

TABLING AND APPROVAL OF FINAL IDP 2022-2027 AND BUDGET 2022-2023

AGENDA: 31 MAY 2022

COUNCIL: 31 MAY 2022

REPORT 1: TABLING AND APPROVAL OF FINAL IDP 2022-2027

1. PURPOSE

For Council to table and approve the Final IDP 2022-2027

2. PRE-DETERMINED OBJECTIVE

To serve the community with excellence and to achieve an accessible, integrated, sustainable, and equitable social and economic development of the community.

3. BACKGROUND

Section 152(1) of the Constitution of the Republic of South Africa (Act 108 of 1996), regulates that the objects of the local government are to (a) provide a democratic and accountable government for local communities; (e) to encourage the involvement of communities and community organisations in matters of local government. Further provides in section 153 the municipality must (a) structure and manage its administration, budgeting, and planning process to give priority to the needs of the community, and to promote the social and economic development of the community.

As a result, the role and need for IDP in municipalities are entrenched in Chapter 5 of Municipal Systems Act 32 of 2000. This is in terms of how municipalities should conduct their mandates in terms of operating a developmental local government with a clear vision and mission envisaged in the IDP document. As legislated in Section 25 and 27 of MSA (32 of 2000), the new council must adopt its new version of IDP framework for the 5 year-term (2022-2027).

All the processes for public consultation have been followed in line with the adopted process plan, and community inputs and comments on both draft IDP and Budget were considered in finalising this document for approval.

4. DISCUSSION

This document was compiled in line with the following:

- FS Cogta IDP Revised Standard Framework 2020
- Legally Compliant IDP Assessment Template 2021 for Free State Municipalities
- IDP and Budget Process Plan 2022/2023-27

- Stakeholder/community inputs

5. STAKEHOLDER CONSULTED

The Mayor and Councillors, the Municipal Manager, Management, Provincial Sector Departments and IDP Representative Forum

6. LEGAL COMPLIANCE

This item is submitted in accordance with Municipal Systems Act no.32 of 2000, Section 25

7. STAFF IMPLICATION

New municipal staff regulations 2021 incorporated for organisational structure purposes. Amendments and additions in terms of staff arrangements must be informed by these regulations.

8. RISK IMPLICATIONS

Failure to table and approve the final IDP 2022-2027 within the legislated timeframe will consequently be non-compliance with the legislative framework guiding municipal operations.

9. FINANCIAL IMPLICATIONS

Withholding of equitable share by the National Treasury for the municipality and dissolution of the council

10. ANNEXURES

- Final IDP 2022-2027
- Sector Plans
- Audit Committee Charter 2022-2023

11. RECOMMENDATIONS/RESOLUTIONS

- It is recommended that the Council approve the final IDP 2022-2027 as presented.
- That it consider other amendments to be made before submission to the National and Provincial Cogta and Treasury, upon presentation to council.

REPORT 2: TABLING AND APPROVAL OF FINAL BUDGET 2022-2023

1. PURPOSE

The purpose of this item is to obtain approval from Council for the 2022/2023 annual budget as per the section 24 of the MFMA Act no 56 of 2003.

2. PRE-DETERMINED OBJECTIVES

To ensure full compliance with MFMA and directive from National Treasury.

3. BACKGROUND

Municipal Finance Management Act, No 56 of 2003 (MFMA)

Contents of annual budgets and supporting documents

In terms of Section 17 of the MAFMA: An annual budget of a municipality must be a schedule in the prescribed format:

- (a) setting out realistically anticipated revenue for the budget year from each revenue source;
- (b) appropriating expenditure for the budget year under the different votes of the municipality;
- (c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
- (d) setting out- (i) estimated revenue and expenditure by vote for the current year; and (ii) actual revenue and expenditure by vote for the financial year preceding the current year; and
- (e) a statement containing any other information required by section 215 of the Constitution or as may be prescribed. An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed. **When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents:**

(a) Draft resolutions- (i) approving the budget of the municipality; (ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and (iii) approving any other matter that may be prescribed;

(b) measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;

(c) a projection of cash flow for the budget year by revenue source, broken down per month; **(d)** any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;

(e) any proposed amendments to the budget-related policies of the municipality;

(f) particulars of the municipality's investments;

(g) any prescribed budget information on municipal entities under the sole or shared control of the municipality;

(h) particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;

(i) particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;

(j) particulars of any proposed allocations or grants by the municipality to- (i) other municipalities;

(ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;

(iii) any other organs of state;

(iv) any organisations or bodies referred to in section 67(1);

(k) the proposed cost to the municipality for the budget year of the salary, allowances and benefits of- (i) each political office-bearer of the municipality;

(ii) Councillors of the municipality; and (iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager; (l) the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of- (i) each member of the entity's board of

directors; and (ii) the chief executive officer and each senior manager of the entity; and (m) any other supporting documentation as may be prescribed.

Funding of expenditure

In terms of Section 18 of the MFMA: An annual budget may only be funded from-

- (a) realistically anticipated revenues to be collected;
- (b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
- (c) borrowed funds, but only for the capital budget referred to in section 17(2). (2) Revenue projections in the budget must be realistic, taking into account- (a) projected revenue for the current year based on collection levels to date; and (b) actual revenue collected in previous financial years.

Capital projects

In terms of Section 19 of the MFMA: A municipality may spend money on a capital project only if-

- (a)** the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17(2);
- (b)** the project, including the total cost, has been approved by the council;
- (c)** section 33 has been complied with, to the extent that that section may be applicable to the project; and
- (d)** the sources of funding have been considered, are available and have not been committed for other purposes. (2) Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider- (a) the projected cost covering all financial years until the project is operational; and (b) the future operational costs and revenue on the project, including municipal tax and tariff implications. (3) A municipal council may in terms of subsection (1)(b) approve capital projects below a prescribed value either individually or as part of a

consolidated capital programme.

In terms of Section 24 of the MFMA: The municipal council must at least 30 days before the start of the year consider approval of the annual budget, (2) An annual budget must be approved before the start of the budget year, (3) The accounting officer of a municipality must submit the approved budget to the National Treasury and relevant Provincial Treasury.

4. DISCUSSION

In terms of the section 16(2), the mayor of the municipality must table the annual budget at a council meeting at least **90 days** before the start of the budget year

5. STAKEHOLDERS CONSULTED

Chief Financial Officer
Office of the Municipal Manager
National Treasury
Provincial Treasury

6. FINANCIAL IMPLICATION

Please refer to recommendations

7. STAFF IMPLICATION

The total salary budget for 2022/2023 is estimated at R111 244m taking into consideration of 4.9% increase.

8. RISK IMPLICATIONS

If the mayor fails to table the budget, National Treasury will impose section 216(2) which states that National Treasury may stop any transfer of conditional and non-conditional grants for non-compliance.

9. ANNEXURE

- A-Schedule A1, A2, A3 A4, A5, A6, A7, A8, A9 and A10
- Tariff list

- Funding plan
- Budget Related policies:
 - a) Rates policy
 - b) Tariff policy
 - c) Indigent policy
 - d) Credit control and debt control policy
 - e) Supply chain Management policy
 - f) Budget policy
 - g) Cash and Investment policy
 - h) Subsistence and travelling policy
 - l) Virement policy
 - j) Events after reporting date policy
 - k) Petty Cash policy
 - L) Assets Management policy
 - M) Infrastructure Procurement and Delivery Management Policy
 - N) UIFW policy
 - L) Cost containment policy

10. RECOMMENDATION:

- That the revenue budget is at R 346 670m
- That the operational expenditure budgeted to R338 180m.
- Operating surplus of R4 491m
- Capital expenditure has been budgeted at R46 795m.
- To implement and monitor the cash flow turnaround strategy to improve effective financial management.
- To monitor collection levels during the 2022/2023 budget period to ensure that funding is available to finance expenditure.
- That under no circumstances should expenditure be incurred that is not budgeted for.
- Council resolution be submitted to both National and Provincial treasuries within ten (10) working days after approval by council.
- Tabled budget be advertised for 21 days to solicit public comments
- Approved budget be approved together with the funding plan in May 2021

Table 1.1 Financial performance

Choose name from list - 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		
		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	-	20 177	18 631	23 160	23 160	23 160	23 160	24 133	25 195	26 329
Service charges - electricity revenue	2	-	44 128	61 297	74 738	74 738	74 738	74 738	61 938	64 663	67 572
Service charges - water revenue	2	-	30 480	21 109	41 487	41 487	41 487	41 487	32 134	33 547	35 056
Service charges - sanitation revenue	2	-	22 035	23 323	33 270	33 270	33 270	33 270	32 767	34 207	35 747
Service charges - refuse revenue	2	-	16 295	16 467	23 033	23 033	23 033	23 033	22 207	23 183	24 226
Rental of facilities and equipment		-	1 268	1 705	1 398	1 398	1 398	1 398	1 750	1 827	1 910
Interest earned - external investments		-	238	155	230	230	230	230	240	250	261
Interest earned - outstanding debtors		-	24 616	50 697	38 000	38 000	38 000	38 000	57 646	60 182	62 891
Dividends received		-	11	59	36	36	36	36	38	39	41
Fines, penalties and forfeits		-	309	67	140	140	140	140	146	152	159
Licences and permits		-	10	169	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		-	100 526	111 052	97 225	97 225	97 225	97 225	106 863	111 565	116 585
Other revenue	2	-	1 437	1 416	2 696	2 696	2 696	2 696	2 810	2 933	3 065
Gains		-	-	3 576	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	261 510	309 723	335 414	335 414	335 414	335 414	342 670	357 744	373 842
Expenditure By Type											
Employee related costs	2	-	100 918	104 850	120 667	120 667	120 667	120 667	111 244	117 219	122 494
Remuneration of councillors		-	7 197	8 489	12 168	12 168	12 168	12 168	6 222	6 814	7 120
Debt impairment	3	-	152 992	106 488	55 000	52 800	52 800	52 800	53 972	56 347	58 826
Depreciation & asset impairment	2	-	71 505	48 717	5 533	5 349	5 349	5 349	35 780	37 390	39 073
Finance charges		-	23 137	8 660	8 541	8 541	8 541	8 541	8 899	9 291	9 291
Bulk purchases - electricity	2	-	49 427	64 894	55 000	55 000	55 000	55 000	62 814	65 578	68 529
Inventory consumed	8	-	7 068	6 984	8 700	9 722	9 722	9 722	7 827	8 174	8 542
Contracted services		-	20 444	17 589	16 581	13 595	13 595	13 595	19 288	20 144	21 050
Transfers and subsidies		-	-	717	50	50	50	50	-	-	-
Other expenditure	4,5	-	31 911	20 262	31 348	31 113	31 113	31 113	32 134	33 550	35 059
Losses		-	992	-	-	-	-	-	-	-	-
Surplus/(Deficit)		-	(204 078)	(77 927)	21 826	26 409	26 409	26 409	4 491	3 238	3 858
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	11 576	52 530	35 889	35 889	35 889	35 889	54 015	61 610	64 382
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		-	(192 502)	(25 397)	57 715	62 298	62 298	62 298	58 506	64 848	68 240
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		-	(192 502)	(25 397)	57 715	62 298	62 298	62 298	58 506	64 848	68 240

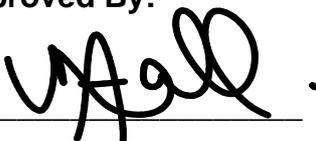
Table 1.2 Cash flow statement

Choose name from list - 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		-	-	-	13 896	13 896	13 896	13 896	16 893	8 313	8 695
Service charges		-	-	-	103 517	103 517	103 517	103 517	-	71 184	74 458
Other revenue		-	-	-	1 500	1 500	1 500	1 500	1 500	1 569	1 641
Transfers and Subsidies - Operational	1	-	-	-	97 225	97 225	97 225	97 225	106 863	100 370	104 987
Transfers and Subsidies - Capital	1	-	-	-	35 889	35 889	35 889	35 889	46 795	48 620	50 516
Interest		-	-	-	36 667	36 667	36 667	36 667	36 667	38 354	40 118
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		-	(89 273)	(114 024)	(413 582)	(413 582)	(413 582)	(413 582)	(395 982)	(183 383)	(191 819)
Finance charges		-	-	-	(11 629)	(11 629)	(11 629)	(11 629)	(12 164)	(12 164)	(12 724)
Transfers and Grants	1	-	-	-	(50)	(50)	(50)	(50)	0	0	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	(89 273)	(114 024)	(136 567)	(136 567)	(136 567)	(136 567)	(199 428)	72 862	75 874
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	629	629	629	629	9	30	-
Decrease (increase) in non-current investments		-	53	53	-	-	-	-	0	-	-
Payments											
Capital assets		-	-	-	(35 889)	(35 889)	(35 889)	(35 889)	(46 795)	(89 973)	(94 111)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	53	53	(35 260)	(35 260)	(35 260)	(35 260)	(46 786)	(89 943)	(94 111)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	(765)	(765)	(765)	(765)	(765)	(800)	(837)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	(765)	(765)	(765)	(765)	(765)	(800)	(837)

Table 1.3 CAPEX

Vote 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
Governance and administration	1	-	-	(0)	1 000	1 992	1 992	1 992	400	418	436
Executive and council		-	-	-	0	0	0	0	0	0	0
Finance and administration		-	-	(0)	1 000	1 992	1 992	1 992	400	418	436
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	4 593	8 628	3 094	3 094	3 094	3 094	11 035	11 521	12 039
Community and social services		-	809	8 285	2 137	2 137	2 137	2 137	-	-	-
Sport and recreation		-	3 784	344	957	957	957	957	11 035	11 521	12 039
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	5 643	(14 502)	11 045	11 045	11 045	11 045	9 077	9 477	9 903
Planning and development		-	-	-	0	0	0	0	1 114	1 163	1 215
Road transport		-	5 643	(14 502)	11 045	11 045	11 045	11 045	7 964	8 314	8 688
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	3 804	26 398	27 906	30 180	30 180	30 180	31 882	33 285	34 783
Energy sources		-	-	-	2 900	5 174	5 174	5 174	2 800	2 923	3 055
Water management		-	3 772	18 001	19 221	19 221	19 221	19 221	14 847	15 500	16 197
Total Capital Expenditure - Functional	3	-	14 040	20 525	43 045	46 311	46 311	46 311	52 395	54 700	57 162
Funded by:											
National Government		-	14 040	20 525	35 845	35 845	35 845	35 845	44 518	46 477	48 568
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	-	14 040	20 525	35 845	35 845	35 845	35 845	44 518	46 477	48 568
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	7 200	10 466	10 466	10 466	7 877	8 224	8 594

Approved By:



A.M Masuku

Acting Municipal Manager