

## **FINAL ANNUAL BUDGET 2022/2023 FINANCIAL YEAR (2022/23)**

**(EC 2022 05 23, C 2022 05 26)**

**(5/1/1)**

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### **REPORT OF THE DEPARTMENT OF THE CHIEF FINANCIAL OFFICER, MS. P.M. MAKHUBELA**

#### **STRATEGIC OBJECTIVE**

The strategic objective of this matter is under sound financial management and viability.

#### **PURPOSE**

The purpose of this report is to request Council to consider and approve the 2022/2023 (MTREF) Medium-term Revenue and Expenditure Framework in terms of Section 24 (1) of the Municipal Finance Management Act 2003, Act no. 56 of 2003.

#### **BACKGROUND**

In terms of Local Government Municipal Finance Management Act, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

The budget process is guided by National Treasury Circular (MFMA Circular No.112 and 115).

#### **FINANCIAL IMPLICATIONS**

The Revenue and Expenditure Budgets are summarized as follows:

#### **CONSOLIDATED BUDGET: GREATER TZANEEN MUNICIPALITY AND GTEDA, INCLUDING WATER AND SEWER SERVICES**

The total projected revenue for the 2022/2023 financial year amounts to R1,677 billion. This increase is mainly due to the increase in property rates, service charges and external grants from Government.

The total revenue budget includes an amount of R481 million which represents the equitable share allocation to the Greater Tzaneen Municipality.

An amount of R151 million will be levied by way of property tax and R819 million will be sourced from user charges. National allocations to fund operational activities amount to R29,1 million which includes the Finance Management Grant of R2,0 million, the EPWP grant of R8,1 million; the energy efficiency grant of R5 million and the INEP allocation of R14 million

An amount of R1, 472 Billion has been made available on the operational budget for expenditure. This substantial increase is largely due to the increase in employee

related costs and bulk purchases. The Expenditure amount includes R404 million for employee related costs, R94 million for other materials excluding labour costs and R 465 million for the purchase of bulk electricity.

An amount of R164 million has been allocated for capital expenditure for the 2022/2023 financial year. This amount includes the MIG allocation of R113,7 million which will be spent on roads, sports facilities and high mast lights.

The summary of the operating and capital budgets are as follows:

<b>OPERATING AND CAPITAL BUDGET</b>	<b>2022/2023 FINAL BUDGET</b>	<b>2023/2024 FINAL BUDGET</b>	<b>2024/2025 FINAL BUDGET</b>
<b>TOTAL OPERATING REVENUE</b>	R 1 677 237 402	R 1 745 441 726	R 1 833 324 116
<b>TOTAL OPERATING EXPENDITURE</b>	R 1 472 277 224	R 1 527 382 395	R 1 588 695 986
<b>TOTAL CAPITAL EXPENDITURE</b>	R 164 368 840	R 183 929 594	R 160 697 697
<b>TOTAL OPEX AND CAPEX BUDGET</b>	<b>R 1 636 646 064</b>	<b>R 1 711 311 989</b>	<b>R 1 749 393 683</b>

The increase in operating revenue is mainly attributable to an increase in grant allocations and tariff increases. The operating expenditure increase is mainly attributable to the annual increases that are linked to CPI, employee related costs and the increase in bulk electricity cost.

## **GRANT ALLOCATIONS**

The total grant allocations for Greater Tzaneen Municipality in the 2022/2023 financial year which are in line with DORA are reflected below:

<b>MUNICIPAL GRANTS FOR 2022/2023</b>			
<b>Description</b>	<b>2022/2023</b>	<b>2023/2024</b>	<b>2024/2025</b>
<b>EQUITABLE SHARE</b>	R 481 161 000	R 515 385 000	R 553 067 000
<b>MIG</b>	R 119 004 000	R 112 937 000	R 118 184 000
<b>FMG</b>	R 2 000 000	R 2 000 000	R 2 000 000
<b>EPWP</b>	R 8 065 000	0	0
<b>INEP</b>	R 14 000 000	R 16 000 000	R 16 718 000
<b>Energy Efficiency</b>	R 5 000 000	R 5 000 000	
<b>TOTAL</b>	<b>R 629 230 000</b>	<b>R 651 322 000</b>	<b>R 689 969 000</b>

## **PROPOSED TARIFF INCREASES**

Proposed tariff increase on service charges and property rates are as follows:

<b>CATEGORY</b>	<b>2022/2023</b>	<b>2023/2024</b>	<b>2024/2025</b>
Property Rates	4.8%	4.4%	4.5%
Electricity	8.61%	8.61%	8.61%
Refuse	4.8%	4.4%	4.5%
Water (Haenertsburg)	4.8%	4.4%	4.5%
Water (Other users)	4.8%	4.4%	4.5%
Sewerage	4.8%	4.4%	4.5%

## **EMPLOYEE RELATED COSTS**

The total salary bill which amounts to R404 million includes the budgeted positions to be filled during the 2022/2023 financial year. The positions will be filled through the process of service delivery priorities and the approved municipal organogram.

## **BUDGET RELATED POLICIES**

The following reviewed budget related policies are attached to this document for approval by Council as part of the 2022/2023 budget–

### **Revenue Related Policies**

- Tariff Policy
  - Electricity
  - Water
  - Sanitation
  - Refuse Removal
  - Property Rates
- Credit Control & Debt Collection
- Consumer Deposits
- Cash Control Policy
- Impairment of debt policy

### **Budget related policies**

- Budget Implementation and Management Policy

- Indigent Policy
- Supply Chain Management
- Property Rates Policy
- Cash Management and Investment Policy
- Virement Policy
- Adjustment Budget Policy
- Borrowing Policy
- Funding and Reserves Policy
- Policy Relating to Long-Term Financial Planning
- Policy Relating to Management and Disposal of Assets
- Policy dealing with Infrastructure Investment and Capital Projects
- Subsistence and Travelling policy
- Cost containment policy
- Insurance policy
- Petty cash policy

## **POLICY IMPLICATIONS**

Compliance to section 22 of the Municipal Finance Management Act, the budget must be submitted to National Treasury and the Provincial Treasury together with the quality certificate approved by the accounting officer.

## **LEGAL IMPLICATIONS**

Currently None

## **RISK IMPLICATIONS**

Non adherence to MFMA if council does not approve the budget timeously.

## **ENVIRONMENTAL IMPLICATIONS**

None

## **CHANGE MANAGEMENT IMPLICATIONS**

Ensure compliance to MFMA and timely submission of final budget on schedule A, version 6.6 in line with Municipal Budget and Reporting Regulations

## CONSIDERATION

That the Capital and Operational Estimates for the 2022/2023 financial year be approved and that the Accounting Officer proceeds with the publication of the Final Annual Budget as outlined in section 22 of the Municipal Finance Management Act 56 of 2003

## RECOMMENDATION

1. That the Capital and Operational Estimates for the 2022/2023 financial year as more fully recorded in **Annexure A - X** attached to the report in this regard be approved and that the Accounting Officer proceeds with the publication of the Annual Budget as outlined in section 22 of the Municipal Finance Management Act 56 of 2003.
2. That the 2022/2023 to 2024/2025 financial year's budget related policies be approved as more fully set out in **Part 2 of supporting documents in the budget**
3. That the final 2022/2023 tariff listing for municipal services as more fully set out in part 1 of supporting budget documents be approved
4. That it be noted that the final 2022/2023 Estimates will after approval by the Council in terms of section 22 of the Municipal Finance Management Act, be submitted to National Treasury and the Provincial Treasury, together with the quality certificate approved by the accounting officer.
5. That an amount of R 10 251 505.73 be allocated to GTEDA Municipal entity
6. That the detailed budget resolutions contained in the budget report be approved

## COMMENTS FROM CORPORATE SERVICES

## COMMENTS FROM ENGINEERING SERVICES

## COMMENTS FROM ELECTRICAL ENGINEERING

## COMMENTS FROM PED

## COMMENTS FROM COMMUNITY SERVICES

## COMMENTS FROM THE CFO

## COMMENTS FROM THE MUNICIPAL MANAGER

## RESOLVED TO RECOMMEND

1. That the Capital and Operational Estimates for the 2022/2023 financial year as more fully recorded in **Annexure A - X** attached to the report in this regard be approved and that the Accounting Officer proceeds with the publication of the Annual Budget as outlined in section 22 of the Municipal Finance Management Act 56 of 2003.
2. That the 2022/2023 to 2024/2025 financial year's budget related policies be approved as more fully set out in **Part 2 of supporting documents in the budget**
3. That the final 2022/2023 tariff listing for municipal services as more fully set out in part 1 of supporting budget documents be approved
4. That it be noted that the final 2022/2023 Estimates will after approval by the Council in terms of section 22 of the Municipal Finance Management Act, be submitted to National Treasury and the Provincial Treasury, together with the quality certificate approved by the accounting officer.
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**FOR CONSIDERATION**

