

MATJHABENG LOCAL MUNICIPALITY

FUNDING PLAN BUDGET 2019/20 MTREF



BUDGET FUNDING PLAN

1. Purpose

The Budget Funding Plan 2019/20 (BFP) is developed in response to the Municipality's current financial situation and strategies that will be applied to ensure a funded budget for the 2019/20 medium term revenue and expenditure framework (MTREF) and an on-going financially sustainable municipality.

2. Introduction

The Budget 2019/20 MTREF of the Municipality budgeted for an operating deficit for the 2019/20 financial year. In order for the municipality to continue to provide services and extend its services to the community, the budget should be funded in accordance with the legal requirements of the Municipal Finance Management Act (MFMA).

The importance of tabling funded budgets is highlighted in previous circulars however there are cases that may warrant a plan as this is not achievable over one year. As a result, the municipality must, together with their 2019/20 MTREF budget, table a plan in council to show they will move from an unfunded position to a funded position (MFMA Circular 93).

The municipality budget for a deficit of R 402 798 128 for the 2019/20 budget year.

	Budget 2019/20	Budget 2020/21	Budget 2021/22
Total Revenue Budget	R 2 843 418 385	R 2 992 778 785	R 3 160 865 202
Total Expenditure Budget	R 3 246 216 513	R 2 811 80 523	R 2 975 539 859
Surplus /(Deficit)	(R 402 798 128)	R 180 976 263	R 185 325 343
Total Capital Budget	R 170 615 000	R 169 855 000	R 171 111 000

From the above it is evident that the municipality is not financially viable and without sufficient cash flow it will not survive. The municipality is currently experiencing cash flow challenges resulting in insufficient cash to support its current service delivery obligations.

A high level analysis was undertaken to understand the factors contributing to the cash flow challenges experienced by the municipality. The factors contributing to the negative cash flow position were as follow:

- Lack of a fully cash backed budget.
- Escalation of outstanding debtors across all customer group.
- Actions and spending that give rise to unplanned cash outflows.
- Limitation in revenue generation.
- Inadequate cash flow management.

3. Strategic objectives of the Budget Funding Plan 2019/20 (BFP)

The principle objective of the BFP is to ensure financial viability and sustainability of the municipality, a funded budget and to subsequently ensure its ability to meet its obligations in terms of the SDBIP and IDP.

In order to achieve the objective as stated above the municipality will have to develop plans to address all the challenges identified above. These plans should be developed by all departments of the municipality. Each business unit should indicate where costs will be saved and how revenue will be increased or generated. The BFP should also be accepted by all employees and councillors in the municipality and should form part of the Operational Plans and Procurement Plans. The BFP should be aligned to all planning documents of the municipality and performance should be reported to on a quarterly basis.

The following has been identified as key objectives:

1. Improved Debt Collection
2. Asset Management
3. Cost reduction
4. Billing
5. Revenue Enhancement

3. Budget Funding Plan 2019/2020

Programmes have been identified will assist the municipality in achieving the above objectives. The action plan below provides details on the identified programmes:

Programme	Responsible Person/Department	Outcome	Estimated Revenue	Start Date	End Date
Implementation of the Revenue Enhancement Strategy by increasing the revenue base of the municipality.	CFO REC	Increase in the revenue base of the municipality	R 104m	1 July 2019	Ongoing
Rejuvenate disconnection project (Operation Patala) with a revenue protection unit in place to monitor reconnections and disconnections.	REC Credit Control Billing Section	Decrease in municipal owed debt. Improved culture of payment for services	R546m	1 July 2019	Ongoing
Installation of new meters in unmetered areas and replacement of faulty meters.	REC Infrastructure Finance	Increase in revenue Accurate billing	R200m	1 July 2019	September 2019 Ongoing from thereon.
Implementation and installation of Automated meter reading (AMR) meters.	Billing section	Increase revenue Accurate billing	R100m	Already started	30 June 2020
Review budget related policies	Finance	Increase revenue Accurate indigent register	N/A	Already Started	30 June 2019
Reconciliation of valuation roll and properties	Billing section	Increase in property rates revenue	R50 mil	1 July 2019	30 June 2020
Review the tariffs for services rendered to ensure that tariffs are cost reflective.	REC All departments	Increase in service charges and other income.	R50 mil	1 July 2019	30 June 2020

From the above action it is evident that the municipality will be moving from an unfunded position to a funded position over the MTREF.

FS184 Matjhabeng Supporting Table SA10 Funding measurement

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
High Level Outcome of Funding Compliance										
Total Operating Revenue	1 843 662	1 900 676	1 996 693	2 453 493	2 453 493	2 453 569	2 453 569	2 672 803	2 822 924	2 989 754
Total Operating Expenditure	2 772 001	2 955 036	3 059 211	2 415 436	2 415 436	2 415 436	2 415 436	3 246 217	2 811 803	2 975 540
Surplus/(Deficit) Budgeted Operating Statement	(928 339)	(1 054 361)	(1 062 518)	38 057	38 057	38 132	38 132	(573 413)	11 121	14 214
Surplus/(Deficit) Considering Reserves and Cash Backing	(2 214 470)	(2 980 093)	(3 860 773)	65 571	65 571	65 468	65 468	(1 964 877)	833 326	948 805
MTREF Funded (1) / Unfunded (0)	0	0	0	1	1	1	1	0	1	1
MTREF Funded ✓ / Unfunded ✖	✖	✖	✖	✓	✓	✓	✓	✖	✓	✓

Reporting timeframe

It is imperative that the progress and challenges be reported on a quarterly basis to Council. Other platforms of reporting should be the executive management of the municipality and the mayoral committee.

5. Municipal Cost Containment measures

The President announced the cost-containment measures in the State of the Nation address and it was re-emphasised by the Minister of Finance during the Budget Speech. It must further be noted that MFMA Circular 58, 66, 70, 72, 74 and 75 on cost containment measures are still applicable with regard to curbing of non-priority spending. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved as per the financial recovery plan.

The municipality has already embarked on the process of the implementation of cost containment measures. On 24 April 2015, Council resolved that a Financial Recovery Plan should be developed and that Cost Containment Measures should form part of the plan. On 20 May 2015 the Financial Recovery Plan containing the cost containment measures was tabled in Council. The cost containment measures involved the following cutting of cost and or elimination of cost on the following items:

1. Catering for all meetings
2. Office groceries
3. Training of officials
4. Transportation
5. Overtime
6. Advertising fees – limited to notices and adverts
7. Internet usage – be limited to government websites
8. Printing cost – centralization of printing and limit colour printing
9. Matjhabeng News
10. No new appointments
11. Procurement of furniture
12. Telephone usage (both landlines and cell phones)

The above austerity measures have been reviewed by analysing cost driving votes, this measure will ensure that all non-priority spending are eliminated.

