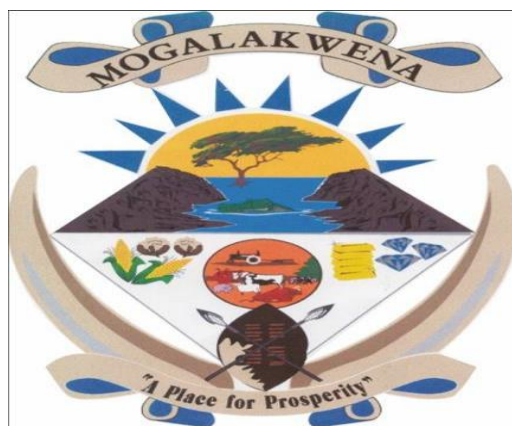


233.
31.03.22

ANNUAL BUDGET OF MOGALAKWENA LOCAL MUNICIPALITY



2022/23 TO 2024/25

DRAFT

**MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

234.
31.03.22

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

235.
31.03.22

Part 1 – Annual Budget

1.1 Mayor's Report

The Mayor will present his report separately in the council meeting to be held on 31 March 2022.

The speech will be attached to the minutes of the council meeting.

1.2 Council Resolutions

- The budget related resolutions will form part of the budget document after submission of the budget to council.
- The acting municipal manager will send the approved draft documents to National and provincial treasury as prescribed in section 22(b)(i) of the Municipal Finance Management Act.

1.3 Executive Summary

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 2022/23 MTREF are circular 112 and 115.)

Section 139 of the Municipal Finance Management Act states that:

If a municipality, as a result of a crisis in its financial affairs, is in serious or persistent material breach of its obligations to provide basic services or to meet its financial commitments, or admits that it is unable to meet its obligations or financial commitments, the provincial executive must promptly—

(a) request the Municipal Financial Recovery Service—

(i) to determine the reasons for the crisis in its financial affairs;

(ii) to assess the municipality's financial state;

(iii) to prepare an appropriate recovery plan for the municipality;

(iv) to recommend appropriate changes to the municipality's budget and revenue-raising measures that will give effect to the recovery plan; and

(v) to submit to the MEC for finance in the province—

(aa) the determination and assessment referred to in subparagraphs (i) and (ii) as a matter of urgency; and

(bb) the recovery plan and recommendations referred to in subparagraphs (iii) and (iv) within a period, not to exceed 90 days, determined by the MEC for finance; and

(b) consult the mayor of the municipality to obtain the municipality's cooperation in implementing the recovery plan, including the approval of a budget and legislative measures giving effect to the recovery plan.

236.

31.03.22

The municipality has been placed under provincial intervention since January 2020 due to its financial distress. It is with the above background that the municipality had to prepare a Financial Recovery Plan in order to remedy the situation. The final MTREF is therefore prepared taking into account the approved Financial Recovery Plan.

The budget has been prepared at the time when the world economy is expected to grow by 4.4 per cent. This is lower than the 4.9 per cent that was anticipated when tabling the medium-term budget policy statement (MTBPS). The continuous discovery of different corona virus variants caused many countries to impose restrictions to manage the spread. In addition, continued imbalances in global value chains have limited the pace of the world's economic recovery. The South African economy has not been shielded from these global developments. National Treasury has revised South Africa's economic growth estimate for 2021 to 4.8 per cent, from 5.1 per cent at the time of the MTBPS.

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 45903 issued on the 11th of February 2022
- Proposed electricity purchases increase of 4.8%
- Proposed increases of 12% for bulk water.
- Revenue to increase by maximum of 4.8% 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 4.8% which is the projected CPI Inflation rate as per MFMA Circular no. 115.
- Cost reflective and sustainable tariff increases
- The impact of COVID 19 pandemic on the ability of the municipality to render services and the related costs

237.
31.03.22

Municipal 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.
- Prioritizing contractual obligations

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 2021/22 financial year
- The increased cost of supply for water and electricity resulting in unsustainable municipal tariffs
- Employee costs constitute 34.7% 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 2022/23 MTREF:

- The 2021/22 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 2022/23 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 1115 issued by treasury as follows:

238.

31.03.22

Fiscal year	2021/22	2022/23	2023/24	2024/25
Consumer Price Inflation (CPI)	4.5%	4.8%	4.4%	4.5%

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 2022/23 to 2024/25.

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.

239.
31.03.22

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.

240.
31.03.22

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

241.
31.03.22

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.

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
	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

242.

31.03.22

One of the key social problems facing the Mogalakwena Municipality is poverty. The unemployment rate in the Municipality is 40.2% 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. 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 2022/23:

Package Indigent	Compilation for	21/22 R(Vat included)	22/23 R(Vat included)
Rates – R100 000 Valuation		56.89	60.30
Refuse (up to 500 m2)		69.58	73.75
Sewage (up to 500 m2)		37.97	40.25
Electricity – 50kwh		64.03	67.11
Water – 6kl		124.28	139.20
Total indigent package per month		352.75	380.61

243.
31.03.22

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

Water	1 537
Electricity	1 537
Sanitation	1 537
Refuse Removal	1 537
Rural Sanitation	0
Rates	1 537

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	12.0
Electricity	6.0
Refuse removal	6.0
Property rate	6.0
Sewerage	6.0

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 on the resources at the disposal of the municipality.

The following table is a summary of the total budget:

Description	2021/2022 Budget	22/23 Budget	23/24 Budget	24/25 Budget
Total Operational Revenue	(1 146 752 755)	(1 230 902 241)	(1 294 830 412)	(1 366 002 207)
Total Operating Expenditure	1 138 067 251	1 220 988 152	1 274 535 376	1 337 703 388
Operational (Surplus)/Deficit	(8 685 504)	(9 914 089)	(20 295 036)	(28 298 818)
Total capital grants	(354 043 042)	(265 380 650)	(299 021 350)	(259 711 300)
Capital Expenditure - Grants	354 043 044	265 380 650	299 021 350	259 711 300
Capital Expenditure - CRR	9 951 750	0	0	0
Overall Budget (Surplus)/Deficit	1 266 248	(9 914 089)	(20 295 036)	(28 298 818)

The municipality is budgeting for an overall surplus of R9.9 million. The municipality is not budgeting for CRR projects due to lack of reserves.

244.
31.03.22

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 2020/21 financial year. This is an indication that there is an improvement by the municipality. This also however indicates that there are still challenges that have to be addressed in the municipality.

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 2022/23.

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.

There are challenges of collecting operating revenue from communities as the current revenue collection is set at 80.4%.

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 2021/22.

Revenue from water has increased by R6.5 million from the adjusted budget figures because of 4.8% increase in tariffs based on current year billing estimate.

Revenue from electricity has increased by R15.0 million from the previous year budget figures because of 4.8% increase in tariffs based on current year billing estimate. The revenue is based on budget circular No.115.

245.
31.03.22

Revenue from property rates has increased by R4.1 million due to increase of 4.8% on the property rates tariff. The billing in the current financial year is as per adjusted figures and revenue targets were set at 85% of the current year billings. The valuation roll was implemented in the 2019/20 financial year and no material objections were received by the municipality.

Revenue from interest earned on external investments has increased by 4.8% from adjustment figure.

Revenue on operational transfers and subsidy has increased by R53.0 million from the adjusted 2021/22 budget.

1.4.1 Grant allocations

The Division of Revenue Bill allocations to Mogalakwena Municipality for the 2022/2023 to 2024/2025 financial years are as follows:

Grant allocations over the MTREF

Description	2021/2022 Budget	22/23 Budget	23/24 Budget	24/25 Budget
Operational Grants				
Equitable Share	(483 337 000)	(535 476 000)	(570 087 000)	(607 300 000)
Financial Management Grant	(1 950 000)	(2 100 000)	(2 100 000)	(3 518 000)
Expanded Public Works Programme	(1 292 000)	(1 161 000)	0	0
Municipal Infrastructure Grant	(8 285 500)	(8 986 350)	(9 404 650)	(9 849 700)
Waterberg District Grant	(4 440 509)	(4 653 653)	(4 858 414)	(5 077 043)
TOTAL OPERATIONAL GRANTS	(499 305 009)	(552 377 003)	(586 450 064)	(625 744 743)
Capital Grants				
Municipal Infrastructure Grant	(214 370 464)	(170 740 650)	(178 688 350)	(187 144 300)
Regional Bulk Infrastructure Grant	(70 739 000)	(40 000 000)	(50 000 000)	0
Water Services Infrastructure Grant	(43 933 578)	(47 640 000)	(55 333 000)	(56 893 000)
Integrated National Electrification Programme	(25 000 000)	(7 000 000)	(15 000 000)	(15 674 000)
TOTAL CAPITAL GRANTS	(354 043 042)	(265 380 650)	(299 021 350)	(259 711 300)

Supporting **Table SA 18, 19 and 20** is attached as pages 433 to 435.

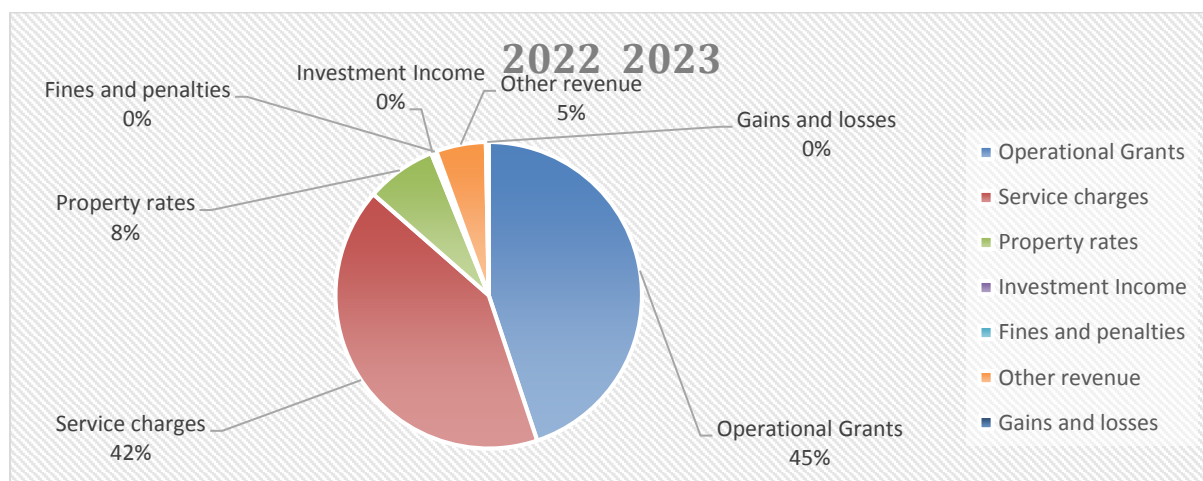
- The municipality's equitable share has increased by 10.8% to R535.4 million in the 2022/23 financial year and will be increasing over the MTREF by 6.5%.
- The capital grants have decreased by 25.0% from the adjusted capital grants (Includes rolled-over amount of R63.8 million) to R265.3 million.
- The EPWP grant is allocated R1.1 million in the 2022/23 financial however there is no allocation over the MTREF period.

246.
31.03.22

1.4.2 Summary of Operating Revenue

The following table gives a breakdown of the income categories for the 2021/22 to 2023/24 financial years:

Description	2021/2022 Budget	22/23 Budget	23/24 Budget	24/25 Budget
Property rates	(87 308 787)	(91 499 609)	(95 525 592)	(99 824 243)
Service charges - electricity revenue	(313 961 615)	(329 031 773)	(343 509 171)	(358 967 083)
Service charges - water revenue	(136 115 540)	(142 649 086)	(148 925 646)	(155 627 300)
Service charges - sanitation revenue	(19 571 900)	(20 511 351)	(21 413 851)	(22 377 474)
Service charges - refuse revenue	(18 617 698)	(19 511 348)	(20 369 847)	(21 286 490)
Rental of facilities and equipment	(1 837 049)	(1 925 227)	(2 009 937)	(2 100 385)
Interest earned - external investments	(3 034 146)	(3 179 785)	(3 319 696)	(3 469 082)
Interest earned - outstanding debtors	(44 658 648)	(46 802 263)	(48 861 563)	(51 060 333)
Dividends received	0	0	0	0
Fines, Penalties and forfeits	(3 629 201)	(3 803 403)	(3 970 752)	(4 149 436)
Licences and permits	(1 777 344)	(1 862 657)	(1 944 613)	(2 032 121)
Agency services	(9 443 370)	(9 896 652)	(10 332 104)	(10 797 049)
Transfers and subsidies	(499 305 009)	(552 377 003)	(586 450 064)	(625 744 743)
Other revenue	(4 005 276)	(4 197 529)	(4 382 221)	(4 579 420)
Gains on disposal of PPE	(3 487 172)	(3 654 556)	(3 815 357)	(3 987 048)
	(1 146 752 755)	(1 230 902 241)	(1 294 830 412)	(1 366 002 207)
Capital Grants	(354 043 042)	(265 380 650)	(299 021 350)	(259 711 300)
Total Revenue	(1 500 795 797)	(1 496 282 891)	(1 593 851 762)	(1 625 713 507)



Main Operational Income Categories

- The municipality's operational revenue has increased by R84.1 million from R1.146 billion to R1.230 billion.
- Operation grants contributes 44.9% of the total operational revenue budget followed by service charges contributing 41.6%.

247.
31.03.22

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

Proposed tariff increases for the 2022/23 to 2024/25 financial years with prior comparatives are the following:

Description	2021/2022	2022/2023	2023/2024	2024/2025
Rates	6%	6%	6%	6%
Refuse	6%	6%	6%	6%
Sewerage	6%	6%	6%	6%
Water	14.0%	12.0%	12.0%	12.0%
Electricity	14.59%	6%	6%	6%
Average Increase	9.32%	7.2%	7.2%	7.2%

- The electricity tariff increase has not been finalized yet between NERSA and Eskom. Therefore the increase on Electricity tariff has been kept at 6%. The final percentage increase on the tariffs should be available before the Budget is finalized in May 2022.
- The proposed water tariff increase for the 2021/22 has been set at 12% based on the proposal by Lepelle Northern Water.

248.

31.03.22

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 12% for the water tariffs in 2022/23 financial year.
- It is estimated that water to the amount of R 33 196 800 will be purchased from LNW and other service providers in 2022/23 financial year.
- As per Council resolution 18/3/3 the municipality is currently utilising 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 142 649 086 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 2022/23 compared to 2021/22:

			21/22	22/23
TYPE	TYPE	INTERVALS	PER	PER
CONSUMER	SCALE		KILOLITRE	KILOLITRE
			vat inclusive	vat inclusive
Domestic:	Gliding scale			
		0-10 KL	20.42	22.87
		11 -50 kl.	21.67	24.27
		51-100 KL.	26.07	29.20
		101>KL	43.38	48.58
Businesses:	Normal		21.67	24.27
Flats:	Normal		21.67	24.27
Industrial:	Normal		21.67	24.27
Provincial Hospitals	Normal		20.42	22.87
Schools, Churches, Hostels, Sport clubs	Normal		21.67	24.27
Departmental	Normal		21.67	24.27

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

249.
31.03.22

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	204.20	228.70	24.50	12
42	897.64	1 005.34	107.70	12
75	1 757.95	1 968.94	210.99	12
110	3 276.25	3 669.24	392.99	12

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 2021/22:

- A tariff increase of 6% is included in the final 2022/23 MTREF
- The free basic sanitation is provided for indigents only

350.

31.03.22

The following recommended tariff structure for sewerage for 2022/23 compared to 2021/22:

TYPE CONSUMER	SIZE OF ERF	21/22		22/23	
		BASIC vat inclusive	ADDITIONAL vat inclusive	BASIC vat inclusive	ADDITIONAL vat inclusive
1. Residential houses	0 - 500	38.29		40.58	
	501 - 1000	76.80		81.40	
	1001 - 1500	122.72		130.08	
	1501 - 2000	138.12		146.41	
	2001 - 2500	153.47		162.67	
	2501 - 3000	168.79		178.92	
	First 3000 Every additional 500	15.34		16.26	
2. Churches	0 - 500	38.29	32.45	40.58	34.39
Hospitals	501 - 1000	76.80	32.45	81.40	34.39
Creches	1001 - 1500	122.72	32.45	130.08	34.39
Schools	1501 - 2000	138.12	32.45	146.41	34.39
Sport clubs	2001 - 2500	153.47	32.45	162.67	34.39
	2501 - 3000	168.79	32.45	178.92	34.39
	First 3000				
	Every additional 500	15.34	32.45	16.26	34.39
3. Other					
3.1 Businesses	Irrespective	406.61	103.55	431.00	109.76
3.2 Industrial	Irrespective	406.61	103.55	431.00	109.76
3.3 Flats	Irrespective	406.61	111.09	431.00	117.75
3.4 Hostels	Irrespective	406.61	79.17	431.00	83.92
3.5 Boarding house	Irrespective	406.61	79.17	431.00	83.92
3.6 Departmental	Irrespective	406.61	103.55	431.00	109.76

351.
31.03.22

Examples of sewerage tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	38.29	40.58	2.29	6
1600	138.12	146.41	8.29	6
3500	184.13	195.18	11.05	6
Business	406.61	431.00	24.39	6

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 2022/23.

The following recommended tariff structure for refuse removal for 2022/23 compared to 2021/22 financial year:

		21/22		22/23	
TYPE OF CONSUMER	SIZE OF ERF	BASIC	ADDITIONAL	BASIC	ADDITIONAL
		vat inclusive	vat inclusive	vat inclusive	vat inclusive
Domestic:					
Residential houses	0 - 500	70.18		74.39	
Churches	501- 1000	102.59		108.74	
Church halls	1001 - 1500	139.99		148.39	
Residential erven which are being built on	1501 - Bo	150.86		159.91	
		PER	BULK	PER	BULK
		CONTAINER	CONTAINER	CONTAINER	CONTAINER
		R	S	R	S
Commercial :					
Businesses	Irrespective	269.16	1 795.11	285.30	1 902.82
Industrial	Irrespective	269.16	1 795.11	285.30	1 902.82
Other:		-	-	-	-
Municipality	Irrespective	139.99	1 795.11	148.39	1 902.82
Flats	Irrespective	139.99	1 795.11	148.39	1 902.82
Ouetehuisse	Irrespective	139.99	1 795.11	148.39	1 902.82

Hostels	Irrespective	139.99	1 795.11	148.39	1 902.82
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352.

31.03.22

Boarding houses	Irrespective	139.99	1 795.11	148.39	1 902.82
Schools	Irrespective	139.99	1 795.11	148.39	1 902.82
Hospitals	Irrespective	139.99	1 795.11	148.39	1 902.82
Government	Irrespective	139.99	1 795.11	148.39	1 902.82
Sport organisations	Irrespective	139.99	1 795.11	148.39	1 902.82
Charity Organisations	Irrespective	139.99	1 795.11	148.39	1 902.82
Other	Irrespective	139.99	1 795.11	148.39	1 902.82
Bulk					
Per load or part thereof		576.47		611.06	

Example of monthly refuse tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	70.18	74.39	4.21	6
950	102.59	108.74	6.15	6
1200	139.99	148.39	8.40	6
1550	150.86	159.91	9.05	6
Business	269.16	285.30	16.14	6

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.

353.
31.03.22

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 2022 is 0.012047c (residential) (1 July 2021 is 0.011365c) and 0,024324c (1 July 2021 – 0,022947c) (business, commercial, industrial and mining) and 0,003011c (1 July 2021 – 0, 002841c) (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 2022/23 compared to 2021/22 financial year:

		21/22		22/23	
TYPE	TARIFF	CENT IN	%	CENT IN	%
	CODE	RAND	DISCOUN T	RAND	DISCOUN T
1. Improved residential stands	VA771	0.011365	40.00	0.012047	40.00
2. Improved business stands	VA772	0.022947	0.00	0.024324	0.00
3. Pensioners as rate policy	VAIND	0.011365	100.00	0.012047	100.00
4. Pensioners as rate policy	VAIND	0.011365	100.00	0.012047	100.00
5. State owned properties	VA775	0.002841	30.00	0.003011	30.00
6. Improved flats	VA776	0.011365	40.00	0.012047	40.00
7. Developed erven industrial	VA777	0.022947	0.00	0.024324	0.00
8. Undeveloped erven	VA778	0.022947	0.00	0.024324	0.00
9. Municipality	VA779	0.000000	0.00	0.000000	0.00
10. Undeveloped business erven	VA780	0.022947	0.00	0.024324	0.00
11. Permission to do business on residential erven	VA781	0.022947	0.00	0.024324	0.00
12. Undeveloped industrial	VA782	0.022947	0.00	0.024324	0.00
13. Undeveloped flat erven	VA783	0.022947	0.00	0.024324	0.00
14. Private parks	VA788	0.002841	0.00	0.003011	0.00
15. Private streets	VA789	0.002841	0.00	0.003011	0.00
17. Agricultural fields (Macalacaskop)	Va790	0.002841	0.00	0.003011	0.00

16.Welfare organizations,Hospitals, Clinics etc	VA791	0.002841	100.00	0.003011	100.00
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354.

31.03.22

Agricultural

		21/22		22/23	
TYPE	TARIEF	CENT IN	%	CENT IN	%
	CODE	RAND	BASIC	RAND	BASIC
		TARIFF	DISCOUNT	TARIFF	DISCOUN T
1. Residential	VA5771	0.002841	0.00	0.003011	0.00
2. Business, Commercial, Ecotourism, game hunting	VA5772	0.002841	0.00	0.003011	0.00
3. Pensioners as rate policy	VA5773	0.002841	100.00	0.003011	100.00
4. Pensioners as rate policy	VA5774	0.002841	100.00	0.003011	100.00
5. State owned properties	VA5775	0.002841	0.00	0.003011	0.00
6. Industrial ,agricultural holdings	VA5777	0.002841	0.00	0.003011	0.00
7. Undeveloped	VA5778	0.002841	0.00	0.003011	0.00
8. Municipality	VA5779	0.000000	0.00	0.000000	0.00
9. Mining	VA5792	0.022947	0.00	0.024324	0.00
10. Welfare organization,Hospitals,Clinics etc	VA5791	0.002841	100.00	0.003011	100.00

1.5 Operating Expenditure Framework

The municipality expenditure framework for the 2022/23 budget and MTREF is informed by the following:

- Total employee related costs is 34.7% 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.
- Assets management plan should be done in order to assess the conditions of the municipality's infrastructure asset. The plan will in future determine the acceptable allocations towards operations and maintenance.
- Current ratio should be improved to at least 2:1 within the MTREF

355.
31.03.22

The following is the operating expenditure allocations per department:

Description	2021/2022 Budget	22/23 Budget	23/24 Budget	24/25 Budget
Municipal Manager	194 475 445	179 909 649	185 202 423	194 072 755
Corporate Services	63 496 565	62 060 504	65 157 158	68 474 985
Budget & Treasury	94 242 820	90 692 509	94 932 644	100 888 786
Planning and Development	26 654 413	29 518 079	31 061 525	32 717 155
Technical Services	267 693 700	309 026 248	323 705 744	339 413 290
Community Services	100 925 986	111 010 424	115 553 604	121 671 345
Traffic and Emergency	86 130 648	91 347 720	95 846 278	100 664 500
Electrical Services	304 447 674	347 423 019	363 075 999	379 800 571
TOTAL OPERATING EXPENDITURE	1 138 067 251	1 220 988 152	1 274 535 376	1 337 703 388

- The department of technical services responsible for water, sanitation and roads has been allocated R309.0 million for operational expenditure.
- The electrical department was allocated an amount of R347.4 million for operational expenditure in 2022/23 which is a 4.5% increase from the 2021/22 budget

The following table gives a breakdown of the expenditure categories for the 2022/23 financial year:

Description	2021/2022 Budget	22/23 Budget	23/24 Budget	24/25 Budget
Employee related costs	356 567 440	402 653 487	424 391 375	447 727 400
Remuneration of councillors	19 950 891	21 493 292	22 653 929	23 899 895
Debt impairment	110 901 189	90 480 475	94 461 616	98 712 389
Depreciation & asset impairment	78 905 524	99 460 989	103 837 273	108 509 950
Finance charges	685 720	718 635	750 254	784 016
Bulk purchases	251 442 492	292 308 549	305 170 125	318 902 781
Other materials	41 915 609	46 061 638	48 088 350	50 252 326
Contracted services	205 658 902	189 779 702	193 821 301	203 859 840
Transfers and subsidies	587 586	615 790	642 885	671 815
Other expenditure	71 451 898	77 415 596	80 718 268	84 382 977
Loss on disposal of PPE	0	0	0	0
Gains & Losses - Impairment Loss	0	0	0	0
Total Expenditure	1 138 067 251	1 220 988 152	1 274 535 376	1 337 703 388

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.

356.

31.03.22

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 2022/23 financial year an amount of R90.4 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 asset consumption. The audited outcome for 2020/21 financial year was taken into account also.
- Bulk water purchases are 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.

Employee costs

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

Description	2021/2022 Budget	22/23 Budget	23/24 Budget	24/25 Budget
Municipal Manager	43 810 323	50 742 770	53 482 880	56 424 438
Corporate Services	34 000 108	36 291 534	38 251 277	40 355 097
Budget & Treasury	31 610 804	35 072 523	36 961 039	38 988 396
Planning and Development	23 368 747	24 280 768	25 591 929	26 999 485
Technical Services	90 608 097	107 419 806	113 220 476	119 447 602
Community Services	77 339 548	86 424 996	91 091 946	96 102 003
Traffic and Emergency	40 526 356	47 556 443	50 124 491	52 881 338
Electrical Services	35 254 348	36 357 938	38 321 266	40 428 936
TOTAL EMPLOYEE COST	376 518 331	424 146 778	447 045 304	471 627 296

357.
31.03.22



- The actual annual increase for employees has been included at CPI of 4.8% in accordance with the macro-economic forecasts outlined in MFMA Circular no. 115.
- The employee costs constitute 34.7% of the total operating expenditure allocation because of the above.

1.6 Capital Expenditure

An amount of R265.3 million has been appropriated for the acquisition of assets in 2022/23 financial year.

The total amount of **R265.3 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:

Description	2021/2022 Budget	22/23 Budget	23/24 Budget	24/25 Budget
Municipal Manager	1 400 000	0	0	0
Corporate Services	0	0	0	23 650 300
Budget & Treasury	0	0	0	0
Planning and Development	1 000 000	5 523 724	7 000 000	0
Technical Services	319 277 524	241 204 176	239 021 350	186 887 000
Community Services	3 738 770	5 000 000	13 000 000	19 000 000
Traffic and Emergency	0	0	0	0
Electrical Services	38 578 500	13 652 750	40 000 000	30 174 000
TOTAL CAPITAL EXPENDITURE PER VOTE	363 994 794	265 380 650	299 021 350	259 711 300

358.

31.03.22

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.

A breakdown of the capital expenditure for the 2022/23 financial year is attached as pages 473 to 475.

Annual Budget Tables

The Annual Budget Tables:

Table A1	Budget summary – (attached as <u>page 382</u>);
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification) – (attached as <u>pages 383 to 386</u>);
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote) – (attached as <u>pages 387 to 390</u>);
Table A4	Budgeted Financial Performance (revenue and expenditure) – (attached as <u>page 391</u>);
Table A5	Budgeted Capital Expenditure by vote, standard classification and Funding – (attached as <u>pages 392 to 396</u>);
Table A6	Budgeted Financial Position – (attached as <u>page 397</u>);
Table A7	Budgeted Cash Flows – (attached as <u>page 398</u>);
Table A8	Cash backed reserves/ accumulated surplus reconciliation – (attached as <u>page 399</u>);
Table A9	Asset Management – (attached as <u>pages 400 to 402</u>);
Table A10	Basic service delivery measurement – (attached as <u>page 403</u>).

Budget Related Charts and Explanatory Notes:

Supporting information, charts and explanations of trends and anomalies for each table are reflected as **table SA1 – SA 38** (attached as pages 404 to 472)

359.
31.03.22

Part 2 – Supporting Documentation

2.1 Overview of Annual Budget Process

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 and 115.
- National Treasury instruction 1 of 2013/2014
- Government Gazette 45903 of 11 February 2022

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 final 2022/23 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

From these community participation and consultation process, 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.

360.

31.03.22

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	Print and distribute final approved IDP. Development of 2022/23 IDP Process Plan that guide the planning, drafting, adoption of the plan. Give notice to local community of particulars of the Process Plan.	Conclude annual performance agreements Print and distribute final approved SDBIP	Place approved annual budget and policies on the municipal Web site Print and distribute final approved budget Establish appropriate committees and consultation forums
August	Table to EXCO, council the IDP Process Plan for approval. Conduct stakeholder registration. Consider comments from various stakeholders during 2021/22 IDP Roadshows	Place annual performance agreements on the municipal website Development and submission of annual performance report	Table in council IDP, PMS and budget process plan
September	Consider proposals received from MEC, if any.(IDP preparation process) Coordinate public consultation in terms of Tariffs, Indigent Credit, Credit Control and FBE. Public consultation in terms of CBP.		Implement process plan Commence community and stakeholder consultative process, review inputs, financial models, assess impacts on tariffs and change and consider funding decisions
October	Setting new strategic agenda for the IDP in light of the new focus of Council.	Develop and submit the 1 st Quarter Performance Report to Council and CoGHSTA	Consolidate community inputs on proposed tariffs.

361.
31.03.22

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

362.

31.03.22

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.
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.

363.
31.03.22

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 Covid 19 pandemic has resulted in certain changes to the municipal Budget and Planning process plan. The prohibition on community gatherings has necessitated the municipality to reduce contact sessions with the public such as the IDP Representative Forums and the Mayoral Roadshows. A non-contact public participation strategy has been developed by the Municipality and includes public notices on various platforms including social media, radio and physical notices strategically placed to reach a wide audience. However, the lockdown regulations have been adjusted and contact meetings were then held.

The IDP representative forums took place as per below:

- 1st IDP Representative Forum was held on 20 August 2021
- 2nd IDP Representatives Forum Meeting was held 22 October 2021.
- 3rd IDP Representatives Forum Meeting is to be held 11 March 2022.
- 4th IDP Representatives Forum Meeting is planned to be held on 13 May 2022.

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.

IDP and Budget Mayoral roadshow (Public hearing): Will be conducted during April. 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.

364.

31.03.22

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

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 2021/2022 financial year have been taken into account when compiling the final 2022/2023 IDP.

The draft 2022/23 IDP will be presented to council on 31 March 2022.

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.

365.
31.03.22

The prioritization criteria and their respective weights for 2022/2023 are as follows:

Source of funding	CRR	MIG	DWA	WSIG	INEP
	%	%	%	%	%
Roads and storm water	0%	30.6%	0%	0%	0%
Water and Sanitation	0%	59.4%	100%	100%	0%
LED	0%	3.2%	0%	0%	0%
Land and Cemeteries	0%	2.9%	0%	0%	0%
Electricity	0%	3.9%	0%	0%	100%
Waste Management	0%	%	0%	0%	0%
Other	0%	%	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 2022/2023 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 2021”

To reading as follows:

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

366.

31.03.22

The amended Tariff policy is attached as pages 500 to 512.

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 2021 may not exceed R79 155 (seventy nine thousand one hundred and fifty five 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 2021 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;”*

The amended Rates Policy is attached as pages 513 to 530.

2.4.3 Debt Collection and Credit Control Policy

The Debt Collection and Credit Control Policy is amended as follows:

From reading as follows:

2.2.1 The initial payment for entering into the installment agreement be 10% of the outstanding account;

2.2.2 The period in which arrear amounts be paid in installments must not exceed 24 months if the outstanding balance is below R20 000,00;

2.2.3 The period in which arrear amounts be paid in installments must not exceed 48 months if the outstanding balance is above R20 000,00;

2.3.1 The initial payment for entering into the installment agreement be 25% of the arrear amount;

To reading as follows:

2.2.4 The initial payment for entering into the installment agreement be 30% of the outstanding account;

2.2.5 The period in which arrear amounts be paid in installments must not exceed 12 months if the outstanding balance is below R50 000,00;

31.03.22

2.2.6 The period in which arrear amounts be paid in installments must not exceed 24 months if the outstanding balance is above R50 000,00;

2.3.2 The initial payment for entering into the installment agreement be 50% of the arrear amount;

The Debt Collection and Credit Control By-Law is attached as pages 531 to 541.

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 2021”

to reading as follows:

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

The amended Indigent Policy is attached as pages 542 to 547.

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 548 to 562.

2.4.6 Asset Management Policy

There are no amendments to the Asset Management Policy.

The Asset Management Policy is attached as pages 563 to 608.

2.4.7 Supply Chain Management Policy

The Supply Chain Management policy is amended as follows:

368.
31.03.22

From reading as follows:

14. (1) The procurement of goods and services will be procured through the following thresholds and delegations:

R2 001-R 30 000 by Chief Financial Officer if below R5 000 and Municipal Manager if R5 000 and more.

To reading as follows:

14. (1) The procurement of goods and services will be procured through the following thresholds and delegations:

R2 001-R 30 000 by Municipal Manager

The reviewed policy is attached as pages 609 to 701.

2.4.8 Irregular, Fruitless and Wasteful Expenditure Policy

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

The policy is attached as pages 702 to 705.

2.4.9 Expenditure Policy and Procedure Manual

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

The policy is attached as pages 706 to 714.

2.4.10 Virement policy

There are no amendments to the Virement Policy.

The policy is attached as pages 715 to 722.

2.4.11 Bad Debts Write off Policy

There are no amendments to the Bad Debts Write off Policy.

The policy is attached as pages 723 to 739.

2.4.12 Funding and reserves policy

There are no amendments to the Funding and reserves policy.

The policy is attached as pages 740 to 744.

369.
31.03.22

2.4.13 Cost containment Policy

The municipality is during the 2022/23 budget presenting a cost containment policy which complies with regulation issued by National Treasury in order to curb and eliminate nonpriority spending. The following are key issues addressed by the policy:

- Use of consultants
- Vehicle use of political office bearers
- Travel and subsistence claims
- Domestic accommodation and use of credit cards
- Sponsorships, events, and catering
- Communication expenses
- Conferences and meetings

The policy is attached as pages 745 to 754.

2.4.14 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 2022/23 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. Therefore, for example, manager could transfer allocations within an expenditure group such as 'Employee costs'. 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.

370.

31.03.22

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.

371.
31.03.22

(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.

372.

31.03.22

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.

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.

373.
31.03.22

- Extension 20 – Approximately 1000 sites have already been demarcated. Planning processes have been completed and a service provider has been appointed for engineering services.

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 4.8%, 4.4% and 4.5% were applied for the 2021/2022 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. It will be valid for four years.

2.5.6 Collection Rates

The collection rate in 2022/23 is projected at 80%.

2.5.7 Price Movements

The municipality has implemented a proposed increase in the purchase price for bulk water of 12%. The bulk electricity purchase price has been increased by 4.8% as per budget circular.

374.

31.03.22

2.5.8 Average salary increases

A 12.9% increase on salaries is budgeted for in the draft budget from the adjusted budget in 2021/22 financial year. The 2021/22 salary budget was adjusted down due to 100% vacancies on senior management positions. The savings thereof were appropriated to fund other operational expenditure. Therefore, the 12.9% increase in 2022/23 only accounts for a 1.9% decrease from the original budget of 2021/22 financial year.

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. Also, the impact of COVID 19 has resulted in job losses and an increase in the municipality's indigents. This is however improving slightly as the economy is opened in the ease of lockdown regulations.

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.

375.
31.03.22

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 may have a negative impact on the infrastructure as it may deteriorate rapidly in the future.

During the 2020/21 financial year R56.9 million of the MIG received was not spent and a roll over was granted to the municipality. The total allocation for MIG for 2022/23 is R 179.7 million.

During the 2020/21 financial year 100% of the RBIG allocation received has been spent. The total allocation for RBIG for 2022/23 is R 40.0 million.

During the 2020/21 financial year R6.9 million of the WSIG received was not spent. The total allocation for WSIG for 2022/23 is R 47.6 million.

During the 2020/21 financial year R3 million of the INEP received was not spent. The total allocation for INEP for 2022/23 is R 7 million.

2.5.15 Implications of Restructuring and other Major Events into the Future

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

The municipality is not aware of any other restructuring and/or major events that will affect the municipality in the foreseeable future.

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.

376.

31.03.22

This budget has been prepared taking into account the requirements of the abovementioned section. Revenue was estimated using a collection rate of 80% 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 2022:

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 account 002	Short term	5 136 937
Standard Bank call account 052	Short term	88 717
Total		5 225 654

Supporting **Table SA 16** is attached as page .

2.6.2 Estimated debtors collection levels

A debtor's collection rate of 80% of levied amounts is estimated for the 2022/23 financial year.

2.6.3 Planned proceeds from sale of assets

The municipality developed 1 200 residential stands for resale in Extension 12. There are also 6 Educational sites available.

There are 4 industrial sites available for purchase in Extension 6.

2.6.4 Planned proceeds from lease of assets

Proceeds from rental of facilities and equipment are estimated at R 1.9 million.

2.6.5 Planned use of bank overdrafts

There is no possibility that Mogalakwena will utilize a bank overdraft in the 2022/23 financial year to fund part of its budget even when collection rate reduces. The costs will be curbed in relation to the collection of revenue.

377.
31.03.22

2.7 Expenditure on allocations and grants programmes

Provision is made in the 2022/23 budget for the following statutory and reserve fund contributions:

- Provision for bad debt reserve : R90 480 475

Allocations and grants made by the municipality

Funds have been allocated to the following allocations and grants in the 2022/23 financial year:

Grant in Kind
Poverty Relief
Community development worker support
Mayoral Special Programmes
Free burials pauper's indigent
Free Basic Services for indigents – Water
- Electricity
- Sewer
- Refuse
- Assessment Rates

2.8 Councillor 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 4.8% 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 437 to 439.

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 441 to 446.

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.

378.

31.03.22

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.

2.12 Capital expenditure details

A combination of grant funding and own funds will be used to fund the capital budget. The detailed final capital budget over the 2022/23 MTREF is attached as pages 473 to 475.

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 2022/23 to 2024/25 MTREF.

2.14 Other supporting documents

Circular 70, 72, 74, 78, 85, 86, 89, 91, 93, 94, 98, 99, 107, 108, 112, 115 and Instruction 1 of 2013/2014 as issued by National Treasury are complied with in the preparation of the 2022/2023 to 2024/2025 budget. Circular 112 and 115, being the latest budget circulars are attached as pages 755 to 798.