KOUGA LOCAL MUNICIPALITY

2023/24 – 2025/26

DRAFT

ANNUAL BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

It is my greatest privilege on behalf of Kouga Municipality and in my capacity as Executive Mayor of Kouga Municipality to present to you the municipality's Integrated Development Plan (IDP) for the cycle 2022 to 2027.
The IDP provides the framework for a municipality to fulfil its mandate and apply its budget.

It is a five-year document that is drawn up in partnership with communities and other spheres of government. Reviewed annually, it enables a municipality to do short, medium, and long-term planning to meet communities' needs, with due consideration of those projects being implemented by district, provincial, and national governments.

The IDP and Budget will be externally focused, driven by community needs and geared towards meeting community aspirations gleaned from stakeholder consultations and engagements throughout the past months. It will, furthermore, continue to be guided by narratives that provide strategic focus areas. These are:

- Keep Kouga Serviced
- Keep Kouga Clean
- Keep Kouga Green
- Keep Kouga Safe
- Keep Kouga Smart and
- Keep Kouga Growing

Key challenges in basic service delivery include old and insufficient bulk infrastructure, the quest for water security for all our communities, the deteriorating condition of our road network, illegal electricity, and the cleanliness of our towns.

The municipality has, over the past year, made visible progress in addressing each one of these challenges, but we need to step up our game even more if we are to deal with all backlogs decisively and achieve service excellence for all communities.

Our plans to keep Kouga serviced include strongly facing down the current drought and achieving water security in our region.
We continue in our efforts to bring more boreholes online, as our access to Churchill Dam water diminishes. We are developing more infrastructure to reticulate current sources of water into the treatment works, as well as implementing new technology and systems to treat this water. We will endeavor to ensure that all water you receive through your taps is drinkable and safe.

Water security does not rest on additional water into the system alone. Securing our water comes at a great cost, but I want to give our residents the assurance that the provision of water is a second-to-none priority. It includes taking hands with every single person in Kouga and committing to water conservation, treating every single drop with care.

If we are to keep Kouga clean, it is of utmost importance that we reduce the amount of waste that goes to our landfill sites. The municipality is considering a waste-to-power project to divert waste from landfill sites by recycling and using it to generate electricity.

Over the next three years, the municipality will launch a series of mayoral intervention programs to reach into the furthest corners of our municipality, to make clean environments a reality for everyone and not just for some.

Kouga Municipality is taking steps to becoming the greenest municipality in the Eastern Cape.

We are looking forward to the construction of South Africa's first Bio-Economy Zone that is set to take shape in Humansdorp soon.

Three additional wind farms will also be constructed, as well as a hybrid energy factory through foreign development. In line with this programme, Kouga Municipality intends to unlock about 30 000 jobs over the next 5 years while combating the effects of climate change and positioning ourselves to becoming the renewable energy hub of SA.

In our ongoing effort to prevent and combat crime through a collective approach, communication and technology are at the forefront of providing the means for success.

The economic growth of our region, coupled to job creation, will also remain a priority.

Through tourism, which has the potential to be a game-changer, we can create millions in revenue injection into our local community and provide impetus to our drive to create one job in every home in Kouga. Events, that will attract tens of thousands of patrons, will grow our local businesses, and create employment and sustainable opportunities.

I trust that this IDP will stimulate the municipality's partnership with communities, the private sector, and other spheres of government in order for us to achieve our goals.

During the worst of the Covid pandemic and lockdown, this municipality proved that partnering across all levels of and sectors in the community, contributes to resilience and survival during extremely difficult times.

Together we are more, when we unite against the deterioration and destruction of our physical, cultural, structural, and moral assets, and can seize the potential we hold to be the best Municipality in South Africa.

The Council would like to thank all residents, ward committees, sector departments and stakeholder groups who actively participated in the compilation of Kouga's new IDP.

I would also like to thank our ward councillors for facilitating the meetings in their wards and the municipal administration who prepared the new document in accordance with legislation and the Council's new mandate.

We look forward to building on our relationship with all stakeholders and continually improving on the municipality's planning processes so that, together, we can achieve our vision of Good Governance through Service Excellence.

Let us all collaborate on our shared future, because if we want more, we need to become more.



……
EXECUTIVE MAYOR
Hon. Alderman H Hendricks

1.2 COUNCIL RESOLUTIONS

(a) The Executive Mayor recommends that the Council resolves that:

1. The draft annual budget of the Kouga Municipality for the financial year 2023/24 and the indicative allocations for the projected outer years 2024/25 and 2025/26; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 16 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, as set-out in out in the Draft Annual Budget Report supported by **Annexure H** the following tables:

   1.1 Consolidated Budget Summary [Page 22].
   1.2 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 24]
   1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 26]
   1.4 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 27]
   1.5 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 29]

2. The budgeted financial position, budgeted cash flows, cash-backed reserves/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:

   2.1 Budgeted Financial Position; [Page 31]
   2.2 Budgeted Cash Flows; [Page 33]
   2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 34]
   2.4 Asset management; [Page 35]
   2.5 Basic service delivery measurement. [Page 38]

3. The tariffs be increased as follows, with effect from 1 July 2023:

Property rates (decrease in cents in the Rand)	-23.8%
Water	7.25%
Sanitation	6.5%
Refuse	6.5%
Electricity (average increase in electricity income subject to NERSA approval)	15%
Environmental Management Fee	7%

4. The indicative tariffs for 2024/25 and 2025/26 be increased as follows:

	2024/25	2025/26
Property rates	4.9%	4.7%
Water	7.25%	7.25%
Sanitation	6.5%	6.5%
Refuse	6.5%	6.5%
Electricity (average increase in electricity income)	9.6%	12.58%
Environmental Management Fee	7%	7%

5. That the Council, approves the draft tariffs, as reflected in **Annexure 'B'**, for public participation.

6. That the Council approves the draft Policies as reflected in the **Annexure "C"** for consultation.

- Customer Care, Credit Control and Debt Collection Policy **"Annexure C1"**
- KLM SCM Policy **"Annexure C2"**
- Property Rates Policy **"Annexure C3"**
- Funding and Reserves Policy **"Annexure C4"**
- Cost Containment Policy **"Annexure C5"**
- Cash Management and Investment Policy **"Annexure C6"**
- Borrowing Policy **"Annexure C7"**
- Virement Policy **"Annexure C8"**
- Budget Implementation and Management Policy **"Annexure C9"**
- Indigent Support Policy **"Annexure C10"**
- Unallocated Revenue and Building Deposit Policy **"Annexure C11"**
- Policy on Provision for Doubtful Debt and Write-off of Irrecoverable Debt **"Annexure C12"**
- Tariff Policy **"Annexure C13"**
- Asset Management Policy **"Annexure C14"**
- Preferential Procurement Policy Framework **"Annexure C15"**

7. That the 2023/24 Procurement plan be approved **"Annexure D"**

8. That the mSCOA road map be approved. **"Annexure E"**

1.3 EXECUTIVE SUMMARY

The key service delivery priorities, as reflected in the IDP, informed the development of the Budget, including the need to maintain and improve the Municipality's financial sustainability.
It is also to be noted, that cost containment measures are being implemented to curb costs and to improve operational efficiency.

National Treasury's MFMA Circulars No. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75,78,79,85,86, 88, 89, 91, 93, 94, 98, 99, 107,108, 112, 115, 116, 122 and 123 (refer to Annexures "A and B") was used to guide the compilation of the 2023/24 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2023/24 MTREF:

- Maintaining an acceptable employee related cost ratio.
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure.
- Maintaining electricity and water losses at acceptable levels.
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio.

The following budgeting principles and guidelines directly informed the compilation of the 2023/24 MTREF:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs.
- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- In accordance with Section 19 of the Municipal Finance Management Act, the relevant Directors must submit comprehensive reports in relation to new projects, inter alia; dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new projects.

In view of the aforementioned, the following table represents an overview of the proposed 2023/24 Medium-term Revenue and Expenditure Framework:

Table 1 (Overview of the 2023/24 MTREF)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework					
Rand	Adjusted Budget	Budget Year 2023/24	% Increase/ (decrease)	Budget Year 2024/25	% Increase/ (decrease)	Budget Year 2025/26	% Increase/ (decrease)
Revenue							
Total Revenue (excluding capital transfers and contributions)	1,056,306,728	1,168,034,215	10.58%	1,255,234,098	7.47%	1,361,781,148	8.49%
Total Operating Expenditure	1,178,063,718	1,301,060,849	10.44%	1,372,455,046	5.49%	1,470,281,064	7.13%
Surplus/(Deficit)	(121,756,990)	(133,026,634)	9.26%	(117,220,948)	-11.88%	(108,499,916)	-7.44%
Capital Expenditure	107,983,359	66,592,839	-38.33%	58,825,746	-11.66%	51,375,306	-12.67%

Total operating revenue has increased by 10.58% or R 111,727 million for the 2023/24 financial year, compared to the 2022/23 Approved Adjustments Budget.

For the two outer years, operational revenue increases by 7.47% and 8.49% respectively, resulting in a total revenue growth of R 305,474 million over the MTREF, when compared to the 2022/23 financial year.

Total operating expenditure for the 2023/24 financial year amounts to R 1,301,060 billion, resulting in a budgeted deficit of R 133,027 million. Compared to the 2022/23 Adjustments Budget, operational expenditure increased by 10.44% in the 2023/24 Budget.

For the two outer years, operational expenditure increases by 5.49% and 7.13% respectively. The 2024/25 and 2025/26 budgets reflect operating deficits of R 117,221 million and R 108,500 million respectively.

The major operating expenditure items for 2023/24 are employee related costs (35.23%), bulk electricity purchases (28.11%), depreciation (8.43%), contracted services (8.36%), inventory consumed (7.66%) and operational costs (7.46%).

Funding for the 2023/24 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (54.02%), property rates (24.10%), grants and subsidies received from National and Provincial Governments (16.34%).

In order to fund the 2023/24 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2023:

Property rates (decrease in cents in the Rand)	- -23.8%
Water	- 7.25%
Sanitation	- 6.5%
Refuse	- 6.5%
Electricity (average increase in income)	- 15%
Environmental Management Fee	- 7%

The capital budget of R 66,593 million for 2023/24 is R 41,391 million or 38.33% less than the 2022/23 Approved Adjustments Budget.

The Capital Budget over the MTREF will be mainly funded from government grants and subsidies, as the municipality has limited internal funding available.

1.4 OPERATING REVENUE FRAMEWORK

The continued provision and expansion of municipal services is largely dependent on the Municipality generating sufficient revenues. Efficient and effective revenue management is thus of vital importance in ensuring the ongoing financial sustainability of the Municipality. Furthermore, in accordance with the MFMA, expenditure has to be limited to the realistically anticipated revenues.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard.
- Tariff Policies.
- Property Rates Policy.
- Indigent Policy and provision of free basic services.
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account the maintenance and replacement of infrastructure, including the expansion of services.
- Determining fully cost reflective tariffs for trading services.
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality.

- Efficient revenue management, targeting a 94% annual collection rate for property rates and service charges.

The following table is a summary of the 2023/24 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	**Adjusted Budget**	**Budget Year 2023/24**	**Budget Year 2024/25**	**Budget Year 2025/26**
Revenue				
Exchange Revenue				
Service charges – Electricity	350,201,215	402,731,398	441,393,614	496,920,932
Service charges – Water	88,580,032	98,502,084	105,643,486	113,302,638
Service charges - Waste Water Management	59,450,218	63,314,484	67,429,923	71,812,868
Service charges - Waste Management	62,269,272	66,396,182	70,796,899	75,489,610
Sale of Goods and Rendering of Services	9,405,338	7,790,039	8,168,791	8,549,884
Agency services	5,351,604	1,000,000	1,049,000	1,098,303
Interest earned from Receivables	17,441,715	18,594,723	19,902,694	21,350,936
Interest earned from Current and Non Current Assets	3,057,323	4,598,161	4,823,471	5,050,174
Rental from Fixed Assets	2,864,935	3,294,553	3,455,985	3,618,417
Licence and permits	2,775,920	3,021,423	3,169,473	3,318,438
Operational Revenue	25,474,447	2,173,637	2,231,145	2,289,009
Non-Exchange Revenue				
Property rates	236,746,531	281,487,795	295,280,635	309,158,826
Fines, penalties and forfeits	6,483,782	10,333,755	10,840,109	11,349,595
Licences or permits	5,620,589	10,668,385	11,191,091	11,717,524
Transfer and subsidies – Operational	177,919,970	190,883,480	206,454,705	223,190,972
Interest	2,663,837	3,244,116	3,403,077	3,563,022
Total Revenue (excluding capital transfers and contributions)	**1,056,306,728**	**1,168,034,215**	**1,255,234,098**	**1,361,781,148**

The following table illustrates the mix of main revenue sources, supporting the 2023/24 MTREF:

Table 3 (Mix of main revenue sources)

Description	Current Year 2022/23		2023/24 Medium Term Revenue & Expenditure Framework					
Rand	Adjusted Budget	%	Budget Year 2023/24	%	Budget Year 2024/25	%	Budget Year 2025/26	%
Revenue								
Exchange Revenue								
Service charges - Electricity	350,201,215	33.15%	402,731,398	34.48%	441,393,614	35.16%	496,920,932	36.49%
Service charges - Water	88,580,032	8.39%	98,502,084	8.43%	105,643,486	8.42%	113,302,638	8.32%
Service charges - Waste Water Management	59,450,218	5.63%	63,314,484	5.42%	67,429,923	5.37%	71,812,868	5.27%
Service charges - Waste Management	62,269,272	5.89%	66,396,182	5.68%	70,796,899	5.64%	75,489,610	5.54%
Sale of Goods and Rendering of Services	9,405,338	0.89%	7,790,039	0.67%	8,168,791	0.65%	8,549,884	0.63%
Agency services	5,351,604	0.51%	1,000,000	0.09%	1,049,000	0.08%	1,098,303	0.08%
Interest earned from Receivables	17,441,715	1.65%	18,594,723	1.59%	19,902,694	1.59%	21,350,936	1.57%
Interest earned from Current and Non Current Assets	3,057,323	0.29%	4,598,161	0.39%	4,823,471	0.38%	5,050,174	0.37%
Rental from Fixed Assets	2,864,935	0.27%	3,294,553	0.28%	3,455,985	0.28%	3,618,417	0.27%
Licence and permits	2,775,920	0.26%	3,021,423	0.26%	3,169,473	0.25%	3,318,438	0.24%
Operational Revenue	25,474,447	2.41%	2,173,637	0.19%	2,231,145	0.18%	2,289,009	0.17%
Non-Exchange Revenue								
Property rates	236,746,531	22.41%	281,487,795	24.10%	295,280,635	23.52%	309,158,826	22.70%
Fines, penalties and forfeits	6,483,782	0.61%	10,333,755	0.88%	10,840,109	0.86%	11,349,595	0.83%
Licences or permits	5,620,589	0.53%	10,668,385	0.91%	11,191,091	0.89%	11,717,524	0.86%
Transfer and subsidies - Operational	177,919,970	16.84%	190,883,480	16.34%	206,454,705	16.45%	223,190,972	16.39%
Interest	2,663,837	0.25%	3,244,116	0.28%	3,403,077	0.27%	3,563,022	0.26%
Total Revenue (excluding capital transfers and contributions)	**1,056,306,728**	**100.00%**	**1,168,034,215**	**100.00%**	**1,255,234,098**	**100.00%**	**1,361,781,148**	**100.00%**
Total Revenue from Property Rates and Services Charges	**797,247,268**	**75.47%**	**912,431,943**	**78.12%**	**980,544,557**	**78.12%**	**1,066,684,874**	**78.33%**

In the 2022/23 financial year, rates and service charges amounted to R 797,247 million. This increases to R 912,432 million, R 980,545 million and R 1,066,684 billion in the 2023/24, 2024/25 and 2025/26 financial years, respectively.

The major operating revenue sources for 2023/24 are electricity (34.48%), property rates (24.10%), operating grants & subsidies (16.34%), water (8.43%), waste management (5.68%) and waste water management (5.42%).

The following table provides a breakdown of the various operating grants and subsidies allocated to the Municipality over the medium term:

Table 4 (Operating Transfers and Grant Receipts)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
RECEIPTS				
Operating				
National Government				
Equitable Share	163,292,000	180,506,000	198,345,000	214,749,000
Expanded Public Works Programme Integrated Grant	1,175,000	2,458,000		
Local Government Financial Management Grant	1,720,000	1,720,000	1,720,000	1,858,000
Municipal Infrastructure Grant	1,794,550	1,868,350	1,946,800	2,028,600
Total Operating/National Government	**167,981,550**	**186,552,350**	**202,011,800**	**218,635,600**
Provincial Government				
Capacity Building and Other	7,050,000	2,050,000	2,050,000	2,050,000
Total Operating/Provincial Government	**7,050,000**	**2,050,000**	**2,050,000**	**2,050,000**
District Municipalities				
Environmental Health Subsidy	2,888,420	2,281,130	2,392,905	2,505,372
Total Operating/District Municipalities	**2,888,420**	**2,281,130**	**2,392,905**	**2,505,372**
Total Operating	**177,919,970**	**190,883,480**	**206,454,705**	**223,190,972**
Capital				
National Government				
Energy Efficiency and Demand Side Management Grant		4,000,000	5,000,000	
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		4,700,000	13,200,000	11,000,000
Municipal Infrastructure Grant	34,096,450	35,498,650	36,989,200	38,543,400
Water Services Infrastructure Grant	57,400,000	30,000,000	10,000,000	7,000,000
Total Capital/National Government	**91,496,450**	**74,198,650**	**65,189,200**	**56,543,400**
District Municipalities				
Fire Services Subsidy	1,638,000	1,362,277	1,429,028	1,496,193
Total Capital/District Municipalities	**1,638,000**	**1,362,277**	**1,429,028**	**1,496,193**
Total Capital	**93,134,450**	**75,560,927**	**66,618,228**	**58,039,593**
TOTAL	**271,054,420**	**266,444,407**	**273,072,933**	**281,230,565**

The Municipality is faced with the significant challenge of providing services with its limited financial resources. Against this background, the Municipality has undertaken the tariff determination process relating to property rates and service charges as follows:

1.4.1 Property Rates

Property rates fund the costs associated with the provision of general services, such as fire, library and roads and stormwater services.

The following provisions 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 rateable value (Section 17(h) of the MPRA).
- An additional R85 000 rebate will be granted to registered indigents in terms of the Indigent Policy.
- If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.
- Residential properties with a market value up of R400 000 including the impermissible rate of R15 000.
- R 200 000 on one residential property, including the impermissible rate of R15 000, for Rate Payer 60 years and older with a gross household income not more than R15 000.00

A property rates decreases of 23.8% in cents in the rand is proposed as from 1 July 2023.

The proposed property rates increase is mainly influenced by the following:

- Employee related costs increased by 7.1%.
- Providing for debt impairment.

1.4.2 Sale of Water and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89, 91, 93 and 94, Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- Fully cost reflective water tariffs – tariffs should include the costs associated with bulk water purchases, the maintenance and renewal of purification plants, water networks and water reticulation expansion.
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that water tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2023/24 MTREF.

A tariff increases of 7.25% is proposed as from 1 July 2023. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 7.1%.
- The cost of bulk water purchases increased by 6%.
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of water consumption are progressively charged at a higher rate.

1.4.3 Sale of Electricity and Impact of Tariff Increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity, a 18.65% increase in bulk costs for electricity was approved by Nersa. The Municipality is proposing a 15% increase on average consumer tariffs to offset the additional electricity bulk purchases costs, as from 1 July 2023. The proposed tariffs increase of 15% is subjected to the approval by Nersa.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 7.1%.
- The cost of bulk electricity purchases increased by 18.65%.
- Repairs and maintenance of electricity infrastructure.
- Costs of servicing existing external borrowing to fund electricity infrastructure.
- Providing for debt impairment.

1.4.4 Sanitation and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89, 91, 93 and 94, Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion.
- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that sanitation tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2023/24 MTREF.

Sanitation charges are determined based on the volume of water consumed, which is appropriately reduced by the percentage of water discharged into the sewer system.

A tariff increases of 6.5% is proposed as from 1 July 2023. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 7.1%.
- Providing for debt impairment.

1.4.5 Refuse Collection and Impact of Tariff Increases

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective by 2015. The tariffs should take into account the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of

fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2023/24 MTREF.

A tariff increases of 6.5% is proposed for refuse collection, as from 1 July 2023.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 7.1%.
- Providing for debt impairment

1.4.6 Environmental Management Fees and Impact of Tariff increases

A tariff increases of 7% is proposed for the environmental management fee, as from 1 July 2023.

1.5 OPERATING EXPENDITURE FRAMEWORK

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

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA.

- A balanced budget approach by limiting operating expenditure to the operating revenue.

The following table is a high-level summary of the 2023/24 budget and MTREF (classified per main type of operating expenditure):

Table 5 (Summary of operating expenditure by standard classification item)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Expenditure				
Employee related costs	409,378,942	458,412,470	459,539,695	480,708,358
Remuneration of councillors	14,364,406	15,384,270	16,091,945	16,832,172
Bulk purchases - electricity	325,900,000	365,780,321	412,234,422	476,872,779
Inventory consumed	88,821,600	99,701,256	105,960,178	111,643,286
Debt impairment	32,315,103	35,857,818	38,714,428	42,408,225
Depreciation and amortisation	103,850,144	109,662,969	124,088,773	124,088,773
Interest	2,875,189	2,089,744	1,062,053	15,161
Contracted services	98,615,516	108,714,590	105,735,480	108,798,866
Transfers and subsidies	725,000	1,040,275	1,083,527	1,128,769
Irrecoverable debts written off	8,552,538	7,305,492	7,663,458	8,023,643
Operational costs	92,665,280	97,111,644	100,281,087	99,761,032
Total Expenditure	**1,178,063,718**	**1,301,060,849**	**1,372,455,046**	**1,470,281,064**

The total operating expenditure increased by R 122,997 million (10.44%) from R 1,178,064 billion in 2022/23 to R 1,301,061 billion in 2023/24.

Below is a discussion of the main expenditure components.

Employee related costs

The 2023/24 budget provides for a general increase of 7.1%, based on the salary and wage collective agreement for the period 01 July 2021 to 30 June 2024.

The total budget provision of R 458,412 million represents an increase of 11.98% over the 2023/24 budget. Employee related costs in the 2023/24 Budget, represent 35.23% of the total operating expenditure.

Remuneration of Councillors

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). There is no proclamation in terms of Remuneration of Councillors yet.

Debt Impairment

The provision for debt impairment and irrecoverable debts written off was determined based on a targeted annual collection rate of 94% for property rates and services charges. For the 2023/24 financial year this amounted to R 35,858 million and R 7,305 million, respectively. While this expenditure represents a non-cash flow item, it is taken into account in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

Depreciation and Asset Impairment

The provision for depreciation and asset impairment has been informed by the Municipality's Fixed Assets Register. The budget amounts to R 109,663 million for the 2023/24 financial and equates to 8.43% of the total operating expenditure.

Bulk Electricity Purchases

The bulk purchases of increased by 12.24% or R 39,880 million, compared to the 2022/23 approved adjustments budget. Bulk electricity purchases constitute 28.11% of total operating expenditure for 2023/24.

Inventory Consumed

Inventory consumed relates to the inventory items, such as bulk water purchases, material and supplies, consumables, printing and stationery, fuel and oil etc., initially budgeted under bulk purchases and general expenses, being transferred to other materials. This is in line with the mSCOA requirements. The budget for 2023/24 amounts to R 99,701 million and equates to 7.66% of the total operating expenditure.

Contracted Services

In the 2023/24 financial year, the budget provision amounts to R 108,715 million and equates to 8.36% of the total operating expenditure.

Transfers and subsidies

Transfers and subsidies relate to grant-in-aid given by the municipality to various non-profit organizations, in line with the Council approved grant-in-aid policy. In the 2023/24 financial year, the budget provision amounts to R 1,040 million and equates to 0.08% of the total operating expenditure.

Operational Costs

Operational costs comprise of various line items relating to the daily operations of the municipality. In the 2023/24 financial year, the budget provision amounts to R 97,112 million and equates to 7.46% of the total operating expenditure.

The graph below reflects the expenditure components of the budgeted statement of financial performance.

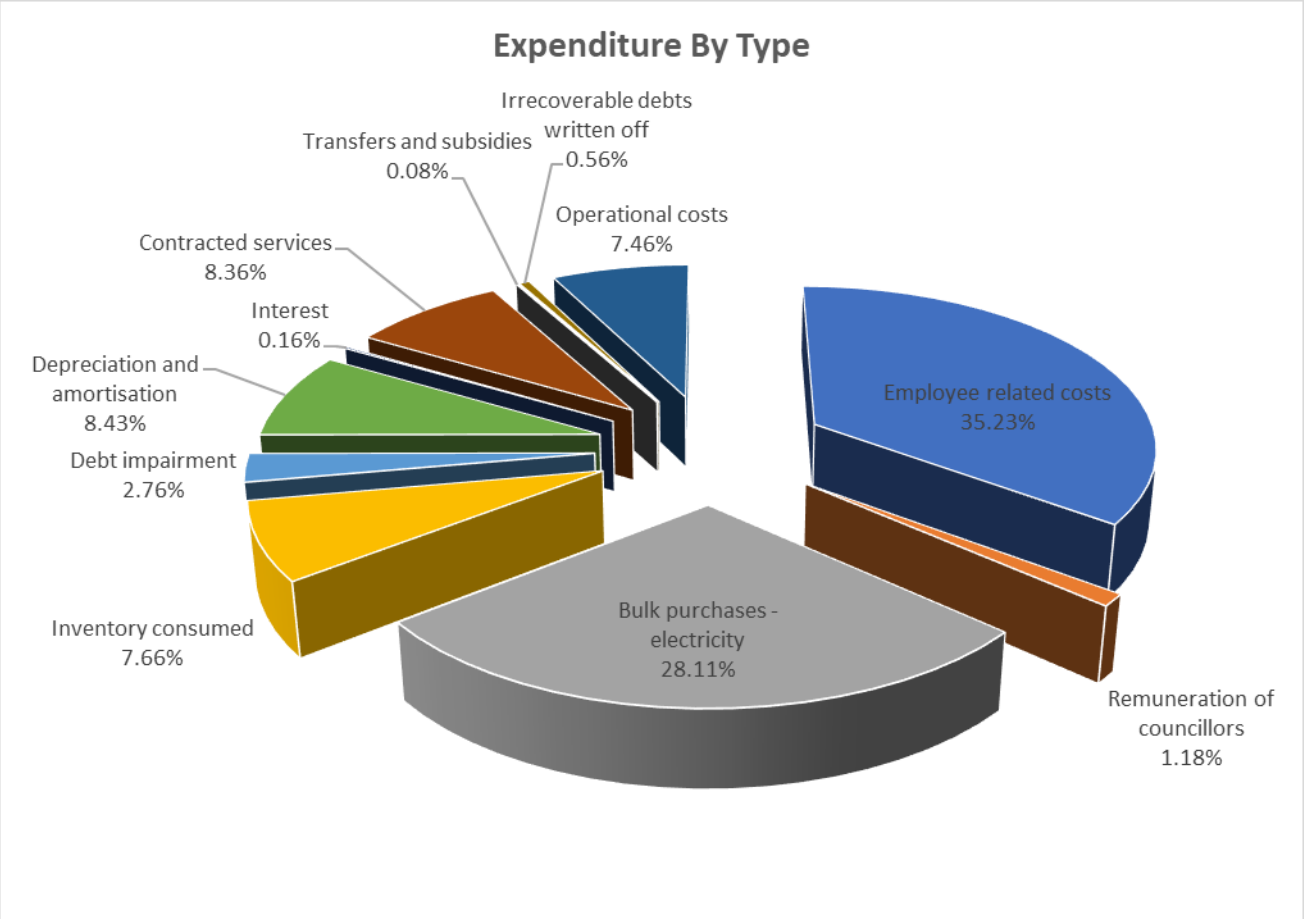


Figure 1 Main operational expenditure categories for the 2023/24 financial year

1.5.1 Priority relating to repairs and maintenance.

The repairs and maintenance expenditure in the 2023/24 financial year, increased by R 9,712 million or 18.78% compared to the 2022/23 Approved Adjustments Budget.

It is to be noted that repairs and maintenance, constitutes 4.72%, 4.83% and 4.69% of the total operating expenditure, for the 2023/24, 2024/25 and 2025/26 financial years, respectively.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 6 (Repairs and maintenance per asset class)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Repairs and Maintenance by Asset Class	**51,720,860**	**61,432,409**	**66,290,839**	**69,029,303**
Roads Infrastructure	14,204,448	14,206,398	14,395,686	14,593,492
Storm water Infrastructure	1,028,327	1,074,604	1,122,958	1,173,463
Electrical Infrastructure	7,950,000	10,827,250	11,314,478	11,823,629
Water Supply Infrastructure	7,121,210	7,441,665	7,776,533	8,126,481
Sanitation Infrastructure	4,365,256	8,968,561	11,957,145	12,949,717
Infrastructure	**34,669,241**	**42,518,478**	**46,566,800**	**48,666,782**
Community Facilities	1,792,760	1,924,669	2,013,198	2,105,803
Sport and Recreation Facilities	1,490,000	1,413,450	1,478,468	1,546,477
Community Assets	**3,282,760**	**3,338,119**	**3,491,666**	**3,652,280**
Operational Buildings	3,869,600	3,767,555	3,868,132	3,942,874
Other Assets	**3,869,600**	**3,767,555**	**3,868,132**	**3,942,874**
Machinery and Equipment	735,100	952,237	995,715	1,035,967
Transport Assets	9,164,159	10,856,020	11,368,526	11,731,400
TOTAL EXPENDITURE OTHER ITEMS	**51,720,860**	**61,432,409**	**66,290,839**	**69,029,303**

For the 2023/24 financial year an amount of R 42,518 million (69.21%) of total repairs and maintenance, will be spent on infrastructure assets.

1.5.1 Free Basic Services: Indigent Support

The indigent support assists indigent households that have limited financial ability to pay for municipal services. In order to qualify for free services, the households are required to register in terms of the Municipality's Indigent Policy, whilst the monthly household income may not exceed two state pensions. Detail relating to free services, cost of free basic services, as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the indigent support of the registered indigent households is largely financed by national government through the local government equitable share allocation, received in terms of the annual Division of Revenue Act.

1.6 CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 (2023/24 Medium-term capital budget per vote)

Vote Description	Current Year 2022/23		2023/24 Medium Term Revenue & Expenditure Framework					
R	Adjusted Budget	%	Budget Year 2023/24	%	Budget Year 2024/25	%	Budget Year 2025/26	%
Capital expenditure - Vote								
Multi-year expenditure *to be appropriated*								
Vote 1 - EXECUTIVE COUNCIL	1,222,819	1.13%	10,000	0.02%	10,460	0.02%	10,941	0.02%
Vote 2 - FINANCIAL SERVICES	980,000	0.91%	-	0.00%	-	0.00%	-	0.00%
Vote 3 - CORPORATE SERVICES	1,740,000	1.61%	-	0.00%	-	0.00%	-	0.00%
Vote 4 - COMMUNITY SERVICES	12,444,085	11.52%	1,362,277	2.05%	1,429,028	2.43%	1,496,193	2.91%
Vote 5 - INFRASTRUCTURE AND ENGINEERING	89,179,470	82.59%	64,520,562	96.89%	56,686,258	96.36%	49,168,172	95.70%
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	2,416,985	2.24%	700,000	1.05%	700,000	1.19%	700,000	1.36%
Total Capital Expenditure - Vote	**107,983,359**	**100.00%**	**66,592,839**	**100.00%**	**58,825,746**	**100.00%**	**51,375,306**	**100.00%**

Infrastructure and Engineering receives the highest allocation of R 64,521 million in 2023/24, which equates to 96.89%, followed by Community Services at R 1,362 million (2.05%) and Planning, Development and Tourism at R 0,700 million (1.05%).

Annexure "A" provides a summary of the capital projects included in the Capital budget.

The following graph provides a breakdown of the capital budget over the MTREF.

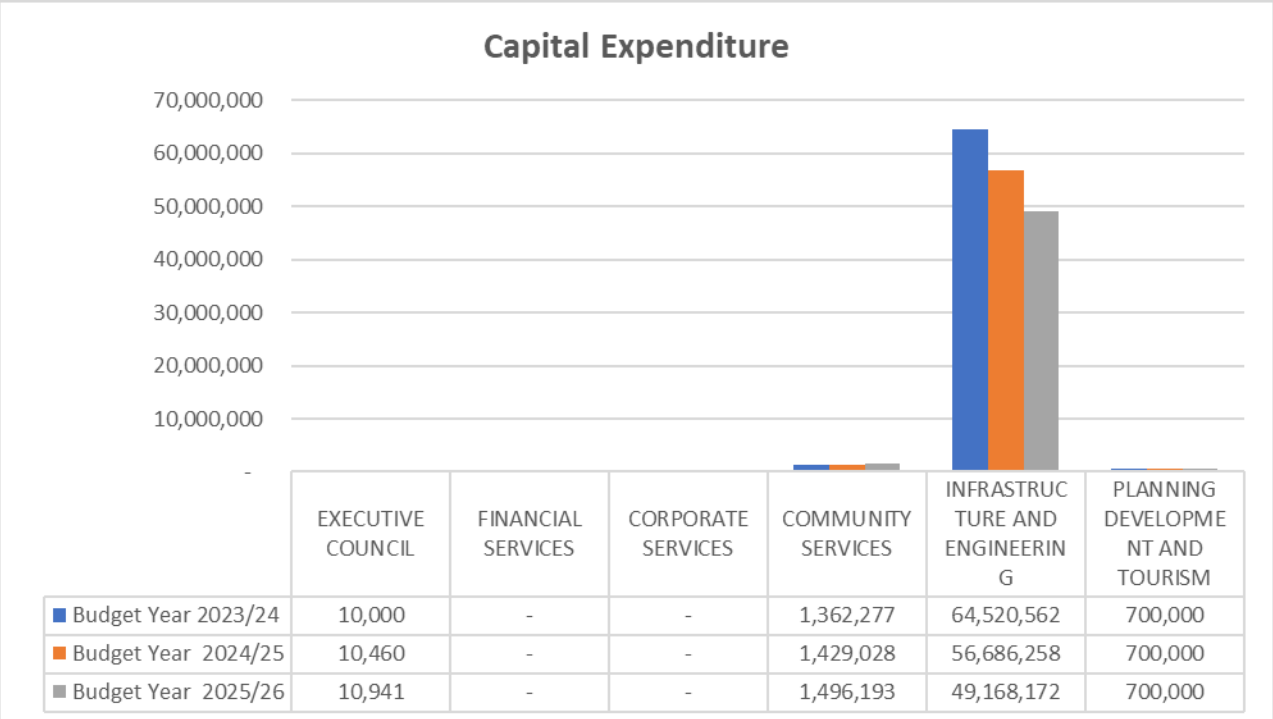


Figure 2 Capital Expenditure

1.7 ANNUAL BUDGET TABLES

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2023/24 Budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.

Table 8 (Table A1 - Budget Summary)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	**Adjusted Budget**	**Budget Year 2023/24**	**Budget Year 2024/25**	**Budget Year 2025/26**
Financial Performance				
Property rates	236,746,531	281,487,795	295,280,635	309,158,826
Service charges	560,500,737	630,944,148	685,263,922	757,526,048
Investment revenue	3,057,323	4,598,161	4,823,471	5,050,174
Transfer and subsidies - Operational	177,919,970	190,883,480	206,454,705	223,190,972
Other own revenue	78,082,167	60,120,631	63,411,365	66,855,128
Total Revenue (excluding capital transfers and contributions)	**1,056,306,728**	**1,168,034,215**	**1,255,234,098**	**1,361,781,148**
Employee costs	409,378,942	458,412,470	459,539,695	480,708,358
Remuneration of councillors	14,364,406	15,384,270	16,091,945	16,832,172
Depreciation and amortisation	103,850,144	109,662,969	124,088,773	124,088,773
Finance charges	2,875,189	2,089,744	1,062,053	15,161
Inventory consumed and bulk purchases	414,721,600	465,481,577	518,194,600	588,516,065
Transfers and subsidies	725,000	1,040,275	1,083,527	1,128,769
Other expenditure	232,148,437	248,989,544	252,394,453	258,991,766
Total Expenditure	**1,178,063,718**	**1,301,060,849**	**1,372,455,046**	**1,470,281,064**
Surplus/(Deficit)	**(121,756,990)**	**(133,026,634)**	**(117,220,948)**	**(108,499,916)**
Transfers and subsidies - capital (monetary allocations)	93,134,450	75,560,927	66,618,228	58,039,593
Transfers and subsidies - capital (in-kind)	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	**(28,622,540)**	**(57,465,707)**	**(50,602,720)**	**(50,460,323)**
Share of Surplus/Deficit attributable to Associate	-	-	-	-
Surplus/(Deficit) for the year	**(28,622,540)**	**(57,465,707)**	**(50,602,720)**	**(50,460,323)**
Capital expenditure & funds sources				
Capital expenditure	**107,983,359**	**66,592,839**	**58,825,746**	**51,375,306**
Transfers recognised - capital	81,200,130	65,882,839	58,115,286	50,664,365
Borrowing	10,104,406	-	-	-
Internally generated funds	16,678,823	710,000	710,460	710,941
Total sources of capital funds	**107,983,359**	**66,592,839**	**58,825,746**	**51,375,306**

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Financial position				
Total current assets	146,929,099	153,703,575	170,083,443	194,156,373
Total non current assets	2,332,762,345	2,289,692,215	2,224,429,188	2,151,715,721
Total current liabilities	154,763,346	164,257,258	166,540,720	168,360,508
Total non current liabilities	243,358,837	255,034,978	246,397,541	246,397,541
Community wealth/Equity	2,081,569,261	2,024,103,554	1,981,574,367	1,931,114,042
Cash flows				
Net cash from (used) operating	90,739,691	70,564,884	70,836,836	60,949,448
Net cash from (used) investing	(97,878,953)	(66,592,839)	(58,825,746)	(51,375,306)
Net cash from (used) financing	(12,169,020)	(10,090,505)	(9,484,294)	(563,900)
Cash/cash equivalents at the year end	**8,542,313**	**2,423,853**	**4,950,649**	**13,960,891**
Cash backing/surplus reconciliation	-	-	-	-
Cash and investments available	8,542,313	2,423,853	4,950,649	13,960,891
Application of cash and investments	(739,976)	(1,454,270)	(4,103,484)	(16,783,795)
Balance - surplus (shortfall)	**9,282,289**	**3,878,123**	**9,054,133**	**30,744,686**
Asset management				
Asset register summary (WDV)	2,210,088,122	2,167,017,992	2,144,825,095	2,137,374,655
Depreciation	103,850,144	109,662,969	124,088,773	124,088,773
Renewal and Upgrading of Existing Assets	33,639,709	53,224,912	26,602,454	9,901,385
Repairs and Maintenance	51,720,860	61,432,409	66,290,839	69,029,303
Free services				
Cost of Free Basic Services provided	-	-	-	-
Revenue cost of free services provided	-	-	-	-
Households below minimum service level	–	–	–	–
Water:	-	-	-	-
Sanitation/sewerage:	-	-	-	-
Energy:	-	-	-	-
Refuse:	-	-	-	-

Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance, as well as the Municipality's commitment to eliminating basic service delivery backlogs.

Table 9 (Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification))

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue - Functional				
Municipal governance and administration	**361,779,029**	**422,638,791**	**449,040,714**	**474,742,908**
Executive and council	108,781	105,929	111,119	116,342
Finance and administration	361,670,248	422,532,862	448,929,595	474,626,566
Internal audit				
Community and public safety	**39,035,335**	**16,716,325**	**17,434,930**	**18,158,473**
Community and social services	2,475,717	2,437,083	2,456,051	2,475,134
Sport and recreation	8,638,983	10,337,816	10,844,369	11,354,055
Public safety	1,648,026	1,378,277	1,445,812	1,513,766
Housing	23,085,196			
Health	3,187,413	2,563,149	2,688,698	2,815,518
Economic and environmental services	**40,281,710**	**37,432,280**	**37,197,702**	**39,485,139**
Planning and development	8,366,650	8,083,148	8,466,104	8,854,292
Road transport	6,544,104	6,909,633	4,669,763	4,889,243
Environmental protection	25,370,956	22,439,499	24,061,835	25,741,604
Trading services	**708,345,104**	**766,807,746**	**818,178,980**	**887,434,221**
Energy sources	358,563,916	420,372,429	469,414,164	518,622,224
Water management	173,180,622	158,376,686	148,266,880	155,539,475
Waste water management	107,154,932	113,711,410	120,670,937	127,885,945
Waste management	69,445,634	74,347,221	79,826,999	85,386,577
Other				
Total Revenue - Functional	**1,149,441,178**	**1,243,595,142**	**1,321,852,326**	**1,419,820,741**
Expenditure - Functional				
Municipal governance and administration	**285,570,764**	**318,816,358**	**311,414,582**	**317,990,915**
Executive and council	58,656,733	67,329,008	70,222,074	72,949,323
Finance and administration	226,521,031	251,236,470	240,924,473	244,778,387
Internal audit	393,000	250,880	268,035	263,205

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Expenditure - Functional				
Community and public safety	**114,690,997**	**123,790,346**	**129,424,301**	**135,222,364**
Community and social services	12,296,968	13,122,936	13,771,138	14,381,203
Sport and recreation	59,339,496	64,896,225	68,014,941	71,067,830
Public safety	28,837,942	30,734,829	32,175,310	33,615,307
Housing	6,794,423	7,069,939	7,125,312	7,436,437
Health	7,422,168	7,966,417	8,337,600	8,721,587
Economic and environmental services	**154,329,012**	**163,328,155**	**171,751,090**	**176,970,158**
Planning and development	28,916,283	33,335,539	34,877,600	36,469,949
Road transport	110,584,428	120,377,979	126,795,395	129,958,956
Environmental protection	14,828,301	9,614,637	10,078,095	10,541,253
Trading services	**617,435,896**	**687,127,750**	**755,601,983**	**836,310,562**
Energy sources	382,968,861	429,289,936	477,368,898	546,074,593
Water management	105,113,666	107,727,826	115,972,328	122,568,805
Waste water management	73,259,597	86,195,281	95,087,845	98,492,716
Waste management	56,093,772	63,914,707	67,172,912	69,174,448
Other	**6,037,049**	**7,998,240**	**4,263,090**	**3,787,065**
Total Expenditure - Functional	**1,178,063,718**	**1,301,060,849**	**1,372,455,046**	**1,470,281,064**
Surplus/(Deficit)	**(28,622,540)**	**(57,465,707)**	**(50,602,720)**	**(50,460,323)**

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

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities. It should be noted that the revenue by vote as reflected in this table, includes revenue attributable to capital grants.

Table 10 (Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote))

Vote Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue by Vote				
Vote 1 - EXECUTIVE COUNCIL	0	–	–	–
Vote 2 - FINANCIAL SERVICES	353,977	410,736	436,555	461,670
Vote 3 - CORPORATE SERVICES	947	1,194	1,253	1,312
Vote 4 - COMMUNITY SERVICES	122,144	127,808	136,329	144,998
Vote 5 - INFRASTRUCTURE AND ENGINEERING	642,716	697,642	741,196	805,016
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	29,657	6,215	6,519	6,826
Total Revenue by Vote	**1,149,441**	**1,243,595**	**1,321,852**	**1,419,821**
Expenditure by Vote *to be appropriated*				
Vote 1 - EXECUTIVE COUNCIL	64,922	73,810	77,004	79,983
Vote 2 - FINANCIAL SERVICES	106,750	120,507	124,523	128,333
Vote 3 - CORPORATE SERVICES	60,740	67,199	49,627	47,203
Vote 4 - COMMUNITY SERVICES	231,928	246,820	258,819	269,407
Vote 5 - INFRASTRUCTURE AND ENGINEERING	676,920	751,069	823,280	905,358
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	36,803	41,656	39,201	39,997
Total Expenditure by Vote	**1,178,064**	**1,301,061**	**1,372,455**	**1,470,281**
Surplus/(Deficit) for the year	**(28,623)**	**(57,466)**	**(50,603)**	**(50,460)**

Explanatory notes to Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned. Operating revenue and expenditure are thus presented by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

Table 11 (Table A4 - Budgeted Financial Performance (revenue and expenditure))

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue				
Exchange Revenue				
Service charges - Electricity	350,201,215	402,731,398	441,393,614	496,920,932
Service charges - Water	88,580,032	98,502,084	105,643,486	113,302,638
Service charges - Waste Water Management	59,450,218	63,314,484	67,429,923	71,812,868
Service charges - Waste Management	62,269,272	66,396,182	70,796,899	75,489,610
Sale of Goods and Rendering of Services	9,405,338	7,790,039	8,168,791	8,549,884
Agency services	5,351,604	1,000,000	1,049,000	1,098,303
Interest earned from Receivables	17,441,715	18,594,723	19,902,694	21,350,936
Interest earned from Current and Non Current Assets	3,057,323	4,598,161	4,823,471	5,050,174
Rental from Fixed Assets	2,864,935	3,294,553	3,455,985	3,618,417
Licence and permits	2,775,920	3,021,423	3,169,473	3,318,438
Operational Revenue	25,474,447	2,173,637	2,231,145	2,289,009
Non-Exchange Revenue				
Property rates	236,746,531	281,487,795	295,280,635	309,158,826
Fines, penalties and forfeits	6,483,782	10,333,755	10,840,109	11,349,595
Licences or permits	5,620,589	10,668,385	11,191,091	11,717,524
Transfer and subsidies - Operational	177,919,970	190,883,480	206,454,705	223,190,972
Interest	2,663,837	3,244,116	3,403,077	3,563,022
Total Revenue (excluding capital transfers and contributions)	**1,056,306,728**	**1,168,034,215**	**1,255,234,098**	**1,361,781,148**
Expenditure				
Employee related costs	409,378,942	458,412,470	459,539,695	480,708,358
Remuneration of councillors	14,364,406	15,384,270	16,091,945	16,832,172
Bulk purchases - electricity	325,900,000	365,780,321	412,234,422	476,872,779
Inventory consumed	88,821,600	99,701,256	105,960,178	111,643,286
Debt impairment	32,315,103	35,857,818	38,714,428	42,408,225
Depreciation and amortisation	103,850,144	109,662,969	124,088,773	124,088,773
Interest	2,875,189	2,089,744	1,062,053	15,161
Contracted services	98,615,516	108,714,590	105,735,480	108,798,866
Transfers and subsidies	725,000	1,040,275	1,083,527	1,128,769
Irrecoverable debts written off	8,552,538	7,305,492	7,663,458	8,023,643
Operational costs	92,665,280	97,111,644	100,281,087	99,761,032
Total Expenditure	**1,178,063,718**	**1,301,060,849**	**1,372,455,046**	**1,470,281,064**
Surplus/(Deficit)	**(121,756,990)**	**(133,026,634)**	**(117,220,948)**	**(108,499,916)**
Transfers and subsidies - capital (monetary allocations)	93,134,450	75,560,927	66,618,228	58,039,593
Transfers and subsidies - capital (in-kind)	-	-	-	-
Surplus/(Deficit) after capital transfers and contributions	**(28,622,540)**	**(57,465,707)**	**(50,602,720)**	**(50,460,323)**
Income Tax	-	-	-	-
Surplus/(Deficit) after income tax	**(28,622,540)**	**(57,465,707)**	**(50,602,720)**	**(50,460,323)**
Share of Surplus/Deficit attributable to Joint Venture	-	-	-	-
Share of Surplus/Deficit attributable to Minorities	-	-	-	-
Surplus/(Deficit) attributable to municipality	**(28,622,540)**	**(57,465,707)**	**(50,602,720)**	**(50,460,323)**
Share of Surplus/Deficit attributable to Associate	-	-	-	-
Intercompany/Parent subsidiary transactions	-	-	-	-
Surplus/(Deficit) for the year	**(28,622,540)**	**(57,465,707)**	**(50,602,720)**	**(50,460,323)**

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

Revenue

1. The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.

2. Total revenue (excluding capital transfers and contributions) amounts to R 1,168,034 billion in 2023/24 and increases to R 1,361,781 billion in 2025/26.This represents a year-on-year increase of 10.58% for the 2023/24 financial year and decreases of 7.47% for the 2024/25 financial year and increases of 8.49% for the 2025/26 financial year, respectively.

3. Revenue from property rates amounts to R 281,488 million in the 2023/24 financial year and increases to R 309,159 million in 2025/26, which amounts to 24.10% of the total operating revenue base of the Municipality.

4. Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the biggest component of the total revenue base, amounting to R 630,944 million for the 2023/24 financial year and increasing to R 757,526 million in 2025/26. For the 2023/24 financial year services charges amount to 54.02% of the total revenue base.

5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 7.29% for 2023/24, increases by 8.16% for 2024/25 and increased by 8.11% for 2025/26, compared to previous financial years.

   Below a breakdown of property rates and service charges for 2023/24:

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework	
Rand	Adjusted Budget	Budget Year 2023/24	%Increase
Revenue By Source			
Property rates	236,746,531	281,487,783	18.90%
Service charges - electricity revenue	350,201,215	402,731,397	15.00%
Service charges - water revenue	88,580,032	98,502,084	11.20%
Service charges – waste water management	59,450,218	63,314,482	6.50%
Service charges – waste management	62,269,272	66,396,182	6.63%

Table 12 (Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Capital Expenditure - Functional				
Municipal governance and administration	**4,484,498**	**10,000**	**10,460**	**10,941**
Executive and council	1,200,000	10,000	10,460	10,941
Finance and administration	3,261,679			
Internal audit	22,819			
Community and public safety	**2,878,555**	**1,362,277**	**1,429,028**	**1,496,193**
Community and social services				
Sport and recreation	1,240,555			
Public safety	1,638,000	1,362,277	1,429,028	1,496,193
Housing				
Health				
Economic and environmental services	**19,016,194**	**6,496,604**	**13,500,143**	**23,714,614**
Planning and development	7,338,724	3,157,474	100,000	100,000
Road transport	11,677,470	3,339,130	13,400,143	23,614,614
Environmental protection				
Trading services	**81,604,112**	**58,123,958**	**43,286,115**	**25,553,558**
Energy sources	1,863,415	7,652,173	16,300,129	9,565,217
Water management	54,836,414	26,086,956	8,695,652	6,086,956
Waste water management	14,799,877	24,384,829	18,290,334	9,901,385
Waste management	10,104,406			
Other		**600,000**	**600,000**	**600,000**
Total Capital Expenditure - Functional	**107,983,359**	**66,592,839**	**58,825,746**	**51,375,306**
Funded by				
National Government	79,562,130	64,520,562	56,686,258	49,168,172
Provincial Government				
District Municipality	1,638,000	1,362,277	1,429,028	1,496,193
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)				
Transfers recognised - capital	**81,200,130**	**65,882,839**	**58,115,286**	**50,664,365**
Borrowing	10,104,406			
Internally generated funds	16,678,823	710,000	710,460	710,941
Total Capital Funding	**107,983,359**	**66,592,839**	**58,825,746**	**51,375,306**

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote; 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 capital programme is funded from national grants and internally generated funds. For 2023/24, capital transfers totals R 65,883 million (98.93%) and amounts to R 50,664 million for 2025/26 (98.62%). Internally generated funding amounts to R 0,710 million in the 2023/24 financial year. These funding sources are further discussed in detail in Section 2.6 (Overview of Budget Funding).

Table 13 (Table A6 - Budgeted Financial Position)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
ASSETS				
Current assets				
Cash and cash equivalents	8,542,313	2,423,853	4,950,649	13,960,891
Trade and other receivables from exchange transactions	48,597,294	56,836,872	66,568,177	77,316,683
Receivables from non-exchange transactions	20,620,858	25,274,221	29,395,995	33,711,494
Current portion of non-current receivables	-	-	-	-
Inventory	17,109,849	17,109,850	17,109,850	17,108,541
VAT	50,443,224	50,443,218	50,443,211	50,443,203
Other current assets	1,615,561	1,615,561	1,615,561	1,615,561
Total current assets	**146,929,099**	**153,703,575**	**170,083,443**	**194,156,373**
Non current assets				
Investments	-	-	-	-
Investment property	262,608,444	262,608,444	262,608,444	262,608,444
Property, plant and equipment	2,069,744,237	2,026,674,107	1,961,411,080	1,888,697,613
Biological assets	-	-	-	-
Living and non-living resources	-	-	-	-
Heritage assets	-	-	-	-
Intangible assets	409,664	409,664	409,664	409,664
Trade and other receivables from exchange transactions	-	-	-	-
Non-current receivables from non-exchange transactions	-	-	-	-
Other non-current assets	-	-	-	-
Total non current assets	**2,332,762,345**	**2,289,692,215**	**2,224,429,188**	**2,151,715,721**
TOTAL ASSETS	**2,479,691,444**	**2,443,395,790**	**2,394,512,631**	**2,345,872,094**
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	-
Financial liabilities	12,169,021	9,484,294	563,900	-
Consumer deposits	23,672,925	23,672,925	23,672,925	23,672,925
Trade and other payables from exchange transactions	77,410,815	87,410,815	96,335,815	96,335,817
Trade and other payables from non-exchange transactions	-	-	-	-
Provision	38,247,260	40,425,900	42,704,757	45,088,442
VAT	-	(1)	(2)	(1)
Other current liabilities	3,263,325	3,263,325	3,263,325	3,263,325
Total current liabilities	**154,763,346**	**164,257,258**	**166,540,720**	**168,360,508**
Non current liabilities				
Financial liabilities	16,043,215	8,637,437	-	-
Provision	123,003,282	126,686,065	126,686,065	126,686,065
Long term portion of trade payables	-	-	-	-
Other non-current liabilities	104,312,340	119,711,476	119,711,476	119,711,476
Total non current liabilities	**243,358,837**	**255,034,978**	**246,397,541**	**246,397,541**
TOTAL LIABILITIES	**398,122,183**	**419,292,236**	**412,938,261**	**414,758,049**
NET ASSETS	**2,081,569,261**	**2,024,103,554**	**1,981,574,370**	**1,931,114,045**
COMMUNITY WEALTH/EQUITY				
Accumulated surplus/(deficit)	2,081,569,261	2,024,103,554	1,981,574,367	1,931,114,042
Reserves and funds	-	-	-	-
Other	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	**2,081,569,261**	**2,024,103,554**	**1,981,574,367**	**1,931,114,042**

Explanatory notes to Table A6 - Budgeted Financial Position

1. The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity, i.e., assets readily converted to cash or liabilities immediately required to be met from cash appear first.

2. Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. 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 directly informed by forecasting the statement of financial position.

Table 14 (Table A7 - Budgeted cash flow statement)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	227,439,850	267,647,995	280,762,748	293,958,597
Service charges	628,916,684	699,529,660	759,478,827	838,955,535
Other revenue	101,036,116	67,073,189	68,563,892	70,196,518
Transfers and Subsidies - Operational	177,919,970	190,883,480	206,454,705	223,190,972
Transfers and Subsidies - Capital	93,134,450	75,560,927	66,618,228	58,039,593
Interest	3,057,323	4,598,161	4,823,471	5,050,174
Dividends	-	-	-	-
Payments				
Suppliers and employees	(1,140,764,702)	(1,234,728,528)	(1,315,865,035)	(1,428,441,941)
Finance charges	-	-	-	-
Transfers and Subsidies	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	**90,739,691**	**70,564,884**	**70,836,836**	**60,949,448**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	-	-	-	-
Decrease (Increase) in non-current debtors (not used)	-	-	-	-
Decrease (increase) in non-current receivables	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-
Payments				
Capital assets	(97,878,953)	(66,592,839)	(58,825,746)	(51,375,306)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(97,878,953)**	**(66,592,839)**	**(58,825,746)**	**(51,375,306)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments				
Repayment of borrowing	(12,169,020)	(10,090,505)	(9,484,294)	(563,900)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(12,169,020)**	**(10,090,505)**	**(9,484,294)**	**(563,900)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(19,308,282)**	**(6,118,460)**	**2,526,796**	**9,010,242**
Cash/cash equivalents at the year begin:	**27,850,595**	**8,542,313**	**2,423,853**	**4,950,649**
Cash/cash equivalents at the year end:	**8,542,313**	**2,423,853**	**4,950,649**	**13,960,891**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.

2. It reflects the expected cash in-flows versus cash outflows that are likely to result from the implementation of the budget.

3. The cash position of the Municipality increases over the 2023/24 to 2025/26 period, from R 2,424 million to R 13,961 million.

4. Cash and cash equivalents amount to R 2,424 million as at the end of the 2023/24 financial year and increases to R 13,961 million in 2025/26.

Table 15 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Cash and investments available				
Cash/cash equivalents at the year end	8,542,313	2,423,853	4,950,649	13,960,891
Other current investments > 90 days	-	-	-	-
Non current assets - Investments	-	-	-	-
Cash and investments available:	8,542,313	2,423,853	4,950,649	13,960,891
Application of cash and investments				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements	(50,443,224)	(50,443,217)	(50,443,209)	(50,443,202)
Other working capital requirements	8,192,663	5,299,722	371,643	(14,692,360)
Other provisions	41,510,585	43,689,225	45,968,082	48,351,767
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-
Total Application of cash and investments:	(739,976)	(1,454,270)	(4,103,484)	(16,783,795)
Surplus(shortfall)	**9,282,289**	**3,878,123**	**9,054,133**	**30,744,686**

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. The table assesses 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. As part of the budgeting and planning guidelines that informed the compilation of the 2023/24 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the MFMA.

4. It is to be noted that the budget moves from a funding surplus of R 3,878 million in 2023/24 to a funding surplus of R 30,745 million in 2025/26.

Table 16 (Table A9 - Asset Management)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
CAPITAL EXPENDITURE				
Total New Assets	74,343,650	13,367,927	32,223,292	41,473,921
Roads Infrastructure		3,339,130	13,400,143	23,614,614
Electrical Infrastructure	1,573,347	7,652,173	16,300,129	9,565,217
Water Supply Infrastructure	54,376,414		37,880	6,086,956
Sanitation Infrastructure	560,000	304,347	345,652	
Solid Waste Infrastructure	380,000			
Infrastructure	56,889,761	11,295,650	30,083,804	39,266,787
Community Facilities	1,514,985			
Community Assets	1,514,985	-	-	-
Licences and Rights	52,000			
Intangible Assets	52,000	-	-	-
Computer Equipment	2,077,811			
Furniture and Office Equipment	1,212,819	610,000	610,460	610,941
Machinery and Equipment	758,270	100,000	100,000	100,000
Transport Assets	11,838,004	1,362,277	1,429,028	1,496,193
Total Renewal of Existing Assets	335,000	-	-	-
Water Supply Infrastructure	335,000			
Infrastructure	335,000	-	-	-
Total Upgrading of Existing Assets	33,304,709	53,224,912	26,602,454	9,901,385
Roads Infrastructure	13,552,470			
Electrical Infrastructure	165,068			
Water Supply Infrastructure		26,086,956	8,657,772	
Sanitation Infrastructure	13,734,877	24,080,482	17,944,682	9,901,385
Infrastructure	27,452,415	50,167,438	26,602,454	9,901,385
Sport and Recreation Facilities	5,602,294	3,057,474		
Community Assets	5,602,294	3,057,474	-	-
Operational Buildings	250,000			
Other Assets	250,000	-	-	-
Total Capital Expenditure	107,983,359	66,592,839	58,825,746	51,375,306
Roads Infrastructure	13,552,470	3,339,130	13,400,143	23,614,614
Electrical Infrastructure	1,738,415	7,652,173	16,300,129	9,565,217
Water Supply Infrastructure	54,711,414	26,086,956	8,695,652	6,086,956
Sanitation Infrastructure	14,294,877	24,384,829	18,290,334	9,901,385
Solid Waste Infrastructure	380,000			
Infrastructure	84,677,176	61,463,088	56,686,258	49,168,172
Community Facilities	1,514,985			
Sport and Recreation Facilities	5,602,294	3,057,474		
Community Assets	7,117,279	3,057,474	-	-
Operational Buildings	250,000			
Other Assets	250,000	-	-	-
Licences and Rights	52,000			
Intangible Assets	52,000	-	-	-
Computer Equipment	2,077,811			
Furniture and Office Equipment	1,212,819	610,000	610,460	610,941
Machinery and Equipment	758,270	100,000	100,000	100,000
Transport Assets	11,838,004	1,362,277	1,429,028	1,496,193
TOTAL CAPITAL EXPENDITURE - Asset Class	107,983,359	66,592,839	58,825,746	51,375,306

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
ASSET REGISTER SUMMARY - PPE (WDV)	2,210,088,122	2,167,017,992	2,144,825,095	2,137,374,655
Roads Infrastructure	553,415,822	556,675,837	566,726,403	576,940,874
Storm water Infrastructure	11,520,089	8,913,815	8,570,988	8,570,988
Electrical Infrastructure	191,234,923	192,211,737	199,980,824	193,245,912
Water Supply Infrastructure	348,529,786	359,615,735	340,251,198	337,642,502
Sanitation Infrastructure	493,705,603	517,807,453	511,675,738	503,286,789
Solid Waste Infrastructure	(11,066,507)	(51,865,203)	(57,231,867)	(57,231,867)
Information and Communication Infrastructure	72,000	72,000	72,000	72,000
Infrastructure	1,587,411,716	1,583,431,374	1,570,045,284	1,562,527,198
	48,426,286	51,343,058	48,267,078	48,267,078
Community Assets	48,426,286	51,343,058	48,267,078	48,267,078
Heritage Assets				
	262,608,444	262,608,444	262,608,444	262,608,444
Investment properties	262,608,444	262,608,444	262,608,444	262,608,444
	27,557,117	20,443,504	19,428,023	19,428,504
Other Assets	27,557,117	20,443,504	19,428,023	19,428,504
Biological or Cultivated Assets				
	409,664	409,664	409,664	409,664
Intangible Assets	409,664	409,664	409,664	409,664
Computer Equipment	3,481,831	2,941,044	2,869,916	2,869,916
Furniture and Office Equipment	10,272,962	6,594,260	6,110,409	6,110,409
Machinery and Equipment	3,693,875	3,058,040	2,961,259	2,961,259
Transport Assets	38,621,175	8,583,552	4,519,966	4,587,131
Land	227,605,052	227,605,052	227,605,052	227,605,052
Zoo's, Marine and Non-biological Animals				
Living Resources				
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	2,210,088,122	2,167,017,992	2,144,825,095	2,137,374,655

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
EXPENDITURE OTHER ITEMS				
Depreciation	103,850,144	109,662,969	124,088,773	124,088,773
Repairs and Maintenance by Asset Class	51,720,860	61,432,409	66,290,839	69,029,303
Roads Infrastructure	14,204,448	14,206,398	14,395,686	14,593,492
Storm water Infrastructure	1,028,327	1,074,604	1,122,958	1,173,463
Electrical Infrastructure	7,950,000	10,827,250	11,314,478	11,823,629
Water Supply Infrastructure	7,121,210	7,441,665	7,776,533	8,126,481
Sanitation Infrastructure	4,365,256	8,968,561	11,957,145	12,949,717
Infrastructure	34,669,241	42,518,478	46,566,800	48,666,782
Community Facilities	1,792,760	1,924,669	2,013,198	2,105,803
Sport and Recreation Facilities	1,490,000	1,413,450	1,478,468	1,546,477
Community Assets	3,282,760	3,338,119	3,491,666	3,652,280
Operational Buildings	3,869,600	3,767,555	3,868,132	3,942,874
Other Assets	3,869,600	3,767,555	3,868,132	3,942,874
Machinery and Equipment	735,100	952,237	995,715	1,035,967
Transport Assets	9,164,159	10,856,020	11,368,526	11,731,400
TOTAL EXPENDITURE OTHER ITEMS	155,571,004	171,095,378	190,379,612	193,118,076
Renewal and upgrading of Existing Assets as % of total capex	*31.2%*	*79.9%*	*45.2%*	*19.3%*
Renewal and upgrading of Existing Assets as % of deprecn	*32.4%*	*48.5%*	*21.4%*	*8.0%*
R&M as a % of PPE	*2.0%*	*3.0%*	*3.0%*	*3.0%*
Renewal and upgrading and R&M as a % of PPE	*4.0%*	*5.0%*	*4.0%*	*4.0%*

Explanatory notes to Table A9 - Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation are also reflected.

   It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

2. National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE. In this regard the expenditure relating to the renewal/rehabilitation of existing assets amounts to 79.9% of the capital budget, whilst repairs and maintenance constitute 3.0% of PPE.

Table 17 (Table A10 - Basic Service Delivery Measurement)

Description	Current Year 2022/23	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Household service targets				
Water:				
Piped water inside dwelling	–	–	–	–
Piped water inside yard (but not in dwelling)	–	–	–	–
Using public tap (at least min.service level)	–	–	–	–
Other water supply (at least min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Using public tap (< min.service level)	–	–	–	–
Other water supply (< min.service level)	–	–	–	–
No water supply	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**
Sanitation/sewerage:				
Flush toilet (connected to sewerage)	–	–	–	–
Flush toilet (with septic tank)	–	–	–	–
Chemical toilet	–	–	–	–
Pit toilet (ventilated)	–	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Bucket toilet	–	–	–	–
Other toilet provisions (< min.service level)	–	–	–	–
No toilet provisions	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**
Energy:				
Electricity (at least min.service level)	–	–	–	–
Electricity - prepaid (min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**

Description	Current Year 2022/23	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Refuse:				
Removed at least once a week	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Removed less frequently than once a week	–	–	–	–
Using communal refuse dump	–	–	–	–
Using own refuse dump	–	–	–	–
Other rubbish disposal	–	–	–	–
No rubbish disposal	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**
Households receiving Free Basic Service				
Water (6 kilolitres per household per month)	18,180,458	19,498,541	20,912,185	22,428,319
Sanitation (free minimum level service)	11,863,970	12,635,128	13,456,411	14,331,078
Electricity/other energy (50kwh per household per month)	4,308,895	4,955,229	5,430,931	6,114,142
Refuse (removed at least once a week)				
Cost of Free Basic Services provided - Formal Settlements (R'000)				
Water (6 kilolitres per **indigent** household per month)	18,180	19,499	20,912	22,428
Sanitation (free sanitation service to **indigent households**)	11,864	12,635	13,456	14,331
Electricity/other energy (50kwh per **indigent** household per month)	4,309	4,955	5,431	6,114
Refuse (removed once a week **for indigent households**)				
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	**34,353**	**37,089**	**39,800**	**42,874**
Total cost of FBS provided				
Highest level of free service provided per household				
Property rates (R value threshold)	–	–	–	–
Water (kilolitres per household per month)	–	–	–	–
Sanitation (kilolitres per household per month)	–	–	–	–
Sanitation (Rand per household per month)	–	–	–	–
Electricity (kwh per household per month)	–	–	–	–
Refuse (average litres per week)	–	–	–	–
Revenue cost of subsidised services provided (R'000)				
Property rates **(tariff adjustment)** (**impermissable values per section 17 of MPRA**)	–	–	–	–
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**	24,513	29,261	30,698	32,144
Water **(in excess of 6 kilolitres per indigent household per month)**	–	–	–	–
Sanitation **(in excess of free sanitation service to indigent households)**	–	–	–	–
Electricity/other energy **(in excess of 50 kwh per indigent household per month)**	–	–	–	–
Refuse **(in excess of one removal a week for indigent households)**	–	–	–	–
Municipal Housing - rental rebates	–	–	–	–
Housing - top structure subsidies	–	–	–	–
Other	–	–	–	–
Total revenue cost of subsidised services provided	**24,513**	**29,261**	**30,698**	**32,144**

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget process started in September 2022 after the approval of a timetable to guide the preparation of the 2023/24 to 2025/26 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business and labour, during April/May 2023. The main aim of the timetable is to ensure that an IDP and a balanced Budget are tabled in March 2023. The Draft Budget and IDP will be tabled by the Executive Mayor at a Council meeting scheduled for 31 March 2023. After this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation will take the form of series of public meetings in the various wards under the direction and leadership of the Executive Mayor and his Mayoral Committee. The inputs of the aforementioned consultations will be taken into account, whilst the Executive Mayor will table the final IDP and Budget for consideration and approval at a Council meeting to be held on 31 May 2023.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

2.1.1 IDP & Budget Timetable 2023/24 to 2025/26

The preparation of the 2023/24 to 2025/26 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 31 August 2022.

Activity	Date
IDP/Budget Schedule approved by Council	31 August 2022
Tabling of Draft IDP and Budget in Council	31 March 2023
Public Participation	During April and May 2023
Final adoption of IDP and Budget by Council	31 May 2023
Approval of SDBIP by Executive Mayor	26 June 2023

2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP, in accordance with the Municipal Systems Act, was guided and informed by the following principles:

- Achievement of the five strategic priorities of the municipality.
- Focusing on service delivery backlogs and the maintenance of infrastructure.
- Addressing community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2023/24 to 2025/26 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The budget consultation process will take the form of a series of meetings to be held throughout the municipal area with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Borrowing Management					
Credit Rating					
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.3%	0.9%	0.8%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.7%	1.3%	1.0%	0.1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%
Safety of Capital					
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%
Liquidity					
Current Ratio	Current assets/current liabilities	0.95	0.94	1.02	1.15
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.95	0.94	1.02	1.15
Liquidity Ratio	Monetary Assets/Current Liabilities	0.06	0.01	0.03	0.08
Revenue Management					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	95.0%	94.0%	94.0%	94.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		150.3%	151.4%	150.0%	147.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	3.6%	3.6%	3.7%	3.7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old				
Creditors Management					
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))				
Creditors to Cash and Investments		902.1%	3606.3%	1945.9%	690.0%

Description of financial indicator	Basis of calculation	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Other Indicators					
Electricity Distribution Losses (2)	Total Volume Losses (kW)				
	Total Volume Losses (kW) non technical				
	Total Cost of Losses (Rand '000)				
	% Volume (units purchased and generated less units sold)/units purchased and generated				
Water Volumes :System input	Bulk Purchase				
	Water treatment works				
	Natural sources				
Water Distribution Losses (2)	Total Volume Losses (kℓ)				
	Total Cost of Losses (Rand '000)				
	% Volume (units purchased and generated less units sold)/units purchased and generated				
Employee costs	Employee costs/(Total Revenue - capital revenue)	38.8%	39.2%	36.6%	35.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	40.1%	40.6%	37.9%	36.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.9%	5.3%	5.3%	5.1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	9.8%	9.4%	9.9%	9.1%
IDP regulation financial viability indicators	-				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	53.3	62.0	171.0	187.5
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	6.6%	6.6%	6.7%	6.6%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.10	0.02	0.05	0.12

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2023/24 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing amounts to 0.9% of total operating expenditure over the 2023/24 MTREF.
-

2.3.1.2 Liquidity

- The c*urrent ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2023/24 MTREF, the current ratio is 0.01 in the 2023/24, 0.03 in the 2024/25 and 0.08 in the 2025/26 financial years.

- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. For the 2023/24 MTREF, the liquidity ratio is at 0.01:1. This represents a significant risk for the Municipality, as any under collection of revenue will result in financial challenges for the Municipality. As part of the medium-term financial planning objectives, this ratio must be maintained at a minimum of 1.

2.3.2 Basic social services package for indigent households

The Constitution stipulates that a municipality must structure and manage its administration, budgeting and planning so as to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, as a result of adverse social and economic conditions.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

2.4.1 Financial Management Policies

A number of policies have been adopted by the Council. The policies govern the financial management functions of the Municipality, such as supply chain management, budget virements, credit control and debt collection, etc. A number of policies have been reviewed and proposed changes to these policies are documented below. All related policies are attached hereto as **" Annexure C"**

2.4.2 Review of Customer Care, Credit Control and Debt Collection Policy "Annexure C1"

The Customer Care, Credit Control and Debt Collection Policy was approved by Council on 30 October 2018.

The 2023/24 MTREF has been prepared on the basis of achieving an average revenue collection rate of 94% of current billings for property rate and service charges.

The following changes are proposed:

- Page 6, Definitions – **Delete**:
  "Implementing Authority" — *Means the Municipal Manager or his or her nominee, acting in* terms of section 100 of the Systems Act.

- Page 7, Definitions – **Delete**:
  "***Unreliable customer*" -** Includes an account holder, who according to his or her payment record fails to settle his or her municipal account by the due date or who is in arrears with payments due to the municipality or who tampers or interferes with metering equipment, seals or the supply of Municipal services.
- Page 11, Paragraph 5 – **Add:**
  5. CUSTOMER CARE POLICY

  5.1 OBJECTIVES

  The objectives of the Customer Care Policy are:
  - to focus on the needs of the consumer in an accountable and pro-active manner, to improve the payment of service fees and
  - to establish a positive and cooperative relationship between the persons responsible for payment for services and the municipality and, where applicable, the service provider.
- Page 13, Paragraph 5.3.2 – **Delete** "alleged'
- Page 13, Paragraph 5.4 – **Add** heading "Consumer Deposits"
  Add the following paragraph:
  Building Deposits
  5.4.4 Building deposits made by a customer is refundable, free of interest, on the award of an occupation certificate from the municipality, provided that no damage has been made to any of Council's property or infrastructure.

5.4.5 Deposits shall be forfeited to the Council if not claimed by the Customer within 3 years of the occupation certificate issued to the customer.

5.4.6. The customer must notify the office of the Chief Financial Officer of any change of address in order to facilitate the refund of the deposit and submit proof of bank account in order for the refund to be effected.

5.4.7 All building deposits should be recorded in a suitable register to facilitate future claims against the amount and followed up, should the customer claim for a building deposit after the 3 year period of forfeiture, the claim will be paid on condition that sufficient proof can be provided

- Page 14, Paragraph 5.5.4- **Add "**The applicable fee might be waived exceptional circumstances."
  Page 14, Paragraph 5.5.10 – **Add**: "from the date the dispute was registered."
  Page 14, Paragraph 5.5.11 – **Delete** "the twelve preceding months (1year)". **Add: "**preceding three (3) years"
- Page 16, Paragraph 5.6.4 – **Add**: "in cycles of approximately 30 days"
  Add *after consumption*, "for a maximum of four (4) successive months."

5.6.6 Page 16, Paragraph 5.5.6 – **Add** *after Voluntary, /*Self readings will be permitted provided that:

5.6.6.1 the readings are submitted monthly to the dedicated e-mail or municipal application, if available address accompanied by a clear picture of the meter number and reading.

5.6.6.2 the convenience of submitting voluntary/self readings will be cancelled automatically without notice if the customer fails to submit the readings as per 5.6.6.1 above for two consecutive months.

Delete:

5.6.5.3 These will be permitted provided the municipality obtains any final reading, should the customer move to another supply address.

5.6.5.4 Customers may be liable for a fee to cover the costs of obtaining a reading if no prior warning is given and special arrangements are required to obtain a reading.

5.6.5.5 The Municipality is entitled to make suitable adjustments to the readings should the debtor fail to ensure that a final reading is obtained.

5.6.5.6 An audit reading during the normal reading cycles must be obtained once every six months. If a special audit reading becomes necessary, this will be done at the cost of the consumer.

5.6.5.7 The customer may elect to supply voluntary readings subject to compliance with the rules. The Chief Financial Officer may, however, cancel the voluntary reading convenience if the customer fails to ensure the audit reading is obtained or should the customer fail to render readings on two consecutive occasions.

- Page 17, Paragraph 5.8.1- **Delete**:" Excess"
  Add *after the* "account of a domestic consumer", **Delete** *after be* recalculated in terms of the "Water charge on water usage and sewerage Leak" tariff, **Add : "**reduced by 90% of the excess (above average consumption) in respect of water and sewerage"
  Delete *after* Excess will be calculated, Adjustments will be
  Delete *after months*, "after the leakage took place or alternatively on the consumption 6 months"
  Add: "Relief on a water leak will only be considered once within a 12 month Cycle."
- Page 18, Paragraph 5.8.2 – **Delete**: rating, **Add**: approved Property Rates
- Page 18, Paragraph 5.9.1 – **Delete:** 31st of August, **Add**: 30th of September
- Page 19, Paragraph 5.10 – **Add**: as per the approved Indigent Support Policy
  Delete:
  to be declared indigent provided that the following conditions are compiled with:

    - That the gross household income does not exceed the poverty threshold value as determined by the Council's Indigent Policy.

    - That the Municipality may inspect the property occupied by the applicant, in respect of which municipal services are rendered to assess the merits of the application.

    - Any aggrieved person who was not successful in the application to be regarded as indigent may lodge an appeal with the Chief Financial Officer, within a period of ten (10) days from the date on which the aforesaid decision has been communicated to him/her.

- Page 19, Paragraph 5.12.1- **Delete**: The municipality will at its own cost make the Customer Care, Credit Control and Debt Collection policy brochure available to the community.
  Add: The approved Customer Care, Credit Control and Debt Collection policy will be available to the community at all revenue enquiry offices, the municipal website and offices of the ward councillors.
  Add: 5.12.2. Other platforms such as social media may also be utilized.

  5.12.3 It is the responsibility of the consumer to ensure that his/her postal address and other contact details are correct.

- Page 19, Paragraph 5.13.1 – **Add**: The decision to open or closing of any office must be reported to the ward councillors
- Page 20, Paragraph 5.14 – **Add** "AND DISPUTES" to heading.

Add:

5.14.5 As a last resort an accountholder may lodge a dispute, in writing, on the formal

Section 102 Dispute Form available at the municipal offices upon request.

- No dispute will be registered verbally whether in person or over the telephone;
- The debtor must furnish full personal particulars including all their account numbers held with the Municipality, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the Municipality;
- The full nature of the dispute must be described in the correspondence referred to above;
- A written acknowledgement of receipt of the dispute must be provided to the debtor.
- All disputes must be concluded by the Chief Financial Officer;
- The Chief Financial Officer's decision is final and will result in the immediate implementation of any debt collection and credit control measures after the debtor is provided with the outcome of the dispute; and the same debt will not be regarded as a matter of dispute.
- The outcome of the dispute must be communicated to the ward councillor.

5.14.6 A consumer may appeal against the finding of the municipality or its legal

agent in terms of sub-paragraph 5.14.5.

5.14.7 An appeal and request in terms of sub-paragraph 5.14.6 must within twenty

one (21) days after notification of the findings mentioned in sub-paragraph

5.14.5 be addressed to and submitted to the office of the municipal manager

and must:

(a) set out the grounds for the appeal; and

(b) be accompanied of any security determined for the testing of the

metering device, if applicable.

5.14.8 The appeal must be finalized within 14 working days of receipt of an appeal.

- Page 22, **Add** Paragraph 5.16

5.16 BUILDING PLANS

5.16.1 Building plan applications will be rejected if municipal accounts are in arrears, this includes arrears on payment arrangements.

5.16.2 No arrangements to settle the debt will be accepted after an application

was declined.

- Page 22, **Add** Paragraph 6.3.2
  6.3.2 Pending indigents will not be subjected to credit control measures as per 6.3.1 above. Outstanding debt prior approval will be collected via auxiliary payments through pre-paid purchases on a 50:50 ratio.
- Page 23, Paragraph 6.3.3- **Replace** seven (7) day with fourteen (14) day
- Page 23, Paragraph 6.3.4 – **Delete**: "or restrict" , **Add**: "the restrict the sale"
- Page 23. Paragraph 6.3.5 – **Add** *after arrangements* "and the disconnection/blocking and reconnection/unblocking fee"
- Page 24, Paragraph 6.5.4- **Delete**: The new owner may be held liable for any debt not recovered from the previous owner or accountholder, as municipal debt is a charge upon the property in terms of Section 118(3) of the Municipal Systems Act.
  Add: No undertakings will be accepted in respect of payments prior issuing of clearance.
- Page 24, Paragraph 6.5.5-**Delete**: "and services and 2 (two) months' water and electricity usage"
- Page 25**, Add** Paragraph 6.5.6 : Extension of clearances will not be allowed.
- Page 25, Paragraph 6.57- **Add:** upon application of services or termination of services by the seller.
- Page 25, Paragraph 6.6.1- **Add** *after costs*, "from the date of application"
- Page 25, Paragraph 6.7.2 – **Delete**: Only cash will be accepted for the sale of prepaid electricity at all the Municipal offices;
- Page 26, Paragraph 6.10
  Add:
  6.10.2 Interest on overdue accounts will be charged at prime rate plus 1 percent.

  6.10.3 Interest charged on overdue accounts will be equivalent to a full Month from the billing date each month, or part thereof that the account is overdue.
- Page 28-29, Paragraph 7.3.1 – **Delete**:" including interest", **Add**: No interest will be levied on handed over accounts.
- Page 29, Paragraph 7.5- **Add**:
  7.5.1 If a consumer cannot pay his/her municipal account, the municipality can enter into an extended payment term whereby the consumer must:

  7.5.1.1 sign an acknowledgement of debt agreement
  7.5.1.2 sign permission to take judgment;
  7.5.1.3 sign to be included on the municipal debit order run if employed
  7.5.1.4 provide the latest proof of household income if employed alternatively provide a three months bank statement if not employed or self-employed.
  7.5.1.5 sign an admission that should the agreement not be adhered to, no further arrangements will be possible and that the disconnection of water and electricity, as well as legal proceedings, will immediately be implemented without notice;

7.5.1.6 accept liability for all costs; and
7.5.1.7 provide annually on 31 May new proof of income, which return, shall serve at the same time for purposes of indigent assistance.

7.5.2 When an account holder defaults on an arrangement the arrangement may be reinstated provided that all unpaid instalments as well as current amounts are paid in full.

7.5.3 No person will be allowed to enter into a new agreement if an agreement was dishonoured or any other reason.

7.5.4 No interest will be levied on accounts with valid payment arrangements.

- Page 30, **Add** Paragraph 7.5.8
  All arrangements must be reported to the Portfolio committee monthly.
- Page 30, Paragraph 7.6 – Changes as per the below
  7.6.1 Domestic Account Holders for first time defaulters:

Total gross household income per month	**Initial down- payment**	**Minimum payment per month**
R0 to ~~R2500~~ amount equal to two state pensions (Indigents)	Minimum of R100	~~Current account in excess of the indigent subsidy, and a minimum of R100 48~~ 60 equal monthly instalments-plus current account
~~R2501 to R4000~~	~~Minimum of R1000~~	~~Current account plus a minimum of R500~~
~~R4001~~ amount from two state pensions to ~~R6000~~ R8 000	Minimum of R1500	~~Current account plus a minimum of R500 36~~ 48 equal monthly instalments plus current account
~~R6001~~ R8 001 to R12000	Minimum of R2000	~~Current account plus a minimum of R500 24~~ 36 equal monthly instalments plus current account

R12000 and above	Minimum of R2500	~~Current account plus a minimum of R500 12~~ 24 equal monthly instalments plus current account

The minimum amount is subject to the outstanding balance. Arrangements will not be granted on outstanding debt less than the minimum down payment.

- Page 32, Paragraph 7.6.3.2- **Replace**: 20% with R2 500.00
- Page 32, Paragraph 7.6.3.3 – **Delete**: "The current account plus a minimum determined according to the outstanding balance"
  Add: Arrears to be paid in 24 equal instalments.
- Page 32, Paragraph 7.6.4- **Add**:
  7.6.4 State Departments

  No arrangements.
  Delete:

  7.6.4.1 When an account holder defaults on an arrangement for the first time only, the arrangement may be reinstated subject to the approval of the CFO or the delegated person and only on the following condition:

  All unpaid instalments as well as current amounts must be paid in full and only in cash or by electronic transfer.

  7.6.4.2 No person will be allowed to enter into a second agreement if the first agreements were dishonoured, except in special merit cases;
- Page 33, **Add** Paragraph 8

~~REPORTING AND~~ PERFORMANCE MANAGEMENT

The council must institute the necessary mechanisms to set and measure

performance against targets with regard to debt collection, customer care

and administrative performance and take corrective steps in order to promote credit control and debt collection.

8.1 **Income Collection Targets**

The council must set targets that include the following:

- The council wants to collect all monies owed to the municipality.
- The collection rate per annum.

8.2 **Customer Care Targets**

The council must set targets that include the following:

- response times with regard to enquiries by clients;

- the date on which the first account must be rendered to customers;
- the time frame for the reconnection of services; and
- The meter reading cycle.

8.3 **Administrative Performance**

The council must set targets that include the following:

- cost effectiveness of debt collection;
- enquiry and appeal procedures; and
- Implementation mechanism relationships.

- Page 34, Paragraph 10- **Add**:

10.2 Deviation from this policy can only be approved in terms of council's system of delegations; and

10.3 Deviations must be reported to council.

2.4.3 Supply Chain Management Policy – "Annexure C2"

The SCM Policy has been amended to take all Preferential Procurement Regulation Amendments into account and to Incorporate the Infrastructure Procurement requirements as well. There are a number of changes – refer to Annexure F2"

2.4.4 Property Rates Policy – "Annexure C3"

A revised Property Rates Policy was adopted by Council in February 2018.

The following changes is proposed as follow:

- Pg6. **Delete** definition of Privately owned townships serviced by the owner
- Pg11 part of paragraph 5 – **Delete** sub-category "State"
- Pg 11 paragraph 7 **- Delete the following**:

For the purpose as described in sections 3.2 and 3.3 of this policy

a) Those owners who qualify and who are registered as indigent in terms of the adopted indigent policy of the Municipality;

b) Owners of properties situated within an area affected by:

(i) a disaster within the meaning of the Disaster Management Act, 2002 (Act No 57 of 2002); or

(ii) any serious adverse social or economic conditions.

- Owners of properties situated in "privately owned townships" serviced by the owner;
- Owners of agricultural properties;

- Owners of farm properties and small holdings that are used for residential purposes;
- Owners of farm properties or small holdings that are used for industrial, commercial and business purposes; and
- • Owners of developed properties not yet sold and transferred.

Add the following:

a) indigent status of the owner of a property

b) sources of income or/and monthly household income of the owner of a property

c) owners of property situated within an area affected by-

i) a disaster within the meaning of the Disaster Management Act, 20002 (Act no 57 of 2002 ; or

ii) any other serious adverse social or economic conditions;

d) owners of residential properties with a market value below a determined threshold; or

e) owners of agricultural properties who are bona fide farmers.

- Page 12, Paragraph 8 – **Correction** of ratios for the following categories as per page 13:

  Business Vacant Land from 1:5 to 1:1.5

  Industrial Vacant Land from 1:5 to 1:1.5

- Page 13, Paragraph 9 (a) – **Delete** "which are not used by the trading services"

Page 14, **Add** point 9 (d) – "**Private Open Space/Place**

Properties categorized as Private Open Space/Place will be 100% exempted from paying property rates."

a) Page 14, Paragraph 10 – **Add 10 (c)** - on the first R15 000 of the market value of all residential properties contemplated in terms of section 17(1)(h) of the Act. Vacant land does not qualify for this rebate.

Page 18, Paragraph 12 – **Delete** "Council", **Add** "Municipal Manager or his nominee. Replacement noted in whole paragraph.

Add – "Applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought."

2.4.5 Funding and Reserves Policy – "Annexure C4"

The Funding and Reserves Policy was adopted by Council in May 2016.

The Funding and Reserves Policy was reviewed and the following changes are recommended:

A Capital Replacement Reserve was included in this section to guide the institution on what categories of funding should be transferred to the Capital replacement reserve under section 4.3.

Cash balances section under 4.4 was created to clarify how the unincumbered cash will be calculated to avoid the spending or commitments against cash and cash equivalents.

2.4.6 Cost Containment Policy – "Annexure C5"

The Cost Containment Policy was reviewed, updated and submitted to a Policy workshop in 2022 and recommended for adoption in the 2023/24 Annual draft Budget.

2.4.7 Cash Management and Investment Policy –"Annexure C6"

The following changes are proposed in the Cash Management and Investment Policy regarding the Petty Cash:

17. PETTY CASH

17.1 Process to request Petty Cash.

- Departments request petty cash through written request with supporting documentation such as , Memo explaining request, quotation , budget verification
- Request must be signed by both Manager and the relevant Director;
- Request shall be sent to Manger Expenditure for approval
- Departments have a limit of R2000.00 per month.
- Invoices must be signed by the relevant manager or Director ;
- No petty cash will be issued if there is outstanding receipts form the relevant Department.

Certain types of Expenditure may be excluded from Petty Cash when considered necessary;

Petty Cash not permitted for the following items,

- S&T Advances;
- Transport and Subsistence claims.
- Repairs to Labour saving Devices.
- Airtime or Data/ Cellular phone Accounts
- Entertainment as Defined in terms of SCOA, i.e Food / lunch beverages nor any re-imbursements of such.
- Registration Fees.
- Items available on tender or at SCM Stores except if item is not available and its an emergency.
- Any Low valued Items, eg Coffee, tea, Milk etc for any boardroom meetings / office use as such items can be quantified and bought through normal SCM Process.
- No splitting of Invoices. i.e buy same items more than once to slip invoice value.

2.4.8 Borrowing Policy - "Annexure C7"

The Borrowing Policy was adopted by Council in May 2016.

The Policy was reviewed, and no changes are recommended.

2.4.9 Budget virement Policy – "Annexure C8"

The Budget virement policy was reviewed, updated and submitted to a Policy workshop in 2022 and recommended for adoption in the 2023/24 Annual draft Budget.

2.4.10 Budget Implementation and Management Policy – "Annexure C9"

The Budget implementation policy is a new policy proposed to be approved with the Draft Annual Budget. The objectives of the policy are as follows:

a) The principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget;
b) The responsibilities of the executive mayor, the accounting officer, the chief financial officer and the directors in compiling the budget; and
c) To establish and maintain procedures to ensure adherence to Kouga Municipality's Integrated Development Plan (IDP) review and budget processes

2.4.11 Indigent Policy – "Annexure C10"

Proposed changes to policy is as follow:

- Page 8, Paragraph 4
  Add: 4.4 The combined bank balances of all occupants or dependents in a single household which receives services from the municipality may not exceed the amount equivalent to six (6) state pensions upon date of application or verification date.
- Page 10, Paragraph 5.5
  Replace "shall" with "may"

2.4.12 Unallocated Revenue and Building Deposit Policy –"Annexure C11"

- The policy is regarded as a Standard Operating Procedure and should be disregarded.
- The following paragraph in respect of unallocated deposits will be moved to the Budget Policy:
  After a period of 3 (three years) when no claims are made or the origin of the payment is still unknown / unidentified, the unknown receipt as posted in the Unallocated Revenue Account will be journalised to the Sundries Revenue Account in the current period.
- The following paragraph in respect of Building Deposits will be moved to the Customer Care, Credit Control and Debt Collection Policy:

REFUND OR FORFEITURE OF BUILDING DEPOSIT

- *Building Deposits made by a customer is refundable, free of interest, on the award of an occupation certificate from the municipality, provided that no damage has been made to any of council's property or infrastructure.*
- *Deposits shall be forfeited to the council if not claimed by the customer within 3 years of the occupation certificate.*
- *The customer must notify the office of the Chief Financial Officer of any change of address in order to facilitate the refund of the deposit and submit proof of bank account in order for the refund to be effected.*
- *All building deposits should be recorded in a suitable register to facilitate future claims against the amount and followed up, should the customer claim for a building deposit after the 3 year period of forfeiture, the claim will be paid on condition that sufficient proof can be provided.*

2.4.13 Policy on Provision for Doubtful Debt and Write Off of Irrecoverable Debt – "Annexure F12"

The following changes are proposed:

- Page 11, Paragraph 9.1 – **Delete**: within 120 days

2.4.14 Tariff Policy – "Annexure C13"

- **Inserted** Cover Page and Preamble, **Removed** Heading of Policy

2.4.15 Asset Management Policy – "Annexure C14"

Summary of all changes to the policy

<u>Definitions</u>

Component
means a specific part of a complex item that has independent physical or functional identity and specific attributes such as different life expectancy, maintenance and renewal requirements and regimes, risk or criticality.

Investment property
is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
(a) use in the production or supply of goods or services or for administrative purposes; or
(b) sale in the ordinary course of operations

Heritage assets
are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations .
Examples are works of art, historical buildings and statutes

<u>Aim of document</u>

The aim of this policy is to ensure the effective and efficient control of the municipality's capital assets through:

- a) Proper recording of capital assets from authorisation to acquisition and to
- subsequent disposal;
- b) Providing for safeguarding procedures;
- c) Setting proper guidelines as to authorised utilisation; and
- d) Prescribing for proper maintenance.

To assist officials in understanding their legal and managerial responsibilities regarding capital asset.

Background

The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of capital assets.

Stewardship has three components being the:
a) Management, utilisation and control by the Municipal Officials;
b) Financial administration by the Chief Financial Officer; and
c) Physical administration by the Senior Managers

Responsibilities And Accountabilities

The **Accounting Officer** is responsible for the management of the capital assets of the municipality, including the safeguarding and the maintenance of these capital assets.

The **Chief Financial Officer** is responsible to the Accounting Officer to ensure that the financial investment in the municipalities' capital assets is properly recorded.

The **Senior Managers** must take all reasonable steps to ensure that appropriate systems of physical management and controls are established and carried out for capital assets in their areas of responsibility.

Purchase of an asset

Before a capital project is included in the budget for approval, the Senior Manager must demonstrate, and the Council must consider:

- The projected cost over all the financial years until the project is operational;
- The future operational costs and revenue of the project, including tax and tariff implications;
- The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
- The physical and financial stewardship of that capital asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
- The inclusion of this capital project in the integrated development plan and future budgets; and
- Alternatives to this capital purchase.

Deleted

Purchase of an Asset

- All Assets acquired for a Financial Year must be included in the Kouga Municipality's Integrated Development Plan as per the annual capital budget.
- The Kouga Municipality Council must approve any asset that did not form part of the original annual capital budget.
- Any increase in price for an asset budgeted for in the annual capital budget that does not exceed 10% of the original cost price must be approved by the Head of the Department as well as the CFO before the asset is purchased. A Price increase of more than 10% must be approved by the Municipal Manager as well as the CFO before the asset can be purchased.
- Tender and quotations must be obtained as prescribed by the Kouga Municipality's Procurement Policy and all other work procedures must be followed when an asset is acquired.
- Capital items not purchased in the financial year as approved on the IDP and capital budget of the Municipality may only be transferred to the next financial year if it is approved by the Municipalities Executive Committee and Council. These approved transfers must be included as carry-over amounts in the capital budget for the new financial year.

Repairs and manitenance

Maintenance is further required to be classified between **Preventative Maintenance and Corrective Maintenance**, as directed in terms of an anticipated maintenance plan.

Preventative maintenance is planned or carried out on opportunity.
Corrective maintenance can be planned or unplanned.

Disposal of assets

Assets are replaced as soon as the asset has no economic value / service potential to the municipality. Senior managers should annually identify possible replacement needs and inform the CFO by no later than 31 January of the estimated costs to be placed on the capital budget for approval.

Capital asset maintenance plan

On an annual basis the asset department will provide the managers with a list of assets within their departments indicating the condition and the remaining useful life Senior Managers needs to develop a capital asset management plan for immoveable capital assets that meets the definition of the undermentioned capital asset categories:

a) Infrastructure Assets;
b) Community Assets;
c) Investment Property; and
d) Any other Immoveable assets

Condition assessment table

Rating	Description	Detail description	Indicative of RUL
1	Very good	Sound structure well maintained.	71-100% EUL
		Only normal maintenance required.	
2	Good	Services needs but minor deterioration (< 5%).	46-70% EUL
		Minor maintenance required.	
3	Fair	Marginal, clear deterioration (10-20%).	26-45% EUL
		Significant maintenance required.	
4	Poor	Significant deterioration of structure and/or appearance	11-25% EUL
		Significant impairment of functionality (20-40%)	
5	Very poor	Significant renewal/upgrade required.	0-10% EUL
		Unsound, failed needs ,reconstruction/replacement	
		(> 50% needs replacement)	
Rating Description			
EUL' is Expected Useful Life			
'RUL' is Remaining Useful Life			

2.4.16 Preferential Procurement Policy Framework – Annexure C15

Changes are proposed in the application of the BBBEE points and Specific Goals has been incorporated into the Policy emanating from the changes in the Preferential Procurement Regulations."

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.

- No growth in property rates income has been provided for, in view of the depressed property market.

The Municipality faced the following significant challenges in preparing the 2023/24 – 2025/26 Budget:

- Maintaining an acceptable employee related cost ratio.
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure.
- Maintaining electricity and water losses at acceptable levels.
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio.

The multi-year budget is therefore underpinned by the following assumptions:

	2023/24	**2024/25**	**2025/26**
Income	**%**	**%**	**%**
Tariff Increases for water	7.25	7.25	7.25
Tariff Increases for sanitation	6.5	6.5	6.5
Tariff Increases for refuse	6.5	6.5	6.5
Property rates increase (decrease in cents in the rand for 2023/24)	-23.8	4.9	4.7
Electricity tariff increase (on average)	15	9.6	12.58
Environmental Management Fee increase	7	7	7
Revenue collection rates (Property Rates and Service Charges)	94	94	94
Expenditure increases allowed	5.3	4.9	4.7
Salary increase	7.1	4.6	4.6
Increase in bulk purchase of electricity costs	18.65	12.7	15.68
Increase in bulk purchase of water costs	6	9	9

2.6 OVERVIEW OF BUDGET FUNDING

2.6.1 Medium-term outlook: operating revenue

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

Table 18 (Breakdown of the operating revenue over the medium-term)

The following graph is a breakdown of the operational revenue per main category for the 2023/24 financial year.

Description	Current Year 2022/23		2023/24 Medium Term Revenue & Expenditure Framework					
Rand	Adjusted Budget	%	Budget Year 2023/24	%	Budget Year 2024/25	%	Budget Year 2025/26	%
Revenue								
Property rates	236,746,531	22.41%	281,487,795	24.10%	295,280,635	23.52%	309,158,826	22.70%
Service charges	560,500,737	53.06%	630,944,148	54.02%	685,263,922	54.59%	757,526,048	55.63%
Transfer and subsidies - Operational	177,919,970	16.84%	190,883,480	16.34%	206,454,705	16.45%	223,190,972	16.39%
Other revenue	81,139,490	7.68%	64,718,792	5.54%	68,234,836	5.44%	71,905,302	5.28%
Total Revenue (excluding capital transfers and contributions)	**1,056,306,728**	**100.00%**	**1,168,034,215**	**100.00%**	**1,255,234,098**	**100.00%**	**1,361,781,148**	**100.00%**

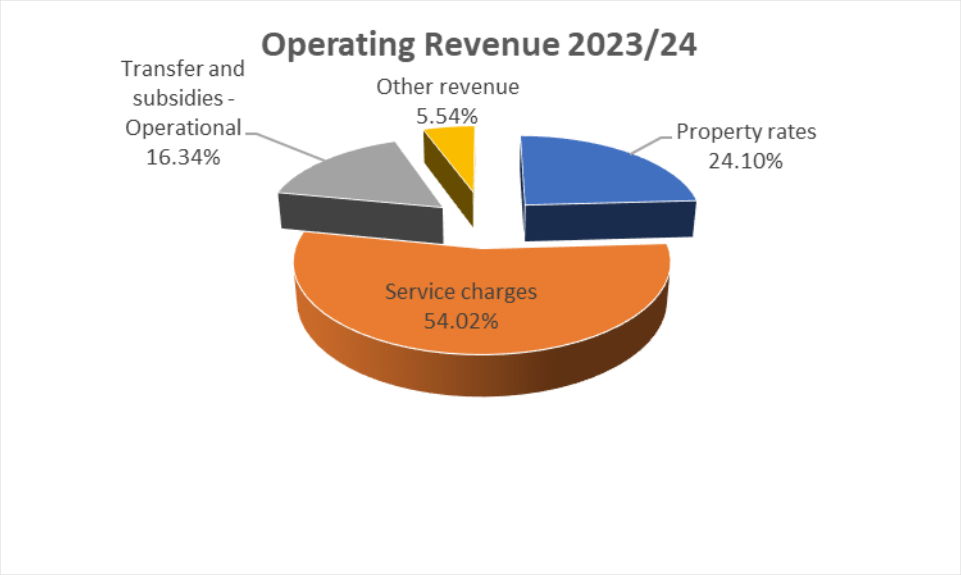


Figure 3 Breakdown of operating revenue over the 2023/24 MTRE

Tariff determination is important in ensuring appropriate levels of revenue, in order to achieve a credible and funded budget. Operating revenue is mainly derived from service charges, such as water, electricity, sanitation and refuse collection and disposal, property rates and operating grants.

The revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard.
- The Property Rates Policy.
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account maintenance and replacement of infrastructure, including the expansion of services.
- Determining fully cost reflective tariffs for trading services.
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality.
- Efficient revenue management, targeting an 94% annual collection rate for property rates and service charges.
- Growth in the revenue base.

The aforementioned principles guided the annual increases in property rates and tariffs, charged to the consumer.

Property rates amounts to R 281,488 million in the 2023/24 financial year and increases to R 309,159 million in 2025/26, representing 24.10% of the total operating revenue for the 2023/24 budget.

Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R 630,944 million in the 2023/24 financial year and increasing to R 757,526 million in 2025/26. For the 2023/24 financial year, services charges amount to 54.02% of the total revenue base.

Operational grants and subsidies amount to R 190,883 million, R 206,455 million and R 223,191 million for each of the respective financial years of the MTREF, or 16.34% of total operating revenue for 2023/24.

The table below provides investment particulars by type.

Table 19 (SA15 – Detail Investment Information)

Investment type	Current Year 2022/23	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
R thousand				
Parent municipality				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	8,542,313	2,423,853	4,950,649	13,960,891
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers' Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Municipal Bonds				
	8,542,313	**2,423,853**	**4,950,649**	**13,960,891**
Municipality sub-total				
Entities				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank				
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers' Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Entities sub-total	–	–	–	–
Consolidated total:	**8,542,313**	**2,423,853**	**4,950,649**	**13,960,891**

Investments are anticipated to increase from R 8,542 million in 2023/24 to R 13,961 million in 2025/26.

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2023/24 medium-term capital programme:

Table 20 (Sources of capital revenue over the MTREF)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Funded by				
National Government	79,562,130	64,520,562	56,686,258	49,168,172
Provincial Government				
District Municipality	1,638,000	1,362,277	1,429,028	1,496,193
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)				
Transfers recognised - capital	**81,200,130**	**65,882,839**	**58,115,286**	**50,664,365**
Borrowing	10,104,406			
Internally generated funds	16,678,823	710,000	710,460	710,941
Total Capital Funding	**107,983,359**	**66,592,839**	**58,825,746**	**51,375,306**

The above table is graphically represented as follows for the 2023/24 financial year.

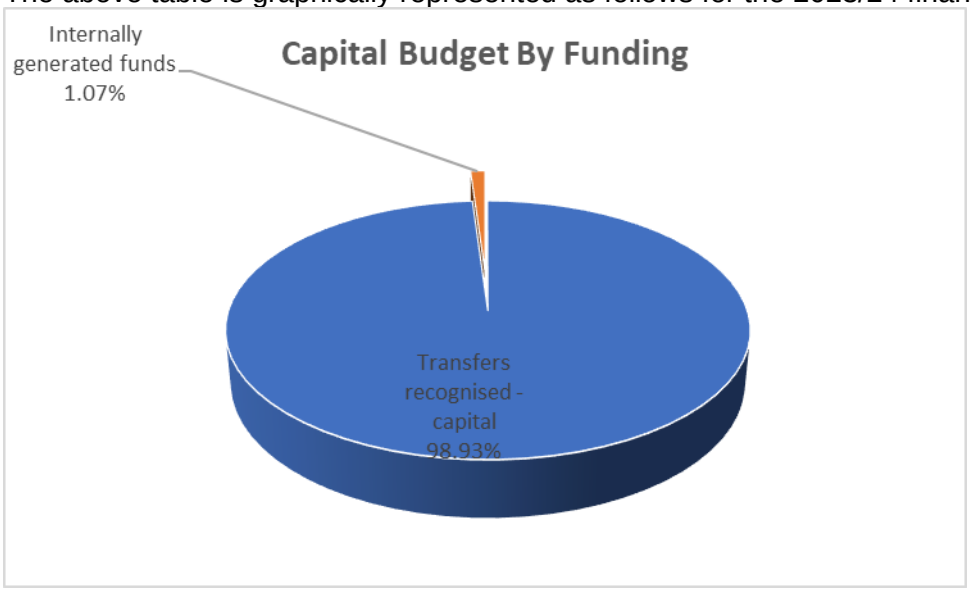


Figure 4 Sources of Capital Revenue for the 2023/24 financial year

Capital Grants constitute 98.93% of the total funding sources, amounting to R 65,883 million for the 2023/24 financial year and amounting to R 50,664 million or 98.62% in the 2025/26 financial year. It is to be noted that no borrowing is planned for the 2023/24 MTREF, in view of financial affordability considerations.

The following table indicates the capital transfers and grant receipts:

Table 21 (Table SA 18 - Transfers and grant receipts)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
RECEIPTS				
Operating				
National Government				
Equitable Share	163,292,000	180,506,000	198,345,000	214,749,000
Expanded Public Works Programme Integrated Grant	1,175,000	2,458,000		
Local Government Financial Management Grant	1,720,000	1,720,000	1,720,000	1,858,000
Municipal Infrastructure Grant	1,794,550	1,868,350	1,946,800	2,028,600
Total Operating/National Government	**167,981,550**	**186,552,350**	**202,011,800**	**218,635,600**
Provincial Government				
Capacity Building and Other	7,050,000	2,050,000	2,050,000	2,050,000
Total Operating/Provincial Government	**7,050,000**	**2,050,000**	**2,050,000**	**2,050,000**
District Municipalities				
Environmental Health Subsidy	2,888,420	2,281,130	2,392,905	2,505,372
Total Operating/District Municipalities	**2,888,420**	**2,281,130**	**2,392,905**	**2,505,372**
Total Operating	**177,919,970**	**190,883,480**	**206,454,705**	**223,190,972**
Capital				
National Government				
Energy Efficiency and Demand Side Management Grant		4,000,000	5,000,000	
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		4,700,000	13,200,000	11,000,000
Municipal Infrastructure Grant	34,096,450	35,498,650	36,989,200	38,543,400
Water Services Infrastructure Grant	57,400,000	30,000,000	10,000,000	7,000,000
Total Capital/National Government	**91,496,450**	**74,198,650**	**65,189,200**	**56,543,400**
District Municipalities				
Fire Services Subsidy	1,638,000	1,362,277	1,429,028	1,496,193
Total Capital/District Municipalities	**1,638,000**	**1,362,277**	**1,429,028**	**1,496,193**
Total Capital	**93,134,450**	**75,560,927**	**66,618,228**	**58,039,593**
TOTAL	**271,054,420**	**266,444,407**	**273,072,933**	**281,230,565**

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining whether the budget is funded over the medium-term. The table includes some specific features:

- Clear separation of receipts and payments within each cash flow category.
- Clear separation of capital and operating receipts from government; and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

Table 22 (Table A7 - Budgeted cash flow statement)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	227,439,850	267,647,995	280,762,748	293,958,597
Service charges	628,916,684	699,529,660	759,478,827	838,955,535
Other revenue	101,036,116	67,073,189	68,563,892	70,196,518
Transfers and Subsidies - Operational	177,919,970	190,883,480	206,454,705	223,190,972
Transfers and Subsidies - Capital	93,134,450	75,560,927	66,618,228	58,039,593
Interest	3,057,323	4,598,161	4,823,471	5,050,174
Dividends	-	-	-	-
Payments				
Suppliers and employees	(1,140,764,702)	(1,234,728,528)	(1,315,865,035)	(1,428,441,941)
Finance charges	-	-	-	-
Transfers and Subsidies	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	**90,739,691**	**70,564,884**	**70,836,836**	**60,949,448**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	-	-	-	-
Decrease (Increase) in non-current debtors (not used)	-	-	-	-
Decrease (increase) in non-current receivables	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-
Payments				
Capital assets	(97,878,953)	(66,592,839)	(58,825,746)	(51,375,306)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(97,878,953)**	**(66,592,839)**	**(58,825,746)**	**(51,375,306)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments				
Repayment of borrowing	(12,169,020)	(10,090,505)	(9,484,294)	(563,900)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(12,169,020)**	**(10,090,505)**	**(9,484,294)**	**(563,900)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(19,308,282)**	**(6,118,460)**	**2,526,796**	**9,010,242**
Cash/cash equivalents at the year begin:	**27,850,595**	**8,542,313**	**2,423,853**	**4,950,649**
Cash/cash equivalents at the year end:	**8,542,313**	**2,423,853**	**4,950,649**	**13,960,891**

For the 2023/24 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 2,424 million in 2023/24 million to R 13,961 million in 2025/26.

Table 23 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Cash and investments available				
Cash/cash equivalents at the year end	8,542,313	2,423,853	4,950,649	13,960,891
Other current investments > 90 days	-	-	-	-
Non current assets - Investments	-	-	-	-
Cash and investments available:	8,542,313	2,423,853	4,950,649	13,960,891
Application of cash and investments				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements	(50,443,224)	(50,443,217)	(50,443,209)	(50,443,202)
Other working capital requirements	8,192,663	5,299,722	371,643	(14,692,360)
Other provisions	41,510,585	43,689,225	45,968,082	48,351,767
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-
Total Application of cash and investments:	(739,976)	(1,454,270)	(4,103,484)	(16,783,795)
Surplus(shortfall)	**9,282,289**	**3,878,123**	**9,054,133**	**30,744,686**

The underlying purpose of Table A8 is to reflect the predicted cash and investments that are available at the end of a particular budget year and how these funds were used. A surplus would indicate that sufficient cash and investments were available to meet commitments, whilst a shortfall would indicate inadequate cash and investments were available to meet commitments.

The available cash and investments amount to R 2,424 million in the 2023/24 financial year and increases to R 13,961 million in 2025/26. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2023/24 MTREF.

- There is no unspent borrowing from previous financial years.

- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.

- Current provision relates to Post-retirement Medical Aid Benefits Liability which has been provided for.

It is concluded that the Municipality's cash backed, and accumulated surpluses reconciliation reflects surpluses of R 3,878 million, R 9,054 million and R 30,745 million for the 2023/24, 2024/25 and 2025/26 financial years, respectively.

It is to be noted that the 2023/24 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 0.03 months, 0.05 months and 0.13 months for the 2023/24, 2024/25 and 2025/26 financial years, respectively.

2.6.5 Funding Compliance Measurement

National Treasury requires the Municipality to assess its financial sustainability against the different measures outlined below.

Description	MFMA section	Ref	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
			Adjusted Budget	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Funding measures						
Cash/cash equivalents at the year end - R'000	18(1)b	1	8,542	2,424	4,951	13,961
Cash + investments at the yr end less applications - R'000	18(1)b	2	9,282	3,878	9,054	30,745
Cash year end/monthly employee/supplier payments	18(1)b	3	0.10	0.02	0.05	0.12
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	–	–	–	–
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	(9.7%)	8.4%	1.5%	2.8%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	45.6%	41.5%	42.0%	42.9%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	11.2%	10.9%	10.8%	10.5%
Capital payments % of capital expenditure	18(1)c;19	8	90.6%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10		100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	2.9%	12.3%	9.7%	9.3%
Long term receivables % change - incr(decr)	18(1)a	12	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.2%	2.7%	3.0%	3.2%
Asset renewal % of capital budget	20(1)(vi)	14	0.3%	0.0%	0.0%	0.0%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2023/24 MTREF amounts to R 2,424 million, R 4,951 million and R 13,961 million for the respective financial years.

2.6.5.2 Cash plus investments less application of funds

For the 2023/24, 2024/25 and 2025/26 budgets, the available cash and investments exceed the application of funds by an amount of R 3,878 million, R 9,054 million and R 30,745 million, respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents.

As part of the 2023/24 MTREF, the projected cash position causes the ratio to increase from 0.02 months to 0.12 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets.

For the 2023/24 MTREF the indicative outcome is a deficit of R 57,466 million, R 50,603 million and R 50,460 million, respectively. This is made up as follows:

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue				
Surplus/(Deficit)	(121,756,990)	(133,026,634)	(117,220,948)	(108,499,916)
Transfers and subsidies - capital (monetary allocations)	93,134,450	75,560,927	66,618,228	58,039,593
Total	**(28,622,540)**	**(57,465,707)**	**(50,602,720)**	**(50,460,323)**

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective, and therefore the first two measures in the table are critical.

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

This is calculated by deducting the maximum macro-economic inflation target (which is currently 5.3%), so as to determine the real increase in revenue. The percentage growth totals 8.4%, 1.5% and 2.8% for the respective financial years of the 2023/24 MTREF.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

The outcome is approximately 94.0% for the 2023/24 and 94.0% for the 2024/25 and 94.0% for the 2025/26 financial years.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

The provision has been set at 6% for property rates and services, for the 2023/24 and 6% for the 2024/25 and 6% for the 2025/26 financial years, in line with the revenue collection trends.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into account in forecasting the cash position.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

No borrowing has been planned for the 2023/24 MTREF.

2.6.5.10 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. All transfers are included in the budget.

2.6.5.11 Repairs and maintenance expenditure level

The expenditure constitutes 2.7%, 3% and 3.2% of Property, Plant and Equipment respectively, over the 2023/24 MTREF, whilst National Treasury has suggested an 8% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
RECEIPTS				
Operating				
National Government				
Equitable Share	163,292,000	180,506,000	198,345,000	214,749,000
Expanded Public Works Programme Integrated Grant	1,175,000	2,458,000		
Local Government Financial Management Grant	1,720,000	1,720,000	1,720,000	1,858,000
Municipal Infrastructure Grant	1,794,550	1,868,350	1,946,800	2,028,600
Total Operating/National Government	**167,981,550**	**186,552,350**	**202,011,800**	**218,635,600**
Provincial Government				
Capacity Building and Other	7,050,000	2,050,000	2,050,000	2,050,000
Total Operating/Provincial Government	**7,050,000**	**2,050,000**	**2,050,000**	**2,050,000**
District Municipalities				
Environmental Health Subsidy	2,888,420	2,281,130	2,392,905	2,505,372
Total Operating/District Municipalities	**2,888,420**	**2,281,130**	**2,392,905**	**2,505,372**
Total Operating	**177,919,970**	**190,883,480**	**206,454,705**	**223,190,972**
Capital				
National Government				
Energy Efficiency and Demand Side Management Grant		4,000,000	5,000,000	
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		4,700,000	13,200,000	11,000,000
Municipal Infrastructure Grant	34,096,450	35,498,650	36,989,200	38,543,400
Water Services Infrastructure Grant	57,400,000	30,000,000	10,000,000	7,000,000
Total Capital/National Government	**91,496,450**	**74,198,650**	**65,189,200**	**56,543,400**
District Municipalities				
Fire Services Subsidy	1,638,000	1,362,277	1,429,028	1,496,193
Total Capital/District Municipalities	**1,638,000**	**1,362,277**	**1,429,028**	**1,496,193**
Total Capital	**93,134,450**	**75,560,927**	**66,618,228**	**58,039,593**
TOTAL	**271,054,420**	**266,444,407**	**273,072,933**	**281,230,565**

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
EXPENDITURE				
Operating				
National Government				
Equitable Share	163,292,000	180,506,000	198,345,000	214,749,000
Expanded Public Works Programme Integrated Grant	1,175,000	2,458,000		
Local Government Financial Management Grant	1,720,000	1,720,000	1,720,000	1,858,000
Municipal Infrastructure Grant	1,794,550	1,868,350	1,946,800	2,028,600
Total Operating/National Government	**167,981,550**	**186,552,350**	**202,011,800**	**218,635,600**
Provincial Government				
Capacity Building and Other	7,050,000	2,050,000	2,050,000	2,050,000
Total Operating/Provincial Government	**7,050,000**	**2,050,000**	**2,050,000**	**2,050,000**
District Municipalities				
Environmental Health Subsidy	2,888,420	2,281,130	2,392,905	2,505,372
Total Operating/District Municipalities	**2,888,420**	**2,281,130**	**2,392,905**	**2,505,372**
Total Operating	**177,919,970**	**190,883,480**	**206,454,705**	**223,190,972**
Capital				
National Government				
Energy Efficiency and Demand Side Management Grant		4,000,000	5,000,000	
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		4,700,000	13,200,000	11,000,000
Municipal Infrastructure Grant	34,096,450	35,498,650	36,989,200	38,543,400
Water Services Infrastructure Grant	57,400,000	30,000,000	10,000,000	7,000,000
Total Capital/National Government	**91,496,450**	**74,198,650**	**65,189,200**	**56,543,400**
District Municipalities				
Fire Services Subsidy	1,638,000	1,362,277	1,429,028	1,496,193
Total Capital/District Municipalities	**1,638,000**	**1,362,277**	**1,429,028**	**1,496,193**
Total Capital	**93,134,450**	**75,560,927**	**66,618,228**	**58,039,593**
TOTAL	**271,054,420**	**266,444,407**	**273,072,933**	**281,230,565**

2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The table below reflects the grants and allocations made by the Municipality. It includes grants-in-aid made in accordance with the Municipality's grants-in-aid policy and transfers to entities and other organisations to primarily support their operational expenditure.

ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Cash Transfers to Entities/Other External Mechanisms				
Various Organisations	*725,000*	*1,040,275*	*1,083,527*	*1,128,769*
Total Cash Transfers To Entities/Ems'	***725,000***	***1,040,275***	***1,083,527***	***1,128,769***
TOTAL CASH TRANSFERS AND GRANTS	***725,000***	***1,040,275***	***1,083,527***	***1,128,769***
TOTAL TRANSFERS AND GRANTS	***725,000***	***1,040,275***	***1,083,527***	***1,128,769***

2.9 COUNCILLORS AND EMPLOYEE BENEFITS

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Councillors (Political Office Bearers plus Other)				
Basic Salaries and Wages	9,583,955	10,264,413	10,736,576	11,230,459
Pension and UIF Contributions	-	-	-	-
Medical Aid Contributions	-	-	-	-
Motor Vehicle Allowance	3,232,251	3,461,739	3,620,978	3,787,541
Cellphone Allowance	1,548,199	1,658,118	1,734,391	1,814,172
Housing Allowances	-	-	-	-
Other benefits and allowances	-	-	-	-
Sub Total - Councillors	**14,364,405**	**15,384,270**	**16,091,945**	**16,832,172**
Senior Managers of the Municipality				
Basic Salaries and Wages	6,741,584	7,798,573	8,157,308	8,532,545
Pension and UIF Contributions	110,764	118,628	124,085	129,791
Medical Aid Contributions	49,716	53,245	55,695	58,257
Overtime	-	-	-	-
Performance Bonus	1,436,283	1,528,805	1,599,128	1,672,691
Motor Vehicle Allowance	1,842,400	2,104,942	2,201,768	2,303,049
Cellphone Allowance	9,588	10,268	10,741	11,235
Housing Allowances	-	-	-	-
Other benefits and allowances	4,489	4,808	5,029	5,260
Payments in lieu of leave	4,500,000	4,819,500	5,041,192	5,273,078
Long service awards	-	-	-	-
Post-retirement benefit obligations	-	-	-	-
Sub Total - Senior Managers of Municipality	**14,694,824**	**16,438,769**	**17,194,946**	**17,985,906**
Other Municipal Staff				
Basic Salaries and Wages	257,138,048	291,829,275	305,253,418	319,295,072
Pension and UIF Contributions	34,901,061	37,531,436	39,257,865	41,063,951
Medical Aid Contributions	17,470,828	18,887,964	19,756,811	20,695,256
Overtime	19,421,999	20,281,999	21,214,961	22,190,846
Performance Bonus	17,318,987	18,577,550	19,432,113	20,325,991
Motor Vehicle Allowance	10,554,476	11,539,453	12,070,265	12,625,498
Cellphone Allowance	53,038	56,801	59,413	62,145
Housing Allowances	1,050,975	1,254,108	1,311,787	1,372,127
Other benefits and allowances	16,774,815	18,047,185	18,877,348	19,745,701
Payments in lieu of leave	1,600,000	1,713,600	1,792,424	1,874,880
Long service awards	1,276,352	5,049,744	1,429,843	1,495,613
Post-retirement benefit obligations	17,123,539	17,204,586	1,888,501	1,975,372
Sub Total - Other Municipal Staff	**394,684,118**	**441,973,701**	**442,344,749**	**462,722,452**
Total Parent Municipality	**423,743,347**	**473,796,740**	**475,631,640**	**497,540,530**
TOTAL SALARY, ALLOWANCES & BENEFITS	**423,743,347**	**473,796,740**	**475,631,640**	**497,540,530**
TOTAL MANAGERS AND STAFF	**409,378,942**	**458,412,470**	**459,539,695**	**480,708,358**

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Description	2023/24												2023/24 Medium Term Revenue & Expenditure Framework
R thousand	M01 July	M02 Aug	M03 Sept	M04 Oct	M05 Nov	M06 Dec	M07 Jan	M08 Feb	M09 Mar	M10 Apr	M11 May	M12 June	Budget Year 2023/24
Cash Receipts By Source													
Property rates	24,252	55,134	25,082	25,541	25,516	15,712	12,416	19,098	15,807	15,770	15,785	17,535	267,648
Service charges - electricity revenue	43,186	33,440	34,794	35,543	35,503	35,823	30,445	41,348	35,978	35,917	35,942	38,797	436,717
Service charges - water revenue	40,509	6,069	6,422	6,617	6,607	6,690	5,287	8,132	6,731	6,715	6,721	7,467	113,968
Service charges - sanitation revenue	25,501	3,820	4,043	4,166	4,159	4,212	3,328	5,119	4,237	4,227	4,231	4,700	71,745
Service charges - refuse revenue	27,405	4,105	4,345	4,477	4,470	4,526	3,577	5,502	4,553	4,543	4,547	5,051	77,100
Rental of facilities and equipment	1,347	202	213	220	220	222	176	270	224	223	223	248	3,789
Interest earned - external investments	1,634	245	259	267	267	270	213	328	272	271	271	301	4,598
Fines, penalties and forfeits	4,224	633	670	690	689	698	551	848	702	700	701	779	11,884
Licences and permits	10,399	1,558	1,649	1,699	1,696	1,718	1,357	2,088	1,728	1,724	1,725	1,917	29,258
Agency services	355	53	56	58	58	59	46	71	59	59	59	66	1,000
Transfers and Subsidies - Operational	71,742	2,335		1,297	2,050	61,898		736	50,826				190,883
Other revenue	7,515	1,126	1,191	1,228	1,226	1,241	981	1,509	1,249	1,246	1,247	1,385	21,143
Cash Receipts by Source	**258,070**	**108,720**	**78,724**	**81,802**	**82,460**	**133,069**	**58,378**	**85,051**	**122,365**	**71,394**	**71,453**	**78,246**	**1,229,732**
Other Cash Flows by Source													
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	13,681		500	18,785	13,040	19,759			9,797				75,561
Total Cash Receipts by Source	**271,751**	**108,720**	**79,224**	**100,587**	**95,500**	**152,827**	**58,378**	**85,051**	**132,162**	**71,394**	**71,453**	**78,246**	**1,305,293**

Description	2023/24												2023/24 Medium Term Revenue & Expenditure Framework
R thousand	M01 July	M02 Aug	M03 Sept	M04 Oct	M05 Nov	M06 Dec	M07 Jan	M08 Feb	M09 Mar	M10 Apr	M11 May	M12 June	Budget Year 2023/24
Cash Payments by Type													
Employee related costs	(34,627)	(34,627)	(34,627)	(34,627)	(56,627)	(34,627)	(34,627)	(34,627)	(34,627)	(34,627)	(34,627)	(34,627)	(437,525)
Remuneration of councillors	(1,282)	(1,282)	(1,282)	(1,282)	(1,282)	(1,282)	(1,282)	(1,282)	(1,282)	(1,282)	(1,282)	(1,282)	(15,384)
Finance charges													–
Bulk purchases - Electricity	(40,948)	(40,852)	(34,151)	(26,576)	(26,304)	(26,300)	(27,983)	(26,036)	(23,971)	(26,170)	(25,180)	(41,310)	(365,780)
Acquisition inventory - water and other inventory	(25,619)	(3,838)	(4,061)	(4,185)	(4,178)	(4,231)	(3,344)	(5,143)	(4,257)	(4,247)	(4,251)	(4,722)	(72,075)
Contracted services	(38,642)	(5,789)	(6,126)	(6,312)	(6,302)	(6,382)	(5,043)	(7,757)	(6,421)	(6,405)	(6,412)	(7,122)	(108,715)
Transfers and subsidies - other municipalities													–
Transfers and subsidies - other													–
Other expenditure	(83,618)	(12,527)	(13,256)	(13,660)	(13,638)	(13,810)	(10,913)	(16,787)	(13,894)	(13,861)	(13,874)	(15,412)	(235,249)
Cash Payments by Type	(224,736)	(98,915)	(93,504)	(86,642)	(108,332)	(86,632)	(83,192)	(91,632)	(84,451)	(86,591)	(85,626)	(104,476)	(1,234,729)
Other Cash Flows/Payments by Type													
Capital assets	(23,670)	(3,546)	(3,752)	(3,867)	(3,861)	(3,909)	(3,089)	(4,752)	(3,933)	(3,924)	(3,927)	(4,363)	(66,593)
Repayment of borrowing	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(10,091)
Other Cash Flows/Payments													–
Total Cash Payments by Type	(249,247)	(103,302)	(98,097)	(91,349)	(113,033)	(91,383)	(87,122)	(97,224)	(89,225)	(91,356)	(90,394)	(109,680)	(1,311,412)
NET INCREASE/(DECREASE) IN CASH HELD	22,504	5,419	(18,873)	9,238	(17,533)	61,445	(28,744)	(12,174)	42,937	(19,962)	(18,941)	(31,434)	(6,118)
Cash/cash equivalents at the month/year begin:	712	23,216	28,635	9,762	19,000	1,467	62,911	34,167	21,993	64,930	44,968	26,027	8,542
Cash/cash equivalents at the month/year end:	23,216	28,635	9,762	19,000	1,467	62,911	34,167	21,993	64,930	44,968	26,027	(5,407)	2,424

Description	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	**Budget Year 2023/24**	**Budget Year 2024/25**	**Budget Year 2025/26**
Cash Receipts By Source			
Property rates	267,647,995	280,762,748	293,958,597
Service charges - electricity revenue	436,716,685	478,641,487	538,854,587
Service charges - water revenue	113,968,203	122,225,811	131,081,392
Service charges - sanitation revenue	71,744,876	76,408,292	81,374,831
Service charges - refuse revenue	77,099,896	82,203,237	87,644,725
Rental of facilities and equipment	3,788,735	3,974,382	4,161,179
Interest earned - external investments	4,598,161	4,823,471	5,050,174
Fines, penalties and forfeits	11,883,818	12,466,125	13,052,034
Licences and permits	29,257,522	30,691,095	32,134,028
Agency services	1,000,000	1,049,000	1,098,303
Transfers and Subsidies - Operational	190,883,480	206,454,705	223,190,972
Other revenue	21,143,114	20,383,290	19,750,974
Cash Receipts by Source	**1,229,732,485**	**1,320,083,643**	**1,431,351,796**
Other Cash Flows by Source			
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	75,560,927	**66,618,228**	**58,039,593**
Total Cash Receipts by Source	**1,305,293,412**	**1,386,701,871**	**1,489,391,389**

Description	2023/24 Medium Term Revenue & Expenditure Framework		
Rand	**Budget Year 2023/24**	**Budget Year 2024/25**	**Budget Year 2025/26**
Cash Payments by Type			
Employee related costs	(437,525,101)	(457,651,194)	(478,732,986)
Remuneration of councillors	(15,384,270)	(16,091,945)	(16,832,172)
Finance charges	-	-	-
Bulk purchases - Electricity	(365,780,321)	(412,234,422)	(476,872,779)
Acquisition inventory - water and other inventory	(72,074,928)	(77,035,409)	(81,386,673)
Contracted services	(108,714,590)	(105,735,480)	(108,798,866)
Transfers and subsidies - other municipalities	-	-	-
Transfers and subsidies - other	-	-	-
Other expenditure	(235,249,318)	(247,116,585)	(265,818,465)
Cash Payments by Type	(1,234,728,528)	**(1,315,865,035)**	**(1,428,441,941)**
Other Cash Flows/Payments by Type			
Capital assets	(66,592,839)	(58,825,746)	(51,375,306)
Repayment of borrowing	(10,090,505)	(9,484,294)	(563,900)
Other Cash Flows/Payments	-	-	-
Total Cash Payments by Type	(1,311,411,872)	**(1,384,175,075)**	**(1,480,381,147)**
NET INCREASE/(DECREASE) IN CASH HELD	(6,118,460)	2,526,796	9,010,242
Cash/cash equivalents at the month/year begin:	8,542,313	2,423,853	4,950,649
Cash/cash equivalents at the month/year end:	**2,423,853**	**4,950,649**	**13,960,891**

2.11 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS –DIRECTORATES

In terms of section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) constitutes a detailed plan for implementing the Municipality's delivery of services and its annual budget, which must include the following:

(a) Monthly projections of

- Revenue to be collected, by source; and
- Operational and capital expenditure, by vote.

(b) Service delivery targets and performance indicators for each quarter.

In accordance with Section 53 of the MFMA, the Executive Mayor is required to approve the SDBIP within 28 days after the approval of the budget. Furthermore, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators, as set out in the SDBIP, are made public within 14 days after the approval of the SDBIP.

The SDBIP gives effect to the IDP and Budget of the Municipality. It includes the service delivery targets and performance indicators for each quarter, which forms the basis for the performance agreements of the Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the Directors, the Executive Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2023/24 financial year will be approved by the Executive Mayor during July 2023, following the approval of the Budget.

2.12 LEGISLATION COMPLIANCE STATUS

The following reflects the status of implementation of some of the key MFMA areas:

IDP

A revised 2023/24 IDP has been developed, which will be considered at a Council meeting to be held on 31 March 2023. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP. The final version of the revised 2023/24 IDP will be considered at a Council meeting scheduled for 31 May 2023.

Budget

The draft annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2021/22 Annual Report will be considered at a Council meeting scheduled for 31 March 2023.

Oversight Report

The Municipal Public Accounts Committee has considered the 2021/22 Annual report. Its Oversight Report will be considered at a Council meeting scheduled for 31 March 2023.

In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

Audit Committee

An Audit Committee has been established and meets on a quarterly basis.

Internal Audit Function

The Municipality's Internal Audit Function reports to the Deputy Municipal Manager and is operating in accordance with an audit plan.

In relation to the 2023/24 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Maintaining its unqualified audit status.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

Internship Programme

The municipality has a total of five Interns on the Municipal Financial Management Internship programme, as approved by National Treasury.

Municipal Standard Chart of Accounts (mSCOA)

In accordance with the Municipal Regulations relating to mSCOA, municipalities were required to be compliant with the mSCOA classification framework by 1 July 2017. It is to be noted that the Municipality has been transacting on the mSCOA compliant financial system since July 2017.

2.13 CAPITAL EXPENDITURE DETAILS

A summary of the budgeted capital expenditure is reflected in **Annexure "A".**

2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

I, Mr. C Du Plessis, Municipal Manager of Kouga Municipality, hereby certify that the Draft Annual Budget and Supporting Documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Draft Annual Budget and Supporting Documents are consistent with the Integrated Development Plan of the Municipality.

Print Name : Charl Du Plessis

Municipal Manager of Kouga Local Municipality (EC108)



Signature…….

Date:……20 March 2023……

ANNEXURE "A"

PROJECT DESCRIPTION	PROJECT NR.	FUNDING	DRAFT ANNUAL BUDGET 2023/24	DRAFT ANNUAL BUDGET 2024/25	DRAFT ANNUAL BUDGET 2025/26
EXECUTIVE & COUNCIL					
Furniture and equipment	CP_9	Internal	10,000	10,460	10,941
			10,000	**10,460**	**10,941**
PLANNING, DEVELOPMENT & TOURISM					
Furniture and Office Equipment	CP_9	Internal	600,000	600,000	600,000
Township Economy Support (Agriculture)	CP17001	Internal	100,000	100,000	100,000
			700,000	**700,000**	**700,000**
COMMUNITY SERVICE					
Fire vehicle		Distr.	1,362,277	1,429,028	1,496,193
			1,362,277	**1,429,028**	**1,496,193**
INFRASTRUCTURE & ENGINEERING					
Energy Efficiency Projects	CP19003	EEDSM	3,478,260	4,347,826	-
OceanView 1250 Electrification	CP19004	INEP	4,086,956	11,478,260	9,565,217
Design of new High Mast Lights- Planning	CP19005	MIG	86,957	474,043	-
Design for the refurbishment of the Weston Wastewater Treatment works and new sewer outfall and reticulation.	CP78005	MIG	430,645	565,217	-
Upgrading of KwanoMzamo WWTW	CP78002	MIG	10,632,672	17,031,639	9,170,951
Upgrading of the sewage infrastructure in Hankey.	CP78001	MIG	12,808,470	-	-
La Mer New Sewer Rising Main - Planning	CP78003	MIG	208,695	347,826	730,434
Jeffreys Bay Sewer Pipe Upgrade in Oceanview Planning stage	CP78004	MIG	304,347	345,652	-
Upgrading/Improvement of Sport facilities within Kouga region: Loerie Sports Facility	CP56001	MIG	3,057,474	-	-
Upgrading of gravel roads in Kouga Phase 2	CP72002	MIG	3,339,130	13,400,143	23,614,614
Mimosa Street Pipeline Replacement	CP98012	WSIG	16,314,317	8,657,772	6,086,956
Paradise Beach Water Tower	CP9813	WSIG	9,772,639	37,880	-
			64,520,562	**56,686,258**	**49,168,172**
			66,592,839	**58,825,746**	**51,375,306**
Transfers recognised - Capital			65,882,839	58,115,286	50,664,365
Internally generated funds			710,000	710,460	710,941
			66,592,839	**58,825,746**	**51,375,306**
			-	-	-