

## REPORT FROM DEPARTMENT OF FINANCE

Approval of Annual Budget

Medium Term Revenue & Expenditure  
Framework 2024/2025 – 2026/2027

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**ITEM NO: K(ii) 02 (06/2024)**

**REPORT: APPROVAL OF ANNUAL BUDGET REPORT & TWO OUTER YEARS 2024/25 – 2026/27**

**COUNCIL: 26 JUNE 2024**

## **REPORT OF THE EXECUTIVE MAYOR**

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### **PART 3 – SCHEDULES TO THE BUDGET (ATTACHED)**

1. SCHEDULE 1 2024/2025 APPROVED REVENUE & EXPENDITURE BUDGET
2. SCHEDULE 2(a) 2024/2025 APPROVED CAPITAL BUDGET PROJECT LIST
3. SCHEDULE 2(b) 2024/2025 APPROVED OUT-OF-BOOKS CAPITAL BUDGET PROJECT LIST
4. SCHEDULE 3 (a) 2024/2025 APPROVED RATES, SERVICE CHARGES TARIFFS AND USER CHARGES, BULK CONTRIBUTIONS & WAYLEAVES POLICY
5. SCHEDULE 3 (b) 2024/2025 APPROVED ELECTRICITY TARIFFS RESTRUCTURING
6. SCHEDULE 4 MBRR TABLE A1 TO TABLE A10
7. SCHEDULE 5 2024/2025 NATIONAL TREASURY BUDGET ASSESSMENT
8. SCHEDULE 6 2024/2025 TARIFF TOOL

### **PART 4 – REVISED IDP**

1. 2024/2025 Approved Integrated Development Plan of 2021/2022-2025/2026 (*See separate report*)

## **PART 5 - ANNEXURES: BUDGET RELATED POLICIES**

- Annexure 1: Approved Property Rates Policy
- Annexure 2: Approved Property Rates By-Law
- Annexure 3: Approved Supply Chain Management
- Annexure 4: Approved Credit Control and Debt Collection Policy
- Annexure 5: Approved Tariff Policy
- Annexure 6: Approved Financial Misconduct Policy
- Annexure 7: Approved Water and Sanitation Tariff Policy
- Annexure 8: Approved Electricity Tariff Policy
- Annexure 9: Approved 2% Corporate Social Responsibility
- Annexure 10: Approved Cash Management & Investment Policy
- Annexure 11: Approved Borrowing Policy
- Annexure 12: Approved Funding and reserves
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- Annexure 27: Approved Virement Policy
- Annexure 28: Approved Cashier Shortages and Surpluses

Annexure 29: Approved VAB Remuneration Policy VAB Members

Annexure 30: Approved Mogale City Local Municipality By-Laws for the control of outdoor advertising Signs and Hoardings

Annexure 31: Approved Capital project and Infrastructure investment policy

Annexure 31:(2) Mogale City CEF Approved – 2024-2025 As Part of Annexure 31

Annexure 32: Approved Supplier Performance Monitoring Policy

Annexure 33: Acting policy **(New)**

Annexure 34: Bursary policy **(new)**

## **PART 1 – ANNUAL BUDGET**

### **1.1 Mayor's Report**

Executive Mayor Alderman D Thupane to deliver the budget speech on 26 of June 2024 - speech to be circulated under separate cover at the Council meeting.

### **1.2 Council Resolutions**

#### **1. That cognizance be taken of the following:**

- 1.1 Of the annual IDP, Budget of Mogale City Local Municipality for the financial years 2024/2025 and the indicative estimates for the two projected outer years for 2025/2026 and 2026/2027, as set out in the schedules listed **be tabled for approval after consulting with all relevant stakeholders and be tabled for approval by Council before the start of the new financial year 2024/2025.**
- 1.2 Of the report tabling for approval of the annual budget and its supporting documents (draft tariffs schedules, reviewed and new budget related policies) for the 2024/2025 to 2026/2027 Medium Term Revenue & Expenditure Framework (MTREF) as required by section 23 (2) and 24 (1) of the Municipal Finance Management Act (MFMA) No.56 of 2003.
- 1.3 Of the fact that the annual budget approved a surplus of **R 11 366 873** and reflects a funded position and affordable as per National Treasury assessment **(see attached schedule 5).**
- 1.4 Of the revenue budget limited to 89% of the collection rate against the billed revenue.



2. Of the annual budget of the municipality for the financial year 2024/2025 and the multi-year and single year capital appropriations as set out in accordance with Municipal Budget and Reporting (MBRR) section 9 in the following tables be considered for approval:
  - 2.1 Schedule 1 2024/2025 Summary of Approved Revenue & Expenditure.
  - 2.2 Schedule 2 (a) 2024/2025 Approved Capital Budget Project List.
  - 2.3 Schedule 2 (b) 2024/2025 Out – Of – Books Capital Budget Project List
  - 2.4 Schedule 3 (a) 2024/2025 Approved Rates, Service Charges Tariffs and User Charges, Bulk Contributions & Wayleaves Tariffs.
  - 2.5 Schedule 3 (b) 2024/2025 Approved Electricity Tariffs Restructuring.
  - 2.6 Schedule 4 MBRR TABLE A1 TO TABLE A10.
3. The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 has come to an end and a new agreement is under consultation, which is anticipated to consider the current fiscal constraints faced by Local Government. Of the provision made for a 4,9% increase in the salaries of employees which was informed by the average CPI expected.
4. The municipality has budgeted remuneration to councillors 4.9% increase to avoid under budgeting an increase based on the projected average CPI percentages for 2023.
5. Of the reviewed Integrated Development Plan (IDP) in which the Executive Mayor had identified and prioritized the community needs as well as recommending to the Municipal Council the strategies, programmes and services to address these priority needs.
6. That the Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the following tariffs for approval:
  - 7.1 the tariffs for electricity – as set out in Schedule 3(a).
  - 7.2 the tariffs for restructuring of electricity – as set out in Schedule 3 (b).
  - 7.2 the tariffs for the supply of water – as set out in Schedule 3(a).
  - 7.3 the tariffs for sanitation services – as set out in Schedule 3(a).
  - 7.4 the tariffs for property rates – as set out in Schedule 3(a).



7.5 the tariffs for solid waste removal – as set out in Schedule 3(a).

7.6 the tariffs for other services, as set out in Schedule 3 (a).

7.7 the tariffs for bulk contributions and wayleaves, as set out in Schedule 3 (a).

8. That the Council of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the reviewed rates policy for approval.
9. That the Council of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the rates By- laws to give effect to the rates policy for approval.
10. That based on the determination, the municipality has included in the budget the 3.3% cost of living adjustment of the upper limits of the total remuneration packages payable to senior managers.
11. That the following reviewed & new budget related policies be tabled for approval:
  - Annexure 1: Approved Property Rates Policy
  - Annexure 2: Approved Property Rates By-Law
  - Annexure 3: Approved Supply Chain Management
  - Annexure 4: Approved Credit Control and Debt Collection Policy
  - Annexure 5: Approved Tariff Policy
  - Annexure 6: Approved Financial Misconduct Policy
  - Annexure 7: Approved Water and Sanitation Tariff Policy
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- Annexure 30: Approved Mogale City Local Municipality By-Laws for the control of outdoor advertising Signs and Hoardings
- Annexure 31: Approved Capital project and Infrastructure investment policy
- Annexure 31 (2): Mogale City CEF Approved – 2024-2025 As part of Annexure 31
- Annexure 32: Approved Supplier Performance Monitoring Policy
- Annexure 33: Acting policy **(new)**
- Annexure 34: Bursary policy **(new)**

**1.11** That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2024/2025 financial year:

1.11.1 Write Off Policy.

1.11.2 Sports & Recreation Facilities Tariff Policy.

1.11.3 Public Safety Tariff Policy.

1.11.4 Water Services By-laws.

1.11.5 Mogale City Tree Management & Conservation Policy.


1.11.6 Mogale City Parks By-Laws.

1.11.7 Fleet Management Policy.

1.11.8 Methodology – Impairment Assessment of Useful lives for Assets Policy

1.11.9 Reviewed Bulk Contributions Policy.

**1.12** That the report tabling for approval annual budget of Mogale City Local Municipality for the financial years 2024/2025 and the indicative estimates for the two projected outer years for 2025/2026 and 2026/2027, **as set out in the Schedule 4 attached MBRR Table A1 to Table A10 be noted.**



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ALDERMAN D. THUPANE  
EXECUTIVE MAYOR

DATE: 20.06.24



## 1.3 EXECUTIVE SUMMARY

### 1. Purpose of the Report

The purpose is to table in terms of section 24 of the Municipal Finance Management Act No. 56 of 2003 before Municipal Council a report to approve the Annual Budget and its Supporting Documents (tariffs schedules, reviewed and new budget related policies) for the 2024/2025 to 2026/2027 Medium – Term, Revenue and Expenditure Framework (MTREF).

### 2. Background

- 2.1) The Municipal Finance Management Act (MFMA) No 56 of 2003 section 23(2) stipulates that after considering all budget submissions, the council must give the mayor an opportunity –
  - (a) to respond to the submissions, and
  - (b) if necessary, to revise the budget and table amendments for consideration by the council.
- 2.2) Also, section 24 (1) stipulates that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.
- 2.3) Public Participation meetings with Mogale City communities chaired by Executive Mayor from 09 April to 16 May 2024. A summary of community needs collected during public participation is attached as Annexure 1 of the IDP report.
- 2.4) This budget hereto presented has been compiled based on MFMA Circular No 126 issued on 07 December 2023 and Circular No 128 issued on the 08 March 2024 by National Treasury to guide municipalities with their preparation of the 2024/2025 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars it should be read within that context. The key focus of this budget is the importance of tabling funded budgets as has been highlighted previously.
- 2.5) Mogale City is under pressure to generate revenue because of the economic landscape, Mogale City must ensure that basic services are rendered, maintain its assets and a clean environment. Furthermore, there must be continuous communication with the community and other stakeholders to strengthen awareness and participation and to improve the municipality's reputation and increase in key cost drivers to provide basic municipal services. Customers' ability to pay services is declining, which means that less revenue will be collected.

### 3. Planning Framework/IDP Process

- 3.1)** The Municipal Systems Act, act 32 of 2000, requires that local government structures prepare Integrated Development Plans (IDP's). The Integrated Development Plan enhances integrated service delivery and development and promotes sustainable, integrated communities, providing a full basket of services, as communities cannot be developed in a fragmented manner.

IDP has been prepared against the backdrop of Mogale City Local Municipality's primary objective, which is in line with the government's aim of addressing the challenges of major socio-economic issues including poverty, inequality, climate change related disasters, safety and youth unemployment in the country.

The IDP serves as a single broad strategic guide for priority needs of the community and residents of Mogale City, which government should implement in their term of Council. It also assists administration to prepare a medium-term finance framework and annual budget that seeks to allocate resources to address all these needs.

The IDP community needs are linked to all National, Provincial and Local Government imperatives. The IDP is not only a local government programme but the delivery plan of entire government in a particular local space.

- 3.2) Mogale City's Key Performance Areas**, all these KPA's are aligned to West Rand District Municipality Outcomes.

KPA	West Rand District Outcomes
KPA 1: Basic Services Delivery	Basic service delivery improvement Safe communities' Healthy community's Sustainable environment Coordinated government response to community challenges: Poverty Unemployment inequality to provide basic services of water, sanitation and electricity, roads and other public amenities throughout Mogale City.



<b>KPA 2: Local Economic Development</b>	Educated communities. Build spatially integrated communities. Reduced unemployment Economic Development Supported local businesses. Localised procurement and employment creation
<b>KPA 3: Good Governance and Active Participation</b>	Socially cohesive communities' Closer engagement of citizens and government Coordinated roles and capacities of districts and cities
<b>KPA 4: Institutional Development and Transformation</b>	Accountable municipal administration Good Governance Skilled, capacitated, competent and motivated workforce.  Institutional planning and transformation Improved Cooperative Governance Coordinated and collaborative planning Enhance government capacity to support to municipalities Strengthen monitoring and evaluation at district and local levels Balanced developmental approach between urban and rural areas Services is largely responsible for public liaison Community consultation, planning, communication, and reporting
<b>KPA 5: Financial Viability</b>	Robust financial administration, Ethical Administration, Accountable and transparent oversight over budgets and projects. Aligned budgets and plans.

Requests for resources not in support of the abovementioned KPA's were only considered in exceptional circumstances.

- 3.3)** The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Mogale City remains financially viable and that municipal services are provided sustainably, economically, and equitably to all communities.
- 3.4)** The emphasis in this budget is for Mogale City to gradually over MTREF to comply with Section 18 of the MFMA and ensure that the budgets are funded from realistically anticipated revenues to be collected which has been achieved in this proposed annual budget. **The assumption of collection rate of 89% must be realistic and attainable as this is a fundamental to have a funded budget**

## 3.5) Alignment of the budget to IDP needs

Community need(inputs)	IDP Priority Level	Area	department	Project/Item	Budget (R) 2024/2025	Budget (R) 2025/2026	Budget (R) 2026/2027
Kenmare-Kloof Fencing	Urgent/immediately	Ward 18	IEM	IEM-Fencing Kenmare Kloof	1,000,000	-	-
Grass-cutting, parks upkeep and removal of invasive plants	Urgent/immediately	All	IEM	Grass Cutting	5,571,969	5,683,408	5,797,076
Skip bins for informal settlements	Urgent/immediately	All	IEM	IEM-Skip Bins	500,000	-	-
Removal of illegal dumps	Urgent/immediately	All	IEM	Rental: Earthmoving Equipment	4,277,391	4,362,939	4,450,198
Provision of 240 litre bins	Urgent/immediately	All	IEM	Purchase & distribution of 240 litre bins	3,213,000	3,405,780	3,610,127
EPWP hiring	Urgent/immediately	All	EDS	Casual labour: EPWP	3,001,000	530,000	561,800
Road markings	Urgent/immediately	All	CDS	Road signs	178,032	186,400	195,534
Traffic signs	Urgent/immediately	All	CDS	Notices & Road marking	399,653	418,437	438,941
Streetlights Traffic lights maintenance	Urgent/immediately	All	IDS	Electricity: Street Lighting	7,051,386	7,233,808	7,422,362
Rehabilitation of roads & speed calming measures	Urgent/immediately	All	IDS	IDS-Pr4: Roads Rehabilitation & Resurfacing in Kagiso and Krugersdorp West	15,000,000	10,000,000	10,000,000
Maintenance of gravel roads	Urgent/immediately	All	IDS	Gravel road-network maintenance	4, 813, 611	4, 909, 883	5, 008, 081
Maintenance of tarred roads	Urgent/immediately	All	IDS	Road infrastructure maintenance	5,420,486	5,528,896	5,639,474
<b>Total</b>					<b>50,426,528</b>	<b>42,259,551</b>	<b>43,123,593</b>

## 4. DISCUSSIONS

- 4.1)** The South African economy and the inflation targets, GDP is expected to grow by 1.6 a moderate improvement on the 1.4 per cent average expected at the time of the 2023 MTBPS.

The economic outlook faces a range of risks, including weaker-than-expected global growth, continued power cuts and a deterioration in port and rail infrastructure, widespread, criminal activity targeting infrastructure network particularly electricity assets, and any deterioration of the fiscal outlook.

National government is taking urgent measures to reduce load-shedding in the short term and transform the sector through market reforms to achieve long-term energy security. The load shedding is impacting the economy in many aspects reducing the municipal revenue and raising more expenditure. As a result, the households are exploring alternative sources of energy, and this has impact on the ability of Local Government to generate income.

In 2023 food inflation slowed less than expected due to power cuts and rand depreciation, keeping imported food costs high. An avian influenza outbreak also increased the costs for poultry and eggs. These factors are expected to dissipate over the medium term. Household consumption is under pressure from high living costs. The current economic challenges in the country place pressure on households' ability to pay municipal accounts, therefore municipal own revenue generation gets affected.

- 4.2)** National Treasury's MFMA Circular No. 126 and 128 were used to guide the compilation of the 2024/2025 MTREF.

**The main challenges experienced during the compilation of the 2024/2025 MTREF can be summarised as follows:**

- i. The on-going difficulties in the national and local economy, including limited growth which is also evident in the local economy.
- ii. Aging water and sanitation, roads, and electricity infrastructure.
- iii. The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality.
- iv. The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom as well as other inflationary and service delivery pressures).
- v. Electricity tariff differential between Eskom approved tariffs and the municipal approved tariffs by NERSA. The municipality has applied to NERSA for approval of electricity tariffs restructuring and has been engaging with the regulator regarding the application.
- vi. Investigating the completeness of revenue by reconciling the valuation roll to the billing.
- vii. The negative impact on municipal revenue because of load shedding and additional costs thereof.
- viii. Effects of Eskom load shedding on business around Mogale City especially SMME's.
- ix. Affordability of own funded capital projects.



- x. Challenge of curbing, reducing, or limiting the overall expenditure while maintain its core mandate and functions.
- xi. Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

**4.3) The following budget principles and guidelines directly informed the compilation of the 2024/2025 MTREF**

- a) Revised IDP.
- b) The 2023/24 Adjustments Budget priorities and targets.
- c) Cost Containment measures to, amongst other things control unnecessary spending on nice-to-have items and non-essential activities as per Municipal Cost Containment Regulations 2019 and Mogale City Cost Containment Policy.
- d) Mogale City is further committed to levying affordable tariff increases that is within the projected Consumer Price Index (CPI) forecasted to be within the 3 to 6% target band.
- e) Property Rates tariffs is set to increase by 4.9% within CPI target band.
- f) Consumer price index (CPI) related increase of 4.9% increase in refuse removal, and other sundry tariffs to alleviate the burden on our customers due to higher than inflation rate tariffs increase on electricity and water.
- g) Electricity tariffs is set to increase by 12.7% as per NERSA approval given to Eskom.
- h) Water tariffs is increasing by 5.9% as per Rand Water proposals to Department of Water and Sanitation (DWS) still to be approved by National Parliament.
- i) Mogale City is committed to set tariffs that is affordable to all citizens and provide free basic services to all deserving households.
- j) All grant funded projects from national and provincial grants will be appropriated budget only when grants are reflected and have been gazetted as required by the annual Division of Revenue Act.
- k) The implementation of *m*SCOA using the new financial system.

**4.5. OPERATING REVENUE FRAMEWORK**

Mogale City faces a difficult fiscal environment like most municipalities in our country. The weak economic growth puts pressure on consumer's ability to pay for services, while transfers from national government are growing more slowly than in the past.

Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality.

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



**Table 1: Consolidated Overview of the 2024/2025 – 2026/2027 MTREF**

	MCOA code	2022/2023 Audited Actuals	8 months Actuals - 29 Feb 2024	Approved Adjustment Budget 2023/2024	Total Inputs	%	Approved Tabled 2024/2025 Budget	Approved Tabled 2025/2026 Budget	Approved Tabled 2026/2027 Budget
Description									
Total operating revenue		3,708,314,613	3,859,262,263	4,255,317,660	270,129,178	6%	4,527,006,884	4,783,752,633	4,314,370,076
Total Operating expenditure		3,562,832,226	3,071,741,560	3,306,559,863	226,547,614	6%	4,103,136,932	4,232,325,562	4,402,475,790
Operating surplus/(deficit)		145,484,387	787,520,703	348,757,797	43,581,564	10%	423,869,952	551,427,131	511,894,286
Capital grants - National		215,359,143	187,990,116	289,424,000	20,030,838	7%	309,454,838	316,331,898	197,533,898
Capital grants - Provincial		93,015,144	67,400,519	145,010,257	-140,212,599	-97%	4,797,658	4,092,117	3,714,244
Own Funded required capital		46,989,131	47,414,256	85,082,211	13,168,312	15%	98,250,523	163,646,286	99,884,715
Total capital expenditure		355,363,418	302,804,891	519,516,468	-107,013,390	-23%	412,503,079	484,132,300	301,132,858
Total Expenditure (opex & capex)		3,918,795,644	3,374,546,451	4,426,076,332	119,534,224	3%	4,515,640,011	4,716,447,862	4,703,608,648
Surplus (Deficit)		- 210,479,031	484,715,812	- 170,758,672	150,594,954	4%	11,366,873	67,304,831	210,761,428

- The operating revenue including funding for capital projects for 2024/2025 is budgeted at R4,5 billion an increase of 6% or R270 million from the 2023/2024 approved adjustment budget and ten (10) months actuals.
- The operating surplus for 2024/2025 has been projected at R11.4 million **indicating an improvement from deficit of -R114 million** when compared to approved adjustment budget and gradually improving to a surplus of R103 million and R210 million over MTREF period. National Treasury budget assessment on the 2024/2025 **draft budget tabled in Council was assessed as funded and affordable.**
- Own funded capital projects amounting to R118 million which is covered by the operating surplus of R424 million, however the municipality must still prioritize their operational needs to reduce the budget to a level of overall affordability.
- The total revenue estimates are informed by the appropriation from expected municipal internal generated revenue, the National and Provincial Treasuries for conditional and unconditional grants. There has been an increase/(decrease) from approved adjustment budget of 0% and -97% on capital grants received from National and Provincial Government respectively, which amongst others include library funding (SRAC), and an increase of 39% relating to own funded required capital.
- Equitable Share has increased by R42 million or 6.5% for Mogale City.
- The Revenue Budget has been compiled based on projected billing, however provision has been made for a 89% collection rate through the provision of funds for the impairment of debtors. **The collection rate at 30 April 2024 on average is 84%, projection of 89% is anticipating positive feedback from NERSA in approving the much needed Electricity tariffs restructuring, intensifying implementation of credit control policy and fast tracking the water and electricity meters.**
- It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol, and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity

and water, petrol, diesel, chemicals, cement etc. The current challenge facing Mogale City is managing the gap between high-cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

- h) The electricity tariffs increases are above the projected inflation targets, given that this tariff increases are determined by external agencies (NERSA). The impact of cost of the provision of services are largely outside the control of our municipality.

The other tariffs including water tariffs increased by 5.9% which is outside annual consumer price inflation announced in January 2024 by South African Reserve Bank (SARB), the main contributors to the 5.9% is the energy tariff increment and 1% proposed increase for Water Demand Management Fund.

Mogale City is maintaining tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other consumers while ensuring the financial sustainability of the municipality hence the tariffs are below the CPI.



**Table 2: 2024-2025 PROPOSED CHANGES FROM TABLED BUDGET**

2024-2025 APPROVED FINAL MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK (MTREF) BUDGET					
Description	mSCOA code	mSCOA code 6.8	Approved Original 2024/2025 Budget	Approved 2024/2025 Budget	Changes since Approved Budget
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
Service charges - electricity revenue	0300	0300	1,560,274,874	1,560,274,874	-
Service charges - water revenue	0400	0400	504,359,190	504,359,190	-
Service charges - waste water management	0500	0500	335,177,916	335,177,916	-
Service charges - waste management	0600	0600	142,620,336	142,620,336	-
Revenue Foregone - Indigents Subsidies	4100	nil	-	-	-
Total Service Charges			2,542,432,316	2,542,432,316	-
Sale of Goods and Rendering of Services	0001	0700	16,968,658	16,850,162	118,496
Income from agency services	1400	0800	41,527,170	35,380,768	6,146,402
Interest	0002	0900	-	-	-
Interest received - Outstanding debtors	1000	1000	107,049,278	93,621,356	13,427,922
Interest received - investments	0900	1100	16,808,450	16,808,450	-
Dividends received	1100	1200	-	-	-
Rent on Land	0003	1300	382,786	382,786	-
Rental of facilities and equipment	0800	1400	4,366,488	4,366,488	-
Exchange Revenue / Licence and permits	1300	1500	-	-	-
Exchange Revenue / Operational Revenue	1600	1600	42,615,688	41,055,642	1,560,046
Gains on disposal of PPE	1700	1601	-	-	-
Total revenue from exchange transactions			2,772,150,834	2,750,897,968	21,252,866
<b>Revenue from non - exchange transactions</b>					
<b>Taxation revenue</b>					
Property Rates	0200	1800	681,186,606	681,186,606	-
Add: Estimated Property Supplementary Valuation	0203	1801	-	-	-
Property Rates Net of Revenue Foregone			681,186,606	681,186,606	-
Surcharges and Taxes	0004	1900	41,399,693	41,399,693	-
Fines and Penalties Imposed	1200	2000	36,190,499	36,190,499	-
Non-Exchange Revenue / Licences or permits	0005	2100	49,483	49,483	-
Operational grants & subsidies	1500	2200	681,777,213	685,105,213	- 3,328,000
Capital grants & subsidies	3300	4600	314,252,556	465,085,693	- 150,833,137
Interest	0006	2300	-	-	-
Fuel Levy	0007	2400	-	-	-
Non-Exchange Revenue / Operational Revenue	0008	2500	-	-	-
Gains on disposal of Assets	0009	2600	-	-	-
Other Gains	0010	2700	-	-	-
Investment Property Fair value adjustment	1613	2701	-	-	-
Total revenue from non - exchange transactions			1,754,856,050	1,909,017,187	- 154,161,137
<b>Total operating revenue</b>			<b>4,527,006,884</b>	<b>4,659,915,155</b>	<b>- 132,908,271</b>
<b>Total revenue excluding capital grants</b>			<b>4,212,754,328</b>	<b>4,194,829,462</b>	<b>17,924,866</b>
<b>Expenditure</b>					
Employee related costs	2000	3100	1,052,627,799	1,041,106,971	11,520,828
Remuneration of Councillors	2100	3200	45,062,766	45,062,766	-
Bulk purchases : Electricity	2500	3300	1,247,226,979	1,247,226,979	-
Other materials & Inventory Consumed	2600	3400	6,903,235	5,830,672	1,072,563
Water Inventory	2601	3401	517,758,506	517,758,506	-
Debt impairment	2200	3500	347,497,652	347,497,652	-
Depreciation and amortisation	2300	3600	253,274,565	253,274,565	-
Impairment loss/Reversal of impairments	2301	3601	20,000,000	20,000,000	-
Finance costs	2400	3700	23,660,086	23,660,086	-
Collection costs	4000	4101	23,328,114	23,328,114	-
Contracted services	2700	3800	351,204,366	364,146,260	- 12,941,894
Grants and subsidies paid	2800	3900	6,937,169	6,937,169	-
Irrecoverable debts written off	0011	4000	-	-	-
Operational costs	2900	4100	207,655,695	208,364,087	- 708,392
Losses on disposal of Assets	0012	4200	-	-	-
Other Losses	2901	4300	-	-	-
<b>Total Operating expenditure</b>			<b>4,103,136,932</b>	<b>4,104,193,827</b>	<b>- 1,056,895</b>

## Note to changes made since the tabling of Tabled budget in Council.

### Revenue

- a) Interest received from trade receivables transaction increased by R13.4 million based on latest actual performance.
- b) Operational revenue increased by R1.5 million which are funds recovered from LGSETA for the training undertaken during the current financial year.
- c) Operational grant decreased by R 150 million when compared to 2023/24 approved adjustment budget due Human Settlement Development Grant which was not allocated per Provincial gazette and FMG amounting to R100 000.
- d) Income from agency services increased by R6 million based on latest actual performance.

### Expenditure

- e) Employee related costs increased by R11.5 million due to recalculation of salaries budget and considering vacancy posts.
- f) Other materials and inventory increased by R1 million.
- g) Contracted services decreased by R12.9 due to further cuts made on security services at R44.9 million and Debt collectors at R2 million.
- h) Operational cost decreased by R697 392; the purpose was to find savings for other underlying items that needed to be budgeted for.

**Table 3: The revenue budget is based on the following approved tariff increases:**

Category	2023/24 Approved tariffs increase	Source of Final increase	2024/25 Approved tariffs increase
Property Rates	6.0%	In line with CPI	4.9%
Electricity	18.65%	NERSA approved tariffs for Eskom	% as approved by NERSA
Water: Residential	9.2%	Rand water proposed application to parliament	5.9%
Water: Business Consumer	9.2%	Rand water proposed application to parliament	5.9%
Sanitation	9.2%	Rand water proposed application to Parliament	5.9%
Refuse/Solid Waste removal	6.0%	In line with CPI	4.9%
Sundry/Other tariffs	6.0%	In line with CPI	4.9%

## 4.6. OPERATING EXPENDITURE FRAMEWORK

The 2024/2025 Medium - Term Revenue and Expenditure Framework (MTREF) for operating expenditure has been projected to be R4.1 billion, which represent an increase of 6% or R221 million. Macroeconomic performance and projections guidelines for GDP growth is forecasting to be 4.9% during 2024/25 and for 2025/26, 2026/27 will be 4.6% and 4.6% respectively. **(Source: MFMA Circular No.128).**

Mogale City's overall increase operating expenditure is 5.8%, 0,9% above the guidelines; however, it should be noted that the overall increase is determined from various baselines, amongst others, NERSA approval for Eskom's electricity tariff increase to municipalities, which is 7.82 % above the CPI and Rand Water increase in line with the CPI.

This above inflation baseline has a material bearing on the overall increase. Therefore, it becomes important that whilst the budget is a spending plan of the IDP, proper monitoring and cost containment measures must be maintained to ensure the municipality spend in line with the approved budget and available cash. This will alleviate pressure on the cash flow.

## 4.7. CAPITAL EXPENDITURE

Proposed capital budget has been projected to be R413 million, a decrease of R107 million when compared to 2023/24 approved adjustment budget. The capital budget will be funded from grants both National and Provincial government to the tune of R295 million and own revenue to the value of R118 million. The MTREF allocates funds to different capital needs in line with the IDP priorities and government funding requirements.

Own generated funded capital projects have increased by 39% or R33 million against the approved 2nd adjustment budget. Own funding mainly consists of the following:

- ✓ bulk and small connections amounting to R23 million,
- ✓ refurbishment of museum R7.7 million,
- ✓ R15 million for Singqobile MVA new substation,
- ✓ R10 million for Water tanker trucks,
- ✓ R2 million to purchase TLB for Infrastructure Development Services,
- ✓ R10 million relating to ICT-Network monitoring system & Lightning protection solution,
- ✓ R3 million for Mulderdrift 80MI New Reservoir,
- ✓ R3 million to purchase Chery Picker truck,
- ✓ R2,3 million to purchase of three (3) vehicles,
- ✓ R7 million to purchase office equipment, furniture and computers.
- ✓ R559k to purchase road marking machine.

The list of approved projects for the single and multi-year period included in the detailed budget report is attached as schedule 2(a). It must be noted that all projects identified or included in the IDP are based on the prioritisation according to identified community needs during public participation. It is, therefore, important that the municipality approve an annual budget in line with its objectives as set out in the reviewed IDP.

## 5. PROJECTED CASH FLOW

0 - 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		504 064	479 607	531 308	575 938	577 937	577 937	356 985	606 256	641 882	678 220
Service charges		1 858 265	1 695 426	1 773 505	2 062 747	2 058 723	2 058 723	1 142 726	2 262 765	2 413 989	2 573 223
Other revenue		–	114 500	71 988	509 786	485 291	485 291	311 228	318 115	303 821	299 778
Transfers and Subsidies - Operational	1	551 309	514 719	590 709	643 511	643 443	643 443	485 584	681 777	732 050	789 822
Transfers and Subsidies - Capital	1	235 299	265 887	308 713	375 768	378 601	378 601	278 707	314 253	334 486	215 248
Interest		37 339	16 737	33 202	91 364	146 114	146 114	30 912	123 858	129 679	135 515
Dividends		23	26	28							
Payments											
Suppliers and employees		(2 933 715)	(2 634 200)	(2 886 468)	(3 727 441)	(3 904 246)	(3 904 246)	(2 209 143)	(3 961 901)	(4 028 401)	(4 310 492)
Interest		(38 463)	(53 199)	(63 653)	(24 208)	(23 660)	(23 660)	(15 455)	(23 660)	(25 080)	(26 584)
Transfers and Subsidies	1	(346)		–	(5 861)	(9 996)	(9 996)	(7 843)	(8 728)	(7 113)	(7 295)
NET CASH FROM/(USED) OPERATING ACTIVITIES		213 776	399 503	359 333	501 603	352 207	352 207	373 702	312 734	495 313	347 435
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		3 303							–	–	–
Decrease (increase) in non-current receivables									–	–	–
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets		(192 312)	(279 624)	(325 879)	(450 885)	(462 087)	(462 087)	(232 516)	(412 503)	(447 902)	(301 133)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(189 009)	(279 624)	(325 879)	(450 885)	(462 087)	(462 087)	(232 516)	(412 503)	(447 902)	(301 133)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing		(58 179)	(42 967)	(30 789)	(33 599)	(32 115)	(32 115)	(17 994)	(33 599)	(35 321)	(37 167)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(58 179)	(42 967)	(30 789)	(33 599)	(32 115)	(32 115)	(17 994)	(33 599)	(35 321)	(37 167)
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	98 336	64 924	141 837	1 239	144 508	144 508	18 358	144 508	11 141	23 231
Cash/cash equivalents at the year end:	2	64 925	141 837	144 502	18 358	2 514	2 514	141 549	11 141	23 231	32 366

1. The assumption of collection rate of 89% must be realistic and attainable to be able to fund the budget.
2. The proposed cash flow has excluded the payment for Eskom old debt of R216 million in line with approved municipal debt agreement by National Treasury.
3. The municipality is anticipating Municipal Debt Relief to be favourable to deal with the old debts and will relief the cash flow that is heavily burden by Eskom account.
4. The projected cash and cash equivalent at year end indicates a surplus of R11.1 million during 2024/2025 and increases to R56 million over MTREF period.

## 6. FINANCIAL IMPLICATIONS

Financial resources allocation as per approved budget for 2024/2025 and two outer years.

**Table 4: Approved Operating Annual Revenue**

2024-2025 APPROVED FINAL MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK (MTREF) BUDGET							Schedule 1		
Description	mCOA code, €'s	Audited Actuals - 30 June 2023	10 months Actuals - 30 April 2024	Approved Adjustment Budget 2023-2024	Total Inputs		Approved Original 2024/2025 Budget	Approved Original 2025/2026 Budget	Approved Original 2026/2027 Budget
<b>Statement of Financial Performance</b>									
<b>Revenue</b>									
Service charges - electricity revenue	0300	1,147,576,708	1,151,734,097	1,384,449,758	175,825,116	12.70%	1,560,274,374	1,651,891,166	1,753,124,849
Service charges - water revenue	0400	436,468,371	423,782,013	476,259,856	28,049,134	5.2%	504,159,190	520,064,072	551,826,266
Service charges - waste water management	0500	267,736,427	301,355,565	316,504,172	18,473,744	5.2%	335,177,916	350,431,278	366,723,183
Service charges - waste management	0600	125,667,154	122,362,380	135,358,178	6,661,958	4.2%	142,620,136	149,123,494	156,043,052
Revenue Foregone - Indigent Subsidies	nil	-	-	-	-	0%	-	-	-
<b>Total Service Charges</b>		<b>1,977,448,660</b>	<b>2,001,813,835</b>	<b>2,313,172,164</b>	<b>229,260,152</b>	<b>9.2%</b>	<b>2,542,432,316</b>	<b>2,682,210,210</b>	<b>2,827,718,040</b>
Sale of Goods and Rendering of Services	0700	11,427,469	16,176,296	16,063,071	985,587	5.6%	16,968,658	17,766,186	18,565,663
Income from agency services	0800	23,220,916	20,812,770	31,728,092	7,799,078	23.1%	41,527,170	43,478,947	45,435,499
Interest	0900	-	-	-	-	0%	-	-	-
Interest received - Outstanding debtors	1000	87,748,502	130,346,303	87,235,868	13,813,410	22.7%	107,049,278	112,080,594	117,124,221
Interest received - Investments	1100	7,177,467	14,238,571	16,023,108	785,142	4.2%	16,808,450	17,598,447	18,190,377
Dividends received	1200	-	-	-	-	0%	-	-	-
Rent on land	1300	277,276	-	364,306	17,880	4.2%	382,786	400,777	418,812
Rental of facilities and equipment	1400	7,563,438	3,879,605	4,162,526	203,962	4.2%	4,366,488	4,571,714	4,777,441
Exchange Revenue / Licence and permits	1500	-	-	-	-	0%	-	-	-
Exchange Revenue / Operational Revenue	1600	21,121,661	7,323,024	39,137,888	3,477,800	8.2%	42,615,688	44,618,625	46,626,464
Gains on disposal of PPE	1601	-	-	-	-	0%	-	-	-
<b>Total revenue from exchange transactions</b>		<b>2,135,886,389</b>	<b>2,195,210,305</b>	<b>2,505,887,823</b>	<b>260,702,965</b>	<b>10.4%</b>	<b>2,772,150,834</b>	<b>2,922,725,500</b>	<b>3,079,056,517</b>
<b>Revenue from non - exchange transactions</b>									
<b>Taxation revenue</b>									
Property Rates	1800	616,122,238	512,833,597	649,367,594	31,819,812	4.2%	681,186,606	713,202,377	745,296,484
Add: Estimated Property Supplementary Valuation	1801	-	-	-	-	0%	-	-	-
<b>Property Rates Net of Revenue Foregone</b>		<b>616,122,238</b>	<b>512,833,597</b>	<b>649,367,594</b>	<b>31,819,812</b>	<b>4.2%</b>	<b>681,186,606</b>	<b>713,202,377</b>	<b>745,296,484</b>
Surcharges and Taxes	1900	38,308,197	24,145,562	39,465,866	1,933,827	4.2%	41,399,631	43,345,479	45,296,026
Fines and Penalties Imposed	2000	33,598,274	39,800,363	34,500,000	1,690,499	4.2%	36,190,499	37,891,453	39,596,569
Non-Exchange Revenue / Licences or permits	2100	68,228	495,574	47,172	2,311	4.2%	49,483	51,809	54,140
Operational grants & subsidies	2200	581,604,206	659,328,386	643,447,348	38,329,265	6.0%	681,777,213	712,050,060	739,822,198
Capital grants & subsidies	2600	304,629,081	418,705,815	378,601,257	64,348,701	-17.0%	314,252,556	334,486,015	315,248,142
Interest	2300	-	8,552,614	-	-	0%	-	-	-
Fuel Levy	2400	-	-	-	-	0%	-	-	-
Non-Exchange Revenue / Operational Revenue	2500	-	-	-	-	0%	-	-	-
Gains on disposal of Assets	2600	-	-	-	-	0%	-	-	-
Other Gains	2700	-	188,856	-	-	0%	-	-	-
Investment Property Fair value adjustment	2701	-	-	-	-	0%	-	-	-
<b>Total revenue from non - exchange transactions</b>		<b>1,572,330,224</b>	<b>1,664,051,358</b>	<b>1,745,429,837</b>	<b>8,426,213</b>	<b>0.5%</b>	<b>1,754,056,050</b>	<b>1,861,027,193</b>	<b>1,935,313,559</b>
<b>Total operating revenue</b>		<b>3,708,316,613</b>	<b>3,855,865,263</b>	<b>4,255,317,660</b>	<b>279,129,178</b>	<b>6.3%</b>	<b>4,527,006,884</b>	<b>4,783,752,693</b>	<b>4,914,370,076</b>

**6.1.1** The table above is a high-level summary of the 2024/2025 budget and MTREF (classified per main type of operating revenue).

**The following are key main areas of increase:**

**a) Property Rates**

The property rates will increase by 4.9%. Mogale City requested extension of the validity period of the General Valuation Roll 2018/2023 was obtained in accordance with Section 32(2) from the MEC: Gauteng Department of Human Settlements, Urban Planning and Traditional Affairs, the extension was granted for 24 months from July 2023 to June 2025.

To ensure the rates base of Mogale City Local Municipality, the work on the General Valuation Roll 2025/2030 is underway and the delivery date is January 2025.

The residents of Mogale City will benefit for the two years as the valuation will still be based on the 2017 market values until June 2025.

**b) Sale of electricity and impact of tariff increases**

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. Bulk electricity costs are consistently much higher than inflation,





having gone as high as 12.7% in the 2024/2025 municipal financial year. Eskom's need for increased funding means that over the period ahead they are applying for much higher tariff increases.

The Multi-Year Price Determination (MYPD) Methodology is developed for the regulation of Eskom's required revenues. It forms the basis on which the National Energy Regulator of South Africa (NERSA or 'the Energy Regulator') will evaluate the price adjustment applications received from Eskom. Eskom had applied for a 22.52% tariff increase for the 2024/2025 year, which starts in April, the National Energy Regulator of South Africa (NERSA) has agreed to an 12.7% increase in electricity tariffs, effective from 1 April 2024.

It has been realized that the current electricity tariffs structure for Mogale City has not been recovering adequate revenue to cover electricity cost and provision for capital projects. There is also a requirement or an expectation from the National Treasury as communicated through the MFMA circular no.123 that electricity tariffs must be cost reflective.

Mogale City has developed a new structure for electricity tariffs as part of tariff application to NERSA public participation **(see attached schedule 3(b))**. **The old structure has been attached as part of schedule 3(a) as Mogale City in discussion with NERSA on the cost of supply.** NERSA has been approving seasonal tariffs for Eskom but not necessarily for the municipality therefore, it is important that Mogale City factors in its tariff application to NERSA and illustrate the cash flow crunch if the municipality is not similarly allowed a seasonal tariff to recover the higher Eskom bulk cost during winter months.

To augment the electricity revenue and comply with the circular, electricity tariffs have been reviewed and a new electricity tariffs schedule is proposed. **The proposed electricity tariffs schedule and the required supporting data has been submitted to the NERSA for approval and Mogale City is waiting for approval thereof.**

### **c) Sale of water and impact of tariff increases**

Water tariffs is increasing by 5.9%, which is Rand Water proposal of 4.9 per cent tariff increment and Rand Water additional 1% tariff above the 4.9% is allocated to Water Demand Management Fund.

If cost reflective tariffs could be, implemented indicating all costs related in delivering water to our customers the increase would be enormous. Main cost drivers for the service are water network maintenance, vehicle leases, delivering of water to informal settlements, petrol, diesel, and remuneration of staff. The structure of water tariffs are as follows:

- ✓ Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent). Registered indigents will again get free 6kl; and
- ✓ Water tariffs are designed to encourage efficient and sustainable consumption the more you consume the more you pay.
- ✓ The overall increase in the above table is 5.9% exclusive of revenue foregone (indigents subsidies & municipal charges for internal consumption).
- ✓ The proposed tariff increases are predominantly due to the water augmentation plan to ensure security of water supply, upgrades and extensions to the wastewater treatment plants, water demand management initiatives, ensuring the management of assets at

appropriate levels, sustain and enhance the maintenance programs as well as supplying water and sanitation at appropriate compliance, capacity, skills, service delivery and responsiveness levels. This includes enhanced focus on the ageing sewer network infrastructure, upgrading of the sewer pump stations and measures to mitigate the impact of load-shedding.

#### **d) Sanitation and impact of tariff increases**

A tariff increases of 5.9% for sanitation from 1 July 2024 is proposed. The main cost drivers for the sanitation service are staff, chemicals, and maintenance of pumps. Free sanitation will be applicable to registered indigents.

#### **e) Refuse removal and impact of tariffs increases**

Refuse/Solid Waste removal and landfill sites fees are increasing by 4.9% in line with Consumer Price Index (CPI) inflation forecast of 3 to 6 target band. The main cost drivers for the service are refuse removal contract, disposal fees, rental of earth moving, increases in general expenditure such as petrol and diesel and the cost of remuneration that were not considered, if Mogale City could consider these cost drivers the increase will be enormous.

f) Rental of facilities indicates a tariff increase of 4.9%.

#### **g) Fines and Penalties imposed**

Fines and Penalties Imposed tariff is increasing by 4.9% included in this stream of revenue is funds from disconnections for water & electricity. The relevant judicial authority determines traffic fines. However, the revenue base for traffic fines is increasing by 4.9% the municipality will issue more tickets for traffic offences as committed by the department (CDS).

#### **h) Agency services**

Agency services revenue (DOT 20% share to Mogale City) is increasing by 23.1%; here also the relevant transport authority determines the tariff increase. Mogale City through SALGA is negotiating for better share by reviewing and be able to fully fund the operational expenditure such as salaries, repairs and maintenance, building insurance, securities, consumable, internet services, cleaning services, protective clothing. consumption of municipal service charges and calibration of testing equipment.

#### **i) Transfer recognised - operational**

Transfer recognised-operational income is increasing by 6.5% based on the gazetted figures from National and Provincial Treasury (Equitable Shares, Integrated Urban Development Grant, Expanded Public Works Programme).

j) Changes to municipal allocations are set out in the Division of Revenue Amendment Bill, 2024. These include local government equitable share formula.

k) Other revenue mainly relating to bulk and small connections amongst others is increasing by 4.9% when compared to approve adjustment budget.

**Table 5: Approved Operating Annual Expenditure**

2024-2025 APPROVED FINAL MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK (MTREF) BUDGET							Schedule 1		
Description	MDGA code_6.0	Audited Actuals - 30 June 2023	8 months Actuals - 29 Feb 2024	Approved Adjustment Budget - 2023_2024	Total Inputs	%	Approved Original 2024/2025 Budget	Approved Original 2025/2026 Budget	Approved Original 2026/2027 Budget
<b>Expenditure</b>									
Employee related costs	3100	923 695 163	732 814 566	966 310 108	86 317 691	8,9%	1 052 627 799	1 061 913 455	1 109 699 551
Remuneration of Councillors	3200	38 575 216	31 087 909	42 957 832	2 104 934	4,9%	45 062 766	47 617 596	50 294 226
Bulk purchases : Electricity	3300	944 362 035	896 327 514	1 106 482 416	140 344 563	12,72%	1 247 226 979	1 322 060 598	1 401 384 234
Other materials & Inventory Consumed	3400	4 316 045	430 763 914	5 934 762	968 473	16,3%	6 903 235	7 234 662	7 519 910
Water Inventory	3401	443 870 549	-	493 533 409	24 185 097	4,9%	517 758 506	542 093 156	566 487 348
Debt impairment	3500	331 114 214	-	351 015 132	- 3 517 481	-1,0%	347 497 652	331 225 607	311 992 405
Depreciation and amortisation	3600	213 198 966	224 269 948	250 766 898	2 507 667	1,0%	253 234 565	268 130 822	283 957 853
Impairment loss/Reversal of impairments	3601	13 483 308	-	20 000 000	-	0,0%	20 000 000	20 260 000	20 575 600
Finance costs	3700	22 305 130	19 792 273	23 660 086	-	0,0%	23 660 086	25 079 691	26 584 472
Collection costs	4101	29 449 828	-	23 628 114	- 300 000	-1,3%	23 328 114	24 727 801	26 211 469
Contracted services	3800	431 570 190	237 780 442	400 031 401	- 18 856 489	-4,7%	351 204 366	357 328 594	361 122 797
Grants and subsidies paid	3900	1 031 514	465 224	6 937 169	-	0,0%	6 937 169	7 113 196	7 294 981
Irrecoverable debts written off	4000	-	359 051 519	-	-	0%	-	-	-
Operational costs	4100	175 862 955	139 334 473	215 262 536	- 7 606 841	-3,5%	207 655 695	217 490 384	229 350 444
Losses on disposal of Assets	4200	-	-	-	-	0%	-	-	-
Other losses	4300	- 10 403 487	53 738	-	-	0%	-	-	-
<b>Total Operating expenditure</b>		<b>3 562 832 226</b>	<b>3 071 741 580</b>	<b>3 906 559 863</b>	<b>226 547 614</b>	<b>5,8%</b>	<b>4 103 136 932</b>	<b>4 232 315 562</b>	<b>4 402 475 790</b>
<b>Operating surplus/(deficit)</b>		<b>145 484 387</b>	<b>787 520 703</b>	<b>348 757 797</b>	<b>43 581 564</b>	<b>12,5%</b>	<b>423 869 952</b>	<b>551 437 131</b>	<b>511 894 286</b>

**6.1.2** The operating expenditure for 2024/2025 is budgeted at R4,1 billion (an increase of 5.8% from the 2023/2024 approved adjustment budget).

This includes a provision for salary increases of 8.9% which is made up of 4.9% based on CPI projections and 2.6% on filling of vacancies, as well as increase in other materials and inventory consumed (repairs and maintenance) expenditure of 16.1%, decrease in operational cost of 3.5% and a decrease in contracted services of 4.7%.

**The approved expenditure budget makes provision of the following:**

- a) Employees' salaries indicate overall increase of 8.9% however the salary increase is due to the following:
  - i. The budget and treasury division has performed a zero-based budgeting and that resulted in appropriate salary increase of 4.9% within CPI.
  - ii. The Salary and Wage Collective Agreement (SWCA) for the period 01 July 2021 to 30 June 2024 has come to an end and a new agreement is under consultation, which is anticipated to consider the current fiscal constraints faced by most local governments. Therefore, in the absence of any information from South African Local Government Bargaining Council (SALGBC), Mogale City has considered financial sustainability as above inflation salary increases have posed or contributed to negative sustainability of this Council.
  - iii. The municipality has advertised the vacant posts amounting to R27.4 million or 2.6%, the said posts are factored in the proposed budget. Included in the list is positions that were vacated when the incumbents were appointed in other positions.

The norm of remuneration as a percentage of total expenditure as per MFMA Circular 70 is between 25% to 40%. However, Mogale City's ratio for remuneration as percentage of total operating expenditure is sitting at 26% for this proposed budget.

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



has budgeted remuneration to councillors 4.9% increase to avoid under budgeting, an increase is based on the projected average CPI percentages for 2024.

- v. That based on the draft determination the municipality has included in the budget the three-point three percent (3.3%) cost of living adjustment of the upper limits of the total remuneration packages payable to senior managers.
- vi. Expanded Public Works Programme (EPWP) was at R18.6 million during the Tabled budget and it is proposed that EPWP must be budgeted per the allocated grant at R3 million, and the grant will be used to pay workers for three (3) months on extended contract. The R15.6 million which is from operational revenue will be utilised to recruit up to 112 general workers as follows:
  - ✓ 112 general workers for the three (3) affected departments.
    - Community Development Services (CDS): 48 general workers,
    - Economic Development Services (EDS): 5 general workers,
    - Integrated Environmental Management (IEM): 59 general workers.
    - Savings were identified on Overtime from Integrated Environmental Management (IEM) department to be utilized to recruit general workers as they form essential part of basic service delivery to the community. Total savings amounts to R10 million which will cover the hiring of up to 43 general workers.
- b) Bulk purchases have been increased as follows:
  1. Water Purchases from Rand water – 5.9%, bulk water purchases are now budgeted and accounted for as inventory in line with GRAP 12 paragraph 12.
  2. Electricity Purchases from Eskom – 12.72% (NERSA Approved)
- g) Depreciation and impairment of assets is based on the approved adjustment budget 2023/2024 financial year which includes the additional assets that will be depreciated. Budget appropriations in this regard total R253 million for the 2024/2025 financial and equates to 6% of the total operating expenditure. **The cost of depreciation must be included in the setting of cost reflective tariffs to recover the full cost of rendering the service, failing to do that will result in depreciation not to be cash backed.**
- h) The provision of debt impairment for consumer debtors including traffic fines has decreased by R3.5 million or 1%, the provision was determined based on the projected collection rate of 89%. Mogale City is facing difficult fiscal environment due to weak economic growth that has put stress on consumers' ability to pay for services rendered and huge water losses. The municipality will intensify the collection on large users, business and households owing from 60 days that can afford to pay. Mogale City will continue implementing credit control measures and intensify Mogale Ya Tima campaign disconnecting large users with arrears.
- i) Finance Costs remained equivalent to the approved adjustment budget amounting to R24 million.
- j) Contracted services decreased by 4.7% amounting to R18.8 million, the decrease was mainly from security services amongst others, due to the cutting budget as contract is coming to an end in May 2024 and municipality proposes to embark on implementing a hybrid security model, through the deployment of technology (installation of CCTV cameras and monitoring) and

reduce physical guarding personnel as part of the compilation of the 2024/2025 MTREF this expenditure category was critically evaluated, and operational efficiencies must be enforced. For the two outer years, growth has been limited to ensure cost reduction over the medium term.

**The following are the largest cost drivers for contracted services that must be minimized to gain operational efficiency:**

**Table 6: Largest Cost drivers (Contracted Services)**

mSCOA new code_6.8	Item Description	Project Numbers	Proposed Tabled 2024/2025 Annual budget R	Proposed Tabled 2025/2026 budget R	Proposed Tabled 2026/2027 Budget R
3800	SECURITY SERVICES PLANNED & UNPLANNED	238	R108, 822, 894	110, 999, 352	113, 219, 339
3800	REFUSE REMOVAL	380	35, 191, 742	35, 895, 577	36, 613, 489
3800	RENTAL: CHEMICAL TOILETS	835	25 ,000, 000	25 ,500, 000	26, 010, 000
3800	UPGRADING OF FINANCIAL SYSTEM	294	22 ,330 ,148	22 ,776 ,751	23 ,232 ,286
3800	DEBT COLLECTORS	034	13, 291 ,816	13, 557, 652	13 ,828 ,805
3800	NETWORK MATERIAL: MAINTENANCE OF WATER NETWORK	069	10 ,971, 634	11, 191, 067	11, 414, 888
3800	NETWORK MATERIAL: MAINTENANCE OF WASTEWATER NETWORK	479	11, 715 ,329	11 ,949 ,636	12, 188 ,629
3800	ELECTRICAL INFRASTRUCTURE: UNCONTROLABLE VANDALISM	483	7, 225 ,003	7 ,369 ,503	7 ,516, 893
3800	MAINTENANCE OF BUILDING	Various	20,574,500	21,289,990	20,802,069
3800	NETWORK MATERIAL: MAINTENANCE OF STREET LIGHTS	477	6, 026 ,533	6, 147, 064	6 ,270, 005

- i. Most of the contracted services has increased by a small margin or remained equivalent to the approved adjustment budget in order to implement cost containment measures and to improve cash flow position.
- ii. Security services decreased by R44.9 million pending the outcome of the request of proposal process for the new security contract which will inform the adjustment budget of the 2024/2025 FY as tender processes are underway.
- iii. Chemical toilets are budgeted at R25 million for 2024/2025 annual budget and R51.5 million for MTREF two outer years, as this service is unaffordable. It is advisable that Infrastructure Development Services department to perform cost benefit analysis and ensure that the budget is reduced during 2024/2025 Adjustment budget and come up with permanent solution that is affordable.
- iv. Additions to contracted services is upgrading of financial system, municipality has appointed the new service provider with a system that is mSCOA compliant, contract of the old service provider is coming to an end in the financial period 2023/2024.

**Table 7: Approved Capital Budget per Source of Funding**

Funding source description	Approved Adjustment 2023/2024 Budget	Total Adjustments	Approved Tabled 2024/2025 Budget	Approved Tabled 2025/2026 Budget	Approved Tabled 2026/2027 Budget
Human Settlement Development Grant	143 037 343	- 143 037 343	-	-	-
Integrated National Electrification Programme Grant	13 493 000	- 13 493 000	-	-	-
Integrated Urban Development Grant	145 891 650	2 277 248	148 168 898	140 384 898	152 533 898
Local Government Financial Management Grant	-	-	-	-	-
Neighbourhood Development Partnership Grant	75 357 000	- 14 071 000	61 286 000	76 009 000	45 000 000
Sports and Recreation Grant	1 972 914	2 824 744	4 797 658	4 092 117	3 714 244
Water Services Infrastructure Grant	46 782 000	53 218 000	100 000 000	100 000 000	-
Transfer from Operational Revenue	92 982 561	5 267 962	98 250 523	127 416 388	99 884 715
<b>Total</b>	<b>519 516 468</b>	<b>- 107 013 390</b>	<b>412 503 079</b>	<b>447 902 402</b>	<b>301 132 858</b>

**Table 8: Approved Capital Budget per municipal votes**

Department	Approved Adjustment 2023/2024 Budget	Total Adjustments	Total Inputs	Approved 2024/2025 Budget	Approved 2025/2026 Budget	Approved 2026/2027 Budget
Community Development Services	34 970 883	- 16 398 922	18 571 961	18 571 961	25 092 117	43 714 244
Corporate Support Services	2 144 921	9 119 079	11 264 000	11 264 000	10 812 000	11 128 240
Economic Development Services	86 157 000	- 19 851 000	66 306 000	71 306 000	81 009 000	45 000 000
Financial Management Services	1 906 859	- 1 328 178	578 681	578 681	4 000 000	-
Infrastructure Development Service	305 763 880	- 36 426 171	269 337 709	280 567 607	288 759 388	147 060 475
Integrated Environmental Management	33 376 592	9 653 306	43 029 898	16 800 000	38 229 898	54 229 898
Internal Audit	100 000	150 000	250 000	250 000	-	-
Municipal Council	200 000	2 229 830	2 429 830	2 429 830	-	-
Operations Management	253 000	112 000	365 000	365 000	-	-
Strategic Investment Programme	54 543 333	- 54 173 333	370 000	10 370 000	-	-
Municipal Manager	100 000	- 100 000	-	-	-	-
<b>Total</b>	<b>519 516 468</b>	<b>- 107 013 390</b>	<b>412 503 079</b>	<b>412 503 079</b>	<b>447 902 402</b>	<b>301 132 858</b>

- 7.1. Proposed capital budget has been projected to be R 412 million, a decrease of R 107 million when compared to 2023/24 approved adjustment budget due Human Settlement Development Grant that was not allocated per Provincial gazette.
- 7.2 The capital budget will be funded from grants both National and Provincial government to the tune of R 289 million and R 4.8 million respectively. Own revenue to the value of R118 million.



**Table 9: Proposed capital project per own funding**

A1 schedule Code description	Pr Description	Bud Typ	Approved Original 2024/2025 Budget	Approved Original 2025/2026 Budget	Approved Original 2026/2027 Budget
Transfer from Operational Revenue	OM-Laptops _Cc	cap	100 000		
Transfer from Operational Revenue	OM-Laptop IDP	cap	175 000		
Transfer from Operational Revenue	MC-Cameras Mayors office	cap	30 000	-	-
Transfer from Operational Revenue	CDS-Refurbishment of Krugersdorp Museum	cap	7 732 848	-	-
Transfer from Operational Revenue	IEM-Office Furniture _Wm	cap	300 000		
Transfer from Operational Revenue	IEM-Skip Bins _Wm	cap	500 000		
Transfer from Operational Revenue	EDS-Projector	cap	20 000	-	
Transfer from Operational Revenue	IDS-Singqobile 132/11Kv 3X20 Mva New Substation _Eds	cap	15 000 000	20 000 000	
Transfer from Operational Revenue	IDS-Chamdor 33/11/6.6Kv Substation Upgrade _Eds	cap		30 000 000	25 000 000
Transfer from Operational Revenue	IDS-Electricity BULK CONNECTIONS EDS	cap	15 000 000	15 000 000	16 000 000
Transfer from Operational Revenue	IDS- Electricity SMALL CONNECTIONS EDS	cap	7 455 282	7 604 388	7 756 475
Transfer from Operational Revenue	IDS-Laboratory Specialised Equipment _W	cap	500 000		
Transfer from Operational Revenue	IDS-Water Tankers And Vacuum Tanker Trucks X6	cap	10 139 684		
Transfer from Operational Revenue	IDS-Laptops / Desktops/Printers _W&S		300 000	-	-
Transfer from Operational Revenue	IDS-Furniture and Office Equipment _W&S		300 000		
Transfer from Operational Revenue	SIP -Laptops X6	cap	70 000		
Transfer from Operational Revenue	SIP-Furniture	cap	300 000	-	-
Transfer from Operational Revenue	OM-Administration Support (Office desk printer : Office of the EM	cap	10 000		
Transfer from Operational Revenue	OM-Administration Support (Office furniture) _EM	cap	80 000		
Transfer from Operational Revenue	FIN-Web based valuation system _Val	cap		4 000 000	
Transfer from Operational Revenue	CSS-Automated Backup System _Ict	cap	600 000	612 000	624 240
Transfer from Operational Revenue	CSS-Lightning Protection Solution _Ict	cap	2 000 000	3 060 000	3 121 200
Transfer from Operational Revenue	CSS-Data Center Infrastructure _Ict	cap	3 000 000		
Transfer from Operational Revenue	CSS-Network Monitoring System _Ict	cap	5 000 000	7 140 000	7 282 800
Transfer from Operational Revenue	CSS- OFFICE FURNITURE _Ict	cap			50 000
Transfer from Operational Revenue	CSS-Leave Administration (Chairs X12) _Hca	cap	100 000		
Transfer from Operational Revenue	CSS-Screen and Projector _L&D	cap			50 000
Transfer from Operational Revenue	CSS-Records Management _Office Furniture	cap	150 000	-	-
Transfer from Operational Revenue	CSS- Legal Services Laptops X16 New	cap	384 000		
Transfer from Operational Revenue	CSS- Office Furniture _Ls	cap	30 000	-	
Transfer from Operational Revenue	FIN-Laptops x8 5cm	cap	64 224	-	-
Transfer from Operational Revenue	FIN-Laptops X1_5cm	cap	24 297	-	-
Transfer from Operational Revenue	FIN-Desktops Logistics x3	cap	76 500	-	-
Transfer from Operational Revenue	FIN-Laptops X9 BTO	cap	300 000		
Transfer from Operational Revenue	CDS- Road Marking machine	cap	559 000		
Transfer from Operational Revenue	Mc-Laptops x2 chief whip	cap	60 000	-	-
Transfer from Operational Revenue	IDS- Panel Vans X 4 EDS	cap	600 000		
Transfer from Operational Revenue	IDS-Cherry picker truck 1 EDS	cap	3 000 000		
Transfer from Operational Revenue	IDS-Electrical testing equipment and machinery EDS	cap	1 028 200		
Transfer from Operational Revenue	IDS-Factoria substation refurbishment EDS	cap		40 000 000	40 000 000
Transfer from Operational Revenue	IA-Laptops x10_cae	cap	250 000	-	-
Transfer from Operational Revenue	FIN-Laptop2 x1_5CM	cap	24 297	-	-
Transfer from Operational Revenue	FIN-PrinterLogistics'Printers		12 863		
Transfer from Operational Revenue	FIN-Desktops Logistics x3		76 500		
Transfer from Operational Revenue	CDS _Projector x1 _EM	cap	15 000	-	-
Transfer from Operational Revenue	CDS _Laptop x2 _EM	cap	50 911	-	-
Transfer from Operational Revenue	CDS _Desktop _EM	cap	30 000	-	-
Transfer from Operational Revenue	CDS _Desktop x2 _HC	cap	33 272	-	-
Transfer from Operational Revenue	CDS _laptop x2 _HC	cap	33 272	-	-
Transfer from Operational Revenue	CDS _Desktops x7 _SD	cap	150 000	-	-
Transfer from Operational Revenue	CDS _Office Furniture _SD	cap	50 000	-	-
Transfer from Operational Revenue	CDS _Projector x2 _SD	cap	20 000	-	-
Transfer from Operational Revenue	CDS _laptops x4 _PS	cap	100 000	-	-
Transfer from Operational Revenue	IDS_Furniture and Office Equipment _WWTW	cap	100 000	-	-
Transfer from Operational Revenue	IDS_Laptops/Desctops/Printers _WWTW	cap	275 000	-	-
Transfer from Operational Revenue	IDS_Automatic Samplers and Effluence Meters _W&S	cap	500 000	-	-
Transfer from Operational Revenue	IDS_Civil aided drafting plotter _W	cap	50 000	-	-
Transfer from Operational Revenue	IDS_Civil aided drafting plotter _W&S	cap	50 000	-	-
Transfer from Operational Revenue	IDS_Vehicles x3 _WWTW	cap	1 300 543	-	-
Transfer from Operational Revenue	IEM-Fencing of Kenmare Kloof	cap	1 000 000	-	-
Transfer from Operational Revenue	IDS- IDC Training Centre Substation _Eds	cap	800 000	-	-
Transfer from Operational Revenue	IDS-Mulderdrift 80M New Reservoir	cap	3 000 000		
Transfer from Operational Revenue	IEM-10m Cubic Tipper Truck	cap	2 500 000		
Transfer from Operational Revenue	IEM-5m Cubic Tipper Truck	cap	1 500 000		
Transfer from Operational Revenue	IEM-1 cactus Grab (10 Tonne)	cap	1 600 000		
Transfer from Operational Revenue	IEM-Forestry Crab (10 Tonne)	cap	1 600 000		
Transfer from Operational Revenue	IEM-Vehicle _Hatch back sedan x2	cap	1 000 000		
Transfer from Operational Revenue	IEM-Laptops _WM	cap	200 000		
Transfer from Operational Revenue	IEM-36 Tonne Crane Truck	cap	2 600 000		
Transfer from Operational Revenue	IDS-Acquisition of Municipal Transport Infrastructure	cap	2 339 830		
Transfer from Operational Revenue	IDS-TLB for Infrastructure	cap			
			<b>96 250 523</b>	<b>127 416 388</b>	<b>99 884 715</b>

8.1 Own generated funded capital projects have increased by 39% or R33 million against the approved 2<sup>nd</sup> adjustment budget. Own funding mainly consists of the following:

- ✓ bulk and small connections amounting to R23 million,
- ✓ refurbishment of museum R7.7 million,
- ✓ R15 million for Singqobile MVA new substation,
- ✓ R10 million for Water tanker trucks,
- ✓ R2 million to purchase TLB for Infrastructure Development Services
- ✓ R10 million relating to ICT-Network monitoring system & Lightning protection solution,



- ✓ R3 million for Mulderdrift 80MI New Reservoir,
- ✓ R3 million to purchase Chery Picker truck,
- ✓ R2.3 million to purchase of three (3) vehicles,
- ✓ R7 million to purchase office equipment, furniture and computers.
- ✓ R559k to purchase road marking machine.

## **7. LEGISLATIVE IMPLICATIONS**

Compliance with Municipal Finance Management Act 56 of 2003 and the related Budget Regulations, the Municipal Structures Act 117 of 1998 and Municipal Systems Act 32 of 2000.

## **8. BUSINESS RISK IMPLICATIONS**

Meeting financial obligations and services delivery mandate.

## **9. STAKEHOLDERS CONSULTED**

Accounting Officer

Departments

Executive Management Committee

Joint Corporate Support Services and Finance Portfolio Committees

Budget Steering Committee

Mayoral Committee

Council

## **Part 2 – Supporting Documentation**

### **2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS**

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

The Budget Steering Committee consists of the Municipal Manager, senior officials and Mayoral Committee Members of the municipality meeting under the chairpersonship of the Executive Mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices.
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, considering the need to protect the financial sustainability of municipality.
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### **2.1.2 OVERVIEW OF THE ANNUAL BUDGET PROCESS**

In terms of section 21 of the MFMA, the Mayor is required to table in Council ten months before the start of the new financial year (i.e., in August 2024) a time schedule that sets out the process to revise the IDP and prepare the budget.



The Executive Mayor tabled in Council the required IDP and budget time schedule in August 2023. Key dates applicable to the process were:

ACTIVITIES	RESPONSIBLE	DATES
<b>PLANNING PROCESS</b>		
Preparation for Revised IDP process plan	IDP	July 2023
IDP Technical Forum	IDP	July 2023
Tabling of the 2024/2025 IDP/Budget Process Plan to EXCO/Budget Committee for recommendation for approval	IDP	August 2023
Adoption of IDP/ Budget Process Plan for 2024/2025 IDP/Budget.	Council	August 2023
Tabling of the Final Annual Municipal Report	MM	August 2023
Public notice of the adopted IDP/Budget Process Plan for 2024/2025 IDP/Budget Review	IDP	September 2023
Submission of the IDP Process Plan to MEC for Local Government, National & Provincial Treasury Departments	IDP	September 2023
<b>STATUS ANALYSIS PHASE</b>		
Demographic & Service Delivery data analysis	IDP	September 2023
Socio-Economic data analysis	EDS, CDS & IDP	September 2023
Institutional data analysis	CDS& IDP	September 2023
Spatial data analysis	EDS& IDP	September 2023
Environmental sustainability data analysis	DIEM & IDP	September 2023
IDP Technical Forum	IDP	December 2023
<b>REVIEW OF PUBLIC CONSULTATION PHASE</b>		
Council refers Annual Municipal Report to MPAC	Council	Dec 2023/Jan 2024





ACTIVITIES	RESPONSIBLE	DATES
IDP Technical Forum	IDP	December 2023
<b>STRATEGIC ALIGNMENT PHASE</b>		
Vision and Mission	All Departments	Jan/Feb 2024
Objectives and development priorities	All Departments	Jan/Feb 2024
Priority Programme and Project Identification	All Departments	Jan/Feb 2024
<b>PERFORMANCE AND BUDGET REVIEW PHASE</b>		
Submission of Mid-year performance report	M&E	Jan/Feb 2024
Approval of Adjustment Budget	FM	Feb 2024
Approval of Revised SDBIP	M&E	Feb 2024
<b>PROGRAMME AND PROJECTS PHASE</b>		
Priority Programmes and Projects	All Departments	Feb 2024
IDP Technical Forum	IDP	Feb 2024
CAPEX and OPEX costing	BTO	March 2024
<b>ALIGNMENT OF NATIONAL &amp; PROVINCIAL PROGRAMMES PHASE</b>		
Consideration and ensuring that MEC comments are addressed	IDP	March 2024
Integration and Alignment of sectoral plans into the IDP	IDP	March 2024
Integration and Alignment of operational plans into the IDP	All Departments	March 2024
<b>FINAL CONSULTATION AND APPROVAL</b>		
• Tabling of the Final IDP/Budget	IDP/Budget	March 2024
• Public Participation - IDP Roadshows/Virtual Presentations	IDP	April/May 2024
• IDP Roadshow Report. • List of community priority needs. • List of all community needs submitted to municipality departments for consideration	IDP	April/May 2024
• IDP Technical Forum	IDP	March 2024
• Submission of the final Annual IDP/Budget/SDBIP for consideration/ adoption.	Council	May / June 2024

ACTIVITIES	RESPONSIBLE	DATES
<ul style="list-style-type: none"> <li>Final SDBIP approval by the Executive Mayor</li> </ul>	M&E	28 days after Council has approved the revised IDP & annual budget
<ul style="list-style-type: none"> <li>Submission of the approved IDP to the MEC of Local Government</li> </ul>	IDP Division	May/June 2024

***Activities, Responsibilities and Timeframe for IDP Process Plan***

## **2.2 OVERVIEW OF BUDGET RELATED POLICIES**

2.2.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council. All the additions and amendments are highlighted in red. There are 2 new policies as listed below.

2.2.2 The following budget related policies that was approved by Council has been amended and recommended for approval and highlighted in red from Annexure 1 to 34.

Annexure 1: Reviewed Property Rates Policy

Annexure 2: Reviewed Property Rates By-Law

Annexure 3: Reviewed Supply Chain Management

Annexure 4: Reviewed Credit Control and Debt Collection Policy

Annexure 5: Reviewed Tariff Policy

Annexure 6: Reviewed Financial Misconduct Policy

Annexure 7: Reviewed Water and Sanitation Tariff Policy

Annexure 8: Reviewed Electricity Tariff Policy

Annexure 9: Reviewed 2% Corporate Social Responsibility

Annexure 10: Reviewed Cash Management & Investment Policy

Annexure 11: Reviewed Borrowing Policy

Annexure 12: Reviewed Funding and reserves

Annexure 13: Reviewed Long Term Financial Plan Policy

Annexure 14: Reviewed Asset Management Policy

Annexure 15: Reviewed Indigent Management Policy

Annexure 16: Reviewed Employment Equity policy

Annexure 17: Reviewed Recruitment Policy

Annexure 18: Reviewed Overtime Policy

Annexure 19: Reviewed Grant in Aid Policy

Annexure 20: Reviewed Indigent Burial Policy

Annexure 21: Reviewed Liquidity Policy

Annexure 22: Reviewed Waste Management norm & standard policy

Annexure 23: Reviewed Unclaimed Monies Policy

Annexure 24: Reviewed Cost Containment Policy

Annexure 25: Reviewed Budget Management Policy

Annexure 26: Reviewed Adjustment Budget Policy

Annexure 27: Reviewed Virement Policy

Annexure 28: Reviewed Cashier Shortages and Surpluses

Annexure 29: Final reviewed VAB Remuneration Policy VAB Members

Annexure 30: Reviewed Mogale City Local Municipality By-Laws for the control of outdoor advertising Signs and Hoardings

Annexure 31: Reviewed Capital project and Infrastructure investment policy

Annexure 31:(2) Mogale City CEF Reviewed – 2024-2025 As Part of Annexure 31

Annexure 32: Reviewed Supplier Performance Monitoring Policy

Annexure 33: Acting policy **(new)**

Annexure 34: Bursary policy **(new)**

## 2.3 OVERVIEW OF BUDGET ASSUMPTIONS

### 2.3.1 External factors

The budget policy framework for the next three years is designed to manage risk in a constrained fiscal environment, while building a foundation for economic growth which is supported by the implementation of the National Development Plan (NDP).

The National Treasury estimates real economic growth of 0.6 per cent in 2023. This is a decrease from growth of 0.8 per cent projected in the 2023 MTBPS due to weaker than expected outcomes in the third quarter of 2023, resulting in downward revisions to household spending growth and spending on gross fixed investment. GDP growth is projected to average 1.6 per cent from 2024 to 2026 as the frequency of power cuts declines, lower inflation supports household consumption, and employment and credit extensions recover gradually. New energy projects will improve fixed investments and business sentiment (**Source MFMA Circular No 128**).

To accelerate GDP growth after an extended period of weak economic performance, South Africa needs large-scale private investment. The government is working to improve the fiscal position, complete structural reforms and bolster the capacity of the state to reduce borrowing costs, raise confidence, increase investment, and put the economy on a higher job creating growth path.

**2.3.2** Mogale City must table a funded budget to remain financially viable. For municipality to table funded budget and to have financial sustainability the plan is to reduce the following expenditures:

- i. Contracted services especially security costs, all unnecessary allowances to employees, normal overtime & emergency, and petrol & diesel whereby all departments must analyse this expenditure to determine value for money,
- ii. Non-essential expenditures must be eliminated.
- iii. Interest charged on late payments for bulk services, which result in fruitless expenditure so far for the current financial year Mogale City is doing well paying Eskom and Rand Water on time.

### 2.3.3 General inflation outlook and its impact on the municipal activities

Nine key factors that have been taken into consideration in the compilation of the 2024/25 MTREF:

1. Improving the effectiveness of revenue management processes and procedures.
2. Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82.
3. Ensuring value for money through the procurement process by improving internal controls and monitoring all service providers performance.
4. The affordability of providing free basic services to all households.

5. Not taking on unfunded mandates.
6. Strictly control the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water.
7. Automate business services where possible to increase efficiencies and lower customer costs.
8. Prioritise the filling of critical vacant posts, especially linked to the delivery of basic services.
9. Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

The projected economic indicators used as basis of the budget are reflected hereunder:

**Table 10: Macroeconomic performance and projections, 2022-2027**

Fiscal year	2022/23 Actual	2023/24 Estimate	2024/2025	2025/26 Forecast	2026/27
CPI Inflation	6.9%	6%	4.9%	4.6%	4.6%

Source: 2024 Budget Review

#### 2.3.4 Collection rate for service charges revenue

The rate of revenue collection is currently expressed as a percentage (89%) of annual billings. No provision has been made for collection of arrears due to the historic trends showing that the collection of long outstanding arrears is very low. The revenue enhancement strategy to improve collection from all consumers that were put in place will continue to be implemented.

#### 2.3.5 Salary Increases

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 the agreement has come to an end and a new agreement is under consultation, which is anticipated to consider the current fiscal constraints faced by Local Government. Of the provision made for a 4,9% increase in the salaries of employees which was informed by the average CPI expected.

## 2.3.6 Funding measurements

1. Cash flow statement is the first measurement in determining if the budget is funded or unfunded.
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 assumption of collection rate of 89% must be realistic and attainable to be able to fund the budget.

## **2.4 LEGISLATION COMPLIANCE STATUS**

**2.4.1** Compliance with the MFMA implementation requirements have been adhered to through the following activities:

### **1. In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has been submitted in time.

### **2. Internship programme**

Mogale City is participating in the Municipal Financial Management Internship programme since March 2004 to February 2024, currently Mogale City have 8 interns undergo training in various divisions of the Financial Services, Risk Management, and Internal Audit.

### **3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **4. Audit Committee**

Mogale City is utilizing shared district audit committee and the appointment of new members have been finalized by district.

### **5. Service Delivery and Implementation Plan**

The SDBIP content is based on the reviewed IDP, strategic plan objectives outlined.

### **6. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### **7. Policies**

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette No 37922 on 18 August 2014. The ratios as prescribed in the Regulations have been complied with.

### **8. mSCOA Implementation**

The implementation of the project is still currently on course; Mogale City have tabled the budget in the mSCOA format since 2018/2019 financial year. mSCOA requires that each item of expenditure be linked to a project, this is at the core of planning. As we implement the project, we are effectively moving away from item-based budgeting to project driven budgeting.



**Mogale City**

Email: mm@mogalecity.gov.za

Tel: (011) 951-2025

P O BOX 94

KRUGERSDORP

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### Municipal manager's quality certificate

I **Makhosana Msezana**, Municipal Manager of Mogale City, hereby certify that the Final annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print name

**MAKHOSANA MSEZANA**

Municipal Manager of Mogale City Local Municipality and GT481

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

