

**The Chief Financial Officer**

**Mogale City Local Municipality**

## **BUDGET FUNDING ASSESSMENT – 2025/2026 ADOPTED BUDGET**

I have conducted a budget funding test of the adopted budget of Mogale City Local Municipality for the 2025/2026 financial year.

The outcome of the assessment is that the budget is funded.

The areas that need attention in the 2025/2026 financial year are the following:

1. The total projected revenue for the 2025/2026 amounts to R 5.408 billion and the projected expenditure amounts to R 5.232 billion based on the Treasury calculations. This leaves a projected surplus of R 176 million. There are however areas that need attention that can further improve the funding position of the budget of the municipality. Some of the areas that have been identified are:
  - a) The area that needs immediate and urgent attention is the cost allocations between sanitation and water for the determination of cost reflective tariffs. Some sanitation costs are allocated to the water cost centre, and this is one of the factors that contributes to the water tariffs not being cost reflective. Technical Services and Finance need to meet to address this matter.
  - b) The billing for water also needs attention. There are consumers who are not billed for the usage of water, and Revenue must investigate this matter. The identification and billing of these consumers will increase the revenue and reduce the deficit that is being experienced by the water services.
  - c) There refuse removal services that are rendered to residential users are not cost reflective. There was a sharp increase in the fixed costs of rendering the refuse removal services, especially employee related costs. This has contributed to the tariff not being cost reflective for the residential users of the tariff. There is a difference in the number of properties in the valuation roll and the properties that are billed for using the refuse removal services. The difference was reported to the refuse removal section to investigate in the current financial year, and no report has been submitted on this difference.
  - d) It is also advised that an audit be conducted on the properties in the valuation roll and properties that are on billing system to determine that all properties, except those that are exempt are levied for property rates, based on the properties categories as determined by Section 8 of the Local Government Municipal Property Rates Act.
  - e) The cost of supply for the electricity services was conducted by the electrical section and the proposed tariffs were submitted to NERSA for approval, and this approval is still being awaited. It is however necessary that the costs associated with the rendering of electricity services be investigated to determine if there are areas where there is potential for cost reduction to improve the revenue that can be derived from the rendering of electricity services.

2. The projected net assets from the assessment and the Treasury calculation are R 7.040 billion and the total community wealth of R 7.040 billion. This will be a strong position if this can be achieved by the municipality.
3. The budgeted cash flow statement reveals that the municipality will meet its obligations when they fall due. The municipality is currently able to services its payables from exchange in thirty days as prescribed by the legislation, and this trend is expected to continue in the 2025/2026 financial year with the budgeted revenue and expenditure.
4. In the 2022/2023 financial year, the current liabilities of the municipality exceeded the current assets which was a negative working capital. In the 2023/2024 financial year, the current assets exceeded the current liabilities which signified a positive working capital. This was a purposeful management action to improve the financial operations of the municipality. The projected working capital also reveals that the debtors to be collected will be sufficient to cover the obligations of the municipality.

Though the funding position of the municipality is strong from the compiled tabled budget, it is also imperative that areas of billing, allocation of costs to the billable services and the completeness of billing be given attention to further improve the funding position of future budgets.



**LPI Mashigo**

**NT/MFIP Advisor**

10 June 2025

ASSUMPTIONS & DATA SHEET			Projected & Assumed Collection Rates %											
Type of Funding Assessment	MTREF													
Name of Municipality	Demarcation													
Megalsi City	GT481													
Financial Periods	Fin Per		Property rates	Surcharges & taxes	Fines, penalties and forfeits	Interest Arrear debtors (property rates)	Operational revenue (non-exch rev - availability charges for trading)	Special rating levies	Interest earned from receivables (exchange revenue)	Serv Charges - Electricity	Serv Charges - Water	Serv Charges - Waste water man	Serv Charges - Waste man	
Audit Year 1	Audit Year 1	2021/22	92.5%											
Audit Year 2	Audit Year 2	2022/23	92.0%											
Audit Year 3	Audit Year 3	2023/24	92.0%											
Current Year	Current Year	2024/25	90.0%	90.0%	90.0%	50.0%	100.0%	90.0%	50.0%	90.0%	90.0%	90.0%	90.0%	
Medium Term Revenue & Expenditure Framework	MTREF Year 1	2025/26	90.0%	90.0%	90.0%	50.0%	100.0%	90.0%	50.0%	90.0%	90.0%	90.0%	90.0%	
Medium Term Revenue & Expenditure Framework	MTREF Year 2	2026/27	90.0%	90.0%	90.0%	50.0%	100.0%	90.0%	50.0%	90.0%	90.0%	90.0%	90.0%	
Medium Term Revenue & Expenditure Framework	MTREF Year 3	2027/28	90.0%	90.0%	90.0%	50.0%	100.0%	90.0%	50.0%	90.0%	90.0%	90.0%	90.0%	
Conditional Transfers	Fin Per													
Unspent Grants from Previous Financial Year Not Utilised	Current Year	2024/25												
Unspent Borrowing	Fin Per													
Borrowing Not Utilised	2024/25													
Borrowing Not Utilised	2025/26													
Borrowing Not Utilised	2026/27													
Borrowing Not Utilised	2027/28													
Borrowing - Amount to be Drawn Down	Fin Per													
New Borrowing from Table A5-Capex	2024/25													
New Borrowing from Table A5-Capex	2025/26													
New Borrowing from Table A5-Capex	2026/27													
New Borrowing from Table A5-Capex	2027/28													
Transfers from Non-Current to Current Provisions	Fin Per													
Amount Transferred to Current Provisions	2024/25													
Amount Transferred to Current Provisions	2025/26													
Amount Transferred to Current Provisions	2026/27													
Amount Transferred to Current Provisions	2027/28													
Long term investments committed (Obtain information from the note on LT Invest in /	Fin Per													
Long term investments committed	2024/25													
Long term investments committed	2025/26													
Long term investments committed	2026/27													
Long term investments committed	2027/28													
Annual Repayment of Borrowing - From Municipal Projections Table A7	Fin Per													
Annual Repayment - Table A7 of Municipal A1 Schedule	2024/25													
Annual Repayment - Table A7 of Municipal A1 Schedule	2025/26													
Annual Repayment - Table A7 of Municipal A1 Schedule	2026/27													
Annual Repayment - Table A7 of Municipal A1 Schedule	2027/28													
Annual Repayment - Projected Payment	2028/29													
Non-Current portion of provisions to be cash backed on Table A8	Fin Per													
Percentage to be cash backed	2024/25													
Percentage to be cash backed	2025/26													
Percentage to be cash backed	2026/27													
Percentage to be cash backed	2027/28													
VAT	Fin Per													
VAT Rate	2024/25													
VAT Rate	2025/26													
VAT Rate	2026/27													
VAT Rate	2027/28													
Fixed Operational Expenditure % Assumption - SAS Cell C47	Percentage													
Fixed Operational Expenditure % Assumption - SAS Cell C47	Percentage													
Amount of Current Provisions to be Included on Table A6	Amount													
Total Current Provisions Included in Funding Compliance Test - Table	2024/25													
Total Current Provisions Included in Funding Compliance Test - Table	2025/26													
Total Current Provisions Included in Funding Compliance Test - Table	2026/27													
Total Current Provisions Included in Funding Compliance Test - Table	2027/28													

GT481 - Mogale City		Table A6 Budgeted 2023/24	
Description	2023/24 Debt Restructuring Eskom / WB / DWS	2023/24	2023/24
R thousand		Audited Outcome	Audited Outcome
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents			149 608
Gross Trade and other receivables from exchange transactions (use notes to AFS)			2 869 280
Accumulated Debt Impairment - Trade and other receivables from exchange transactions (use notes to AFS)			(2 046 072)
Receivables from non-exchange transactions			827 018
Accumulated Debt Impairment - Receivables from non-exchange transactions (use notes to AFS)			(587 781)
Current portion of long-term receivables			-
Inventory			3 364
VAT/Income Tax			20 238
Other current assets			823
<b>Total current assets</b>			<b>1 236 478</b>
<b>Non current assets</b>			
Investments (If this investment is committed include in Table A8-ResRecon)			-
Investment property - cost (use notes to AFS)			678 306
Investment property - accumulated depreciation (use notes to AFS)			-
Property, plant and equipment - cost (use notes to AFS)			13 205 898
Property, plant and equipment - accumulated depreciation (use notes to AFS)			(7 283 005)
Biological assets			-
Biological assets - accumulated depreciation (use notes to AFS)			-
Living and non-living resources			5 321
Living and non-living resources - accumulated depreciation (use notes to AFS)			(2 127)
Heritage assets			2 450
Heritage assets - accumulated depreciation (use notes to AFS)			-
Intangible assets - cost (use notes to AFS)			11 770
Intangible assets - accumulated depreciation (use notes to AFS)			(11 683)
Trade and other receivables from exchange transactions			-
Non-current receivables from non-exchange transactions			-
Other non current assets			-
Other non current assets - accumulated depreciation (use notes to AFS)			-
<b>Total non current assets</b>			<b>6 606 931</b>
<b>TOTAL ASSETS</b>			<b>7 843 408</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft			-
Financial liabilities (short term portion of borrowing)			33 599
Consumer deposits			87 213
Trade and other payables from exchange transactions		866 292	649 907
Trade and other payable from non-exchange transactions			101 986
Unspent grants			3 519
Total Trade and other payable from non-exchange transactions			105 505
Provisions			3 880
VAT Payable			-
Other current liabilities			87 486
<b>Total current liabilities</b>			<b>967 589</b>
<b>Non current liabilities</b>			
Financial liabilities			122 685
Provisions			371 893
LT Portion of Trade & Other payables	216 385	103 608	319 992
Elect Bulk Purch	-	-	-
Payables and Accruals - General	-	-	-
Water Bulk Purch	-	-	-
Mun Debt Relief - Elect	216 385	103 608	-
Mun Debt Relief - Water Boards	-	-	-
Mun Debt Relief - DWS	-	-	-
Other non-current liabilities			-
<b>Total non current liabilities</b>			<b>814 570</b>
<b>TOTAL LIABILITIES</b>			<b>1 782 159</b>
<b>NET ASSETS</b>			<b>6 061 250</b>
<b>COMMUNITY WEALTH/EQUITY</b>			
Accumulated surplus/(deficit)			5 999 985
Reserves			-
Other			61 265
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>			<b>6 061 250</b>
(6)			
<b>CASH FLOW STATEMENT</b>		2023/24	
Cash and cash equivalents at the end of the year		149 608	

GT481 - Mogale City		Restructuring of Trade Payables - Bulk & Other Suppliers				
		Affordability Threshold Indicator for Restructuring of Trade Payables				
R thousand		Both cash & funding position should be positive and remain stable or improve over the MTREF to support a sustainable repayment plan				
Financial Year AFS Used As Base for Assessment						
Financial Period Start & End						
Detail of Service Provider						
Eskom		2024/25	2025/26	2026/27	2027/28	
Cash and cash equivalents - Table A7		548 317	767 193	1 081 301	1 463 432	
Water Board						
Funding Position - Table A8		456 960	708 509	1 084 905	1 461 120	
DWS		Yes	Yes	Yes	Yes	
Affordability of restructuring: Cash flow		Yes	Yes	Yes	Yes	
ABC 1		Yes	Yes	Yes	Yes	
XYZ 2		Yes	Yes	Yes	Yes	

Table A6 Cash backed (reserves) accumulated surplus reconciliation

Description	CURRENT YEAR				MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK			
	2021/22	2022/23	2023/24	2024/25	2024/25	2025/26	2026/27	2027/28
R R Board	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Treasury Calculation	Full Year Forecast	Pre-audit outcome	Budget Year +0
Cash and Investments available								
Cashback equivalents at the year end	(53 053)	1 037	80 474	11 141	(147 213)	548 317	147 213	162 790
Other current investments > 90 days	61 268	82 634	(131 101)	-	-	-	-	(143 198)
Non-current investments	81 298	88 990	150 860	-	61	61	63	83
Cash and Investments available:	81 479	152 655	100 234	11 141	(147 213)	548 378	147 213	19 654
Application of cash and Investments								
Unspent conditional transfers	3 579	(9 315)	3 522	16 665	15 995	-	-	16 445
Unspent borrowing	-	-	-	-	-	-	-	-
Statutory requirements	23 216	(55 150)	(20 171)	70 790	70 790	-	-	(19 624)
Other working capital requirements	270 140	1 209 252	461 210	(358 477)	(179 923)	(206 840)	(179 923)	(59 055)
Other provisions	(6 155)	1 720	22 039	2 042	2 042	0	2 042	0
Long term investments committed	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	50 434	50 434	50 434	50 434	50 434
Total Application of cash and Investments:	288 780	1 145 132	468 800	(219 519)	(40 864)	(158 446)	(40 864)	(9 176)
Surplus/(shortfall) - incl Non-Current Creditors Trf to Debt Relief Benefits	(207 301)	(1 012 277)	(368 326)	230 637	188 177	704 824	188 177	210 661
Creditors transferred to Debt Relief - Non-Current portion	-	-	-	144 256	144 256	247 864	144 256	175 738
Surplus/(shortfall) - incl Non-Current Creditors Trf to Debt Relief Benefits	(207 301)	(1 012 277)	(368 326)	86 400	43 920	456 960	43 920	(41 470)
Other working capital requirements								
Debtors	(1 722)	-	441 472	1 358 418	1 447 550	539 774	1 447 550	1 617 726
Creditors due	269 418	1 209 252	932 862	997 841	1 267 625	732 894	1 267 625	1 167 025
Total	(770 140)	(1 209 252)	(481 210)	338 477	179 925	206 880	179 925	329 166
Debtors collection assumptions								
Total Balance Outstanding - Receivables	(128 236)	931 997	1 357 171	1 400 964	1 612 044	1 062 448	1 612 044	1 280 336
Estimate of debtors collection rate - Rates, Service Charges & Interest for Debtors	1.5%	0.0%	32.5%	96.6%	88.9%	88.5%	89.4%	89.9%
Estimate of Other Debtors collection rate	-	-	-	-	-	-	-	-
Long term Investments committed								
Balance (based description eg sinking fund)	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments (Refer to SA 3)								
Housing Development Fund	-	-	-	-	-	-	-	-
Capital insurance	-	-	-	-	-	-	-	-
Self-insurance	-	-	-	-	-	-	-	-
Compensation for Occupational Injuries and Diseases	-	-	-	-	-	-	-	-
Employee Benefit	-	-	-	-	-	-	-	-
Non-current Provisions	-	-	-	50 434	50 434	50 434	50 434	50 434
Valuation Roll	-	-	-	-	-	-	-	-
Investment in associate account	-	-	-	-	-	-	-	-
Capitalisation	-	-	-	-	-	-	-	-
Other (list)	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments (Eici Revaluation Reserve)								
Summary of Debtors due	(283 618)	(854 429)	(1 013 861)	1 329 849	1 605 655	823 304	1 605 655	1 444 640
Receivables from Exchange	155 382	1 798 329	2 270 860	71 068	6 140	238 220	6 140	17 789
Short Term Portion of LT Receivables	-	-	-	49	49	-	49	49
Long Term Receivables from exchange transactions	-	-	-	-	-	-	-	-
Long Term Receivables from non-exchange transactions	-	-	-	-	-	-	-	-
Summary of Creditors due	-	-	-	-	-	-	-	-
Trade payables Exchange Transactions	-	-	-	-	-	-	-	-
Other Creditors Non-Exchange Transactions	-	-	-	-	-	-	-	-
Percentage of Non-Current Provisions on A6 to be Cash Backed	-	-	-	-	-	-	-	-