

ITEM:

REPORT OF THE CHIEF FINANCIAL OFFICER

FUNDING PLAN

1. PURPOSE OF THE REPORT

The objective is the plan is to ensure that there is sufficient revenue to ensure that there is adequate budget provision and to prevent the municipality from facing financial distress that can lead to its inability to fulfil its obligations and more importantly, to fulfil the mandate.

2. BACKGROUND

Waterberg District municipalities have been producing budgets over the Medium Term Revenue and Expenditure Framework (MTREF) as per the requirements of the Municipal Finance Management Act No. 56 of 2003 ("MFMA"). The municipality has been funding its budget from reserves previously which is now depleted. The WDM has limited revenue due to the fact of its powers taken away by the Government. The municipality is now dependent on grant, equitable share in particular to fulfil its mandate. The growing budget deficit remain a major challenge and threatens the financial sustainability of the Waterberg District municipality for the municipality. This plan seeks to explore other revenue raising mechanism to identify ways to increase the municipality's revenue. The Provincial Treasury assessment on the approved budgets asserted that the Waterberg District Municipality budget is not fully funded which may result in the financial distress of the municipalities. The municipality will also be revising its revenue enhancement strategy as another tool to improve its revenue position.

3. CONTRIBUTING FACTORS

The municipality's inability to fully fund its budget emanate from the following factors;

- Increase in prices of goods and services including water, electricity and other services
- Increase in wages and salaries
- Unfunded and underfunded services render such as fire. Disaster and health
- Reduction in the powers and function of the district, eg water authority
- Equitable share that is not commensurate with level of service

4. LEGISLATION

Chapter 4 of the Municipal Finance Management Act No.56 of 2003 ("MFMA") deals with the drafting and adopting of municipal budgets by municipalities. Section 18(1) of the MFMA states that 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)." Section 18(2) adds that "revenue projections in the budget must be realistic, taking into account) projected revenue for the current year based on collection levels to date; and b) actual revenue collected/raised in previous financial years."

The Municipal Budget and Reporting Regulations ("MBRR") sets out standards for sound and sustainable management of the budgeting and reporting practices in municipalities. It states in paragraph 10(1)(b) that "the funding of an annual budget must be consistent with the trends, current and past, of actual funding collected or received." It further states in paragraph 10(4) that "the cash flow budget required in terms of Schedule A must reflect all funds realistically forecast to be collected, including arrears.

5. CASH FLOW FROM OPERATING ACTIVITIES

The municipality cash flow from operating activities shows a positive move on the outer years which indicate that the revenue enhancement strategy of the municipality must be fully implemented in order to maximise revenue. The ability to collect revenue from our customers will lead to a positive cash and cash equivalent over the medium term which will automatically lead to a sustainable and funded budget to enable the municipality to honour its debts. Projected cash and cash equivalents indicate cash increase which are indicative of a sustainable budget and this will lead to the municipality to provide quality services to our communities. Continuous implementation of credit control policies and revenue enhancement strategy as approved by Council will be prioritised in order to maximise revenue.

6. REDUCTION IN NON-CORE EXPENDITURE

The municipality will continue to implement cost containment measures as guided by the National treasury to reduce on items like Travelling, Accommodation, overtime, catering and entertainment expenses. While the budget projections has been reduced on many occasion as part of achieving a funded budget, it has been noted that the problem is mainly on revenue collection and the municipality need to do more to collect what is due to council rather than to continuously cut the budgets as this might create unauthorised expenditure or compromise service delivery

7. WAYS TO IMPROVE BUDGET FUNDABILITY

- Abattoir tariffs to increase by 30 percent
- Firefighting income tariffs to increase by 25 percent to improve its costs reflectivity
- Auctioning of assets such as vehicle
- Air quality tariffs to increase by 20 percent
- Municipal health tariffs to increase by 20 percent

Continue with private sector to assist fund some project which will result in the improvement of revenue

8. CASH AND SHORT TERM LIQUIDITY

Waterberg District municipality will continue to implement the revenue enhancement strategy approved by Council which aims to:

- To develop other sources of income to minimize municipal grant dependency The Cash and short term liquidity is planned to be as follows:

- Year 1 – R 3 million 90 days' cash on hand
- Year 2 – R 5 million 363 days' cash on hand
- Year 3 – R10 million 736 days' cash on hand

9. REVENUE AND EQUITABLE SHARE

Municipality's equitable share amount to and there is a serious need to implement other revenue raising mechanism to improve the revenue situation in order to fully fund the budget. The Municipality has been diagnosed to have significant challenges in revenue which impact negatively on its budget.

With the implementation of revenue enhancement strategy and other revenue raising mechanism, the municipality is projecting to achieve the following:

- Year 1 – 2024/2026 revenue improvement by 10%
- Year 2 – 2026/2028 revenue improvement of 10%
- Year 2 – 2028/2029 an increase by 15%

10. STAFF IMPLICATIONS

None.

11. FINANCIAL IMPLICATIONS

See explanations above.

12. OTHER PARTIES CONSULTED

Section 57 Managers
Divisional Managers
Project Managers

13. ANNEXURES

None

14. AUTHORITY

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

15. RECOMMENDATIONS

That:

1. Council note the municipal budget funding plan to move to fully funded budget;
2. Council approve the municipal budget funding plan for implementation.