

MOGALAKWENA LOCAL MUNICIPALITY



2024/25 TO 2026/27

DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

Acronyms and abbreviations

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

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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 26 March 2024 and will form part of the annexures to the budget thereafter.

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.
- The council of Mogalakwena note the following policies for public comments:

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

1.3 Executive Summary

The South African economy is currently facing challenges. Amongst other things are: ongoing power/electricity cuts by Eskom, inflationary pressures and a low global growth. The global growth has been forecast to increase from 3.1% in 2024 to 3.2% in 2025. There is still a potential spike in the global oil price. At the date of writing this report, the fuel prices had increased on 2024 March 06. Petrol costed just above R24.00 a litter and Diesel costed just below R23.00 per litter.

On 23 February 2022, Finance Minister Enoch Godongwana delivered his budget speech to the National Assembly. In the speech on Domestic Outlook, the finance minister revised South African GDP down to 0.6 percent which was estimated to be 0.8 per cent during the 2023 medium-term budget policy statement (MTBPS).

It is within this constrained fiscal environment that the municipality prepared the 2024/25 draft budget. One of the municipality's biggest challenges has been the inability to adequately budget for maintenance of infrastructure assets. The municipality aims to improve in allocating resources to maintenance. The other challenge was that the cost to deliver municipal services increased at a higher rate than the expected inflation of for 2024/25.

Mogalakwena municipality's latest general valuation of properties as prescribes by the Municipal Property Rates Act No. Act 6 of 2004 (MPRA) took place in 2019. The current valuation roll will expire at the end of June 2024. The new valuation roll has been prepared and is been published for inspection from 1 March 2024 to 30 April 2024. The date of implementation of the new valuation roll will be on 1 July 2024.

The municipality maintained a qualified audit opinion for the 2022/23 financial year audit by the AGSA with reduced paragraphs compared to the 2021/22 audit. The audit findings which led to qualification are well known and quantified by the Municipality and this form part of the developed AGSA action plan. Extra effort will continue to be put in place through the established AGSA action plan committee which seek to address all issues raised. To ensure the committee is effectively discharged; the Chief Financial Officer will oversee the committee as the chairperson. Municipality plan to achieve unqualified audit opinion in the 2023/24 financial year.

The municipality has adopted the following assumptions during the preparation of the 2024/25 MTREF Budget:

National and provincial assumptions

- Local Government Grants allocations as per Division of Revenue Bill as per Government Gazette No 50099 issued on the 8th of February 2024
- Proposed bulk electricity purchases increase of 12.7% as per MFMA Budget Circular No. 126.
- Proposed increases of 4.9% for bulk water while awaiting Lepelle Northern Water increase.
- Revenue to increase by maximum of 4.9% 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 4.9% which is the projected average CPI Inflation rate as per MFMA Circular no. 126 while awaiting the new collective agreement.
- Cost reflective and sustainable tariff increases taking into account the tariff setting tool guidelines provided by the National Treasury.

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
- The increased cost of supply for water and electricity resulting in unsustainable municipal tariffs

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

- The 2023/24 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 2024/25 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 126 issued by treasury as follows:

Fiscal year	2023/24	2024/25	2025/26	2026/27
Consumer Price Inflation (CPI)	6.0%	4.9%	4.6%	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 109 294 households (as per the Census report of 2022 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 2024/25 to 2026/27.

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.

The budget has been compiled in accordance with the municipality's IDP document. Refer to tables SA4, SA5 and SA6 where the Revenue, Operating Expenditure and Capital Expenditure is aligned to the goals and action plans of the IDP

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	2023/25 Total Budget R-Value	2025/26 Total Budget R-Value	2026/27 Total Budget R-Value
1. Foster, regulate, maintain and promote a sustainable environment	Improved quality of life and protected natural resources for future generations	129 707 459	129 707 459	129 707 459
2. Improve the quality of life through social development and the provision of effective community services	Developed community	162 401 002	162 401 002	162 401 002
3. Sound and efficient financial management	Sustainable financial viability	141 099 554	141 099 554	141 099 554
4. To create inclusive and well-coordinated investment opportunities for the growth of the economy	Reduced poverty	449 271 512	449 271 512	449 271 512
5. The optimum utilization of land	Coordinated rational regulated and orderly land development	36 741 872	36 741 872	36 741 872

OBJECTIVES	OUTCOMES	2023/25 Total Budget R-Value	2025/26 Total Budget R-Value	2026/27 Total Budget R-Value
	and utilization			
6. To improve the quality and quantity of municipal infrastructure and services	Enhanced and sustainable socio-economic growth	629 164 416	629 164 416	629 164 416
7. To develop and implement integrated management and governance systems	Accountable and good governance – clean audits	192 848 392	192 848 392	192 848 392
8. To ensure that all stakeholders within the institution are adequately capacitated and retained	Competent and productive workforce	97 381 668	97 381 668	97 381 668
		1 838 615 874	1 838 615 874	1 838 615 874

Key demographic, economic and other assumptions

Demographic overview

According to the Census 2022 report, Mogalakwena Municipality contains over 50% of the Waterberg district's population with a total population of 378 198 and 109 294 households. The Africans are in majority (362 046) and constitute approximately 96% of the total Mogalakwena municipality population. The white population is 12 516, coloured population is 818 and the Indian/Asian population is 2161. Just over 52% of the population is females. The table below compares municipal demographics per racial group and sex.

Table 1: Population by racial group

POPULATION GROUP	TOTAL		2022 SURVEY
	TOTAL POPULATION	PERCENTAGE OF TOTAL POPULATION	% OF THE POPULATION IN WATERBERG DISTRICT
Black African	362 046	95.7%	90.2%
White	12 516	3.3%	8.7%
Coloured	818	0.2%	0.4%
Indian/Asian	2161	0.6%	0.5%
Total Population	378 198	100%	100%

Source: Census 2022 report

Interpretation and Implications to the developmental mandate of the Municipality

Figures from the 2022 Census report indicate a population increase of 14.8 % (about 56 002) from the situation in 2016 Community Survey. The Municipality renders services to households and therefore adopts the layman's view that the number of households has increased significantly between 2016 and 2022. 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.

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
	41 743	37 231	36 544	30 173	29 624	32 435	29 694	25 946	21 033
	45 – 49	50 – 54	55 – 59	60 – 64	65 – 69	70 – 74	75 – 79	80 – 84	85 +
	18 739	15 573	15 890	13 886	11 072	7 121	4 706	3 693	3 087

Source: Stats' SA Census 2022 report

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: Stats SA 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 2024/25:

Package Indigent	Compilation for	23/24 R (Vat excluded)	24/25 R (Vat excluded)
Rates – R100 000 Valuation		63.50	66.61
Refuse (up to 500 m2)		120.00	125.88
Sewage (up to 500 m2)		42.38	44.46
Electricity – 50kwh		79.66	89.77
Water – 6kl		160.08	167.92
Total indigent package per month		465.61	494.64

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

Water	2416
Electricity	2416
Sanitation	2416
Refuse Removal	2416
Rural Sanitation	0
Rates	2416

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	4.9
Electricity	12.7
Refuse removal	4.9
Property rate	4.9
Sewerage	4.9

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	23 24 Budget	24 25 Budget	25 26 Budget	26 27 Budget
Total Operational Revenue	(1 457 107 867)	(1 535 488 639)	(1 591 891 984)	(1 643 216 645)
Total Operating Expenditure	1 446 362 811	1 490 915 309	1 536 287 605	1 592 539 610
Operational (Surplus)/Deficit	(10 745 056)	(44 573 329)	(55 604 379)	(50 677 035)
Total capital grants	(450 580 305)	(347 389 000)	(421 130 700)	(282 904 600)
Total Capital Expenditure	450 580 302	347 389 000	421 130 700	282 904 600
Overall Budget (Surplus)/Deficit	(10 745 059)	(44 573 329)	(55 604 379)	(50 677 035)

The municipality is budgeting for an overall surplus of R44.2 million. The municipality is not budgeting for CRR projects due to lack of reserves.

Revenue has increased by 5.4% from the 2023/24 budget. Revenue is limited to the CPI increase during the draft budget while the municipality is in the process of finalising the Tariffs setting tool and the cost of supply study. However, it must be noted that as per the summarised version of cost of supply study performed this far. There is an indication that the municipality needs to revise its tariffs to be cost reflective. Therefore, the results of both the cost of supply study and the National treasury Tariff setting tool will be presented during community participation and will tariffs will be amended in May during the approval of final budget. The total budgeted revenue is R1.8 billion.

Operating expenditure has an overall increase of 3.1% from the 2023/24 budget.

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 2022/23 financial year. The municipality has maintained the qualified audit opinion for a third consecutive financial year since the 2020/21 audit. This is an indication that there is a need for improvement by the municipality. In order to address the challenges as identified in the 2022/23 audit, the municipality has prepared internal interim financial statements that will be reviewed by Internal Audit and the Audit committee. This will assist the municipality in detecting issues at an early stage and improve during the 2032/24 external audit.

Consolidated financial position and summary medium term revenue and expenditure strategy

The municipality has started to improve in terms of revenue collection. The collection rate for 2023/24 financial year has vastly improved compared to the 2021/22 financial year. As at 29 February 2024, the collection rate of the municipality was at 82%. The municipality averages between 85% and 90% in collection rate. The municipality no longer has reserves to invest in critical infrastructure capital projects and therefore service delivery may be adversely affected in 2024/25.

1.4 Operating Revenue Framework

In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality. The reality is that the municipality is faced with development backlogs

and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;
- Local economic development
- Efficient revenue management, which aims to ensure revenue collection is maximized
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariffs that are cost reflective
- Extend billing to villages where water supply is continuous
- The municipality's Indigent Policy and rendering of free basic services; and
- Revenue estimates projected at current year actual billings for 2023/24.

Services Charge – Electricity

Revenue from electricity is increased by 4.9%. The tariffs charged in electricity will be updated as soon as the cost of supply study is concluded. The corrected tariff will be tabled to council in May for approval.

Service Charges – Water

Revenue from water has increased by R10 million from the adjusted budget figures. Lepelle Nothorn Water has not issued the municipality with an increase charge for the 2024/25 financial year yet. The municipality will conclude with the Tariff setting tool in order to implement a cost reflective tariff on water. The updated tariff will be tabled to council in May for approval. Revenue amount will be updated accordingly.

Property Rates

Revenue from property rates has increased by R4.7 million due to increase of 4.9% on the property rates tariff. The valuation roll was implemented in the 2019/20 financial year and no material objections were received by the municipality. The current valuation roll will expire at the end of June 2024.

Interest earned from investments

Revenue from interest earned on external investments has increased by R428 667 from adjustment figure.

Transfers and subsidies – Operational

Revenue on operational transfers and subsidy has increased by R36.6 million from the adjusted 2023/24 budget.

1.4.1 Grant allocations

The Division of Revenue Bill allocations to Mogalakwena Municipality for the 2024/2025 to 2026/2027 financial years are as follows:

Grant allocations over the MTREF

Description	23 24 Budget	24 25 Budget	25 26 Budget	26 27 Budget
Operational Grants				
Equitable Share	(574 110 000)	(609 555 000)	(625 166 000)	(632 713 000)
Financial Management Grant	(2 100 000)	(3 500 000)	(3 500 000)	(3 500 000)
MIG - Operational (5%)	(9 803 450)	(9 127 000)	(9 591 300)	(10 455 400)
Expanded Public Works Programme	(1 151 000)	(1 610 000)	0	0
TOTAL OPERATIONAL GRANTS	(587 164 450)	(623 792 000)	(638 257 300)	(646 668 400)
Capital Grants				
Municipal Infrastructure Grant	(186 265 550)	(173 413 000)	(182 234 700)	(198 652 600)
Regional Bulk Infrastructure Grant	(188 981 755)	(115 000 000)	(160 000 000)	0
Water Services Infrastructure Grant	(75 333 000)	(46 000 000)	(72 000 000)	(78 022 000)
Integrated National Electrification Programme	0	(12 976 000)	(6 896 000)	(6 230 000)
TOTAL CAPITAL GRANTS	(450 580 305)	(347 389 000)	(421 130 700)	(282 904 600)
TOTAL GRANTS	(1 037 744 755)	(971 181 000)	(1 059 388 000)	(929 573 000)

Supporting **Table SA 18, 19 and 20** is attached as **pages 891 to 893**.

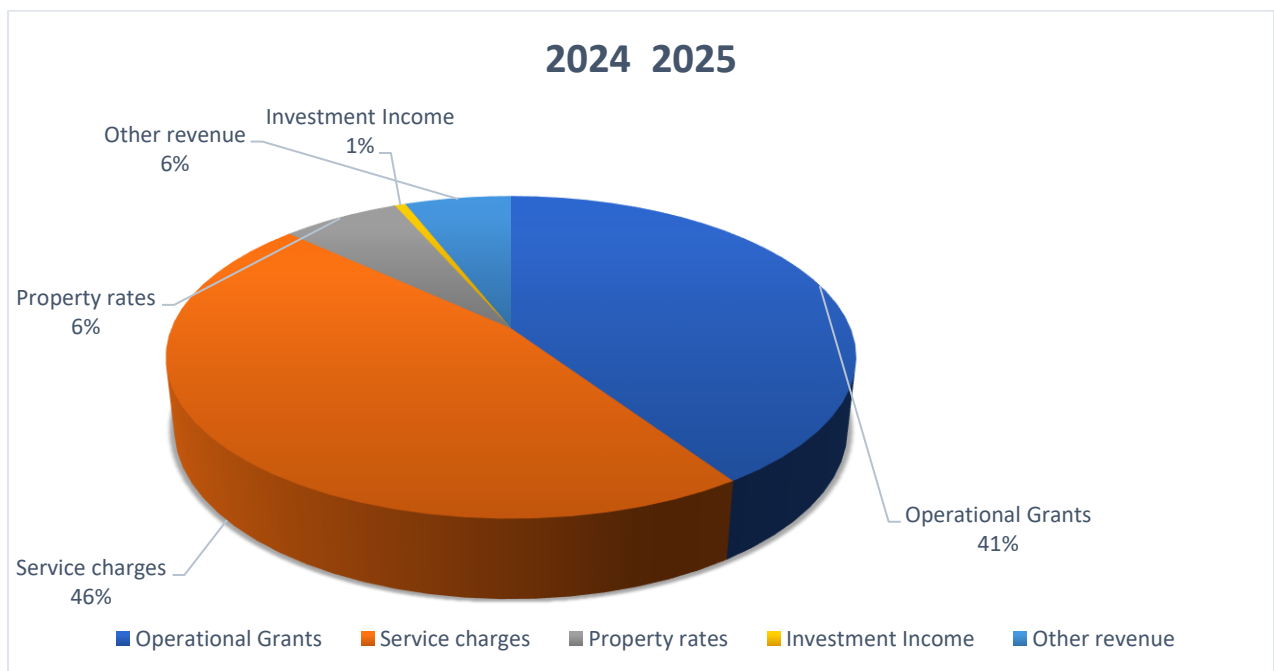
- The municipality's operating grants have increased by R36.6 million in the 2024/25 financial year compared to the 2023/24 financial year.
- The capital grants have increased by R36. million in the 2024/25 financial year compared to the 2023/24 financial year.

1.4.2 Summary of Operating Revenue

The following table gives a breakdown of the income categories for the 2024/25 to 2026/27 financial years:

Description	23 24 YTD Movement	23 24 Budget	24 25 Budget	25 26 Budget	26 27 Budget
Exchange Revenue					
Service charges - Electricity	(203 341 008)	(400 511 068)	(420 136 110)	(439 462 371)	(459 238 178)
Service charges - Water	(24 897 660)	(204 844 087)	(214 881 447)	(224 765 994)	(234 880 464)
Service charges - Waste Water Management	(14 605 223)	(25 446 676)	(26 693 563)	(27 921 467)	(29 177 933)
Service charges - Waste management	(23 705 656)	(46 446 450)	(48 722 326)	(50 963 553)	(53 256 913)
Sale of Goods and Rendering of Services	(1 175 803)	(2 211 313)	(2 319 667)	(2 426 372)	(2 535 559)
Agency services	(6 047 024)	(12 372 023)	(12 978 252)	(13 575 252)	(14 186 138)
Interest					
Interest earned from Receivables	(36 888 890)	(46 761 287)	(49 052 590)	(51 309 009)	(53 617 915)
Interest from Current and Non-Current Assets	(5 962 017)	(8 748 314)	(9 176 981)	(9 599 123)	(10 031 083)
Dividends					
Rent on Land					
Rental from Fixed Assets	(1 695 389)	(2 027 265)	(2 126 601)	(2 224 425)	(2 324 524)
Licence and permits	0	0	0	0	0
Operational Revenue	(1 546 727)	(1 977 412)	(2 074 305)	(2 169 723)	(2 267 361)
Non-Exchange Revenue					

Description	23 24 YTD Movement	23 24 Budget	24 25 Budget	25 26 Budget	26 27 Budget
Property rates	(64 631 037)	(96 349 088)	(101 070 193)	(105 719 422)	(110 476 796)
Surcharges and Taxes					
Fines, penalties and forfeits	(794 582)	(4 004 982)	(4 201 226)	(4 394 483)	(4 592 234)
Licence and permits	(5 093)	(10 530)	(11 046)	(11 554)	(12 074)
Transfers and subsidies - Operational	(436 142 606)	(587 164 450)	(623 792 000)	(638 257 300)	(646 668 400)
Interest	(10 485 809)	(13 551 495)	(14 215 518)	(14 869 432)	(15 538 557)
Fuel Levy					
Operational Revenue					
Gains on disposal of Assets	(148 500)	(3 848 247)	(4 036 811)	(4 222 504)	(4 412 517)
Other Gains	(833 171)	(833 180)	0	0	0
Discontinued Operations					
Total Revenue excluding capital	(832 906 196)	(1 457 107 867)	(1 535 488 639)	(1 591 891 984)	(1 643 216 645)
Transfers and subsidies – capital	(312 755 601)	(450 580 305)	(347 389 000)	(421 130 700)	(282 904 600)
Total Revenue	(1 145 661 797)	(1 907 688 172)	(1 882 877 639)	(2 013 022 684)	(1 926 121 245)



Main Operational Income Categories

- The municipality's operational revenue has increased by R78.3 million from R1.457 billion to R1.535 billion.
- Operation grants contributes 40% of the total operational revenue budget and service charges contribute 46%.

Growth in revenue-by-revenue source

The municipality is in the process of conducting a cost of supply study. The results of the study will assist the municipality in setting cost reflective tariffs.

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 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 from the cost of supply study will be incorporated into the tool in order to properly prepare cost reflective tariffs. 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 2024/25 to 2026/27 financial years with prior comparatives are the following:

Description	2023/2024	2024/2025	2025/2026	2026/2027
Rates	6%	4.9%	4.6%	4.5%
Refuse	6%	4.9%	4.6%	4.5%
Sewerage	6%	4.9%	4.6%	4.5%
Water	12.0%	4.9%	4.6%	4.5%
Electricity	7.47%	12.7%	15.7%	4.5%
Average Increase	7.49%	6.22%	6.82%	4.5%

- The National Energy Regulator of South Africa (NERSA) is responsible for the price determination of the bulk costs of electricity. In terms of the guideline provided by MFMA circular No. 126, bulk electricity costs are to be calculated using an increase of 12.7% for the 2024/25 financial year.

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 water tariffs increase for the 2024/25 is not yet received from Lepelle Northern Water. An increase of 4.9% based on the CPI is used for the 2024/25 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.
- The budgeted revenue for water 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 2024/25 compared to 2023/24:

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

			23/24	24/25
TYPE	TYPE	INTERVALS	PER	PER
CONSUMER	SCALE		KILOLITRE	KILOLITRE
			vat inclusive	vat inclusive
Domestic:	Gliding scale			
		0-10 KL	26.30	27.59
		11 -50 kl.	27.91	29.28
		51-100 KL.	33.58	35.23
		101> KL	55.87	58.61
Businesses:	Normal		34.85	36.56
Flats:	Normal		34.85	36.56
Industrial:	Normal		34.85	36.56
Provincial Hospitals	Normal		26.30	27.59
Schools, Churches, Hostels, Sport clubs	Normal		34.85	36.56
Departmental	Normal		34.85	36.56

water supplied to Rebone Township.

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

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 4.9% 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 2024/25 compared to 2023/24:

		23/24		24/25	
TYPE	SIZE	BASIC	ADDITIONAL	BASIC	ADDITIONAL
CONSUMER	OF ERF	vat inclusive	vat inclusive	vat inclusive	vat inclusive
1. Residential houses	0 - 500	42.74		44.83	
	501 - 1000	85.72		89.92	
	1001 - 1500	136.97		143.69	
	1501 - 2000	154.16		161.72	
	2001 - 2500	171.30		179.69	
	2501 - 3000	188.40		197.64	
	First 3000				
	Every additional				
	500	17.12		17.96	
2. Churches	0 - 500	42.74	36.22	44.83	37.99

Hospitals	501 - 1000	85.72	36.22	89.92	37.99
Creches	1001 - 1500	136.97	36.22	143.69	37.99
Schools	1501 - 2000	154.16	36.22	161.72	37.99
Sport clubs	2001 - 2500	171.30	36.22	179.69	37.99
	2501 - 3000	188.40	36.22	197.64	37.99
	First 3000				
	Every additional				
	500	17.12	36.22	17.96	37.99
3. Other					
3.1 Businesses	Irrespective	453.84	115.58	476.08	121.25
3.2 Industrial	Irrespective	453.84	115.58	476.08	121.25
3.3 Flats	Irrespective	453.84	123.99	476.08	130.07
3.4 Hostels	Irrespective	453.84	88.37	476.08	92.70
3.5 Boarding house	Irrespective	453.84	88.37	476.08	92.70
3.6 Departmental	Irrespective	453.84	115.58	476.08	121.25

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 2024/25.

The following recommended tariff structure for refuse removal for 2024/25 compared to 2023/24 financial year:

		23/24		24/25	
TYPE OF CONSUMER	SIZE OF ERF	BASIC vat inclusive	ADDITIONAL vat inclusive	BASIC vat inclusive	ADDITIONAL vat inclusive
Domestic:					
Residential houses	0 - 1000	R120.00		R125.88	
Churches					
Church halls	1001 - Bo	R150.00		R157.35	
Residential erven which are being built on					
		PER	BULK	PER	BULK
		CONTAINER	CONTAINERS	CONTAINER	CONTAINERS
Commercial:					
Businesses	Irrespective	R300.43	R2 003.67	R315.15	R2 101.85
Industrial	Irrespective	R300.43	R2 003.67	R315.15	R2 101.85
Other:					
Municipality	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Flats	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Outhouse	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Hostels	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Boarding houses	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Schools	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Hospitals	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Government	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Sport organisations	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Charity Organisations	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85

Other	Irrespective	R156.26	R2 003.67	R163.92	R2 101.85
Bulk					
Per load or part thereof		R643.44		R674.97	

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 2024 is 0,013307c (residential) (1 July 2023 – 0,012686c) and 0,026868c (1 July 2023 – 0,025613c) (business, commercial, industrial and mining) and 0,003326c (1 July 2023 – 0,003171c) (agriculture, state owned property excluding residential, public service infrastructure, public benefit organization property) in the Rand on the market value of property be levied with effect from 1 July 2024.

The following recommended tariff structure for Property Tax for 2024/25 compared to 2023/24 financial year:

		23/24		24/25	
TYPE	TARIFF	CENT IN	%	CENT IN	%
	CODE	RAND	DISCOUNT	RAND	DISCOUNT
1. Improved residential stands	VA771	0.012686	40.00	0.013307	40.00
2. Improved business stands	VA772	0.025613	0.00	0.026868	0.00
3. Pensioners as rate policy	VAIND	0.012686	100.00	0.013307	100.00
4. Pensioners as rate policy	VAIND	0.012686	100.00	0.013307	100.00
5. State owned properties	VA775	0.003171	30.00	0.003326	30.00
6. Improved flats	VA776	0.012686	40.00	0.013307	40.00
7. Developed erven industrial	VA777	0.025613	0.00	0.026868	0.00
8. Undeveloped erven	VA778	0.025613	0.00	0.026868	0.00
9. Municipality	VA779	0.000000	0.00	0.000000	0.00
10. Undeveloped business erven	VA780	0.025613	0.00	0.026868	0.00
11. Permission to do business on residential erven	VA781	0.025613	0.00	0.026868	0.00
12. Undeveloped industrial	VA782	0.025613	0.00	0.026868	0.00
13. Undeveloped flat erven	VA783	0.025613	0.00	0.026868	0.00
14. Private parks	VA788	0.003171	0.00	0.003326	0.00
15. Private streets	VA789	0.003171	0.00	0.003326	0.00
17. Agricultural fields (Macalacaskop)	VA790	0.003171	0.00	0.003326	0.00
16. Welfare organizations, Hospitals, Clinics etc	VA791	0.003171	100.00	0.003326	100.00

Agricultural

		23/24		24/25	
TYPE	TARIEF	CENT IN	%	CENT IN	%
	CODE	RAND	BASIC	RAND	BASIC
		TARIFF	DISCOUNT	TARIFF	DISCOUNT
1. Residential	VA5771	0.003171	0.00	0.003326	0.00
2. Business, Commercial, Ecotourism, game hunting	VA5772	0.003171	0.00	0.003326	0.00
3. Pensioners as rate policy	VA5773	0.003171	100.00	0.003326	100.00
4. Pensioners as rate policy	VA5774	0.003171	100.00	0.003326	100.00
5. State owned properties	VA5775	0.003171	0.00	0.003326	0.00
6. Industrial, agricultural holdings	VA5777	0.003171	0.00	0.003326	0.00
7. Undeveloped	VA5778	0.003171	0.00	0.003326	0.00
8. Municipality	VA5779	0.000000	0.00	0.000000	0.00
9. Mining	VA5792	0.025613	0.00	0.026868	0.00
10. Welfare organization, Hospitals, Clinics etc	VA5791	0.003171	100.00	0.003326	100.00

1.5 Operating Expenditure Framework

The municipality expenditure framework for the 2024/25 budget and MTREF is informed by the following:

- Total employee related cost is 30% 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:

Description	23 24 Budget	24 25 Budget	25 26 Budget	26 27 Budget
Municipal Manager	287 752 613	192 848 392	200 952 758	216 090 063
Corporate Services	85 952 055	97 381 668	101 057 514	91 552 372
Budget & Treasury	164 399 624	141 796 284	149 720 496	157 827 691
Planning and Development	29 151 048	36 741 872	43 516 364	44 524 302
Technical Services	242 038 588	279 299 261	291 820 289	304 982 490
Community Services	149 037 172	163 868 862	168 284 828	173 575 775

Description	23 24 Budget	24 25 Budget	25 26 Budget	26 27 Budget
Traffic and Emergency	111 104 599	129 707 459	123 964 457	129 410 888
Electrical Services	376 927 112	449 271 512	456 970 898	474 576 030
TOTAL OPERATING EXPENDITURE	1 446 362 811	1 490 915 309	1 536 287 605	1 592 539 610

- The technical services department which is responsible for water, sanitation and roads has been allocated R242.0 million for operational expenditure.
- The electrical department which is responsible for electricity supply and maintenance has been allocated an amount of R376.9 million for operational expenditure.
- Community services department which is responsible for refuse removal, landfill sites, parks and recreation has been allocated an amount of R149.0 million for operational expenditure.

The following table gives a breakdown of the expenditure categories for the 2024/25 financial year:

Description	23 24 Budget	24 25 Budget	25 26 Budget	26 27 Budget
Expenditure By Type				
Employee related costs	380 533 973	415 283 970	433 069 896	451 656 605
Remuneration of councillors	24 289 353	27 083 794	28 124 325	35 958 041
Bulk purchases – electricity	296 868 321	334 570 598	349 960 845	365 709 083
Inventory consumed	72 191 728	75 768 415	79 253 762	82 820 181
Debt impairment	49 573 607	73 002 714	76 360 839	79 797 076
Depreciation and amortisation	45 723 699	73 894 160	77 293 292	80 771 490
Interest	2 560 635	2 686 106	2 809 667	2 936 102
Contracted services	280 572 552	301 770 152	300 420 191	311 776 600
Transfers and subsidies	696 802	2 230 945	764 569	798 974
Irrecoverable debts written off	138 000 000	11 762 000	12 303 052	12 856 689
Operational costs	155 352 141	172 862 454	175 927 167	167 458 768
Losses on Disposal of Assets				
Other Losses				
Total Expenditure	1 446 362 811	1 490 915 309	1 536 287 605	1 592 539 610

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

- Version 6.8 of the mSCOA charts requires that the municipality should show a split between Debt Impairment and Irrecoverable debts written off. An amount of R73 million is allocated to debt impairment. The municipality has in the 2023/24 financial year conducted a data cleansing through a debt collector wherein an amount above R100 million had to be written off as irrecoverable. This is the reason the budgeted amount for 2023/24 financial year was R138 million. Also, the municipality ran an incentive scheme for consumers in debts, the scheme was allowing a write-off on portions of amounts owed by the consumers. Therefore, in the 2024/25 financial year, the municipality will not have the same incentive. Hence, irrecoverable debt write off is budgeted at R11.7 million. The provision of debt impairment was determined based on an annual collection rate and taking into account the amount already provided for.

- 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. An amount of R73.8 million is appropriated for depreciation.
- Bulk water purchases are informed by the proposed increase as outlined in municipal budget circular No.126. 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 not been provided yet and an increase in terms of circular No.126 has been considered. The actual increase will be applied during the final budget in May.
- 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.

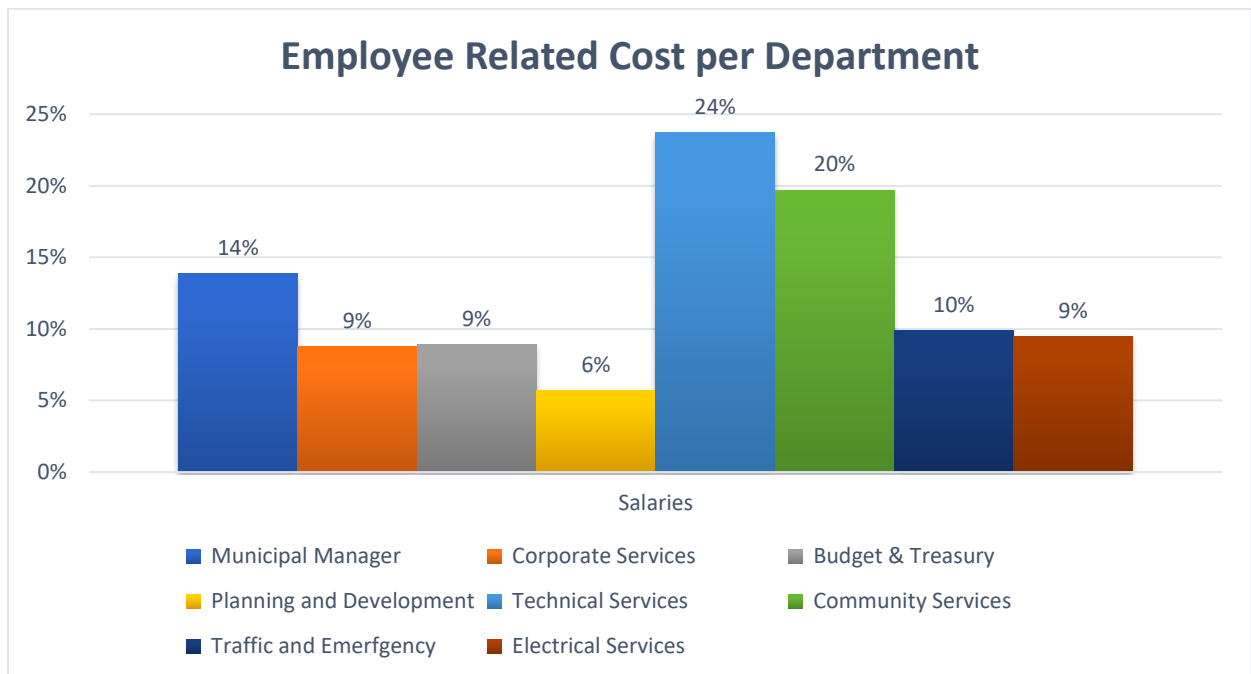
Priority given to repairs and maintenance

- The Asset register of the municipality is currently valued at above R4 billion. Therefore, it is impractical for the municipality to budget 10% of R4 billion in repairs and maintenance. The municipality has budgeted for at least 10% of its operating expenditure as repairs and maintenance. It must be noted that some of the repairs and maintenance is done through contracted services.

Employee costs

The following are department allocations for employee costs including councillors' allowances:

Description	23 24 Budget	24 25 Budget	25 26 Budget	26 27 Budget
Municipal Manager	56 651 629	61 579 492	63 719 926	72 679 130
Corporate Services	35 557 492	38 991 195	40 728 648	42 506 517
Budget & Treasury	35 490 189	39 561 710	41 356 273	43 190 441
Planning and Development	23 176 043	25 457 331	26 611 662	27 792 844
Technical Services	95 245 560	103 018 070	107 398 622	112 270 274
Community Services	79 771 675	87 641 215	91 623 202	95 697 813
Traffic and Emergency	40 132 075	43 861 653	45 748 819	47 679 882
Electrical Services	38 798 663	42 257 100	44 007 069	45 797 744
TOTAL EMPLOYEE COST	404 823 326	442 367 765	461 194 221	487 614 646



- The current Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 is coming to the end by June 2024. Therefore, an increase on salaries has been based on circular No.126 CPI increases as provided by National Treasury. This is done in the interim while the municipality awaits a new collective agreement which will be effective from 1 July 2024. The salary budget will change in May during the final budget as it will take into account the actual collective agreement percentage. Upper limits for councillors' remuneration have been taken into account.
- The employee costs constitute 30% of the total operating expenditure allocation because of the above.

1.6 Capital Expenditure

An amount of R347.3 million has been appropriated for the acquisition of assets in 2024/25 financial year.

The total amount of **R347.3 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	23 24 Budget	24 25 Budget	25 26 Budget	26 27 Budget
Municipal Manager	0	0	0	0
Corporate Services	0	0	0	0
Budget & Treasury	0	0	0	0
Planning and Development	0	0	0	17 000 000
Technical Services	440 411 016	320 541 857	354 205 843	187 434 434
Community Services	2 002 575	9 671 143	41 028 857	54 740 166
Traffic and Emergency	0	0	0	0
Electrical Services	8 166 710	17 176 000	25 896 000	23 730 000
TOTAL CAPITAL EXPENDITURE PER VOTE	450 580 302	347 389 000	421 130 700	282 904 600

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 933 to 934**.

Annual Budget Tables

The Annual Budget Tables:

Table A1	Budget summary – (attached as <u>page 841</u>) ;
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification) – (attached as <u>pages 842 to 846</u>) ;
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote) – (attached as <u>pages 847 to 850</u>) ;
Table A4	Budgeted Financial Performance (revenue and expenditure) – (attached as <u>page 851</u>)
Table A5	Budgeted Capital Expenditure by vote, standard classification and Funding – (attached as <u>pages 852 to 856</u>)
Table A6	Budgeted Financial Position – (attached as <u>page 857</u>)
Table A7	Budgeted Cash Flows – (attached as <u>page 858</u>)
Table A8	Cash backed reserves/ accumulated surplus reconciliation – (attached as <u>page 859</u>)
Table A9	Asset Management – (attached as <u>pages 860 to 862</u>)
Table A10	Basic service delivery measurement – (attached as <u>page 863</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 864 to 939)**

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, 123 and 126.
- National Treasury instruction 1 of 2013/2014
- mSCOA circular 7, 12 and 13
- Government Gazette 50099 of 8 February 2024

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 2024/25 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 2023.

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

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

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

MONTH	IDP	PMS	BUDGET
July	<p>Print and distribute final approved IDP.</p> <p>Development of 2024/25 IDP Process Plan that guide the planning, drafting, adoption of the plan.</p> <p>Give notice to local community of particulars of the Process Plan.</p>	<p>Conclude annual performance agreements</p> <p>Print and distribute final approved SDBIP</p>	<p>Place approved annual budget and policies on the municipal Web site</p> <p>Print and distribute final approved budget</p> <p>Establish appropriate committees and consultation forums</p>
August	<p>Table to EXCO, council the IDP Process Plan for approval.</p> <p>Conduct stakeholder registration.</p> <p>Consider comments from various stakeholders during 2023/24 IDP Roadshows</p>	<p>Place annual performance agreements on the municipal website</p> <p>Development and submission of annual performance report</p>	<p>Table in council IDP, PMS and budget process plan</p>
September	<p>Consider proposals received from MEC, if any. (IDP preparation process)</p> <p>Coordinate public consultation in terms of Tariffs, Indigent Credit, Credit Control and FBE.</p> <p>Public consultation in terms of CBP.</p>		<p>Implement process plan</p> <p>Commence community and stakeholder consultative process, review inputs, financial models, assess impacts on tariffs and change and consider funding decisions</p>
October	<p>Setting new strategic agenda for the IDP in light of the new focus of Council.</p>	<p>Develop and submit the 1st Quarter Performance Report to Council and CoGHSTA</p>	<p>Consolidate community inputs on proposed tariffs.</p>
November & December	<p>Horizontal and vertical alignment with District, Province and other stakeholders begins.</p>		<p>Finalize inputs from bulk resource providers and agree on proposed price increase</p>

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

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

2.1.2 The following policies were taken into account when developing the draft 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 2023.
2nd IDP Representatives Forum Meeting was held on 10 November 2023.
3rd IDP Representatives Forum Meeting was held on 12 March 2024.

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 in the previous year, the concerns raised by the stakeholders on the following matters will be addressed through the 2023/24 final budget:

Priority Number	Priority Issue
1.	Housing
2.	Roads and Stormwater
3.	Water and Sanitation
4.	Electricity
5.	Crime Prevention, Safety and Security
6.	Health and Welfare
7.	LED and Unemployment
8.	Community Facilities
9.	Sports, Arts & Culture
10.	Education
11.	Refuse and Solid Waste Management
12.	Communication
13.	Transport
14.	Land and Environmental Management
15.	Institutional Arrangements

The final IDP, Budget and Mayoral roadshows will be conducted from 03 April 2024 to 15 April 2024.

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 2023/2024 financial year have been taken into account when compiling the final 2024/2025 IDP.

The draft 2024/25 IDP will be presented to council on 26 March 2024.

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 2024/2025 are as follows:

Source of funding	CRR	MIG	RBIG	WSIG	INEP
	%	%	%	%	%
Roads and storm water	0%	34%	0%	0%	0%
Water and Sanitation	0%	54%	100%	100%	0%
Land and Cemeteries	0%	4%	0%	0%	0%
Electricity	0%	6%	0%	0%	100%

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 2024/2025 final budget.

2.4.1 Tariff Policy

There are no amendments to the policy.

The amended Tariff policy is attached as **pages 1214 to 1234.**

2.4.2 Rates Policy

There are no amendments to the policy.

The amended Rates Policy is attached as **pages 1235 to 1270.**

2.4.3 Debt Collection and Credit Control Policy

The policy has been amended as follows:

Clause 2.1.1 on page 31 of the policy changes from reading as follows:

- “(a) The initial payment for entering into the instalment agreement be 30% of the outstanding account*
- (b) The period in which arrear amounts be paid in instalments must not exceed 12 months if the outstanding balance is below R50 000,00;*
- (c) The period in which arrear amounts be paid in instalments must not exceed 24 months if the outstanding balance is above R50 000,00;*
- (d) The initial payment for entering into the instalment agreement be 50% of the arrear amount;”*

To reading as follows:

- “(a) The initial payment for entering into the instalment agreement be 10% of the outstanding account*
 - (b) The period in which arrear amounts be paid in instalments must not exceed 12 months if the outstanding balance is below R20 000,00;*
 - (c) The period in which arrear amounts be paid in instalments must not exceed 48 months if the outstanding balance is above R20 000,00;*
 - (d) The initial payment for entering into the instalment agreement be 25% of the arrear amount”*
- The Debt Collection and Credit Control By-Law is attached as **pages 1169 to 1201.**

2.4.4 Indigent Policy

There are no amendments to the policy.

The amended Indigent Policy is attached as **pages 1202 to 1213.**

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 1053 to 1070.**

2.4.6 Asset Management Policy

There are no amendments to the Asset Management Policy.

The Asset Management Policy is attached as **pages 1082 to 1162.**

2.4.7 Asset Procedure Manual

There are no amendments to the Asset Management Manual.

2.4.8 Supply Chain Management Policy

There are no amendments to the policy.

The reviewed policy is attached as **pages 1335 to 1412.**

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 1330 to 1334.**

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 1321 to 1329.**

2.4.11 Virement policy

There are no amendments to the Virement Policy.

The policy is attached as **pages 1071 to 1081.**

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 1271 to 1288.**

2.4.13 Funding and reserves policy

There are no amendments to the Funding and reserves policy.

The policy is attached as **pages 1316 to 1320.**

2.4.14 Cost containment Policy

There are no amendments to the Funding and reserves policy.

The policy is attached as **pages 1301 to 1315.**

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 2024/25 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 reasonably 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 – The following industrial sites are available for sale in Ext 13: 1430,1431,1438,1441 and 4711.
- Ext 13 (Erf 4794) – Site for a Mall.
- Erf 4699 – Site approved by council for a motor city.
- Portion 197 of 80 – PPR town and townlands 44ks: The municipality advertised development for proposal on various municipal properties, portion 197 of 80 being one of the properties. Tender/Call for proposals closed in December 2023 and is currently at the evaluation stage of the tender process.

New residential areas

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

- Sukses (Weenen) – During the process for township establishment a dolomite was discovered in the area through geotechnical study. The geotechnical study recommended for phase 2 of the study which did not form part of the budget for the project. The project was funded by CoGHSTA, budget is required for phase 2 of geotechnical study in order for the project to be finalised.
- 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 re-done and geotechnical investigations are needed to check for dolomite in the area.
- Remaining Ext of the farm Macalaskop-CoGHSTA appointed service providers to establish a township, due to uncertainty with regard to land ownership the project was relocated to the Remaining Ext of portion 80 of the farm Pietpotgietersrus town and townlands (opposite Tyob Hall and between Fourie street and the railway line).
- Subdivision of Ext 14 – The area forms part of the high value assets that have been advertised for disposal through calls for proposal.
- Extension 20 – The area forms part of the high value assets that have been advertised for disposal through calls for proposal.
- Mokopane Township-CoGHSTA has appointed a service provider to assist the municipality with the establishment of a township comprised of 1700 sites on a portion of the Remaining Ext of portion 80 of the farm Piet-Potgietersrus town and townlands 44KS, the area is located between Ext 20 and Mogalakwena river. The project will formalise the informal settlements and provide additional sites for future extension.

- **Replanning of Ext 15 township-** The housing development agency has appointed a service provider to assist the municipality with the replanning of a township that was historically established as an industrial area. The replanning will involve consolidation, subdivision and rezoning of properties from industrial to residential and business. The new township will be comprised of approximately 370 sites.

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 4.9%, 4.6% and 4.5% were applied for the 2024/2025 to 2026/2027 financial years respectively. 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. Meter replacement budget is required for approximately 4000 meters. Switch gear replacements are required at the North Substation and South Substation to preserve continuity of supply for revenue collection.

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. The current valuation roll will expire at the end of June 2024. The new valuation roll has been prepared and is been published for inspection from 1 March 2024 to 30 April 2024. The date of implementation of the new valuation roll will be on 1 July 2024.

2.5.6 Collection Rates

The collection rate in 2024/25 is projected at 90%.

2.5.7 Price Movements

The municipality has implemented a proposed increase in the purchase price for bulk water of 4.9% as per circular No.126. The bulk electricity purchase price has been increased by 12.7% 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 will come to expiry at the end of June 2024. While awaiting the new agreement 4.9% as per CPI projection by National Treasury is utilised.

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 has erected houses in Ext 14, they are housing people that have been relocated from Motlhotlo and some of the mine workers.

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 – 100% of the allocation was spent on MIG grant in the 2022/23 financial year. Total allocation for 2024/2025 financial year is R182.5 million.

Regional Bulk Infrastructure Grant - During the 2022/23 financial year 100% of the RBIG allocation received has been spent. The total allocation for RBIG for 2024/25 is R115.0 million.

Water Services Infrastructure Grant - During the 2022/23 financial year R5.3 million of the WSIG received was not spent. The funds were requested as a roll over which was approved by the National Treasury. The total allocation for WSIG for 2024/25 is R46.0 million.

Integrated National Electrification Programme - During the 2022/23 financial year 100% of the INEP received was. The total allocation for INEP in the 2024/2025 financial year is R12.9 million.

Section 18(1) of the MFMA requires the budget of 2.5.15 Implications of Restructuring and other Major Events into the Future

The municipality has reviewed the Organizational Structure and was approved by council in the 2023/24 financial year.

The municipality received yellow fleet through a Social Labour Plan (SLP) from Mogalakwena Anglo Platinum Mine during February 2024. Amongst the fleet handed over was the Jet Patcher, three graders, crane truck, cherry picker, 20-ton excavator and rock drill. The municipality still expects another fleet in a few months which is still under the manufacturing process. The expected fleet includes diesel bowser and vacuum jet machine. This will assist the municipality in addressing the repairs and maintenance of infrastructure assets.

2.6 Overview of budget funding

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 90% 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 29 February 2024:

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	22 578 570
Total		22 578 570

Supporting **Table SA 16** is attached as [page 889](#).

2.6.2 Estimated debtors' collection levels

A debtor's collection rate of 90% of levied amounts is estimated for the 2024/25 financial year.

2.7 Expenditure on allocations and grants programmes

Provision is made in the 2024/25 budget for the following statutory and reserve fund contributions:

- Debt Impairment : R73.0 million
- Depreciation : R73.8 million

2.8 Councillors 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 4.9% increase was made for both councillors and officials.

Disclosure of salaries and allowances and benefits is attached as supporting **Table SA 22 and 23 pages 895 to 896.**

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 899 to 904.**

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 907.**

2.12 Capital expenditure details

The detailed final capital budget over the 2023/24 MTREF is attached as **pages 933 to 934.**

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 municipal manager has complied with the new budget format when compiling the 2024/25 to 2026/27 MTREF. mSCOA version 6.8 is used to populate the A Schedule.

2.14 Other supporting documents

Circular 70, 72, 74, 78, 85, 86, 89, 91, 93, 94, 98, 99, 107, 108, 112, 115, 116, 122, 123 and Instruction 1 of 2013/2014 as issued by National Treasury are complied with in the preparation of the 2024/2025 to 2026/2027 budget. Circular 126 being the latest budget circulars are attached as **pages 964 to 994**

2.15 Municipal Manager's Quality Certificate

Quality certificate

I **MM Maluleka**, Municipal Manager of Mogalakwena Municipality, hereby certify that the 2024/2025 draft 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 : _____