



REPORT

REPORT FROM DEPARTMENT OF FINANCE

Tabled March 2024

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

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ITEM NO: K(ii) 02 (03/2024)

REPORT: DRAFT BUDGET FOR MTREF 2024/25 – 2026/27

COUNCIL: 26 MARCH 2024

REPORT OF THE EXECUTIVE MAYOR

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- Annexure 29: Draft reviewed VAB Remuneration Policy VAB Members
- Annexure 30: Draft reviewed Mogale City Local Municipality By-Laws for the control of outdoor advertising Signs and Hoardings
- Annexure 31 Draft reviewed Capital project and Infrastructure investment policy
- Annexure 32: Draft reviewed Supplier Performance Monitoring Policy
- Annexure 33: Draft Acting policy **(New)**
- Annexure 34: Draft Bursary policy **(new)**

1.1 Mayor's Report

Executive Mayor Alderman D Thupane to deliver the budget speech on 26 March 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 report tabling the draft annual budget 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 below being tabled to present these proposals to stakeholders for consultation.
- 1.2 Of the report tabling of the draft 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 16 (2) of the Municipal Finance Management Act (MFMA) No.56 of 2003.
2. Of the draft 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 Proposed Revenue & Expenditure.
 - 2.2 Schedule 2 (a) 2024/2025 Proposed Capital Budget Project List.
 - 2.3 Schedule 2 (b) 2024/2025 Out – Of – Books Capital Budget Project List
 - 2.5 Schedule 3 (a) 2024/2025 Proposed Rates, Service Charges Tariffs and User Charges, Bulk Contributions & Wayleaves Tariffs.
 - 2.6 Schedule 3 (b) 2024/2025 Proposed Electricity Tariffs Restructuring
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 cognizance be taken of the draft Service Delivery and Budget Implementation Plan (SDBIP) which the Executive Mayor defines as the key performance indicators to evaluate progress in the implementation of the strategies, programmes and services.
7. That the Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the following tariffs:
 - 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 Schedule3(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 Executive Mayor 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 public participation.
9. That the Executive Mayor 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 public participation.
10. That based on the draft determination the municipality has included in the budget 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 and draft SDBIP be tabled for public participation and comments:

- Annexure 1: Draft reviewed Property Rates Policy
- Annexure 2: Draft reviewed Property Rates By-Law
- Annexure 3: Draft reviewed Supply Chain Management
- Annexure 4: Draft reviewed Credit Control and Debt Collection Policy
- Annexure 5: Draft reviewed Tariff Policy
- Annexure 6: Draft reviewed Financial Misconduct Policy
- Annexure 7: Draft reviewed Water and Sanitation Tariff Policy
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Annexure 32: Draft reviewed Supplier Performance Monitoring Policy

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

Annexure 34: Draft 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 the draft 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.**

ALDERMAN D. THUPANE

EXECUTIVE MAYOR

DATE: _____

1.3 EXECUTIVE SUMMARY

1. Purpose of the Report

The purpose of the report is to table before Council 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 and Expenditure Framework (MTREF) as required by section 16 (2) and 17(3) of the Municipal Finance Management Act No. 56 of 2003.

2. Background

2.1) The Municipal Finance Management Act (MFMA) No 56 of 2003 section 16(2) stipulates that an annual budget must be compiled and tabled in Council by 31 March accompanied as required in terms of section 17 (3) by the reviewed Integrated Development Plan and draft Service Delivery and Budget Implementation Plan.

The Municipal Structures Act 117 of 1998 section 56(2) requires the Executive Mayor to recommend to the municipal council strategies, programmes and services to address community priority needs. On the other hand, the Municipal System Act 32 of 2000 section 34(a) requires that the municipality must review its integrated development plan annually in accordance with an assessment of its performance measurements in terms of section 41.

2.2) Subsequent to the budget being tabled, it should be made available for public consultation. Once the Executive Mayor have considered the inputs from communities and different stakeholders, a final budget must be submitted to Council for consideration and approval a month before the start of the financial year.

2.3) 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.

2.4) Mogale City is under pressure to generate revenue because of the economic landscape, Council must ensure that basic services is 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.



KPA 2: Local Economic Development	Educated communities. Build spatially integrated communities. Reduced unemployment Economic Development Supported local businesses. Localised procurement and employment creation
KPA 3: Good Governance and Active Participation	Socially cohesive communities' Closer engagement of citizens and government Coordinated roles and capacities of districts and cities
KPA 4: Institutional Development and Transformation	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
KPA 5: Financial Viability	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. The assumption of collection rate of 90% must be realistic and attainable as this is a fundamental to have a funded budget.

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

Description	mscoa code	2022/2023 Audited	8 months Actuals	Approved	Total Inputs	%	Proposed Tabled	Proposed Tabled	Proposed Tabled
		Actuals	29 Feb 2024	Adjustment Budget			2024/2025 Budget	2025/2026 Budget	2026/2027 Budget
Total operating revenue		3 708 316 613	2 862 506 044	4 255 317 660	404 597 495	10%	4 659 915 155	4 919 261 746	4 889 194 875
Total Operating expenditure		3 562 833 548	2 563 891 898	3 906 559 863	227 633 963	5,8%	4 104 193 827	4 244 454 400	4 414 792 775
Operating surplus/(deficit)		145 483 065	298 614 146	348 757 797	176 963 532	4%	555 721 328	674 807 346	474 402 100
Capital grants - National		215 959 143	127 245 884	233 591 000	79 634 000	34%	313 225 000	320 164 000	201 304 000
Capital grants - Provincial		93 015 144	30 983 760	145 010 257	6 850 436	5%	151 860 693	161 968 678	2 313 031
Own Funded required capital		46 989 131	23 498 349	84 587 352	- 1 655 659	-2%	82 931 693	128 416 388	99 884 715
Total capital expenditure		355 963 418	181 727 993	463 188 609	84 828 776	18%	548 017 386	610 549 065	303 501 747
Total Expenditure (opex & capex)		3 918 796 966	2 745 619 891	4 369 748 473	312 462 739	7%	4 652 211 213	4 855 003 465	4 718 294 522
Surplus (Deficit)		- 210 480 353	116 886 153	- 114 430 813	92 134 756	2%	7 703 942	64 258 281	170 900 353

- a) The operating revenue including funding for capital projects for 2024/2025 is budgeted at R4,7 billion an increase of 10% or R405 million from the 2023/2024 approved adjustment budget and eight (8) months actuals.
- b) The operating surplus for 2024/2025 has been projected at R8 million **indicating an improvement from deficit of -R114 million** when compared to approved adjustment budget and gradually improving to a surplus of R64 million and R171 million over MTREF period.
- c) Own funded capital projects amounting to R83 million which is covered by the operating surplus of R556 million, however the municipality must still prioritize their operational needs to reduce the budget to a level of overall affordability.
- d) 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 from approved adjustment budget of 34% and 5% on capital grants received from National and Provincial Government respectively, which amongst others include the Human Settlement Development grant (HSDG) and library funding (SRAC), and a reduction of 18% relating to own funded required capital.
- e) Equitable Share has increased by R42 million or 6.5% for Mogale City.
- f) The Revenue Budget has been compiled based on projected billing, however provision has been made for a 90% collection rate through the provision of funds for the impairment of debtors. **The collection rate as at 29 February 2024 on average is 84%, projection of 90% is anticipating positive feedback from NERSA in approving the much needed Electricity tariffs restructuring, implementation of converting prepaid water meters to smart conventional meters, replacement of non-functional bulk water meters and installation of digital electricity meters will continuing in the new financial year to enhance revenue collections.**
- g) 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: The revenue budget is based on the following proposed tariff increases:

Category	2023/24 Approved tariffs increase	Source of Proposed increase	2024/25 Proposed tariffs increase
Property Rates	6.0%	In line with CPI	4.9%
Electricity	18.65%	NERSA approved tariffs for Eskom	12.7%
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 5% or R200 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

Propose capital budget has been projected to be R548 million, an increase of R85 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 R465 million and own revenue to the value of R83 million. The MTREF allocates funds to different capital needs in line with the IDP priorities and government funding requirements.

The list of approved projects for Own generated funded capital projects have decreased by 2% or R1.6 million to fund the following:

- a) bulk and small connections amounting to R22 million.
- b) refurbishment of museum R8.2 million.
- c) R15 million for Singqobile MVA new substation.
- d) R12 million for 6 Water tankers trucks.
- e) R10 million relating to ICT-Network monitoring system & Lightning protection solution.
- f) R3 million for Mulderdrift 80MI Reservoir.
- g) R3 million to purchase Chery Picker truck.
- h) R1.3 million to purchase of three (3) vehicles.
- i) R1 million Fencing of Kenmare Kloof.
- j) R7 million acquisition of equipment, furniture and computers.

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.

The projects that are undertaken by other spheres of government called out-of-books is attached in schedule 2(b). The projects are listed as follows:

CAPITAL BUDGET	FUNDING SOURCE	2024/2025 TOTAL BUDGET	2025/2026 TOTAL BUDGET	2026/2027 TOTAL BUDGET
Economic development Services				
Construction of New Municipal Building	Neighbourhood Development Partnership Grant	17 790 000	38 840 000	48 983 000
Energy Services				
Dr Montana - W&S Infrastructure	Department of Water and Sanitation	10 000 000		
Dr Sefularo - W&S Infrastructure	Department of Water and Sanitation	10 000 000		
Aged Asbestos Cement Pipeline Replacement Project	Department of Water and Sanitation	8 425 000	35 833 000	35 833 000
Grand total		46 215 000	74 673 000	84 816 000

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		
		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	613 068	649 014	685 673
Service charges		1 858 265	1 695 426	1 773 505	2 062 747	2 058 723	2 058 723	1 142 726	2 288 189	2 440 811	2 601 501
Other revenue		-	114 500	71 988	509 786	485 291	485 291	311 228	310 409	295 752	291 346
Transfers and Subsidies - Operational	1	551 309	514 719	590 709	643 511	643 443	643 443	485 584	685 105	728 164	785 531
Transfers and Subsidies - Capital	1	235 299	265 887	308 713	375 768	378 601	378 601	278 707	465 086	496 133	217 617
Interest		37 339	16 737	33 202	91 364	146 114	146 114	30 912	110 430	115 620	120 823
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	-3 994 896	-4 036 169	-4 326 136
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	445 002	657 133	342 475
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		3 303									
Decrease (increase) in non-current investments											
Payments											
Capital assets		-192 312	-279 624	-325 879	-450 885	-462 087	-462 087	-232 516	-548 017	-610 549	-303 502
NET CASH FROM/(USED) INVESTING ACTIVITIES		-189 009	-279 624	-325 879	-450 885	-462 087	-462 087	-232 516	-548 017	-610 549	-303 502
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	7 894	19 157
Cash/cash equivalents at the year end:	2	64 925	141 837	144 502	18 358	2 514	2 514	141 549	7 894	19 157	20 963

1. The assumption of collection rate of 90% 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 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 burdened by Eskom account.
4. The projected cash and cash equivalent at year end indicates a surplus of R8 million during 2024/2025 and increases to R40 million over MTREF period.

6. FINANCIAL IMPLICATIONS

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

Table 3: Proposed Operating Annual Revenue

2024-2025 PROPOSED TABLED MTREF REVENUE & EXPENDITURE BUDGET										Schedule 1
Description	mSCOA code 6.8	Audited Actuals - 30 June 2023	8 months Actuals - 29 Feb 2024	Approved Adjustment Budget 2023/2024	Total Inputs	€	Proposed Tabled 2024/2025 Budget	Proposed Tabled 2025/2026 Budget	Proposed Tabled 2026/2027 Budget	
Statement of Financial Performance										
Revenue										
Service charges - electricity revenue	0300	1 147 576 708	898 517 321	1 384 449 758	175 825 116	12,70%	1 560 274 874	1 653 891 366	1 753 124 849	
Service charges - water revenue	0400	436 469 371	340 227 875	476 259 856	28 059 334	5,9%	504 359 190	528 064 072	551 826 956	
Service charges - waste water management	0500	267 736 427	226 629 605	316 504 172	18 673 744	5,9%	335 177 916	350 591 278	366 723 183	
Service charges - waste management	0600	125 667 154	92 028 591	135 958 378	6 661 958	4,9%	142 620 336	149 323 494	156 043 052	
Revenue Foregone - Indigent Subsidies	nil	-	-	-	-	0%	-	-	-	
Total Service Charges		1 977 449 660	1 557 403 396	2 313 172 164	229 260 152	9,9%	2 542 432 316	2 682 210 210	2 827 718 040	
Sale of Goods and Rendering of Services	0700	11 427 469	7 528 016	16 063 071	787 051	4,9%	16 850 162	17 642 120	18 436 015	
Income from agency services	0800	23 220 916	17 101 436	33 728 052	1 652 676	4,9%	35 380 768	37 043 665	38 710 629	
Interest	0900	-	-	-	-	0%	-	-	-	
Interest received - Outstanding debtors	1000	87 748 502	105 999 245	87 235 868	6 385 488	7,3%	93 621 356	98 021 560	102 432 531	
Interest received - investments	1100	7 177 467	10 367 631	16 023 308	785 142	4,9%	16 808 450	17 598 447	18 390 377	
Dividends received	1200	-	-	-	-	0%	-	-	-	
Rent on Land	1300	277 276	242 383	364 906	17 880	4,9%	382 786	400 777	418 812	
Rental of facilities and equipment	1400	7 563 438	3 087 362	4 162 526	203 962	4,9%	4 366 488	4 571 714	4 777 441	
Exchange Revenue / Licence and permits	1500	-	-	-	-	0%	-	-	-	
Exchange Revenue / Operational Revenue	1600	21 121 661	7 224 392	39 137 898	1 917 754	4,9%	41 055 642	42 585 257	44 519 594	
Gains on disposal of PPE	1601	-	-	-	-	0%	-	-	-	
Total revenue from exchange transactions		2 135 986 389	1 708 953 861	2 509 887 823	241 010 145	9,6%	2 750 897 968	2 900 473 750	3 055 803 439	
Revenue from non - exchange transactions										
Taxation revenue										
Property Rates	1800	614 122 238	432 144 287	649 367 594	31 819 012	4,9%	681 186 606	713 202 377	745 296 484	
Add: Estimated Property Supplementary Valuation	1801	-	-	-	-	0%	-	-	-	
Property Rates Net of Revenue Foregone		614 122 238	432 144 287	649 367 594	31 819 012	4,9%	681 186 606	713 202 377	745 296 484	
Surcharges and Taxes	1900	38 308 197	24 144 194	39 465 866	1 933 827	4,9%	41 399 693	43 345 475	45 296 026	
Fines and Penalties Imposed	2000	33 598 274	23 283 772	34 500 000	1 650 459	4,9%	36 190 499	37 891 453	39 596 569	
Non-Exchange Revenue / Licences or permits	2100	68 228	29 682	47 172	2 311	4,9%	49 483	51 809	54 140	
Operational grants & subsidies	2200	581 604 206	477 608 518	643 447 948	41 657 265	6,5%	689 105 213	728 164 200	785 591 186	
Capital grants & subsidies	4600	304 625 081	196 341 730	378 601 257	86 484 436	22,8%	465 085 693	496 132 678	517 617 031	
Total revenue from non - exchange transactions		1 572 330 224	1 153 552 183	1 745 429 837	163 587 350	9,4%	1 909 017 187	2 018 787 996	2 133 391 436	
Total operating revenue		3 708 316 613	2 862 506 044	4 255 317 660	404 597 495	9,5%	4 659 915 155	4 919 261 746	5 189 194 875	

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 4(b)**). **The old structure has been attached as part of schedule 4(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 will be submitted to the NERSA for approval and implementation by Mogale City from 01 July 2024.

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 4.9%; 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 4: Proposed Operating Annual Expenditure

2024-2025 PROPOSED TABLED MTREF REVENUE & EXPENDITURE BUDGET								Schedule 1		
Description	mSCOA code 6.8	Audited Actuals	8 months Actuals	Approved Adjustment Budget	Total Inputs	%	Proposed Tabled	Proposed Tabled	Proposed Tabled	
		30 June 2023	- 29 Feb 2024	2023 2024			2024/2025 Budget	2025/2026 Budget	2026/2027 Budget	
Statement of Financial Performance										
Expenditure										
Employee related costs	3100	923 696 485	637 540 233	966 310 108	74 796 863	7,7%	1 041 106 971	1 061 273 738	1 109 031 047	
Remuneration of Councillors	3200	38 575 216	27 036 192	42 957 832	2 104 934	4,9%	45 062 766	47 617 596	50 294 726	
Bulk purchases : Electricity	3300	944 762 035	737 449 231	1 106 482 416	140 744 563	12,72%	1 247 226 979	1 322 060 598	1 401 384 234	
Other materials & Inventory Consumed	3400	4 316 045	2 144 735	5 934 762	- 104 090	-1,8%	5 830 672	6 099 205	6 317 813	
Water Inventory	3401	443 870 549	335 952 834	493 573 409	24 185 097	4,9%	517 758 506	542 093 156	566 487 348	
Debt impairment	3500	331 114 214	346 384 710	351 015 132	- 3 517 481	-1,0%	347 497 652	331 225 607	311 992 405	
Depreciation and armotisation	3600	213 198 966	169 203 323	250 766 898	2 507 667	1,0%	253 274 565	268 170 822	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	22 305 730	17 140 116	23 660 086	-	0,0%	23 660 086	25 079 691	26 584 472	
Collection costs	4101	29 449 828	13 534 256	23 628 114	- 300 000	-1,3%	23 328 114	24 727 801	26 211 469	
Contracted services	3800	431 570 190	185 697 559	400 031 401	- 5 885 141	-1,5%	364 146 260	370 475 325	374 480 113	
Grants and subsidies paid	3900	1 031 514	274 649	6 937 169	-	0,0%	6 937 169	7 113 196	7 294 981	
Irrecoverable debts written off	4000	-	-	-	-	0%	-	-	-	
Operational costs	4100	175 862 955	91 534 060	215 262 536	- 6 898 449	-3,2%	208 364 087	218 257 665	230 180 714	
Losses on disposal of Assets	4200	-	-	-	-	0%	-	-	-	
Other Losses	4300	- 10 403 487	-	-	-	0%	-	-	-	
Total Operating expenditure		3 562 833 548	2 563 891 898	3 906 559 863	227 633 963	5,8%	4 104 193 827	4 244 454 400	4 414 792 775	

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 7.7% which is made up of 4.9% based on CPI projections and 2.8% on filling of vacancies, as well as decrease in other materials and inventory consumed (repairs and maintenance) expenditure of 1.8%, decrease in operational cost of 3.2% and a decrease in contracted services of 1.5%.

The proposed expenditure budget makes provision of the following:

a) Employees' salaries indicate overall increase of 7.7% 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 2.8%, 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 25% for this proposed budget.

- b) 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.
- c) 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.

d) 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)

e) 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 R273 million for the 2024/2025 financial and equates to 7% 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.**

f) The provision of debt impairment for consumer debtors including traffic fines has decreased by R4.3 million or 1.2%, the provision was determined based on the projected collection rate of 90%. 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.

g) Finance Costs remained equivalent to the approved adjustment budget amounting to R27 million.

h) Contracted services decreased by 1.5% amounting to R5 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 10 largest cost drivers for contracted services that must be minimized to gain operational efficiency:

Table 5: 10 Largest Cost drivers (Contracted Services)

Mscosa New code_6.8	Item Description	Pr No	Proposed Tabled 2024/2025 Annual budget	Proposed Tabled 2025/2026 budget	Proposed Tabled 2026/2027 Budget
3800	SECURITY SERVICES PLANNED & UNPLANNED	238	120,962,724	123,381,978	125,849,619
3800	REFUSE REMOVAL	380	37,191,742	37,935,577	38,694,289
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	17,291,816	17,637,652	17,990,405
3800	NETWORK MATERIAL: MAINTENANCE OF WATER NETWORK	069	12,971,634	13,231,067	13,495,688
3800	NETWORK MATERIAL: MAINTENANCE OF WASTE WATER NETWORK	479	11,715,329	11,949,636	12,188,629
3800	ELECTRICAL INFRASTRUCTURE: UNCONTROLABLE VANDALISM	483	8,225,003	8,389,503	8,557,293
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 R35 million anticipating that risk assessment conducted and request of proposal will yield the results and the municipality saves that amount.
- iii. 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 2023/24.

Table 6: Proposed Capital Budget per Source of Funding

Funding source description	Approved Adjustment 2023/2024 Budget	Total Adjustments	Proposed Tabled 2024/2025 Budget	Proposed Tabled 2025/2026 Budget	Proposed Tabled 2026/2027 Budget
Human Settlement Development Grant	143 037 343	6 663 657	149 701 000	159 701 000	-
Integrated National Electrification Programme Grant	13 493 000	- 13 493 000	-	-	-
Integrated Urban Development Grant	145 891 650	6 047 350	151 939 000	144 155 000	156 304 000
Local Government Financial Management Grant	-	-	-	-	-
Neighbourhood Development Partnership Grant	30 000 000	31 286 000	61 286 000	76 009 000	45 000 000
Sports and Recreation Grant	1 972 914	186 779	2 159 693	2 267 678	2 313 031
Water Services Infrastructure Grant	36 306 000	63 694 000	100 000 000	100 000 000	-
Transfer from Operational Revenue	92 487 702	- 9 556 009	82 931 693	128 416 388	99 884 715
Total	463 188 609	84 828 776	548 017 386	610 549 065	303 501 747

Table 7: Proposed Capital Budget per municipal votes

Department	Approved Adjustment 2023/2024 Budget	Total Adjustments	Proposed Tabled 2024/2025 Budget	Proposed Tabled 2025/2026 Budget	Proposed Tabled 2026/2027 Budget
Community Development Services	34 970 883	- 19 036 887	15 933 996	23 267 678	42 313 031
Corporate Support Services	2 144 921	8 605 079	10 750 000	10 812 000	11 128 240
Economic Development Services	40 800 000	25 506 000	66 306 000	81 009 000	45 000 000
Financial Management Services	1 412 000	- 1 133 319	278 681	4 000 000	-
Infrastructure Development Service	295 287 880	123 750 829	419 038 709	449 460 388	147 060 475
Intergrated Environmental Magement	33 376 592	1 623 408	35 000 000	42 000 000	58 000 000
Internal Audit	100 000	150 000	250 000	-	-
Municipal Council	200 000	- 110 000	90 000	-	-
Operations Management	253 000	- 253 000	-	-	-
Strategic Investment Programme	54 543 333	- 54 173 333	370 000	-	-
Municipal Manager	100 000	- 100 000	-	-	-
Total	463 188 609	84 828 776	548 017 386	610 549 065	303 501 747

7.1. Propose capital budget has been projected to be R 548 million, an increase of R 85 million when compared to 2023/24 approved adjustment budget.

7.2 The capital budget will be funded from grants both National and Provincial government to the tune of R 313 million and R 152 million respectively. Own revenue to the value of R83 million.

Table 8: Proposed capital project per own funding

Funding Source	Pr Description	Proposed Tabled 2024/2025 Budget	Proposed Tabled 2025/2026 Budget	Proposed Tabled 2026/2027 Budget
Transfer from Operational Revenue	IDS-Electricity BULK CONNECTIONS EDS	15 000 000	16 000 000	16 000 000
Transfer from Operational Revenue	IDS-Singqobile 132/11Kv 3X20 Mva New Substation_Eds	15 000 000	20 000 000	
Transfer from Operational Revenue	IDS-Water Tankers And Vacuum Tanker Trucks X6	12 139 684	-	-
Transfer from Operational Revenue	CDS-Refurbishment of Krugersdorp Museum	8 291 848	-	-
Transfer from Operational Revenue	IDS- Electricity SMALL CONNETIONS EDS	7 455 282	7 604 388	7 756 475
Transfer from Operational Revenue	CSS-Network Monitoring System_Ict	7 000 000	7 140 000	7 282 800
Transfer from Operational Revenue	CSS-Lightning Protection Solution_Ict	3 000 000	3 060 000	3 121 200
Transfer from Operational Revenue	IDS-Cherry-picker truck 1 EDS	3 000 000	-	-
Transfer from Operational Revenue	IDS-Mulderdrift 80MI New Reservoir	3 000 000	-	-
Transfer from Operational Revenue	IDS_Vehicles x3_WWTW	1 300 543	-	-
Transfer from Operational Revenue	IDS-Electrical testing equipment and machinery EDS	1 028 200	-	-
Transfer from Operational Revenue	Office Furniture	930 000	-	50 000
Transfer from Operational Revenue	Computers and Laptops	1 598 273	-	-
Transfer from Operational Revenue	Others	3 187 863	74 612 000	65 674 240
Transfer from Operational Revenue	IEM-Fencing of Kenmare Kloof	1 000 000	-	-
	Total	82 931 693	128 416 388	99 884 715

8.1 The list of approved projects for Own generated funded capital projects have decreased by 2% or R1.6 million to fund the following:

- a) bulk and small connections amounting to R22 million.
- b) refurbishment of museum R8.2 million.
- c) R15 million for Singqobile MVA new substation.
- d) R12 million for 6 Water tankers trucks.
- e) R10 million relating to ICT-Network monitoring system & Lightning protection solution.
- f) R3 million for Mulderdrift 80MI Reservoir.
- g) R3 million to purchase Chery Picker truck.
- h) R1.3 million to purchase of three (3) vehicles.
- i) Fencing of Kenmare Kloof R1million.
- j) Acquisition of equipment, furniture and computers amounting to R7 million.

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 Finance and Corporate Support Services

Budget Steering Committee

Mayoral Committee

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 and senior officials 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.

2.2 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
PLANNING PROCESS		
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 draft 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
STATUS ANALYSIS PHASE		
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
REVIEW OF PUBLIC CONSULTATION PHASE		
Council refers Annual Municipal Report to MPAC	Council	Dec 2023/Jan 2024

ACTIVITIES	RESPONSIBLE	DATES
IDP Technical Forum	IDP	December 2023
STRATEGIC ALIGNMENT PHASE		
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
PERFORMANCE AND BUDGET REVIEW PHASE		
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
PROGRAMME AND PROJECTS PHASE		
Priority Programmes and Projects	All Departments	Feb 2024
IDP Technical Forum	IDP	Feb 2024
CAPEX and OPEX costing	BTO	March 2024
ALIGNMENT OF NATIONAL & PROVINCIAL PROGRAMMES PHASE		
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
FINAL CONSULTATION AND APPROVAL		
<ul style="list-style-type: none"> • Tabling of the draft IDP/Budget 	IDP/Budget	March 2024
<ul style="list-style-type: none"> • Public Participation - IDP Roadshows/Virtual Presentations 	IDP	April/May 2024
<ul style="list-style-type: none"> • IDP Roadshow Report. • List of community priority needs. • List of all community needs submitted to municipality departments for consideration 	IDP	April/May 2024
<ul style="list-style-type: none"> • IDP Technical Forum 	IDP	March 2024
<ul style="list-style-type: none"> • Submission of the final Annual IDP/Budget/SDBIP for consideration/ adoption. 	Council	May / June 2024

ACTIVITIES	RESPONSIBLE	DATES
<ul style="list-style-type: none"> Final SDBIP approval by the Executive Mayor 	M&E	28 days after Council has approved the revised IDP & annual budget
<ul style="list-style-type: none"> Submission of the approved IDP to the MEC of Local Government 	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 8 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: Draft reviewed Property Rates Policy

Annexure 2: Draft reviewed Property Rates By-Law

Annexure 3: Draft reviewed Supply Chain Management

Annexure 4: Draft reviewed Credit Control and Debt Collection Policy

Annexure 5: Draft reviewed Tariff Policy

Annexure 6: Draft reviewed Financial Misconduct Policy

Annexure 7: Draft reviewed Water and Sanitation Tariff Policy

Annexure 8: Draft reviewed Electricity Tariff Policy

Annexure 9: Draft reviewed 2% Corporate Social Responsibility

Annexure 10: Draft reviewed Cash Management & Investment Policy

Annexure 11: Draft reviewed Borrowing Policy

Annexure 12: Draft reviewed Funding and reserves

Annexure 13: Draft reviewed Long Term Financial Plan Policy

Annexure 14: Draft reviewed Asset Management Policy

Annexure 15: Draft reviewed Indigent Management Policy

Annexure 16: Draft reviewed Employment Equity policy

Annexure 17: Draft reviewed Recruitment Policy

Annexure 18: Draft reviewed Overtime Policy

Annexure 19: Draft reviewed Grant in Aid Policy

Annexure 20: Draft reviewed Indigent Burial Policy

Annexure 21: Draft reviewed Liquidity Policy

Annexure 22: Draft reviewed Waste Management norm & standard policy

Annexure 23: Draft reviewed Unclaimed Monies Policy

Annexure 24: Draft reviewed Cost Containment Policy

Annexure 25: Draft reviewed Budget Management Policy

Annexure 26: Draft reviewed Adjustment Budget Policy

Annexure 27: Draft reviewed Virement Policy

Annexure 28: Draft reviewed Cashier Shortages and Surpluses

Annexure 29: Draft reviewed VAB Remuneration Policy VAB Members

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

Annexure 31: Draft reviewed Capital project and Infrastructure investment policy

Annexure 32: Draft reviewed Supplier Performance Monitoring Policy

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

Annexure 34: Draft 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 8: 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 (90%) 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 90% 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.



REPORT



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Municipal Manager's quality certificate

I **Makhosana Msezana**, Municipal Manager of Mogale City, hereby certify that the draft 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 (GT481)

Signature _____

Date _____