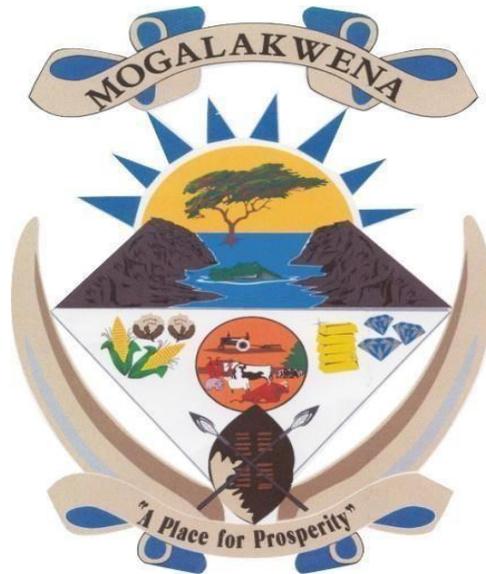


ANNUAL BUDGET OF MOGALAKWENA LOCAL MUNICIPALITY



2023/24 TO 2025/26

FINAL

MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

Acronyms and abbreviations

BSC	Budget Steering Committee
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DoRA	Division of Revenue Act
EXCO	Executive Committee
FBS	Free basic services
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IBT	Inclining Block Tariff
IDP	Integrated Development Plan
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act (56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
mSCOA	Municipal Standard Charts of Account
MTBPS	Medium Term Budget Policy Statement
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator of South Africa
NDP	National Development Plan, 2030
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

Table of Contents

PART 1 – ANNUAL BUDGET

- 1.1 Mayor's Report
- 1.2 Council Resolutions
- 1.3 Executive Summary
- 1.4 Operating Revenue Framework
- 1.5 Operating Expenditure Framework
- 1.6 Capital Expenditure
- 1.7 Annual Budget Tables

PART 2 – SUPPORTING DOCUMENTATION

- 2.1 Overview of the Annual Budget Process
- 2.2 Overview of Alignment of Annual Budget and IDP
- 2.3 Measurable Performance Objectives and Indicators
- 2.4 Overview of Budget Related Policies
- 2.5 Overview of Budget Assumptions
- 2.6 Overview of Budget Funding
- 2.7 Expenditure on Grants and Reconciliations of Unspent Funds
- 2.8 Councilor and Employee Benefits
- 2.9 Monthly Targets for Revenue, Expenditure and Cash Flow
- 2.10 Annual Budgets and SDBIP
- 2.11 Contracts Having Future Budgetary Implications
- 2.12 Capital Expenditure Details
- 2.13 Legislation Compliance Status
- 2.14 Other Supporting Documents
- 2.15 Municipal Manager's Quality Certificate

Part 1 – Annual Budget

1.1 Mayor’s Report

The Mayor will present his report separately in the council meeting to be held on 30 May 2023.

1.2 Council Resolutions

Since current council was sworn in during 2021, the 2023/2024 MTREF will mark as the second terms for the councillors to implement the annual budget which seek to improve the service delivery of Mogalakwena Local Community.

The strategic direction that the Municipality will undertake is set out in its five-year Integrated Development Plan (IDP).

The Medium-Term Revenue and Expenditure Framework (MTREF) allows for a three-year planning and spending framework. The MTREF planning horizon allows Municipality to improve planning and to project the impact of policy choices on future budgets.

Circular 123 was issued on the 3rd of March 2023. Among the objectives of this Circular, is to support municipalities with giving effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR) within the current economic climate.

As a result of the stipulated requirement in the budget circular, the 2023/2024 Medium Term Revenue and Expenditure will seek to address any service delivery in the community of Mogalakwena and enable the council to further implement any proposed project emulating from previous financial year together with the newly identified service delivery projects.

In terms of Section 16(2) of the Municipal Finance Management Act (56 of 2003), "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*. This budget is usually referred to as the "draft budget". Paragraph 9 and Schedule A of the Municipal Budget and Reporting Regulations prescribe the format and contents of the budgets of municipalities and municipal entities.

The Mayor of Mogalakwena Local Municipality is expected to table the draft budget, in terms of section 16(2) of the MFMA during March before public consultation begin. At the meeting, the following resolutions will be approved:

1. The Council of Mogalakwena Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2023/2024 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 attached as pages 338 to 342;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 attached as pages 343 to 345;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 attached as page 346; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 attached as pages 347 to 350;

1.2. The cash flow budget, cash-backed reserve/accumulated surplus and asset management are approved as set out in the following tables:

1.2.1. Budgeted Cash Flows as contained in Table A7 attached as page 352;

1.2.2. Asset management as contained in Table A9 A4 attached as pages 354 to 356;

2. The Council of Mogalakwena Local Municipality approved the following 2023/2024 revised budget related policies and By-Laws as set out in Annexure 1:

Reference to Policy summary	Descriptions	Status	Effective Date
Annexure A:	Unclaimed Deposits Policy	New	1 July 2023
Annexure B:	Accounting Policy	In use	1 July 2023
Annexure C:	Cash and Investment Policy	In use	1 July 2023
Annexure D:	Virement Policy	In use	1 July 2023
Annexure E:	Financial Asset Management Policy	In use	1 July 2023
Annexure F:	Stock Management Policy	New	1 July 2023
Annexure G:	Credit Control and Debt Collection Policy	In use	1 July 2023
Annexure H:	Indigent Support Policy	In use	1 July 2023
Annexure I:	Tariff Policy	In use	1 July 2023
Annexure J:	Property Rates Policy	In use	1 July 2023
Annexure K:	Writing-Off of Irrecoverable Debt Policy	In use	1 July 2023
Annexure L:	Grant in Aid Policy	New	1 July 2024
Annexure M:	Cost Containment Policy	In use	1 July 2023
Annexure N:	Funding and Reserve	In use	1 July 2023
Annexure O:	Expenditure Management Policy	In use	1 July 2023
Annexure P:	Unauthorised Expenditure Policy	In use	1 July 2023
Annexure Q:	Supply Chain Management Policy	In use	1 July 2023
Annexure R:	Fleet Management Policy	New	1 July 2023

All other budget related policies and By-Laws remain unchanged from the previous year.

There were changes made and new policies on the following:

Unclaimed Deposit

Unclaimed monies is a challenge faced by the municipality where monies are deposited into the municipal primary bank account which cannot be identified nor are claimed by any consumer or creditor of the municipality.

The objectives of the policy is to provide a framework on how to deal with unknown or unclaimed deposits in the municipal bank account.

Stock Management Policy

The aim of this policy is to ensure continued availability of materials for rendering services to the community, by following due processes and procedures that are consistent with Council's Supply Chain Management Policy and other applicable legal and policy frameworks

Fleet Management Policy

The purpose of the policy is to co-ordinate the management of the Council fleet by means of control measures which are applicable to all Political Office Bearers, Departments, division and Section of the Council's operations.

Grant in Aid Policy

Grant-in-Aid is intended to support community-based and external organisations, which deliver essential services to communities that fall within the municipal area. It allows the municipality to create an enabling environment for community development

Supply Chain Management Policy

The policy was reviewed in order to align it with the Supply Chain Management regulations. Special emphasis was also taken into consideration in order to address shortcoming in supporting local small business.

One other consideration taken into the policy was the review in order to provide transparency in the procurement process and eliminate any non-compliance raised by AG in the past (Eg, where its impractically impossible to obtain 3 quotation such as advertisement to local newspaper).

3. The Council of Mogalakwena Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2023 the rates and tariffs as set out in Annexure 2 ;
 - 3.1. the tariffs for property rates;
 - 3.2. the tariffs for electricity;
 - 3.3. the tariffs for the supply of water;
 - 3.4. the tariffs for sanitation services;
 - 3.5. the tariffs for solid waste services;
 - 3.6. the tariffs for all sundry services;
4. To give proper effect to the municipality's annual budget, the Council of Mogalakwena Local Municipality approves:
 - 4.1. That the municipality is not budgeting to raise long-term loans to fund the capital budget.
5. That the Accounting Officer adheres to all prescribed requirements in terms of legislation regarding the submission of the budget document to the various institutions.
6. The budget related resolutions will form part of the budget document after submission of the budget to council.
7. The accounting officer of the municipality will submit the approved annual budget to the National and the relevant provincial treasury as prescribed in section 24(3) of the Municipal Finance Management Act.

1.3 Executive Summary

The Service Delivery and Budget Implementation Plan (SDBIP) give effect to the IDP and the budget of the municipality. It is an expression of the objectives of the Municipality in quantifiable outcomes that will be implemented by the administration for the financial period from 1 July 2023 to 30 June 2024 (Municipality's financial year). It includes the service delivery targets and performance indicators for each quarter which is linked to the performance agreements of senior management. It therefore facilitates oversight over financial and non-financial performance of the municipality and allows the Municipal Manager to monitor the performance of the Senior Managers, the Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality as a whole.

The budget of the municipality was prepared taking into consideration the Municipal Budget and Reporting Regulations and the National Treasury circulars relating to budgets. (The budget circulars issued for the 2023/24 MTREF are circulars No. 122 and 123.

The application of sound financial management principles for the compilation of the municipality's budget is essential and critical to ensure that the municipality remains

financially sound and that the municipality is able to provide services to all communities in a sustainable manner.

National Treasury has in the past, published budget review notes where spending plans were outlined and commitment to support government's commitment to broadening service delivery and expanding investment in infrastructure, while taking account of the constrained fiscal environment. It provides the foundation for structural reforms and is focused on the transformation essentials which will ultimately accelerate growth, create work opportunities and build an equal society. The emphasis of the National Budget is placed on ensuring that expenditure is allocated in an efficient manner, that management is enhanced and that cutting of waste occur. It is therefore imperative that we follow the tone at the top and ensure that our own local budget exhibits the same potential for being a developmental local government and implement cost containing measures to eliminate non-priority spending.

The South African GDP is expected to grow by 0.9 per cent in real terms in 2023, compared with an estimate of 1.4 per cent at the time of the medium-term budget policy statement (MTBPS), recovering slowly to 1.8 per cent in 2025. The government is therefore taking urgent measures to reduce load-shedding in the short term and transform the sector through market reforms and to achieve long-term energy security. The continuous power-cuts have a negative impact on the municipality's already struggling revenue collection.

The municipality has been subjected to statutory audit for the 2021/22 financial period; The Office of the Auditor General is responsible for all the statutory audit function of the Municipality.

Due to collective effort in driving municipality performance agreement by all departments, municipality had moved from disclaimer to qualified audit opinion. The major audit finding which led to qualification was as result of opening balances relating to infrastructure assets among other issues.

The audit findings which led to qualification are well known and quantified by the Municipality and this form part of the developed AGSA action plan. Extra effort will continue to be put in place through the established AGSA action plan committee which seek to address all issues raised. To ensure the committee is effectively discharge; the Chief Financial Officer will oversee the committee as the chairperson. Municipality plan to archive unqualified audit opinion in the 2022/23 financial year.

The municipality has adopted the following assumptions during the preparation of the 2022/23 MTREF Budget:

National and provincial assumptions

- Local Government Grants allocations as per Division of Revenue Bill as per Government Gazette No 48017 issued on the 10th of February 2023
- Proposed bulk electricity purchases increase of 18.5%.
- Proposed increases of 43.6% for bulk water.

- Revenue to increase by maximum of 5.3% and justification required for all increases above the inflation target except where the municipality targeted lessor revenue billings
- Remuneration for upper limits to be taken into consideration when preparing budget.
- Employee costs increase of 5.4% which is the projected average CPI Inflation rate as per MFMA Circular no. 123.
- Cost reflective and sustainable tariff increases taking into account the tariff setting tool guidelines provided by the National Treasury.
- The impact of load-shedding that have been declared a state of disaster.

Municipal Budget Assumptions

Material budget adjustment

a) Electricity services

- Municipality has increased electricity tariff by 18.5%. which is in line with NERSA 18.5% increase.
- Despite increase of 18.5% in line with NERSA, Municipality expect to increase electricity consumption as result of implementation of revenue enhancement action plan and current active incentive scheme as detailed bellow (under water services)

b) Water services

- Lepelle Northern Water has approved increase of 43.6% on water purchases. Municipality has taken into consideration the importance of cost reflective tariff while taking into account the affordability by consumers during this difficult economy. This as result led to Municipality increasing its water tariff by 15% for household and by 43.6% for commercial.
- Municipality through the consultant who has been appointed by Department of Cooperative Governance and Traditional Affairs has developed a revenue management turnaround strategy which can only be achieved by critically reviewing the current revenue management business models and processes being applied within the municipality.
- To improve on the current business model, it is important to identify all the critical elements that currently affect municipal revenue performance. This review process led to few identified shortcomings which include among others;
 - Identification of unbilled meters
 - Inconsistence in enforcing credit control

- One major drive which Municipality planned to embark is identification of all household and commercial areas which are not being billed or bypassed the system. This will in turn increase the annual revenue through increased billed account or consumptions.
- To successfully implement the identification of unbilled meter, Municipality have developed debt incentive scheme for council to approve on the 30 May 2023 council seating which will be implemented effective from 1 July 2023.
- The developed incentive scheme seeks to enforce credit control and do inspections in all household to identify consumers who have bypass the system or who are not being billed. In addition to incentive scheme, awareness will be conducted which also give opportunities to consumers who have previously bypass to be afforded amnesty. Failure to approach Municipality for amnesty will require Municipality to treat all who are found to have breached or bypassed the system by backdating the account and enforce credit control with option to enter into payment arrangement or exercise options for current incentive scheme.
- The Municipality has put further initiative to be rolled out during the 2023/2024 financial to conduct meter audit thought the Municipality boundaries.
- Note the above initiative will assist in increasing the current revenue collections and consumption since it will identify more unbilled meters (current data revenue enhancement has identified this as major finding)

c) Debt collections

- The Municipality debt collection rate for the past six months is as follows:

October 2022	67%
November 2022	79%
December 2022	48%
January 2023	69%
February 2023	53%
March 2023	80%

- The Municipality appointed debt collector who was allocated certain portion of the Municipality areas since November 2022 to March 2023. The scope of the allocated areas was later reviewed and changed to now cover the entire debt populations of Mogalakwena Local Municipality.
- The Municipality plan to use debt collectors to assist in implementing the approved incentive scheme through credit control enforcement and monitoring to ensure enforcement is effective (previously, the credit control was not effective due to lack of capacity in the municipality).
- Municipality have in numerous occasion implemented credit control to consumer, however most consumers have long outstanding accounts which they are unable to settle.

Incentive scheme

- The proposal to effectively reduce council debt which in turn can assist with current financial recovery plan are detailed before and approved by council as part of initiative which debt collectors will assist Municipality with implementation;

I. COMMERCIAL

- All municipal commercial consumers struggling to meet their arrangements or commitments will be provided relief in a form of discounted payment arrangement as follows.
- Debts older than 90 days will get the following discounts:
 - 10 % discount on payment offer of 25% outstanding debt, without interest on arrears
 - 15% discount on payment offer of 50% outstanding debt, without interest on arrears
 - 20% discount on payment offer of 75% outstanding debt, without interest on arrears
 - 35% discount on full settlement offer of outstanding debt, without interest on arrears

II. RESIDENTIAL

1. Residential debt relieve program

- Residential debt older than 90 days. The debtor will be allowed to pay what they can afford and on the same amount paid, debtor will be granted discount of the same amount paid. The remaining after payment and after write off based on the incentive program will need to be acknowledged and payment arrangement be entered into. In case where debtor will default on the arrangement, all amount previously written off as part of incentive will be reversed.

(Example on the incentive; If consumer owe R500, and offer to pay R 100 the municipality will write off R 100 and the rest which will now be R300 will qualify for payment arrangement)

- These proposed discounts will apply only when an acknowledgement of debt is signed. Should the consumer fail payment during the duration of the arrangement, discount will be cancelled and credit control will be enforced.
- Irrespective of a client qualifying for the incentive, whether his/her account is paid up do date or he/she signed an acknowledgement of debt, a consumer will not be considered for the proposed incentive if he/she did not complete and handed in an application for incentive once during the campaign.
- The normal credit control procedures will be enforced during this period which will then afford consumers to come forward to apply for incentive in

order to have their services reconnected.

2. Amnesty on illegal connection

- As eluded above, Municipality will conduct meter audit during the 2023/24 financial period. Part of the meter audit will identify area where the current municipality system (Electricity and Water) has been bypassed.
- Amnesty will be given to consumer who has bypass the connections to come forward and report it before Municipality start with meter audit. The consumers who come forward before meter audit will be afforded benefit not to be charged penalties.

3. Municipal employees and councilors

- In terms of Municipal Code of Conduct Municipal employees and councilors are not allowed to owe Municipality. Therefore, all Municipality employees and councilors who currently owe the Municipality will be required to settle they outstanding debt owed to Municipality. Note this can result in Auditor General Audit findings should it not be resolved.

4. Current paying consumers

- Consumers with accounts paid up to date for two consecutive months will get a 10% discount.
- The discount will be applied with the next month's billing following the implementation of the scheme.
- This initiative is to encourage good payers to continue honoring payment.

d) Expenditure

- **Employee cost**

One of the biggest challenges in the past which led to higher salary wage bill was the overtimes cost among others. Municipality have reviewed and introduced policy on overtime which now require more planning to be in place which will prevent unnecessary overtime spending. This also led to reduced budget on employee cost from previous audited financial year.

The Municipality also have certain approved positions in the structure which upon internal assessment were identified to be not service delivery driven positions or will not impact on service delivery should they not get filled immediately and as such those positions have been freezed pending finalization of new approved structure. These posts have not been considered in the budget as they were considered not be services delivery driven positions.

It should be noted that in past financial period the budgeting on employee cost was based on historic result, where else in the current financial year, historic result was taken into account together with detailed review of on entire wage bill.

- **Remuneration of councilors**

The cost associated with the remuneration of councilors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

- **Contracted services**

Despite Municipality having wage bill at 33% of the total expenditure, there is huge capacity challenges in the finance division which was caused by suspensions of some finance officials. This resulted in reliance in the use of consultants.

The Municipality managed to fill most critically positions including that of Chief Financial Officer. The current finance division structure was also reviewed in line to include positions which will close the capacity gap in the finance division in order to reduce reliance on consultant.

The current budget indicate reduction in use of consultants as result of above initiative taken. The reduction is a gradual movement and the municipality expects to reduce further in the future years.

- **Operational cost**

Operational cost includes among other municipality advertisement, telephones, insurance, accommodations, transportation, printing and publications.

The slide increase in operational cost was to cater for the operational lease which is aimed at replacing the current ageing municipal fleet. The first batch of the municipal fleet has started with delivery from May 2023.

- **Debt impairment**

Debt impairment was adjusted upward from R171 million audited result to R190 million. The initiative established to reduce historically debt will help ensure the current debt book is reduced. This slide increase was provided to allow the current debt write off as result of implementation of incentive.

We should also take note the introduction of incentive was not made for purpose of deb write off, it was however made to encourage consumers to pay they account, enforce credit control and last allow them to settle what is being owed through payment arrangement.

- **Depreciations**

Depreciation is in line with the historical actual movement. 2021/22 Actual amount was as a resulted of the entire population re-calculation as requested by the AG.

- **Inventory consumed**

Inventory consumed relate to water purchases which have been increased in line with Lepelle Water approved tariff increase.

Other assumptions

- Curbing of increasing costs for security.
- Reduction in overtime budget and spending.
- No entertainment budgets.
- Implementing additional cost containment measures in order to maintain a budget surplus over the MTREF period.
- Budget Funding Plan to be adopted with the budget.

The municipality has experienced the following challenges during the preparation of the 2022/23 MTREF:

- The need to increase funding for operations and maintenance due to ageing infrastructure.
- The increase of non-cash items budget to be realistic and assist the municipality in building reserves.
- No cash reserves available to fund or co-fund capital projects
- Low revenue collection rates experienced in the 2022/23 financial year
- The increased cost of supply for water and electricity resulting in unsustainable municipal tariffs
- Employee costs constitute 32.5% of the operational budget.

- Increasing distribution losses for water and electricity due to ageing infrastructure

The following budget principles and guidelines directly informed the compilation of the 2023/24 MTREF:

- The 2022/23 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2023/24 annual budget.
- The Annual Budget was prepared in terms of National Treasury MFMA Municipal Budget and Reporting Regulations. The growth parameters were calculated based on the average CPI and guidance of Circular 123 issued by treasury as follows:

Fiscal year	2022/23	2023/24	2024/25	2025/26
Consumer Price Inflation (CPI)	6.9%	5.3%	4.9%	4.7%

The municipality has reviewed the service delivery priorities as part of this year's planning and budget process.

The political priorities of Mogalakwena municipality are as follows:

- Water and Sanitation
- Roads and Storm water
- LED and Unemployment
- Electricity
- Institutional Arrangements
- Refuse and Solid waste management
- Land & Environment
- Housing
- Crime and Prevention, Safety & Security
- Health & Welfare
- Communication
- Education
- Sports, Arts and Culture
- Community Facilities
- Transport

Mogalakwena is responsible for the provision of the following services to 82 675 households (as per the Community Survey of 2016 by Statistics South Africa):

- Water and Sanitation
- Roads and Storm water
- Refuse Removal
- Electricity Distribution

The priorities are linked to the final IDP as outlined in the detailed Capital Investment Programme from 2022/24 to 2025/26.

Key amendments to the Integrated Development Plan

Section 25 of MSA requires that each Municipal Council must adopt a single, inclusive and strategic plan for the development of the municipality. This plan must link, integrate and co-ordinate plans and it should take into account proposals for the development of the municipality.

Section 34 provides that the IDP must be reviewed annually and amended if necessary. It is clear from the budget that stringent budget control must be implemented in order to sustain the viability of the municipality.

Alignment with national, provincial and district priorities

The priorities of Mogalakwena municipality were aligned with that of national, provincial government and the district municipality.

Strategic Objectives:

The following key strategic objectives for the municipality shall provide direction to the planning and implementation process as well as to inform the operations of the municipality:

OBJECTIVES	OUTCOMES
1. Foster, regulate, maintain and promote a sustainable environment	Improved quality of life and protected natural resources for future generations
2. Improve the quality of life through social development and the provision of effective community services	Developed community
3. Sound and efficient financial management	Sustainable financial viability
4. To create inclusive and well-coordinated investment opportunities for the growth of the economy	Reduced poverty
5. The optimum utilization of land	Coordinated rational regulated and orderly land development and utilization
6. To improve the quality and quantity of municipal infrastructure and services	Enhanced and sustainable socio-economic growth
7. To develop and implement integrated management and governance systems	Accountable and good governance – clean audits
8. To ensure that all stakeholders within the institution are adequately capacitated and retained	Competent and productive workforce

Key demographic, economic and other assumptions

Demographic overview

According to the Community Survey 2016, Mogalakwena Municipality contains over 43% of the Waterberg district 's population with a total population of 325 291 and 82 675 households. The Africans are in majority (315 814) and constitute approximately 97% of the total Mogalakwena municipality population. The white population is 7222, colored population is 500 and the Indian/Asian population is 1756. Just over 53% of the population is females. The table below compares municipal demographics per racial group and sex.

Table 1 : Population by racial group and sex

POPULATION GROUP	MALES		FEMALES		TOTAL		2016 SURVEY
	NUMBER OF PERSONS	PERCENTAGE OF POPULATION	NUMBER OF PERSONS	PERCENTAGE OF POPULATION	NUMBER OF TOTAL POPULATION	PERCENTAGE OF TOTAL POPULATION	% OF THE POPULATION IN WATERBERG DISTRICT
Black African	147 791	96.9%	168 024	97.3%	315 814	97.1%	46.4%
White	3 567	2.3%	3 654	2.1%	7 222	2.2%	12.0%
Colored	314	0.2%	185	0.1%	500	0.2%	22.0%
Indian/Asian	887	0.6%	868	0.5%	1 756	0.5%	65.7%
Total Population	152 559	100%	172 732	100%	325 291	100%	43.6%

Source: Stats' Community Survey 2016

Interpretation and Implications to the developmental mandate of the Municipality

Figures from the 2016 Community Survey indicate a population increase of 5.7 % (about 17 611) from the situation in 2011. The Municipality renders services to households and therefore adopts the layman's view that the number of households has increased significantly between 2011 and 2016. The increase in the number of households, particularly in the rural areas where there are minimal services has increased backlogs in electricity provision, housing needs, roads, access to water, sanitation needs, etc. There are arbitrary differences in figures with regard to racial groups' representations. Although racial integration is gradually being achieved through some blacks moving from the traditional black towns and rural areas to settle in Mokopane, there is a widening gap between the rich and the poor. Racial segregation is replaced by socio-economic segregation. There is therefore a need to speed up integrated human settlement in order to proactively address resultant social ills (such as crime, and skewed unsustainable development).

Table 2 Population distribution according to age

NUMBER OF RESIDENTS PER AGE GROUP	0 – 4	5 – 9	10 – 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 – 44
	48 845	44 324	36 727	30 040	27 313	23 831	19 055	15 231	14 415
	45 - 49	50 - 54	55 – 59	60 - 64	65 - 69	70 - 74	75 - 79	80 - 84	85 +
	12 891	11 902	10 137	8 960	7 152	6 004	4 263	2 052	2 149

Source: Stats' Community Survey 2016

The majority of the population is aged between 0 and 19 followed by those aged between 20 and 34, which suggests that the municipality is dominated by people who are both socially and economically active. In addition, the municipal area has a high dependency ratio due to the majority of the population aged between 0-19. However, the Municipality has to prioritize social programmes and projects which will be able to address the socio-economic needs of the people. For example, there is a need to increase the number and improve the quality of social amenities in the municipal area, preferably within the municipal growth points. Attention should also be paid to local economic development initiatives in these population concentration points. A review of the Spatial Development framework will identify the Developmental nodes so that they can be adequately developed and thus reduce the influx of people into the center of Mokopane town. This can be done by providing the required facilities like Shopping centers in the identified areas.

The Stats' Community Census was unable to provide economic data on employment and income statistics; therefore, we have utilized the 2011 Census data for these tables.

Number of residents per income type	No income		R1 - R400		R401 - R800		R801 - R1 600		R1 601 - R3 200		R3 201 - R6 400	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
	1 028	132 367	7 158	83 069	8 135	8 658	7 240	41 578	6 146	10 729	4 958	7 126
Number of residents per income type	R6 401 - R12 800		R12 801 - R25 600		R25 601 - R51 200		R51 201 - R102 400		R102 401 - R204 800		R204 801 or more	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
	1 711	6 538	466	1 771	144	175	65	149	18	85	11	328

Source: Stats' Census 2001 & 2011

Economic overview

Table 3: Employment Status, 2001 vs. 2011

GENDER	EMPLOYED		UNEMPLOYED		NOT ECONOMICALLY ACTIVE	
	2001	2011	2001	2011	2001	2011
FEMALE	16 345	21 358	19 172	17 833	56 353	59 600
MALE	20 744	25 679	14 526	13 777	37 919	51 396

Source: StatsSA Census 2001 & 2011

One of the key social problems facing the Mogalakwena Municipality is poverty. The unemployment rate in the Municipality is 42% of the economically active population (people between the ages of 15 and 64 years). This is higher than the national average. Women, and especially rural women, form the greatest number affected by the lack of job opportunities as well as other social problems. Adding to the unemployment statistics is the increasing number of graduates unable to find employment. The internships offered by the government and private sectors only offer a temporary solution to the problem. General education levels are low, as income earned by low-skilled laborers is lower than income earned by highly skilled workers. Since education levels are low, income earned is concentrated in the lower brackets, which suggests that the general population is poor. In addition, due to the high rate of unemployment there is a tremendous amount of people who have no income and hence, poverty is a major problem in the municipal area.

Progress with provision of basic services

Access to services

Service	No of households having services	Backlog
Water (RDP level)	70 344	12 331
Electricity	72 691	9 984
Refuse removal	32 305	50 370
Sanitation	42 911	39 764

Source: StatsSA Community Survey 2016

Indigent welfare packages for 2023/24:

Package Indigent	Compilation for	22/23 R (Vat included)	22/23 R (Vat included)
Rates – R100 000 Valuation		60.30	63.50
Refuse (up to 500 m2)		73.75	77.66
Sewage (up to 500 m2)		40.25	42.38
Electricity – 50kwh		67.11	79.66
Water – 6kl		139.20	199.89
Total indigent package per month		380.61	463.08

Free and subsidized services provided to the following number of households:

Water	1 874
Electricity	1 874
Sanitation	1 874
Refuse Removal	1 874
Rural Sanitation	0
Rates	1 874

It should be noted that only indigents are eligible to receive 50kwh of free basic electricity and 6kl of free basic water per month.

Service charges and other fees and charges

Service	% increase
Water	43.6
Electricity	18.5
Refuse removal	5.3
Property rate	5.3
Sewerage	5.3

The effect of the annual budget

The demand on the municipality in terms of service delivery continues to grow and this results in an ever-increasing outflow of the resources at the disposal of the municipality.

The following table is a summary of the total budget:

Description	Ref	2019/20	2020/21	2021/22	2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand	1						
Revenue							
Exchange Revenue							
Service charges - Electricity	2	238 611	265 059	277 255	400 511	420 136	439 883
Service charges - Water	2	125 482	94 463	92 096	204 844	214 881	224 981
Service charges - Waste Water Management	2	17 603	18 787	20 275	29 454	30 898	32 350
Service charges - Waste Management	2	16 787	17 905	18 822	20 545	21 552	22 565
Sale of Goods and Rendering of Services		1 824	1 699	1 504	4 084	4 284	4 486
Agency services		-	-	13 425	10 421	10 932	11 446
Interest		-	-	-	-	-	-
Interest earned from Receivables		35 106	43 018	50 270	35 731	37 482	39 244
Interest earned from Current and Non Current Assets		5 829	4 196	3 192	3 348	3 512	3 677
Dividends		-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-
Rental from Fixed Assets		3 835	1 569	9 817	2 027	2 127	2 227
Licence and permits		8 323	10 675	212	1 951	2 046	2 143
Operational Revenue		2 076	972	1 128	336	352	369
Non-Exchange Revenue							
Property rates	2	79 014	81 765	88 001	96 349	101 070	105 820
Surcharges and Taxes		-	-	-	-	-	-
Fines, penalties and forfeits		1 300	811	808	4 005	4 201	4 399
Licences or permits		11	9	14	11	11	12
Transfer and subsidies - Operational		452 305	578 408	498 344	587 164	626 016	634 467
Interest		10 289	12 229	13 442	13 551	14 216	14 884
Fuel Levy		-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-
Gains on disposal of Assets		642	378	1 684	3 848	4 037	4 227
Other Gains		-	-	1 119	-	-	-
Discontinued Operations		-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		999 037	1 131 946	1 091 408	1 418 183	1 497 754	1 547 177
Expenditure							
Employee related costs	2	339 629	378 688	362 615	411 319	430 987	451 160
Remuneration of councillors		23 647	23 976	15 493	18 009	18 874	19 761
Bulk purchases - electricity	2	215 312	226 210	243 201	321 949	337 724	353 597
Inventory consumed	8	15 384	12 353	11 821	60 120	65 063	65 117
Debt impairment	3	-	-	171 775	190 574	199 912	209 308
Depreciation and amortisation		142 282	104 267	285 994	100 410	105 330	110 281
Interest		-	-	-	2 561	2 686	2 812
Contracted services		237 631	175 498	215 124	153 364	160 920	161 318
Transfers and subsidies		138	110	135	517	542	568
Irrecoverable debts written off		(129 852)	599 519	252 986	-	-	-
Operational costs		98 994	89 936	47 251	124 422	138 012	133 808
Losses on disposal of Assets		3 975	5 812	(34 535)	-	-	-
Other Losses		-	275	3 391	-	-	-
Total Expenditure		947 141	1 616 644	1 575 250	1 383 244	1 460 049	1 507 729
Surplus/(Deficit)		51 896	(484 698)	(483 842)	34 938	37 705	39 448

The municipality is budgeting for an overall surplus of R34 million. The municipality is not budgeting for CRR projects due to lack of reserves.

Revenue have increased by 13% in 2020/21 audited result from reported 2019/20 financial year. There was 4% decline in 2021/22 audited result due to huge decrease (14% decline) in equitable share allocation.

The current revenue projection is depicted at R1.4 billion which represent 30% increase from the 2020/21 audited result or 14% from adjustment budget of 2022/23.

The resulted increase of 30% take into account the 18% increase in equitable share allocation.

Operational grant represents 41% of the total annual budgeted amount of R1.4 billion. The municipality have made initiative to conduct meter audit in the area of Mogalakwena which will assist in identifying potential revenue which will ensure in future the Municipality is not entirely grant dependent.

The total expenditure decreased by 22% from 2021/22 audited result. The resulted decrease was part of the review of various policies among others such as overtime policies, cost containment policy and other review of certain line item such reductions in the use of consultants.

Past performance and impact of the previous year's audited results and annual report

The Auditor General of South Africa has issued the municipality with a qualified audit opinion for the 2021/22 financial year. The municipality has maintained the qualified audit opinion from the 2020/21 financial year. This is an indication that there is a need for improvement by the municipality. In order to address the challenges as identified in the 2021/22 audit, the municipality has prepared interim financial statements that are being audited by the Auditor General of South Africa. This will assist the municipality in detecting issues at an early stage and improve the 2022/23 audit outcome.

Consolidated financial position and summary medium term revenue and expenditure strategy

The sustainability of the municipality will be adversely affected in the long-term if debt collection is not improved. The municipality no longer has reserves to invest in critical infrastructure capital projects and therefore service delivery will be adversely affected in 2023/24 should the current debt collection strategy not entirely implemented.

1.4 Operating Revenue Framework

In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality. The reality is that the municipality is faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Local economic development
- Efficient revenue management, which aims to ensure revenue collection is maximized
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariffs that are cost reflective

- Extend billing to villages where water supply is continuous
- The municipality's Indigent Policy and rendering of free basic services; and
- Revenue estimates projected at current year actual billings for 2022/23.

Services Charge - Water

Revenue from water has increased by 44% as result of higher cost increase from Lepelle Waters. Despite annual increase in the water tariff, Municipality planned to conduct 100 percent meter audit starting from 1 July 2023. The audit seeks to address all unbilled accounts as result of meter bypass.

Services Charge – Electricity

Revenue from electricity has increased by 19% from the adjustment budget of 2022/23. The revenue projection is further guided by circular No.123.

Services Charges – Waste management

An average increase of 5% has been applied on the consumption tariffs for waste collections and disposal from the 2022/23 adjustment budget.

Property Rates

Revenue from property rates has increased by R4.8 million due to increase of 5.3% on the property rates tariff. The billing in the current financial year is as per adjusted figures and revenue targets were set at 65% of the current year billing. The valuation roll was implemented in the 2019/20 financial year and no material objections were received by the municipality.

The current valuation roll is coming to expiry on the 31st June 2023. The Municipality is currently underway with procurement process to hire new Service Provider who will embark on the implementation of the new valuation roll in accordance to the Act.

Fines, penalties and forfeits

Fines, penalties and forfeits might appear to have been overstated, however considering the current initiative eluded earlier on relating to conducting meter audit which will identify illegal connection which will result in additional fines being levied. This also follows the current incentive program which also seek to allow consumers who have bypass the system to come forward to be able to be afforded amnesty by reducing the penalties to be levied as result of system bypass in electrical and water services.

Gains on disposal of Assets

The Municipality have acquired new fleet which delivery have started to take place from April 2023 with expected full delivery of all fleet by 31 May 2023. The delivery of new fleet will allow Municipality to dispose all old assets in trying to minimise unnecessary additional cost to handle old fleet.

In addition to identified fleet which require disposal. Planning department has put forward plans to identify certain portion of Municipal land/property which could be sold with aim to drive more business opportunities in town which will help drive more revenue and job creation.

Interest

Revenue from interest earned on external investments has increased by R0.681 million from adjustment figure.

1.4.1 Grant allocations

The Division of Revenue Bill allocations to Mogalakwena Municipality for the 2023/24 to 2025/26 financial years are as follows:

Revenue on operational transfers and subsidy has increased by R88.8 million from the 2021/22 audited result.

Grant allocations over the MTREF.

Description	2021/22	2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	493 530	587 164	626 016	634 467
Local Government Equitable Share	483 337	574 110	612 651	620 639
Expanded Public Works Programme Integrated Grant	1 292	1 151	–	–
Local Government Financial Management Grant	1 950	2 100	3 518	3 518
Municipal Disaster Relief Grant	–	–	–	–
Municipal Infrastructure Grant	6 951	9 803	9 847	10 310
District Municipality:	4 814	–	–	–
<i>Specify (Add grant description)</i>	4 814	–	–	–
Other grant providers:	–	–	–	–
Total Operating Transfers and Grants	498 344	587 164	626 016	634 467
Capital Transfers and Grants				
National Government:	222 084	311 599	373 992	445 770
Integrated National Electrification Programme Grant	–	–	10 000	10 448
Municipal Disaster Relief Grant	–	–	–	–
Municipal Infrastructure Grant	155 979	186 266	187 099	195 890
Regional Bulk Infrastructure Grant	39 347	50 000	120 000	180 000
Water Services Infrastructure Grant	26 757	75 333	56 893	59 432
Total Capital Transfers and Grants	222 084	311 599	373 992	445 770
TOTAL RECEIPTS OF TRANSFERS & GRANTS	720 427	898 763	1 000 008	1 080 237

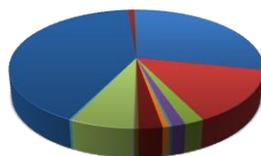
Supporting **Table SA 18, 19 and 20** is attached as pages 386 to 388.

- The municipality's operating grants have increased by R34.3 million in the 2023/24 financial year compared to the 2022/23 financial year.
- The capital grants have increased by R46.6 million in the 2023/24 financial year compared to the 2022/23 financial year.

1.4.2 Summary of Operating Revenue

The following table gives a breakdown of the income categories for the 2023/24 to 2025/26 financial years:

Description	2023/24 Medium Term Revenue & Expenditure Framework		
	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand			
Revenue			
Exchange Revenue			
Service charges - Electricity	400 511	420 136	439 883
Service charges - Water	204 844	214 881	224 981
Service charges - Waste Water Management	29 454	30 898	32 350
Service charges - Waste Management	20 545	21 552	22 565
Sale of Goods and Rendering of Services	4 084	4 284	4 486
Agency services	10 421	10 932	11 446
Interest	-	-	-
Interest earned from Receivables	35 731	37 482	39 244
Interest earned from Current and Non Current	3 348	3 512	3 677
Dividends	-	-	-
Rent on Land			
Rental from Fixed Assets	2 027	2 127	2 227
Licence and permits	1 951	2 046	2 143
Operational Revenue	336	352	369
Non-Exchange Revenue			
Property rates	96 349	101 070	105 820
Surcharges and Taxes			
Fines, penalties and forfeits	4 005	4 201	4 399
Licences or permits	11	11	12
Transfer and subsidies - Operational	587 164	626 016	634 467
Interest	13 551	14 216	14 884
Fuel Levy			
Operational Revenue			
Gains on disposal of Assets	3 848	4 037	4 227
Other Gains	-	-	-
Discontinued Operations			
Total Revenue (excluding capital transfers and grants)	1 418 183	1 497 754	1 547 177



- Service charges - Electricity
- Service charges - Water
- Service charges - Waste Water Management
- Service charges - Waste Management
- Sale of Goods and Rendering of Services
- Agency services
- Interest

Main Operational Income Categories

- The municipality's operational revenue has increased by R178 million from R1.239 billion to R1.418 billion against final adjustment budget of 2022/23.
- Operational grants contribute 41% of the total operational revenue budget followed by service charges contributing 46%.

Growth in revenue-by-revenue source

The rates and tariff revision are undertaken after consideration of different factors relevant to the geographic spread of the municipality. The following were considered during the tariff and rates increase; local economic conditions, cost drivers, affordability of services and poverty and indigents. As the municipality is not profit driven, the breakeven of costs and revenue will be an acceptable ratio unlike providing service at a loss and an ever-increasing debtor's book which will be close to impossible and costly to collect.

The percentage increases of electricity tariffs granted to Eskom has a direct impact on the water tariffs as electricity is one of the cost drivers for water tariffs and is beyond the mentioned inflation target.

The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.4.3 Rates tariffs and other charges

The National Treasury issued a tariff setting tool and guide as part of MFMA Budget Circular No. 98. The municipality is expected to submit a completed 2023/24 National Treasury tariff tool (in excel format) as part of both the tabled and adopted Medium Term Revenue and Expenditure Framework. The tool is to assist the municipality in setting tariffs that are cost-reflective and enable a municipality to recover costs to fulfil its mandate.

The municipality has calculated tariffs for services delivery departments using the tool as provided by National Treasury. Additional information is still to be sourced by the municipality in order to properly prepare cost reflective tariffs. The report of the proposed outcome is attached as (pages 982 to 991) to the draft budget for public consultation. The municipality will therefore carefully consider the results of the tool and propose a strategy to impose the tariffs as calculated.

Proposed tariff increases for the 2023/24 to 2025/26 financial years with prior comparatives are the following:

Description	2022/2023	2023/2024	2024/2025	2025/2026
Rates	6%	5.3%	5.3%	5.3%
Refuse	6%	5.3%	5.3%	5.3%
Sewerage	6%	5.3%	5.3%	5.3%
Water	12.0%	15.0%	12.0%	43.6%
Electricity	7.47%	18.5%	7.47%	18.5%
Average Increase	7.49%	7.49%	7.49%	15.6%

- In terms of the guideline from NERSA, the electricity increase must be 18.5% taking into account the average cost of providing the service by municipalities. Mogalakwena municipality has used the average of 18.5% increase on electricity tariffs for the 2023/24 financial year. The media statement from Nersa is attached as (pages 976 to 977)
- The water tariffs increase for the 2023/24 is 43.6% as per directive from Lepelle-Northern Water. Letter from Lepelle Northern Water is attached as (pages 978 to 981)

14.3.1 Water tariff

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of water supply for 2021/22 financial year:

- The proposed increase of 43.6% for the water tariffs in 2023/24 financial year.
- It is estimated that water to the amount of R 47 670 605 will be purchased from LNW and other service providers in 2023/24 financial year.

- As per Council resolution 18/3/3 the municipality is currently utilizing the approved water restriction tariffs implemented in April 2019. When the water restrictions are lifted the tariffs tabled below will come into effect.

A total revenue of R 204 million is expected from water sales.

- The budgeted revenue is based on connection fees, defaulting fees, monthly consumption of water and testing of meters.
- Only indigents receive the 6kl of free basic water. 6kl of water will continue to be provided for funerals at no cost to the person requesting the service.
- Consumers in villages will receive Free Basic Water through assistance from council to pay Eskom, repair broken boreholes and pay pump operators.

The following recommended tariff structure for water for 2023/24 compared to 2022/23:

			22/23	23/24
TYPE	TYPE	INTERVALS	PER	PER
CONSUMER	SCALE		KILOLITRE	KILOLITRE
			vat inclusive	vat inclusive
Domestic:	Gliding scale			
		0-10 KL	22.87	32.84
		11 -50 kl.	24.27	34.85
		51-100 KL.	29.20	41.93
		101>KL	48.58	69.76
Businesses:	Normal		24.27	34.85
Flats:	Normal		24.27	34.85
Industrial:	Normal		24.27	34.85
Provincial Hospitals	Normal		22.87	34.85
Schools, Churches, Hostels, Sport clubs	Normal		24.27	34.85
Departmental	Normal		24.27	34.85

The abovementioned tariffs are subject to a 20% discount for unpurified borehole water as drinking water supplied to Rebone Township.

Prepaid water tariffs are calculated at the same rates as conventional meters.

Examples of monthly water consumption charges:

Consumption KL	Current monthly account	Proposed monthly account	Additional amount payable	Increase
	R	R	R	%
10	228.70	328.40	24.50	43.6
42	1 005.34	1 443.60	107.70	43.6
75	1 968.94	2 827.29	210.99	43.6
110	3 669.24	5 268.89	392.99	43.6

1.4.3.2 Sewage tariff

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of sewage for 2023/24:

- A tariff increases of 5.3% is included in the final 2022/23 MTREF
- The free basic sanitation is provided for indigents only

The following recommended tariff structure for sewerage for 2023/24 compared to 2022/23:

TYPE	SIZE OF ERF	22/23		23/24	
		BASIC vat inclusive	ADDITIONAL vat inclusive	BASIC vat inclusive	ADDITIONAL vat inclusive
1. Residential houses	0 - 500	40.58		42.74	
	501 - 1000	81.40		85.72	
	1001 - 1500	130.08		136.97	
	1501 - 2000	146.41		154.16	
	2001 - 2500	162.67		171.30	
	2501 - 3000	178.92		188.40	
	First 3000 Every additional 500	16.26		17.12	
2. Churches	0 - 500	40.58	34.39	42.74	36.22
Hospitals	501 - 1000	81.40	34.39	85.72	36.22
Creches	1001 - 1500	130.08	34.39	136.97	36.22
Schools	1501 - 2000	146.41	34.39	154.16	36.22
Sport clubs	2001 - 2500	162.67	34.39	171.30	36.22
	2501 - 3000	178.92	34.39	188.40	36.22
	First 3000				
	Every additional 500	16.26	34.39	17.12	36.22
3. Other					
3.1 Businesses	Irrespective	431.00	109.76	453.84	115.58
3.2 Industrial	Irrespective	431.00	109.76	453.84	115.58
3.3 Flats	Irrespective	431.00	117.75	453.84	123.99
3.4 Hostels	Irrespective	431.00	83.92	453.84	88.37
3.5 Boarding house	Irrespective	431.00	83.92	453.84	88.37
3.6 Departmental	Irrespective	431.00	109.76	453.84	115.58

Examples of sewerage tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	40.58	42.74	2.16	5.3
1600	146.41	154.16	7.75	5.3
3500	195.18	205.52	10.34	5.3
Business	431.00	453.84	22.84	5.3

1.4.3.3 Refuse Removal

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of refuse removal for 2023/24.

The following recommended tariff structure for refuse removal for 2023/24 compared to 2023/24 financial year:

TYPE OF CONSUMER	SIZE OF ERF	22/23		23/24	
		BASIC	ADDITIONAL	BASIC	ADDITIONAL
		vat inclusive	vat inclusive	vat inclusive	vat inclusive
Domestic:					
Residential houses	0 - 500	74.39		78.34	
Churches	501- 1000	108.74		114.51	
Church halls	1001 - 1500	148.39		156.26	
Residential erven which are being built on	1501 - Bo	159.91		168.39	
		PER	BULK	PER	BULK
		CONTAINER	CONTAINERS	CONTAINER	CONTAINERS
Commercial:					
Businesses	Irrespective	285.30	1 902.82	300.43	2 003.67
Industrial	Irrespective	285.30	1 902.82	300.43	2 003.67
Other:		-	-	0.00	0.00
Municipality	Irrespective	148.39	1 902.82	156.26	2 003.67
Flats	Irrespective	148.39	1 902.82	156.26	2 003.67
Ouetehuse	Irrespective	148.39	1 902.82	156.26	2 003.67
Hostels	Irrespective	148.39	1 902.82	156.26	2 003.67

Boarding houses	Irrespective	148.39	1 902.82	156.26	2 003.67
Schools	Irrespective	148.39	1 902.82	156.26	2 003.67
Hospitals	Irrespective	148.39	1 902.82	156.26	2 003.67
Government	Irrespective	148.39	1 902.82	156.26	2 003.67
Sport organisations	Irrespective	148.39	1 902.82	156.26	2 003.67
Charity Organisations	Irrespective	148.39	1 902.82	156.26	2 003.67
Other	Irrespective	148.39	1 902.82	156.26	2 003.67
Bulk					
Per load or part thereof		611.06		643.44	

Example of monthly refuse tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	74.39	78.34	3.95	5.3
950	108.74	114.51	5.77	5.3
1200	148.39	156.26	7.87	5.3
1550	159.91	168.39	8.47	5.3
Business	285.30	300.43	15.13	5.3

1.4.3.4 Property Rate Tariff

Property rates are mainly used to provide funds for non-remunerative services such as the cost of governance and administration of council, financial services, sport and recreation facilities. These funds also pay for the costs of maintaining an orderly community, for an example, as far as traffic, safety, trade, industries, health, roads and parks are concerned.

Depending on circumstances at a given moment, a rate payer may make use of these collective services to a greater or lesser degree. Given this kind of collective service, the provision must be financed by a general tax unlike the specific charge of measurable services such as water and electricity.

Annexure to MFMA Circular 51 as well as Government Gazette 33016, also known as the “*Amended Municipal Property Rates Regulations on the Rate Ratios between Residential and Non-Residential Properties*” were published to achieve national uniformity regarding property taxes.

Two factors determine the amount that the property owner must pay to a local authority for assessment rates: Firstly, the assessed value of the property and secondly, the effective assessment rate. Due to the implementation of the MPRA a new tariff structure has been formulated. The calculation is based on the market value of the property.

The applicable tariff on 1 July 2023 is 0,012686c (residential) (1 July 2022 – 0,012047c) and 0,025613c (1 July 2022 – 0,024324c) (business, commercial, industrial and mining) and 0,003171c (1 July 2022 – 0,003011c) (agriculture, state owned property excluding residential, public service infrastructure, public benefit organization property) in the Rand.

The following recommended tariff structure for Property Tax for 2023/24 compared to 2022/23 financial year:

TYPE	TARIFF CODE	22/23		23/24	
		CENT IN RAND	% DISCOUNT	CENT IN RAND	% DISCOUNT
1. Improved residential stands	VA771	0.012047	40.00	0.012686	40.00
2. Improved business stands	VA772	0.024324	0.00	0.025613	0.00
3. Pensioners as rate policy	VAIND	0.012047	100.00	0.012686	100.00
4. Pensioners as rate policy	VAIND	0.012047	100.00	0.012686	100.00
5. State owned properties	VA775	0.003011	30.00	0.003171	30.00
6. Improved flats	VA776	0.012047	40.00	0.012686	40.00
7. Developed erven industrial	VA777	0.024324	0.00	0.025613	0.00
8. Undeveloped erven	VA778	0.024324	0.00	0.025613	0.00
9. Municipality	VA779	0.000000	0.00	0.000000	0.00
10. Undeveloped business erven	VA780	0.024324	0.00	0.025613	0.00
11. Permission to do business on residential erven	VA781	0.024324	0.00	0.025613	0.00
12. Undeveloped industrial	VA782	0.024324	0.00	0.025613	0.00
13. Undeveloped flat erven	VA783	0.024324	0.00	0.025613	0.00
14. Private parks	VA788	0.003011	0.00	0.003171	0.00
15. Private streets	VA789	0.003011	0.00	0.003171	0.00
17. Agricultural fields (Macalacaskop)	Va790	0.003011	0.00	0.003171	0.00
16. Welfare organizations, Hospitals, Clinics etc	VA791	0.003011	100.00	0.003171	100.00

Agricultural

TYPE	TARIEF CODE	22/23		23/24	
		CENT IN RAND	% BASIC	CENT IN RAND	% BASIC
		TARIFF	DISCOUNT	TARIFF	DISCOUNT
1. Residential	VA5771	0.003011	0.00	0.003171	0.00
2. Business, Commercial, Ecotourism, game hunting	VA5772	0.003011	0.00	0.003171	0.00
3. Pensioners as rate policy	VA5773	0.003011	100.00	0.003171	100.00
4. Pensioners as rate policy	VA5774	0.003011	100.00	0.003171	100.00
5. State owned properties	VA5775	0.003011	0.00	0.003171	0.00
6. Industrial, agricultural holdings	VA5777	0.003011	0.00	0.003171	0.00
7. Undeveloped	VA5778	0.003011	0.00	0.003171	0.00
8. Municipality	VA5779	0.000000	0.00	0.000000	0.00
9. Mining	VA5792	0.024324	0.00	0.025613	0.00
10. Welfare organization, Hospitals, Clinics etc.	VA5791	0.003011	100.00	0.003171	100.00

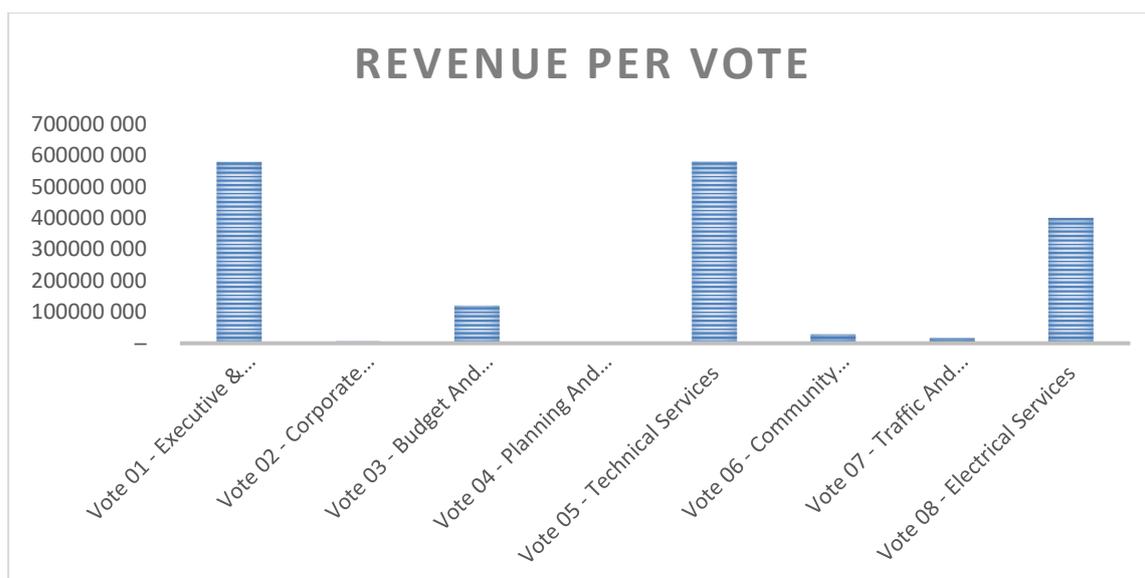
1.5 Operating Expenditure Framework

The municipality expenditure framework for the 2023/24 budget and MTREF is informed by the following:

- Total employee related cost is 32.8% of the total operational expenditure.
- The repairs and maintenance must be insourced to curb expenditure on contracted services and to be in line with cost containment measures.
- Elimination of non-core expenses was done. Expenses such as entertainment, gala dinners, excessive catering, etc.
- Current ratio should be improved to at least 2:1 within the MTREF

The following is the operating expenditure allocations per department:

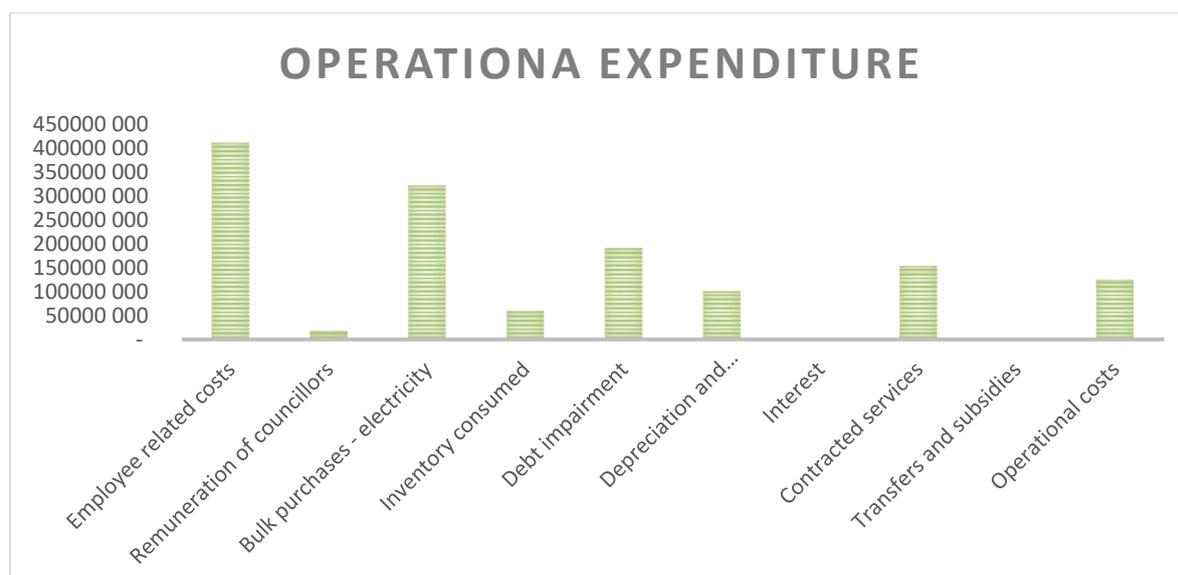
Vote Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Revenue by Vote	1									
Vote 01 - Executive & Council		442 360	558 706	487 147	539 725	540 439	540 439	579 336	618 133	626 378
Vote 02 - Corporate Support Services		4 719	1 933	11 561	5 572	5 633	5 633	5 931	6 222	6 514
Vote 03 - Budget And Treasury		96 888	102 728	111 730	114 295	113 910	113 910	119 836	127 023	132 828
Vote 04 - Planning And Development		33	164	141	220	220	220	232	243	255
Vote 05 - Technical Services		465 815	323 604	380 228	453 844	453 554	453 554	579 964	645 071	729 612
Vote 06 - Community Services		32 071	23 492	26 220	26 621	26 559	26 559	27 895	28 054	29 373
Vote 07 - Traffic And Security		18 885	26 951	19 303	20 064	20 054	20 054	16 216	17 011	17 810
Vote 08 - Electrical Services		245 756	283 038	277 163	344 326	344 297	344 297	400 371	429 989	450 177
Total Revenue by Vote	2	1 306 530	1 320 615	1 313 491	1 504 666	1 504 666	1 504 666	1 729 781	1 871 746	1 992 947



- The technical services department which is responsible for water, sanitation and roads has been allocated R579.9 million for operational expenditure.
- The electrical department which is responsible for electricity supply and maintenance has been allocated an amount of R400.3 million for operational expenditure.
- Budget and Treasury which is responsible for all financial reporting has been allocated R119.0 million for operational expenditure.

The following table gives a breakdown of the expenditure categories for the 2023/24 financial year:

Description	2023/24 Medium Term Revenue & Expenditure Framework		
	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand			
Expenditure			
Employee related costs	411 319	430 987	451 160
Remuneration of councillors	18 009	18 874	19 761
Bulk purchases - electricity	321 949	337 724	353 597
Inventory consumed	60 120	65 063	65 117
Debt impairment	190 574	199 912	209 308
Depreciation and amortisation	100 410	105 330	110 281
Interest	2 561	2 686	2 812
Contracted services	153 364	160 920	161 318
Transfers and subsidies	517	542	568
Operational costs	124 422	138 012	133 808
Total Expenditure	1 383 244	1 460 049	1 507 729



Main Operational Expenditure Categories

- The municipality needs to increase its revenue generation in order to adequately fund its operational requirements, in line with National Treasury directives.

Highlights of other expense allocation

- The provision of debt impairment was determined based on an annual collection rate and taking into account the amount already provided for. For the 2023/24 financial year an amount of R190.5 million was allocated to debt impairment to match the planned collection rate.
- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. The audited outcome for 2021/22 financial year was taken into account also.
- Bulk water purchases are informed by the proposed increase as outlined in municipal budget circular No.123. The increase thereof has been taken into account.
- Inventory consumed is directly informed by the purchase of bulk water from Lepelle Northern Water. The annual price increases have been factored into the budget appropriations. The expenditure includes the cost of water distribution losses as the cost is included in the bulk purchases amount.
- Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

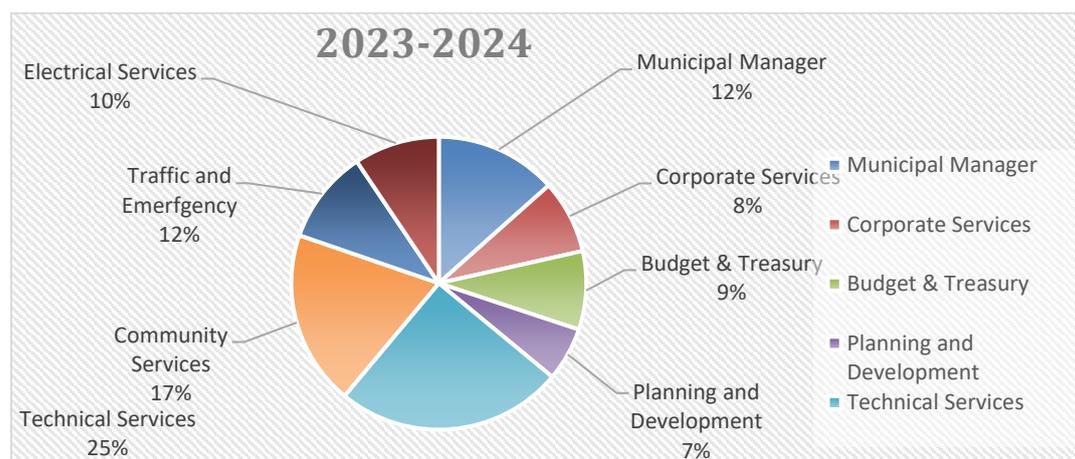
Priority given to repairs and maintenance

- Due to budget constraints the municipality could not allocate 10% of the value of property plant and equipment to repairs and maintenance as required by National Treasury.
- However, with planned debt collection drive, Municipality will during its first half of financial year review the budget through mid-year assessment and consider adjustment to the budget to cater adequate resource to repairs and maintenance allocation.

Employee costs

The following are department allocations for employee costs including councilor allowances:

Description	23/24 Budget	24/25 Budget	25/26 Budget
Municipal Manager	57 438 034	60 187 447	63 006 933
Corporate Services	34 764 038	36 424 288	38 126 690
Budget & Treasury	37 207 911	38 982 038	40 801 452
Planning and Development	25 379 449	26 585 479	27 821 773
Technical Services	107 265 141	112 401 028	117 669 690
Community Services	82 748 643	86 707 974	90 769 410
Traffic and Emerfgency	44 272 502	46 387 328	48 557 134
Electrical Services	40 252 753	42 184 886	44 167 575
TOTAL EMPLOYEE COST	429 328 473	449 860 466	470 920 657



- The actual annual increase for employees has been included at Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council. In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2023 and 01 July 2024 an increase based on the projected average CPI percentages for 2023 (5.4 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023) and 2024 (4.8 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023).
- The employee costs constitute 30% of the total operating expenditure allocation because of the above.

1.6 Capital Expenditure

An amount of R311.5 million has been appropriated for the acquisition of assets in 2023/24 financial year.

The total amount of R311.5 million is funded from conditional grants. The municipality is not budgeting for own funded capital expenditure due to lack of reserves.

The following are summarized capital expenditure per department for grant funded capital assets:

Vote Description R thousand	2023/24 Medium Term Revenue & Expenditure Framework		
	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Single-year expenditure to be appropriated			
Vote 01 - Executive & Council	–	–	–
Vote 02 - Corporate Support Services	–	22 540	–
Vote 03 - Budget And Treasury	–	–	–
Vote 04 - Planning And Development	–	–	–
Vote 05 - Technical Services	253 946	318 451	381 822
Vote 06 - Community Services	37 500	10 000	35 000
Vote 07 - Traffic And Security	–	–	–
Vote 08 - Electrical Services	20 153	23 000	28 948
Capital single-year expenditure sub-total	311 599	373 992	445 770
Total Capital Expenditure - Vote	311 599	373 992	445 770

Further details relating to asset classes and proposed capital expenditure is contained in MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

Table below depict a breakdown of the capital expenditure for the 2023/24 financial year:

Description	2022/23 Budget	23/24 Budget	24/25 Budget	25/26 Budget
Capital Grants				
Municipal Infrastructure Grant	(179 727 000)	(196 069 000)	(196 946 000)	(206 200 000)
Regional Bulk Infrastructure Grant	(40 000 000)	(50 000 000)	(120 000 000)	(180 000 000)
Water Services Infrastructure Grant	(47 640 000)	(75 333 000)	(56 893 000)	(59 432 000)
Integrated National Electrification Programme	(7 000 000)	0	(10 000 000)	(10 448 000)
TOTAL CAPITAL GRANTS	(274 367 000)	(321 402 000)	(383 839 000)	(456 080 000)

Annual Budget Tables:

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2023/24 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

Table A1: Budget summary

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
Financial Performance										
Property rates	79 014	81 765	88 001	91 500	91 500	91 500	62 174	96 349	101 070	105 820
Service charges	398 483	396 215	408 447	520 086	520 086	520 086	287 662	547 651	574 486	601 487
Investment revenue	5 829	4 196	3 192	3 180	3 180	3 180	3 380	3 348	3 512	3 677
Transfer and subsidies - Operational	452 305	578 408	498 344	552 377	552 377	552 377	533 893	586 764	626 016	634 467
Other own revenue	63 406	71 362	93 424	72 142	72 142	72 142	61 120	75 963	79 685	83 430
Total Revenue (excluding capital transfers and contributions)	999 037	1 131 946	1 091 408	1 239 285	1 239 285	1 239 285	948 229	1 310 075	1 384 769	1 428 881
Employee costs	338 019	374 082	355 260	402 653	399 930	399 930	268 434	411 319	430 987	451 160
Remuneration of councillors	23 647	23 976	15 493	21 493	14 592	14 592	7 973	18 009	18 874	19 761
Depreciation and amortisation	142 282	104 267	285 994	99 461	97 961	97 961	-	100 410	105 330	110 281
Finance charges	-	-	-	719	2 561	2 561	1 782	2 561	2 686	2 812
Inventory consumed and bulk purchases	230 696	238 563	255 022	342 540	317 749	317 749	212 067	382 069	402 787	418 714
Transfers and subsidies	138	110	135	616	491	491	42	517	542	568
Other expenditure	210 748	871 040	655 990	365 121	399 385	399 385	192 515	392 143	419 314	421 167
Total Expenditure	945 530	1 612 038	1 567 894	1 232 604	1 232 668	1 232 668	682 813	1 307 028	1 380 519	1 424 462
Surplus/(Deficit)	53 507	(480 092)	(476 486)	6 681	6 617	6 617	265 416	3 047	4 250	4 419
Transfers and subsidies - capital (monetary allocations)	276 172	188 670	222 084	265 381	265 381	265 381	103 929	311 999	373 992	445 770
Transfers and subsidies - capital (in-kind)	31 321	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	361 000	(291 422)	(254 402)	272 062	271 997	271 997	369 345	315 046	378 242	450 189
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	361 000	(291 422)	(254 402)	272 062	271 997	271 997	369 345	315 046	378 242	450 189
Capital expenditure & funds sources										
Capital expenditure	246 378	163 522	159 640	265 381	272 081	272 081	130 960	311 599	373 992	445 770
Transfers recognised - capital	264 807	163 478	189 413	265 381	265 381	265 381	128 356	311 599	373 992	445 770
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	(18 429)	44	(29 774)	-	6 700	6 700	2 604	-	-	-
Total sources of capital funds	246 378	163 522	159 640	265 381	272 081	272 081	130 960	311 599	373 992	445 770
Financial position										
Total current assets	697 147	515 723	241 256	822 965	822 965	822 965	405 438	919 412	959 976	987 523
Total non current assets	5 238 017	4 920 427	4 609 332	6 357 313	6 364 013	6 364 013	4 772 096	5 639 661	5 975 636	6 392 774
Total current liabilities	530 728	584 161	553 565	279 289	284 797	284 797	472 925	339 934	339 330	338 695
Total non current liabilities	-	-	-	-	-	-	-	-	-	-
Community wealth/Equity	5 618 016	4 760 893	4 166 098	6 467 260	6 467 847	6 467 847	4 526 433	6 132 891	6 510 034	6 955 354
Cash flows										
Net cash from (used) operating	-	416 938	428 281	326 027	185 314	185 314	40 876	371 454	462 617	495 677
Net cash from (used) investing	(10 932)	(151 843)	(149 580)	(249 225)	(261 726)	(261 726)	(96 669)	(307 750)	(369 955)	(441 543)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	16 559	301 008	351 727	83 481	(69 733)	(69 733)	(55 792)	70 193	162 856	218 990
Cash backing/surplus reconciliation										
Cash and investments available	5 574 906	5 004 746	4 559 025	5 786 072	5 792 772	5 792 772	4 824 631	5 004 173	5 367 339	5 802 852
Application of cash and investments	372 932	(103 165)	(292 325)	(18 906)	(13 389)	(13 389)	(352 941)	(37 036)	(49 877)	(41 834)
Balance - surplus (shortfall)	5 201 973	5 107 911	4 851 350	5 804 978	5 806 161	5 806 161	5 177 572	5 041 209	5 417 216	5 844 686
Asset management										
Asset register summary (WDV)	4 524 295	4 215 054	3 826 614	6 341 176	6 347 876	6 347 876	5 623 524	5 959 499	6 376 637	-
Depreciation	142 282	104 267	285 994	99 461	97 961	97 961	100 410	105 330	110 281	-
Renewal and Upgrading of Existing Assets	824	-	-	-	-	-	-	22 540	-	-
Repairs and Maintenance	83 136	45 778	22 947	52 703	50 068	50 068	43 259	45 377	47 509	-
Free services										
Cost of Free Basic Services provided	4 076	4 015	4 503	4 594	4 594	4 594	4 837	5 074	5 313	-
Revenue cost of free services provided	23 015	24 537	26 224	27 079	27 079	27 079	28 515	29 912	31 318	-
Households below minimum service level										
Water:	-	10	10	10	10	10	10	10	10	-
Sanitation/sewerage:	-	7	7	7	7	7	7	7	7	-
Energy:	-	7	7	7	7	7	7	7	7	-
Refuse:	-	60	60	60	60	60	60	60	60	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality’s budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The importance of ensuring that a municipal budget is fully funded is stressed in the financial management reforms. The MFMA through Section 18 requires that a budget only be funded by realistically anticipated revenue to be collected and cash-backed accumulated funds from previous years, not committed for other purposes.
3. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality’s commitment to eliminating basic service delivery backlogs.
4. The operating surplus/deficit (after total expenditure and before capital spending) is positive over the MTREF.
5. The MTREF for 2023/24 depicts a surplus of R34.9 million after taking non-cash (depreciation and debt impairment) item into consideration.

Vote Description	Ref	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
Revenue by Vote	1									
Vote 01 - Executive & Council		442 360	558 706	487 147	539 725	540 439	540 439	579 336	618 133	626 378
Vote 02 - Corporate Support Services		4 719	1 933	11 561	5 572	5 633	5 633	5 931	6 222	6 514
Vote 03 - Budget And Treasury		96 888	102 728	111 730	114 295	113 910	113 910	119 836	127 023	132 828
Vote 04 - Planning And Development		33	164	141	220	220	220	232	243	255
Vote 05 - Technical Services		465 815	323 604	380 228	453 844	453 554	453 554	579 964	645 071	729 612
Vote 06 - Community Services		32 071	23 492	26 220	26 621	26 559	26 559	27 895	28 054	29 373
Vote 07 - Traffic And Security		18 885	26 951	19 303	20 064	20 054	20 054	16 216	17 011	17 810
Vote 08 - Electrical Services		245 756	283 038	277 163	344 326	344 297	344 297	400 371	429 989	450 177
Vote 09 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	1 306 530	1 320 615	1 313 491	1 504 666	1 504 666	1 504 666	1 729 781	1 871 746	1 992 947
Expenditure by Vote to be appropriated	1									
Vote 01 - Executive & Council		(8 482)	689 256	505 417	217 355	196 349	196 349	285 378	298 147	311 003
Vote 02 - Corporate Support Services		66 329	52 400	26 443	61 906	91 642	91 642	71 616	77 081	78 694
Vote 03 - Budget And Treasury		81 531	76 873	114 101	85 693	102 472	102 472	113 851	129 694	118 111
Vote 04 - Planning And Development		20 818	21 449	21 481	29 379	28 676	28 676	31 209	32 730	34 234
Vote 05 - Technical Services		351 470	305 116	419 258	272 650	265 379	265 379	286 091	299 535	313 575
Vote 06 - Community Services		85 881	126 065	93 055	110 718	102 396	102 396	107 274	111 226	116 440
Vote 07 - Traffic And Security		88 680	84 695	99 631	91 348	91 360	91 360	90 315	94 685	99 125
Vote 08 - Electrical Services		279 075	281 774	297 516	363 578	353 810	353 810	397 512	416 949	436 546
Vote 09 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	965 302	1 637 627	1 576 903	1 232 626	1 232 085	1 232 085	1 383 244	1 460 049	1 507 729
Surplus/(Deficit) for the year	2	341 227	(317 012)	(263 412)	272 040	272 580	272 580	346 537	411 697	485 218

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote; and
2. The table shows that technical services is the largest generator of revenue. This is due to the size of the department as well as its responsibility over service delivery projects such as water, electricity and sanitation.

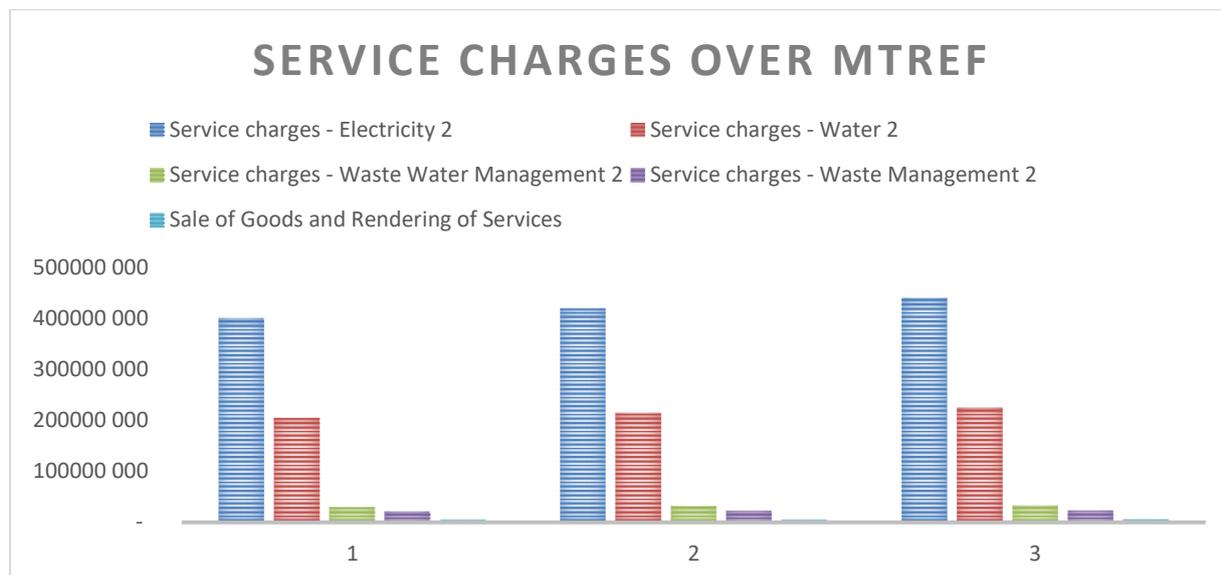
Table A4: Budgeted Financial Performance (revenue and expenditure).

Description	Ref	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
Revenue												
Exchange Revenue												
Service charges - Electricity	2	238 611	266 069	277 255	337 415	337 415	337 415	221 079	400 511	420 136	439 883	
Service charges - Water	2	125 482	94 463	92 096	142 649	142 649	142 649	80 409	204 844	214 881	224 981	
Service charges - Waste Water Management	2	17 603	18 787	20 275	20 511	20 511	20 511	16 894	29 454	30 898	32 350	
Service charges - Waste Management	2	16 787	17 905	18 822	19 511	19 511	19 511	16 514	20 545	21 552	22 565	
Sale of Goods and Rendering of Services		1 824	1 699	1 504	3 879	3 879	3 879	2 716	4 084	4 284	4 486	
Agency services		-	-	13 425	9 897	9 897	9 897	5 657	10 421	10 932	11 446	
Interest		-	-	-	-	-	-	-	-	-	-	
Interest earned from Receivables		35 106	43 018	50 270	33 933	33 933	33 933	48 394	35 731	37 482	39 244	
Interest earned from Current and Non Current Assets		5 829	4 196	3 192	3 180	3 180	3 180	4 071	3 348	3 512	3 677	
Dividends		-	-	-	-	-	-	-	-	-	-	
Rent on Land		-	-	-	-	-	-	-	-	-	-	
Rental from Fixed Assets		3 835	1 569	9 817	1 925	1 925	1 925	1 609	2 027	2 127	2 227	
Licence and permits		8 323	10 675	212	1 863	1 853	1 853	-	1 951	2 046	2 143	
Operational Revenue		2 076	972	1 128	319	319	319	1 792	336	352	369	
Non-Exchange Revenue												
Property rates	2	79 014	81 765	88 001	91 500	91 500	91 500	75 719	96 349	101 070	105 820	
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits		1 300	811	808	3 803	3 803	3 803	890	4 005	4 201	4 399	
Licences or permits		11	9	14	-	10	10	20	11	11	12	
Transfer and subsidies - Operational		452 305	578 408	498 344	552 377	552 377	552 377	534 644	587 164	626 016	634 467	
Interest		10 289	12 229	13 442	12 869	12 869	12 869	12 065	13 551	14 216	14 884	
Fuel Levy		-	-	-	-	-	-	-	-	-	-	
Operational Revenue		-	-	-	-	-	-	-	-	-	-	
Gains on disposal of Assets		642	378	1 684	3 655	3 655	3 655	3 867	3 848	4 037	4 227	
Other Gains		-	-	1 119	-	-	-	-	-	-	-	
Discontinued Operations		-	-	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)		999 037	1 131 946	1 091 408	1 239 285	1 239 285	1 239 285	1 026 340	1 418 183	1 497 754	1 547 177	
Expenditure												
Employee related costs	2	339 629	378 688	362 615	402 653	399 930	399 930	301 529	411 319	430 987	451 160	
Remuneration of councillors		23 647	23 976	15 493	21 493	14 592	14 592	8 823	18 009	18 874	19 761	
Bulk purchases - electricity	2	215 312	226 210	243 201	296 501	271 709	271 709	215 025	321 949	337 724	353 597	
Inventory consumed	8	15 384	12 353	11 821	46 040	46 040	46 040	14 114	60 120	65 063	65 117	
Debt impairment	3	-	-	171 775	127 926	112 926	112 926	-	190 574	199 912	209 308	
Depreciation and amortisation		142 282	104 267	285 994	99 461	97 961	97 961	-	100 410	105 330	110 281	
Interest		-	-	-	719	2 561	2 561	2 156	2 561	2 686	2 812	
Contracted services		237 631	175 498	215 124	159 780	185 737	185 737	169 696	153 364	160 920	161 318	
Transfers and subsidies		138	110	135	616	491	491	64	517	542	568	
Irrecoverable debts written off		(129 852)	599 519	252 986	-	-	-	56	-	-	-	
Operational costs		98 994	89 936	47 251	77 416	100 702	100 702	63 359	124 422	138 012	133 808	
Losses on disposal of Assets		3 975	5 812	(34 535)	-	-	-	-	-	-	-	
Other Losses		-	275	3 391	-	-	-	-	-	-	-	
Total Expenditure		947 141	1 616 644	1 575 250	1 232 604	1 232 648	1 232 648	774 822	1 383 244	1 460 049	1 507 729	
Surplus/(Deficit)		51 896	(484 698)	(483 842)	6 681	6 637	6 637	251 518	34 938	37 705	39 448	
Transfers and subsidies - capital (monetary allocations)	6	276 172	188 670	222 084	265 381	265 381	265 381	122 159	311 599	373 992	445 770	
Transfers and subsidies - capital (in-kind)	6	31 321	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions		359 389	(296 028)	(261 758)	272 062	272 017	272 017	373 677	346 537	411 697	485 218	
Income Tax		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after income tax		359 389	(296 028)	(261 758)	272 062	272 017	272 017	373 677	346 537	411 697	485 218	
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-	
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality		359 389	(296 028)	(261 758)	272 062	272 017	272 017	373 677	346 537	411 697	485 218	
Share of Surplus/Deficit attributable to Associate Intercompany/Parent subsidiary transactions	7	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) for the year	1	359 389	(296 028)	(261 758)	272 062	272 017	272 017	373 677	346 537	411 697	485 218	

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. During the compilation of the 2023/24 budget, Municipality relied on, 2021/22 audited financial and mid-year assessment/adjustment report. The first step was to consider the realistic result of 2021/22 audited against midyear assessment report together with 6 months actually spending. Once such exercise was done, then projection in the form of consumption level before taking into account tariff increase was determine to arrive at realistic budget which is attainable. The consumption level will further be guided by increased billed account after meter audit which is expected to be undertaken from 1 July 2023.

The figure below provides a graphically view of the main sources of revenue over the MTREF.



2. Service charges relating to electricity, water, sanitation and refuse removal constitute the biggest component of the revenue basket of the Municipality totaling R665 million in 2023/24.
3. Therefore, some revenue might appear to be bellow CPI while it's not the case as we took economic impact to consumption level and the actual 6-month result to ensure we have realistic budget when comparing to 2021/22 audited result.
4. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table A5: Budgeted Capital Expenditure by vote, standard classification and Funding.

Vote Description	Ref	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
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure, to be appropriated	2										
Vote 01 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 02 - Corporate Support Services		-	-	-	-	-	-	-	-	-	-
Vote 03 - Budget And Treasury		-	-	-	-	-	-	-	-	-	-
Vote 04 - Planning And Development		-	-	-	-	-	-	-	-	-	-
Vote 05 - Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 06 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 07 - Traffic And Security		-	-	-	-	-	-	-	-	-	-
Vote 08 - Electrical Services		-	-	-	-	-	-	-	-	-	-
Vote 09 -		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 01 - Executive & Council		1 365	-	-	-	-	-	-	-	-	-
Vote 02 - Corporate Support Services		50	-	9	-	3 100	-	2 685	-	22 540	-
Vote 03 - Budget And Treasury		15	14	-	-	-	-	-	-	-	-
Vote 04 - Planning And Development		36	-	-	6 500	5 792	5 792	-	-	-	-
Vote 05 - Technical Services		247 287	145 453	191 692	245 228	215 597	215 597	132 724	253 946	318 451	381 822
Vote 06 - Community Services		(11 676)	2 320	(41 825)	-	31 325	31 325	30 601	37 500	10 000	36 000
Vote 07 - Traffic And Security		84	-	-	-	-	-	-	-	-	-
Vote 08 - Electrical Services		9 217	15 735	9 764	13 653	16 267	16 267	1 776	20 153	23 000	28 948
Vote 09 -		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		246 378	163 522	159 640	265 381	272 081	272 081	167 785	311 599	373 992	445 770
Total Capital Expenditure - Vote		246 378	163 522	159 640	265 381	272 081	272 081	167 785	311 599	373 992	445 770
Capital Expenditure - Functional											
Governance and administration		1 543	14	4	-	-	-	-	-	22 540	-
Executive and council		1 355	-	-	-	-	-	-	-	-	-
Finance and administration		188	14	4	-	-	-	-	-	22 540	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		1 386	2 320	(41 819)	-	3 966	3 966	3 551	24 500	-	-
Community and social services		-	-	5	-	3 100	3 100	2 685	16 500	-	-
Sport and recreation		1 386	2 320	(41 825)	-	866	866	866	8 000	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		15 141	20 507	25 628	37 690	26 981	26 981	18 467	54 317	62 653	52 390
Planning and development		36	68	-	6 500	5 792	5 792	-	-	-	-
Road transport		15 105	20 439	25 628	31 190	21 190	21 190	18 467	54 317	62 653	52 390
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		228 308	140 681	175 828	227 691	241 133	241 133	145 767	232 782	288 799	393 380
Energy sources		9 217	15 735	9 764	13 653	16 267	16 267	1 776	20 153	23 000	28 948
Water management		180 304	123 656	152 238	207 398	179 310	179 310	105 918	150 829	225 850	287 000
Waste water management		51 863	1 290	13 826	6 640	15 098	15 098	8 339	48 800	29 949	42 432
Waste management		(13 076)	-	-	-	30 458	30 458	29 734	13 000	10 000	36 000
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	246 378	163 522	159 640	265 381	272 081	272 081	167 785	311 599	373 992	445 770
Funded by:											
National Government		212 973	163 478	189 413	265 381	265 381	265 381	164 877	311 599	373 992	445 770
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)		51 834	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	264 807	163 478	189 413	265 381	265 381	265 381	164 877	311 599	373 992	445 770
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		(18 429)	44	(29 774)	-	6 700	6 700	2 908	-	-	-
Total Capital Funding	7	246 378	163 522	159 640	265 381	272 081	272 081	167 785	311 599	373 992	445 770

Explanatory notes to MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single - year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial department;
- The MFMA provides that a municipality may approve single- or multi-year capital budget appropriations. The Municipality has allocated multi-year appropriations amounting to R311.00 million for 2023/24, increasing to R373.00 million and R445.00 million in 2024/25 and 2025/26 respectively.

Table A6: Budgeted Financial Position.

Description	Ref	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
R thousand											
ASSETS											
Current assets											
Cash and cash equivalents		35 913	73 025	68 224	65 616	65 616	65 616	37 928	83 261	88 777	91 080
Trade and other receivables from exchange transactions	1	370 430	148 306	70 362	402 551	402 551	402 551	211 222	266 182	282 449	294 141
Receivables from non-exchange transactions	1	45 017	49 627	39 761	17 482	17 482	17 482	61 599	96 377	98 861	99 085
Current portion of non-current receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	413 283	407 585	410 478	337 316	337 316	337 316	425 966	343 792	353 630	361 064
VAT		41 930	49 758	49 952	-	-	-	48 823	-	-	-
Other current assets		(209 425)	(212 579)	(397 522)	-	-	-	(397 508)	-	-	-
Total current assets		697 147	515 723	241 256	822 965	822 965	822 965	388 050	789 612	823 717	845 370
Non current assets											
Investments											
Investment property		73 934	136 619	178 439 943,98	73 980	73 980	73 980	178 440	137 121	137 121	137 121
Property, plant and equipment	3	5 168 563	4 783 414	4 447 994	5 317 905	5 324 605	5 324 605	4 647 583	4 537 112	4 873 087	5 290 226
Biological assets											
Living and non-living resources											
Heritage assets		5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868
Intangible assets		585	950	950	943 423	943 423	943 423	950	943 423	943 423	943 423
Trade and other receivables from exchange transactions		(2)	(2)	(2)	16 137	16 137	16 137	(2)	16 137	16 137	16 137
Non-current receivables from non-exchange transactions		(10 931)	(6 422)	3 638	-	-	-	3 638	-	-	-
Other non-current assets											
Total non current assets		5 238 017	4 920 427	4 636 887	6 357 313	6 364 013	6 364 013	4 836 477	5 639 661	5 975 636	6 392 774
TOTAL ASSETS		5 935 164	5 436 150	4 878 143	7 180 278	7 186 978	7 186 978	5 224 528	6 429 273	6 799 353	7 238 144
LIABILITIES											
Current liabilities											
Bank overdraft											
Financial liabilities		68	68	7	-	-	-	7	-	-	-
Consumer deposits		16 068	13 727	11 655	23 977	23 977	23 977	10 017	28 084	28 084	28 084
Trade and other payables from exchange transactions	4	372 932	360 841	329 499	210 187	215 694	215 694	185 894	210 463	209 860	209 224
Trade and other payables from non-exchange transactions	5	14 903	68 580	60 400	-	-	-	-	-	-	-
Provision		1 530	1 530	3 264	2 549	2 549	2 549	3 264	12 748	12 748	12 748
VAT		124 207	138 396	147 722	88 638	88 638	88 638	175 100	88 638	88 638	88 638
Other current liabilities		1 019	1 019	1 019	-	-	-	1 019	-	-	-
Total current liabilities		530 728	584 161	553 965	325 351	330 858	330 858	375 300	339 934	339 330	338 695
Non current liabilities											
Financial liabilities	6	-	-	-	-	-	-	-	-	-	-
Provision	7	101 275	125 645	129 654	-	-	-	129 654	123 053	123 053	123 053
Long term portion of trade payables											
Other non-current liabilities											
Total non current liabilities		101 275	125 645	129 654	-	-	-	129 654	123 053	123 053	123 053
TOTAL LIABILITIES		632 002	709 807	683 620	325 351	330 858	330 858	504 954	462 987	462 383	461 748
NET ASSETS		5 303 162	4 726 343	4 194 523	6 854 927	6 856 120	6 856 120	4 719 573	5 966 287	6 336 970	6 776 396
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	8	7 446 496	6 385 315	5 825 179	6 467 260	6 467 867	6 467 867	6 198 268	6 003 091	6 373 774	6 813 201
Reserves and funds	9	(1 830 091)	(1 629 028)	(1 638 881)	-	-	-	(1 639 947)	-	-	-
Other											

Explanatory notes to MBRR Table A6 - Budgeted Financial Position

1. Movements on the Budgeted Statement of Financial Performance will impact on the Budgeted Statement of Financial Position. Assumptions made on the collection rate for instance, will affect the budgeted cash position of the Municipality and the budgeted impairment of debtors. As such the assumptions form a critical link in determining the applicability and relevance of the budget, the determination of financial indicators, the assessment of funding compliance and the general viability of the municipality.
2. **Trade payables** as depicted under current liability consist of accrual, retentions, prepayment received, license and permit. Out of R339 million under current liability, R210 million relate to closing accrual balance or movement in the accounting system. Note most major liability which Municipality experience relate to Eskom bill which Mogalakwena Local Municipality have managed to clear its bill and currently servicing monthly Eskom account regularly.
3. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash.
4. Table A6 is aligned with Municipal Standard Chart Of Account (mSCOA).
5. Table A6 is also consistent with international standards of good financial management practice, and improves understandability for councillors and

management of the impact of the budget on the statement of financial position (balance sheet);

Table A7: Budgeted Cash Flows.

Description	Ref	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
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		–	54 167	75 839	64 050	64 050	64 050	49 132	62 627	65 696	68 783
Service charges		–	344 393	446 054	424 135	424 135	424 135	241 365	435 265	456 593	477 395
Other revenue		–	364 233	562 026	21 685	21 685	21 685	453 899	30 220	46 197	20 515
Transfers and Subsidies - Operational	1	–	944	3 242	552 377	552 377	552 377	210 169	585 613	626 016	634 467
Transfers and Subsidies - Capital	1	–	171 183	225 555	265 381	265 381	265 381	269 463	311 999	373 992	445 770
Interest		–	735	2 485	3 180	3 180	3 180	3 201	3 348	3 512	3 677
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		–	(518 717)	(886 920)	(957 843)	(1 098 714)	(1 098 714)	(1 090 753)	(1 055 058)	(1 106 702)	(1 152 118)
Interest		–	–	–	(719)	(719)	(719)	–	(2 561)	(2 686)	(2 812)
Transfers and Subsidies	1	–	–	–	(157)	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	416 938	428 281	372 089	231 375	231 375	136 477	371 454	462 617	495 677
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		–	–	–	3 655	3 655	3 655	3 867	3 848	4 037	4 227
Decrease (increase) in non-current receivables		(10 932)	4 509	10 060	12 501	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–	–	–
Payments											
Capital assets		–	(156 351)	(159 640)	(265 381)	(265 381)	(265 381)	(158 908)	(311 599)	(373 992)	(445 770)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(10 932)	(151 843)	(149 580)	(249 225)	(261 726)	(261 726)	(155 041)	(307 750)	(369 955)	(441 543)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	–	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		(10 932)	265 095	278 701	122 864	(30 351)	(30 351)	(18 564)	63 704	92 663	54 134
Cash/cash equivalents at the year begin:	2	27 491	35 913	73 025	6 679	6 679	6 679	–	6 489	70 193	162 856
Cash/cash equivalents at the year end:	2	16 559	301 008	351 727	129 543	(23 671)	(23 671)	(18 564)	70 193	162 856	216 990

Explanatory notes to MBRR Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded;
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget;
3. The municipality shows positive net cash inflows of R70 million in 2023/24; and
4. The cash position will continue to be managed by strict implementation of the credit control policy and cost containment measures.
5. The municipality previous collection rate was low while new incentive program and debt collection drive have been earmarked as drive to improve municipal cash flow or collection rate.

Table A8: Cash backed reserves/ accumulated surplus reconciliation.

Description	Ref	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
Cash and investments available											
Cash/cash equivalents at the year end	1	16 559	301 008	351 727	129 543	(23 671)	(23 671)	(18 564)	70 193	162 856	216 990
Other current investments > 90 days		19 354	(227 982)	(283 502)	(63 927)	89 288	89 288	56 492	13 067	(74 079)	(125 910)
Non current Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		35 913	73 025	68 224	65 616	65 616	65 616	37 928	83 261	88 777	91 080
Application of cash and investments											
Unspent conditional transfers		14 903	68 580	60 400	–	–	–	149 757	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3	372 932	209 196	201 635	11 406	16 913	16 913	(66 989)	(48 426)	(68 956)	(64 195)
Other provisions		–	–	–	–	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		387 835	277 776	262 035	11 406	16 913	16 913	82 767	(48 426)	(68 956)	(64 195)
Surplus(shortfall)		(351 923)	(204 750)	(193 811)	54 210	48 703	48 703	(44 839)	131 687	157 733	155 274

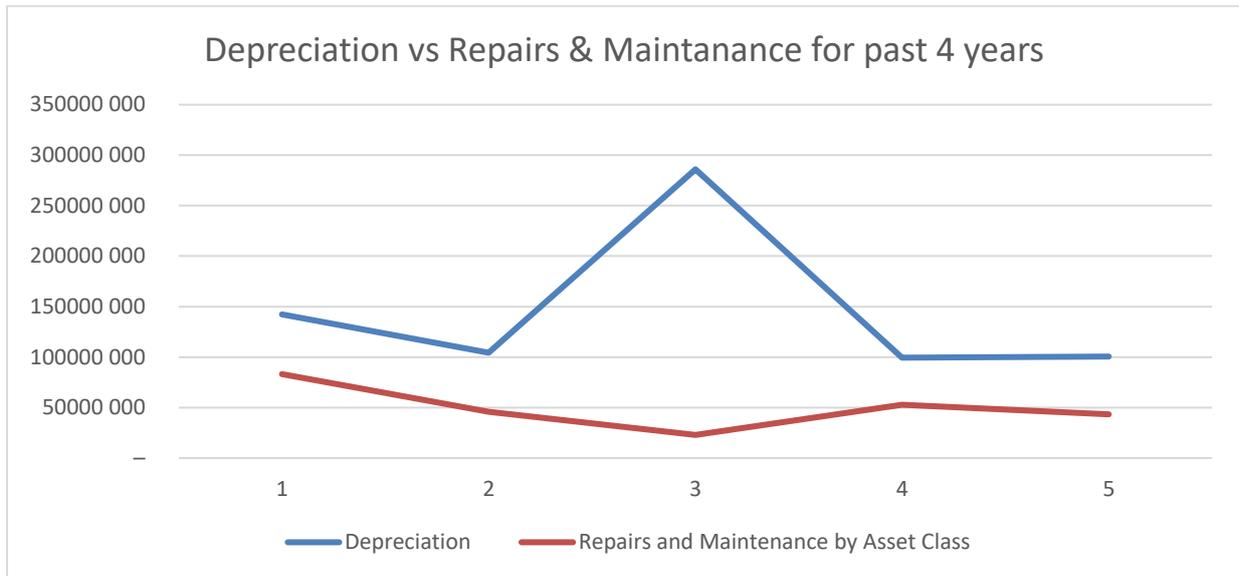
Explanatory notes to MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

Table A9: Asset Management.

Description	Ref	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
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	244 060	163 410	158 746	265 381	238 522	238 522	311 599	351 451	425 770
Roads Infrastructure		242 546	161 120	200 571	258 881	231 864	231 864	287 099	351 451	425 770
Sanitation Infrastructure		405	-	-	-	-	-	-	-	-
Infrastructure		242 952	161 120	200 571	258 881	231 864	231 864	287 099	351 451	425 770
Community Facilities		1 108	2 290	(41 825)	6 500	6 658	6 658	24 500	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		1 108	2 290	(41 825)	6 500	6 658	6 658	24 500	-	-
Total Renewal of Existing Assets	2	824	-	-	-	-	-	-	-	-
Roads Infrastructure		824	-	-	-	-	-	-	-	-
Infrastructure		824	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	-	-	-	-	-	22 540	-
Infrastructure		-	-	-	-	-	-	-	22 540	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	22 540	-
Total Capital Expenditure	4	244 884	163 410	158 746	265 381	238 522	238 522	311 599	373 992	425 770
Roads Infrastructure		243 370	161 120	200 571	258 881	231 864	231 864	287 099	351 451	425 770
Sanitation Infrastructure		405	-	-	-	-	-	-	-	-
Infrastructure		243 775	161 120	200 571	258 881	231 864	231 864	287 099	351 451	425 770
Community Facilities		1 108	2 290	(41 825)	6 500	6 658	6 658	24 500	22 540	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		1 108	2 290	(41 825)	6 500	6 658	6 658	24 500	22 540	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		244 884	163 410	158 746	265 381	238 522	238 522	311 599	373 992	425 770
ASSET REGISTER SUMMARY - PF	5	4 524 295	4 215 054	3 826 614	6 341 176	6 347 876	6 347 876	5 623 524	5 959 499	6 376 637
Roads Infrastructure		522 535	1 130 575	719 996	31 190	21 190	21 190	54 317	62 653	47 390
Storm water Infrastructure		48 950	43 305	43 305	-	-	-	-	-	5 000
Electrical Infrastructure		115 787	122 105	81 812	13 653	16 267	16 267	20 153	23 000	28 948
Water Supply Infrastructure		2 907 513	2 301 134	2 448 295	207 398	179 310	179 310	150 829	225 850	287 000
Sanitation Infrastructure		270 320	116 862	71 687	6 640	15 098	15 098	48 800	29 949	42 432
Solid Waste Infrastructure		(9 878)	(10 223)	(10 714)	-	-	-	13 000	10 000	15 000
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		3 855 227	3 703 758	3 354 381	258 881	231 864	231 864	287 099	351 451	425 770
Community Assets		75 171	156 636	100 502	6 500	6 658	6 658	24 500	22 540	-
Heritage Assets		5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868
Investment properties		73 934	136 619	178 440	73 980	73 980	73 980	137 121	137 121	137 121
Other Assets		461 788	171 797	157 561	5 052 524	5 052 524	5 052 524	4 225 514	4 499 096	4 844 456
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Intangible Assets		585	950	950	943 423	943 423	943 423	943 423	943 423	943 423
Computer Equipment		6 122	4 105	3 470	-	-	-	-	-	-
Furniture and Office Equipment		3 463	2 623	2 203	-	-	-	-	-	-
Machinery and Equipment		15 529	10 930	6 994	-	3 100	3 100	-	-	-
Transport Assets		26 610	21 769	16 245	-	30 458	30 458	-	-	20 000
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY	5	4 524 295	4 215 054	3 826 614	6 341 176	6 347 876	6 347 876	5 623 524	5 959 499	6 376 637
EXPENDITURE OTHER ITEMS		70 741	39 488	4 912	33 117	42 398	42 398	35 820	37 575	39 341
Depreciation	7	-	-	-	-	-	-	-	-	-
Repairs and Maintenance by Asset Class	3	70 741	39 488	4 912	33 117	42 398	42 398	35 820	37 575	39 341
Roads Infrastructure		63 708	37 077	4 529	31 261	40 353	40 353	33 625	35 273	36 931
Infrastructure		63 708	37 077	4 529	31 261	40 353	40 353	33 625	35 273	36 931
Community Facilities		32	28	-	55	30	30	32	33	35
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		32	28	-	55	30	30	32	33	35
Heritage Assets		1	1	1	1	1	1	1	1	1
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		7 000	2 382	382	1 800	2 015	2 015	2 162	2 268	2 374
Housing		-	-	-	-	-	-	-	-	-
Other Assets		7 000	2 382	382	1 800	2 015	2 015	2 162	2 268	2 374
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		70 741	39 488	4 912	33 117	42 398	42 398	35 820	37 575	39 341
Renewal and upgrading of Existing Assets as a % of PPE		0,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	6,0%	0,0%
Renewal and upgrading of Existing Assets as a % of R&M		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M as a % of PPE & Investment Property		1,6%	0,9%	0,1%	0,6%	0,8%	0,8%	0,8%	0,7%	0,7%
Renewal and upgrading and R&M as a % of PPE		1,6%	0,9%	0,1%	0,6%	0,8%	0,8%	0,8%	1,2%	0,7%

Explanatory notes to MBRR Table A9 - Asset Management



1. The following chart provides an analysis between depreciation (including capital asset impairment) and operational repairs and maintenance over the MTREF. It highlights the Municipality’s strategy to address the maintenance backlog.
2. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
3. The table shows that all the capital allocations are for new assets.

Table A10: Basic service delivery measurement.

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Household service targets	1									
Water:										
Piped water inside dwelling		-	19 389	19 389	19 389	19 389	19 389	19 389	19 389	19 389
Piped water inside yard (but not in dwelling)		-	26 394	26 394	26 394	26 394	26 394	26 394	26 394	26 394
Using public tap (at least min.service level)	2	-	32 030	32 030	32 030	32 030	32 030	32 030	32 030	32 030
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	77 812	77 812	77 812	77 812	77 812	77 812	77 812	77 812
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	9 998	9 998	9 998	9 998	9 998	9 998	9 998	9 998
<i>Below Minimum Service Level sub-total</i>		-	9 998	9 998	9 998	9 998	9 998	9 998	9 998	9 998
Total number of households	5	-	87 811	87 811	87 811	87 811	87 811	87 811	87 811	87 811
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		-	18 330	18 330	18 330	18 330	18 330	18 330	18 330	18 330
Flush toilet (with septic tank)		-	1 865	1 865	1 865	1 865	1 865	1 865	1 865	1 865
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	7 195	7 195	7 195	7 195	7 195	7 195	7 195	7 195
Other toilet provisions (> min.service level)		-	43 033	43 033	43 033	43 033	43 033	43 033	43 033	43 033
<i>Minimum Service Level and Above sub-total</i>		-	70 423	70 423	70 423	70 423	70 423	70 423	70 423	70 423
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	3 662	3 662	3 662	3 662	3 662	3 662	3 662	3 662
No toilet provisions		-	3 490	3 490	3 490	3 490	3 490	3 490	3 490	3 490
<i>Below Minimum Service Level sub-total</i>		-	7 151	7 151	7 151	7 151	7 151	7 151	7 151	7 151
Total number of households	5	-	77 574	77 574	77 574	77 574	77 574	77 574	77 574	77 574
Energy:										
Electricity (at least min.service level)		-	71 074	71 074	71 074	71 074	71 074	71 074	71 074	71 074
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	71 074	71 074	71 074	71 074	71 074	71 074	71 074	71 074
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	515	515	515	515	515	515	515	515
Other energy sources		-	6 498	515	6 498	6 498	6 498	6 498	6 498	515
<i>Below Minimum Service Level sub-total</i>		-	7 013	1 030	7 013	7 013	7 013	7 013	7 013	1 030
Total number of households	5	-	78 087	72 104	78 087	78 087	78 087	78 087	78 087	72 104
Refuse:										
Removed at least once a week		-	17 486	17 486	17 486	17 486	17 486	17 486	17 486	17 486
<i>Minimum Service Level and Above sub-total</i>		-	17 486	17 486	17 486	17 486	17 486	17 486	17 486	17 486
Removed less frequently than once a week		-	454	454	454	454	454	454	454	454
Using communal refuse dump		-	545	545	545	545	545	545	545	545
Using own refuse dump		-	44 818	44 818	44 818	44 818	44 818	44 818	44 818	44 818
Other rubbish disposal		-	63	63	63	63	63	63	63	63
No rubbish disposal		-	14 207	14 207	14 207	14 207	14 207	14 207	14 207	14 207
<i>Below Minimum Service Level sub-total</i>		-	60 087	60 087	60 087	60 087	60 087	60 087	60 087	60 087
Total number of households	5	-	77 573	77 573	77 573	77 573	77 573	77 573	77 573	77 573
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	3 000	-	3 000	3 000	3 000	3 000	3 000	3 000
Sanitation (free minimum level service)		-	3 000	-	3 000	3 000	3 000	3 000	3 000	-
Electricity/other energy (50kwh per household per month)		-	3 000	-	3 000	3 000	3 000	3 000	3 000	3 000
Refuse (removed at least once a week)		-	3 000	-	3 000	3 000	3 000	3 000	3 000	3 000
<i>Informal Settlements</i>		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Formal Settlements (R'000)										
Water (6 kilolitres per indigent household per month)		2 371	2 595	2 785	3 072	3 072	3 072	4 411	4 627	4 845
Sanitation (free sanitation service to indigent households)		565	471	569	500	500	500	718	753	789
Electricity/other energy (50kwh per indigent household per month)		198	175	218	204	204	204	242	254	266
Refuse (removed once a week for indigent households)		941	773	931	818	818	818	861	904	946
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		-	-	-	-	-	-	-	-	-
Total cost of FBS provided	8	4 076	4 015	4 503	4 594	4 594	4 594	6 233	6 538	6 845
Highest level of free service provided per household										
Property rates (R value threshold)		-	37	-	37	37	37	37	37	37
Water (kilolitres per household per month)		-	6	-	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		-	17	-	17	17	17	17	17	17
Electricity (kwh per household per month)		-	52	-	52	52	52	52	52	52
Refuse (average litres per week)		-	34	-	34	34	34	34	34	-
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		-	-	-	-	-	-	-	-	-
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		23 015	24 537	26 224	27 079	27 079	27 079	28 515	29 912	31 318
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided	6	23 015	24 537	26 224	27 079	27 079	27 079	28 515	29 912	31 318

Explanatory notes to MBRR Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

2.1 Overview of Annual Budget Process

In terms of the MFMA (Act no 56 of 2003), 16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. (2) In order for a municipality to comply with subsection (1), 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

This Medium-Term Revenue and Expenditure Framework (MTREF) Report for the 2023/24 to 2024/26 financial years deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposals to ensure that Mogalakwena Local Municipality renders services to its local community in a sustainable manner.

The MTREF Report starts with a discussion of the legislative requirements to which the Municipality must adhere to, the MFMA budget circulars with directives issued by National Treasury, the budget related policies of Council and budget assumptions for next three financial years based on these documents and assumed economic trends. A high-level summary of the operating and capital budget followed with appropriate recommendations. Supporting information in the form of appendices, annexures and tables will form part of this report.

Circular 123 as issued by National Treasury highlighted one key area which require serious consideration by all Municipality which relate to institutional challenges and mismanagement that result in service delivery failures, bad debt accumulation, limited cash flows.

Section 53 of the MFMA further requires the Mayor of the Municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

2.1.1 In undertaking its annual budget process, Mogalakwena Municipality was guided by the following key legislation and documents:

- Municipal Finance Management Act;
- Municipal Systems Act;
- MFMA Circular 55, 58, 59, 66, 67, 70, 72, 74, 78, 82, 85, 86, 89, 91, 93, 94, 98, 99, 107, 108, 112, 115, 116, 122 and 123.
- National Treasury instruction 1 of 2013/2014
- mSCOA circular 7, 12 and 13
- Government Gazette 48017 of 10 February 2023

The municipality is always conscious of the fact that the IDP, Budget and other consultative processes have to be undertaken with credibility and honesty in order to ensure good governance and accountability. The Municipality will engage its various stakeholders in preparing the draft 2023/24 MTREF budget, namely:

- Communities in all 32 wards
- Sector departments
- Private Sector
- Traditional Leaders
- Ward and PR councillors
- Community based organizations
- NGO's
- Disabled people's groups, women, youth and pensioners.
- Community Development Workers
- Mining Sector

The IDP Process Plan was adopted on the 30 August 2022.

From these community participation and consultation processes, the municipality will identify and prioritize the needs of the communities.

These priorities and their related programmes/ projects are included in the medium term IDP for funding consideration once additional funding becomes available, currently or in the future years.

In all these public consultation and participation process, including internal prioritization and negotiation processes, the Mayor plays an active oversight role over the IDP and Budget as required by Section 53(1) (a) of the MFMA, which states that the Mayor of a municipality must provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. Under the influence of the Mayor, engagements were also held over a number of days with the Councillors in the budget and prioritization processes. The table below is an extract of the key deadlines relating to the Budget and IDP processes as required by Section 21(1) (b) of the Municipal Finance Management Act, 2003:

MONTH	IDP	PMS	BUDGET
July	<p>Print and distribute final approved IDP.</p> <p>Development of 2023/24 IDP Process Plan that guide the planning, drafting, adoption of the plan.</p> <p>Give notice to local community of particulars of the Process Plan.</p>	<p>Conclude annual performance agreements</p> <p>Print and distribute final approved SDBIP</p>	<p>Place approved annual budget and policies on the municipal Web site</p> <p>Print and distribute final approved budget</p> <p>Establish appropriate committees and consultation forums</p>
August	<p>Table to EXCO, council the IDP Process Plan for approval.</p> <p>Conduct stakeholder registration.</p> <p>Consider comments from various stakeholders during 2022/23 IDP Roadshows</p>	<p>Place annual performance agreements on the municipal website</p> <p>Development and submission of annual performance report</p>	<p>Table in council IDP, PMS and budget process plan</p>
September	<p>Consider proposals received from MEC, if any. (IDP preparation process)</p> <p>Coordinate public consultation in terms of Tariffs, Indigent Credit, Credit Control and FBE.</p> <p>Public consultation in terms of CBP.</p>		<p>Implement process plan</p> <p>Commence community and stakeholder consultative process, review inputs, financial models, assess impacts on tariffs and change and consider funding decisions</p>
October	<p>Setting new strategic agenda for the IDP in light of the new focus of Council.</p>	<p>Develop and submit the 1st Quarter Performance Report to Council and CoGHSTA</p>	<p>Consolidate community inputs on proposed tariffs.</p>

MONTH	IDP	PMS	BUDGET
November & December	Horizontal and vertical alignment with District, Province and other stakeholders begins.		Finalize inputs from bulk resource providers and agree on proposed price increase
January	Horizontal and vertical alignment with District, Province and other stakeholders continues. Departments identify projects/programmes.	Development and consideration by Municipal Manager of the mid-year performance Report. Finalize, and publicize Mid-year report. Table the draft Annual Report to Council.	Note the president's "State of the Nation Address "for further budget priorities
February	Horizontal and vertical alignment with District, Province and other stakeholders continues. Departments identify projects/programmes.	Make the draft Annual Report public for comments.	Note National budget for provincial and national allocations to municipalities for incorporation into budget
March	Finalize Capital Investment Plan and Financial Plan. Tabling of draft IDP and budget before council. Publication of tabled draft IDP, budget and invite local communities and stakeholders for comments and inputs.	Submit the draft Annual Report to MPAC. Submit the oversight report on the Annual Report to Council for approval.	Table in council the draft IDP, annual budget and all supporting documentation Publicize the tabled draft budget
April	Prepare and conduct IDP/Budget roadshows.	Prepare SDBIPs linked to IDP strategies, objectives, KPI's and targets. Develop and submit the 3 rd Quarter Performance Report to Council and COGHSTA	Consultation on tabled draft budget, publicize and conduct public hearing
May	EXCO recommends adoption of the IDP to Council. Council sitting to approve IDP, and budget.		Consideration of community views and other stakeholders and revise budget if necessary Approval of annual budget, including taxes, tariffs and policies.

MONTH	IDP	PMS	BUDGET
June	Submission of approved IDP to the COGHSTA and Provincial Treasury	Prepare final SDBIPs linked to IDP strategies, objectives, KPI's and targets. Submission of draft SDBIPs and Annual PAs to Mayor. Mayor approves SDBIPs	Submission of approved Budget to the COGHSTA, Provincial Treasury and National Treasury

2.1.2 The following policies were taken into account when developing the Annual budget:

- The Rates Policy
- Credit Control and Debt Collection Bylaw
- Indigent Policy
- Tariff Policy
- Investment & Cash Management Policy
- Asset Management Policy
- Supply Chain Management Policy
- Expenditure Management Policy & Procedure Manual
- Policy on Unauthorized, Irregular and Fruitless & Wasteful Expenditure
- Virements policy
- Bad debts write-off policy
- Funding and reserves policy
- Cost containment policy

2.1.3 Community consultation process with communities and key Stakeholders:

Section 22 of MFMA stipulates that immediately after the annual budget is tabled in a municipal council the accounting officer must make public the annual budget and documents; invite the local community to submit representations in connection with the budget; and submit the annual budget to National Treasury and the relevant provincial treasury in printed and electronic formats.

Section 23(2) of the MFMA provides further that after considering all budget submissions, the council must allow the mayor an opportunity-

- (a) to respond to the submissions
- (b) If necessary, to revise the budget and table amendments for consideration by council.

The IDP representative forums took place as per below:

- 1st IDP Representative Forum was held on 19 August 2022.
- 2nd IDP Representatives Forum Meeting was held on 4 November 2022.
- 3rd IDP Representatives Forum Meeting was held on 14 March 2023.

The following provides an overview of the publication of the budget and the public participation activities:

Publication of the final budget:

The final notices will be published in local and national newspapers inviting the public to view and inspect the budget documents to enable them to submit inputs for the final budget. The final IDP/ Budget report will be available at the libraries, community halls, tribal offices, SDA's and the MPCC's after adoption by council.

Ward committees and traditional authorities, organized business and sector departments also participate in the IDP representative forum meetings.

Stakeholders will be given an opportunity to raise questions and comment on the progress made by council. Any written submissions received will be submitted to the Manager: Developmental Services at the end of the community consultation process. The Mayor will respond to those issues that are raised.

Main concerns and comments raised during the consultation process

After the community consultative processes, the concerns raised by the stakeholders on the following matters will be addressed through the final budget:

- LED
- Crime prevention
- Water and sanitation
- Roads and storm water
- Health and welfare
- Refuse and solid waste v
- Housing
- Sports, arts and culture
- Community facilities
- Electricity
- Education
- Land and environmental management
- Transport
- Communication
- Institutional arrangements

The final IDP, Budget and Mayoral roadshows will be conducted from 11 April 2023 to 21 April 2023.

2.2 Overview of Alignment of Annual Budget and IDP

The IDP of the municipality is reviewed annually in terms of section 34 of the MSA and section 21 of the MFMA.

2.2.1 Vision of the Municipality

The vision of Mogalakwena Municipality is *to be the leading, sustainable and diversified economic hub focused on community needs.*

2.2.2 Details of proposed amendments to the Integrated Development Plan

New needs that emerged during the 2022/2023 financial year have been taken into account when compiling the final 2023/2024 IDP.

The draft 2023/24 IDP will be presented to council on 28 March 2023.

2.2.3 Revenue, operating expenditure and capital expenditure aligned to IDP

Planning and Development services together with Finance department initiated that the first priority must be allocated the higher percentage of funding.

The prioritization criteria and their respective weights for 2023/2024 are as follows:

Source of funding	CRR	MIG	RBIG	WSIG	INEP
	%	%	%	%	%
Roads and storm water	0%	29%	0%	0%	0%
Water and Sanitation	0%	40%	100%	100%	0%
Land and Cemeteries	0%	20%	0%	0%	0%
Electricity	0%	11%	0%	0%	0%

2.3 Measurable performance objectives and indicators

The measurable performance indicators and objectives for revenue and expenditure (both capital and operating) will be contained in the final Service Delivery Budget Implementation Plan (SDBIP) of the municipality and of the Section 57 managers. The final SDBIP is designed such that it gives effect to the implementation of the budget, with quarterly performance targets. The final SDBIP will be submitted to the Mayor immediately after the budget has been approved. The time-frames as contained in Section 53(1) (c) of the MFMA will be complied with.

2.4 Overview of budget-related policies

The municipality acknowledges that for the budget to be credible and balanced, it must be supported by policies that guide the revenue and expenditure estimates. To ensure this, the budget related policies have been reviewed to take the socio-economic realities of the communities into account when compiling the 2023/2024 final budget.

2.4.1 Tariff Policy

The Tariff Policy is amended as follows:

Clause 10 on page 13 of the policy changes from reading as follows:

“This Policy will be known as the Tariff Policy and shall commence on 01 July 2022”

To reading as follows:

“This Policy will be known as the Tariff Policy and shall commence on 01 July 2023”

The amended Tariff policy is attached as pages 742 to 764.

2.4.2 Rates Policy

The Rates Policy is amended as follows:

Clause **10.3.3** of the policy changes from reading as follows:

(k) (aa) *“the joint income of that person and his/her spouse, if any, for the year ended 30 June 2022 may not exceed R 83 904 (eighty-three thousand nine hundred and four rand) per year or such higher amount as may be determined in the Municipality’s budget;”*

To reading as follows:

(k) (aa) *“the joint income of that person and his/her spouse, if any, for the year ended 30 June may not exceed R88 351 (eighty-eight thousand three hundred and fifty-one Rand) per year or such higher amount as may be determined in the Municipality’s budget”*

The amended Rates Policy is attached as pages 765 to 802.

2.4.3 Debt Collection and Credit Control Policy

There are no amendments to the Debt Collection and Credit Control Policy.

The Debt Collection and Credit Control By-Law is attached as pages 694 to 729.

2.4.4 Indigent Policy

The Indigent Policy has been amended as follows:

Clause 9 on page 5 of the policy changes from reading as follows:

“The title of this policy is indigent policy and the commencement date is on the 01 July 2022”

to reading as follows:

“The title of this policy is indigent policy and the commencement date is on the 01 July 2023”

The amended Indigent Policy is attached as pages 730 to 741.

2.4.5 Investment and Cash Management Policy

There are no amendments to the Investment and Cash Management Policy.

The Investment and Cash Management Policy is attached as pages 579 to 597.

2.4.6 Asset Management Policy

There are no amendments to the Asset Management Policy.

The Asset Management Policy is attached as pages 610 to 687.

2.4.7 Asset Procedure Manual

There are no amendments to the Asset Management Manual.

2.4.8 Supply Chain Management Policy

Section 35 of the approved 2022/23 Supply Chain Management Policy is amended as follows:

80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million

(1) The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

Where –

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{min} = Price of lowest acceptable tender

(2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

90/10 preference point system for acquisition of goods or services with Rand value above R50 million

(1) The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

Where –

P_s = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and
 Pmin = Price of lowest acceptable tender.

(2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million

(1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

Where –

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{max} = Price of highest acceptable tender.

(2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

(1) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

Where –

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{max} = Price of highest acceptable tender.

(2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

The reviewed policy is attached as pages 869 to 942.

2.4.9 Irregular, Fruitless and Wasteful Expenditure Policy

There are no amendments to the Irregular, fruitless and wasteful expenditure policy.

The policy is attached as pages 864 to 868

2.4.10 Expenditure Policy and Procedure Manual

There are no amendments to the Expenditure Policy and Expenditure procedure manual.

The policy is attached as pages 855 to 863.

2.4.11 Virement policy

There are no amendments to the Virement Policy.

The policy is attached as pages 599 to 609.

2.4.12 Bad Debts Write off Policy

There are no amendments to the Bad Debts Write Off policy.

The policy is attached as pages 803 to 821.

2.4.13 Funding and reserves policy

There are no amendments to the Funding and reserves policy.

The policy is attached as pages 850 to 854.

2.4.14 Cost containment Policy

There are no amendments to the Funding and reserves policy.

The policy is attached as pages 834 to 849.

2.4.15 Virement, adjustment budgets, and unforeseen and unavoidable expenditure

The mid-year budget and performance review, coupled with the monthly budget statements are considered key documents to assist with the preparation of an adjustment budget and forthcoming budget.

The 2023/24 medium term budget should only be amended by:

Departmental Managers authorizing offsetting operating budget variations within the votes delegated to them, essential allowing variations within the department budget 'groups' but not across budget groups. It should be noted that each capital project also represents a vote requiring Council approval to amend.

A mid-year review by the Accounting Officer in accordance with the MFMA, due for completion by January, which would possibly culminate in an Adjustment Budget being presented to Council in the month following the review, if required.

An Adjustment Budget in accordance with the provision of section 28 of the MFMA brought to Council for approval in circumstances where extraordinary events require fundamental and urgent change to budget.

Section 28 of the MFMA, Act No. 56 of 2003 provides as follows:

“(1) A municipality may revise an approved annual budget through an adjustments budget.

(2) An adjustment budget-

(a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;

(b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;

(c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;

(d) may authorize the utilization of projected savings in one vote towards spending under another vote;

(e) may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonable have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;

(f) may correct any errors in the annual budget; and

(g) may provide for any other expenditure within a prescribed framework

(3) An adjustment budget must be in a prescribed form.

(4) Only the mayor may table an adjustment budget in the municipal council, but an adjustment budget in terms of section (2)(b) to (g) may only be tabled within any prescribed limitations as to timing frequency.

(5) When an adjustment budget is tabled, it must be accompanied by –

(a) an explanation how the adjustment budget affects the annual budget;

(b) a motivation of any material changes to the annual budget;

(c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and

(d) any other supporting documentation that may be prescribed.

(6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.

(7) Sections 22(b), 23(b) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustment budget.”

Unforeseen and Unavoidable Expenditure

Section 29 of the MFMA, Act No.56 of 2003 provides as follows:

“(1) The mayor of a municipality may in emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

(2) Any such expenditure –

- (a) must be in accordance with any framework that may be prescribed,*
- (b) may not exceed a prescribed percentage of the approved annual budget,*
- (c) must be reported by the mayor to the municipal council at its next meeting, and*
- (d) must be appropriated in an adjustment budget.*

(3) such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorized and section 32 applies.”

2.5 Overview of budget assumptions

2.5.1 Review of external factors

Population migration

Population migration has an impact on the provision of bulk services. As people move into various localities, they demand more services which the municipality did not plan for in advance, for example the demand for RDP houses and free basic services will increase as a result of migration into the municipality. Also, the projected increase in the lifespan of the Anglo Platinum Mines for a further 70 years has resulted in the mines relocating certain communities out of the rural areas near the mines closer to town. We can expect an influx of people into Mogalakwena to take up employment at the mines as the Mokopane Anglo Platinum Mine is the largest open pit mine in the world.

Employment

Two of the key social problems facing the Mogalakwena Municipality poverty due to unemployment and substance abuse. The unemployment rate in the Municipality varies from 40% to 70% of the economically active population (people between the ages of 15 and 64 years). Women, and especially rural women, form the greatest number affected by the lack of job opportunities as well as other social problems. Adding to the unemployment statistics is the increasing number of graduates unable to find employment. The internships offered by the government and private sectors

only offer a temporary solution to the problem. Substance abuse is rife amongst the youth irrespective of socio-economic status.

Development of Businesses

The following new business development areas have been approved by council:

- Ext 13 & 6 – Industrial sites are currently being sold
- Ext 13 (Erf 4794) – Site for a shopping complex.
- Erf 4699 – Site approved by council for a motor city.
- Portion 197 of 80 – PPR town and townlands 44ks: The municipality needs to appoint a company to conduct the feasibility studies. Council has also resolved that all high value assets of the municipality must be disposed off through calls for proposals.

New residential areas

The following new residential areas have been approved or proposed to council:

- Rebone Ext – in excess of 600 sites (farm Steilloop 403 LR) – The agreement with Rural Development has lapsed where the municipality was given a caretakership over the area. The caretakership has since lapsed and the municipality has applied to the Department of Agriculture, Land Reform and Rural Development to donate the land to the municipality.
- Sekgakgapeng – 600 Sites – The demarcation of the stands has already been done by the chief of the area and the sites have been allocated to the recipients.
- Sukses (Weenen) – 300 Sites. Budget is needed for the environmental impact study and Geotech investigations. The land surveyor will do the demarcation of sites.
- Taueatsoala – 1000 Sites (Waiting for Coghsta to do the survey)
- Township establishment 21, 22, 23 (remaining Ext Macala, between Bargain, Ext 17, Zone B and C)
 - Ext 21 & 22 – Township establishment process needs to be started and geotechnical investigations are needed to check for dolomite in the area.
 - Ext 23 – An environmental impact assessment needs to be completed before township establishment can be considered.
- Subdivision of Ext 14 – Budget is needed for subdivision as well as for engineering services.
- Extension 20 – Approximately 1000 sites have already been demarcated. Planning processes have been completed and a service provider has been appointed for engineering services. Provision of water and sewerage is already complete. Roads and electricity are yet to be implemented.

Bulk services still have to be provided to the approved areas and additional bulk services will be required if the proposed sites are approved by council.

2.5.2 General inflation outlook and its impact on municipal activities

The inflation rate of 5.3%, 4.7% and 4.9% were applied for the 2023/2024 to 2023/2024 financial years consecutively. This is an indication of the rising costs to

provide services to the municipality and the municipality will have to look for better methods of cost-reduction and cost-recovery.

2.5.3 Interest rates for borrowing and investment of funds

The municipality has no borrowing obligations at present.

2.5.4 Timing of Revenue Collection

Prepaid meters for Extension 14, 19 and 20 have already been installed. The next areas targeted for the prepaid meter installation is Mahwelereng and Mokopane Town and these will be implemented when budget is allocated in the future. These projects are aimed at reducing the municipality's bad debts and improving revenue generation.

2.5.5 Growth or Decline in Tax Base of the Municipality

There was no significant growth in the tax base as the MPRA has been phased in. The annual valuation roll has been completed in the 2018/19 financial year and has been in place since the 1st July 2019. A provision is made in the draft budget for 2023/24 for valuation roll.

2.5.6 Collection Rates

The collection rate in 2023/24 is projected at 80%.

2.5.7 Price Movements

The municipality has implemented a proposed increase in the purchase price for bulk water of 43.6% as proposed by Lepelle Northern Water. The bulk electricity purchase price has been increased by 18.5% as per budget circular.

2.5.8 Average salary increases

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 as approved by the Bargaining Committee of the Central Council was used when budgeting for employee related costs. The percentage increase for 2023/24 is 5.4% as per CPI projection by National Treasury.

2.5.9 Industrial relations, climate reorganization and capacity building

There are industrial sites that are currently owned by the municipality. However, services need to be installed prior to selling the sites. If a significant number of the sites are sold, it will result in an enormous injection for the area in respect of services and job creation.

2.5.10 Trends in Demand for Free or Subsidized Basic Services

The population of the municipality continues to grow which is having an effect on the households. Another factor that influences the increase in the demand for free or subsidized basic services is the migration of people into the municipal area. Anglo

Platinum Mines is expanding and has purchased land from the municipality in extension 14 in order to erect housing for their employees.

2.5.11 Changing Demand Characteristics

The demand for services exceeds available resources and the municipality therefore cannot meet all the needs of the communities at this stage.

2.5.12 Trends in demand for Free or Subsidized Basic Services

From the 2018/2019 financial year 6kl of free basic water has only been provided to indigents and not to all consumers.

2.5.13 Impact of National, Provincial and Local Policies

The municipality prepared the budget with consideration of all required legislative prescripts, MFMA circulars and other policy imperatives.

2.5.14 Ability of the Municipality to Spend and Deliver on the Programme

Capital projects will be implemented from grant funding but there are insufficient funds available for adequate maintenance of infrastructure. This has a negative impact on the infrastructure as it deteriorates rapidly.

Municipal Infrastructure Grants – An amount of R30.1 million was unspent on MIG grant. The funds were paid back to National Treasury as rollover was not approved. Total allocation for 2023/2024 financial year is R196.0 million.

Regional Bulk Infrastructure Grant - During the 2021/22 financial year 100% of the RBIG allocation received has been spent. The total allocation for RBIG for 2023/24 is R50.0 million.

Water Services Infrastructure Grant - During the 2021/22 financial year R7.1 million of the WSIG received was not spent. The funds were paid back to National Treasury as rollover was not approved. The total allocation for WSIG for 2023/24 is R75.3 million.

Integrated National Electrification Programme - During the 2021/22 financial year R25 million of the INEP received was not spent. The funds were also paid back to National Treasury as rollover was not approved. There is no allocation for INEP in the 2023/2024 financial year.

2.5.15 Implications of Restructuring and other Major Events into the Future

The municipality is in the process of reviewing the Organizational Structure and will be tabled to council before the end of the current financial year.

The municipality is expecting development from Anglo-American Platinum mine in terms of technological advancements. The first hydrogen powered mine truck was launched in Mogalakwena during the past year. This is an achievement which occurred on the doorstep of the municipality that was launched by the president of the

country Mr. Cyril Ramaphosa. Therefore, the prototype is expected to evolve into a fleet of hydrogen powered vehicles over the next four years which will increase development and employment opportunities in Mogalakwena. Also, these efforts will go towards reducing carbon emissions by coal powered vehicles and help to reduce the effects of climate change in the long run.

2.6 Overview of budget funding

Section 18(1) of the MFMA requires the budget of a municipality to be funded from-

- (a) realistic anticipated revenue 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) of the MFMA.

Section 18(2) of the MFMA requires the revenue projections in the budget to be realistic, taking into account-

- (a) projected revenue for the current year based on collection levels to date; and
- (b) Actual revenue collected in the previous financial year.

This budget has been prepared taking into account the requirements of the abovementioned section. Revenue was estimated using a collection rate of 65% to billings. The capital budget was limited to the gazette DoRA funding. An adjustment budget will be compiled for council consideration once more funding becomes available from either internal and/or external sources.

2.6.1 Investments

The Table below indicates the investment accounts and call accounts particulars by maturity as at 28 February 2023:

Institution	Investment	Monetary value
		'000
ABSA	Short term	0
FNB	Short term	0
Nedbank	Short term	0
Standard Bank	Short term	0
Standard Bank Call accounts	Short term	7 294 455
Total		7 294 455

Supporting **Table SA 16** is attached as [page 384](#).

2.6.2 Estimated debtors' collection levels

A debtor's collection rate of 80% of levied amounts is estimated for the 2023/24 financial year.

2.7 Expenditure on allocations and grants programmes

Provision is made in the 2023/24 budget for the following statutory and reserve fund contributions:

- Debt Impairment : R190.5 million
- Depreciation : R100.4 million

2.8 Councilors and employee benefits

The following information with regard to the salary budget which forms part of the operating budget must be taken into consideration by council before approving the budget:

- Provision for a 5.4% increase was made for both councilors and officials.

Disclosure of salaries and allowances and benefits is attached as supporting **Table SA 22 and 23** pages 390 to 392.

2.9 Monthly targets for revenue, expenditure and cash flow

The disclosure on monthly targets for revenue, expenditure and cash flow is attached **Table SA 25 to SA 30** as pages 394 to 399.

2.10 Annual budgets and SDBIP

Section 53(1)(c)(ii) of the MFMA Indicates that the mayor of a municipality must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

The SDBIP will be submitted to the mayor immediately after the budget has been approved. The time-frames as contained in Section 53(1)(c) of the MFMA will be complied with.

2.11 Contracts having future budgetary implications

Contracts having future budgetary implications are reflected in **table SA33** attached as page 402.

2.12 Capital expenditure details

The detailed final capital budget over the 2023/24 MTREF is attached as pages 419 to 420.

2.13 Legislation compliance status

This budget has been prepared in accordance with the requirements of the Municipal Finance Management Act, the Municipal Budget and Reporting Regulations and the Municipal Systems Act. The acting municipal manager has complied with the new budget format when compiling the 2023/24 to 2025/26 MTREF.

2.14 Other supporting documents

Circular 70, 72, 74, 78, 85, 86, 89, 91, 93, 94, 98, 99,107, 108, 112, 115, 116 and Instruction 1 of 2013/2014 as issued by National Treasury are complied with in the preparation of the 2023/2024 to 2025/2026 budget. Circular 122 and 123 being the latest budget circulars are attached as pages 426 to 475.