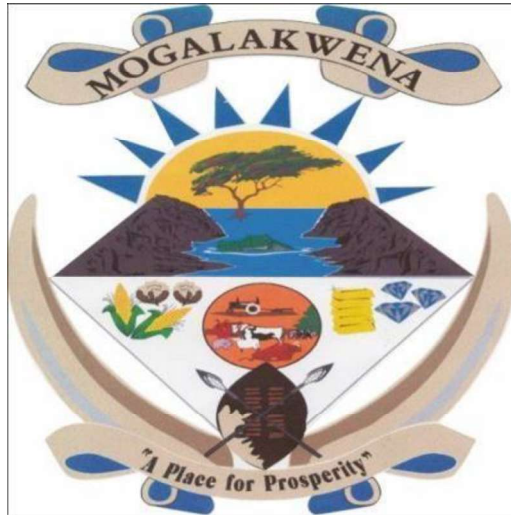


# MOGALAKWENA LOCAL MUNICIPALITY



**2024/25 TO 2026/27**

**FINAL**

## **MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

**Acronyms and abbreviations**

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

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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 16 May 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 approved the following 2024/2025 revised budget related policies and By-Laws as set out in Annexure 1:

Reference to Policy summary	Descriptions	Status	Effective Date
Annexure A:	Unclaimed Deposits Policy	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
Annexure S:	Supply Chain Management Policy (Infrastructure procurement and delivery management)	New	1 July 2024
Annexure T:	Bereavement policy	New	1 July 2024



Reference to Policy summary	Descriptions	Status	Effective Date
Annexure U:	Travel Policy	New	1 July 2024
Annexure V:	Supply Chain Management Policy for Infrastructure Procurement and Delivery Management	New	1 July 2024
Annexure W:	Borrowings Policy	In Use	1 July 2024
Annexure X:	Budget Implementation Policy	In Use	1 July 2024
Annexure Y:	Long-Term Financial Plan 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 2024, 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 final 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 8<sup>th</sup> of February 2024
- Proposed bulk electricity purchases increase of 12.7% as per MFMA Budget Circular No. 126.
- Proposed increases of 9.12% for bulk water which will be adjusted from R11.59 to R12.65 with effect from 1 July 2024.
- 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. 128 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 and the Electricity Cost of Supply Study.

### **Municipal Budget Assumptions**

#### ***Material Budget amendments from tabled Budget to Final Budget***

#### **Revenue**

##### **a) Electricity services**

- The municipality has increased the electricity tariff to 12.7% which is in line with the guideline as provided by Budget circular no.126. NERSA has requested the municipality to submit information the application for 2024/25 financial year tariff. The process is still ongoing and should be concluded before the end of May 2024. At the time of preparing this budget report, the tariffs were not concluded. Therefore, any changes to the set tariff that may emanate will be sent to council for approval.
- The municipality has also conducted Electricity cost of supply study.

##### **b) Water Services**

- Lepelle Northern Water has approved an increase of 9.12% on water purchases. The Tariff setting tool has been used in order to determine cost reflective tariff for water. The municipality also took into account the affordability by consumers during this difficult economy.

- Revenue on water services remains unchanged from the tabled budget. The municipality aims to improve on revenue collection for water services. This will be assisted by replaced water meters which were either faulty or damaged. Additional meters are therefore added into the system which will improve revenue collection.

**c) Debt collection**

- Debt Collection for the past 6 months is as follows:

October 2023	67%
November 2023	79%
December 20223	85%
January 2024	80%
February 2024	82%
March 2024	65%

- The municipality has appointed debt collectors who are assisting in collecting historical debts. Credit and debt control policy is adhered to and enforced on a daily basis to ensure that the consumers service their current accounts. Compared to the previous year, the municipality's collection rate has improved and is stabilised. The municipality aims to reach a collection rate of 90% in the 2024/25 financial year and to improve going forward.
- We also take into consideration that there are old outstanding debts which may not be collectable. In the beginning of 2024 financial year the municipality has written off over R130m after following the approved debt write off policy. Municipality will continue to assess the entire debt book to consider writing off uncollectable debt.
- Government debt account to R141 million. Municipality have engaged CoGHSTA for intervention through the established Sector Department credit control and the meeting was held on the 13 November 2023.
- Municipality council approved incentive scheme effective from 1 July 2023 ending 31 December 2023 with the aim to assist consumers to settle long outstanding debt which reduce burden to consumer to allow them manage the current accounts regularly.
- Since implementation of the incentive scheme, Municipality have received over 3000 applications. Council has committed itself to continue doing community awareness on the incentive scheme to allow consumers to take this opportunity to reduce the old debts.
- Lastly, as eluded under *revenue management* above relating to appointment of a service provider for meter audit, connection and disconnection is done by an independent services provider who will assist the Municipality to carry out daily credit control enforcement. Municipality has also appointed two additional debt collectors who will assist the credit control enforcers in discharging debt management process in line with the approved policy.

## **Expenditure**

### **a) Employee Related Costs and Remuneration of councillors**

- The municipality considered budget circular no.126 and 128 when effecting an increase on salaries. Salaries for employees have been capped at an increase of 4.9% as per the CPI. It needs to be noted that the municipality has reviewed and approved the organisational structure which necessitated additional positions. Taking that into account, the increase on salaries compared to 2023/24 financial year makes it seem more than the CPI. The budgeted amount has catered for the new positions.
- Remuneration for councillors is budgeted in line with upper limits.

### **b) Inventory consumed**

- Inventory consumed relates to bulk water purchase. The budget has been amended to be in line with Lepelle Northern Water charges for bulk purchases.

### **c) Debt Impairment**

- Debt impairment has been amended to R83 million. The budget is less compared to the budgeted amount in the 2023/24 financial year. The municipality introduced an incentive scheme during the 2023/24 financial year to assist in collecting debts. In the implementation of the scheme, a data cleansing exercise was performed on the debt book. Therefore, the debt impairment for the year had to be budgeted sufficiently. The municipality does not expect debt impairment for the 2024/25 financial year to be similar.

### **d) Depreciation and amortisation**

- Depreciation has been amended to be in line with historical actual movements. The budgeted amount is R93 million.

### **e) Capital Expenditure**

- The municipality has budgeted R1.5 million for furniture to be funded by internal funds. It has been many years since the municipality has purchased office furniture. The budget is to cater for damaged furniture.
- Conditional grants expenditure has been amended in line with inputs that have been received from the communities during the mayoral roadshows. The detailed capital projects funded by conditional grants are included in the report.

## **Key Strategic Issues for consideration from Budget Engagement and Benchmarking**

Mogalakwena municipality was hosted by Limpopo Provincial Treasury on the 18 April 2024 for tabled budget engagement and benchmarking. In terms of the requirements of the Municipal Finance Management Act (MFMA) and as part of oversight role over local

government finances, Provincial Treasury is responsible for reviewing and commenting on the tabled budgets of all delegated municipalities prior to their adoption by the respective municipal councils.

The following recommendations were made for consideration and below is how the municipality has addressed the issues:

- Consider inputs and comments contained in this presentation (assessment report) during the preparation of the Final budget.
  - ✓ The municipality has considered the comments of provincial treasury in preparation of the final budget.
  - ✓ Revenue on Electricity and water have been amended taking into accounts comments made in the assessment.
  - ✓ Bulk purchases Water has been amended in line with the latest released charge by Lepelle Northern Water.
- Address the unfunded budget by adopting a credible budget funding plan [reducing non-priority spending and improve revenue management processes].
  - ✓ The municipality has received the latest Budget Funding Plan template to be used when submitting the final budget to council for approval.
  - ✓ Finance team was assisted by a Municipal Technical Advisor from Municipal Finance Improvement Programme in National treasury to develop a credible budget funding plan. The budget funding plan is attached to the report as (pages 247 to 266)
- Conduct the cost of supply study and ensure that tariffs settings are cost reflective and affordable.
  - ✓ Electricity cost of supply study was conducted and the report is attached as (pages 234 to 248)
- Ensure compliance with mSCOA regulations and Circulars in order to be fully mSCOA compliant.
  - ✓ The municipality strives to comply with mSCOA regulations and circulars. A detailed mSCOA road-map is attached to the report as (pages 267 to 269).
  - ✓ The municipality has appointed a new service provider for the financial system. Therefore, it must be noted that an amended mSCOA road-map will be submitted to treasury once the project has kick-started.
- Submit the Procurement plan in line with MFMA Circular 94 which requires municipalities to table the Procurement plan to Council as part of the budget pack.
  - ✓ The municipality has prepared a procurement plan for the 2024/25 financial year. The plan is attached to the report as (pages 274 to 279).
- The Accounting Officer must consider MFMA Circular 126 & 128 when preparing the 2024/25 MREFT budget.

- ✓ The accounting officer has considered MFMA circular 126 and 128 in preparation of the final budget. Both circulars are attached to the report as (pages 183 to 230)

### **Additional 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.
- Reduction in travel and subsistence costs.

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 and 128 issued by treasury as follows:

<b>Fiscal year</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
<b>Consumer Price Inflation (CPI)</b>	6.0%	4.9%	4.6%	4.6%

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 and utilization	36 741 872	36 741 872	36 741 872
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
		<b>1 838 615 874</b>	<b>1 838 615 874</b>	<b>1 838 615 874</b>

#### 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%
<b>Total Population</b>	<b>378 198</b>	<b>100%</b>	<b>100%</b>

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 centre of Mokopane town. This can be done by providing the required facilities like Shopping centres 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	174.68
Total indigent package per month		<b>465.61</b>	<b>501.40</b>

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	9.12
Electricity	12.7
Refuse removal	4.9

Service	% increase
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	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Total Revenue (excluding capital transfers and contributions)	1 468 308	1 566 728	1 624 569	1 677 836
Total Expenditure	1 457 588	1 520 664	1 559 093	1 617 650
<b>Operating Surplus/(Deficit)</b>	<b>10 720</b>	<b>46 065</b>	<b>65 476</b>	<b>60 186</b>
Transfers and subsidies - capital (monetary allocations)	450 580	347 389	421 131	282 905
Capital Expenditure	450 580	348 889	421 131	282 905
<b>Surplus/(Deficit) for the year</b>	<b>10 720</b>	<b>44 565</b>	<b>65 476</b>	<b>60 186</b>

The municipality is budgeting for an overall surplus of R44.5 million. The municipality is only budgeting R1.5m for CRR which relates to office furniture.

Revenue has increased by 6.7% from the 2023/24 budget. Revenue is limited to the CPI increase during the final budget. The municipality has used Tariffs setting tool and the cost of supply study to inform its tariffs. 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 were presented during community participation. The total budgeted revenue is R1.8 billion.

Total Operating Expenditure increased by 4.3% to R1.520 billion. As part of cost cutting measure, municipality have taken CPI into account while also reducing certain expenditure such as reliance in the use of consultant. Starting from 2024 financial year, municipality have stopped using consultants to prepare AFS and are now being done in house.

### 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 12.7%. The tariffs charged is in line with circular no. 126.

#### **Service Charges – Water**

Lepelle Northern Water has issued the municipality with an increase charge for the 2024/25 financial year and the charge increased by 9.12% from R11.59 to R12.65.

#### **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	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>RECEIPTS:</b>				
<b><u>Operating Transfers and Grants</u></b>				
<b>National Government:</b>	<b>598 364</b>	<b>623 792</b>	<b>638 257</b>	<b>646 668</b>
Local Government Equitable Share	574 110	609 555	625 166	632 713
Expanded Public Works Programme Integrated Grant	1 151	1 610	–	–
Local Government Financial Management Grant	2 100	3 500	3 500	3 500
Municipal Disaster Relief Grant	11 200	–	–	–
Municipal Infrastructure Grant	9 803	9 127	9 591	10 455
<b>Total Operating Transfers and Grants</b>	<b>598 364</b>	<b>623 792</b>	<b>638 257</b>	<b>646 668</b>
<b><u>Capital Transfers and Grants</u></b>				
<b>National Government:</b>	<b>450 580</b>	<b>347 389</b>	<b>421 131</b>	<b>282 905</b>
Integrated National Electrification Programme Grant	–	12 976	6 896	6 230
Municipal Disaster Relief Grant	–	–	–	–
Municipal Infrastructure Grant	186 266	173 413	182 235	198 653
Regional Bulk Infrastructure Grant	188 982	115 000	160 000	–

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Water Services Infrastructure Grant	75 333	46 000	72 000	78 022
<b>Total Capital Transfers and Grants</b>	<b>450 580</b>	<b>347 389</b>	<b>421 131</b>	<b>282 905</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>1 048 945</b>	<b>971 181</b>	<b>1 059 388</b>	<b>929 573</b>

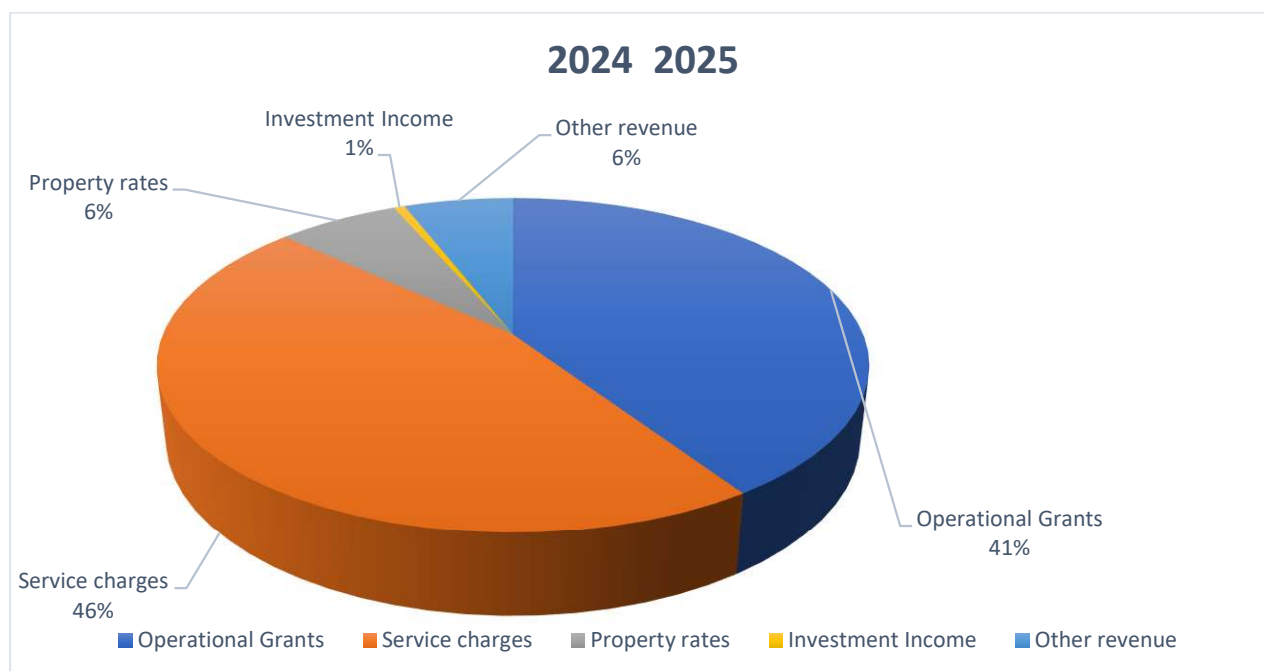
Supporting **Table SA 18, 19 and 20** is attached as pages 114 to 116.

- The municipality's operating grants have increased by R25.4 million in the 2024/25 financial year compared to the 2023/24 financial year.
- The capital grants have decreased by R103.1 million in the 2024/25 financial year compared to the 2023/24 financial year. This is mainly due to RBIG grant which was increased as a result of the municipality's performance in 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	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Financial Performance</b>				
Property rates	96 349	101 070	105 719	110 477
Service charges	677 248	741 673	775 790	811 173
Investment revenue	8 748	9 177	9 599	10 031
Transfer and subsidies - Operational	598 364	623 792	638 257	646 668
Other own revenue	87 598	91 016	95 203	99 487
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 468 308</b>	<b>1 566 728</b>	<b>1 624 569</b>	<b>1 677 836</b>



### Main Operational Income Categories

- The municipality's operational revenue has increased by R98.4 million from R1.468 billion to R1.566 billion.
- Operation grants contributes 41% of the total operational revenue budget and service charges contribute 46%.

### Growth in revenue-by-revenue source

The municipality has conducted a cost of supply study. The results of the study have been incorporated into the tariff setting tool in order to set 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 report of the proposed outcome is attached as [\(page 233\)](#) to the final 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 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%	9.12%	4.6%	4.5%
Electricity	7.47%	12.7%	15.7%	4.5%
<b>Average Increase</b>	<b>7.49%</b>	<b>7.30%</b>	<b>6.82%</b>	<b>4.5%</b>

- 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 2024/25 financial year:

- The water tariffs increase for the 2024/25 received from Lepelle Northern Water is 9.12%.
- 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:

			23/24	24/25
TYPE	TYPE	INTERVALS	PER	PER
CONSUMER	SCALE		KILOLITRE	KILOLITRE
			vat inclusive	vat inclusive
<b>Domestic:</b>	Gliding scale			
		0-10 KL	26.30	28.70

			23/24	24/25
TYPE	TYPE	INTERVALS	PER	PER
CONSUMER	SCALE		KILOLITRE	KILOLITRE
			vat inclusive	vat inclusive
		11 -50 kl.	27.91	30.46
		51-100 KL.	33.58	36.64
		101> KL	55.87	60.96
<b>Businesses:</b>	Normal		34.85	38.03
<b>Flats:</b>	Normal		34.85	38.03
<b>Industrial:</b>	Normal		34.85	38.03
<b>Provincial Hospitals</b>	Normal		26.30	28.70
<b>Schools, Churches, Hostels, Sport clubs</b>	Normal		34.85	38.03
<b>Departmental</b>	Normal		34.85	38.03

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.

#### 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				

		23/24		24/25	
TYPE	SIZE	BASIC	ADDITIONAL	BASIC	ADDITIONAL
CONSUMER	OF ERF	vat inclusive	vat inclusive	vat inclusive	vat inclusive
	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	BASIC	ADDITIONAL	BASIC	ADDITIONAL
	OF ERF	vat inclusive	vat inclusive	vat inclusive	vat inclusive
<b>Domestic:</b>					
Residential houses	0 - 1000	R120.00		R125.88	
Churches					
Church halls	1001 - Bo	R150.00		R157.35	
Residential erven which are being built on					
		<b>PER</b>	<b>BULK</b>	<b>PER</b>	<b>BULK</b>
		<b>CONTAINER</b>	<b>CONTAINERS</b>	<b>CONTAINER</b>	<b>CONTAINERS</b>
<b>Commercial:</b>					
Businesses	Irrespective	R300.43	R2 003.67	R315.15	R2 101.85
Industrial	Irrespective	R300.43	R2 003.67	R315.15	R2 101.85

		23/24		24/25	
TYPE OF CONSUMER	SIZE	BASIC	ADDITIONAL	BASIC	ADDITIONAL
	OF ERF	vat inclusive	vat inclusive	vat inclusive	vat inclusive
<b>Other:</b>					
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
<b>Bulk</b>					
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

		23/24		24/25	
TYPE	TARIEF	CENT IN	%	CENT IN	%
	CODE	RAND	BASIC	RAND	BASIC
		TARIFF	DISCOUNT	TARIFF	DISCOUNT
10. Welfare organization, Hospitals, Clinics etc	VA5791	0.003171	100.00	0.003326	100.00

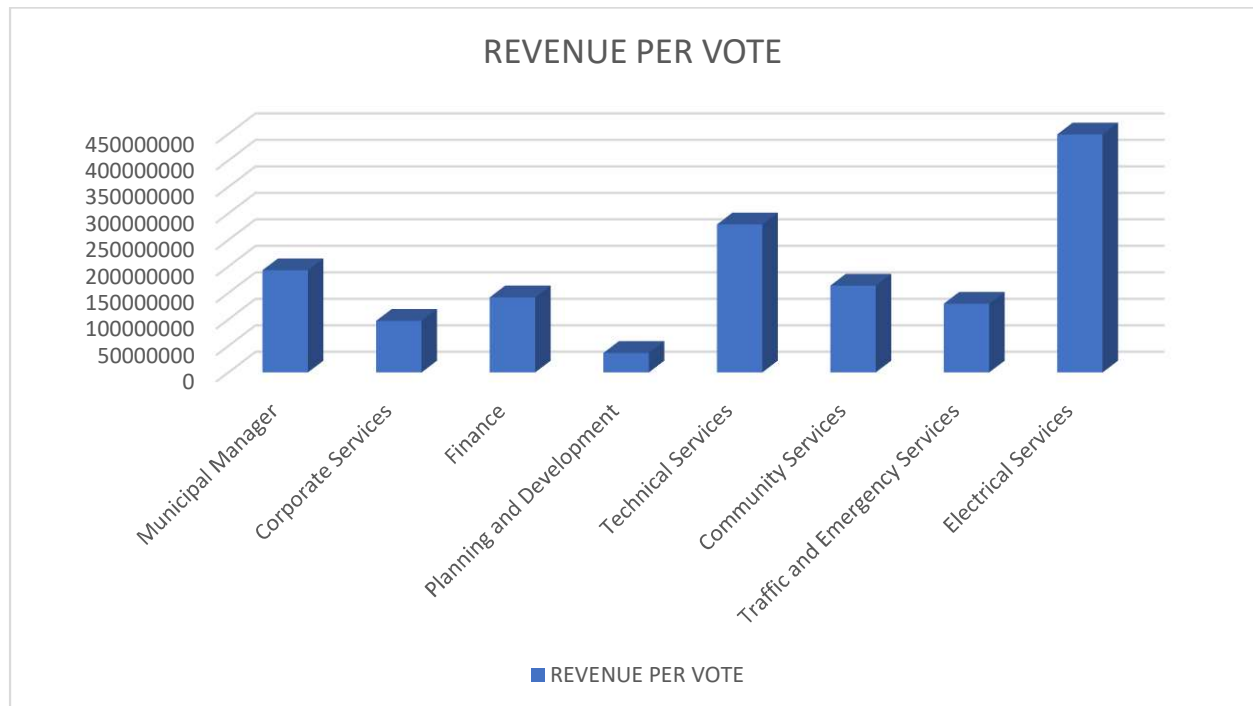
## 1.5 Operating Expenditure Framework

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

- Total employee related cost is 27.3% 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	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Expenditure by Vote</b>				
Vote 01 - Executive & Council	287 753	202 848	211 413	227 121
Vote 02 - Corporate Support Services	86 373	101 382	105 242	95 936
Vote 03 - Budget And Treasury	164 345	142 045	149 962	158 072
Vote 04 - Planning And Development	28 825	42 176	40 448	41 953
Vote 05 - Technical Services	250 539	290 011	307 523	321 467
Vote 06 - Community Services	149 089	159 935	164 630	170 217
Vote 07 - Traffic And Security	111 058	134 007	123 964	129 411
Vote 08 - Electrical Services	379 582	450 272	458 017	475 672
<b>Total Expenditure by Vote</b>	<b>1 457 563</b>	<b>1 522 675</b>	<b>1 561 197</b>	<b>1 619 849</b>



- The technical services department which is responsible for water, sanitation and roads has been allocated R290 million for operational expenditure.
- The electrical department which is responsible for electricity supply and maintenance has been allocated an amount of R450.2 million for operational expenditure.
- Community services department which is responsible for refuse removal, landfill sites, parks and recreation has been allocated an amount of R159.9 million for operational expenditure.

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

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
		Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousand</b>	<b>Adjusted Budget</b>			
Employee related costs	380 534	415 284	433 070	451 657
Remuneration of councillors	24 289	27 084	28 124	35 958
Bulk purchases - electricity	296 868	334 571	349 961	365 709
Inventory consumed	72 192	75 768	79 254	82 820
Debt impairment	49 574	83 003	86 821	90 815
Depreciation and amortisation	45 724	93 594	102 397	107 108
Interest	2 561	2 686	2 810	2 936
Contracted services	291 483	297 270	287 420	299 277
Transfers and subsidies	697	2 231	765	799
Irrecoverable debts written off	138 000	11 762	12 303	12 869
Operational costs	155 667	177 411	176 169	167 703
<b>Total Expenditure</b>	<b>1 457 588</b>	<b>1 520 664</b>	<b>1 559 093</b>	<b>1 617 650</b>

## **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 R83 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 R93.5 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 as provided is 9.12%.
- 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**

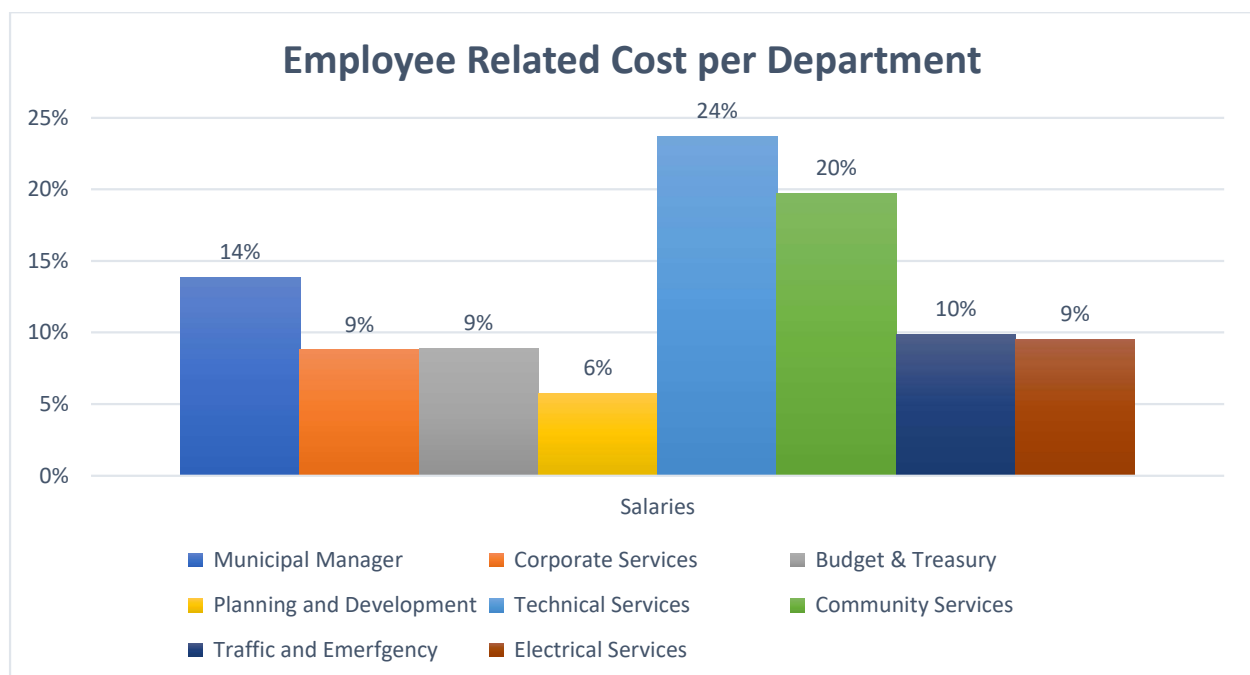
- The Asset register of the municipality is currently valued at above R4 billion. Therefore, it is impractical for the municipality to budget 10% of R4 billion in repairs and maintenance. The municipality has budgeted for at least 10% of its operating expenditure as repairs and maintenance. It must be 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
<b>TOTAL EMPLOYEE COST</b>	<b>404 823 326</b>	<b>442 367 765</b>	<b>461 194 221</b>	<b>487 614 646</b>



- 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. Upper limits for councillors' remuneration have been taken into account.
- The employee costs constitute 27.3% 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:

<b>Vote Description</b>	<b>Current Year 2023/24</b>	<b>2024/25 Medium Term Revenue &amp; Expenditure Framework</b>		
<b>R thousand</b>	<b>Adjusted Budget</b>	<b>Budget Year 2024/25</b>	<b>Budget Year +1 2025/26</b>	<b>Budget Year +2 2026/27</b>
<b><u>Capital expenditure - Vote</u></b>				
<b><u>Single-year expenditure</u></b>				
Vote 01 - Executive & Council	–	–	–	–
Vote 02 - Corporate Support Services	–	–	–	–
Vote 03 - Budget And Treasury	–	1 500	–	–
Vote 04 - Planning And Development	–	–	–	17 000
Vote 05 - Technical Services	440 411	303 982	368 985	187 434
Vote 06 - Community Services	2 003	14 181	5 000	54 740
Vote 07 - Traffic And Security	–	–	–	–
Vote 08 - Electrical Services	8 167	29 226	47 596	23 730
<b>Total Capital Expenditure - Vote</b>	<b>450 580</b>	<b>348 889</b>	<b>421 581</b>	<b>282 905</b>

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 155 to 156.

## Annual Budget Tables

### The Annual Budget Tables:

Table A1	Budget summary – (attached as <u>page 62</u> );
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification) – (attached as <u>pages 63 to 66</u> );
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote) – (attached as <u>pages 67 to 71</u> );
Table A4	Budgeted Financial Performance (revenue and expenditure) – (attached as <u>page 72</u> )
Table A5	Budgeted Capital Expenditure by vote, standard classification and Funding – (attached as <u>pages 73 to 77</u> )
Table A6	Budgeted Financial Position – (attached as <u>page 78</u> )
Table A7	Budgeted Cash Flows – (attached as <u>page 79</u> )
Table A8	Cash backed reserves/ accumulated surplus reconciliation – (attached as <u>page 80</u> )
Table A9	Asset Management – (attached as <u>pages 81 to 83</u> )
Table A10	Basic service delivery measurement – (attached as <u>page 84</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 85 to 154)

### Annual Budget Tables and Explanatory Notes

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2024/25 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

Table A1: Budget Summary

LIM367 Mogalakwena - Table A1 Budget Summary

Description	2020/21	2021/22	2022/23	Current Year 2023/24		2024/25 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Financial Performance</b>								
Property rates	81 765	88 001	91 416	96 349	96 349	101 070	105 719	110 477
Service charges	396 215	408 447	480 745	655 355	677 248	741 673	775 790	811 173
Investment revenue	4 196	3 192	4 885	3 348	8 748	9 177	9 599	10 031
Transfer and subsidies - Operational	578 408	488 302	546 728	587 164	598 364	623 792	638 257	646 668
Other own revenue	74 433	97 700	94 084	75 966	87 598	91 016	95 203	99 487
	1 135 017	1 085 643	1 217 859	1 418 183	1 468 308	1 566 728	1 624 569	1 677 836
<b>Total Revenue (excluding capital transfers and contributions)</b>								
Employee costs	378 688	353 332	332 210	411 319	380 534	415 284	433 070	451 657
Remuneration of councillors	23 976	15 493	10 524	18 009	24 289	27 084	28 124	35 958
Depreciation and amortisation	104 504	297 116	141 789	100 410	45 724	93 594	102 397	107 108
Interest	—	—	2 936	2 561	2 561	2 886	2 810	2 936
Inventory consumed and bulk purchases	238 563	212 006	306 171	382 069	369 060	410 339	429 215	448 529
Transfers and subsidies	110	125	5 951	517	697	2 231	765	799
Other expenditure	877 501	717 490	477 245	468 360	634 723	569 446	562 713	570 663
<b>Total Expenditure</b>	1 623 343	1 595 561	1 276 826	1 383 244	1 457 588	1 520 664	1 559 093	1 617 650
<b>Surplus/(Deficit)</b>	(488 325)	(509 918)	(58 967)	34 938	10 720	46 065	65 476	60 186
Transfers and subsidies - capital (monetary allocations)	188 670	232 682	270 591	311 599	450 580	347 389	421 131	282 905
Transfers and subsidies - capital (in-kind)	—	—	177	—	—	—	—	—
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	(299 656)	(277 237)	211 801	346 537	461 300	393 454	486 606	343 091
Share of Surplus/Deficit attributable to Associate	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) for the year</b>	(299 656)	(277 237)	211 801	346 537	461 300	393 454	486 606	343 091
<b>Capital expenditure &amp; funds sources</b>								
<b>Capital expenditure</b>	230 183	142 092	254 720	311 599	450 580	348 889	421 581	282 905
Transfers recognised - capital	230 139	132 239	240 208	311 599	450 580	347 389	421 581	282 905
Borrowing	—	—	—	—	—	—	—	—
Internally generated funds	44	9 853	14 512	—	—	1 500	—	—
<b>Total sources of capital funds</b>	230 183	142 092	254 720	311 599	450 580	348 889	421 581	282 905
<b>Financial position</b>								
Total current assets	685 072	606 046	662 379	852 071	803 236	774 233	823 237	873 837
Total non current assets	4 454 009	4 339 034	4 410 048	5 639 661	4 810 700	5 056 398	5 550 221	5 694 449
Total current liabilities	643 448	595 920	432 353	339 934	397 379	152 492	170 975	159 990
Total non current liabilities	125 645	123 791	110 789	123 053	123 053	123 791	117 330	123 053
Community wealth/Equity	4 416 645	4 441 213	4 564 422	6 003 091	5 067 825	5 530 704	6 071 451	6 279 136
<b>Cash flows</b>								
Net cash from (used) operating	416 938	295 865	281 237	371 454	511 909	356 047	418 771	285 861
Net cash from (used) investing	(166 923)	(106 380)	(238 874)	(344 869)	(446 732)	(344 852)	(417 358)	(278 492)
Net cash from (used) financing	—	—	—	—	(3)	—	—	—
<b>Cash/cash equivalents at the year end</b>	285 927	262 510	110 561	104 456	90 212	51 539	52 951	60 321
<b>Cash backing/surplus reconciliation</b>								
Cash and investments available	73 025	68 198	40 317	83 261	83 261	51 539	52 934	61 374
Application of cash and investments	437 922	436 874	247 129	156 305	176 450	(180 916)	(212 287)	(267 205)
<b>Balance - surplus (shortfall)</b>	(364 897)	(368 677)	(206 812)	(73 044)	(93 189)	232 454	265 221	328 579
<b>Asset management</b>								
Asset register summary (WDV)	4 088 906	3 618 691	3 754 888	5 623 524	4 794 563	5 040 261	5 534 083	5 678 312
Depreciation	104 504	297 116	141 789	100 410	45 724	93 594	102 397	107 108
Renewal and Upgrading of Existing Assets	—	—	—	—	—	—	—	—
Repairs and Maintenance	45 778	34 756	29 805	43 259	68 675	91 935	83 119	83 960
<b>Free services</b>								
Cost of Free Basic Services provided	4 015	4 503	5 212	6 233	7 010	7 372	7 711	8 059
Revenue cost of free services provided	24 537	26 224	55 811	28 515	29 238	61 342	64 164	67 051
<b>Households below minimum service level</b>								
Water:	10	10	15	10	10	18	18	18
Sanitation/sewerage:	7	7	3	7	7	3	3	3
Energy:	7	1	3	7	7	3	3	3
Refuse:	60	60	66	60	60	66	66	66

## Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The importance of ensuring that a municipal budget is fully funded is stressed in the financial management reforms. The MFMA through Section 18 requires that a budget only be funded by realistically anticipated revenue to be collected and cash-backed accumulated funds from previous years, not committed for other purposes.
3. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
4. The operating surplus/deficit (after total expenditure and before capital spending) is positive over the MTREF period.
5. The MTREF for 2024/25 depicts a surplus of R44.5 million after taking non-cash (depreciation and debt impairment) item into consideration.

Anticipated surpluses after capital transfers of R347.3 million is at R393.4 million.

Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)

LIM367 Mogalakwena - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)										
Functional Classification Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
R thousand	1									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		666 293	614 509	661 427	704 890	723 003	723 003	754 418	776 532	790 733
Executive and council		558 706	487 147	543 107	579 336	583 653	583 653	619 565	635 637	643 655
Finance and administration		107 587	127 362	118 319	125 554	139 351	139 351	134 853	140 895	147 078
Internal audit		—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		16 205	779	673	652	689	689	723	756	790
Community and social services		324	288	395	451	488	488	512	536	560
Sport and recreation		1	—	1	7	7	7	8	8	8
Public safety		15 719	312	73	16	16	16	17	18	19
Housing		161	179	204	177	177	177	186	194	203
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		108 377	172 762	194 472	213 675	212 700	212 700	199 986	210 075	228 178
Planning and development		7 912	2 371	9 016	11 209	11 217	11 217	10 610	11 143	12 076
Road transport		100 465	170 392	185 456	202 465	201 483	201 483	189 376	198 932	216 102
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		532 812	530 274	632 055	810 565	982 495	982 495	958 990	1 058 336	941 039
Energy sources		283 038	277 163	338 569	400 371	400 371	400 371	464 193	478 869	499 914
Water management		203 300	201 853	240 126	348 172	497 153	497 153	405 254	487 490	345 009
Waste water management		23 287	25 259	25 636	34 472	30 519	30 519	32 020	33 493	35 000
Waste management		23 187	25 999	27 724	27 551	54 452	54 452	57 523	58 485	61 116
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
<b>Total Revenue - Functional</b>	2	1 323 687	1 318 324	1 488 627	1 729 781	1 918 888	1 918 888	1 914 117	2 045 700	1 960 741
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		808 191	653 685	477 532	468 965	535 314	535 314	438 878	458 887	473 070
Executive and council		679 582	489 719	264 363	271 846	272 650	272 650	185 687	193 514	208 415
Finance and administration		124 737	159 821	208 925	191 980	258 468	258 468	248 493	260 452	259 514
Internal audit		3 872	4 144	4 243	5 138	4 196	4 196	4 698	4 921	5 141
<i>Community and public safety</i>		130 594	168 828	140 372	123 410	140 445	140 445	171 493	168 233	173 495
Community and social services		36 267	27 188	37 856	34 574	31 951	31 951	45 340	47 381	49 484
Sport and recreation		38 496	64 613	32 767	30 038	27 473	27 473	30 411	31 305	30 466
Public safety		54 485	64 802	68 437	57 576	79 813	79 813	94 393	88 136	92 071
Housing		1 327	12 225	1 312	1 222	1 208	1 208	1 350	1 411	1 473
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		93 269	359 591	115 942	135 931	116 904	116 904	136 831	133 608	139 355
Planning and development		31 195	31 274	33 113	44 986	40 991	40 991	53 462	52 026	54 219
Road transport		62 075	328 317	82 828	90 945	75 913	75 913	83 369	81 583	85 137
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		611 121	450 766	572 560	653 465	663 499	663 499	773 930	798 856	832 242
Energy sources		281 805	283 999	356 790	397 512	379 582	379 582	450 272	458 017	475 672
Water management		241 327	146 192	144 362	185 225	169 189	169 189	208 280	222 318	232 305
Waste water management		12 701	(18 547)	39 212	17 244	15 584	15 584	16 788	17 529	18 289
Waste management		75 288	39 122	32 195	53 484	99 144	99 144	98 591	100 991	105 976
<i>Other</i>	4	1 150	1 207	7 018	1 474	1 401	1 401	1 542	1 613	1 686
<b>Total Expenditure - Functional</b>	3	1 644 326	1 634 076	1 313 424	1 383 244	1 457 563	1 457 563	1 522 675	1 561 197	1 619 849
<b>Surplus/(Deficit) for the year</b>		(320 639)	(315 752)	175 202	346 537	461 325	461 325	391 442	484 502	340 892

## Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable the National Treasury to compile 'whole of government' reports..

Table A2 was one of the budget tables which are re-aligned to comply with mSCOA.

Table A3: Budgeted Financial Performance (revenue and expenditure by municipal vote)

LIM367 Mogalakwena - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)										
Vote Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Revenue by Vote	1									
Vote 01 - Executive & Council		558 706	487 147	543 107	579 336	583 653	583 653	619 565	635 637	643 655
Vote 02 - Corporate Support Services		5 004	14 164	5 077	5 931	5 957	5 957	6 249	6 537	6 831
Vote 03 - Budget And Treasury		102 728	113 404	113 539	119 836	133 611	133 611	128 833	134 598	140 497
Vote 04 - Planning And Development		164	141	198	232	228	228	239	250	261
Vote 05 - Technical Services		323 604	385 363	446 250	579 964	724 996	724 996	621 130	714 185	590 556
Vote 06 - Community Services		23 492	26 220	28 016	27 895	54 837	54 837	57 927	58 908	61 558
Vote 07 - Traffic And Security		26 951	14 724	13 869	16 216	15 234	15 234	15 981	16 716	17 468
Vote 08 - Electrical Services		283 038	277 163	338 569	400 371	400 371	400 371	464 193	478 869	499 914
Total Revenue by Vote	2	1 323 687	1 318 324	1 488 627	1 729 781	1 918 888	1 918 888	1 914 117	2 045 700	1 960 741
Expenditure by Vote to be appropriated	1									
Vote 01 - Executive & Council		689 256	500 764	275 749	285 378	287 753	287 753	202 848	211 413	227 121
Vote 02 - Corporate Support Services		52 400	61 748	97 372	71 616	86 373	86 373	101 382	105 242	95 936
Vote 03 - Budget And Treasury		76 873	111 716	119 428	113 851	164 345	164 345	142 045	149 962	158 072
Vote 04 - Planning And Development		21 449	20 560	28 733	31 209	28 825	28 825	42 176	40 448	41 953
Vote 05 - Technical Services		299 511	440 686	253 744	286 091	250 539	250 539	290 011	307 523	321 467
Vote 06 - Community Services		138 338	120 432	85 472	107 274	149 089	149 089	159 935	164 630	170 217
Vote 07 - Traffic And Security		84 695	94 167	96 135	90 315	111 058	111 058	134 007	123 964	129 411
Vote 08 - Electrical Services		281 805	284 003	356 790	397 512	379 582	379 582	450 272	458 017	475 672
Total Expenditure by Vote	2	1 644 326	1 634 076	1 313 424	1 383 244	1 457 563	1 457 563	1 522 675	1 561 197	1 619 849
Surplus/(Deficit) for the year	2	(320 639)	(315 752)	175 202	346 537	461 325	461 325	391 442	484 502	340 892

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

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote; and
- The table shows that Electrical services is the largest generator of revenue followed by Technical Services. This is due to the size of the departments as well as their responsibility over service charges such as sale of water, electricity and sanitation.

Table A4: Budgeted Financial Performance (revenue and expenditure)

LIM367 Mogalakwena - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousand</b>	<b>1</b>										
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	265 059	277 255	333 674	400 511	400 511	400 511	254 524	451 376	472 139	493 858
Service charges - Water	2	94 463	92 096	107 101	204 844	204 844	204 844	40 076	214 881	224 766	234 880
Service charges - Waste Water Management	2	18 787	20 275	20 184	29 454	25 447	25 447	18 138	26 694	27 921	29 178
Service charges - Waste Management	2	17 905	18 822	19 786	20 545	46 446	46 446	27 717	48 722	50 964	53 257
Sale of Goods and Rendering of Services		1 699	1 504	3 038	4 084	2 211	2 211	1 561	2 320	2 426	2 536
Agency services		-	13 425	12 193	10 421	12 372	12 372	7 332	12 978	13 575	14 186
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		43 018	50 270	56 754	35 731	46 761	46 761	46 498	49 053	51 309	53 618
Interest earned from Current and Non Current Assets		4 196	3 192	4 885	3 348	8 748	8 748	7 420	9 177	9 599	10 031
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		4 641	11 490	661	2 027	2 027	2 027	1 972	2 127	2 224	2 325
Licence and permits		10 675	212	-	1 951	-	-	-	-	-	-
Operational Revenue		972	1 128	1 840	336	1 977	1 977	1 881	2 074	2 170	2 267
<b>Non-Exchange Revenue</b>											
Property rates	2	81 765	88 001	91 416	96 349	96 349	96 349	80 683	101 070	105 719	110 477
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		811	808	2 226	4 005	4 005	4 005	1 544	4 201	4 394	4 592
Licences or permits		9	14	27	11	11	11	7	11	12	12
Transfer and subsidies - Operational		578 408	488 302	546 728	587 164	598 364	598 364	582 291	623 792	638 257	646 668
Interest		12 229	13 442	14 740	13 551	13 551	13 551	13 075	14 216	14 869	15 539
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		378	4 287	756	3 848	3 848	3 848	149	4 037	4 223	4 413
Other Gains		-	1 119	1 849	-	833	833	833	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1 135 017</b>	<b>1 085 643</b>	<b>1 217 859</b>	<b>1 418 183</b>	<b>1 468 308</b>	<b>1 468 308</b>	<b>1 085 700</b>	<b>1 566 728</b>	<b>1 624 569</b>	<b>1 677 836</b>
<b>Expenditure</b>											
Employee related costs	2	378 688	353 332	332 210	411 319	380 534	380 534	298 802	415 284	433 070	451 657
Remuneration of councillors		23 976	15 493	10 524	18 009	24 289	24 289	20 372	27 084	28 124	35 958
Bulk purchases - electricity	2	226 210	200 185	288 246	321 949	296 868	296 868	212 963	334 571	349 961	365 709
Inventory consumed	8	12 353	11 821	17 925	60 120	72 192	72 192	82 063	75 768	79 254	82 820
Debt Impairment	3	12 273	201 681	1 446	190 574	49 574	49 574	-	83 003	86 821	90 815
Depreciation and amortisation		104 504	297 116	141 789	100 410	45 724	45 724	-	93 594	102 397	107 108
Interest		-	-	2 936	2 561	2 561	2 561	1 614	2 686	2 810	2 936
Contracted services		175 498	195 562	189 404	153 364	291 483	291 483	248 459	297 270	287 420	299 277
Transfers and subsidies		110	125	5 951	517	697	697	147	2 231	765	799
Irrecoverable debts written off		599 519	255 378	203 695	-	138 000	138 000	129 704	11 762	12 303	12 869
Operational costs		89 936	43 216	75 517	124 422	155 667	155 667	101 844	177 411	176 169	167 703
Losses on disposal of Assets		-	18 261	2 361	-	-	-	-	-	-	-
Other Losses		275	3 391	4 620	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>1 623 343</b>	<b>1 595 561</b>	<b>1 276 826</b>	<b>1 383 244</b>	<b>1 457 588</b>	<b>1 457 588</b>	<b>1 095 969</b>	<b>1 520 664</b>	<b>1 559 093</b>	<b>1 617 650</b>
<b>Surplus/(Deficit)</b>		<b>(488 325)</b>	<b>(509 918)</b>	<b>(58 967)</b>	<b>34 938</b>	<b>10 720</b>	<b>10 720</b>	<b>(10 270)</b>	<b>46 065</b>	<b>65 476</b>	<b>60 186</b>
Transfers and subsidies - capital (monetary allocations)	6	186 670	232 682	270 591	311 599	450 580	450 580	327 003	347 389	421 131	282 905
Transfers and subsidies - capital (in-kind)	6	-	-	177	-	-	-	31 348	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(299 656)</b>	<b>(277 237)</b>	<b>211 801</b>	<b>346 537</b>	<b>461 300</b>	<b>461 300</b>	<b>348 081</b>	<b>393 454</b>	<b>486 606</b>	<b>343 091</b>
Income Tax		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>(299 656)</b>	<b>(277 237)</b>	<b>211 801</b>	<b>346 537</b>	<b>461 300</b>	<b>461 300</b>	<b>348 081</b>	<b>393 454</b>	<b>486 606</b>	<b>343 091</b>
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(299 656)</b>	<b>(277 237)</b>	<b>211 801</b>	<b>346 537</b>	<b>461 300</b>	<b>461 300</b>	<b>348 081</b>	<b>393 454</b>	<b>486 606</b>	<b>343 091</b>
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>1</b>	<b>(299 656)</b>	<b>(277 237)</b>	<b>211 801</b>	<b>346 537</b>	<b>461 300</b>	<b>461 300</b>	<b>348 081</b>	<b>393 454</b>	<b>486 606</b>	<b>343 091</b>

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

- During the compilation of the 2024/25 budget, Municipality relied on, 2022/23 audited financial statements and mid-year assessment/adjustment report. The first step was to consider the realistic result of 2022/23 audited against mid-year assessment report together with 6 months actual spending. Once such exercise was done, then projection in the form of consumption level before taking into account tariff increase was determine to arrive at realistic budget which is attainable.



2. Service charges relating to electricity, water, sanitation and refuse removal constitute the biggest component of the revenue basket of the Municipality totaling R710.4 million in 2024/25.
3. Therefore, some revenue might appear to be bellow CPI while it's not the case as we took economic impact to consumption level and the actual 6-month result to ensure we have realistic budget when comparing to 2022/23 audited result.
4. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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

Vote Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 01 - Executive & Council		—	—	—	—	—	—	—	—	—	—
Vote 02 - Corporate Support Services		—	—	—	—	—	—	—	—	—	—
Vote 03 - Budget And Treasury		—	—	—	—	—	—	—	—	—	—
Vote 04 - Planning And Development		—	—	—	—	—	—	—	—	—	—
Vote 05 - Technical Services		—	—	—	—	—	—	—	—	—	—
Vote 06 - Community Services		—	—	—	—	—	—	—	—	—	—
Vote 07 - Traffic And Security		—	—	—	—	—	—	—	—	—	—
Vote 08 - Electrical Services		—	—	—	—	—	—	—	—	—	—
<b>Capital multi-year expenditure sub-total</b>	7	—	—	—	—	—	—	—	—	—	—
<b>Single-year expenditure to be appropriated</b>	2										
Vote 01 - Executive & Council		—	—	1 783	—	—	—	—	—	—	—
Vote 02 - Corporate Support Services		—	9	8 882	—	—	—	92	—	—	—
Vote 03 - Budget And Treasury	14	—	—	1 388	—	—	—	—	1 500	—	—
Vote 04 - Planning And Development		—	—	473	—	—	—	—	—	—	17 000
Vote 05 - Technical Services		212 115	130 047	206 447	253 946	440 411	440 411	408 265	303 982	368 985	187 434
Vote 06 - Community Services		2 320	2 253	30 166	37 500	2 003	2 003	237	14 181	5 000	54 740
Vote 07 - Traffic And Security		—	—	335	—	—	—	—	—	—	—
Vote 08 - Electrical Services		15 735	9 783	5 247	20 153	8 167	8 167	9 842	29 226	47 596	23 730
<b>Total Capital Expenditure - Vote</b>		<b>230 183</b>	<b>142 092</b>	<b>254 720</b>	<b>311 599</b>	<b>450 580</b>	<b>450 580</b>	<b>418 435</b>	<b>348 889</b>	<b>421 581</b>	<b>282 905</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		<b>14</b>	<b>4</b>	<b>9 152</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17</b>	<b>1 500</b>	<b>—</b>	<b>—</b>
Executive and council		—	—	1 464	—	—	—	—	—	—	—
Finance and administration	14	—	4	7 594	—	—	—	17	1 500	—	—
Internal audit		—	—	95	—	—	—	—	—	—	—
<b>Community and public safety</b>		<b>2 320</b>	<b>2 258</b>	<b>4 501</b>	<b>24 500</b>	<b>400</b>	<b>400</b>	<b>329</b>	<b>14 181</b>	<b>—</b>	<b>21 740</b>
Community and social services		—	5	3 536	16 500	—	—	92	—	—	21 240
Sport and recreation		2 320	2 253	866	8 000	400	400	237	14 181	—	500
Public safety		—	—	77	—	—	—	—	—	—	—
Housing		—	—	23	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—	—
<b>Economic and environmental services</b>		<b>20 507</b>	<b>25 462</b>	<b>36 465</b>	<b>54 317</b>	<b>68 004</b>	<b>68 004</b>	<b>77 525</b>	<b>64 040</b>	<b>63 087</b>	<b>61 500</b>
Planning and development	68	—	—	657	—	—	—	—	—	—	17 000
Road transport		20 439	25 462	35 808	54 317	68 004	68 004	77 525	64 040	63 087	44 500
Environmental protection		—	—	—	—	—	—	—	—	—	—
<b>Trading services</b>		<b>207 343</b>	<b>114 368</b>	<b>204 602</b>	<b>232 782</b>	<b>382 176</b>	<b>382 176</b>	<b>341 212</b>	<b>269 168</b>	<b>358 494</b>	<b>199 664</b>
Energy sources		15 735	9 783	5 247	20 153	8 167	8 167	10 472	29 226	47 596	23 730
Water management		190 318	91 215	150 119	150 829	337 583	337 583	309 246	227 685	223 859	119 022
Waste water management		1 290	13 370	20 287	48 800	34 824	34 824	21 494	12 257	82 039	23 912
Waste management		—	—	28 948	13 000	1 603	1 603	—	—	5 000	33 000
<b>Other</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Capital Expenditure - Functional</b>	3	<b>230 183</b>	<b>142 092</b>	<b>254 720</b>	<b>311 599</b>	<b>450 580</b>	<b>450 580</b>	<b>419 082</b>	<b>348 889</b>	<b>421 581</b>	<b>282 905</b>
<b>Funded by:</b>											
National Government		230 139	132 239	240 208	311 599	450 580	450 580	386 173	347 389	421 581	282 905
Provincial Government		—	—	—	—	—	—	—	—	—	—
District Municipality		—	—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (monetary allocations) (Nat/ Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)		—	—	—	—	—	—	31 348	—	—	—
<b>Transfers recognised - capital</b>	4	<b>230 139</b>	<b>132 239</b>	<b>240 208</b>	<b>311 599</b>	<b>450 580</b>	<b>450 580</b>	<b>417 521</b>	<b>347 389</b>	<b>421 581</b>	<b>282 905</b>
<b>Borrowing</b>	6	—	—	—	—	—	—	—	—	—	—
<b>Internally generated funds</b>		<b>44</b>	<b>9 853</b>	<b>14 512</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1 561</b>	<b>1 500</b>	<b>—</b>	<b>—</b>
<b>Total Capital Funding</b>	7	<b>230 183</b>	<b>142 092</b>	<b>254 720</b>	<b>311 599</b>	<b>450 580</b>	<b>450 580</b>	<b>419 082</b>	<b>348 889</b>	<b>421 581</b>	<b>282 905</b>

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single - year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial department; The MFMA provides that a municipality may approve single- or multi-year capital budget appropriations. The Municipality has allocated multi-year appropriations amounting to R348.8 million for 2024/25, increasing to R421.5 million in 2025/26 and decreasing to R282.9 million in 2026/27.

Table A6: Budgeted Financial Position

LIM367 Mogalakwena - Table A6 Budgeted Financial Position												
Description		Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework			
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
ASSETS												
Current assets												
	Cash and cash equivalents		73 025	68 198	40 317	83 261	83 261	83 261	15 316	51 539	52 934	61 374
	Trade and other receivables from exchange transactions	1	140 736	68 433	114 392	266 182	266 391	266 391	81 505	274 450	318 987	357 315
	Receivables from non-exchange transactions	1	49 627	44 259	40 683	96 377	34 717	34 717	19 255	52 058	62 630	71 462
	Current portion of non-current receivables		—	—	—	—	—	—	—	—	—	—
	Inventory	2	361 576	364 076	399 776	406 251	406 251	406 251	367 621	396 186	388 686	383 686
	VAT		49 758	50 506	54 619	—	12 607	12 607	48 800	—	—	—
	Other current assets		10 350	10 574	12 592	—	9	9	12 602	—	—	—
Total current assets			685 072	606 046	662 379	852 071	803 236	803 236	545 098	774 233	823 237	873 837
Non current assets												
	Investments		—	—	—	—	—	—	—	—	—	—
	Investment property		191 941	197 747	#####	137 121	193 792	193 792	193 792	193 792	193 792	193 792
	Property, plant and equipment	3	4 261 674	4 130 860	4 193 011	4 537 112	4 589 481	4 589 481	4 611 853	4 835 179	5 329 001	5 461 989
	Biological assets		—	—	—	—	—	—	—	—	—	—
	Living and non-living resources		—	—	—	—	—	—	—	—	—	—
	Heritage assets		5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868
	Intangible assets		950	923	1 762	943 423	5 423	5 423	1 762	5 423	5 423	16 663
	Trade and other receivables from exchange transactions		(2)	(2)	(2)	16 137	16 137	16 137	(2)	16 137	16 137	16 137
	Non-current receivables from non-exchange transactions		(6 422)	3 638	15 617	—	—	—	15 617	—	—	—
	Other non-current assets		—	—	—	—	—	—	—	—	—	—
Total non current assets			4 454 009	4 339 034	4 410 048	5 639 661	4 810 700	4 810 700	4 828 890	5 056 398	5 550 221	5 694 449
TOTAL ASSETS			5 139 080	4 945 080	5 072 426	6 491 733	5 613 936	5 613 936	5 373 988	5 830 631	6 373 458	6 568 286
LIABILITIES												
Current liabilities												
	Bank overdraft		—	—	—	—	—	—	—	—	—	—
	Financial liabilities		68	7	420	—	—	—	420	—	—	—
	Consumer deposits		10 049	(21 373)	(6 201)	28 084	29 732	29 732	(5 282)	23 329	23 312	24 382
	Trade and other payables from exchange transactions	4	424 794	395 276	254 732	210 463	267 392	267 392	76 448	116 415	136 266	124 510
	Trade and other payables from non-exchange transactions	5	68 580	62 278	5 495	—	1 414	1 414	—	—	—	—
	Provision		2 549	12 010	19 073	12 748	12 748	12 748	17 887	12 748	11 397	11 097
	VAT		137 409	147 722	158 834	88 638	86 094	86 094	158 560	—	—	—
	Other current liabilities		—	—	—	—	—	—	—	—	—	—
Total current liabilities			643 448	595 920	432 353	339 934	397 379	397 379	248 033	152 492	170 975	159 990
Non current liabilities												
	Financial liabilities	6	—	—	—	—	—	—	—	—	—	—
	Provision	7	125 645	123 791	110 789	123 053	123 053	123 053	110 789	123 791	117 330	123 053
	Long term portion of trade payables		—	—	—	—	—	—	—	—	—	—
	Other non-current liabilities		—	—	—	—	—	—	—	—	—	—
Total non current liabilities			125 645	123 791	110 789	123 053	123 053	123 053	110 789	123 791	117 330	123 053
TOTAL LIABILITIES			769 093	719 711	543 142	462 987	520 432	520 432	358 822	276 284	288 306	283 043
NET ASSETS			4 369 987	4 225 369	4 529 285	6 028 746	5 093 504	5 093 504	5 015 166	5 554 347	6 085 152	6 285 243
COMMUNITY WEALTH/EQUITY												
	Accumulated surplus/(deficit)	8	6 050 240	6 082 975	6 222 006	6 003 091	5 067 825	5 067 825	6 532 719	5 530 704	6 071 451	6 279 136
	Reserves and funds	9	(1 633 595)	(1 641 762)	(1 657 584)	—	—	—	(1 657 584)	—	—	—
	Other		—	—	—	—	—	—	—	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY			4 416 645	4 441 213	4 564 422	6 003 091	5 067 825	5 067 825	4 875 135	5 530 704	6 071 451	6 279 136

## Explanatory notes to MBRR Table A6 - Budgeted Financial Position

1. Movements on the Budgeted Statement of Financial Performance will impact on the Budgeted Statement of Financial Position. Assumptions made on the collection rate for instance, will affect the budgeted cash position of the Municipality and the budgeted impairment of debtors. As such the assumptions form a critical link in determining the applicability and relevance of the budget, the determination of financial indicators, the assessment of funding compliance and the general viability of the municipality.

- Trade payables** as depicted under current liability consist of accrual, retentions, prepayment received, license and permit. The municipality is in the process of clearing the R416.9 million payables that is reported under Audited outcome. It has been identified that the payables item segment has been used to host balances since migration into mSCOA environment. The identified balances have been dormant for many financial years. An amount of R116.4 million is therefore realistically budgeted for. Note most major liability which Municipality experience relate to Eskom bill which Mogalakwena Local Municipality have managed to clear its bill and currently servicing monthly Eskom account regularly.
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash.
- Table A6 is aligned with Municipal Standard Chart Of Account (mSCOA). Table A6 is also consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet)

Table A7: Budgeted Cash Flows

LIM367 Mogalakwena - Table A7 Budgeted Cash Flows												
Description		Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			54 167	78 442	58 269	62 627	86 714	86 714	63 264	90 963	95 147	99 524
Service charges			344 393	446 054	312 343	435 265	617 972	617 972	267 112	667 506	698 211	730 329
Other revenue			364 233	552 410	483 582	30 220	30 451	30 451	205 242	23 711	24 802	25 942
Transfers and Subsidies - Operational		1	944	3 242	215 473	585 613	598 787	598 787	588 429	623 792	638 257	646 668
Transfers and Subsidies - Capital		1	171 183	232 568	284 022	311 999	400 980	400 980	411 506	347 389	421 131	282 905
Interest			735	2 485	3 871	3 348	7 848	7 848	6 744	66 118	69 160	72 318
Dividends										-	-	-
Payments												
Suppliers and employees			(518 717)	(1 019 336)	(1 076 322)	(1 055 058)	(1 228 282)	(1 228 282)	(1 108 426)	(1 459 998)	(1 527 027)	(1 571 187)
Interest			-	-	-	(2 561)	(2 561)	(2 561)	-	(1 351)	(300)	-
Transfers and Subsidies		1	-	-	-	-	-	-	-	(2 084)	(611)	(638)
NET CASH FROM/(USED) OPERATING ACTIVITIES			416 938	295 865	281 237	371 454	511 909	511 909	433 871	356 047	418 771	285 861
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			-	-	3 867	3 848	3 848	3 848	149	4 037	4 223	4 413
Decrease (increase) in non-current receivables			(10 572)	35 712	11 979	(37 119)	-	-	-	-	-	-
Decrease (increase) in non-current investments										-	-	-
Payments												
Capital assets			(156 351)	(142 092)	(254 720)	(311 599)	(450 580)	(450 580)	(365 181)	(348 889)	(421 581)	(282 905)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(166 923)	(106 380)	(238 874)	(344 869)	(446 732)	(446 732)	(365 033)	(344 852)	(417 358)	(278 492)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans										-	-	-
Borrowing long term/refinancing										-	-	-
Increase (decrease) in consumer deposits			-	-	-	-	(3)	(3)	393	-	-	-
Payments												
Repayment of borrowing										-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	-	-	-	(3)	(3)	393	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD												
Cash/cash equivalents at the year begin:		2	35 913	73 025	68 198	77 871	25 038	25 038	-	40 344	51 539	52 951
Cash/cash equivalents at the year end:		2	285 927	262 510	110 561	104 456	90 212	90 212	69 231	51 539	52 951	60 321

## Explanatory notes to MBRR Table A7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement is the first measurement in determining if the budget is funded;

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget;
3. The municipality shows positive net cash inflows of R51.5 million in 2024/25; and
4. The cash position will continue to be managed by strict implementation of the credit control policy and cost containment measures.

Table A8: Cash backed reserves/ accumulated surplus reconciliation

LIM367 Mogalakwena - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	285 927	262 510	110 561	104 456	90 212	90 212	69 231	51 539	52 951	60 321
Other current investments > 90 days		(212 902)	(194 313)	(70 244)	(21 195)	(6 951)	(6 951)	(53 915)	-	(18)	1 053
Non current Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		73 025	68 198	40 317	83 261	83 261	83 261	15 316	51 539	52 934	61 374
Application of cash and investments											
Unspent conditional transfers		68 580	62 278	5 495	-	1 414	1 414	121 052	-	-	-
Unspent borrowing											
Statutory requirements	2	87 651	97 216	104 215	88 638	73 487	73 487	109 760	-	-	-
Other working capital requirements	3	279 143	265 371	118 346	54 918	88 801	88 801	3 463	(193 664)	(223 685)	(278 303)
Other provisions		2 549	12 010	19 073	12 748	12 748	12 748	17 887	12 748	11 397	11 097
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		437 922	436 874	247 129	156 305	176 450	176 450	252 162	(180 916)	(212 287)	(267 205)
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits		(364 897)	(368 677)	(206 812)	(73 044)	(93 189)	(93 189)	(236 846)	232 454	265 221	328 579
Creditors transferred to Debt Relief - Non-Current portion		-	-	-	-	-	-	-	-	-	-
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits		(364 897)	(368 677)	(206 812)	(73 044)	(93 189)	(93 189)	(236 846)	232 454	265 221	328 579

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

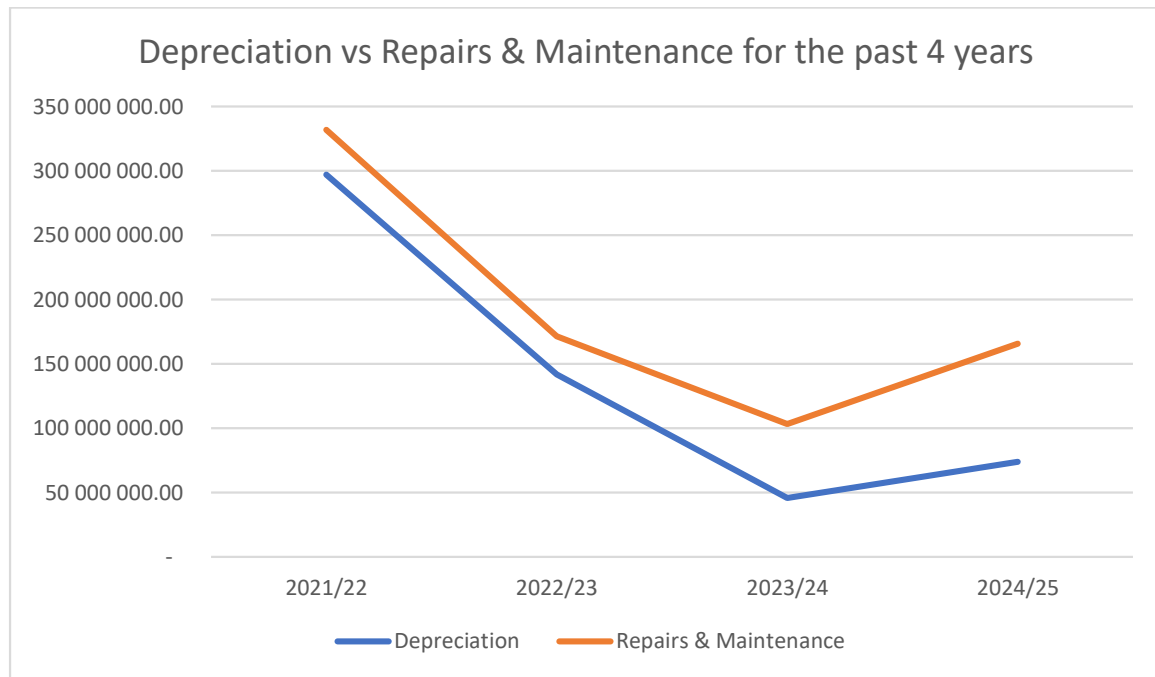
Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

Table A9: Asset Management

LIM367 Mogalakwena - Table A9 Asset Management

LIM367 Mogalakwena - Table A9 Asset Management											
Description		Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
CAPITAL EXPENDITURE											
Total New Assets		1	230 183	142 092	254 720	311 599	450 580	450 580	348 889	421 581	282 905
Roads Infrastructure			18 994	25 382	35 572	54 317	68 004	68 004	64 040	63 087	44 500
Storm water Infrastructure			1 445	—	—	—	—	—	—	—	—
Electrical Infrastructure			15 735	8 978	4 985	20 153	8 167	8 167	29 226	47 596	23 730
Water Supply Infrastructure			190 318	91 215	149 845	150 829	337 583	337 583	227 685	223 859	126 022
Sanitation Infrastructure			1 290	13 370	20 265	48 800	34 824	34 824	12 257	82 039	23 912
Solid Waste Infrastructure			—	—	—	13 000	—	—	—	5 000	33 000
Infrastructure			227 781	138 945	210 667	287 099	448 578	448 578	333 208	421 581	251 164
Community Facilities			—	—	—	16 500	—	—	—	—	10 000
Sport and Recreation Facilities			2 290	2 253	866	8 000	400	400	14 181	—	500
Community Assets			2 290	2 253	866	24 500	400	400	14 181	—	10 500
Heritage Assets			—	—	—	—	—	—	—	—	—
Investment properties			—	—	—	—	—	—	—	—	—
Operational Buildings			—	—	3 167	—	—	—	—	—	10 000
Housing			—	—	—	—	—	—	—	—	—
Other Assets			—	—	3 167	—	—	—	—	—	10 000
Biological or Cultivated Assets			—	—	—	—	—	—	—	—	—
Licences and Rights			—	—	1 331	—	—	—	—	—	11 240
Intangible Assets			—	—	1 331	—	—	—	—	—	11 240
Computer Equipment			68	—	9 678	—	—	—	—	—	—
Furniture and Office Equipment			14	—	6	—	—	—	1 500	—	—
Machinery and Equipment			30	894	106	—	—	—	—	—	—
Transport Assets			—	—	28 899	—	1 603	1 603	—	—	—
Total Capital Expenditure		4	230 183	142 092	254 720	311 599	450 580	450 580	348 889	421 581	282 905
Roads Infrastructure			18 994	25 382	35 572	54 317	68 004	68 004	64 040	63 087	44 500
Storm water Infrastructure			1 445	—	—	—	—	—	—	—	—
Electrical Infrastructure			15 735	8 978	4 985	20 153	8 167	8 167	29 226	47 596	23 730
Water Supply Infrastructure			190 318	91 215	149 845	150 829	337 583	337 583	227 685	223 859	126 022
Sanitation Infrastructure			1 290	13 370	20 265	48 800	34 824	34 824	12 257	82 039	23 912
Solid Waste Infrastructure			—	—	—	13 000	—	—	—	5 000	33 000
Infrastructure			227 781	138 945	210 667	287 099	448 578	448 578	333 208	421 581	251 164
Community Facilities			—	—	—	16 500	—	—	—	—	10 000
Sport and Recreation Facilities			2 290	2 253	866	8 000	400	400	14 181	—	500
Community Assets			2 290	2 253	866	24 500	400	400	14 181	—	10 500
Heritage Assets			—	—	—	—	—	—	—	—	—
Operational Buildings			—	—	3 167	—	—	—	—	—	10 000
Other Assets			—	—	3 167	—	—	—	—	—	10 000
Licences and Rights			—	—	1 331	—	—	—	—	—	11 240
Intangible Assets			—	—	1 331	—	—	—	—	—	11 240
Computer Equipment			68	—	9 678	—	—	—	—	—	—
Furniture and Office Equipment			14	—	6	—	—	—	1 500	—	—
Machinery and Equipment			30	894	106	—	—	—	—	—	—
Transport Assets			—	—	28 899	—	1 603	1 603	—	—	—
TOTAL CAPITAL EXPENDITURE - Asset class			230 183	142 092	254 720	311 599	450 580	450 580	348 889	421 581	282 905
ASSET REGISTER SUMMARY - PPE (WDV)		5	4 088 906	3 618 691	3 754 888	5 623 524	4 794 563	4 794 563	5 040 261	5 534 083	5 678 312
Roads Infrastructure			897 475	701 028	742 080	54 317	48 699	48 699	64 040	63 087	44 500
Storm water Infrastructure			88 509	84 079	86 502	—	—	—	—	—	—
Electrical Infrastructure			107 063	169 706	160 886	20 153	8 167	8 167	29 226	47 596	23 730
Water Supply Infrastructure			2 412 678	2 077 559	2 175 553	150 829	270 274	270 274	227 685	223 859	126 022
Sanitation Infrastructure			28 911	49 769	29 662	48 800	34 824	34 824	12 257	82 039	23 912
Solid Waste Infrastructure			(9 878)	(10 138)	(11 177)	13 000	—	—	—	5 000	33 000
Infrastructure			3 524 757	3 072 003	3 183 505	287 099	361 964	361 964	333 208	421 581	251 164
Community Assets			153 698	148 117	154 515	24 500	400	400	14 181	—	10 500
Heritage Assets			5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868	5 868
Investment properties			191 941	197 747	193 792	137 121	193 792	193 792	193 792	193 792	193 792
Other Assets			172 299	170 149	162 039	4 225 514	4 225 514	4 225 514	4 486 290	4 907 420	5 200 325
Intangible Assets			950	923	1 762	943 423	5 423	5 423	5 423	5 423	16 663
Computer Equipment			4 105	2 967	10 003	—	—	—	—	—	—
Furniture and Office Equipment			2 623	2 070	1 253	—	—	—	1 500	—	—
Machinery and Equipment			10 896	7 680	23 537	—	—	—	—	—	—
Transport Assets			21 769	11 167	18 614	—	1 603	1 603	—	—	—
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)		5	4 088 906	3 618 691	3 754 888	5 623 524	4 794 563	4 794 563	5 040 261	5 534 083	5 678 312
EXPENDITURE OTHER ITEMS			150 282	331 872	171 594	143 669	114 398	114 398	185 530	185 517	191 067
Depreciation		7	104 504	297 116	141 789	100 410	45 724	45 724	93 594	102 397	107 108
Repairs and Maintenance by Asset Class		3	45 778	34 756	29 805	43 259	68 675	68 675	91 935	83 119	83 960
Roads Infrastructure			0	59	99	155	8 730	8 730	372	252	264
Electrical Infrastructure			6 471	8 777	12 113	17 709	31 266	31 266	58 426	48 344	47 754
Water Supply Infrastructure			29 773	5 673	7 415	11 086	12 387	12 387	12 994	13 592	14 204
Sanitation Infrastructure			832	1 975	3 204	4 477	2 989	2 989	3 135	3 279	3 427
Solid Waste Infrastructure			—	—	—	199	199	199	208	218	228
Infrastructure			37 077	16 485	22 831	33 625	55 570	55 570	75 136	65 685	65 876
Sport and Recreation Facilities			28	—	—	32	32	32	33	35	36
Community Assets			28	—	—	32	32	32	33	35	36
Operational Buildings			2 382	382	416	2 162	2 052	2 052	5 240	5 307	5 410
Other Assets			2 382	382	416	2 162	2 052	2 052	5 240	5 307	5 410
Furniture and Office Equipment			39	8	29	429	231	231	243	254	265
Machinery and Equipment			1 485	2 003	1 258	2 241	6 025	6 025	6 285	6 611	6 909
Transport Assets			4 767	15 879	5 272	4 769	4 764	4 764	4 998	5 228	5 463
TOTAL EXPENDITURE OTHER ITEMS			150 282	331 872	171 594	143 669	114 398	114 398	185 530	185 517	191 067

## Explanatory notes to MBRR Table A9 - Asset Management



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

The table shows that all the capital allocations are for new assets.

Table A10: Basic service delivery measurement



LIM367 Mogalakwena - Table A10 Basic service delivery measurement

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		19 389	19 389	39 590	19 389	19 389	19 389	39 590	39 590	39 590
Piped water inside yard (but not in dwelling)		26 394	26 394	38 884	26 394	26 394	26 394	38 884	38 884	38 884
Using public tap (at least min.service level)	2	32 030	32 030	15 462	32 030	32 030	32 030	15 462	15 462	15 462
Other water supply (at least min.service level)	4	—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>	3	77 812	77 812	93 936	77 812	77 812	77 812	93 936	93 936	93 936
Using public tap (< min.service level)	3	—	—	—	—	—	—	—	—	—
Other water supply (< min.service level)	4	—	—	—	—	—	—	3 000	3 000	3 000
No water supply		9 998	9 998	15 358	9 998	9 998	9 998	15 358	15 358	15 358
<i>Below Minimum Service Level sub-total</i>		9 998	9 998	15 358	9 998	9 998	9 998	18 358	18 358	18 358
<b>Total number of households</b>	5	87 811	87 811	109 294	87 811	87 811	87 811	112 294	112 294	112 294
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		18 330	18 330	46 628	18 330	18 330	18 330	46 628	46 628	46 628
Flush toilet (with septic tank)		1 865	1 865	—	1 865	1 865	1 865	—	—	—
Chemical toilet		—	—	1 332	—	—	—	1 332	1 332	1 332
Pit toilet (ventilated)		7 195	7 195	58 648	7 195	7 195	7 195	58 648	58 648	58 648
Other toilet provisions (> min.service level)		43 033	43 033	—	43 033	43 033	43 033	—	—	—
<i>Minimum Service Level and Above sub-total</i>		70 423	70 423	106 608	70 423	70 423	70 423	106 608	106 608	106 608
Bucket toilet		—	—	776	—	—	—	776	776	776
Other toilet provisions (< min.service level)		3 662	3 662	711	3 662	3 662	3 662	711	711	711
No toilet provisions		3 490	3 490	1 199	3 490	3 490	3 490	1 199	1 199	1 199
<i>Below Minimum Service Level sub-total</i>		7 151	7 151	2 686	7 151	7 151	7 151	2 686	2 686	2 686
<b>Total number of households</b>	5	77 574	77 574	109 294	77 574	77 574	77 574	109 294	109 294	109 294
<b>Energy:</b>										
Electricity (at least min.service level)		71 074	71 074	106 263	71 074	71 074	71 074	106 263	106 263	106 263
Electricity - prepaid (min.service level)		—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		71 074	71 074	106 263	71 074	71 074	71 074	106 263	106 263	106 263
Electricity (< min.service level)		—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)		515	515	—	515	515	515	—	—	—
Other energy sources		6 498	515	3 030	6 498	6 498	6 498	3 030	3 030	3 030
<i>Below Minimum Service Level sub-total</i>		7 013	1 030	3 030	7 013	7 013	7 013	3 030	3 030	3 030
<b>Total number of households</b>	5	78 087	72 104	109 293	78 087	78 087	78 087	109 293	109 293	109 293
<b>Refuse:</b>										
Removed at least once a week		17 486	17 486	42 752	17 486	17 486	17 486	42 752	42 752	42 752
<i>Minimum Service Level and Above sub-total</i>		17 486	17 486	42 752	17 486	17 486	17 486	42 752	42 752	42 752
Removed less frequently than once a week		454	454	1 524	454	454	454	1 524	1 524	1 524
Using communal refuse dump		545	545	2 112	545	545	545	2 112	2 112	2 112
Using own refuse dump		44 818	44 818	54 417	44 818	44 818	44 818	54 417	54 417	54 417
Other rubbish disposal		63	63	1 027	63	63	63	1 027	1 027	1 027
No rubbish disposal		14 207	14 207	7 099	14 207	14 207	14 207	7 099	7 099	7 099
<i>Below Minimum Service Level sub-total</i>		60 087	60 087	66 179	60 087	60 087	60 087	66 179	66 179	66 179
<b>Total number of households</b>	5	77 573	77 573	108 931	77 573	77 573	77 573	108 931	108 931	108 931
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		3 000	—	2 416	3 000	3 000	3 000	2 416	2 416	2 416
Sanitation (free minimum level service)		3 000	—	2 416	3 000	3 000	3 000	2 416	2 416	2 416
Electricity/other energy (50kwh per household per month)		3 000	—	2 416	3 000	3 000	3 000	2 416	2 416	2 416
Refuse (removed at least once a week)		3 000	—	2 416	3 000	3 000	3 000	2 416	2 416	2 416
<b>Informal Settlements</b>		—	—	—	—	—	—	—	—	—
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>										
Water (6 kilolitres per indigent household per month)		2 595	2 785	3 169	4 411	3 688	3 688	3 869	4 047	4 229
Sanitation (free sanitation service to indigent households)		471	569	688	718	918	918	963	1 007	1 053
Electricity/other energy (50kwh per indigent household per month)		175	218	230	242	242	242	273	285	298
Refuse (removed once a week for indigent households)		773	931	1 124	861	2 161	2 161	2 267	2 372	2 478
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		—	—	—	—	—	—	—	—	—
<b>Total cost of FBS provided</b>	8	4 015	4 503	5 212	6 233	7 010	7 010	7 372	7 711	8 059
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		37	—	—	37	37	37	37	37	37
Water (kilolitres per household per month)		6	—	—	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		—	—	—	—	—	—	—	—	—
Sanitation (Rand per household per month)		17	—	—	17	17	17	17	17	17
Electricity (kwh per household per month)		52	—	—	52	52	52	52	52	52
Refuse (average litres per week)		34	—	—	34	34	34	34	34	34
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		—	—	27 905	—	—	—	30 671	32 082	33 526
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		24 537	26 224	27 905	28 515	29 238	29 238	30 671	32 082	33 526
Water (in excess of 6 kilolitres per indigent household per month)		—	—	—	—	—	—	—	—	—
Sanitation (in excess of free sanitation service to indigent households)		—	—	—	—	—	—	—	—	—
Electricity/other energy (in excess of 50 kwh per indigent household per month)		—	—	—	—	—	—	—	—	—
Refuse (in excess of one removal a week for indigent households)		—	—	—	—	—	—	—	—	—
Municipal Housing - rental rebates		—	—	—	—	—	—	—	—	—
Housing - top structure subsidies		—	—	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	—	—
<b>Total revenue cost of subsidised services provided</b>	6	24 537	26 224	55 811	28 515	29 238	29 238	61 342	64 164	67 051

## Explanatory notes to MBRR Table A10 - Basic Service Delivery Measurement

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

## **Part 2 – Supporting Documentation**

### **2.1 Overview of Annual Budget Process**

#### **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, 126 and 128.
- 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 final 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 has identified and prioritized 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:

<b>MONTH</b>	<b>IDP</b>	<b>PMS</b>	<b>BUDGET</b>
<b>July</b>	<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>
<b>August</b>	<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>
<b>September</b>	<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>
<b>October</b>	<p>Setting new strategic agenda for the IDP in light of the new focus of Council.</p>	<p>Develop and submit the 1<sup>st</sup> Quarter Performance Report to Council and CoGHSTA</p>	<p>Consolidate community inputs on proposed tariffs.</p>

MONTH	IDP	PMS	BUDGET
<b>November &amp; December</b>	Horizontal and vertical alignment with District, Province and other stakeholders begins.		Finalize inputs from bulk resource providers and agree on proposed price increase
<b>January</b>	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
<b>February</b>	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
<b>March</b>	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
<b>April</b>	Prepare and conduct IDP/Budget roadshows.	Prepare SDBIPs linked to IDP strategies, objectives, KPI's and targets.  Develop and submit the 3 <sup>rd</sup> Quarter Performance Report to Council and COGHSTA	Consultation on tabled draft budget, publicize and conduct public hearing

MONTH	IDP	PMS	BUDGET
<b>May</b>	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.
<b>June</b>	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 final 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
- Supply Chain Management Policy (Infrastructure procurement and delivery management)
- Bereavement policy
- Travel Policy
- Supply Chain Management Policy for Infrastructure Procurement and Delivery Management
- Borrowings Policy
- Budget Implementation Policy
- Long-Term Financial Plan 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 were 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 approval by council.

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

Stakeholders were given an opportunity to raise questions and comment on the progress made by council. Written submissions received were 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 2024/25 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

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

The final 2024/25 IDP will be presented to council on 15 May 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%	37%	0%	0%	0%
Water and Sanitation	0%	46%	100%	100%	0%
Land and Cemeteries	0%	8%	0%	0%	0%
Electricity	0%	9%	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.

The reviewed budget related policies are attached as pages 280 to 816.

### 2.4.1 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 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 – 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.

### **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**

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 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 30 April 2024:

Institution	Investment	Monetary value
ABSA	Short term	0
FNB	Short term	0
Nedbank	Short term	0
Standard Bank	Short term	0
Standard Bank Call accounts	Short term	38 524 695
<b>Total</b>		<b>38 524 695</b>

Supporting **Table SA 16** is attached as page 112.

## 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 : R83.0 million
- Depreciation : R93.5 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 118 to 120.

## 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 122 to 127.

## 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 130.

## 2.12 Capital expenditure details

The detailed final capital budget over the 2024/25 MTREF is attached as pages 155 to 156.

## 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 and 128 being the latest budget circulars are attached as pages 183 to 230.