



## **EXTRACT OUT OF MINUTES OF AN ORDINARY COUNCIL MEETING HELD ON THE 29 MARCH 2023**

### **C1213 Part B. REPORT ON THE CHRIS HANI DISTRICT (CHDM) 2023/24 to 2025/26 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK BUDGET**

#### **Purpose:**

To table to Council the 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) Budget for consideration.

#### **Authority:**

Chris Hani District Municipality Council.

#### **Background and legislation:**

- The Constitution of the Republic of South Africa, Act 108 of 1996.
- The Municipal Systems Act no.32 of 2000, as amended and Regulations.
- The Municipal Structures Act no.117 of 1998.
- The Municipal Finance Management Act no.56 of 2003
- Municipal Budget Reporting Regulations
- The 2023 Division of Revenue Act.
- MFMA Circulars 122 and 123; and
- The Disaster Management Act no.57 of 2002 and Regulations.

#### **Exposition of facts:**

The process of developing the municipality's annual budget is largely guided by the strategic thrusts and operational priorities of CHDM's IDP as well as the MTREF that sets out the expected annual revenue and projected expenditure for the budget year under consideration, plus the two outer years.

## 1. Budget Assumptions

Description	2022/23	2023/24	2024/ 25	2025/ 26
National Treasury Headline Inflation	4.80%	5.30%	4.90 %	4.70 %
Salaries	7.4% (4.9%+2.5%)	7.8% (5.3%+2.5%)	4.90 %	4.70 %
Free Basic Services – Water	6kl	6kl	6kl	
Free Basic Services – Sanitation	4kl	4kl	4kl	
LG Equitable Allocation	654 460 000	695 711 000	734 611 000	768 119 000
Water Tariff	4.80%	5.30%	4.90 %	4.70 %
Sanitation Tariff	4.80%	5.30%	4.90 %	4.70 %
Sundry Revenue	4.00%	5.30%	4.90 %	4.70 %
Other Expenditure	4.00%	5.30%	4.90 %	4.70 %

**2. The following budget principles and guidelines were considered for the compilation of the 2023/2024 to 2025/2026 MTREF –**

- National Treasury's MFMA Circulars were used as guidelines in compilation of the MTREF.
- Headline inflation predictions.
- National and Provincial outcomes and priorities.
- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- The 2022/2023 Adjustments Budget priorities, targets and base line allocations were taken as guideline for future revenue and expenditure stream projections.
- Tariff rates revenue stream increases should be affordable, and the NT guideline is that it generally should not exceed inflation as measured by the CPI, although many input costs in rendering services are beyond the control of the municipality and posing a challenge on continuous repair and maintenance. In addition, tariffs must be cost reflective, and should take into account the need to address infrastructure projects.
- The consideration made in the gazetted annual Division of Revenue Act for capital projects from funding of both National and Provincial.

**3. The main challenges experienced during the compilation of the 2023/2024 to 2025/2026 MTREF can be summarised as follows –**

- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the budget, taking the cash and financial viability position into account.
- The increased costs associated with bulk water, diesel and fuel, litigations, and electricity, placing upward pressure on tariff increases to consumers. Continued high tariff increases may soon render municipal services financially unaffordable.
- Maintaining revenue collection rates at the targeted levels, despite the realities on the metering and the growing culture of no-payment by consumers.
- The on-going improvement and enhancement of the Capital Replacement Reserve that are being resuscitated and gradually enhanced, impacting on the Municipality's ability to fund capital expenditure from own internal revenue sources;



- The on-going difficulties in the national and local economy post COVID-19 recovery and the on-going disasters impacting negatively to the municipality's financial sustainability.
- Aging and poorly maintained water and sanitation infrastructure; and persistent infrastructure breakages.

**4. The process followed during the compilation of the 2023/24 to 2026/2027 MTREF can be summarised as follows –**

The 2023/24 budget process commenced with Departmental Strategic sessions held during the month of February 2023, led by the Head of Departments or Directors. The purpose of these sessions was to review the envisaged strategies of the Municipality towards improved serviced delivery. The IDP and Budget workshops with all Directorates were held from the 2 to 10 March 2023 to address the departmental budget requests. The last consultation was held with the Budget Steering Committee on the 17 March 2023, thereafter the Budget and Treasury Office (BTO) to develop an MTREF budget for the consolidated budget for CHDM and Chris Hani Development Agency (CHDA) and thereafter submit an institutional MTREF Budget, for Mayoral and Council's considerations. After the consideration by Mayoral and Council Committees, the tabled budget and IDP will be taken through a public participation or roadshow, preferable in April / May 2023.

**5. The High-level Overview 2023/24 MTREF Budget can be summarised as follows (Operating Revenue and Capital + Operating Expenditure and Capital) –**

**Table 1: Overall Operating Revenue and Expenditure 2023/24 MTREF Budget**

**DC13 Chris Hani - Summarized Budgeted Financial Performance (revenue and expenditure)**

Description	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Total Revenue	1 079 435 841	1 157 963 060	1 130 667 874	1 481 644 117	1 526 120 797	1 526 120 797	1 638 085 315	1 741 587 374	1 734 475 049
Total Expenditure	1 222 305 286	1 294 971 578	1 493 751 242	1 319 176 129	1 282 299 831	1 282 299 831	1 426 486 590	1 464 301 150	1 569 665 738
Surplus (Deficit)	-142 869 446	-137 008 518	-363 083 368	162 467 988	243 820 966	243 820 966	211 598 725	277 286 224	164 809 311
Transfers and Subsidies - Capital	344 253 705	556 506 136	642 103 872	535 235 450	574 428 543	574 428 543	537 114 268	500 942 999	217 453 000
Surplus (Deficit) for the year	201 384 259	419 497 617	279 020 504	697 703 438	818 249 509	818 249 509	748 712 993	778 229 223	382 262 311

Anticipated Operating Revenue for 2023/2024 is estimated at R 1,638,085, 315 or R 111,964, 518 (7.34%) more than the 2022/2023 approved adjustments budget revenue of R 1,526,120, 797.

The increase is as a result of the yearly tariff increase of 5.3% for water and sanitation sales and as well the inflationary increases for the other revenue items. The overall increase of the operating revenue is also as a result of increase of transfers and subsidies.

**Table 2: Overall Total Grant Allocation per the DoRa - 2023/24 MTREF Budget**

Type of Grants	2022/23	2023/24	2024/25	2025/26
Equitable Share	654 460 000	695 711 000	734 611 000	768 119 000
Expanded Public Work Programme	3 630 000	2 872 000	-	-
Regional Bulk Infrastructure Grant	216 907 000	203 000 000	135 000 000	44 000
Financial Management Grant	1 000 000	1 000 000	2 418 000	2 500 000
Municipal Infrastructure Grant	330 451 000	345 989 000	362 525 000	379 760 000
Rural Road Asset Management	3 455 000	3 468 000	3 642 000	3 788
Water Services Infrastructure Grant	77 262 800	67 017 000	83 600 000	87 319 000
<b>Total</b>	<b>1 287 165 800</b>	<b>1 319 057 000</b>	<b>1 321 796 000</b>	<b>1 237 745 788</b>

The total grants are estimated to be R1.32 billion for the 2023/24 financial year of which the largest grant allocation is LGES R695.71 million, followed by MIG R345.99 million, RBIG R203 million, WSIG R67 million, EPWP R2.87 million, RRAMS R3.47 million, MSIG and Financial Management Grant R1 million.

6. The Operating Revenue Budget Overview 2023/24 MTREF Budget can be summarised as follows per Revenue Source–

**Table 3: Overall Operating Revenue 2023/24 MTREF Budget (Table A4 Revenue only)**

i - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue</b>										
<b>Exchange Revenue</b>										
Service charges - Electricity	-	-	-	-	-	-	-	-	-	-
Service charges - Water	241 313	307 984	304 388	310 489	323 489	323 489	249 037	340 634	357 325	374 119
Service charges - Waste Water Management	59 193	62 660	64 717	76 730	83 730	83 730	45 783	88 167	92 488	96 835
Service charges - Waste Management	-	-	-	-	-	-	-	-	-	-
Sale of Goods and Rendering of Services	511	648	435	601	601	601	29	633	664	695
Agency services										
Interest										
Interest earned from Receivables	57 781	62 769	84 185	53 593	100 000	100 000	101 802	105 300	110 460	115 651
Interest earned from Current and Non Current Assets	20 714	7 527	10 605	40 925	40 925	40 925	6 781	43 095	45 206	47 331
Dividends										
Rent on Land										
Rental from Fixed Assets										
Licence and permits		61	60	284	284	284	39	299	313	328
Operational Revenue	1 510	339	397	261 140	261 140	261 140	57 671	274 981	288 455	302 012
<b>Non-Exchange Revenue</b>										
Property rates										
Surcharges and Taxes										
Fines, penalties and forfeits				94	94	94		99	104	109
Licences or permits										
Transfer and subsidies - Operational	698 412	714 682	665 973	734 668	712 737	712 737	506 091	781 943	842 573	793 395
Interest										
Fuel Levy										
Operational Revenue										
Gains on disposal of Assets	2	1 292	317	3 120	3 120	3 120	-	3 285	3 446	3 608
Other Gains			16 563							
Discontinued Operations										
<b>Total Revenue (excluding capital transfers and contribu</b>	<b>1 079 436</b>	<b>1 157 963</b>	<b>1 147 641</b>	<b>1 481 644</b>	<b>1 526 121</b>	<b>1 526 121</b>	<b>967 231</b>	<b>1 638 435</b>	<b>1 741 034</b>	<b>1 734 083</b>

The overall Operating Revenue for 2023/2024 is estimated at R 1,638,085,315 or R 111,964, 518 (7.64%) more than the 2022/2023 approved adjustments budget revenue of R 1,526,120, 797.

The majority of the funding source of the CHDM's operational expenditure are largely from national government grants such as Local Government Equitable Share (LGES) and a fraction of service charges. Although the municipality is grant depended, there are other revenue strategies that are envisaged to optimise its current revenue base. There is a rollout of SMART metering, the disconnections that has attracted the attention of consumers who are still trapped in the culture of non-payment, down payments are made, government departments have made undertakings of paying after receiving their equitable share portion in April 2023.

The following are the major funding sources for the operations of CHDM:

- LGES R 695.71 million.
- Water charges R 340.63 million; and
- Sanitation charges R 88.18 million; -



**Services charges** relating to water and sanitation constitutes the second biggest component of the revenue basket of the Municipality totalling R407.22 million for the 2022/23 financial year and increasing to R428.80 million for 2023/24, the growth constitute 5.3% in line with the CPI as recommended the relevant MFMA Budget Circulars.

The **interest on debtors** were estimated to a similarly to the service charges with the increase of 5.3% and estimated to be R105.30 million. This is also in line with the CPI recommended increases by that were outlined in the MFMA Budget Circular 122 and 123 as issued in December 2022 and March 2023.

The **interest earned on Current and Non-Current Assets** were estimated to increase by 5.3% in the 2023/24 financial year and estimated to be R43.10 million. This is informed by the strategy of recovering the old outstanding debt, rollout of the SMART Meters, debt incentive schemes rollout, the appointment of the Debt Collectors and the large sums of the down payment by defaulting consumers.

**Transfers and Subsidies: Operational** – This item includes the local government equitable share and other operating grants from national and provincial government. This is allocation is informed by the DoRa gazette as stipulated in the above Table 2.

**Other revenue (Operational Revenue)** is estimated to increase to be R274.98 million in 2023/24 financial year. This increase is informed by the VAT recoveries that the Municipality is receiving from the SARS assessment, tendering documentation, and other telephone recoveries.

The gains are estimated to be R3.29 million for the 2023/24 financial year, which is informed by the auction that will be conducted during the 2023/24 financial to dispose off the assets in line with the Council policies and other relevant regulations.

**Operating surplus** is estimated to increase to be R281.56 million in 2023/24 financial year. This is due to the inflationary tariff increases and other revenue enhancement strategies such as rollout of SMART Meters and appointment of Debt Collection Team.

## **7. The Operating Revenue Budget Overview 2023/24 MTREF Budget can be summarised as follows per Directorate –**

**Table 4: Overall Operating Revenue 2023/24 MTREF Budget per Directorate (Table A3 Revenue only)**

DC13 Chris Hani - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2019/20 Audited Outcome	2020/21 Audited Outcome	2021/22 Audited Outcome	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Revenue by Vote</b>									
01.2 - Council General - Independent Contractor	0	0	0	0	0	0	0	0	0
02.2 - Communication Office	0	682 370	518 232	399 300	399 300	399 300	0	0	0
03.2 - Budget & Treasury Office	625 297 373	722 956 567	697 560 361	1 014 839 376	1 061 246 358	1 061 246 358	1 124 004 031	1 185 813 047	1 240 307 897
04.2 - Community & Social Services	5 902 314	544 669	707 357	1 140 863	1 140 863	1 140 863	2 898 339	417 856	437 494
05.2 - Council Support	4 271 409	2 483 331	2 020 861	1 488 300	1 488 290	1 488 290	372 000	0	0
06.2 - Local Economic Development	1 182 747	4 452 529	1 292 696	980 100	980 100	980 100	0	0	0
07.2 - Technical Services Administration	770 334 612	983 349 711	1 087 731 682	998 031 628	1 035 294 429	1 035 294 429	1 048 275 213	1 034 579 470	711 182 658
08.2 - Plant: Public Works	16 701 091	0	0	0	0	0	0	0	0
<b>*Total Revenue by Vote</b>	<b>1 423 689 546</b>	<b>1 714 469 196</b>	<b>1 789 831 188</b>	<b>2 016 879 567</b>	<b>2 100 549 340</b>	<b>2 100 549 340</b>	<b>2 175 549 583</b>	<b>2 220 810 373</b>	<b>1 951 928 049</b>

**8. The Operating Expenditure Budget Overview 2023/24 MTREF Budget can be summarised as follows per Line Items –**

**Table 5: Overall Operating Expenditure 2023/24 MTREF Budget (Table A4 Expenditure only)**

Budgeted Financial Performance (revenue and expenditure)										
Description	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Expenditure</b>										
Employee related costs	342 074	379 973	407 269	400 535	390 490	390 490	272 770	420 947	452 098	484 259
Remuneration of councillors	12 226	12 918	12 426	12 715	12 715	12 715	8 371	13 223	13 752	14 302
Bulk purchases - electricity	-	-	-	-	-	-	-	-	-	-
Inventory consumed	10 490	33 493	18 361	43 184	46 071	46 071	-	57 315	58 907	57 620
Debt impairment	278 891	304 180	335 286	227 391	217 391	217 391	151 594	223 935	230 653	237 572
Depreciation and amortisation	157 913	181 858	260 297	180 000	180 000	180 000	120 000	189 540	191 461	197 420
Interest	88	456	2 842	530	377	377	408	500	525	549
Contracted services	168 380	182 088	205 766	241 544	233 935	233 935	162 659	279 218	270 916	292 384
Transfers and subsidies	117 739	53 842	70 713	70 500	53 446	53 446	41 955	86 808	82 124	118 791
Irrecoverable debts written off	-	-	-	-	-	-	-	-	-	-
Operational costs	134 190	144 866	156 063	142 776	147 875	147 875	103 447	155 000	163 866	166 569
Losses on disposal of Assets	315	906	876	-	-	-	-	-	-	-
Other Losses	-	392	1 447	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>1 222 305</b>	<b>1 294 972</b>	<b>1 471 347</b>	<b>1 319 176</b>	<b>1 282 300</b>	<b>1 282 300</b>	<b>861 204</b>	<b>1 426 487</b>	<b>1 464 301</b>	<b>1 569 666</b>

Overall operating expenditure for 2023/2024 is estimated at R 1,426,486,590 or R 144,186,759 (11.24%) more than the adjustments budget expenditure of R1,282,299,831 for 2022/2023. Employee related costs, contracted services, and other expenditures are the main cost drivers within the municipality and alternative operational efficiencies, or additional revenue sources will have to be identified to lessen the impact of wage and tariff increases in future years.





The general CPIX rates was used for the operating expenses increases for 2023/24 was 5.3%, throughout the MTREF Budget period however, some of the expenditures do not increase with the same percentage points due to the assessment of the year -to date expenditures where the Municipality is trying to avoid any potential unauthorised expenditures.

A Salary and Wage Collective Agreement that was implemented from effective 1 July 2022 was an increase of 4.9%. The Municipality has budgeted for the 5.3% for the 2023/24 financial period plus the notch increase of 2.5% totalling to 7.8% in line with the CPI. Based on the proposed salary increase resulted to an increase of salary to R420.95 million, which represents a 7.8% growth when compared to the previous financial year. The total salary costs are informed by the salary projections related to the current structure amounting to R390.49 million and the vacant funded positions therefore, the actual salary increase is in line with the proposed increase by National Treasury of 7.8% including the notch increase when compared to the R390.49 million of 2022/23 adjusted budget.

The salary increases for Councillors is estimated to increase by 4% to R13.22 million for 2023/24 financial year.

The **inventory consumed** is estimated to be R57.32 million and represent an increase of 24% for 2023/24 financial year. Although this increase is more than the CPI index, however, this has considered the YTD expenditures for the 2022/23 financial year to avoid any potential unauthorised expenditures.

**Debt Impairment** is estimated to increase by 3% to R223.94 million, this amount will include the prescribed debt and Irrecoverable Indigent Dent. The appointment of Debt Collection Team and the rollout of SMART Meters. These measures will further reduce this expenditure item.

The **depreciation and impairment** cost are estimated to be R189.54 million representing 5.3% increase due to new assets and impairment assessment that is being conducted currently for the 2022/23 AFS process.

The **contracted services** are estimated to be R279.22 million and represent an increase of 19.37% for 2023/24 financial year. Although this increase is more than the CPI index, however, this has considered the YTD as well as additional expenditures related to security services R65m, litigations R14m, repairs and maintenance of R42m, and other contracted services that includes both insource and outsourced. This increase is also influenced by the operational projects funded by MIG operational. This is also a prudent measure to avoid any potential unauthorised expenditures.

The **transfers and subsidies** are estimated to be R86.81 million and represent an increase of 62.42% for 2023/24 financial year. This increase is more than the CPI index because it includes

cost drivers such as Rural Sanitation to local municipalities which the municipalities has prioritised, CHDA subsidy and CDC subsidy. This is also a prudent measure to avoid any potential unauthorised expenditures.

The **Operational Costs** are estimated to be R155 million and represent an increase of 4.82% for 2023/24 financial year. This increase is within the CPI index and also has considered the YTD as well as additional expenditures and inflationary price increases from suppliers for goods and services.

**9. The Operating Expenditure Budget Overview 2023/24 MTREF Budget can be summarised as follows per Department –**

**Table 7: Overall Operating Expenditure 2023/24 MTREF Budget per Directorate (Table A3 only)**

**DC13 Chris Hani - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	2019/20 Audited Outcome	2020/21 Audited Outcome	2021/22 Audited Outcome	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Expenditure by Vote to be appropriated</b>									
01.2 - Council General - Independent Contractor	27 625 639	24 123 410	22 928 705	23 066 458	25 128 974	25 128 974	26 018 344	27 457 510	28 859 345
02.2 - Communication Office	68 256 552	51 158 712	75 029 671	86 788 300	85 712 594	85 712 594	108 318 443	109 334 180	114 962 832
03.2 - Budget & Treasury Office	75 563 891	114 408 853	124 292 778	101 763 773	105 428 016	105 428 016	96 107 730	103 599 641	110 235 165
04.2 - Community & Social Services	46 421 510	59 389 799	54 736 037	58 247 757	52 533 313	52 533 313	62 763 192	63 276 286	67 471 229
05.2 - Council Support	144 519 905	167 820 662	195 770 889	162 706 149	172 097 949	172 097 949	229 257 593	176 215 960	179 695 256
06.2 - Local Economic Development	41 916 240	40 163 198	23 945 205	31 371 987	29 835 859	29 835 859	34 176 116	34 822 263	42 546 383
07.2 - Technical Services Administration	824 602 025	862 986 836	1 003 923 577	853 453 666	810 040 760	810 040 760	1 103 830 487	952 423 214	1 028 851 139
08.2 - Plant Public Works	21 918 778	1 644 635	1 636 457	1 778 039	1 522 366	1 522 366	1 640 868	1 762 096	1 888 789
<b>Total Expenditure by Vote</b>	<b>1 250 824 540</b>	<b>1 321 676 104</b>	<b>1 502 263 319</b>	<b>1 319 176 129</b>	<b>1 282 299 831</b>	<b>1 282 299 831</b>	<b>1 662 112 773</b>	<b>1 468 891 150</b>	<b>1 574 510 138</b>
<b>Surplus (Deficit) for the year</b>	<b>172 865 006</b>	<b>392 793 091</b>	<b>287 567 868</b>	<b>697 703 438</b>	<b>818 249 509</b>	<b>818 249 509</b>	<b>513 086 810</b>	<b>773 639 223</b>	<b>377 417 911</b>

The above table depicts the appropriation of the Operational Expenditure per directorate. The majority of the operational budget (i.e., 75.15%) has been allocated towards the Technical Services department in order to deliver services effectively and efficiently within the district.

**10. The Capital Expenditure Budget Overview 2023/24 MTREF Budget can be summarised as follows per Department –**



**Table 8: Overall Capital Expenditure 2023/24 MTREF Budget - Per function**

Budget Capital Expenditure per Functional Classification										
Vote Description	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework			
				Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Capital Expenditure - Functional</b>										
<b>Governance and administration</b>	318	4 581	9 961	60 500	60 500	60 500	3 030	60 500	55 575	124 912
Executive and council										
Finance and administration	318	4 581	9 961	60 500	60 500	60 500	3 030	60 500	55 575	124 912
Internal audit										
<b>Community and public safety</b>	-	-	-	-	-	-	-	-	-	-
Community and social services										
Sport and recreation										
Public safety										
Housing										
Health										
<b>Economic and environmental services</b>	-	-	0	24 000	20 100	20 100	47	10 400	4 000	-
Planning and development	-	-	0	24 000	20 100	20 100	47	10 400	4 000	-
Road transport										
Environmental protection										
<b>Trading services</b>	16 527	(2 939)	8 315	531 235	574 329	574 329	455 121	526 714	526 943	392 091
Energy sources										
Water management	15 528	(2 939)	7 913	491 835	556 549	556 549	447 095	493 064	502 913	390 701
Waste water management	999	(0)	402	39 400	17 779	17 779	8 026	33 650	24 030	1 390
Waste management										
<b>Other</b>										
<b>Total Capital Expenditure - Functional</b>	<b>16 845</b>	<b>1 642</b>	<b>18 275</b>	<b>615 735</b>	<b>654 929</b>	<b>654 929</b>	<b>458 197</b>	<b>597 614</b>	<b>586 518</b>	<b>517 003</b>

Capital expenditure for the 2023/2024 financial year is estimated at R 597,614,268 with a decrease of R 57,314,275 or 8.75% which is less than the adjustments budget capital expenditure of R 654,928,543 for 2022/2023. The majority of the capital budget (i.e. 83%) has been allocated towards the Water Management. This is to deal with the access to water services backlogs.

The available funding mix is very constrained due to the shrinking of the fiscus purse from the National government due to numerous impacts with COVID 19 included. This capital projects are funded from grants except for the CHDM assets OF R60.5 million that are to be funded from own funding although the Municipality is financially constraint to fund from own revenue.

**The detailed capital projects from own funded are reflected below.**

**Table 9: Overall Capital Expenditure per Vote**

Vote Description	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework			
				Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>										
<b>Capital expenditure - Vote</b>										
<b>Multi-year expenditure to be appropriated</b>										
Vote 01 - Council	-	-	-	-	-	-	-	-	-	-
Vote 02 - Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 03 - Budget & Treasury	318	1 414	7 260	60 500	60 500	60 500	3 030	60 500	55 575	124 912
Vote 04 - Community Services	-	-	-	-	-	-	-	-	-	-
Vote 05 - Corporate Services	-	3 167	2 701	-	-	-	-	-	-	-
Vote 06 - Planning & Development	-	-	0	20 000	20 000	20 000	47	-	-	-
Vote 07 - Technical Services	16 527	(2 939)	8 315	535 235	574 429	574 429	455 121	537 114	530 943	392 091
Vote 08 - Roadworks	-	-	-	-	-	-	-	-	-	-
Vote 09 - Enaly: Chis Hani Development Agency	-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10	-	-	-	-	-	-	-	-	-	-
Vote 11 - Vote 11	-	-	-	-	-	-	-	-	-	-
Vote 12 - Vote 12	-	-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13	-	-	-	-	-	-	-	-	-	-
Vote 14 - Vote 14	-	-	-	-	-	-	-	-	-	-
Vote 15 - Other	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>16 845</b>	<b>1 642</b>	<b>18 275</b>	<b>615 735</b>	<b>654 929</b>	<b>654 929</b>	<b>458 197</b>	<b>597 614</b>	<b>586 518</b>	<b>517 003</b>

**Table 10: Overall Capital Expenditure for the 2023/24 MTREF Budget – Funding source**

Vote Description	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework			
				Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>										
<b>Funded by:</b>										
National Government	16 527	(3 044)	8 518	535 235	574 429	574 429	455 121	537 114	530 943	392 091
Provincial Government	-	105	(204)	-	-	-	-	-	-	-
District Municipality Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>16 527</b>	<b>(2 939)</b>	<b>8 315</b>	<b>535 235</b>	<b>574 429</b>	<b>574 429</b>	<b>455 121</b>	<b>537 114</b>	<b>530 943</b>	<b>392 091</b>
<b>Borrowing</b>										
Internally generated funds	318	4 581	9 961	80 500	80 500	80 500	3 077	60 500	55 575	124 912
<b>Total Capital Funding</b>	<b>16 845</b>	<b>1 642</b>	<b>18 275</b>	<b>615 735</b>	<b>654 929</b>	<b>654 929</b>	<b>458 197</b>	<b>597 614</b>	<b>586 518</b>	<b>517 003</b>

Capital expenditure for the 2023/2024 financial year is estimated at R 597,614,268 with a decrease of R 57,314,275 which is less than the adjustments budget capital expenditure of R 654,928,543 for 2022/2023. The table above depicts the Capital Grants allocation which indicates R537 million from National Treasury for MIG (R346 million) mainly for provision of bulk water and bulk sewer services, WSIG (R67 million) mainly for provision of Wastewater Refurbishments and RBIG (R203 million) mainly for Water Backlogs.

The available funding mix is very constrained due to the shrinking of the fiscus purse from the National government due to numerous impacts with COVID 19 included. This capital projects are funded from grants except for the CHDM assets OF R60.5 million that are to be funded from own funding although the Municipality is financially constraint to fund from own revenue. The detailed capital projects from own funded are reflected below.

The projected own funded capital projects are as follows:

Office furniture	R1,500,000
Computer Equipment	R12,000,000
Electronic Document Management System	R10,000,000
Fire Trucks (4)	R24,000,000

Compactor Trucks (4)	R 8,000,000
New Vehicles	R 5,000,000
<b>TOTAL CHDM ASSETS – CRR FUNDING</b>	<b>R60,500,000</b>

## 10. BUDGET SCHEDULES AND OTHER SUPPORTING DOCUMENTATION

- (i) The following budget tables have been completed and are attached as Annexure A: -
- Table A1 – Budget Summary.
  - Table A2 – Budgeted Financial Performance (Revenue and Expenditure by standard classification).
  - Table A3 – Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote);
  - Table A4 – Budgeted Financial Performance (Revenue by Source and Expenditure by type).
  - Table A5 – Budgeted Capital Expenditure by Vote, standard classification, and funding.
  - Table A6 – Budgeted Financial Position;
  - Table A7 – Budgeted Cash Flows.
  - Table A8 – Cash Backed reserves / accumulated surplus reconciliation.
  - Table A9 – Asset Management; and
  - Table A10 - Basic service delivery measurement.
- (ii) The supporting schedules SA1 to SA 38 are also included as part of Annexure A.
- (iii) The most recent MFMA Budget Circular no 122 and 123 is included in the budget documentation as Annexure G.

### Other parties consulted:

- Head of Departments



- Finance Standing Committee
- Budget Steering Committee
- IDP/PMS Sections
- Chris Hani District Agency

#### **Deliberations of the Mayoral Committee:**

- The budget from the CHDA has yet to be presented as they are still continuing with their budgeting processes, but rather the CHDM has made a provision for allocation purposes in its own budget.
- Alignment between the IDP (with policies and the organogram) and the Budget is of critical importance.
- The importance of adopting a funded budget cannot be understated.

#### **Deliberations of Council meeting**

- The presentation done by the Executive Mayor on the report was very much appreciated, it is promising that service delivery would be achieved.
- The resources are limited which result to non-achievement of some services to the people.
- The budget on security services should be reduced.
- Political leadership should engage community of the district to look after the assets that are in their possession.
- The Institution shall consider the issue of maintenance when drafting budget.
- Package of Salaries need to be double checked or whether the staff is bloated, and it should be worked on.
- A lot of money should be used to the core business of the municipality.
- What is being done with sewerage issue flowing in the Queenstown.



- The treatment works is not working it needs to be looked at as a matter of extreme urgency.
- It further suggested that a committee be formed to look at a thirty- forty-year plan as the Waterdown pipeline is not working.

**Resolutions:**

**It was resolved that:**

- 1) Council **approves** for further legislated processes the Annual Budget of the Municipality for the 2023/24 MTREF and the multi-year and single year capital appropriations as set out in the following tables.
- 2) Council **approves** for further legislated processes the Operating Revenue of R 1,638,085, 315 for the 2023/24 annual MTREF budget and its two 2024/25 and 2025/26 as reflected in Table 1 and 3 above.
- 3) Council **approves** for further legislated processes the Operating Expenditure of R 1,426,486,590 for the 2023/24 annual MTREF budget and its two 2024/25 and 2025/26 as reflected in Table 1 and 5 above.
- 4) Council **approves** for further legislated processes the Capital Expenditure of R 597,614,268 for the 2023/24 annual MTREF budget and its two 2024/25 and 2025/26 as reflected in Table 8 above.
- 5) Council **approves** for further legislated processes the Capital Funding of R 597,614,268 for the 2023/24 annual MTREF budget and its two 2024/25 and 2025/26 as reflected in Table 8 above.
- 6) Council **approves** for further legislated processes the proposed total cost to municipality expenses for the salary, allowances and benefits of the Executive Mayor, Speaker, Deputy Executive Mayor, Chief Whip, Mayoral Committee members, ordinary councillors, Municipal Manager (MM), Chief Financial Officer (CFO) and Other Directors as set out in SA23 included in Annexure D.



- 7) Council **approves** for further legislated processes the **Annexure A** reflecting the Budget schedules A1 to A10 and SA1 to SA 38, **Annexure B** capital budget per department, **Annexure C** (summaries of the capital budget).
- 8) Council **approves** for further legislated processes the Municipal Basic Services as contained in Annexure D for the 2023/24 budget year be noted and be forwarded to Council for approval.
- 9) Council **approves** for further legislated processes the following Municipal Basic Services tariff increases for the 2023/24 MTREF Annual Budget of the Municipality be noted and approved as follows:
  - (i) Water for 5.3%
  - (ii) Sanitation 5.3%
  - (iii) Flat rates 5.3%
- 10) Council **approves** for further legislated processes the of MFMA Budget Circular No.'s 122 and 123 attached as Annexure E be noted and be forwarded to Council for approval.
- 11) Council **approves** for further legislated processes the Annual Reviewed and New Budget Related Policies of the Chris Hani District Municipality for the 2023/24 MTREF be noted and approved as set out in the annexures.
- 12) Council **approves** for further legislated processes that the budget was prepared and developed on the version 6.7 of the mSCOA classification framework be noted and be forwarded to Council for approval.
- 13) Council **approves** for further legislated processes the Indigent subsidy be granted and approved for the registered indigent in terms of the Indigent Policy be noted and be forwarded to Council for approval.
- 14) Council **approves** for further legislated processes the Consolidated Annual Budget of the Municipality for the 2023/24 MTREF and the multi-year and single year capital





appropriations as set out in the annexures as tables be noted and be forwarded to Council for approval.

15) Council **approves** for further legislated processes the Annual Budget of the Chris Hani Development Agency for the 2023/24 MTREF and the multi-year and single year capital appropriations as set out in the annexures as tables be noted and be forwarded to Council for approval as follows:

- (i) Budgeted Financial Performance (Revenue by source and Expenditure by Type);
- (ii) Budgeted Financial Position.
- (iii) Budgeted Cash Flow.

**This is certified as a true copy of the original.**

**MR. G. MASHIYI**

**MUNICIPAL MANAGER**

(An official delegated with the Authority to prepare the record of the Proceedings and implement council Resolutions)

**CLLR J. CENGANI**

**SPEAKER OF COUNCIL**

(In His capacity as the Speaker of the Council)