their Names) R9 000 000.00
- Indigents Subsidy (the amounts that are not transferred over by the WSA in favor of WSP). R 12 426 895.00
- Farms owned by Public Works and Rural Development. R7 207 755,11
- Revenue from Larger Power users (64 Power users were Audited) R 9 468 219.00
- Vat Recovery from the assessments. R 5000 000.00
- Sedibeng rates and taxes accounts recovery for services rendered by the Municipality R68 000 000.00
- The Recovery of the assessment rates from 2018/19,2019/20 and 2020/21. R 11 935 428,24

Total revenue anticipated from the above revenue enhancement programme

R 123 0338 297,35

Expenditures

PRIORITY ARE	FOCUS AREA	ACTIVITY	TIME FRAME (start & end)	RESPONSIBLE PERSON	COSTS (& Source of funding)	OUTCOME	EXPECTED INFLOW
Employees Related Costs	Overtime	Elimination of non-essential overtime	1 July 2021 and Ongoing	CFO and other Senior Managers and supervisors	Own funding	Reduced expenses on the Overtime	R200 000 per month Cost Containment
Employee Related Costs	Travel and subsistence	Reduction of the Travel and subsistence allowance	1 July 2021 and Ongoing	CFO and other Senior Managers	R150 000 Own Funding	Reduction on the travel and subsistence allowance	R100 000 per month Cost Containment
Contracted Services	Legal services	The amounts of the legal services to be expended has been reduced with the intention of cost containing	1 July 2021 and Ongoing	Corporate Director and the CFO	Own funding	Reduction of the Legal fees.	R3 700 000 will be saved from the existing Budget. The legal expenses were mainly due to the Litigations with the Former Municipal Manager.
Contracted Services	Audit Fees and Consultancy fees	The consultancy fees will be reduced. The maintenance contract of the financial system has been phased out.	1 July 2021 and Ongoing	Chief Financial Officer and the Director	Own funding	The contracted services have been reduced	R 2 400 000 of the accounting fees has been feezed
Other Operating	Reduction on the Operating Expenses	The repayment of the Performance Grantee has	1 July 2021	Chief Financial Officer and the Director	Own funding	The operating expenditure has been reduced by R200 00 per month	R2 400 000.00

		been restructured from other operating expenditure.					
Other Operating Expenses	Reduction of the Operating Expenses	The reduction of the repairs and maintenance on the vehicle by replacing the	1 July 2021	Chief Financial Officer Director Technical Services Community Services	Own funding	The repairs and maintenance due to breakdown will be eliminated. The Municipality will enter into lease agreement for the new vehicles to replace the redundant	The savings are not yet quantified.

3.2.2 CAPITAL BUDGET

Capital spending is essential for Municipalities in advancing their legislative mandate, it is therefore critical for Municipalities to develop their capital asset base. Most Municipalities are unable to deliver basic services to their communities and this is largely because of non-existent and/or in some cases deteriorated infrastructure.

As already stated above, most Municipalities do not have sufficient capital asset base to deliver basic services to the communities, even though all Municipalities tasked with functions of delivering services to communities are allocated government grants to execute such a legislative mandate. The most contributing factor to the latter is that most Municipalities have failed to complete their infrastructure projects.

Some of the reasons for non-completion of projects are amongst others that funds/grants were stopped due to slow or low capital spending, projects are in some cases not completed due to misuse of Capital Grants by Municipalities.

The result of the above is that Municipalities are compelled to finance the stopped funds or the misused funds to complete previous years' projects, the latter is however unachievable in most cases as most Municipalities do not have surplus funds to finance the capital shortfall. It then follows that Municipalities utilize current/budget year capital allocations to fund completion of projects delayed from previous years.

COMPONENT	PROJECT NAME	PROJECT REGISTRATION No	PROJECT REGISTRATION AMOUNT	AMOUNT NEEDED TO COMPLETE THE PROJECT	BUDGETED AMOUNT
Water	Christiana: Refurbishment of the pump station in Christiana	MIG/NW2731/W/20/21	R 4,045,963.91	R 3,733,301.13	
Roads	Christiana: Construction of paved roads and storm water in Mosiwa Street	MIG/NW2466/R,ST/18/19	R 5,220,468.51	R 2,871,803.01	

The above paragraph indicates that either the previous years' incomplete projects will be unfunded or there is a budget shortfall in current year projects.

Development of infrastructure is one of the critical measures in addressing and redressing the past injustices endured by the previously marginalized people of South Africa, it is therefore important that Municipalities promptly deliver these projects without fail. Municipalities with delayed or incomplete projects from previous years are therefore directed to prepare the cost of completing these projects and to further develop realistic measures to complete these delayed projects.

Capital Expenditure – Delayed projects

Since the Municipality R6.2 million of the MIG was taken by the South African Revenue Services there might be delay in implementation of

COMPONENT	PROJECT NAME	PROJECT REGISTRATION No	PROJECT REGISTRATION AMOUNT	AMOUNT NEEDED TO COMPLETE THE PROJECT	BUDGETED AMOUNT (2021/22 FY)
Community Facility	Bloemhof: Construction of a taxi rank in Boitumelong	MIG/NW2645/CF/20/21	R 4,500,000.00	R 4,046,080.66	R 4,046,080.66
Community Facility	Christiana: Construction of a taxi rank in Utlwanang	MIG/NW2649/CF/20/21	R 4,500,000.00	R 4,050,012.20	R 4,050,012.20
Community Facility	Bloemhof: Construction of Boitumelong Multipurpose Centre	MIG/NW2785/SP/20/21	R 6,900,805.00	R 6,900,805.00	R 5,278,207.14
Electricity (Public Lighting)	Christiana: Installation of high mast lights in Geluksoord Ext 2, 3 and 4	MIG/NW2648/CL/20/21	R 5,859,000.00	R 5,589,000.00	R 1,250,000.00

CAPITAL PROJECTS-CURRENT EXPENDITURE - 2021/22 PROJECTS

All the Capital Projects are fully Funded by the MIG

All the projects are Grant Funded and there is no anticipation of challenges relating to the below Projects. All the projects of the municipality are grant funded and there no challenges in implementation.

4. Outstanding Creditors and Current Provisions

Section 65(2)e of the MFMA states that all money owing by the Municipality must be paid within 30 days of receiving the relevant invoices or statement, unless prescribed otherwise for certain categories of the expenditure. The ever-increasing creditors book balance is clear indication that Municipalities fail to honour the latter of the MFMA

Financial Plans of the Municipalities are therefore expected to demonstrate how the creditors book balance will eventually be eradicated through implementation of the recovery measures as well as demonstration on how Municipalities must ensure availability of sufficient concomitant cash reserves to fund creditors which are due and payable at certain point in the financial year. The table below indicates the level of creditors. The total top creditors of the Municipality amounts to R 376 208 270 which includes Bulk Water Purchases.

1	Department of Water Affairs	R312 652 539
2	Eskom Holding	R 38 568 329.00
3	South African Revenue Services	R 21 653 123
4	Auditor General South African	R 525 407
5	Grant Thornton	R 1185 568
6	DCH Trucking	R 391 848
7	CCG System	R 989 873
8	Business Connection	R 241 583,00

The Municipality also want to emphasize that the that the Department of water and sanitation debt will be reclassified from the Payable to Contingent Liabilities and this will significantly reduce the liabilities of the Municipalities. The unfunded position of the Municipality amounts. The total of the legitimate creditors for the municipality amounts to R 376 208 270 less the R 312 652 539. The net amount of the creditors excluding the water and sanitation accounts to R 63 555 731 and the Municipality Revenue Enhancements process will yield R 123 0338 297,35 and the net amount is R 59 477 566.00 Surplus.

4. CONCLUSION

- The municipality would have established the Budget Steering Committee to monitor implementation of the approved budget in line with the SDBIP and Procurement Plan as well as the financial plan.
- Report quarterly implementation of Cost Containment Regulations issued 7th June 2019.
- The Financial plan implementation must be reported to the Mayor and subsequently to council on monthly basis as well as the provincial Treasury.

