

# **TSANTSABANE MUNICIPALITY**

## **MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2024/25 TO 2026/27**

**ANNUAL BUDGET OF**  
**TSANTSABANE**  
**MUNICIPALITY**

**2024/25 TO 2026/27**  
**MEDIUM TERM REVENUE AND**  
**EXPENDITURE FORECASTS**

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### List of documents attached.

Detailed Capital Budget 2024/25

A-Schedule 2024/25

## Abbreviations and Acronyms

BPC	Budget Planning Committee	MSCOA	Municipal Standard Chart of Account
CFO	Chief Financial Officer		
MM	Municipal Manager	MFMA	Municipal Financial Management Act Programme
CPI	Consumer Price Index	MIG	Municipal Infrastructure Grant
CRRF	Capital Replacement Reserve Fund	MMC	Member of Mayoral Committee
DBSA	Development Bank of South Africa	MPRA	Municipal Properties Rates Act
DoRA	Division of Revenue Act	MSA	Municipal Systems Act
DWA	Department of Water Affairs	MTEF	Medium-term Expenditure Framework
EE	Employment Equity	MTREF	Medium-term Revenue and Expenditure Framework
EEDSM	Energy Efficiency Demand Side Management	NERSA	National Electricity Regulator South Africa
EM	Executive Mayor	NGO	non-governmental organisations
FBS	Free basic services	NKPIs	National Key Performance Indicators
GDP	Gross domestic product	OHS	Occupational Health and Safety
GDS	Gauteng Growth and Development Strategy	OP	Operational Plan
GFS	Government Financial Statistics	PBO	Public Benefit Organisations
GRAP	General Recognised Accounting Practice	PHC	Provincial Health Care
HR	Human Resources	PMS	Performance Management System
IDP	Integrated Development Strategy	PPE	Property Plant and Equipment
IT	Information Technology	PPP	Public Private Partnership
kℓ	kilolitre	PTIS	Public Transport Infrastructure System
km	kilometre	RG	Restructuring Grant
KPA	Key Performance Area	RSC	Regional Services Council
KPI	Key Performance Indicator	SALGA	South African Local Government Association
kWh	kilowatt	SDBIP	Service Delivery Budget Implementation Plan
ℓ	litre	SMME	Small Micro and Medium Enterprises
LED	Local Economic Development	ADJB	Adjustment Budget
MEC	Member of the Executive Committee	DORA	Division of Revenue Act
ORGB	Annual Original Budget	RBIG	Regional Bulk Infrastructure Grant
INEP	Integrated National Electrification Program	ADJB	Adjustment Budget
FMG	Financial Management Grant		
WSIG	Water Services Infrastructure Grant		
A4	Financial Performance Statement		
A5	Capital Expenditure		
A6	Financial Position Statement		
MBRR	Municipal Budget and Reporting Regulations		

# Part 1 – Annual Budget

## 1.1 Mayor's Report

## 1.2 Council Resolutions

On **20 May 2024**, the Council of Tsantsabane Local Municipality met in the Council Chambers to consider the draft annual budget of the municipality for the financial year 2024/25.

The Council of Tsantsabane Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) **approves and adopts:**

- 1.1. The annual budget of the municipality for the financial year 2024/25 and the multi-year and single-year capital appropriations as set out in the following tables:
  - 1.1.1. Budgeted Financial Performance (revenue and expenditure by source and type classification, **A4** table 1 & 2, respectively.
  - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote, **A3** table 13.
  - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by function, **A2** table 12; and
  - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and function and associated funding by source, **A5** table 10;
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus/revisit, asset management and basic service delivery targets are approved as set out in the following tables attached in the budget documentation:
  - 1.2.1. Budgeted Financial Position **A6** in table 16.
  - 1.2.2. Budgeted Cash Flows; **A7** in table 17;
  - 1.2.3. Cash backed reserves and accumulated surplus reconciliation; **A8** in table 18.
  - 1.2.4. Asset management in **A9** table 18; and
  - 1.2.5. Basic service delivery measurement in **A10**; and
2. The Council of Tsantsabane Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **resolved to approve and adopt** the following **tariffs** as attached in **List of Attachments**, with effect from 1 July 2024:
  - 2.1. The tariffs for property rates
  - 2.2. The tariffs for electricity
  - 2.3. The tariffs for the supply of water
  - 2.4. The tariffs for sanitation services
  - 2.5. The tariffs for solid waste services

3. The Council of Tsantsabane Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **resolved to approve and adopt** with effect from 1 July 2024 the tariffs for other services. (**List of Attachments**).
4. To give proper effect to the municipality's annual budget, the Council of Tsantsabane Municipality **resolved**:
  - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates and gains on disposal of land to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
  - 4.2. The budget funding plan and all progress reports in relation to the implementation of the council turnaround strategy as adopt in previous budget periods.

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipal Budget and Reporting Regulations, as well as various circulars issued by National Treasury, provides the guidance for budget preparation by local government.

The main items identified can be summarised as follows:

- Improved service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Unfunded mandates, core functions service delivery agents;
- Land availability for e.g. economic development;
- Land availability for establishing tip-sites;
- Alternative service delivery options;
- Obtaining a "clean audit" inclusive of performance management;
- Delegation- and procedure manuals;
- Risk management;
- Improved planning and beyond 5 years;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Local economic development facilitation;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses;
- Tourism initiatives; and
- Improved public participation.

National Treasury's MFMA Circulars No. 70, 72, 74, 75, 78, 79, 85, 86, 91,94,99,107,108, 112; 116; 115;122;123;124; 126 and 128 were mainly used to guide the compilation of the 2024/25 MTREF.

Some of the key challenges faced by the municipality when compiling the budget were:

- The on-going difficulties in the national and local economy leading to high unemployment rate within our communities.
- Aging roads, asbestos pipes, the capacity of the sewer work and electricity infrastructure.
- The need to prioritise projects and expenditure within the existing resource envelope.
- **The increased cost of electricity (due to tariff increases from Eskom of 12.72%), which is placing upward pressure on service tariffs to residents. Similarly, the effect of the water tariffs, as determined by the Bloem Water Board, on consumers. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable.**
- Proposed wage increases for municipal staff that continue to strain municipal fiscus, as well as the need to fill critical vacancies.
- Affordability of capital projects and the resultant operational costs associated with new infrastructure projects; and

The municipality is in an unhealthy financial position; however, with an improved cash management and containing municipal running costs, this position can change. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality, and to this end the municipality is not achieving this objective. The main obstacle is huge creditors book balance mainly being Eskom and Bloem Water. The debtors' book is equally big but with inability to collect old debts, this in turn creates huge amount of possible bad debts which we create a provision for each year when compiling annual financial statements. The Capital Replacement Reserve needs to be at a level where all capital spending should be funded from but currently there are no funds in the CRR (Capital Replacement Reserve) to fund any capital projects.

The following budget principles and guidelines directly informed the compilation of the 2024/25 MTREF:

- Municipalities should focus on collecting revenues owed to them and eliminate wasteful and non-core spending.
- Tariff and property rates increase should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective and should consider the need to address infrastructure backlogs.
- Municipalities need to ensure continuous operation of water infrastructure and other specified essential infrastructure, including by installing alternative energy sources or other measures to provide an uninterrupted power supply.

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.
- The budget must be spent in full, and all grants should be utilised in full.
- The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the 2025 MTEF period.
- As part of government's efforts to accelerate access to electricity thereby addressing the energy crisis, Eskom and municipal INEP grants will begin funding alternative energy technologies such as rooftop solar, energy-saving devices and massive roll-out of smart metering.
- The Annual Division of Revenue Bill - Municipalities must reconcile their budgets to the numbers published therein in compiling their 2024/25 MTREF.

In view of the above, the following tables are an overview of the 2024/25 Medium-term Revenue and Expenditure Framework:



## OPERATING REVENUE

Projections, analysis, estimates and assumptions were based on 2022/23 audited actuals, 2023/24 mid-year budget assessment, current trends & patterns and inflationary projections as per circular 128.

**Table 1**

Choose name from list - Table A4 Budgeted Financial F (revenue and expenditure)										
Description	Ref	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Revenue</b>										
<b>Exchange Revenue</b>										
Service charges - Electricity	2	62 894	58 517	69 873	61 619	61 619	64 245	66 710	69 526	72 359
Service charges - Water	2	17 311	15 174	17 796	17 796	17 796	19 055	13 555	13 737	13 992
Service charges - Waste Water Management	2	22 532	26 223	22 960	27 613	27 613	34 411	27 045	28 717	30 399
Service charges - Waste Management	2	12 910	15 201	13 207	16 007	16 007	19 268	16 357	20 733	25 323
Sale of Goods and Rendering of Services		740	897	801	662	662	662	833	871	916
Agency services		-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets		806	1 220	767	767	767	767	625	654	684
Dividends		-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		587	589	587	587	587	587	617	646	676
Licence and permits		1	1	1 087	1 087	1 087	1 087	1 158	1 211	1 267
Operational Revenue		67	127	70	223	223	223	133	139	145
<b>Non-Exchange Revenue</b>										
Property rates	2	-	-	34 966	34 966	34 966	34 966	35 980	37 743	39 517
Surcharges and Taxes		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		216	337	232	1 041	1 041	1 041	113	118	135
Licences or permits		1 030	1 104	-	-	-	-	1	1	1
Transfer and subsidies - Operational		52 556	56 304	65 902	85 902	85 902	85 902	69 004	70 374	70 496
Interest		-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		5 919	20 989	19 330	400	400	400	8 360	-	-
Other Gains		-	-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>177 568</b>	<b>196 684</b>	<b>247 576</b>	<b>248 670</b>	<b>248 670</b>	<b>262 614</b>	<b>240 490</b>	<b>244 468</b>	<b>255 910</b>

<b>Expenditure</b>										
Employee related costs	2	78 515	83 845	89 927	91 194	91 194	91 194	92 900	94 856	98 087
Remuneration of councillors		6 029	5 723	5 240	5 240	5 240	5 240	6 090	6 276	6 471
Bulk purchases - electricity	2	48 532	49 958	49 430	49 430	49 430	49 430	50 000	50 000	50 000
Inventory consumed	8	21 612	25 454	2 839	24 126	24 126	24 126	28 257	29 566	30 847
Debt impairment	3	34 407	39 949	10 847	10 847	10 847	10 847	1 084	1 084	1 084
Depreciation and amortisation		33 309	37 801	12 796	12 796	12 796	12 796	2 423	2 423	2 423
Interest		6 462	18 446	3 204	1 661	1 661	1 661	3 500	3 500	3 500
Contracted services		22 344	31 157	25 633	24 722	24 722	24 722	19 371	19 554	19 554
Transfers and subsidies		-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		-	-	-	-	-	-	-	-	-
Operational costs		17 818	18 068	25 034	35 766	35 766	35 766	36 766	36 977	37 247
Losses on disposal of Assets		(10 001)	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>259 028</b>	<b>310 401</b>	<b>224 951</b>	<b>255 783</b>	<b>255 783</b>	<b>255 783</b>	<b>240 392</b>	<b>244 235</b>	<b>249 213</b>
<b>Surplus/(Deficit)</b>		<b>(81 460)</b>	<b>(113 717)</b>	<b>22 625</b>	<b>(7 113)</b>	<b>(7 113)</b>	<b>6 831</b>	<b>98</b>	<b>233</b>	<b>6 697</b>
Transfers and subsidies - capital (monetary allocations)	6	31 357	31 585	26 336	26 336	26 336	26 336	29 958	39 240	25 217
Transfers and subsidies - capital (in-kind)	6	-	29 056	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Income Tax		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	1	<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>

The operating income for 2025 MTREF is **R240.490** million

This is primarily attributed to the revenue generating sources where:

- **Electricity, water, refuse and Sanitation** These service charges are based on 2023/23 audited actuals, 2023/24 mid-year budget assessment, inflationary projections as per circular 128 and importantly based on current trends as per processing month 10. The entire service charge revenue contributes **51%** of the total municipal operating revenue.
- Year-on-year, revenue from service charges increases by 1% or R632 thousand from 2023/24 adjusted amount of R123.035 million **to R123.667 million** in 2024/25 MTREF.
- **Property Rates** has increased from **R34.9 million** based on the 2023/24 adjusted outcomes and to **R35.979 million** in 2024/25 MTREF budget year. This increase amounts to 2.8% or R1.013 million. Property Rates contributes around **15%** of the total operating revenue.
- **Other source of income** increased from R4.7 million of the adjustment budgets to R11.839 million which is 59.7% or increase R7.072 million. The contribution to the total revenue is 5%. A significant increase on year-on-year due to an intention to sell land.

- **Operating Government Grants** (Transfers and Subsidies) Government Grants that are operational in nature amount to **R69 million**. This account for 28.69% percent of the total operating revenue. Further breakdown of total grants will be provided.

## OPERATING EXPENDITURE

Projections, analysis, estimates and assumptions were based on 2022/23 audited actuals, 2023/24 mid-year budget assessment, inflationary projections as per circular 128 read together with circular 126 and any other applicable surrounding factors.

**Table 2**

Choose name from list - Table A4 Budgeted Financial F(revenue and expenditure)										
Description	Ref	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousand</b>	<b>1</b>									
<b>Expenditure</b>										
Employee related costs	2	78 515	83 845	89 927	91 194	91 194	91 194	92 900	94 856	98 087
Remuneration of councillors		6 029	5 723	5 240	5 240	5 240	5 240	6 090	6 276	6 471
Bulk purchases - electricity	2	48 532	49 958	49 430	49 430	49 430	49 430	50 000	50 000	50 000
Inventory consumed	8	21 612	25 454	2 839	24 126	24 126	24 126	28 257	29 566	30 847
Debt impairment	3	34 407	39 949	10 847	10 847	10 847	10 847	1 084	1 084	1 084
Depreciation and amortisation		33 309	37 801	12 796	12 796	12 796	12 796	2 423	2 423	2 423
Interest		6 462	18 446	3 204	1 661	1 661	1 661	3 500	3 500	3 500
Contracted services		22 344	31 157	25 633	24 722	24 722	24 722	19 371	19 554	19 554
Transfers and subsidies		-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		-	-	-	-	-	-	-	-	-
Operational costs		17 818	18 068	25 034	35 766	35 766	35 766	36 766	36 977	37 247
Losses on disposal of Assets		(10 001)	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>259 028</b>	<b>310 401</b>	<b>224 951</b>	<b>255 783</b>	<b>255 783</b>	<b>255 783</b>	<b>240 392</b>	<b>244 235</b>	<b>249 213</b>
<b>Surplus/(Deficit)</b>		<b>(81 460)</b>	<b>(113 717)</b>	<b>22 625</b>	<b>(7 113)</b>	<b>(7 113)</b>	<b>6 831</b>	<b>98</b>	<b>233</b>	<b>6 697</b>
Transfers and subsidies - capital (monetary allocations)	6	31 357	31 585	26 336	26 336	26 336	26 336	29 958	39 240	25 217
Transfers and subsidies - capital (in-kind)	6	-	29 056	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Income Tax		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>1</b>	<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>

With the municipality operating expenditure, there has been a decrease of total operating expenditure compared to **R255.783 million** of last adjustment budget, the current total operating expenditure is at **R240.392 million**. This is a decrease of 6% into the current MTREF Budget. Council must consider curbing down non-basic service delivery expenditure and outsource of repair and maintenance and other operational cost within the capacity of the council.

**Employee Related cost** appear to have increased from **R91.194 million in the adjustment** budget of 2023/24 to **R92.900 million** (2%) in 2024/25 MTREF budget year. The slight increase due to the fact that certain positions initially included, are no longer included and the non-inclusion of the task level effect (Slow implementation). The salary bill of the municipality contributes 27% of the total expenditure.

Employee Related Costs and Councillors' Remuneration amounts to 41% of the total operating expenditure. Slight signs of overstaffing and not curbing overtime.

**Bulk purchases electricity** increased from **R49.430 million** of adjustment budget to **R50 million** (R569 thousand or 1%) a slower growth is expected in kwh consumption and possible loadshedding. Electricity purchases accounts for 21% of the total expenditure.

**Contracted Services** decreased from **R24.721 million** of adjustment budget to **R19.371 million** (R5.350 million or 22%). The R9.371 million represents 8 percent of the total operating expenses.

**Finance Cost** increased from **R1.661 million** of adjustment budget to **R3.500 million** (R1.838 million or 53%). The R3.500 million represents 1 percent of the total operating expenses.

## CAPITAL BUDGET

Table 3

### Capital Revenue

Table 3.1

LOCAL GOVERNMENT MTREF ALLOCATIONS: 2024/25- 2026/27						
B NC085 Tsantsabane	Capital		2024/25	2025/26	2026/27	
			R thousands	R thousands	R thousands	
Municipal infrastructure grant	Capital		16 464 450.00	17 077 200.00	20 134 800.00	
Integrated national electrification programme (municipal) grant	Capital		13 494 000.00	8 000 000.00	7 000 000.00	
Regional bulk infrastructure grant	Capital		-	-	-	
Water services infrastructure grant	Capital		-	14 163 000.00	-	
			29 958 450.00	39 240 200.00	27 134 800.00	

Over DoRA allocation of capital revenue, Tsantsabane Municipality could be able to allocate the R3.5 million for overlapping capital projects for 2024/25 MTREF budget.

## Capital Expenditure

Table 3.2

Vote Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousand</b>	<b>1</b>										
<b>Funded by:</b>											
National Government		-	27 466	38 989	32 473	33 522	33 522	33 522	29 958	39 240	25 217
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov		-	-	-	-	-	-	-	-	-	-
Departm Agencies, Households, Non-profit Institutions, Private		-	-	-	-	-	-	-	-	-	-
Enterprises, Public Corporations, Higher Educ Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	-	27 466	38 989	32 473	33 522	33 522	33 522	29 958	39 240	25 217
<b>Borrowing</b>	<b>6</b>	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	1 249	338	7 933	22 446	22 446	22 446	3 500	0	0
<b>Total Capital Funding</b>	<b>7</b>	-	28 716	39 327	40 406	55 968	55 968	55 968	33 458	39 240	25 217

Capital expenditure is estimated to be R33.458 million primarily comprising of conditional grants. R3.5 million will be generated internally to incomplete projects of the previous year.

## 1.4 Operating Revenue Framework

For Tsantsabane Municipality 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 Tsantsabane municipality. The reality is that we are faced with development backlogs and poverty, and exacerbated by the outbreak of covid-19 pandemic lasting for 2 years. The expenditure required to address these challenges specifically in poor areas inevitably always exceed available funding; hence difficult choices must be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- A financially sustainable municipality;
- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure **80** per cent annual collection rate from average **55 percent** for property rates and other key service charges. Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The **inflation forecasts** for the MTREF 2024/2025 period are on an average **4.9%** per annum. The municipality's aim is not to exceed inflation in its annual tariff adjustments but external factors such as the Eskom increases, and which are beyond the control of the municipality, hampers this goal.

In order to ensure all revenues are raised and recovered and further that all ratepayers are being treated equitably, the municipality identified certain areas of concern and is busy implementing measures to address these problem areas.

<b>Strategy</b>
Maintain and improve on debt collection
Secure new sources of income
Counter the potential loss in electricity/water income as well as line-losses
Ensure an accurate and well-maintained income database
Secure more external funding and government grants for soft services including long term funding for operating expenses
Monitor the financial health of the Municipality and cash-back all reserves
Installation of smart prepaid meters for the entire Tsantsabane area

The following table is a summary of the 2024/25 MTREF (classified by main revenue source):

Table 4

Choose name from list - Table A1 Budget Su							
Description	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousands</b>							
<b>Financial Performance</b>							
Property rates	34 966	34 966	34 966	34 966	35 980	37 743	39 517
Service charges	123 835	123 035	123 035	136 979	123 667	132 712	142 074
Investment revenue	767	767	767	767	625	654	684
Transfer and subsidies - Operational	65 902	85 902	85 902	85 902	69 004	70 374	70 496
Other own revenue	22 107	4 000	4 000	4 000	11 214	2 985	3 139
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>247 576</b>	<b>248 670</b>	<b>248 670</b>	<b>262 614</b>	<b>240 490</b>	<b>244 468</b>	<b>255 910</b>
Employee costs	89 927	91 194	91 194	91 194	92 900	94 856	98 087
Remuneration of councillors	5 240	5 240	5 240	5 240	6 090	6 276	6 471
Depreciation and amortisation	12 796	12 796	12 796	12 796	2 423	2 423	2 423
Interest	3 204	1 661	1 661	1 661	3 500	3 500	3 500
Inventory consumed and bulk purchases	52 270	73 557	73 557	73 557	78 257	79 566	80 847
Transfers and subsidies	-	-	-	-	-	-	-
Other expenditure	61 514	71 335	71 335	71 335	57 221	57 614	57 885
<b>Total Expenditure</b>	<b>224 951</b>	<b>255 783</b>	<b>255 783</b>	<b>255 783</b>	<b>240 392</b>	<b>244 235</b>	<b>249 213</b>
<b>Surplus/(Deficit)</b>	<b>22 625</b>	<b>(7 113)</b>	<b>(7 113)</b>	<b>6 831</b>	<b>98</b>	<b>233</b>	<b>6 697</b>
Transfers and subsidies - capital (monetary allocations)	26 336	26 336	26 336	26 336	29 958	39 240	25 217
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-
	48 961	19 223	19 223	33 167	30 057	39 473	31 914
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
<b>Capital expenditure &amp; funds sources</b>							
<b>Capital expenditure</b>	<b>40 406</b>	<b>55 968</b>	<b>55 968</b>	<b>55 968</b>	<b>33 458</b>	<b>39 240</b>	<b>25 217</b>
Transfers recognised - capital	32 473	33 522	33 522	33 522	29 958	39 240	25 217
Borrowing	-	-	-	-	-	-	-
Internally generated funds	7 933	22 446	22 446	22 446	3 500	0	0
<b>Total sources of capital funds</b>	<b>40 406</b>	<b>55 968</b>	<b>55 968</b>	<b>55 968</b>	<b>33 458</b>	<b>39 240</b>	<b>25 217</b>

<b>Financial position</b>							
Total current assets	57 868	57 867	57 867	57 867	75 735	77 878	80 359
Total non current assets	711 199	726 761	726 761	726 761	788 930	789 431	789 931
Total current liabilities	345 507	345 507	345 507	345 507	480 513	492 071	482 179
Total non current liabilities	49 979	49 979	49 979	49 979	43 984	38 051	38 051
Community wealth/Equity	396 642	396 642	396 642	396 642	317 842	314 775	321 234
<b>Cash flows</b>							
Net cash from (used) operating	46 289	46 289	46 289	46 289	49 792	66 410	58 832
Net cash from (used) investing	(21 076)	(21 076)	(21 076)	(21 076)	(33 458)	(39 240)	(25 217)
Net cash from (used) financing	–	–	–	–	–	–	–
<b>Cash/cash equivalents at the year end</b>	34 071	34 071	34 071	34 071	24 930	52 099	85 714
<b>Cash backing/surplus reconciliation</b>							
Cash and investments available	8 377	8 377	8 377	8 377	8 493	8 692	9 160
Application of cash and investments	311 078	311 272	311 272	311 801	429 316	439 701	428 374
<b>Balance - surplus (shortfall)</b>	(302 701)	(302 895)	(302 895)	(303 424)	(420 823)	(431 009)	(419 214)
<b>Asset management</b>							
Asset register summary (WDV)	672 213	674 058	674 058		689 456	695 445	690 945
Depreciation	12 796	12 796	12 796		2 423	2 423	2 423
Renewal and Upgrading of Existing Assets	8 757	10 256	10 256		1 500	0	0
Repairs and Maintenance	80 538	94 334	94 334		7 640	7 520	7 605
<b>Free services</b>							
Cost of Free Basic Services provided	13 944	13 944	13 944		14 424	14 486	14 486
Revenue cost of free services provided	3 354	3 354	3 354		3 354	3 354	3 354
<b>Households below minimum service level</b>							
Water:	–	–	–		–	–	–
Sanitation/sewerage:	–	–	–		–	–	–
Energy:	–	–	–		–	–	–
Refuse:	–	–	–		–	–	–

Revenue generated from rates and service charges form a significant percentage of the revenue basket for the Municipality. **Rates and service charges revenues** are sitting at **66%** per cent of the total revenue over the 2024/25 MTREF period.

Employee related costs, Depreciation and amortisation and inventory and bulk purchases remain high even when other operating expenditure were cut. This puts pressure on the realistic revenue generated of the municipality and as a results creates a deficit when capital income is not considered.

## TOTAL COST FOR INDIGIENT

Tariffs for indigent households are set out below:

1	Rates are free of charge based on the market value of the property to the maximum of R30 000
2	50 kWh free electricity per month
3	6 kilolitres of water free per month
4	Free refuse x 4 removal per month
5	Free sewerage per month



## GRANTS AND SUBSIDIES

Total grants and transfers **totals to R91.467 million** in the 2023/24 budget year.

**Table 7**

LOCAL GOVERNMENT MTREF ALLOCATIONS: 2024/25- 2026/27					
B NC085 Tsantsabane	Type	2024/25 R thousands	2025/26 R thousands	2026/27 R thousands	
Equitable share and related	Operational	55 657 000.00	58 591 000.00	61 381 000.00	
Special Support for Councillor Remuneration and Ward Committees	Operational	3 185 000.00	3 315 000.00	3 449 000.00	
Municipal infrastructure grant	Capital	16 464 450.00	17 077 200.00	20 134 800.00	
Municipal infrastructure grant	Operational	866 550.00	898 800.00	958 800.00	
Integrated national electrification programme (municipal) grant	Capital	13 494 000.00	8 000 000.00	7 000 000.00	
Water services infrastructure grant	Capital	-	14 163 000.00	-	
Local government financial management grant	Operational	3 000 000.00	3 000 000.00	3 000 000.00	
Expanded public works programme integrated grant for municipalities	Operational	1 200 000.00	-	-	
Library Services Transfers to Municipalities	Operational	1 417 000.00	1 482 182.00	1 550 362.00	
LGSETA*	Operational	143 652.00	150 250.00	157 172.00	
Mining Enterprise	Operational	3 534 468.00	2 936 268.00	-	
<b>Total</b>		<b>98 962 120.00</b>	<b>109 613 700.00</b>	<b>97 631 134.00</b>	

- \* Forecasted figures

## Tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. The Consumer Price Index (CPI) inflation is forecasted to be within the 4 to 6 per cent target band; therefore, municipalities are required to justify all increases in excess of the projected inflation target for 2024/25.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by an external agency, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on experience of recovery rates. The municipality applies its Credit Control Policy but there are always situations where there are defaults on payment. Experience indicates that contribution for bad debt over the revenue for rates, service charges and rent of facilities on credit percentage should not be more than 10 per cent, however, a cautionary approach is taken in this budget due to the signs of economic stress being experienced by the community.

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 the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows;

#### **1.4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process (except for agriculture category currently still being phased in) and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA) Tsantsabane Municipality increased this value to R30 000;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R30 000;
- The limit for indigent households is twice the amount of government social pensions.

The categories of rateable properties for purposes of levying rates and the rates for the 2024/25 financial year will be as per the tariff listed below.

<b>PROPERTY TAX</b>					
<b>ASSESSMENT RATES</b>	<b>Approved 2019/2020</b>	<b>Approved 2021/22</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>
Residential	0.007944	0.006070	0.006192	0.0063154	0.0053318
Residential - vacant land	0.0079439	0.0060701	0.0061915	0.0063154	0.0053318
Formal / Informal Settlements	0.0079439	0.0060701	0.0061915	0.0063154	0.0053318
Small Holdings	0.0079439	0.0060701	0.0061915	0.0063154	0.0053318
Farm Properties used / not used	0.0004764	0.0004143	0.0004226	0.0004311	0.0005044
Industrial	0.0119102	0.0103371	0.0105439	0.0107547	0.0098836
Business and Commercial	0.0119102	0.0103371	0.0105439	0.0107547	0.0098836
Communal land - residential & small holdings	0.0079439	0.0060701	0.0061915	0.0063154	0.0066248
Communal land - Business and commercial	0.0119102	0.0103371	0.0105439	0.0107547	0.0098836
Public Service Infrastructure (P.S.I)	0.0079439	0.0060701	0.0061915	0.0016253	0.0013330
Public Benefits Organisations (P.B.O)	0.0079439	0.0060701	0.0061915	0.0016253	0.0013330
Mining (buildings)	0.0567700	0.0579054	0.0590635	0.0602448	0.0631968
Rebate	30,000	30,000	30,000.00	30,000	30,000
Pensioners / social grants rebate / exemption	20%	20%	0.20	20%	20%
Temporary relief rebate / exemption	20%	20%	0.20	20%	20%
Bona fide farmers rebate / exemption	25%	25%	0.25	25%	25%

#### 1.4.2 Sale of Water and Sanitation and the Impact of Tariff Increases

South Africa faces similar challenges about water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

The municipality obtains water from Bloemwater at a cost of **R12.74 p/kl**. A tariff increase for 2024/25 effective 1 July 2024 is 9%. The ground water tariff is **R2.00 /kl** supplied by Coetzee.

The draft tariffs for the 2024/25 financial year are as follows:

<b>WATER - 4.9%</b>				
<b>Description</b>	<b>Charges</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>
<i>Residential - basic</i>		450.56	463.18	485.87
<i>Residential - consumption</i>	<i>0 - 6kl</i>	16.72	17.19	18.03
	<i>6.1 - 12kl</i>	19.38	19.93	20.90
	<i>13kl - 30kl</i>	22.78	23.42	24.57
	<i>More than 30kl</i>	31.06	31.93	33.49
<i>Business - basic</i>		450.56	463.18	485.87
<i>Business - consumption</i>	<i>0 - 6kl</i>	19.38	19.93	20.90
	<i>6.1 - 12kl</i>	22.78	23.42	24.56
	<i>13kl - 30kl</i>	31.05	31.92	33.49
	<i>More than 30kl</i>	39.05	40.14	42.11
Prepaid Metering				
New Residential consumption	<i>0 - 6kl</i>	16.13	16.58	17.39
	<i>6.1 - 12kl</i>	18.70	19.23	20.17
	<i>13kl - 30kl</i>	21.98	22.60	23.70
	<i>More than 30kl</i>	31.05	31.92	33.49
<i>Hospitals, Old Age Homes Schools and Hostels</i>		13.34	13.72	14.39
<i>Departmental Use</i>		15.40	15.83	16.61
<i>Consumer Deposits</i>		1,959.75	2,014.62	2,113.33

**Water distribution losses** for the year ended 30 June 2023 was 74.41.84% or **1,896,611 kl a year** and in rand value **R17,429,857**. The outstanding water **account from Bloemwater amounts to more than R104 million** and needs urgent attention. If the water losses are minimised, which will only be viable through installation of smart meters, already installed zonal check meters at bulk distribution point to verify consumption, the monthly bill of Bloemwater will decrease substantially. The municipality needs to ring-fence the water supply and determine what the actual cost per kl should be and determine the real cost of supply water to residence and business. Tsantsabane Municipality need to make use of their own boreholes to minimize the usage of Bloemwater. We need to be less dependent on Bloemwater in 2024/25 financial year and beyond.

The municipality needs continuously to explore ways to limit the water losses to an acceptable level and properly account for non-revenue losses and technical losses. There will always be water line losses due to burst pipes and as repairs thereof requires flushing of systems before being distributed again. However, any losses above 13% is considered excessive by the Auditor-General's office and regarded as fruitless expenditure. The municipality will continue to monitor reasons for the excessive losses and to improve systems to limit the water losses to below 74.41%.

## Sanitation fees

The tariffs for sanitation have proposed increased by 4.9% for residential and commercial respectively. The proposed tariffs are listed below:

<b>SEWERAGE - 4.9% Residential/Commercial 4.9%</b>				
Description	Charges	Approved 2022/23	Approved 2023/24	Approved 2024/25
Basic charge		439.90	447.82	469.76
Residential & Flats		317.68	323.40	339.24
Buckets		91.91	93.57	98.15
Business & Guesthouses		805.12	821.22	861.46
Hotels & Motels		2,434.50	2,483.19	2,604.87
Mall		11,875.65	12,113.17	12,706.71
Hospitals/Old age homes / Schools		2,111.06	2,153.28	2,258.79
Availability - empty serviced stands		468.91	478.29	501.73
ASSMANG & other (arrangement)	per 1000 l	59.28	60.47	63.43
Deposit		7,183.02	7,326.68	7,685.68
<b>NEW CONNECTIONS FEES ON STANDS THAT WAS DEVELOPED BY MUNICIPALITY</b>				
Cost of material		1,463.86	1,493.14	1,566.30
Cost of labour		365.96	373.28	391.57
15% Administration Levy on material and labour cost		274.49	279.98	293.70
		2,104.31	2,205.32	2,313.38
<b>ADMIN FEE ON STANDS THAT WAS DEVELOPED BY DEVELOPERS</b>				
Admin Fee		1,097.89	1,119.85	1,174.72
Purified Sewerage Water (if available)	per kilo litre	3.29	3.36	3.52
Per Extraction		469.76	479.16	502.64
<b>SEWERAGE PUMPING</b>				
Per tanker load		59.28	60.47	63.43
Pumping on erven		832.15	848.79	890.38
After hours and public holidays		1,003.52	1,023.59	1,073.75

### 1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced that it expected the revised bulk electricity pricing structure to be 12.74% an increase in the Eskom bulk electricity tariff to municipalities effectively from 1 July 2024.

Considering the Eskom increase, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

<b>TARIFFS FOR THE FINANCIAL YEAR 2024/2025</b>					
<b>ELECTRICITY (Nersa 14.6%)</b>					
<b>Domestic tariffs</b>					
<b>Domestic Conventional</b>					
<b>Tariff blocks</b>	<b>Approved 2021/22</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>	
Block 1 (0-50 kWh)	125.83	135.23	155.65	178.38	cent
Block 2 (51-350 kWh)	159.74	171.67	197.60	226.45	cent
Block 3 (351-600 kWh)	215.63	231.74	266.74	305.68	cent
Block 4 (> 600 kWh)	267.75	287.76	331.21	379.56	cent
Basic charge p/month	407.28	437.72	503.82	577.37	Rand
<b>Domestic Prepaid</b>					
<b>Tariff blocks</b>	<b>Approved 2021/22</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>	
Block 1 (0-50 kWh)	131.29	137.07	157.77	180.80	cent
Block 2 (51-350 kWh)	178.75	186.62	214.80	246.16	cent
Block 3 (351-600 kWh)	231.91	245.00	282.00	323.17	cent
Block 4 (> 600 kWh)	253.87	272.84	314.04	359.89	cent
<b>Commercial Tariffs</b>					
<b>Commercial Conventional</b>	<b>Approved 2021/22</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>	
Basic charge	780.08	838.35	964.94	1,105.82	Rand
Energy charge	223.69	240.74	277.09	317.55	cent
<b>Commercial Prepaid</b>	<b>Approved 2021/22</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>	
Energy charge	261.11	280.51	322.87	370.01	cent
<b>Industrial Tariffs</b>					
<b>Industrial Conventional</b>	<b>Approved 2021/22</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>	
Basic charge	658.44	707.65	814.51	933.42	Rand
Energy charge	200.00	214.95	247.41	283.53	cent
Demand charge	225.32	242.16	278.73	319.42	Rand
<b>Industrial Bulk</b>	<b>Approved 2021/22</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>	
Basic charge	331.27	356.03	409.79	469.62	Rand
Energy charge	193.00	207.42	238.74	273.59	cent
Demand charge	223.52	240.23	276.50	316.87	Rand
<b>Industrial Prepaid</b>	<b>Approved 2021/22</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>	
Energy charge	231.94	249.34	286.99	328.89	cent
<b>Other Tariffs</b>					
<b>Schools</b>	<b>Approved 2021/22</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>	
Energy Charge	231.94	249.34	286.99	328.89	cent
<b>Advertising Boards</b>					
Energy charge	260.99	280.51	322.87	370.01	cent
<b>Small Scale Embbed generation (SSEG) export tariff (Excluding Residential)</b>	<b>N/a</b>	<b>N/a</b>	<b>109.59</b>	<b>125.59</b>	<b>cent</b>

## **ELECTRICITY TARIFFS & CHARGES**

**The tariffs will be included in the budget after NERSA approved the tariffs.**

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to an estimate of 10%-20% accepted range. The municipality did make a profit on electricity for the past years.

Electricity line losses are not continuously monitored. It can represent a significant financial loss for the municipality. In general electricity line losses of 10% is being regarded as “acceptable” in the industry and Tsantsabane is just above that norm with a loss of 22.04% (2023) versus 14.09% (2022). Electricity distribution losses for the year ended 30 June 2023 which translates into 6 034 396 kWh units and R 10 741 226 in rand value. Tsantsabane needs to act and monitor these technical losses.

### **Comparison between current electricity charges and increases.**

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

However, this historic approach, which NERSA has taken in applying the benchmarking approach, has been reviewed, set aside and declared unlawful in two High Court judgments, respectively. The one judgement having afforded NERSA 12-months to correct the defect and apply a cost of supply approach with effect from the 2024/2025 municipal financial year.

The Cost of Supply (CoS) approach entails approving municipal tariffs based on CoS studies. This approach requires municipalities to set their tariffs based on CoS studies in support of Policy Position 23 of the Electricity Pricing Policy (EPP), which states that Electricity distributors shall undertake CoS studies at least every five years, but at least when significant licensee structure changes occur, such as in customer base, relationships between cost components and sales volumes. This must be done according to the approved NERSA framework and awaiting the approval the municipalities cost of supply study and overall approved the application for a 14.6% increase for the budget year 2024/25.

#### 1.4.4 Waste Removal and Impact of Tariff Increases

Solid waste removal tariffs have been proposed to increase by 4.9% for residential and increase commercial by 4.9%.

<b>REFUSE - 4.9% Residential/Commercial 4.9%</b>				
<b>Description</b>	<b>Charges</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Approved 2024/25</b>
Residential	Per home	194.84	198.35	208.06
Per additional living unit		194.84	198.35	208.06
Business	Per point	556.42	572.00	600.03
Mall		22,179.05	22,800.06	23,917.27
Industrial		556.42	572.00	600.03
Containers	Per container	446.60	459.11	481.61

It is widely accepted that the rendering of this service should at least break even, which is not currently the case for the 2024/25 MTREF period.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to the expenditure are the general expenditure (rehabilitation cost) and the maintenance of the landfill site, diesel of vehicles, increases in the cost of remuneration of officials. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role in the projected losses or surpluses.

#### 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2023/24 budget and MTREF is informed by the following:

- National Treasury's MFMA Circulars No. 70, 72, 74, 75, 78, 79, 85, 86, 91, 94, 99, 107, 108, 112; 116; 115; 122; 123; 124; 126 and 128.
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA.
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Limitation on tariff increases.

The following table is a high-level summary of the 2024/25 budget and MTREF (classified per main type of operating expenditure):



**Table 8**

Choose name from list - Table A4 Budgeted Financial Pervenue and expenditure)										
Description	Ref	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousand</b>	<b>1</b>									
<b>Expenditure</b>										
Employee related costs	2	78 515	83 845	89 927	91 194	91 194	91 194	92 900	94 856	98 087
Remuneration of councillors		6 029	5 723	5 240	5 240	5 240	5 240	6 090	6 276	6 471
Bulk purchases - electricity	2	48 532	49 958	49 430	49 430	49 430	49 430	50 000	50 000	50 000
Inventory consumed	8	21 612	25 454	2 839	24 126	24 126	24 126	28 257	29 566	30 847
Debt impairment	3	34 407	39 949	10 847	10 847	10 847	10 847	1 084	1 084	1 084
Depreciation and amortisation		33 309	37 801	12 796	12 796	12 796	12 796	2 423	2 423	2 423
Interest		6 462	18 446	3 204	1 661	1 661	1 661	3 500	3 500	3 500
Contracted services		22 344	31 157	25 633	24 722	24 722	24 722	19 371	19 554	19 554
Transfers and subsidies		-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		-	-	-	-	-	-	-	-	-
Operational costs		17 818	18 068	25 034	35 766	35 766	35 766	36 766	36 977	37 247
Losses on disposal of Assets		(10 001)	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>259 028</b>	<b>310 401</b>	<b>224 951</b>	<b>255 783</b>	<b>255 783</b>	<b>255 783</b>	<b>240 392</b>	<b>244 235</b>	<b>249 213</b>
<b>Surplus/(Deficit)</b>		<b>(81 460)</b>	<b>(113 717)</b>	<b>22 625</b>	<b>(7 113)</b>	<b>(7 113)</b>	<b>6 831</b>	<b>98</b>	<b>233</b>	<b>6 697</b>

Operationally, there is budgeted **Surplus of R98 thousand** in 2024/25 MTREF Budget. The budget allocation for employee related costs for the 2024/25 financial year totals R98,990 million, which equals **41** per cent of the total operating expenditure. Included in the cost above is institutional support grant from private mining company for 2 years for certain position at cost to company amounting to over 6 million rand.

## COUNCILLORS REMUNERATION

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

## DEBT IMPAIRMENT

The provision of debt impairment was determined based on the Debt Write-off Policy of the Municipality. For the 2023/24 budget year debt impairment amounts to R10.8million and goes down to R1 million by 2024/25.

## DEPRECIATION AND ASSET INPAIRMENT

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

## FINANCE CHARGES

Finance charges consist primarily of the repayment of interest levied on overdue account and finance/operating leases (cost of capital).

### Main operational expenditure categories for the 2024/25 financial year

#### 1.5.1 Priority given to repairs and maintenance.

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2024/25 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy. **Council needs to adopt a repairs and maintenance plan for the Municipality.** In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented with mSCOA.

During the compilation of the 2024/25 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality identified this, together with other strategic items, as priority to be investigated, changes and funding to be incorporated into the next budget.

#### Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register all indigent households during the 2024/25 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act.

## **Turnaround Strategy**

Tsantsabane Municipality has to implement projects that can help to improve the current cash strapped financial position. The Council, Management and Officials need to work together to improve the cash flow situation of Tsantsabane Municipality.

### **Goals**

- Tsantsabane Municipality must provide free basic services to all indigent persons.
- All services that the Municipality renders must be of a high quality.
- The Council and Management must restore the trust of all the residents in Tsantsabane Municipality.
- Council and Management must be transparent with all transactions.
- Council and Management must communicate on a regular basis to all communities.
- Council should have strong partnership with churches, sport bodies, culture groups and the mining houses.
- Council must create an environment that encourages or enhances investment. We need investment to create jobs for the community.
- Council must collect all outstanding debt to maintain all the assets of the Municipality.
- Good governance is essential in Tsantsabane Municipality.
- Council must commit to the Eskom debt relief program and other NT interventions.

### **Incentive to residence:**

Implement an incentive scheme to attract consumers to settle their debt. Rand for Rand Scheme: the municipality writes-off the amount equal to the amount of the arrears that a consumer is prepared and willing to pay at any given time regardless of the total amount of the debt/arrears of that consumer or what was proposed through council finance committee under incentive schemes.

### **Indigent Households**

All outstanding debt of indigent households should be written off and ensure that indigent only qualify for free basic service and any service consumed beyond the threshold are recovered. The cost to write off outstanding debt should be calculated and presented to Council. The whole population of indigent household must be on prepaid meter system that limits the indigent household to 6kl per month.

### **T-Levels**

We did not make provision in the budget for the implementation of T-levels. There is still work/consultation to be done before the implementation of the T-Levels. When the council is ready to implement the in-year adjustment budget shall make provision for T-levels

## 1.6 Annual Budget Tables

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

**TABLE 11**  
**Table A1 - Budgeted Summary**

Choose name from list - Table A1 Budget Su							
Description	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousands</b>							
<b>Financial Performance</b>							
Property rates	34 966	34 966	34 966	34 966	35 980	37 743	39 517
Service charges	123 835	123 035	123 035	136 979	123 667	132 712	142 074
Investment revenue	767	767	767	767	625	654	684
Transfer and subsidies - Operational	65 902	85 902	85 902	85 902	69 004	70 374	70 496
Other own revenue	22 107	4 000	4 000	4 000	11 214	2 985	3 139
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>247 576</b>	<b>248 670</b>	<b>248 670</b>	<b>262 614</b>	<b>240 490</b>	<b>244 468</b>	<b>255 910</b>
Employee costs	89 927	91 194	91 194	91 194	92 900	94 856	98 087
Remuneration of councillors	5 240	5 240	5 240	5 240	6 090	6 276	6 471
Depreciation and amortisation	12 796	12 796	12 796	12 796	2 423	2 423	2 423
Interest	3 204	1 661	1 661	1 661	3 500	3 500	3 500
Inventory consumed and bulk purchases	52 270	73 557	73 557	73 557	78 257	79 566	80 847
Transfers and subsidies	-	-	-	-	-	-	-
Other expenditure	61 514	71 335	71 335	71 335	57 221	57 614	57 885
<b>Total Expenditure</b>	<b>224 951</b>	<b>255 783</b>	<b>255 783</b>	<b>255 783</b>	<b>240 392</b>	<b>244 235</b>	<b>249 213</b>
<b>Surplus/(Deficit)</b>	<b>22 625</b>	<b>(7 113)</b>	<b>(7 113)</b>	<b>6 831</b>	<b>98</b>	<b>233</b>	<b>6 697</b>
Transfers and subsidies - capital (monetary allocations)	26 336	26 336	26 336	26 336	29 958	39 240	25 217
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
<b>Capital expenditure &amp; funds sources</b>							
<b>Capital expenditure</b>	<b>40 406</b>	<b>55 968</b>	<b>55 968</b>	<b>55 968</b>	<b>33 458</b>	<b>39 240</b>	<b>25 217</b>
Transfers recognised - capital	32 473	33 522	33 522	33 522	29 958	39 240	25 217
Borrowing	-	-	-	-	-	-	-
Internally generated funds	7 933	22 446	22 446	22 446	3 500	0	0
<b>Total sources of capital funds</b>	<b>40 406</b>	<b>55 968</b>	<b>55 968</b>	<b>55 968</b>	<b>33 458</b>	<b>39 240</b>	<b>25 217</b>

<b>Financial position</b>							
Total current assets	57 868	57 867	57 867	57 867	75 735	77 878	80 359
Total non current assets	711 199	726 761	726 761	726 761	788 930	789 431	789 931
Total current liabilities	345 507	345 507	345 507	345 507	480 513	492 071	482 179
Total non current liabilities	49 979	49 979	49 979	49 979	43 984	38 051	38 051
Community wealth/Equity	396 642	396 642	396 642	396 642	317 842	314 775	321 234
<b>Cash flows</b>							
Net cash from (used) operating	46 289	46 289	46 289	46 289	49 792	66 410	58 832
Net cash from (used) investing	(21 076)	(21 076)	(21 076)	(21 076)	(33 458)	(39 240)	(25 217)
Net cash from (used) financing	–	–	–	–	–	–	–
<b>Cash/cash equivalents at the year end</b>	34 071	34 071	34 071	34 071	24 930	52 099	85 714
<b>Cash backing/surplus reconciliation</b>							
Cash and investments available	8 377	8 377	8 377	8 377	8 493	8 692	9 160
Application of cash and investments	311 078	311 272	311 272	311 801	429 316	439 701	428 374
<b>Balance - surplus (shortfall)</b>	(302 701)	(302 895)	(302 895)	(303 424)	(420 823)	(431 009)	(419 214)
<b>Asset management</b>							
Asset register summary (WDV)	672 213	674 058	674 058		689 456	695 445	690 945
Depreciation	12 796	12 796	12 796		2 423	2 423	2 423
Renewal and Upgrading of Existing Assets	8 757	10 256	10 256		1 500	0	0
Repairs and Maintenance	80 538	94 334	94 334		7 640	7 520	7 605
<b>Free services</b>							
Cost of Free Basic Services provided	13 944	13 944	13 944		14 424	14 486	14 486
Revenue cost of free services provided	3 354	3 354	3 354		3 354	3 354	3 354
<b>Households below minimum service level</b>							
Water:	–	–	–		–	–	–
Sanitation/sewerage:	–	–	–		–	–	–
Energy:	–	–	–		–	–	–
Refuse:	–	–	–		–	–	–

## Explanatory notes to Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts subject to approval by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
  - Financial management reforms emphasise the importance of the municipal budget being funded. The current budget (MTREF 2024/25) is not funded as required by National Treasury due to huge creditors book which the municipality is not able to finance as a result of cash flow problems emanating from cash collection rate from debtors. The assessment of this requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF.

- The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently none of its obligations are cash-backed.

**TABLE 12**

**MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification)**

Choose name from list - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)										
Functional Classification Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		–	53 358	78 749	117 136	119 168	119 168	112 797	107 551	109 402
Executive and council		–	11 169	–	3 187	3 187	3 187	3 185	3 315	3 449
Finance and administration		–	42 189	78 749	113 949	115 981	115 981	109 612	104 236	105 953
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		–	7 080	1 601	3 080	2 941	2 941	3 003	3 130	3 299
Community and social services		–	6 863	1 363	1 763	1 624	1 624	1 845	1 918	2 032
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	217	238	1 317	1 317	1 317	1 158	1 211	1 267
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		–	16 806	41 590	17 884	17 884	17 884	17 488	18 152	19 352
Planning and development		–	809	–	–	–	–	1	1	1
Road transport		–	15 996	41 590	17 884	17 884	17 884	17 487	18 151	19 351
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		–	131 681	135 386	135 812	135 012	135 012	137 161	154 875	149 074
Energy sources		–	68 058	74 513	73 874	65 620	65 620	80 204	77 526	79 359
Water management		–	28 182	19 448	25 771	25 771	25 771	13 555	27 900	13 992
Waste water management		–	22 532	26 223	16 162	20 815	20 815	27 045	28 717	30 399
Waste management		–	12 910	15 201	20 005	22 805	22 805	16 357	20 733	25 323
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>	2	–	208 925	257 326	273 912	275 005	275 005	270 449	283 708	281 127
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		–	94 910	132 683	79 328	84 305	84 305	75 275	76 948	78 270
Executive and council		–	18 196	16 587	13 597	14 320	14 320	12 290	12 609	12 912
Finance and administration		–	76 714	116 077	64 998	69 263	69 263	61 964	63 284	64 268
Internal audit		–	–	19	732	722	722	1 021	1 055	1 090
<i>Community and public safety</i>		–	19 484	18 394	25 174	26 146	26 146	33 461	33 282	34 355
Community and social services		–	7 442	6 748	9 324	8 891	8 891	16 156	15 370	15 809
Sport and recreation		–	6 928	7 829	9 292	9 442	9 442	8 299	8 587	8 888
Public safety		–	3 072	3 798	6 552	6 552	6 552	6 314	6 521	6 737
Housing		–	2 042	19	6	1 261	1 261	2 692	2 804	2 920
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		–	14 378	18 132	17 384	16 730	16 730	14 578	14 861	15 130
Planning and development		–	1 942	6 637	12 049	11 395	11 395	7 969	8 197	8 423
Road transport		–	12 437	11 495	5 335	5 335	5 335	6 609	6 664	6 707
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		–	130 255	141 192	124 255	139 351	139 351	117 078	119 144	121 458
Energy sources		–	55 915	63 104	62 242	62 242	62 242	61 140	61 316	61 707
Water management		–	35 147	33 144	38 207	50 857	50 857	38 300	39 679	41 121
Waste water management		–	32 070	37 967	17 563	20 209	20 209	11 429	11 760	12 054
Waste management		–	7 123	6 976	6 243	6 043	6 043	6 211	6 390	6 577
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
<b>Total Expenditure - Functional</b>	3	–	259 028	310 401	246 141	266 533	266 533	240 392	244 235	249 213
<b>Surplus/(Deficit) for the year</b>		–	(50 103)	(53 076)	27 771	8 473	8 473	30 057	39 473	31 914

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

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables

the National Treasury to compile 'whole of government' reports. This simply means "against which function the transaction should be recorded".

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenue for the Trading Services should exceed their expenditures. The table highlights that this is not the case for any of the trading services. As already noted above, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating these functions' tariff structures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

**TABLE 13**

**MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

**Table 1**

Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure)										
Description	Ref	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Revenue</b>										
<b>Exchange Revenue</b>										
Service charges - Electricity	2	62 894	58 517	69 873	61 619	61 619	64 245	66 710	69 526	72 359
Service charges - Water	2	17 311	15 174	17 796	17 796	17 796	19 055	13 555	13 737	13 992
Service charges - Waste Water Management	2	22 532	26 223	22 960	27 613	27 613	34 411	27 045	28 717	30 399
Service charges - Waste Management	2	12 910	15 201	13 207	16 007	16 007	19 268	16 357	20 733	25 323
Sale of Goods and Rendering of Services		740	897	801	662	662	662	833	871	916
Agency services		-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets		806	1 220	767	767	767	767	625	654	684
Dividends		-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		587	589	587	587	587	587	617	646	676
Licence and permits		1	1	1 087	1 087	1 087	1 087	1 158	1 211	1 267
Operational Revenue		67	127	70	223	223	223	133	139	145
<b>Non-Exchange Revenue</b>										
Property rates	2	-	-	34 966	34 966	34 966	34 966	35 980	37 743	39 517
Surcharges and Taxes		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		216	337	232	1 041	1 041	1 041	113	118	135
Licences or permits		1 030	1 104	-	-	-	-	1	1	1
Transfer and subsidies - Operational		52 556	56 304	65 902	85 902	85 902	85 902	69 004	70 374	70 496
Interest		-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		5 919	20 989	19 330	400	400	400	8 360	-	-
Other Gains		-	-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>177 568</b>	<b>196 684</b>	<b>247 576</b>	<b>248 670</b>	<b>248 670</b>	<b>262 614</b>	<b>240 490</b>	<b>244 468</b>	<b>255 910</b>



<b>Expenditure</b>										
Employee related costs	2	78 515	83 845	89 927	91 194	91 194	91 194	92 900	94 856	98 087
Remuneration of councillors		6 029	5 723	5 240	5 240	5 240	5 240	6 090	6 276	6 471
Bulk purchases - electricity	2	48 532	49 958	49 430	49 430	49 430	49 430	50 000	50 000	50 000
Inventory consumed	8	21 612	25 454	2 839	24 126	24 126	24 126	28 257	29 566	30 847
Debt impairment	3	34 407	39 949	10 847	10 847	10 847	10 847	1 084	1 084	1 084
Depreciation and amortisation		33 309	37 801	12 796	12 796	12 796	12 796	2 423	2 423	2 423
Interest		6 462	18 446	3 204	1 661	1 661	1 661	3 500	3 500	3 500
Contracted services		22 344	31 157	25 633	24 722	24 722	24 722	19 371	19 554	19 554
Transfers and subsidies		-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		-	-	-	-	-	-	-	-	-
Operational costs		17 818	18 068	25 034	35 766	35 766	35 766	36 766	36 977	37 247
Losses on disposal of Assets		(10 001)	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>259 028</b>	<b>310 401</b>	<b>224 951</b>	<b>255 783</b>	<b>255 783</b>	<b>255 783</b>	<b>240 392</b>	<b>244 235</b>	<b>249 213</b>
<b>Surplus/(Deficit)</b>		<b>(81 460)</b>	<b>(113 717)</b>	<b>22 625</b>	<b>(7 113)</b>	<b>(7 113)</b>	<b>6 831</b>	<b>98</b>	<b>233</b>	<b>6 697</b>
Transfers and subsidies - capital (monetary allocations)	6	31 357	31 585	26 336	26 336	26 336	26 336	29 958	39 240	25 217
Transfers and subsidies - capital (in-kind)	6	-	29 056	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Income Tax		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	1	<b>(50 103)</b>	<b>(53 076)</b>	<b>48 961</b>	<b>19 223</b>	<b>19 223</b>	<b>33 167</b>	<b>30 057</b>	<b>39 473</b>	<b>31 914</b>

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

1. The A4 Table seeks to reflect the operating revenue by source and expenditure in order to indicate the municipality's financial performance.

**TABLE 14**

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

Vote Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Capital expenditure - Vote</b>	2										
<b>Multi-year expenditure to be appropriated</b>											
Vote 1 - Financial Services		-	-	-	-	-	-	-	-	0	0
Vote 2 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Planning and Development Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 6 - Technical Services		-	8 551	20 993	-	2 218	2 218	2 218	-	-	-
Vote 7 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 8 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	8 551	20 993	-	2 218	2 218	2 218	-	0	0
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Financial Services		-	96	166	165	100	100	100	-	-	-
Vote 2 - Community Services		-	9 577	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	555	2 055	2 055	2 055	-	-	-
Vote 4 - Planning and Development Services		-	-	-	100	70	70	70	-	-	-
Vote 5 - Municipal Manager		-	-	-	-	40	40	40	-	-	-
Vote 6 - Technical Services		-	10 492	18 169	38 986	51 285	51 285	51 285	33 458	39 240	25 217
Vote 7 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 8 - Executive and Council		-	-	-	600	200	200	200	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	20 165	18 335	40 406	53 750	53 750	53 750	33 458	39 240	25 217
<b>Total Capital Expenditure - Vote</b>		-	28 716	39 327	40 406	55 968	55 968	55 968	33 458	39 240	25 217



Vote Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousand</b>	<b>1</b>										
<b>Capital Expenditure - Functional</b>											
<i>Governance and administration</i>		-	96	338	1 320	2 395	2 395	2 395	-	0	0
Executive and council		-	-	-	600	240	240	240	-	-	-
Finance and administration		-	96	338	720	2 155	2 155	2 155	-	0	0
Internal audit		-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	9 577	-	2 138	2 138	2 138	2 138	500	-	-
Community and social services		-	-	-	2 098	2 098	2 098	2 098	500	-	-
Sport and recreation		-	9 577	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	40	40	40	40	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	1 153	-	15 680	15 650	15 650	15 650	16 964	17 077	18 217
Planning and development		-	1 153	-	60	30	30	30	-	-	-
Road transport		-	-	-	15 620	15 620	15 620	15 620	16 964	17 077	18 217
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	17 890	38 989	21 268	35 785	35 785	35 785	15 994	22 163	7 000
Energy sources		-	3 995	35 625	6 189	7 551	7 551	7 551	13 994	8 000	7 000
Water management		-	13 894	3 364	15 080	28 234	28 234	28 234	2 000	14 163	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	-	28 716	39 327	40 406	55 968	55 968	55 968	33 458	39 240	25 217
<b>Funded by:</b>											
National Government		-	27 466	38 989	32 473	33 522	33 522	33 522	29 958	39 240	25 217
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	-	27 466	38 989	32 473	33 522	33 522	33 522	29 958	39 240	25 217
<b>Borrowing</b>	<b>6</b>	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	1 249	338	7 933	22 446	22 446	22 446	3 500	0	0
<b>Total Capital Funding</b>	<b>7</b>	-	28 716	39 327	40 406	55 968	55 968	55 968	33 458	39 240	25 217

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2024/25 **R33.458 million** has been allocated to capital budget.

TABLE 15

Table 15 MBRR Table A6 - Budgeted Financial Position

Choose name from list - Table A6 Budgeted Financial Position											
Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
R thousand											
ASSETS											
Current assets											
Cash and cash equivalents		–	17 319	9 538	10 091	10 091	10 091	10 091	10 319	10 518	10 985
Trade and other receivables from exchange transactions	1	–	20 342	20 493	24 646	24 646	24 646	24 646	20 273	20 549	20 838
Receivables from non-exchange transactions	1	–	158	158	13 069	13 069	13 069	13 069	17 373	18 172	19 008
Current portion of non-current receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	–	9 356	10 885	533	533	533	533	10 975	11 069	11 148
VAT		–	25 014	47 602	9 052	9 052	9 052	9 052	15 497	16 210	16 956
Other current assets		–	2 039	1 176	477	475	475	475	1 299	1 360	1 424
Total current assets		–	74 228	89 851	57 868	57 867	57 867	57 867	75 735	77 878	80 359
Non current assets											
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		–	60 154	78 246 260 24	58 500	58 500	58 500	58 500	81 000	81 500	82 000
Property, plant and equipment	3	–	683 399	707 075	651 344	666 906	666 906	666 906	707 075	707 075	707 075
Biological assets		–	–	–	–	–	–	–	–	–	–
Living and non-living resources		–	–	–	–	–	–	–	–	–	–
Heritage assets		–	395	395	395	395	395	395	395	396	396
Intangible assets		–	1 173	590	960	960	960	960	460	460	460
Trade and other receivables from exchange transactions		–	–	–	–	–	–	–	–	–	–
Non-current receivables from non-exchange transactions		–	–	–	–	–	–	–	–	–	–
Other non-current assets		–	–	–	–	–	–	–	–	–	–
Total non current assets		–	745 121	786 306	711 199	726 761	726 761	726 761	788 930	789 431	789 931
TOTAL ASSETS		–	819 350	876 157	769 067	784 627	784 627	784 627	864 665	867 309	870 290
LIABILITIES											
Current liabilities											
Bank overdraft		–	1 755	1 755	1 715	1 715	1 715	1 715	1 826	1 826	1 826
Financial liabilities		–	7 935	7 643	7 105	7 105	7 105	7 105	713	313	113
Consumer deposits		–	3 443	3 453	2 627	2 627	2 627	2 627	3 045	3 045	3 035
Trade and other payables from exchange transactions	4	–	383 257	473 550	332 350	332 350	332 350	332 350	474 387	486 396	476 763
Trade and other payables from non-exchange transactions	5	–	13 022	6 300	–	–	–	–	–	–	–
Provision		–	1 112	1 662	1 709	1 709	1 709	1 709	442	392	342
VAT		–	15 842	33 541	–	–	–	–	100	100	100
Other current liabilities		–	–	–	–	–	–	–	–	–	–
Total current liabilities		–	426 366	527 904	345 507	345 507	345 507	345 507	480 513	492 071	482 179
Non current liabilities											
Financial liabilities	6	–	4 571	–	5 269	5 269	5 269	5 269	3 405	1 961	1 961
Provision	7	–	28 025	29 590	27 870	27 870	27 870	27 870	24 280	21 280	21 280
Long term portion of trade payables		–	–	–	–	–	–	–	–	–	–
Other non-current liabilities		–	16 321	18 195	16 841	16 841	16 841	16 841	16 298	14 809	14 809
Total non current liabilities		–	48 918	47 785	49 979	49 979	49 979	49 979	43 984	38 051	38 051
TOTAL LIABILITIES		–	475 284	575 689	395 486	395 486	395 486	395 486	524 496	530 122	520 230
NET ASSETS		–	344 066	300 467	373 581	389 141	389 141	389 141	340 169	337 187	350 060
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	8	–	369 457	360 470	396 642	396 642	396 642	396 642	317 842	314 775	321 234
Reserves and funds	9	–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	10	–	369 457	360 470	396 642	396 642	396 642	396 642	317 842	314 775	321 234

## Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- Table 66 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;

- Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
  - Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 16 MBRR Table A7 - Budgeted Cash Flow Statement**

Choose name from list - 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
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		–	–	–	27 274	27 274	27 274	27 274	28 784	30 194	31 613
Service charges		–	–	–	96 591	96 591	96 591	96 591	98 934	106 170	113 659
Other revenue		–	–	26 530	2 736	2 736	2 736	2 736	1 790	1 872	1 971
Transfers and Subsidies - Operational	1	–	–	36 545	65 234	65 234	65 234	65 234	69 004	70 374	70 496
Transfers and Subsidies - Capital	1	–	620	4 428	39 309	39 309	39 309	39 309	29 958	39 240	27 135
Interest		–	–	–	–	–	–	–	617	646	676
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		–	(98 637)	(211 147)	(181 651)	(181 651)	(181 651)	(181 651)	(175 794)	(178 585)	(183 218)
Interest		–	–	–	(3 204)	(3 204)	(3 204)	(3 204)	(3 500)	(3 500)	(3 500)
Transfers and Subsidies	1	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	(98 017)	(143 646)	46 289	46 289	46 289	46 289	49 792	66 410	58 832
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		–	–	–	19 330	19 330	19 330	19 330	–	–	–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–	–	–
Payments											
Capital assets		–	–	–	(40 406)	(40 406)	(40 406)	(40 406)	(33 458)	(39 240)	(25 217)
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	–	–	(21 076)	(21 076)	(21 076)	(21 076)	(33 458)	(39 240)	(25 217)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	–	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		–	(98 017)	(143 646)	25 212	25 212	25 212	25 212	16 334	27 169	33 615
Cash/cash equivalents at the year begin:	2	–	7 148	15 563	8 858	8 858	8 858	8 858	8 595	24 930	52 099
Cash/cash equivalents at the year end:	2	–	(90 869)	(128 083)	34 071	34 071	34 071	34 071	24 930	52 099	85 714

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

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

TABLE 16

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

Choose name from list - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	–	(90 869)	(128 083)	34 071	34 071	34 071	34 071	24 930	52 099	85 714
Other current investments > 90 days		–	106 432	135 865	(25 694)	(25 694)	(25 694)	(25 694)	(16 436)	(43 407)	(76 554)
Non current Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		–	15 563	7 782	8 377	8 377	8 377	8 377	8 493	8 692	9 160
Application of cash and investments											
Unspent conditional transfers		–	13 022	6 300	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	(9 172)	(14 061)	(9 052)	(9 052)	(9 052)	(9 052)	(15 397)	(16 110)	(16 856)
Other working capital requirements	3	–	383 257	469 182	318 420	318 614	318 614	319 143	444 271	455 419	444 887
Other provisions		–	1 112	1 662	1 709	1 709	1 709	1 709	442	392	342
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		–	388 218	463 083	311 078	311 272	311 272	311 801	429 316	439 701	428 374
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits		–	(372 655)	(455 301)	(302 701)	(302 895)	(302 895)	(303 424)	(420 823)	(431 009)	(419 214)
Creditors transferred to Debt Relief - Non-Current portion		–	–	–	–	–	–	–	–	–	–
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits		–	(372 655)	(455 301)	(302 701)	(302 895)	(302 895)	(303 424)	(420 823)	(431 009)	(419 214)
References											
1. Must reconcile with Budgeted Cash Flows											
2. For example: VAT, taxation											
3. Council approval for policy required - include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)											
4. For example: sinking fund requirements for borrowing											
5. Council approval required for each reserve created and basis of cash backing of reserves - Total Reserves to be backed by cash/investments excl Valuation reserve											
Other working capital requirements											
Debtors		–	–	4 368	13 930	13 736	13 736	13 207	30 116	30 977	31 876
Creditors due		–	383 257	473 550	332 350	332 350	332 350	332 350	474 387	486 396	476 763
Total		–	(383 257)	(469 182)	(318 420)	(318 614)	(318 614)	(319 143)	(444 271)	(455 419)	(444 887)
Debtors collection assumptions											
Balance outstanding - debtors		–	20 500	20 651	37 715	37 715	37 715	37 715	37 646	38 721	39 845
Estimate of debtors collection rate		0.0%	0.0%	21.2%	36.9%	36.4%	36.4%	35.0%	80.0%	80.0%	80.0%

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

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

4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that the deficit for 2024/25 MTREF is **R420.823 million**.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2024/25 MTREF was not funded owing to the significant deficit. Mainly the reason for this non-funding position is the Eskom and Vaal Central Water debt which is considered currently liabilities even though the municipality owe more than 365 days of historical accumulated bulk purchased not settle in those years.

## **Part 2 – Supporting Documentation**

### **1.7 Overview of the annual budget process**

Section 53 of the MFMA requires the 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 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 Mayor.

The primary aims 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 Municipality's IDP and the budget, taking into account 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.

#### **1.7.1 Budget Process Overview**

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 2023) a time schedule that sets out the process to revise the IDP and prepare the budget.

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

- **August 2023** – Joint strategic planning session of the Budget Steering Committee. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2024/25 MTREF.

- **November 2023** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines.
- **7 to 14 January 2024** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2023** – Multi-year budget proposals are submitted to the Budget and Steering committee.
- **29 January 2024** - Council considers the *2023/24 Mid-year Review and Adjustments Budget*.
- **February 2024** - Recommendations of the Budget and steering committee. The 2023/24 MTREF is revised accordingly.
- **30 March 2024** - Tabling in Council of the 2024/25 IDP and 2024/25 MTREF for public consultation.
- **April 2024** – Public consultation;
- **13 May 2024** - Closing date for written comments.
- **13 to 23 May 2024** – finalisation of the 2024/25 IDP and 2024/25 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework.
- **Workshop councillors on the budget – May 2024** and policies.
- **30 May 2024** - Tabling of the 2024/25 IDP and 2024/25 MTREF before Council for consideration and approval.
- **Mayor sign the SDBIP** and performance contracts of senior managers for 2024/25

### 1.7.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform

the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2024/25 MTREF, based on the approved 2023/24 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2024/25 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2023/24 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **1.7.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2024/25 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2024/25 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 70 and 72 has been taken into consideration in the planning and prioritisation process.

## **1.8 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.



The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2024/25 MTREF and further planning refinements that have directly informed the compilation of the budget:

### **IDP Strategic Objectives**

<b>2024/25 Financial Year</b>	<b>2024/25 MTREF</b>
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Tsantsabane principles through a caring, accessible and accountable service	4. Foster participatory democracy and Tsantsabane principles through a caring, accessible and accountable service
5. Good governance, financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide public transport;
  - Provide municipal planning services; and
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;

- Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour-intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective Municipality cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS, to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Tsantsabane principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Tsantsabane in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

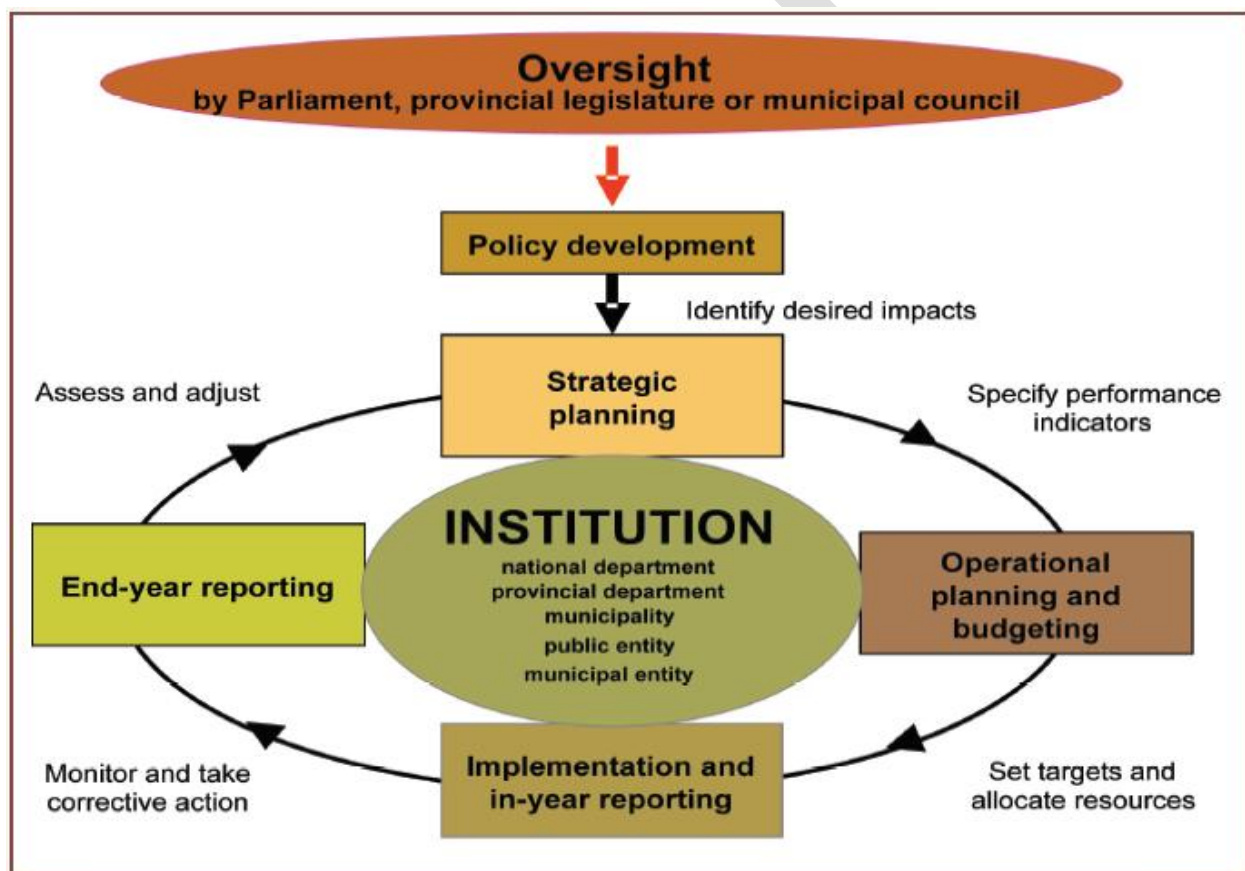
In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

## 1.9 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality with the help of the Municipal Manager, and the ZFM District Municipality, helped with the development and implemented a performance management system. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

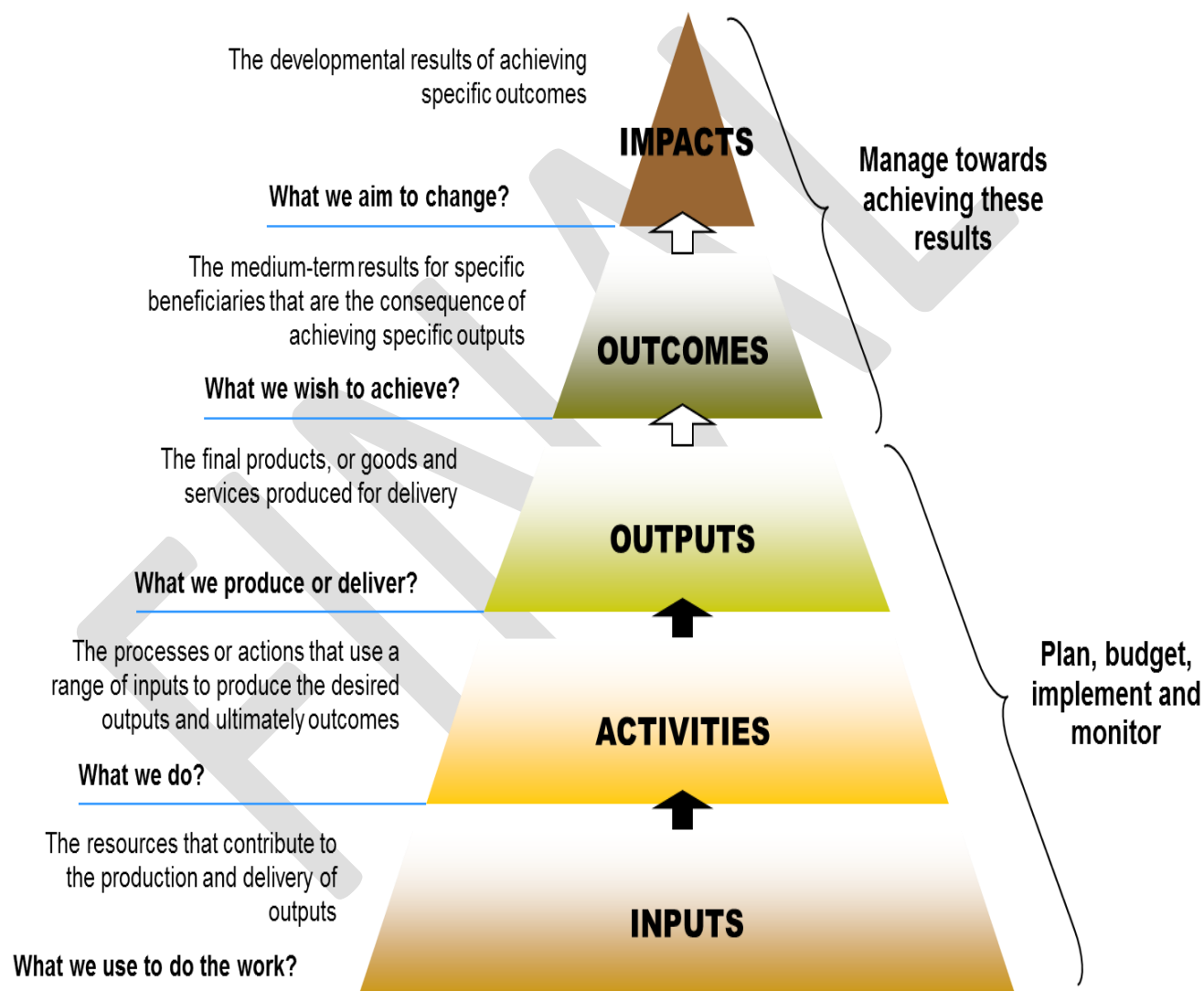


The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);

- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

## 1.9.1 Performance indicators and benchmarks

### 1.9.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Tsantsabane Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2024/25 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is by far below the borrowing capacity of the municipality, but it needs to be noted that capital grants and transfers has contributed significantly to the municipality's capital expenditure programs, thus limiting the need for borrowing.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is less than 1% throughout the MTREF period. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality intend to borrow money from DBSA during the MTREF period.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2023/24 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

### 1.9.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, over and tax provisions as a percentage of funds and reserves. This ratio is well above the norm, indicating a weak financial position.
- *The gearing ratio* is a measure of the total long-term borrowings over funds and reserves. A ratio in the region of 50% is a general benchmark and the municipality is currently on 6 per cent and increasing to 6.2 per cent. This is again a clear indication of the municipality's financial weakness.

#### 1.9.1.3 Liquidity

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

#### 1.9.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. The collection rates in this indicator is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was 65 per cent which is a conservative approach to cater for the current negative economic climate.

#### 1.9.1.5 Creditors Management

- The Municipality did not manage to ensure that creditors are settled within the legislated 30 days of invoice. The liquidity ratio is of concern. This had an impact on suppliers' perceptions of risk of doing business with the Municipality.

#### 1.9.1.6 Other Indicators

- The electricity/water losses have been measured. The Municipality needs to measure all water and electricity losses and is annually reported in the financial statements and monthly in the Section 71 reports.
- Employee costs as a percentage of operating revenue is fairly constant over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also fairly constant owing directly to cost drivers such as bulk purchases increasing above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

### 1.9.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

For the MTREF an estimate of 1599 registered indigent have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, free sanitation and free waste removal equivalent once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained elsewhere in this report.

## **1.10 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **1.10.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council and will be reviewed annually. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition, emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, they are entitled to free basic services.

The 2024/25 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 78 per cent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. During April 2016, 718 households (Kolomela) 350 (Assmang) has change from conventional water meters to a pre-paid water system that has help with the cash flow of the Municipality.

The Municipality needs to change all water meters to smart/prepaid water meters. The municipality will not be sustainable if we do not collect all the outstanding debt through the pre-paid water system.

### **1.10.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition, the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### **1.10.3 Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified, and funds redirected to performing functions.

### **1.10.4 Supply Chain Management Policy**

The Supply Chain Management Policy was workshop by Council for approval during May 2024. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

### **1.10.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy will be workshop for council for approval.

### **1.10.6 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was approved by Council. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

### **1.10.7 Tariff Policies**

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next year.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Contract Management Policy
- Asset Management Policy
- Banking and Investment Policy
- Commitments Policy
- Bad Debt Write Off Policy



- Budget Policy
- Fraud and Anti-corruption Policy
- Virement Policy
- Related party Policy
- UIF Policy
- Credit Control and Debt Collection Policy
- Property Rates Policy
- Tariff Policy
- Supply Chain Management Policy
- Cost containment Policy
- Indigent Policy
- Way Leave Application Policy
- Informal Trading Policy
- Preferential Procurement Policy
- Long Term Financial Planning Policy

## **1.11 Overview of budget assumptions**

### **1.11.1 External factors**

Domestically, after five years of strong growth, during which lot of jobs were created, our economy shrank fast, and thousands of people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven and that growth for 2023 will be minimal with a slightly better growth in the outer years.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **1.11.2 General inflation outlook and its impact on the municipal activities**

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

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

### **1.11.3 Credit rating outlook**

There is no credit rating for Tsantsabane Municipality.

#### **1.11.4 Interest rates for borrowing and investment of funds.**

The municipality did not budget for any loan funding during the 2024/25 financial year.

#### **1.11.5 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (51 per cent) of annual billings. Cash flow is assumed to be 65 per cent of billings. The performance of any increased collections or arrear collections will however only be considered a source of additional cash inflow once the performance has been carefully monitored.

#### **1.11.6 Growth or decline in tax base of the municipality.**

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate. Declining economic activity in the mining sector treats the income and affordability of households within the municipality.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

#### **1.11.7 Salary increases.**

The Salary and Wage Collective Agreement for the period 01 July 2023 to 31 June 2024 has a new agreement stipulated increase as 5.4%. South African Local Government Bargaining Council (SALGBC), municipalities are advised to consider their financial sustainability when considering salary increases. It has been observed over the previous years that salary increases were above inflation. In addition, municipalities that could not afford such increases did not apply for exemption as provided by SALGBC.

#### **1.11.8 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.


#### **1.11.9 Ability of the municipality to spend and deliver on the programmes.**

It is estimated that a spending rate of at least 75 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2024/25 MTREF of which performance has been factored into the cash flow budget on grant f

## **1.12 Overview of budget funding**

### **1.12.1 Medium-term outlook: operating revenue**

The following table is a breakdown of the operating revenue over the medium-term:

 Eastern Cape: Tsantsabane (NC085) - Table A4 Budgeted Financial Performance ( All ) for 4th Quarter ended 30 June 2023

Description	Ref	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
<b>Rand</b>	<b>1</b>								
<b>Revenue</b>									
<b>Exchange Revenue</b>									
Service charges - Electricity	2	62 893 798	59 723 749	65 912 699	65 912 699	15 139 016	69 872 857	74 749 129	74 643 220
Service charges - Water	2	17 311 242	22 971 643	18 142 182	18 142 182	5 230 380	17 795 956	18 387 249	18 891 929
Service charges - Waste Water Management	2	22 531 601	30 524 752	23 613 118	23 613 118	6 786 853	22 959 701	24 084 687	25 216 637
Service charges - Waste Management	2	12 909 770	15 440 841	15 440 841	15 440 841	3 717 884	13 206 695	13 853 823	14 504 954
Sale of Goods and Rendering of Services		739 511	613 314	1 652 182	1 652 182	505 554	800 973	840 629	879 527
Agency services		-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-
Interest earned from Receivables		-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets		806 306	759 674	759 674	759 674	354 448	766 700	856 718	855 085
Dividends		-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-
Rental from Fixed Assets		586 728	517 767	517 767	517 767	177 424	586 727	613 315	615 595
Licence and permits		960	1 041 407	1 041 407	1 041 407	240	1 087 217	1 191 813	1 189 541
Operational Revenue		66 545	223 534	223 534	223 534	40 324	70 073	73 154	76 269
<b>Non-Exchange Revenue</b>									
Property rates	2	34 280 452	39 694 213	39 694 213	39 694 213	20 200 817	34 966 061	36 031 625	36 653 246
Surcharges and Taxes		-	-	-	-	-	-	-	-
Fines, penalties and forfeits		216 300	96 467	810 592	810 592	113 442	231 928	243 185	254 515
Licences or permits		1 030 130	-	-	-	-	-	-	1
Transfer and subsidies - Operational		52 556 024	65 093 850	57 238 850	57 238 850	25 172 550	65 901 511	69 605 851	71 185 783
Interest		-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	1
Gains on disposal of Assets		5 919 180	18 515 071	18 515 071	18 515 071	1 641 200	19 329 735	20 199 573	20 199 573
Other Gains		-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contribi</b>		<b>211 848 547</b>	<b>255 216 282</b>	<b>243 562 130</b>	<b>243 562 130</b>	<b>79 080 132</b>	<b>247 576 134</b>	<b>260 730 751</b>	<b>265 165 876</b>
<b>Expenditure</b>									
Employee related costs	2	75 893 227	88 389 977	81 853 038	81 853 038	34 087 858	89 926 966	94 521 708	99 156 889
Remuneration of councillors		6 029 443	5 866 956	7 506 907	7 506 907	2 694 187	5 239 962	5 496 720	5 755 067
Bulk purchases - electricity	2	48 532 485	40 980 000	54 412 682	54 412 682	24 081 299	49 430 336	51 852 422	54 289 486
Inventory consumed	8	21 611 816	23 742 623	22 852 895	22 852 895	11 721 307	24 029 467	24 162 851	24 246 276
Debt impairment	3	34 406 985	14 214 354	14 214 354	14 214 354	-	10 846 893	11 512 033	11 512 033
Depreciation and amortisation		33 308 932	20 140 104	20 140 104	20 140 104	-	12 796 103	11 923 855	12 293 504
Interest		6 462 206	5 000 000	6 582 482	6 582 482	1 325 596	3 203 746	3 360 729	3 518 683
Contracted services		22 344 155	28 343 305	21 652 654	21 652 654	10 852 568	25 633 349	24 248 201	25 210 350
Transfers and subsidies		-	-	-	-	-	-	-	-
Irrecoverable debts written off		-	-	-	-	-	-	-	-
Operational costs		17 817 538	20 980 298	12 616 339	12 616 339	5 895 897	25 034 244	26 247 120	27 352 092
Losses on disposal of Assets		(10 001 122)	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>256 405 665</b>	<b>247 657 617</b>	<b>241 831 455</b>	<b>241 831 455</b>	<b>90 658 712</b>	<b>246 141 066</b>	<b>253 325 639</b>	<b>263 334 380</b>
<b>Surplus/(Deficit)</b>		<b>(44 557 118)</b>	<b>7 558 665</b>	<b>1 730 675</b>	<b>1 730 675</b>	<b>(11 578 580)</b>	<b>1 435 068</b>	<b>7 405 112</b>	<b>1 831 496</b>

## Breakdown of operating revenue over the 2024/25 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc)

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 78-80 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.
- Vast implementation of prepaid water & smart electricity meters

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Investment revenue contributes significantly to the revenue base of the Municipality. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

### **1.12.2 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words, the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

### **1.12.3 Cash Backed Reserves/Accumulated Surplus Reconciliation**

The following table does not meet the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?

- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

#### **1.12.4 Funding compliance measurement**

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality.

##### *1.12.4.1 Cash/cash equivalent position*

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year.

##### *1.12.4.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in the previous page. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

##### *1.12.4.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

##### *1.12.4.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

**It needs to be noted that a surplus or deficit does not necessarily mean that the budget is funded from a cash flow perspective.**

*1.12.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

*1.12.4.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

*1.12.4.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 8 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

*1.12.4.8 Capital payments percentage of capital expenditure.*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 90 per cent payments has been factored into the cash position forecasted over the entire financial year.

*1.12.4.9 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers and therefore no percentage is being shown as outstanding.

*1.12.4.10 Consumer debtors change (Current and Non-current)*

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

*1.12.4.11 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained elsewhere in this report.

#### 1.12.4.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained elsewhere in this report.

Choose name from list Supporting Table SA10 Funding mea							
Description	MFMA section	Ref	ar 2023/24		2024/25 Medium Term Revenue & Expenditure Framework		
			Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>High Level Outcome of Funding Compliance</b>							
Total Operating Revenue			248 670	262 614	240 490	244 468	255 910
Total Operating Expenditure			255 783	255 783	240 392	244 235	249 213
Surplus/(Deficit) Budgeted Operating Statement			(7 113)	6 831	98	233	6 697
Surplus/(Deficit) Considering Reserves and Cash Backing			(302 895)	(303 424)	(420 823)	(431 009)	(419 214)
<b>MTREF Funded (1) / Unfunded (0)</b>		15	0	0	0	0	0
<b>MTREF Funded ✓ / Unfunded ✖</b>		15	✖	✖	✖	✖	✖

### 1.13 Expenditure on grants and reconciliations of unspent funds

#### MBRR SA19 - Expenditure on transfers and grant programmes

Choose name from list - Supporting Table SA19 Expenditure on transfers and grant programme										
Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		-	62 841	34 668	45 943	45 417	45 417	71 743	72 097	73 308
Equitable Share		-	62 589	32 513	39 830	37 608	37 608	63 645	65 047	66 155
Expanded Public Works Programme Integrated Grant		-	-	-	1 900	1 900	1 900	1 200	-	-
Local Government Financial Management Grant		-	252	1 845	3 680	5 376	5 376	4 504	4 558	4 558
Municipal Infrastructure Grant		-	-	310	533	533	533	2 394	2 492	2 595
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Specify (Add grant description)										
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	156	156	156
Construction, Education and Training SETA		-	-	-	-	-	-	156	156	156
Total operating expenditure of Transfers and Grants:		-	62 841	34 668	45 943	45 417	45 417	71 899	72 253	73 463



Choose name from list - Supporting Table SA19 Expenditure on transfers and grant programme											
R thousand	Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Capital expenditure of Transfers and Grants											
National Government:			-	27 466	38 989	32 473	33 522	33 522	29 958	39 240	25 217
Integrated National Electrification Programme Grant			-	3 995	17 628	6 189	6 189	6 189	13 494	8 000	7 000
Municipal Infrastructure Grant			-	18 916	17 997	16 859	16 859	16 859	16 464	17 077	18 217
Water Services Infrastructure Grant			-	4 555	3 364	9 426	10 475	10 475	-	14 163	-
Other capital transfers/grants [insert desc]											
Provincial Government:			-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]											
District Municipality:			-	-	-	-	-	-	-	-	-
[insert description]											
Other grant providers:			-	-	-	-	-	-	-	-	-
Construction, Educatio											
Total capital expenditure of Transfers and Grants			-	27 466	38 989	32 473	33 522	33 522	29 958	39 240	25 217
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS			-	90 308	73 658	78 416	78 939	78 939	101 857	111 493	98 681

## 1.14 Councillor and employee benefits

### MBRR SA22 - Summary of councillor and staff benefits

All other supporting schedules are available on request and will also be placed on the website

### MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors'/senior managers)

## 1.15 Other supporting documents

All other supporting schedules are available on request and will also be placed on the website

MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

**All other supporting schedules are available on request and will also be placed on the website:**

**MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

***All other supporting schedules are available on request and will also be placed on the website***

**MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

***All other supporting schedules are available on request and will also be placed on the website***

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## **1.16 Contracts having future budgetary implications.**

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation or Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## **1.17 Legislation compliance status**

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

1. In year reporting  
Reporting to National Treasury in electronic format was not fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has improved. The CFO needs to take Actions to comply with above. The Municipalities website is active as and needs to publish the information on the Municipality's website.
  2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five (5) interns undergoing training in various divisions of the Financial Services Department.
  3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
-

## 1.18 Municipal Manager's Quality Certificate

I, Heinrich Mathobela, Municipal Manager of Tsantsabane Municipality, hereby certify that the 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    HG Mathobela

Municipal Manager of Tsantsabane Municipality

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

Date                         : .....2024

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