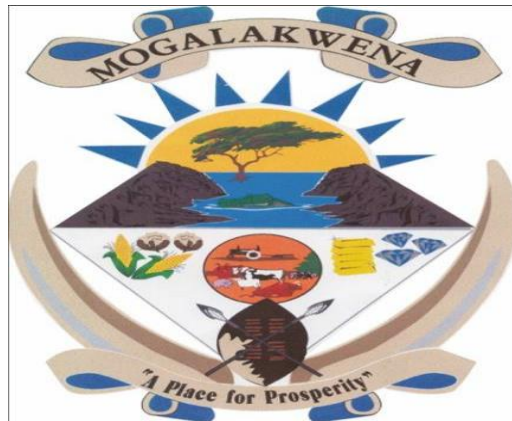


ANNUAL BUDGET OF MOGALAKWENA LOCAL MUNICIPALITY



2023/24 TO 2025/26

DRAFT

**MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

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Part 1 – Annual Budget

1.1 Mayor's Report

The Mayor will present his report separately in the council meeting to be held on 28 March 2023.

1.2 Council Resolutions

- The budget related resolutions will form part of the budget document after submission of the budget to council.
- 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 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.

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 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 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.

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
	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	2023/24 Medium Term Revenue & Expenditure Framework		
	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousands			
Financial Performance			
Property rates	96 349	101 070	105 820
Service charges	547 651	574 486	601 487
Investment revenue	3 348	3 512	3 677
Transfer and subsidies - Operational	586 764	626 016	634 467
Other own revenue	75 963	79 685	83 430
Total Revenue (excluding capital transfers and contributions)	1 310 075	1 384 769	1 428 881
Employee costs	411 319	430 987	451 160
Remuneration of councillors	18 009	18 874	19 761
Depreciation and amortisation	100 410	105 330	110 281
Finance charges	2 561	2 686	2 812
Inventory consumed and bulk purchases	382 069	402 787	418 714
Transfers and subsidies	517	542	568
Other expenditure	392 143	419 314	421 167
Total Expenditure	1 307 028	1 380 519	1 424 462
Surplus/(Deficit)	3 047	4 250	4 419

The municipality is budgeting for an overall surplus of R3.047 million. The municipality is not budgeting for CRR projects due to lack of reserves.

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 to be audited by the Auditor General of South Africa. This will assist the municipality in detecting issues at an early stage and improve during the 2022/23 external audit.

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.

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 65%.

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.

Revenue from water has increased by R7.5 million from the adjusted budget figures.

Revenue from electricity has increased by R17.8 million from the previous year adjusted. The revenue is based on budget circular No.123.

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.

Revenue from interest earned on external investments has increased by R168 529 from adjustment figure.

Revenue on operational transfers and subsidy has increased by R34.3 million from the adjusted 2022/23 budget.

1.4.1 Grant allocations

The Division of Revenue Bill allocations to Mogalakwena Municipality for the 2023/2024 to 2025/2026 financial years are as follows:

Grant allocations over the MTREF

Description	2023/24 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
RECEIPTS:			
<u>Operating Transfers and Grants</u>			
National Government:	586 764 450	626 016 300	634 467 000
Local Government Equitable Share	574 110 000	612 651 000	620 639 000
Expanded Public Works Programme Integrated Grant	1 151 000	-	-
Local Government Financial Management Grant	2 100 000	3 518 000	3 518 000
Municipal Disaster Relief Grant	-	-	-
Municipal Infrastructure Grant	9 403 450	9 847 300	10 310 000
Total Operating Transfers and Grants	586 764 450	626 016 300	634 467 000
<u>Capital Transfers and Grants</u>			
National Government:	311 998 550	373 991 700	445 770 000
Integrated National Electrification Programme Grant	-	10 000 000	10 448 000
Municipal Disaster Relief Grant	-	-	-
Municipal Infrastructure Grant	186 665 550	187 098 700	195 890 000
Regional Bulk Infrastructure Grant	50 000 000	120 000 000	180 000 000
Water Services Infrastructure Grant	75 333 000	56 893 000	59 432 000
Total Capital Transfers and Grants	311 998 550	373 991 700	445 770 000
TOTAL RECEIPTS OF TRANSFERS & GRANTS	898 763 000	1 000 008 000	1 080 237 000

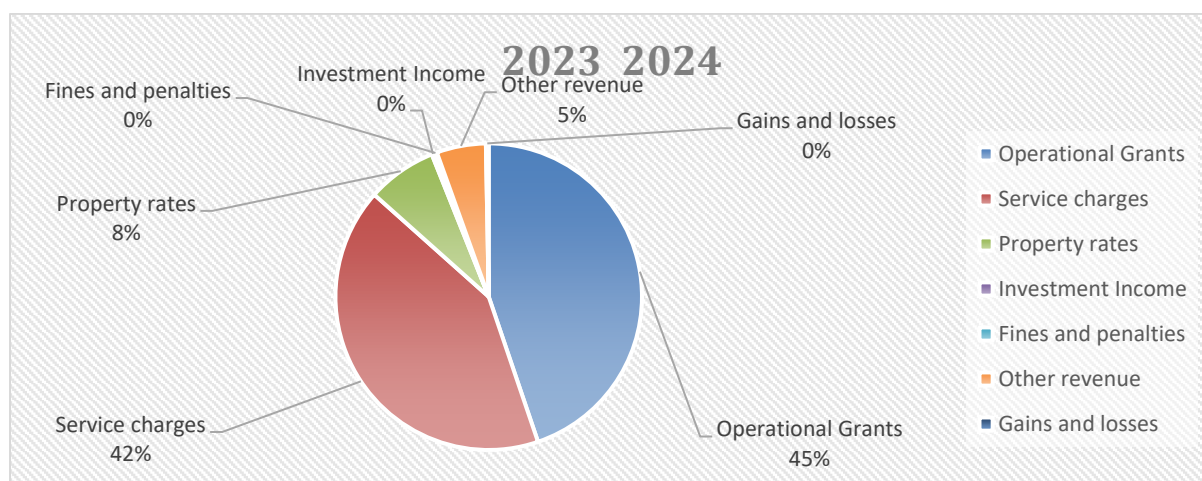
Supporting **Table SA 18, 19 and 20** is attached as pages to .

- 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	355 297 518	372 707 100	390 224 330
Service charges - Water	150 209 488	157 569 752	164 975 531
Service charges - Waste Water Management	21 598 454	22 656 777	23 721 646
Service charges - Waste Management	20 545 450	21 552 176	22 565 130
Sale of Goods and Rendering of Services	4 080 779	4 280 747	4 481 937
Agency services	10 421 175	10 931 812	11 445 607
Interest	-	-	-
Interest earned from Receivables	35 731 287	37 482 122	39 243 782
Interest earned from Current and Non Current Assets	3 348 314	3 512 381	3 677 463
Rental from Fixed Assets	2 027 265	2 126 599	2 226 549
Licence and permits	1 950 848	2 046 440	2 142 622
Operational Revenue	335 908	352 367	368 926
Non-Exchange Revenue			
Property rates	96 349 088	101 070 194	105 820 493
Surcharges and Taxes			
Fines, penalties and forfeits	4 004 982	4 201 227	4 398 684
Licences or permits	10 530	11 046	11 565
Transfer and subsidies - Operational	586 764 450	626 016 300	634 467 000
Interest	13 551 495	14 215 518	14 883 648
Gains on disposal of Assets	3 848 247	4 036 812	4 226 542
Other Gains	-	-	-
Discontinued Operations			
Total Revenue (excluding capital transfers and contributions)	1 310 075 278	1 384 769 370	1 428 881 455



Main Operational Income Categories

- The municipality's operational revenue has increased by R70.7 million from R1.239 billion to R1.310 billion.
- Operation grants contributes 45% of the total operational revenue budget followed by service charges contributing 42%.

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 to) 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%	6%	6%	5.3%
Refuse	6%	6%	6%	5.3%
Sewerage	6%	6%	6%	5.3%
Water	12.0%	12.0%	12.0%	43.6%
Electricity	7.47%	7.47%	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 to)
- 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 to)

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 150 209 487 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 increase 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	22/23		23/24	
		BASIC	ADDITIONAL	BASIC	ADDITIONAL
CONSUMER	OF ERF	vat inclusive	vat inclusive	vat inclusive	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	16.26		17.12	
	Every additional 500				
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				
	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 CONTAINER	BULK CONTAINERS	PER CONTAINER	BULK 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
Ouetehuisse	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	%	CENT IN	%
		RAND	DISCOUNT	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	%	CENT IN	%
		RAND	BASIC	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 R thousand	2023/24 Medium Term Revenue & Expenditure Framework		
	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<u>Expenditure by Vote to be appropriated</u>			
Vote 01 - Executive & Council	210 419	219 515	228 676
Vote 02 - Corporate Support Services	71 539	77 000	78 610
Vote 03 - Budget And Treasury	113 771	129 611	118 024
Vote 04 - Planning And Development	31 157	32 676	34 178
Vote 05 - Technical Services	285 468	299 302	313 331
Vote 06 - Community Services	107 076	111 020	116 224
Vote 07 - Traffic And Security	90 214	94 580	99 015
Vote 08 - Electrical Services	397 385	416 816	436 406
Total Expenditure by Vote	1 307 028	1 380 519	1 424 462

- The technical services department which is responsible for water, sanitation and roads has been allocated R298.9 million for operational expenditure.
- The electrical department which is responsible for electricity supply and maintenance has been allocated an amount of R384.2 million for operational expenditure.
- Community services department which is responsible for refuse removal, landfill sites, parks and recreation has been allocated an amount of R107.0 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	411 319 074	430 986 614	451 159 736
Remuneration of councillors	18 009 412	18 873 864	19 760 936
Bulk purchases - electricity	321 948 567	337 724 048	353 597 079
Inventory consumed	60 120 147	65 062 556	65 117 001
Debt impairment	115 660 960	121 328 348	127 030 780
Depreciation and amortisation	100 410 011	105 330 105	110 280 623
Interest	2 560 635	2 686 106	2 812 353
Contracted services	153 364 190	160 919 707	161 317 592
Transfers and subsidies	516 802	542 126	567 605
Operational costs	123 118 263	137 065 983	132 818 430
Total Expenditure	1 307 028 061	1 380 519 457	1 424 462 135

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 R115.6 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.

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 Emergency	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 32.8% 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
<i>Single-year expenditure to be appropriated</i>			
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.

A breakdown of the capital expenditure for the 2023/24 financial year is attached as pages to.

Annual Budget Tables

The Annual Budget Tables:

Table A1	Budget summary – (attached as <u>page</u>);
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification) – (attached as <u>pages to</u>);
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote) – (attached as <u>pages to</u>);
Table A4	Budgeted Financial Performance (revenue and expenditure) – (attached as <u>page</u>)
Table A5	Budgeted Capital Expenditure by vote, standard classification and Funding – (attached as <u>pages to</u>)
Table A6	Budgeted Financial Position – (attached as <u>page</u>)
Table A7	Budgeted Cash Flows – (attached as <u>page</u>)
Table A8	Cash backed reserves/ accumulated surplus reconciliation – (attached as <u>page</u>)
Table A9	Asset Management – (attached as <u>pages to</u>)
Table A10	Basic service delivery measurement – (attached as <u>page</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 to)

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, 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	Print and distribute final approved IDP. Development of 2023/24 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 2022/23 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	<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	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.
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	<p>Horizontal and vertical alignment with District, Province and other stakeholders continues.</p> <p>Departments identify projects/programmes.</p>	<p>Development and consideration by Municipal Manager of the mid-year performance Report.</p> <p>Finalize, and publicize Mid-year report.</p> <p>Table the draft Annual Report to Council.</p>	Note the president's "State of the Nation Address" for further budget priorities
February	<p>Horizontal and vertical alignment with District, Province and other stakeholders continues.</p> <p>Departments identify projects/programmes.</p>	Make the draft Annual Report public for comments.	Note National budget for provincial and national allocations to municipalities for incorporation into budget

March	<p>Finalize Capital Investment Plan and Financial Plan.</p> <p>Tabling of draft IDP and budget before council.</p> <p>Publication of tabled draft IDP, budget and invite local communities and stakeholders for comments and inputs.</p>	<p>Submit the draft Annual Report to MPAC.</p> <p>Submit the oversight report on the Annual Report to Council for approval.</p>	<p>Table in council the draft IDP, annual budget and all supporting documentation</p> <p>Publicize the tabled draft budget</p>
April	<p>Prepare and conduct IDP/Budget roadshows.</p>	<p>Prepare SDBIPs linked to IDP strategies, objectives, KPI's and targets.</p> <p>Develop and submit the 3rd Quarter Performance Report to Council and COGHSTA</p>	<p>Consultation on tabled draft budget, publicize and conduct public hearing</p>
May	<p>EXCO recommends adoption of the IDP to Council.</p> <p>Council sitting to approve IDP, and budget.</p>		<p>Consideration of community views and other stakeholders and revise budget if necessary</p> <p>Approval of annual budget, including taxes, tariffs and policies.</p>
June	<p>Submission of approved IDP to the COGHSTA and Provincial Treasury</p>	<p>Prepare final SDBIPs linked to IDP strategies, objectives, KPI's and targets.</p> <p>Submission of draft SDBIPs and Annual PAs to Mayor.</p> <p>Mayor approves SDBIPs</p>	<p>Submission of approved Budget to the COGHSTA, Provincial Treasury and National Treasury</p>

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 to .

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 to .

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 to .

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 to .

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 to .

2.4.6 Asset Management Policy

There are no amendments to the Asset Management Policy.

The Asset Management Policy is attached as pages to .

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;

P_t = Price of tender under consideration; and

P_{min} = 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 to .

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 to .

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 to .

2.4.11 Virement policy

There are no amendments to the Virement Policy.

The policy is attached as pages to .

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 to .

2.4.13 Funding and reserves policy

There are no amendments to the Funding and reserves policy.

The policy is attached as pages to .

2.4.14 Cost containment Policy

There are no amendments to the Funding and reserves policy.

The policy is attached as pages to .

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 65%.

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 .

2.6.2 Estimated debtors' collection levels

A debtor's collection rate of 65% 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 : R115.6 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 to .

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 to .

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.

2.12 Capital expenditure details

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

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 to.

2.15 Municipal Manager's Quality Certificate

Quality certificate

I **MM Maluleka**, Municipal Manager of Mogalakwena Municipality, hereby certify that the 2023/2024 final budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the final budget and supporting documents are consistent with the final Integrated Development Plan of the municipality.

Print Name : MM Maluleka

Acting Municipal Manager of : Mogalakwena Municipality (LIM367)

Signature : _____

Date : _____