

REPORT OF THE EXECUTIVE MAYOR

Tabled March 2025

Medium Term Revenue & Expenditure
Framework 2025/2026 – 2027/2028

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ITEM No. K(ii) 02 (03/2025)

REPORT: DRAFT BUDGET FOR MTREF 2025/2026 – 2027/2028

COUNCIL: 31 MARCH 2025

REPORT OF THE EXECUTIVE MAYOR

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- Annexure 1: Draft reviewed Property Rates Policy
- Annexure 2: Draft reviewed Property Rates By-Laws
- Annexure 3: Draft reviewed Supply Chain Management
- Annexure 4: Draft reviewed Credit Control and Debt Collection Policy
- Annexure 5: Draft Credit Control and Debt Collection By-Laws (**New**)
- 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
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- Annexure 16: Draft reviewed Employment Equity policy
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- Annexure 27: Draft reviewed Virement Policy
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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
- Annexure 34: Draft Bursary policy
- Annexure 35: Unauthorised, Irregular, Fruitless & Wasteful expenditure Policy
- Annexure 36: Draft learning & development policy **(New)**
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- Annexure 38: Draft Tariff By-Laws **(New)**
- Annexure 39: Draft Leave Policy **(New)**
- Annexure 40: Draft Management Development System Policy **(New)**
- Annexure 41: Draft transfer and secondment Policy **(New)**
- Annexure 42: Draft Task Job Evaluation Policy **(New)**
- Annexure 43: Draft Bereavement Policy **(New)**
- Annexure 44 Draft Preferential Procurement Policy
- Annexure 45 Draft Wellness Management Policy 2025-26 **(New)**



1.1 Mayor's Report

Executive Mayor of Councillor Lucky Sele to deliver the budget speech on 31 March 2025 - 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 2025/2026 and the indicative estimates for the two projected outer years for 2026/2027 and 2027/2028, as set out in the schedules listed below being tabled to present these proposals for public consultations.
- 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 2025/2026 to 2027/2028 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 2025/2026 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 and be tabled for public participation:
 - 2.1 Schedule 1 2025/2026 Summary of Proposed Revenue & Expenditure.
 - 2.2 Schedule 2 (a) 2025/2026 Proposed Capital Budget Project List.
 - 2.3 Schedule 2 (b) 2025/2026 Out – Of – Books Capital Budget Project List
 - 2.4 Schedule 3 2025/2026 Proposed Cash Flow.
 - 2.5 Schedule 4 (a) 2025/2026 Proposed Rates, Service Charges Tariffs and User Charges, Bulk Contributions & Wayleaves Tariffs.
 - 2.6 Schedule 4 (b) 2025/2026 Proposed Electricity Tariffs pending approval of Cost of Supply by NERSA.
 - 2.7 Schedule 5 MBRR Table A1 to Table A10
 - 2.8 Schedule 6 2025/2026 Draft SDBIP



3. The Salary and Wage Collective Agreement for the period 01 July 2024 to 30 June 2029 is an active agreement applicable in the new financial and outer years. Of the provision made for a 5% increase in the salaries of employees which was informed by the average CPI expected.
4. The Accounting Officer has approved a 5% salary increase for Wage Gap Agreement entered between the municipality and Labour Unions for employees on levels 5-15, contingent on the municipality's financial recovery. An initial 2.5% increase will take effect from July 2025, with the remaining 2.5% to be implemented in subsequent year, subject to the municipality's financial viability.
5. The municipality has budgeted remuneration to councillors 4.4% increase to avoid under budgeting an increase based on the projected average CPI percentages for 2024 but not finalise as the increase is determined by Minister of COGTA.
6. 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.
7. 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.
8. 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:
 - 8.1 the tariffs for the supply of water – as set out in Schedule 4(a).
 - 8.2 the tariffs for sanitation services – as set out in Schedule 4(a).
 - 8.3 the tariffs for property rates – as set out in Schedule 4(a).
 - 8.4 the tariffs for solid waste removal – as set out in Schedule 4(a).
 - 8.5 the tariffs for other services, as set out in Schedule 4 (a).
 - 8.6 the tariffs for bulk contributions and wayleaves, as set out in Schedule 4 (a).
 - 8.7 the tariffs for electricity – as set out in Schedule 4(b) pending NERSA approval of cost of supply study.**



9. 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.
10. 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- law to give effect to the Rates policy for public participation.
11. That the Council of Mogale City Local Municipality, in terms of Section 98 of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the Credit Control and Debt Collection By- Laws to give effect to the implementation and enforcement of Credit Control and Debt Collection Policy for public participation.
12. That the Council of Mogale City Local Municipality, in terms of Section 75 (1) of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the Tariff By- Laws to give effect to the implementation and enforcement of Tariff Policy and for public participation.
13. That based on the draft determination the municipality has included in the budget 4.4% cost of living adjustment of the upper limits of the total remuneration packages payable to senior managers.
14. 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 4 Draft Schedule 4) Registration of dispute in terms of MSA section 102

Annexure 5: Draft Credit Control and Debt Collection By-Law (**New**)

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
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Annexure 34: Draft Bursary policy

Annexure 35: Unauthorised, Irregular, Fruitless & Wasteful expenditure Policy

Annexure 36: Draft learning & development policy (New)

Annexure 37: Draft Reviewed Tariff Policy

Annexure 38: Draft Tariff By-Law **(New)**

Annexure 39: Draft Leave Policy **(New)**

Annexure 40: Draft Management Development System Policy **(New)**

Annexure 41: Draft transfer and secondment Policy **(New)**

Annexure 42: Draft Task Job Evaluation Policy **(New)**

Annexure 43: Draft Bereavement Policy **(New)**

Annexure 44 Draft Preferential Procurement Policy

Annexure 45 Draft Wellness Management Policy 2025-2026 **(New)**

3. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2025/2026 financial year:

1.12.1 Write Off Policy.

1.12.2 Sports & Recreation Facilities Tariff Policy.

1.12.3 Public Safety Tariff Policy.

1.12.4 Water Services By-laws.

1.12.5 Mogale City Tree Management & Conservation Policy.

1.12.6 Mogale City Parks By-Law.

1.12.7 Fleet Management Policy.

1.12.8 Methodology – Impairment Assessment of Useful lives for Assets Policy

1.12.9 Bulk Contributions Policy.

4. That the report tabling the draft annual budget of Mogale City Local Municipality for the financial years 2025/2026 and the indicative estimates for the two projected outer years for 2026/2027 and 2027/2028, as set out in the schedule 5 attached MBRR Table A1 to Table A10 be noted.

CLLR: LUCKY SELE

EXECUTIVE MAYOR

DATE: _____

1.3 **EXECUTIVE SUMMARY**

1. Purpose of the Report

The purpose of the report is to table before Finance Portfolio Committee the Annual Budget and it's Supporting Documents (draft tariffs schedules, reviewed and new budget related policies) for the 2025/2026 to 2027/2028 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.

The primary objective of this budget is to enhance the provision for upgrading and maintaining critical water and electricity infrastructure assets to ensure sustainable and efficient service delivery. A key focus is placed on procuring and improving network materials essential for water and sanitation systems, electricity distribution, road networks, streetlighting, and civil maintenance. Additionally, funding has been allocated for grass cutting and other essential municipal services to maintain public spaces and enhance the overall living conditions in communities.

This budget is designed to address pressing social needs by ensuring reliable access to clean water, stable electricity supply, and well-maintained roads and public infrastructure. Investing in these areas will help improve the quality of life for residents, support economic development, and create a safer and more sustainable environment. Moreover, the budget prioritizes proactive maintenance and upgrades to prevent service disruptions, reduce long-term repair costs, and enhance operational efficiency across key municipal services.

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 129 issued on 06 December 2024 with their preparation of the 2025/2026 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 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.



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 86% must be realistic and attainable as this is a fundamental to have a funded budget.

4. DISCUSSIONS

4.1 The National Treasury has lowered its 2024 economic growth forecast to 1.1 per cent, from the 1.3 per cent projected in the 2024 Budget Review. GDP growth is projected to average 1.8 per cent from 2025 to 2027, up from 1.2 per cent in the preceding three years.

The economic outlook faces a range of risks, faster growth depends largely on maintaining macroeconomic stability, the continued implementation of structural economic reforms, improving state capabilities and supporting higher infrastructure investment.

Growth in household consumption expenditure is expected to improve to 1.2 per cent in 2024, up from 0.7 per cent in 2023.

During 2024, headline inflation has cooled to its lowest rate in over three years, supported by lower food and transport prices. Underlying inflation – measured by the core inflation rate which, excludes volatile items such as food, non-alcoholic beverages, fuels, and energy – has also moderated to two-year lows, supported by lower imported inflation. Even though confidence of the consumers has been uplifted by the improved economy, households are still struggling to pay municipal accounts and that has a negative impact on municipal own revenues.

4.2) National Treasury's MFMA Circular No. 129 was used to guide the compilation of the 2025/2026 MTREF.

The main challenges experienced during the compilation of the 2025/2026 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 tariffs of Eskom and municipality differs as the Eskom electricity is purchased by municipality at 1.7% higher than the proposed NERSA tariff.**
- vi. **Water tariffs increase from Rand Water that is 10.9% higher than the CPI.**
- vii. **High water losses the municipality is experiencing due to various factors (internal and external).**
- viii. Investigating the completeness of revenue by reconciling the valuation roll to the billing.
- ix. The negative impact on municipal revenue because of load shedding and additional costs thereof.
- x. Effects of Eskom load shedding on business around Mogale City especially SMME's.
- xi. Affordability of own funded capital projects.
- xii. Challenge of curbing, reducing, or limiting the overall expenditure while maintain its core mandate and functions.
- xiii. 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 2025/2026 MTREF

- a) Revised IDP.
- b) The 2024/2025 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 are not increasing for the next two financial years the main reason is to provide a cushion or to lessen financial burden to the customers as the market values on properties has increased on the 2025/2030 Valuation Roll.**
- f) Consumer price index (CPI) related increase of 4.4% 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 are proposed to increase by 11.3% in the financial year 2025/2026 pending National Energy Regulator of South Africa (NERSA: the Energy Regulator) approval of cost of supply (COS) from Mogale City. Municipality's electricity tariffs are approved by NERSA not the Council of Mogale City. NERSA has developed a new model of cost of supply (COS). Increase of electricity tariffs depends on the results of cost of supply, they will either increase by projected percentage or decrease.**
- h) **Water tariffs are increasing by 15.3% 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 have been appropriated budget only when grants are reflected and have been gazetted as required by the annual Division of Revenue Act.

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 2025/2026– 2027/2028 MTREF

Description	msCOA code	Approved 2024/2025					Proposed TABB		
		Audited Actuals	7 months Actuals	Adjustment Budget	Total Inputs	%	2025/2026	2026/2027	2027/2028
		30 June 2024	- 31 Jan 2024						
Total operating revenue		4 475 692 948	2 551 976 832	5 000 550 146	605 509 950	12%	5 606 060 097	5 773 150 933	6 009 845 279
Total Operating expenditure		3 907 927 725	1 906 583 917	4 516 710 343	621 452 047	14%	5 141 108 390	5 426 318 822	5 605 263 700
Operating surplus/(deficit)		567 765 223	645 392 916	483 839 803	- 15 942 097	-3%	464 951 707	346 832 111	404 581 579
Capital grants - National		352 467 636	149 780 101	312 869 848	- 25 738 820	-8%	287 131 028	250 304 000	272 233 000
Capital grants - Provincial		81 806 309	780 109	2 180 000	- 750 000	-34%	1 430 000	1 430 000	3 714 244
Own Funded required capital		68 528 731	12 280 866	134 358 379	1 310 247	1%	135 668 626	45 120 000	4 095 601
Total Expenditure (opex & capex)		4 410 730 401	2 069 424 993	4 966 118 570	596 273 474	12%	5 565 338 044	5 723 172 822	5 885 306 545
Surplus (Deficit)		64 962 547	482 551 840	34 431 577	9 236 476	27%	40 722 053	49 978 111	124 538 734

- The operating revenue including funding for capital projects for 2025/2026 is budgeted at R5,6 billion an increase of 12% or R606 million from the 2024/2025 approved adjustment budget and seven (7) months actuals.
- The operating surplus for 2025/2026 has been projected at **R41 million indicating an improvement from previous surplus of R34 million** when compared to approved adjustment budget, maintaining the surplus by R49.9 million and improving by R125 million respectively over MTREF period.
- Own funded capital projects amounting to R135,6 million which is covered by the operating surplus of R464,9 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 from approved adjustment budget of 2% and 6% on capital grants received from National and Provincial Government respectively, which amongst others include library funding (SRAC), and an increase of 1% relating to own funded required capital.
- Equitable Share has increased by R48,6 million or 7.5% for Mogale City.
- The Revenue Budget has been compiled based on projected billing; however, provision has been made for an 86% collection rate through the provision of funds for the impairment of debtors. **The collection rate as at 28 February 2025 is 87%, average projection of 86% is based on vigorous implementation of credit control policy, implementation of converting prepaid water meters to smart conventional meters, replacement of non-functional bulk water meters to deal with high water losses and installation of digital electricity meters will continuing in the new financial year to enhance revenue collections.**
- 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 increased by 4.4% which is within annual consumer price inflation announced in January 2025 by South African Reserve Bank (SARB), the main tariff contributors are energy tariff increment at 11.3% and 14.3% with an additional 1% proposed increase for Water Demand Management Fund which are above CPI.

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	2024/25 Approved tariffs increase	Source of Proposed increase	2025/26 Proposed tariffs increase
Property Rates	4.9%	2025/2030 General Valuation Roll	0%
Electricity	New Tariff Structure (Energy block Tariffs)	NERSA approval of COS	Projecting 11.3% on energy block tariffs depending on approval of COS by NERSA.
Water: Residential	5.9%	Rand water proposed application to parliament	15.3%
Water: Business Consumer	5.9%	Rand water proposed application to parliament	15.3%
Sanitation	5.9%	Rand water proposed application to Parliament	15.3%
Refuse/Solid Waste removal	4.9%	In line with CPI	4.4%
Sundry/Other tariffs	4.9%	In line with CPI	4.4%

4.6. OPERATING EXPENDITURE FRAMEWORK

The 2025/2026 Medium - Term Revenue and Expenditure Framework (MTREF) for operating expenditure has been projected to be R5.1 billion, which represent an increase of 4% or R621 million. Macroeconomic performance and projections guidelines for GDP growth is forecasting to be 4.4% during 2025/26 and for 2026/27, 2027/28 will be 4.6% and 4.6% respectively. **(Source: MFMA Circular No.129).**

Mogale City's overall increase operating expenditure is 13.8%, 9.4% 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 8.3% above the CPI and 10.9% Rand Water increase above 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 R424 million, a decrease of R25,6 million when compared to 2024/25 approved adjustment budget. The capital budget will be funded from grants both National and Provincial government to the tune of R288,5 million and own revenue to the value of R135 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 increased by 1% or R1,3 million and funding the following:

- a) Developer's Bulk and small connections amounting to R16 million determined and charged by the municipality as part of the tariffs for large scale development as contribution by the developer towards infrastructure development in the area of durations of the Mogale city local municipality.
- b) Refurbishment of Charmdor substation amounts to R15 million.
- c) R10 million purchase of Jetvack combination truck.
- d) Bulldozer amounting to R2 million landfill site.
- e) R15 million allocated to Swaneville industrial park.
- f) R10 million relating to ICT-Network monitoring system & Lightning protection solution.
- g) Fencing of Portion 137 and Portion 138 Nooitgedacht 534 J.Q amounting to R3,5 million.
- h) R11 million to purchase of six (6) trucks for Integrated Environmental Management.
- i) Fencing of Old age homes (Jack Cotton, President flat, Pioneer, and Van Riebeeck) R1,5 million.
- j) Automatic samplers and Effluent amounting to R2 million.
- l) By-law truck for implementation of by-laws by Public Safety amounting to R1.8 million.

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 following projects are financed through capital grants:

Integrated Urban Development Grant (IUDG)

- a) Construction of Ga-Mogale, eThembaletu and Tarlton sports complex amounting to R11 million.
- b) Construction of Rietvallei Extension and Tarlton ECDC an amount of R4 million
- c) Refurbishment of Athletics facility Kagiso sports complex and Rietvlei Hall amounting to R7 million.
- d) Upgrade and extension of Community Hall (Ext. 12) amount of R4 million.
- e) Maanharand pipeline amounting R3.6 million.
- f) Road rehabilitation, resurfacing, upgrade road and storm water amounts to R58,4 million.
- g) Refurbishment of Percy Stewards and Flip Human amounting to R14,4 million.
- h) Landfill site (Luipaardsvlei) amounting to R10 million.
- i) Mulderdrift new reservoir, Kagiso water supply tower and refurbishment of sewer pumpstation at eThembaletu with an allocated amount of R25,2 million.

Water Services Infrastructure Grant (WSIG)

- a) Conventional or prepaid water meters amounting to R35 million.
- b) Flip Human refurbishment WWTW allocated budget of R37,5 million.

Detailed information relating to capital budgets is attached on schedule 2(a) 2025/2026 capital budget project list.

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:

2025/2026 PROPOSED OUT OF BOOKS CAPITAL BUDGET				
CAPITAL BUDGET	FUNDING SOURCE	2025/2026 TOTAL BUDGET	2026/2027 TOTAL BUDGET	2027/2028 TOTAL BUDGET
Energy Services				
Installation of Electricity Meters	Integrated National Electrification Programme (Eskom) Grant	4 062 000	9 856 000	23 945 000
Energy Services				
IDS- Smart Conventional Water Meters	Smart Meters Grant	47 000 000	-	-
Economic Development				
Construction of New Municipal Building	Neighbourhood Development Partnership Grant	2 000 000	4 000 000	4 000 000
Grand total		53 062 000	13 856 000	27 945 000

5. PROJECTED CASH FLOW

Gauteng: Mogale City (GT481) - Table A7 Budgeted Cash Flows

Description	2023/24	Current year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
R thousands							
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Property rates	315,521	606,256	637,938	637,938	791,998	782,789	818,014
Service charges	259,752	2,262,765	2,585,728	2,585,728	2,773,583	2,898,395	3,006,118
Other revenue	462,288	425,164	180,074	180,074	651,447	500,493	454,171
Transfers and Subsidies - Operational	221,449	681,777	681,502	681,502	730,753	769,709	803,974
Transfers and Subsidies - Capital	82,652	314,253	315,050	315,050	288,561	251,734	275,947
Interest	6,345	16,808	150,580	150,580	172,352	180,108	184,611
Dividends	-	-	-	-	-	-	-
Payments							
Suppliers and employees	(994,677)	(3,995,499)	(4,070,576)	(4,070,576)	(4,951,006)	(4,989,529)	(5,140,493)
Finance charges	(1,485)	(23,660)	(23,660)	(23,660)	(18,494)	(18,864)	(19,242)
Transfers and Subsidies	-	(8,728)	(9,601)	(9,601)	(10,686)	(10,899)	(11,117)
NET CASH FROM/(USED) OPERATING ACTIVITIES	351,845	279,136	447,034	447,034	428,508	363,934	371,984
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables	8	-	-	-	-	-	-
Decrease (increase) in non-current investments	(61,870)	-	-	-	-	-	-
Payments							
Capital assets	(203,747)	(412,503)	(449,408)	(449,408)	(424,230)	(296,854)	(280,043)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(265,609)	(412,503)	(449,408)	(449,408)	(424,230)	(296,854)	(280,043)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Short term loans	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-
Payments							
Repayment of borrowing	(16,031)	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	(16,031)	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	70,205	(133,367)	(2,374)	(2,374)	4,278	67,080	91,941
Cash/cash equivalents at the year begin:	10,269	144,508	149,608	149,608	144,508	144,508	144,508
Cash/cash equivalents at the year end:	80,474	11,141	147,233	147,233	148,786	211,588	236,449

1. The assumption of collection rate of 86% must be realistic and attainable to be able to fund the budget.
2. The municipality received the first tranche of Eskom debt relief, with R72 million written off by National Treasury in February 2025. It anticipates that the remaining two-thirds (R144 million) will also be written off, further alleviating historical debt burdens. In alignment with the approved municipal debt agreement with Treasury, the proposed cash flow excludes the payment of this R144 million.
3. The projected cash and cash equivalent at year end indicates a surplus of R149 million during 2025/2026 and increases to R448 million over MTREF period.

6. FINANCIAL IMPLICATIONS

Financial resources allocation as per proposed budget for 2025/2026 and two outer years.

Table 3: Proposed Operating Annual Revenue

2025-2026 PROPOSED MID-TERM REVENUE & EXPENDITURE FRAMEWORK (MTREF) TABLED BUDGET						Schedule 1		
Description	mSCOA code 6.8	Audited Actuals - 30 June 2024	6 months Actuals - 31 Dec 2024	Approved 2024/2025 Adjustment Budget	%	Proposed TABB 2025/2026	Proposed TABB 2026/2027	Proposed TABB 2027/2028
Statement of Financial Performance								
Revenue								
Service charges - electricity revenue	0300	1 345 351 444	979 298 639	1 762 737 550	11,30%	1 961 926 891	2 050 213 601	2 142 473 213
Service charges - water revenue	0400	521 016 074	264 808 684	619 167 893	15,30%	713 900 581	746 026 107	764 676 760
Service charges - waste water management	0500	356 441 324	151 464 618	335 177 916	15,30%	386 460 139	403 850 845	413 947 116
Service charges - waste management	0600	145 200 395	72 453 232	155 947 492	4,40%	162 809 182	170 135 595	174 388 985
Total Service Charges		2 368 009 237	1 468 025 174	2 873 030 851	12,3%	3 225 096 793	3 370 226 149	3 495 486 074
Sale of Goods and Rendering of Services	0700	-	16 852 170	24 968 658	4,4%	26 067 277	27 240 304	27 921 312
Income from agency services	0800	54 006 505	30 988 177	62 467 409	4,4%	65 215 975	68 150 694	69 854 461
Interest	0900	-	-	-	0%	-	-	-
Interest received - Outstanding debtors	1000	171 785 131	111 356 198	145 088 510	4,4%	151 472 404	158 288 662	162 245 879
Interest received - investments	1100	12 761 426	12 075 295	20 000 000	4,4%	20 880 000	21 819 600	22 365 090
Dividends received	1200	31 232	-	-	0%	-	-	-
Rent on Land	1300	-	-	-	0%	-	-	-
Rental of facilities and equipment	1400	4 999 537	2 660 638	5 321 265	4,4%	5 555 400	5 805 393	5 950 528
Exchange Revenue / Licence and permits	1500	502 006	-	-	0%	-	-	-
Exchange Revenue / Operational Revenue	1600	18 837 482	14 194 142	42 615 688	4,4%	44 490 779	46 492 864	47 655 186
Gains on disposal of PPE	1601	-	-	-	0%	-	-	-
Total revenue from exchange transactions		2 630 932 556	1 656 151 793	3 173 492 381	11,5%	3 538 778 628	3 698 023 666	3 831 478 530
Revenue from non - exchange transactions								
Taxation revenue								
Property Rates	1800	649 993 283	188 681 819	708 820 208	29,9%	920 927 737	920 927 737	962 369 485
Add: Estimated Property Supplementary Valuation	1801	-	-	-	0%	-	-	-
Property Rates Net of Revenue Foregone		649 993 283	188 681 819	708 820 208	29,9%	920 927 737	920 927 737	962 369 485
Surcharges and Taxes	1900	-	26 957	41 399 693	4,4%	43 221 279	45 166 237	46 295 392
Fines and Penalties Imposed	2000	63 386 840	11 805 773	36 190 499	4,4%	37 782 881	39 483 111	40 470 188
Non-Exchange Revenue / Licences or permits	2100	-	13 855	1 012 622	4,4%	1 057 177	1 104 750	1 132 369
Operational grants & subsidies	2200	640 494 096	498 025 059	681 501 921	7,2%	730 752 741	769 708 769	803 974 340
Capital grants & subsidies	2600	434 273 945	168 457 586	315 049 848	-8,4%	288 561 028	251 734 000	275 947 244
Interest	2300	39 270 818	28 732 592	43 001 576	4,4%	44 893 645	46 913 859	48 086 706
Fuel Levy	2400	-	-	-	0%	-	-	-
Non-Exchange Revenue / Operational Revenue	2500	7 011 743	-	-	0%	-	-	-
Gains on disposal of Assets	2600	-	-	-	0%	-	-	-
Other Gains	2700	-	81 398	81 398	4,4%	84 980	88 805	91 025
Investment Property Fair value adjustment	2701	10 329 667	-	-	0%	-	-	-
Total revenue from non - exchange transactions		1 844 760 392	895 825 039	1 827 057 765	13,1%	2 067 281 469	2 075 127 267	2 178 366 749
Total operating revenue		4 475 692 948	2 551 976 832	5 000 550 146	12,1%	5 606 060 097	5 773 150 933	6 009 845 279

6.1.1 The table above is a high-level summary of the 2025/2026 budget and MTREF (classified per main type of operating revenue).

The following are key main areas of increase:

6.1.1.1 Property Rates

The property rates increased by 29.9% based on the revised property values from the new general valuation roll. The General Valuation Roll (GVR) 2018/2023 was implemented on the 1st of July 2018 for a period of 5 years. Mogale City Local Municipality (MCLM) obtained an extension of 2 years on the validity period, from the MEC: Gauteng Department of Human Settlements, Urban Planning and Traditional Affairs by Council Resolution ITEM K(ii) 3 (04/2022), making the GVR 2018 valid until June 2025.

The GVR 2025/2030 has been compiled and handed over to the Municipal Manager on the 14th of January 2025. This valuation roll will be implemented on the 1 of July 2025 for a period of 5 years. Values contained in the GVR are based on current market values as prescribed by the Municipal

Property Rates Act as amended (MPRAA) 6 of 2004. The aim is to ensure that the municipality has an accurate and up-to-date record of property values, which is used to calculate property rates fairly and accurately.

The seven-year interval period between the General Valuation Roll (GVR) of 2018 and 2025 has led to significant changes in property values due to market fluctuations over this period.

To alleviate the financial burden on the ratepayers of Mogale City Local Municipality:

- a. 0% increase in Property Rates tariffs for the 2025/2026 financial year is proposed, thereby maintaining the tariffs at the same level as in the 2026/2027 financial year.
- b. Municipality is considering an additional rebate of R285 000 on residential property value which bring the total to R300 000.**

6.1.1.2 Sale of electricity and impact of tariff increases

Sales based on the new electricity tariff structure (energy block tariffs) projected increase is 11.3% in the financial year 2025/2026 pending National Energy Regulator of South Africa (NERSA: the Energy Regulator) approval of cost of supply (COS).

Municipality's electricity tariffs are approved by NERSA not the Council of Mogale City. NERSA has developed a new model of cost of supply (COS). Increase of electricity tariffs depends on the results of cost of supply, they will either increase or decrease by projected percentage.

The municipality is currently working with NERSA, Sustainable Energy Africa and SALGA on the cost of supply model, which will later be submitted to NERSA for evaluation and approval. Additionally, the municipality has requested educational support from NERSA to assist with:

- a) Consumer Awareness to assist households and businesses to plan their budgets accordingly. Prevents misunderstandings, potential disputes and courts over billing increases.*
- b) Justification for tariff changes and explains the reasons behind increases and demonstrates efforts to balance affordability with service sustainability.*
- c) Reducing misinformation and resistance to prevents the spread of false information that could lead to unrest or non-payment and encourages public cooperation by providing clear, factual communication.*
- d) Transparency and accountability to maintain trust and ensures that stakeholders understand why adjustments are made and how funds will be used.*

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 11.3% in the 2025/2026 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 NERSA will evaluate the price adjustment applications received from Eskom.

6.1.1.3 Sale of water and impact of tariff increases

Water tariff is proposed to increase by 15.3%, which is Rand Water proposal of 15.3 per cent tariff increment which is 10.9% above the 4.4% Consumer Price Index (CPI).

Rand Water's current gazetted tariff is 1331 cents per kilolitre. Rand Water previously submitted a 15.8 per cent increase, from 1331 cents per KI to 1541 cents per KI. In light of NERSA's electricity tariff increase, the bulk potable tariff approved by the Board of Rand Water is 1521 cents per KI - a 14.3 per cent increment. The tariff approved by the Board of Rand Water that includes Water Demand Management Fund is 1534 cents per KI – a 15.3 per cent tariff increment.

It is imperative that water be cost reflective tariffs as is prescribed by National Treasury (NT). The main cost drivers for the service are fixed, variable and other indirect costs such as water network maintenance, delivering of water to informal settlements, petrol, diesel, and remuneration of staff. In terms of the prescription of National Treasury, these costs must be absorbed by the tariff and surplus needs to be realised. The structure of water tariffs are as follows:

- a) 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
- b) Water tariffs are designed to encourage efficient and sustainable consumption the more you consume the more you pay.
- c) The overall increase in the above table is 15.3% exclusive of revenue foregone (indigents subsidies & municipal charges for internal consumption).
- d) 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 water, sewer network infrastructure, upgrading of the sewer pump stations and measures to mitigate the impact of load-shedding.
- e) Management of high-water losses that needs more attendance than before.

6.1.1.4 Sanitation and impact of tariff increases

A tariff increases of 15.3% for sanitation from 1 July 2025 is proposed. The main cost drivers for the sanitation service are staff, chemicals, and maintenance of pump stations to prevent non-compliance. Free sanitation will be applicable to registered indigents.

6.1.1.5 Refuse removal and impact of tariffs increases

Refuse/Solid Waste removal and landfill sites fees are increasing by 4.4% 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, petrol and diesel and the cost of remuneration.



6.1.1.6 Rental of facilities

Rental of facilities indicates a tariff increase of 4.4%.

6.1.1.7 Fines and Penalties imposed

Fines and Penalties Imposed tariff is increasing by 4.4% 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 4.4% the municipality will issue more tickets for traffic offences as committed by the department (CDS).

6.1.1.8 Agency services

Agency services revenue (DOT 20% share to Mogale City) is increasing by 4.4%; 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.

6.1.1.9 Transfer recognised -operational

I. Unconditional grant

Transfer recognised on operational income (Equitable Shares) is increasing by 7.5% based on the gazetted figures from National Fiscus.

II. Conditional grant

Transfer recognised on operational income which is Sports Recreation & Culture (SRAC) grant, 5% of Integrated Urban Development Grant, Local Government Financial Management Grant (FMG) and Expanded Public Works Programme Integrated Grant is decreasing by 8.4% based on the gazetted figures from National Fiscus.

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

6.1.1.10 Transfer recognised Capital

Municipality is receiving the Capital grant which is Integrated Urban Development Grant (IUDG), Water Services Infrastructure Grant (WSIG), Integrated National Electrification Programme (INEP), Neighbourhood Development Partnership Grant, amounting to R288,5 million.

6.1.1.11 Operational revenue

Operational revenue mainly relating to bulk and small connections amongst others is increasing by 4.4% when compared to approve adjustment budget.



Table 4: Proposed Operating Annual Expenditure

Description	mSCOA code_6.8	Audited Actuals - 30 June 2024	6 months Actuals - 31 Dec 2024	Approved 2024/2025 Adjustment Budget	%	Proposed TABB 2025/2026	Proposed TABB 2026/2027	Proposed TABB 2027/2028
Statement of Financial Performance								
Expenditure								
Employee related costs	3100	1 028 416 891	492 338 864	1 092 428 431	7,9%	1 178 344 647	1 249 045 326	1 323 988 045
Remuneration of Councillors	3200	39 488 117	35 048 792	48 562 766	4,4%	50 699 528	52 981 007	54 305 532
Bulk purchases : Electricity	3300	1 109 643 584	653 924 086	1 349 047 078	12,70%	1 520 376 057	1 588 792 980	1 628 512 804
Other materials & Inventory Consumed	3400	522 474 344	279 366 272	610 227 373	15,4%	704 065 155	718 106 458	732 455 261
Debt impairment	3500	393 975 722	-	410 547 510	37,9%	566 081 908	669 824 326	695 352 602
Depreciation and armotisation	3600	240 161 693	142 043 576	284 087 152	1,0%	286 928 023	289 797 303	292 695 276
Impairment loss/Reversal of impairments	3601	14 048 943	-	-	0%	-	-	-
Finance costs	3700	22 965 599	10 030 024	23 660 086	-21,8%	18 494 426	18 864 315	19 241 601
Collection costs	4101	24 095 585	-	-	0%	-	-	-
Contracted services	3800	341 094 340	182 591 428	467 594 429	16,4%	547 577 351	564 994 987	580 759 580
Grants and subsidies paid	3900	1 281 782	1 621 103	9 600 818	11,3%	10 685 670	10 899 383	11 117 371
Irrecoverable debts written off	4000	-	-	-	0%	-	-	-
Operational costs	4100	170 281 125	109 541 410	220 934 700	16,8%	257 835 224	262 991 929	266 814 403
Losses on disposal of Assets	4200	-	-	-	0%	-	-	-
Other Losses	4300	-	78 361	20 000	2,0%	20 400	20 808	21 224
Total Operating expenditure		3 907 927 725	1 906 583 917	4 516 710 343	13,8%	5 141 108 390	5 426 318 822	5 605 263 700

6.1.2 The operating expenditure for 2025/2026 is budgeted at R5,1 billion (an increase of 13.8% from the 2024/2025 approved adjustment budget).

This includes a provision for salary increases of 7.9% which is made up of 5% based on average CPI projections and 2.5% Wage Gap Agreement, as well as increase in other materials and inventory consumed (repairs and maintenance) expenditure of 15.4%, increase in operational cost of 16.8% as well as an increase in contracted services of 16.4%.

The proposed expenditure budget makes provision of the following:

6.1.2.1 Employee related cost

Employees' salaries indicate overall increase of 7.9% however the salary increase is due to the following:

- The budget and treasury division has performed a zero-based budgeting and that resulted in appropriate salary increase based on the average CPI percentage for the period 1 February 2025 until 31 January 2026, plus 0.75 per cent as per the salary and wage collective agreement were signed by the parties of the South African Local Government Bargaining Council (SALGBC).
- The Accounting Officer has approved a 5% salary increase Wage Gap Agreement entered between the municipality and Labour Unions for employees on levels 5-15, contingent on the municipality's financial recovery. An initial 2.5% increase will take effect from July 2025, with the remaining 2.5% to be implemented in subsequent years, subject to the municipality's financial viability.

It will cost the municipality an estimated amount of R85 million to implement the said increases in the new financial year.



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 23% for this proposed budget.

6.1.2.2 Remuneration of councillors

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 4.4% increase to avoid under budgeting, an increase is based on the projected average CPI percentages for 2025.

6.1.2.3 Bulk purchases

Bulk purchases have been increased as follows:

- a. Water Purchases from Rand water – 15.3%, bulk water purchases are now budgeted and accounted for as inventory in line with GRAP 12 paragraph 12.

As of the end of February, water losses stand at 35.4%, amounting to R75 million. These losses are attributed to various factors such as leaks, aging infrastructure, unauthorized consumption by both illegal miners, residence and metering inaccuracies. Addressing these issues remains a priority to enhance water conservation and improve the municipality's financial sustainability.

- b. Electricity Purchases from Eskom – 12.72% as approved by NERSA.

6.1.2.4 Depreciation and impairment

Depreciation and impairment of assets is based on the approved adjustment budget 2024/2025 financial year which includes the additional assets that will be depreciated. Budget appropriations in this regard total of R288 million for the 2025/2026 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.

6.1.2.5 Debt impairment

The provision of debt impairment for consumer debtors including traffic fines has increased by R155,5 million or 37.9%, the provision was determined based on the projected average collection rate of 86%. 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 and households with arrears.

6.1.2.6 Finance Costs

Finance costs will decrease by 21.8% due to lower loan repayments as the loan approaches completion. In the initial years of the loan agreement, the municipality made higher capital repayments, resulting in lower interest payments toward the end of the loan term due to the reduced outstanding capital.

6.1.2.7 Contracted services

Contracted services will increase by 16.4% amounting to R77 million, an increase is mainly on grass cutting, maintenance of municipal buildings, maintenance of water infrastructure assets and traffic lights, upgrading of financial system as well as security services.

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)

Expenditure / Contracted services/Description	Approved ADJB 202425	Adjustments	Proposed 2025/2026 TABB	Proposed 2026/2027 -TABB	Proposed 2027/2028 -TABB
1161 02652 00049936199_MAINTENANCE OF FINANCIAL SYSTEM_02652	6 663 830,00	133 277,00	6 797 107,00	6 933 049,14	7 071 710,12
1215 02558 00049938099_REFUSE REMOVAL_02558	47 194 317,00	943 886,00	48 138 203,00	49 100 967,06	50 082 986,40
1215 02794 00049937999_RENTAL: EARTHMOVING EQUIPMENT_02794	5 273 028,00	105 461,00	5 378 489,00	5 486 058,78	5 595 779,96
1215 02905 00049938099_MANAGEMENT: LUIPAARDSVLEI LANDFILL SITE_02905	6 000 000,00	120 000,00	6 120 000,00	6 242 400,00	6 367 248,00
1410 03053 00249905999_CIVIL MAINTENANCE_03053	7 369 851,00	(2 352 603,00)	5 017 248,00	5 117 592,96	5 219 944,82
1439 03072 00069948399_ELECTRICAL INFRASTRUCTURE: UNCONTROLABLE VANDALISM_03072	9 225 003,00	184 500,00	9 409 503,00	9 597 693,06	9 789 646,92
1450 02792 00249983599_RENTAL: TOILETS_02792	63 690 000,00	-	63 690 000,00	64 963 800,00	66 263 076,00
1614 02616 00049929499_UPGRADING OF FINANCIAL SYSTEM_02616	23 330 148,00	6 669 853,00	30 000 001,00	30 600 001,02	31 212 001,04
1630 02687 00049929799_LEGAL COST_02687	24 723 194,00	494 464,00	25 217 658,00	25 722 011,16	26 236 451,38
1710 02838 00049903499_DEBT COLLECTORS_02838	13 291 816,00	265 836,00	13 557 652,00	13 828 805,04	14 105 381,14
1805 02799 00249923899_SECURITY SERVICES_02799	126 992 194,00	23 749 589,00	150 741 783,00	161 293 707,66	172 584 266,81
1805 02805 00249923899_SECURITY SERVICES-UNPLANNED_02805	19 715 600,00	394 312,00	20 109 912,00	20 512 110,24	20 922 352,44
Others	114 125 447,94	49 274 347,40	163 399 795,34	165 596 791,25	165 308 734,99
Grand Total	467 594 428,94	79 982 922,40	547 577 351,34	564 994 987,37	580 759 580,04

- i. Most of the contracted services has increased or remained equivalent to the approved adjustment budget in order to implement cost containment measures and to improve cash flow position.
- ii. **An increase will be anticipated on grass cutting, maintenance of municipal buildings, water infrastructure assets and traffic lights amounting to R41 million.**
- iii. Security services will increase by R23,7 million to combat and prevent vandalism of critical infrastructure such as wastewater treatment works, substations, reservoirs, Civic Centre 107, Chamdor Yard, Licensing Centre and landfill sites necessitated deployment of high-risk security services. Requests were also received from IDS and Human Settlement for deployment of security services to newly completed assets.
- iv. Additions to contracted services is upgrading of financial system based on the contract escalations, municipality has embarked into utilising the new system that is *mSCOA* compliant since last financial year.



- v. Hiring of chemical toilets has been allocated budget of R68 million indicates no increase from 2024/2025 adjustment budget, these services has become unaffordable to the municipality. **The municipality is considering a hybrid approach that incorporates both package plants and chemical toilets, with a plan to gradually phase out chemical toilets over time.**

Table 5.1 Contracted services on repairs and maintenance of infrastructure assets

Description	Approved ADJB_202425	Adjustments	Proposed 2025/2026 TABB	Proposed 2026/2027 - TABB	Proposed 2027/2028 - TABB
1409 03069 00069947399_NETWORK: MATERIAL_03069_Energy	1 936 855,00	5 138 737,00	7 075 592,00	7 217 103,84	7 361 445,92
1409 03069 00069947499_NETWORK: MATERIAL_03069_Energy	6 612 067,00	(2 867 759,00)	3 744 308,00	3 819 194,16	3 895 578,04
1409 03069 00069947799_NETWORK: MATERIAL_03069_Energy	6 016 533,00	2 120 331,00	8 136 864,00	8 299 601,28	8 465 593,31
1409 03069 00069948199_NETWORK: MATERIAL_03069_Energy	3 611 206,00	1 472 224,00	5 083 430,00	5 185 098,60	5 288 800,57
1450 03069 00289906999_NETWORK: MATERIAL_03069_Water	5 281 634,00	10 105 633,00	15 387 267,00	15 695 012,34	16 008 912,59
1450 03069 00289947699_NETWORK: MATERIAL_03069_Water	3 880 000,00	77 600,00	3 957 600,00	4 036 752,00	4 117 487,04
1460 03069 00049941999_NETWORK: MATERIAL_03069_Roads	4 313 611,00	10 086 272,00	14 399 883,00	14 687 880,66	14 981 638,27
1460 03069 00049941999_NETWORK: MATERIAL_INFORMAL SETTLEMENT_Roads	500 000,00	500 000,00	1 000 000,00	1 020 000,00	1 040 400,00
1460 03069 00249907599_NETWORK: MATERIAL_03069_Roads	4 820 486,00	96 410,00	4 916 896,00	5 015 233,92	5 115 538,60
1470 03069 00049906799_NETWORK: MATERIAL_03069_Sanitation	459 000,00	9 180,00	468 180,00	477 543,60	487 094,47
1470 03069 00059948799_NETWORK: MATERIAL_03069_Sanitation	320 000,00	3 006 400,00	3 326 400,00	3 392 928,00	3 460 786,56
1470 03069 00059948999_NETWORK: MATERIAL_03069_Sanitation	320 000,00	3 006 400,00	3 326 400,00	3 392 928,00	3 460 786,56
1470 03069 00289947999_NETWORK: MATERIAL_03069_Sanitation	13 690 329,00	273 807,00	13 964 136,00	14 243 418,72	14 528 287,09
Grand Total	51 761 721,00	33 025 235,00	84 786 956,00	86 482 695,12	88 212 349,02

Table 6: Proposed Capital Budget per Source of Funding

Funding source description	Approved Adjustment 2024/2025 Budget	Total Adjustments	Proposed Tabled 2024/2025 Budget	Proposed Tabled 2025/2026 Budget	Proposed Tabled 2026/2027 Budget
Human Settlement Development Grant	-	-	-	-	-
Integrated National Electrification Programme Grant	-	-	-	14 000 000	14 633 000
Integrated Urban Development Grant	151 583 848	933 180	152 517 028	156 304 000	163 306 000
Local Government Financial Management Grant	-	-	-	-	-
Neighbourhood Development Partnership Grant	61 286 000	828 000	62 114 000	20 000 000	36 294 000
Sports and Recreation Grant	2 180 000	- 750 000	1 430 000	1 430 000	3 714 244
Water Services Infrastructure Grant	100 000 000	- 27 500 000	72 500 000	60 000 000	58 000 000
Transfer from Operational Revenue	134 358 379	1 310 247	135 668 626	45 120 000	4 095 601
Total	449 408 227	- 25 178 573	424 229 654	296 854 000	280 042 845

Table 7: Proposed Capital Budget per municipal votes

Department	Approved Adjustment 2024/2025 Budget	Total Adjustments	Proposed Tabled 2024/2025 Budget	Proposed Tabled 2025/2026 Budget	Proposed Tabled 2026/2027 Budget
Community Development Services	21 624 002	26 992 816	48 616 818	32 827 000	43 714 244
Corporate Support Services	6 272 000	4 573 000	10 845 000	245 000	-
Economic Development Services	67 488 114	- 2 929 114	64 559 000	20 015 000	36 294 000
Financial Mangement Services	1 487 072	530 283	2 017 355	-	-
Infrastructure Development Service	245 026 303	- 28 542 491	216 483 812	189 260 000	122 306 722
Intergrated Environmental Magement	28 171 275	2 080 475	30 251 750	18 195 000	67 424 013
Internal Audit	4 385 543	70 000	4 455 543	70 000	-
Municipal Council	322 040	681 592	1 003 632	773 000	213 352
Operations Management	470 066	239 934	710 000	280 000	-
Strategic Investment Programme	74 146 812	- 28 875 068	45 271 744	35 189 000	10 074 102
Municipal Manager	15 000	-	15 000	-	16 412
Total	449 408 227	- 25 178 573	424 229 654	296 854 000	280 042 845

- 7.1 Propose capital budget has been projected to be R 424 million, a decrease of R 25,1 million when compared to 2024/25 approved adjustment budget.
- 7.2 The capital budget will be funded from grants both National and Provincial government to the tune of R 288,5 million and R 252 million respectively. Own revenue to the value of R135 million.



Table 8: Proposed capital project per own funding

Row Labels	Approved ADJB 2024/25	Departmental Inputs	Adjustments	Proposed 2025/2026 TABB	Proposed 2026/2027 -TABB	Proposed 2027/2028 -TABB
121590276 00259994199_CAP332_IEM-10m Cubic Tipper Truck	200 000	1 400 000	1400 000	1 600 000	-	-
121590277 00259994199_CAP334_IEM-1 cactus Grab (10 Tonne)	3 600 000	(2 300 000)	(2300 000)	1 300 000	-	-
121590277 00259994999_IEM-Acquisition Of Roll Ons Trucks X4 & TLB_V	1 300 000	638 900	638 900	1 938 900	-	-
121590277 00259995099_CAP335_IEM-Forestry Crab (10 Tonne)	-	1 300 000	1300 000	1 300 000	-	-
121590277 00259950299_CAP325_IEM-Skip Bins_Wm	500 000	1 500 000	1500 000	2 000 000	-	-
122090277 00259949999_IEM-Minor Equipment & Plants_PM_90277	150 000	850 000	850 000	1 000 000	-	-
123090267 00259984999_IEM-Kagiso Cemetery Hydro Survey & Drainage	-	1 500 000	1500 000	1 500 000	-	-
1230_Bulldozer		2 000 000	2000 000	2 000 000		
1259 REFURBISHMENT SINQOBILE ECDC		1 000 000	1000 000	1 000 000	1 000 000	-
140990263 00259988999_CAP117_IDS-Electricity BULK CONNECTIONS	9 106 919		-	9 106 919	-	-
140990263 00259988999_CAP118_IDS-Electricity SMALL CONNETION	7 455 282		-	7 455 282	-	-
140990273 00329982799_CAP021_IDS-Analog To Digital Meter Rep	5 643 081		-	5 643 081	-	-
140990275 0025991035_CAP123_IDS-Electrical testing equipment	1 028 200	2 000 000	2000 000	3 028 200	-	-
141090277 00329995399_IDS-Refurbishment of Municipal Buildings		1 000 000	1000 000	1 000 000	1 000 000	-
145090264 00329959299_CAP273_IDS-Smart Conventional Water Me	5 000 000		-	5 000 000	-	-
1450 REFURBISHMENT OF LABORATORY		3 000 000	3000 000	3 000 000	(2 000 000)	-
145090275 00259955999_CAP289_IDS-Automatic Samplers and Efflu	2 800 000		-	2 800 000	-	-
146090276 0025991019_IDS-Flatbed Trucks (R&T)_	2 046 902	700 000	700 000	2 746 902	-	2 239 546
1470 JETVACK COMBINATION TRUCK		10 000 000	10 000 000	10 000 000	10 000 000	-
147090276 0025991027_CAP292_IDS-Vehicles x3_WWTW	1 300 543		-	1 300 543	-	-
161490272 00259993399_CAP024_CSS-Lightning Protection Solutio	1 000 000	1 000 000	1000 000	2 000 000	-	-
161490273 00259986999_CAP030_CSS-Data Center Infrastructure_I	1 500 000	1 500 000	1500 000	3 000 000	-	-
161490273 00259987099_CAP031_CSS-Network Monitoring System_Ic	2 200 000	2 800 000	2800 000	5 000 000	-	-
180290277 00259949999_CDS-Road Marking machine	1 407 973		-	1 407 973	-	-
1802 TRUCK_BYLAW		1 800 000	1800 000	1 800 000	-	-
CHAMDOR SUBSTATION REFURBISHMENT		15 000 000	15 000 000	15 000 000	25 000 000	
MECHANICAL EQUIPMENT (OHS) WWTW		1 000 000	1000 000	1 000 000	1 000 000	-
Fencing at Portion 137 and Portion 138 Nootgedacht 534 J.Q		3 500 000	3500 000	3 500 000	3 500 000	-
Fencing at Old Age Homes (Jack Cotton, President, Pioneer & Van Riebeeck)		1 500 000	1500 000	1 500 000	1 500 000	-
Other capital assets	88 119 479	(51 378 653)	(51 378 653)	36 740 826	3 700 000	1 856 055
Grand Total	134 358 379	1 310 247	1 310 247	135 668 626	44 700 000	4 095 601

8.1 The list of approved projects for Own generated funded capital projects have increased by 1% or R1,3 million and funding the following:

- Developers bulk and small connections amounting to R16 million determined and charged by the municipality as part of the tariffs for large scale development as contribution by the developer towards infrastructure development in the area of durations of the Mogale City Local Municipality.
- refurbishment of Charmdor substation amounts to R20 million.
- R10 million purchase of Jetvack combination truck.
- R10 million on roads rehabilitation and resurfacing.
- R10 million relating to ICT-Network monitoring system & Lightning protection solution.
- Installation fencing Nootgedacht R3,5 million.
- R11 million to purchase of six (6) trucks for Integrated Environmental Management.
- Fencing of Old age homes R1,5 million.
- By-law truck for implementation of by-law R1.8 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

Internal Departments

Executive Management Committee

Joint Finance and Corporate Support Services

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 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 2025) 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 2024. Key dates applicable to the process were:

ACTIVITIES	RESPONSIBLE	DATES
PLANNING PROCESS		
Preparation for Revised IDP process plan	IDP	July 2024
Tabling of the 2025/2026 IDP/Budget Process Plan to EXCO/Budget Committee for recommendation for approval	IDP	August 2024
Adoption of IDP/ Budget Process Plan for 2025/2026 IDP/Budget.	Council	July/Aug 2024
MCLM inputs in the district	IDP	July 2024
Public notice of the adopted IDP/Budget Process Plan for 2025/2026 IDP/Budget Review	IDP	July/Aug 2024
Submission of the IDP Process Plan to MEC for Local Government, National & Provincial Treasury Departments	IDP	July/Aug 2024
STATUS ANALYSIS PHASE		
Demographic & Service Delivery data analysis	IDP	September 2024
Socio-Economic data analysis	IDS, EDS, CDS & IDP	Sept/Oct 2024
Institutional data analysis	FM, CDS& IDP	Sept/Oct 2024
Spatial data analysis	EDS& IDP	Oct/Nov 2024
Environmental sustainability data analysis	DIEM & IDP	Oct/Nov 2024
REVIEW OF PUBLIC CONSULTATION PHASE		
1. List of community priority needs prepared for Departments 2. List of all community needs submitted to departments for consideration	IDP	December 2024



ACTIVITIES	RESPONSIBLE	DATES
STRATEGIC ALIGNMENT PHASE		
Vision and Mission	All Departments	Jan/Feb 2025
Objectives and development priorities	All Departments	Jan/Feb 2025
Priority Programme and Project Identification	All Departments	Jan/Feb 2025
PERFORMANCE AND BUDGET REVIEW PHASE		
Submission of Mid-year performance report	M&E	Jan/Feb 2025
Budget Adjustment	FM	Feb 2025
PROGRAMME AND PROJECTS PHASE		
Priority Programmes and Projects	All Departments	Feb 2025
CAPEX and OPEX costing	BTO	1-15 March 2025 15-26 March 2025
• Agreement on changes proposed by Executive Mayor and Councillors on IDP/Budget	BTO	
ALIGNMENT OF NATIONAL & PROVINCIAL PROGRAMMES PHASE		
Consideration and ensuring that MEC comments are addressed	IDP	March 2025
Integration and Alignment of sectoral plans into the IDP	IDP	March 2025
Integration and Alignment of operational plans into the IDP	All Departments	March 2025
FINAL CONSULTATION AND APPROVAL		
• Tabling of the draft IDP/Budget	IDP/Budget	March 2025
• Public Participation - IDP	IDP, CC & CC	April/May 2025
• IDP Analysis Report	IDP	April/May 2025
• Prioritisation of the community inputs	Service delivery departments	May 2025
• Tabling of Annual IDP/Budget/SDBIP for consideration/ adoption.	Council	May 2025
• Submission of the approved IDP to the MEC of Local Government	IDP Division	May/June 2025

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 new ones recommended be tabled for public participation and reviewed highlighted in red from Annexure 1 to 45.

Annexure 1: Draft reviewed Property Rates Policy

Annexure 2: Draft reviewed Property Rates By-Laws

Annexure 3: Draft reviewed Supply Chain Management

Annexure 4: Draft reviewed Credit Control and Debt Collection Policy

Annexure 4 Draft Schedule 4) Registration of dispute in terms of MSA section 102

Annexure 5: Draft Credit Control and Debt Collection By-Laws **(New)**

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 Service 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
- Annexure 34: Draft Bursary policy
- Annexure 35: Unauthorised, Irregular, Fruitless & Wasteful expenditure Policy
- Annexure 36: Draft learning & development policy **(New)**
- Annexure 37: Draft Reviewed Tariff Policy
- Annexure 38: Draft Tariff By-Laws **(New)**
- Annexure 39: Draft Leave Policy **(New)**
- Annexure 40: Draft Management Development System Policy **(New)**
- Annexure 41: Draft transfer and secondment Policy **(New)**
- Annexure 42: Draft Task Job Evaluation Policy **(New)**
- Annexure 43: Draft Bereavement Policy **(New)**
- Annexure 44 Draft Preferential Procurement Policy
- Annexure 45 Draft Wellness Management Policy 2025-2026 **(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 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 129)**.

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 2025/2026 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. Guard against taking further unfunded mandates.
6. Strictly control the use of delivering water to informal settlements through our 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 alternative method of providing sanitation to informal settlements by implementing dignified method.
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, 2023-2028

Fiscal year	2023/24 Actual	2024/25 Estimate	2025/2026	2026/27	2027/28
			Forecast		
CPI Inflation	5.9%	4.6%	4.4%	4.5%	2.5%

Source: 2024 Budget Review

2.3.4 Collection rate for service charges revenue

The rate of revenue collection is currently expressed as a percentage (86%) 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 and programmes to curb the increasing debt book 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 2024 to 30 June 2029 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 5% 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 86% 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 2025, currently Mogale City have 1 intern undergo training in various divisions of the Financial Services, Risk Management, and Internal Audit.

Municipality is currently in the process of recruiting 5 Municipal Financial Management interns.

3. Budget and Treasury Office

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

4. Audit Committee

Mogale City has rescinded the 29 January 2014 decision to participate in a Regional Audit Committee and is in the process of appointing its own audit committee.

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
1740

Municipal Manager's quality certificate

I **Makhosana Msezana**, Municipal Manager of Mogale City, hereby certify that the 2025-2026 Tabled Annual Budget Report & Two Outer Years 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 (GT481)

Signature: 
Date: 13/03/2025