KOUGA LOCAL MUNICIPALITY

2023/24 – 2025/26

ANNUAL BUDGET

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

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 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 24 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, as set-out in out in the Annual Budget Report supported by **Annexure H** in 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 tariffs, as reflected in **Annexure 'B'**.

6. That the 2023/24 Procurement plan be approved **"Annexure C"**

7. That the mSCOA road map be approved. **“Annexure D”**

8. That the Provincial Treasury 2023/24 Draft Budget Funding Assessment Report be noted, **“Annexure E”**.

9. That the UIFWE Reduction Plan be approved, **“Annexure F”**.

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 “I and J”) 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					
R thousands	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)	1,056,307	1,158,957	9.72%	1,255,234	8.31%	1,361,781	8.49%
Total Operating Expenditure	1,178,064	1,268,316	7.66%	1,372,455	8.21%	1,470,281	7.13%
Surplus/(Deficit)	(121,757)	(109,359)	-10.18%	(117,221)	7.19%	(108,500)	-7.44%
Capital Expenditure	107,983	79,343	-26.52%	58,826	-25.86%	51,375	-12.67%

Total operating revenue has increased by 9.72% or R 102,650 million for the 2023/24 financial year, compared to the 2022/23 Approved Adjustments Budget.

For the two outer years, operational revenue increases by 8.31% 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 1,268,316 billion, resulting in a budgeted deficit of R 109,359 million. Compared to the 2022/23 Adjustments Budget, operational expenditure increased by 7.66% in the 2023/24 Budget.

For the two outer years, operational expenditure increases by 8.21% 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 (35.31%), bulk electricity purchases (28.72%), depreciation (8.65%), contracted services (8.24%), inventory consumed (7.44%) and operational costs (7.41%).

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 (53.66%), property rates (24.29%), grants and subsidies received from National and Provincial Governments (16.47%).

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 79,343 million for 2023/24 is R 28,641 million or 26.52% 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 95% 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					
R thousands	**Adjusted Budget**	**%**	**Budget Year 2023/24**	**%**	**Budget Year 2024/25**	**%**	**Budget Year 2025/26**	**%**
Revenue								
Exchange Revenue								
Service charges - Electricity	350,201	33.15%	390,731	33.71%	441,394	35.16%	496,921	36.49%
Service charges - Water	88,580	8.39%	101,425	8.75%	105,643	8.42%	113,303	8.32%
Service charges - Waste Water Management	59,450	5.63%	63,314	5.46%	67,430	5.37%	71,813	5.27%
Service charges - Waste Management	62,269	5.89%	66,396	5.73%	70,797	5.64%	75,490	5.54%
Sale of Goods and Rendering of Services	9,405	0.89%	7,790	0.67%	8,169	0.65%	8,550	0.63%
Agency services	5,352	0.51%	1,000	0.09%	1,049	0.08%	1,098	0.08%
Interest earned from Receivables	17,442	1.65%	18,595	1.60%	19,903	1.59%	21,351	1.57%
Interest earned from Current and Non Current Assets	3,057	0.29%	4,598	0.40%	4,823	0.38%	5,050	0.37%
Rental from Fixed Assets	2,865	0.27%	3,295	0.28%	3,456	0.28%	3,618	0.27%
Licence and permits	2,776	0.26%	3,021	0.26%	3,169	0.25%	3,318	0.24%
Operational Revenue	25,474	2.41%	2,174	0.19%	2,231	0.18%	2,289	0.17%
Non-Exchange Revenue								
Property rates	236,747	22.41%	281,488	24.29%	295,281	23.52%	309,159	22.70%
Fines, penalties and forfeits	6,484	0.61%	10,334	0.89%	10,840	0.86%	11,350	0.83%
Licences or permits	5,621	0.53%	10,668	0.92%	11,191	0.89%	11,718	0.86%
Transfer and subsidies - Operational	177,920	16.84%	190,883	16.47%	206,455	16.45%	223,191	16.39%
Interest	2,664	0.25%	3,244	0.28%	3,403	0.27%	3,563	0.26%
Total Revenue (excluding capital transfers and contributions)	**1,056,307**	**100.00%**	**1,158,957**	**100.00%**	**1,255,234**	**100.00%**	**1,361,781**	**100.00%**

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					
R thousands	Adjusted Budget	%	Budget Year 2023/24	%	Budget Year 2024/25	%	Budget Year 2025/26	%
Revenue								
Exchange Revenue								
Service charges - Electricity	350,201	33.15%	390,731	33.71%	441,394	35.16%	496,921	36.49%
Service charges - Water	88,580	8.39%	101,425	8.75%	105,643	8.42%	113,303	8.32%
Service charges - Waste Water Management	59,450	5.63%	63,314	5.46%	67,430	5.37%	71,813	5.27%
Service charges - Waste Management	62,269	5.89%	66,396	5.73%	70,797	5.64%	75,490	5.54%
Sale of Goods and Rendering of Services	9,405	0.89%	7,790	0.67%	8,169	0.65%	8,550	0.63%
Agency services	5,352	0.51%	1,000	0.09%	1,049	0.08%	1,098	0.08%
Interest earned from Receivables	17,442	1.65%	18,595	1.60%	19,903	1.59%	21,351	1.57%
Interest earned from Current and Non Current Assets	3,057	0.29%	4,598	0.40%	4,823	0.38%	5,050	0.37%
Rental from Fixed Assets	2,865	0.27%	3,295	0.28%	3,456	0.28%	3,618	0.27%
Licence and permits	2,776	0.26%	3,021	0.26%	3,169	0.25%	3,318	0.24%
Operational Revenue	25,474	2.41%	2,174	0.19%	2,231	0.18%	2,289	0.17%
Non-Exchange Revenue								
Property rates	236,747	22.41%	281,488	24.29%	295,281	23.52%	309,159	22.70%
Fines, penalties and forfeits	6,484	0.61%	10,334	0.89%	10,840	0.86%	11,350	0.83%
Licences or permits	5,621	0.53%	10,668	0.92%	11,191	0.89%	11,718	0.86%
Transfer and subsidies - Operational	177,920	16.84%	190,883	16.47%	206,455	16.45%	223,191	16.39%
Interest	2,664	0.25%	3,244	0.28%	3,403	0.27%	3,563	0.26%
Total Revenue (excluding capital transfers and contributions)	**1,056,307**	**100.00%**	**1,158,957**	**100.00%**	**1,255,234**	**100.00%**	**1,361,781**	**100.00%**
Total Revenue from Property Rates and Services Charges	**797,247**	**75.47%**	**903,355**	**77.95%**	**980,545**	**78.12%**	**1,066,685**	**78.33%**

In the 2022/23 financial year, rates and service charges amounted to R 797,247 million. This increases to R 903,355 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 (33.71%), property rates (24.29%), operating grants & subsidies (16.47%), water (8.75%), waste management (5.73%) and waste water management (5.46%).

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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
EXPENDITURE				
Operating				
National Government				
Equitable Share	163,292	180,506	198,345	214,749
Expanded Public Works Programme Integrated Grant	1,175	2,458		
Local Government Financial Management Grant	1,720	1,720	1,720	1,858
Municipal Infrastructure Grant	1,795	1,868	1,947	2,029
Total Operating/National Government	**167,982**	**186,552**	**202,012**	**218,636**
Provincial Government				
Capacity Building and Other	7,050	2,050	2,050	2,050
Total Operating/Provincial Government	**7,050**	**2,050**	**2,050**	**2,050**
District Municipalities				
Environmental Health Subsidy	2,888	2,281	2,393	2,505
Total Operating/District Municipalities	2,888	2,281	2,393	2,505
Total Operating	**177,920**	**190,883**	**206,455**	**223,191**
Capital				
National Government				
Energy Efficiency and Demand Side Management Grant		4,000	5,000	
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		4,700	13,200	11,000
Municipal Infrastructure Grant	34,096	35,499	36,989	38,543
Water Services Infrastructure Grant	57,400	30,000	10,000	7,000
Total Capital/National Government	**91,496**	**74,199**	**65,189**	**56,543**
District Municipalities				
Fire Services Subsidy	1,638	1,362	1,429	1,496
Total Capital/District Municipalities	**1,638**	**1,362**	**1,429**	**1,496**
Total Capital	**93,134**	**75,561**	**66,618**	**58,040**
TOTAL	**271,054**	**266,444**	**273,073**	**281,231**

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).
- 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 to 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 revenue increase is mainly influenced by the following:

- Employee related costs increased by 5.4%.
- 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 5.4%.
- 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 5.4%.
- 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 5.4%.
- 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 5.4%.
- 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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Expenditure				
Employee related costs	409,379	447,813	459,540	480,708
Remuneration of councillors	14,364	15,140	16,092	16,832
Bulk purchases - electricity	325,900	364,280	412,234	476,873
Inventory consumed	88,822	94,345	105,960	111,643
Debt impairment	32,315	28,314	38,714	42,408
Depreciation and amortisation	103,850	109,663	124,089	124,089
Interest	2,875	2,090	1,062	15
Contracted services	98,616	104,476	105,735	108,799
Transfers and subsidies	725	924	1,084	1,129
Irrecoverable debts written off	8,553	7,305	7,663	8,024
Operational costs	92,665	93,964	100,281	99,761
Total Expenditure	**1,178,064**	**1,268,316**	**1,372,455**	**1,470,281**

The total operating expenditure increased by R 90,253 million (7.66%) from R 1,178,064 billion in 2022/23 to R 1,268,316 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 5.4%, based on the salary and wage collective agreement for the period 01 July 2021 to 30 June 2024.

The total budget provision of R 447,813 million represents an increase of 9.39% over the 2023/24 budget. Employee related costs in the 2023/24 Budget, represent 35.31% 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 95% for property rates and services charges. For the 2023/24 financial year this amounted to R 28,314 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 8.65% of the total operating expenditure.

Bulk Electricity Purchases

The bulk purchases of increased by 11.78% or R 38,380 million, compared to the 2022/23 approved adjustments budget. Bulk electricity purchases constitute 28.72% 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 94,345 million and equates to 7.44% of the total operating expenditure.

Contracted Services

In the 2023/24 financial year, the budget provision amounts to R 104,476 million and equates to 8.24% 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 0,924 million and equates to 0.07% 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 93,964 million and equates to 7.41% of the total operating expenditure.

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

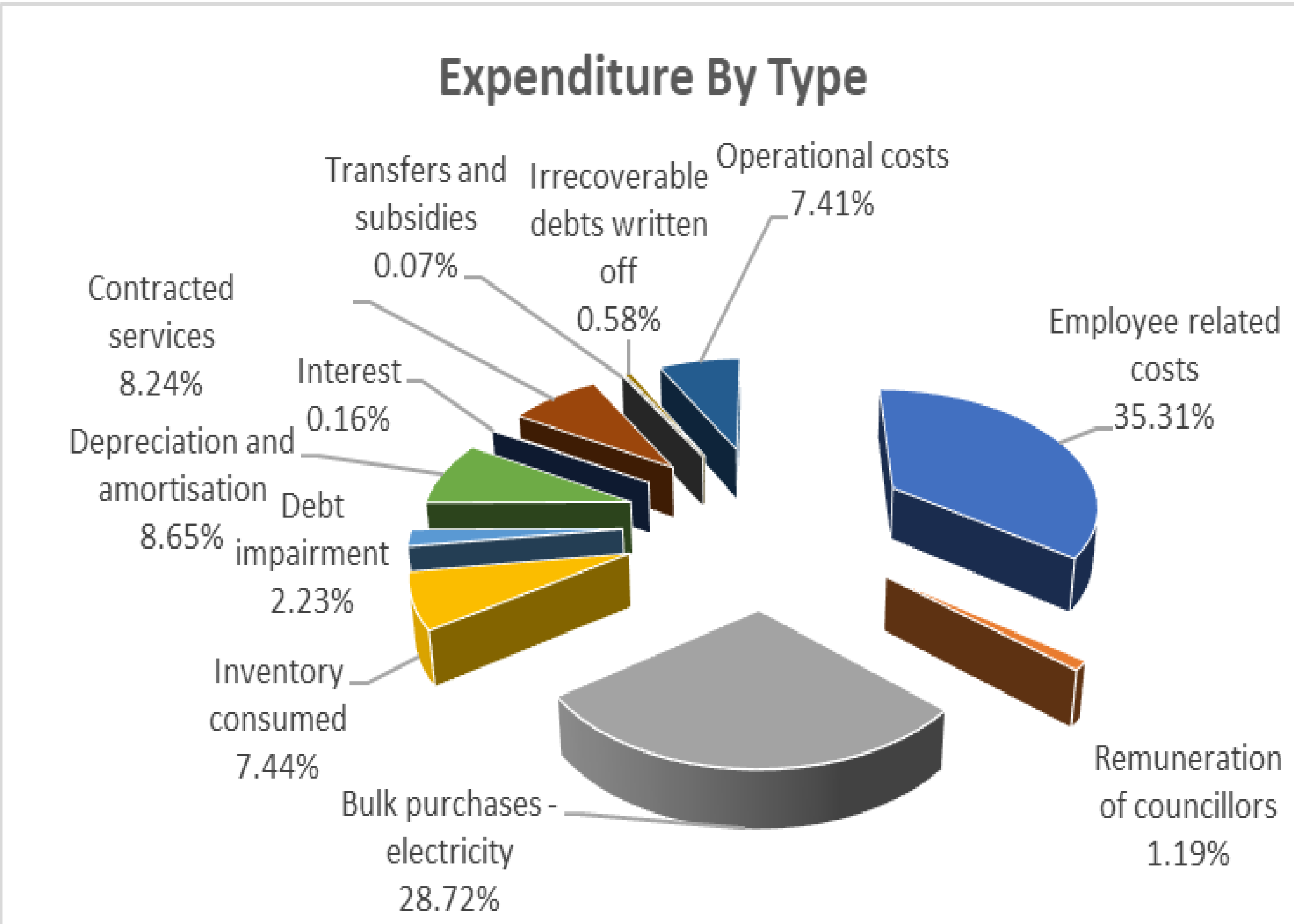

Figure 1 Main operational expenditure categories for the 2023/24 financial year

1.5.1 Priority relating to repairs and maintenance.

The repairs and maintenance expenditure in the 2023/24 financial year, increased by R 8,968 million or 17.34% compared to the 2022/23 Approved Adjustments Budget.

It is to be noted that repairs and maintenance, constitutes 4.79%, 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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Repairs and Maintenance by Asset Class	**51,721**	**60,689**	**66,291**	**69,029**
Roads Infrastructure	14,204	14,206	14,396	14,593
Storm water Infrastructure	1,028	1,075	1,123	1,173
Electrical Infrastructure	7,950	10,827	11,314	11,824
Water Supply Infrastructure	7,121	7,442	7,777	8,126
Sanitation Infrastructure	4,365	8,969	11,957	12,950
Infrastructure	**34,669**	**42,518**	**46,567**	**48,667**
Community Facilities	1,793	1,696	2,013	2,106
Sport and Recreation Facilities	1,490	1,347	1,478	1,546
Community Assets	3,283	3,043	3,492	3,652
Operational Buildings	3,870	3,545	3,868	3,943
Other Assets	**3,870**	**3,545**	**3,868**	**3,943**
Machinery and Equipment	735	727	996	1,036
Transport Assets	9,164	10,856	11,369	11,731
TOTAL EXPENDITURE OTHER ITEMS	**51,721**	**60,689**	**66,291**	**69,029**

For the 2023/24 financial year an amount of R 42,518 million (70.06%) 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 thousands	Adjusted Budget	%	Budget Year 2023/24	%	Budget Year 2024/25	%	Budget Year 2025/26	%
EXECUTIVE COUNCIL	1,223	1.13%	760	0.96%	10	0.02%	11	0.02%
FINANCIAL SERVICES	980	0.91%	-	0.00%	-	0.00%	-	0.00%
CORPORATE SERVICES	1,740	1.61%	-	0.00%	-	0.00%	-	0.00%
COMMUNITY SERVICES	12,444	11.52%	1,362	1.72%	1,429	2.43%	1,496	2.91%
INFRASTRUCTURE AND ENGINEERING	89,179	82.59%	76,521	96.44%	56,686	96.36%	49,168	95.70%
PLANNING DEVELOPMENT AND TOURISM	2,417	2.24%	700	0.88%	700	1.19%	700	1.36%
Total Capital Expenditure - Vote	**107,983**	**100.00%**	**79,343**	**100.00%**	**58,826**	**100.00%**	**51,375**	**100.00%**

Infrastructure and Engineering receives the highest allocation of R 76,521 million in 2023/24, which equates to 96.44%, followed by Community Services at R 1,362 million (1.72%), Executive & Council at R 0,760 million (0.98%) and Planning, Development and Tourism at R 0,700 million (0.88%).

Annexure "H" 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.

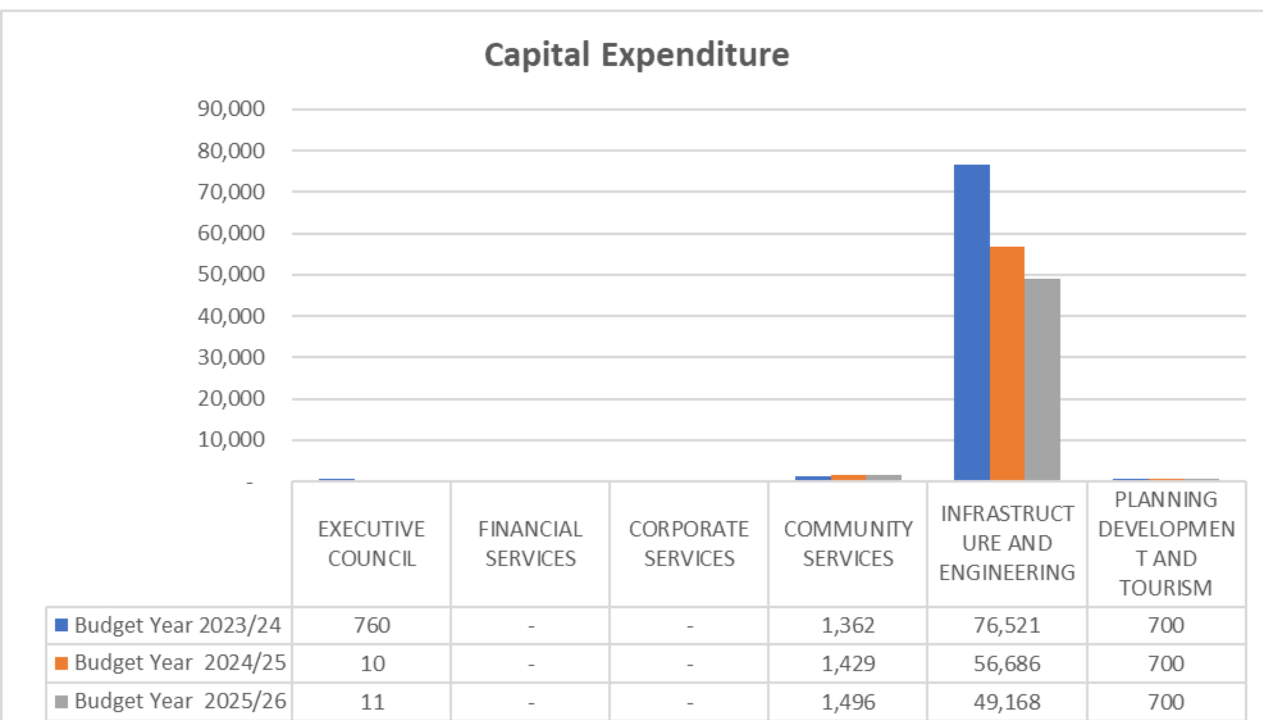

Figure 2 Capital Expenditure

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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Financial Performance				
Property rates	236,747	281,488	295,281	309,159
Service charges	560,501	621,867	685,264	757,526
Investment revenue	3,057	4,598	4,823	5,050
Transfer and subsidies - Operational	177,920	190,883	206,455	223,191
Other own revenue	78,082	60,121	63,411	66,855
Total Revenue (excluding capital transfers and contributions)	**1,056,307**	**1,158,957**	**1,255,234**	**1,361,781**
Employee costs	409,379	447,813	459,540	480,708
Remuneration of councillors	14,364	15,140	16,092	16,832
Depreciation and amortisation	103,850	109,663	124,089	124,089
Finance charges	2,875	2,090	1,062	15
Inventory consumed and bulk purchases	414,722	458,626	518,195	588,516
Transfers and subsidies	725	924	1,084	1,129
Other expenditure	232,148	234,060	252,394	258,992
Total Expenditure	**1,178,064**	**1,268,316**	**1,372,455**	**1,470,281**
Surplus/(Deficit)	**(121,757)**	**(109,359)**	**(117,221)**	**(108,500)**
Transfers and subsidies - capital (monetary allocations)	93,134	75,561	66,618	58,040
Transfers and subsidies - capital (in-kind)	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	**(28,623)**	**(33,798)**	**(50,603)**	**(50,460)**
Share of Surplus/Deficit attributable to Associate	-	-	-	-
Surplus/(Deficit) for the year	**(28,623)**	**(33,798)**	**(50,603)**	**(50,460)**
Capital expenditure & funds sources				
Capital expenditure	**107,983**	**79,343**	**58,826**	**51,375**
Transfers recognised - capital	81,200	65,883	58,115	50,664
Borrowing	10,104	-	-	-
Internally generated funds	16,679	13,460	710	711
Total sources of capital funds	**107,983**	**79,343**	**58,826**	**51,375**

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Financial position				
Total current assets	146,929	154,622	171,002	195,075
Total non current assets	2,332,762	2,302,442	2,237,179	2,164,466
Total current liabilities	154,763	154,259	156,542	158,362
Total non current liabilities	243,359	255,035	246,398	246,398
Community wealth/Equity	2,081,569	2,047,771	2,005,242	1,954,781
Cash flows				
Net cash from (used) operating	90,740	86,487	70,837	60,950
Net cash from (used) investing	(97,879)	(79,343)	(58,826)	(51,375)
Net cash from (used) financing	(12,169)	(10,091)	(9,484)	(564)
Cash/cash equivalents at the year end	**8,542**	**5,596**	**8,122**	**17,133**
Cash backing/surplus reconciliation	-	-	-	-
Cash and investments available	8,542	5,596	8,122	17,133
Application of cash and investments	(740)	(9,200)	(11,849)	(24,529)
Balance - surplus (shortfall)	**9,282**	**14,795**	**19,971**	**41,662**
Asset management				
Asset register summary (WDV)	2,210,088	2,179,768	2,144,825	2,137,375
Depreciation	103,850	109,663	124,089	124,089
Renewal and Upgrading of Existing Assets	33,640	53,225	26,602	9,901
Repairs and Maintenance	51,721	60,689	66,291	69,029
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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue - Functional				
Municipal governance and administration	**361,779**	**422,639**	**449,041**	**474,743**
Executive and council	109	106	111	116
Finance and administration	361,670	422,533	448,930	474,627
Internal audit				
Community and public safety	**39,035**	**16,716**	**17,435**	**18,158**
Community and social services	2,476	2,437	2,456	2,475
Sport and recreation	8,639	10,338	10,844	11,354
Public safety	1,648	1,378	1,446	1,514
Housing	23,085			
Health	3,187	2,563	2,689	2,816
Economic and environmental services	**40,282**	**37,432**	**37,198**	**39,485**
Planning and development	8,367	8,083	8,466	8,854
Road transport	6,544	6,910	4,670	4,889
Environmental protection	25,371	22,439	24,062	25,742
Trading services	**708,345**	**757,731**	**818,179**	**887,434**
Energy sources	358,564	408,372	469,414	518,622
Water management	173,181	161,300	148,267	155,539
Waste water management	107,155	113,711	120,671	127,886
Waste management	69,446	74,347	79,827	85,387
Other				
Total Revenue - Functional	**1,149,441**	**1,234,518**	**1,321,852**	**1,419,821**
Expenditure - Functional				
Municipal governance and administration	**285,571**	**306,226**	**311,415**	**317,991**
Executive and council	58,657	64,558	70,222	72,949
Finance and administration	226,521	241,417	240,924	244,778
Internal audit	393	251	268	263

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Community and public safety	**114,691**	**121,818**	**129,424**	**135,222**
Community and social services	12,297	12,897	13,771	14,381
Sport and recreation	59,339	63,813	68,015	71,068
Public safety	28,838	30,247	32,175	33,615
Housing	6,794	7,037	7,125	7,436
Health	7,422	7,824	8,338	8,722
Economic and environmental services	**154,329**	**158,670**	**171,751**	**176,970**
Planning and development	28,916	31,432	34,878	36,470
Road transport	110,584	118,681	126,795	129,959
Environmental protection	14,828	8,556	10,078	10,541
Trading services	**617,436**	**674,375**	**755,602**	**836,311**
Energy sources	382,969	424,020	477,369	546,075
Water management	105,114	103,892	115,972	122,569
Waste water management	73,260	85,015	95,088	98,493
Waste management	56,094	61,449	67,173	69,174
Other	**6,037**	**7,227**	**4,263**	**3,787**
Total Expenditure - Functional	**1,178,064**	**1,268,316**	**1,372,455**	**1,470,281**
Surplus/(Deficit)	**(28,623)**	**(33,798)**	**(50,603)**	**(50,460)**

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	688,565	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**	**1,234,518**	**1,321,852**	**1,419,821**
Expenditure by Vote *to be appropriated*				
Vote 1 - EXECUTIVE COUNCIL	64,922	71,422	77,004	79,983
Vote 2 - FINANCIAL SERVICES	106,750	115,941	124,523	128,333
Vote 3 - CORPORATE SERVICES	60,740	62,930	49,627	47,203
Vote 4 - COMMUNITY SERVICES	231,928	240,505	258,819	269,407
Vote 5 - INFRASTRUCTURE AND ENGINEERING	676,920	739,091	823,280	905,358
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	36,803	38,427	39,201	39,997
Total Expenditure by Vote	**1,178,064**	**1,268,316**	**1,372,455**	**1,470,281**
Surplus/(Deficit) for the year	**(28,623)**	**(33,798)**	**(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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue				
Exchange Revenue				
Service charges - Electricity	350,201	390,731	441,394	496,921
Service charges - Water	88,580	101,425	105,643	113,303
Service charges - Waste Water Management	59,450	63,314	67,430	71,813
Service charges - Waste Management	62,269	66,396	70,797	75,490
Sale of Goods and Rendering of Services	9,405	7,790	8,169	8,550
Agency services	5,352	1,000	1,049	1,098
Interest earned from Receivables	17,442	18,595	19,903	21,351
Interest earned from Current and Non Current Assets	3,057	4,598	4,823	5,050
Rental from Fixed Assets	2,865	3,295	3,456	3,618
Licence and permits	2,776	3,021	3,169	3,318
Operational Revenue	25,474	2,174	2,231	2,289
Non-Exchange Revenue				
Property rates	236,747	281,488	295,281	309,159
Fines, penalties and forfeits	6,484	10,334	10,840	11,350
Licences or permits	5,621	10,668	11,191	11,718
Transfer and subsidies - Operational	177,920	190,883	206,455	223,191
Interest	2,664	3,244	3,403	3,563
Total Revenue (excluding capital transfers and contributions)	**1,056,307**	**1,158,957**	**1,255,234**	**1,361,781**
Expenditure				
Employee related costs	409,379	447,813	459,540	480,708
Remuneration of councillors	14,364	15,140	16,092	16,832
Bulk purchases - electricity	325,900	364,280	412,234	476,873
Inventory consumed	88,822	94,345	105,960	111,643
Debt impairment	32,315	28,314	38,714	42,408
Depreciation and amortisation	103,850	109,663	124,089	124,089
Interest	2,875	2,090	1,062	15
Contracted services	98,616	104,476	105,735	108,799
Transfers and subsidies	725	924	1,084	1,129
Irrecoverable debts written off	8,553	7,305	7,663	8,024
Operational costs	92,665	93,964	100,281	99,761
Total Expenditure	**1,178,064**	**1,268,316**	**1,372,455**	**1,470,281**
Surplus/(Deficit)	**(121,757)**	**(109,359)**	**(117,221)**	**(108,500)**
Transfers and subsidies - capital (monetary allocations)	93,134	75,561	66,618	58,040
Transfers and subsidies - capital (in-kind)	-	-	-	-
Surplus/(Deficit) after capital transfers and contributions	**(28,623)**	**(33,798)**	**(50,603)**	**(50,460)**
Income Tax	-	-	-	-
Surplus/(Deficit) after income tax	**(28,623)**	**(33,798)**	**(50,603)**	**(50,460)**
Share of Surplus/Deficit attributable to Joint Venture	-	-	-	-
Share of Surplus/Deficit attributable to Minorities	-	-	-	-
Surplus/(Deficit) attributable to municipality	**(28,623)**	**(33,798)**	**(50,603)**	**(50,460)**
Share of Surplus/Deficit attributable to Associate	-	-	-	-
Intercompany/Parent subsidiary transactions	-	-	-	-
Surplus/(Deficit) for the year	**(28,623)**	**(33,798)**	**(50,603)**	**(50,460)**

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 1,158,957 billion in 2023/24 and increases to R 1,361,781 billion in 2025/26.This represents a year-on-year increase of 9.72% for the 2023/24 financial year and decreases of 8.31% 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 24.29% 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 621,867 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 53.66% 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	
R thousands	**Adjusted Budget**	**Budget Year 2023/24**	**% Increase**
Revenue			
Exchange Revenue			
Property rates	236,747	281,488	18.90%
Service charges - Electricity	350,201	390,731	11.57%
Service charges - Water	88,580	101,425	14.50%
Service charges - Waste Water Management	59,450	63,314	6.50%
Service charges - Waste Management	62,269	66,396	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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Capital Expenditure - Functional				
Municipal governance and administration	**4,484**	**760**	**10**	**11**
Executive and council	1,200	760	10	11
Finance and administration	3,262			
Internal audit	23			
Community and public safety	**2,879**	**1,362**	**1,429**	**1,496**
Community and social services				
Sport and recreation	1,241			
Public safety	1,638	1,362	1,429	1,496
Housing				
Health				
Economic and environmental services	**19,016**	**6,497**	**13,500**	**23,715**
Planning and development	7,339	3,157	100	100
Road transport	11,677	3,339	13,400	23,615
Environmental protection				
Trading services	**81,604**	**70,124**	**43,286**	**25,554**
Energy sources	1,863	19,652	16,300	9,565
Water management	54,836	26,087	8,696	6,087
Waste water management	14,800	24,385	18,290	9,901
Waste management	10,104			
Other		**600**	**600**	**600**
Total Capital Expenditure - Functional	**107,983**	**79,343**	**58,826**	**51,375**
Funded by				
National Government	79,562	64,521	56,686	49,168
Provincial Government				
District Municipality	1,638	1,362	1,429	1,496
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**	**65,883**	**58,115**	**50,664**
Borrowing	10,104			
Internally generated funds	16,679	13,460	710	711
Total Capital Funding	**107,983**	**79,343**	**58,826**	**51,375**

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 (83.04%) and amounts to R 50,664 million for 2025/26 (98.62%). Internally generated funding amounts to R 13,460 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		
R thousands	**Adjusted Budget**	**Budget Year 2023/24**	**Budget Year 2024/25**	**Budget Year 2025/26**
ASSETS				
Current assets				
Cash and cash equivalents	8,542	5,596	8,122	17,133
Trade and other receivables from exchange transactions	48,597	55,239	64,970	75,718
Receivables from non-exchange transactions	20,621	24,619	28,741	33,057
Inventory	17,110	17,110	17,110	17,109
VAT	50,443	50,443	50,443	50,443
Other current assets	1,616	1,616	1,616	1,616
Total current assets	**146,929**	**154,622**	**171,002**	**195,075**
Non current assets				
Investment property	262,608	262,608	262,608	262,608
Property, plant and equipment	2,069,744	2,039,424	1,974,161	1,901,448
Intangible assets	410	410	410	410
Total non current assets	**2,332,762**	**2,302,442**	**2,237,179**	**2,164,466**
TOTAL ASSETS	**2,479,691**	**2,457,064**	**2,408,181**	**2,359,541**
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	-
Financial liabilities	12,169	9,484	564	-
Consumer deposits	23,673	23,673	23,673	23,673
Trade and other payables from exchange transactions	77,411	77,412	86,337	86,337
Provision	41,511	43,689	45,968	48,352
Total current liabilities	**154,763**	**154,259**	**156,542**	**158,362**
Non current liabilities				
Financial liabilities	16,043	8,637	-	-
Provision	123,003	126,686	126,686	126,686
Other non-current liabilities	104,312	119,711	119,711	119,711
Total non current liabilities	**243,359**	**255,035**	**246,398**	**246,398**
TOTAL LIABILITIES	**398,122**	**409,293**	**402,940**	**404,759**
NET ASSETS	**2,081,569**	**2,047,771**	**2,005,242**	**1,954,781**
COMMUNITY WEALTH/EQUITY				
Accumulated surplus/(deficit)	2,081,569	2,047,771	2,005,242	1,954,781
TOTAL COMMUNITY WEALTH/EQUITY	**2,081,569**	**2,047,771**	**2,005,242**	**1,954,781**

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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	227,440	270,495	280,763	293,959
Service charges	628,917	697,055	760,507	840,092
Other revenue	101,036	67,422	67,536	69,060
Transfers and Subsidies - Operational	177,920	190,883	206,455	223,191
Transfers and Subsidies - Capital	93,134	75,561	66,618	58,040
Interest	3,057	4,598	4,823	5,050
Payments				
Suppliers and employees	(1,140,765)	(1,219,527)	(1,315,865)	(1,428,442)
Finance charges	-	-	-	-
Transfers and Subsidies	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	**90,740**	**86,487**	**70,837**	**60,950**
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	(97,879)	(79,343)	(58,826)	(51,375)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(97,879)**	**(79,343)**	**(58,826)**	**(51,375)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments				
Repayment of borrowing	(12,169)	(10,091)	(9,484)	(564)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(12,169)**	**(10,091)**	**(9,484)**	**(564)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(19,308)**	**(2,947)**	**2,527**	**9,010**
Cash/cash equivalents at the year begin:	**27,851**	**8,542**	**5,596**	**8,122**
Cash/cash equivalents at the year end:	**8,542**	**5,596**	**8,122**	**17,133**

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 inflows 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 8,542 million to R 17,133 million.

4. Cash and cash equivalents amount to R 8,542 million as at the end of the 2023/24 financial year and increase to R 17,133 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		
R thousands	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	5,596	8,122	17,133
Other current investments > 90 days	-	-	-	-
Non current assets - Investments	-	-	-	-
Cash and investments available:	**8,542**	**5,596**	**8,122**	**17,133**
Application of cash and investments				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements	(50,443)	(50,443)	(50,443)	(50,443)
Other working capital requirements	8,193	(2,446)	(7,374)	(22,438)
Other provisions	41,511	43,689	45,968	48,352
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-
Total Application of cash and investments:	**(740)**	**(9,200)**	**(11,849)**	**(24,529)**
Surplus(shortfall)	**9,282**	**14,795**	**19,971**	**41,662**

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 14,795 million in 2023/24 to a funding surplus of R 41,662 million in 2025/26.

Table 16 (Table A9 - Asset Management)

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
R thousands	**Adjusted Budget**	**Budget Year 2023/24**	**Budget Year 2024/25**	**Budget Year 2025/26**
CAPITAL EXPENDITURE				
Total New Assets	**74,344**	**26,118**	**32,223**	**41,474**
Roads Infrastructure		3,339	13,400	23,615
Electrical Infrastructure	1,573	19,652	16,300	9,565
Water Supply Infrastructure	54,376		38	6,087
Sanitation Infrastructure	560	304	346	
Solid Waste Infrastructure	380			
Infrastructure	**56,890**	**23,296**	**30,084**	**39,267**
Community Facilities	1,515	750		
Community Assets	**1,515**	**750**	**-**	**-**
Licences and Rights	52			
Intangible Assets	**52**	**-**	**-**	**-**
Computer Equipment	2,078			
Furniture and Office Equipment	1,213	610	610	611
Machinery and Equipment	758	100	100	100
Transport Assets	11,838	1,362	1,429	1,496
Total Renewal of Existing Assets	**335**	**-**	**-**	**-**
Water Supply Infrastructure	335			
Infrastructure	**335**	**-**	**-**	**-**
Total Upgrading of Existing Assets	**33,305**	**53,225**	**26,602**	**9,901**
Roads Infrastructure	13,552			
Electrical Infrastructure	165			
Water Supply Infrastructure		26,087	8,658	
Sanitation Infrastructure	13,735	24,080	17,945	9,901
Infrastructure	**27,452**	**50,167**	**26,602**	**9,901**
Sport and Recreation Facilities	5,602	3,057		
Community Assets	**5,602**	**3,057**	**-**	**-**
Operational Buildings	250			
Other Assets	**250**	**-**	**-**	**-**
Total Capital Expenditure	**107,983**	**79,343**	**58,826**	**51,375**
Roads Infrastructure	13,552	3,339	13,400	23,615
Electrical Infrastructure	1,738	19,652	16,300	9,565
Water Supply Infrastructure	54,711	26,087	8,696	6,087
Sanitation Infrastructure	14,295	24,385	18,290	9,901
Solid Waste Infrastructure	380			
Infrastructure	**84,677**	**73,463**	**56,686**	**49,168**
Community Facilities	1,515	750		
Sport and Recreation Facilities	5,602	3,057		
Community Assets	**7,117**	**3,807**	**-**	**-**
Operational Buildings	250			
Other Assets	**250**	**-**	**-**	**-**
Licences and Rights	52			
Intangible Assets	**52**	**-**	**-**	**-**
Computer Equipment	2,078			
Furniture and Office Equipment	1,213	610	610	611
Machinery and Equipment	758	100	100	100
Transport Assets	11,838	1,362	1,429	1,496
TOTAL CAPITAL EXPENDITURE - Asset Class	**107,983**	**79,343**	**58,826**	**51,375**

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
ASSET REGISTER SUMMARY - PPE (WDV)	**2,210,088**	**2,179,768**	**2,144,825**	**2,137,375**
Roads Infrastructure	553,416	556,676	566,726	576,941
Storm water Infrastructure	11,520	8,914	8,571	8,571
Electrical Infrastructure	191,235	204,212	199,981	193,246
Water Supply Infrastructure	348,530	359,616	340,251	337,643
Sanitation Infrastructure	493,706	517,807	511,676	503,287
Solid Waste Infrastructure	(11,067)	(51,865)	(57,232)	(57,232)
Information and Communication Infrastructure	72	72	72	72
Infrastructure	1,587,412	1,595,431	1,570,045	1,562,527
	48,426	52,093	48,267	48,267
Community Assets	48,426	52,093	48,267	48,267
	262,608	262,608	262,608	262,608
Investment properties	262,608	262,608	262,608	262,608
Other Assets	27,557	20,444	19,428	19,429
Intangible Assets	410	410	410	410
Computer Equipment	3,482	2,941	2,870	2,870
Furniture and Office Equipment	10,273	6,594	6,110	6,110
Machinery and Equipment	3,694	3,058	2,961	2,961
Transport Assets	38,621	8,584	4,520	4,587
Land	227,605	227,605	227,605	227,605
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	**2,210,088**	**2,179,768**	**2,144,825**	**2,137,375**

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Depreciation	103,850	109,663	124,089	124,089
Repairs and Maintenance by Asset Class	**51,721**	**60,689**	**66,291**	**69,029**
Roads Infrastructure	14,204	14,206	14,396	14,593
Storm water Infrastructure	1,028	1,075	1,123	1,173
Electrical Infrastructure	7,950	10,827	11,314	11,824
Water Supply Infrastructure	7,121	7,442	7,777	8,126
Sanitation Infrastructure	4,365	8,969	11,957	12,950
Infrastructure	**34,669**	**42,518**	**46,567**	**48,667**
Community Facilities	1,793	1,696	2,013	2,106
Sport and Recreation Facilities	1,490	1,347	1,478	1,546
Community Assets	**3,283**	**3,043**	**3,492**	**3,652**
Operational Buildings	3,870	3,545	3,868	3,943
Other Assets	**3,870**	**3,545**	**3,868**	**3,943**
Machinery and Equipment	735	727	996	1,036
Transport Assets	9,164	10,856	11,369	11,731
TOTAL EXPENDITURE OTHER ITEMS	**155,571**	**170,352**	**190,380**	**193,118**

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 67.1% of the capital budget, whilst repairs and maintenance constitute 2.8% 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 Budget and IDP will be tabled by the Executive Mayor at a Council meeting scheduled for 31 May 2023. After this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation took 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 were taken into account, whilst the Executive Mayor will table the IDP and Budget for consideration and approval at a Council meeting scheduled for 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 took the form of a series of meetings 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 following 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%	1.0%	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	1.0	1.1	1.2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.95	1.0	1.1	1.2
Liquidity Ratio	Monetary Assets/Current Liabilities	0.06	0.04	0.05	0.11
Revenue Management					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	95.0%	95.0%	95.0%	95.0%
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%	6.9%	7.5%	8.0%
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%	1383.5%	1063.0%	503.9%

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%	38.6%	36.6%	35.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	40.1%	39.9%	37.9%	36.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.9%	5.2%	5.3%	5.1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	9.8%	9.6%	10.0%	9.1%
IDP regulation financial viability indicators	-				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	53.3	79.5	99.4	1,966.3
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	6.6%	8.8%	9.6%	10.2%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.10	0.06	0.08	0.16

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 1.0% of total operating expenditure over the 2023/24 MTREF.
-

2.3.1.2 Liquidity

- The *current 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 0.04 in the 2023/24, 0.05 in the 2024/25 and 0.11 in the 2025/26 financial years.

- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meet its current liabilities. A liquidity ratio of 1 should be maintained. For the 2023/24 MTREF, the liquidity ratio is at 0.04:1. 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 budget related policies were reviewed by Council and the reviewal process took the form of a policy workshop with all relevant stakeholders. The policies govern the financial management functions of the Municipality, such as supply chain management, budget virements, credit control and debt collection, etc. The below policies are also submitted to Council under a separate item for adoption.

- Customer Care, Credit Control and Debt Collection Policy **"Annexure A1"**
- KLM SCM Policy **"Annexure A2"**
- Property Rates Policy **"Annexure A3"**
- Funding and Reserves Policy **"Annexure A4"**
- Cost Containment Policy **"Annexure A5"**
- Cash Management and Investment Policy **"Annexure A6"**
- Borrowing Policy **"Annexure A7"**
- Virement Policy **"Annexure A8"**
- Budget Implementation and Management Policy **"Annexure A9"**
- Indigent Support Policy **"Annexure A10"**
- Unallocated Revenue and Building Deposit Policy **"Annexure A11"**
- Policy on Provision for Doubtful Debt and Write-off of Irrecoverable Debt **"Annexure A12"**
- Tariff Policy **"Annexure A13"**
- Asset Management Policy **"Annexure A14"**

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)	95	95	95
Expenditure increases allowed	5.3	4.9	4.7
Salary increase	5.4	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	24.29%	295,280,635	23.52%	309,158,826	22.70%
Service charges	560,500,737	53.06%	621,866,972	53.66%	685,263,922	54.59%	757,526,048	55.63%
Transfer and subsidies - Operational	177,919,970	16.84%	190,883,480	16.47%	206,454,705	16.45%	223,190,972	16.39%
Other revenue	81,139,490	7.68%	64,718,792	5.58%	68,234,836	5.44%	71,905,302	5.28%
Total Revenue (excluding capital transfers and contributions)	**1,056,306,728**	**100.00%**	**1,158,957,039**	**100.00%**	**1,255,234,098**	**100.00%**	**1,361,781,148**	**100.00%**

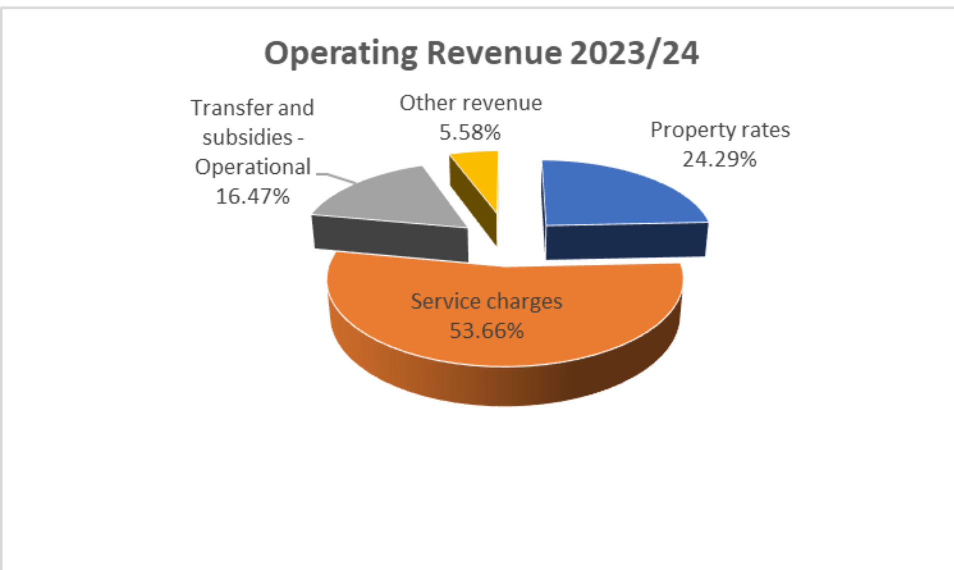

Figure 3 Breakdown of operating revenue over the 2023/24 MTRE

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 a 95% 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 amount to R 281,488 million in the 2023/24 financial year and increases to R 309,159 million in 2025/26, representing 24.29% 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 621,867 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 53.66% 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 16.47% 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	5,596	8,122	17,133
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				
Municipality sub-total	**8,542**	**5,596**	**8,122**	**17,133**
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**	**5,596**	**8,122**	**17,133**

Investments are anticipated to increase from R 5,596 million in 2023/24 to R 17,133 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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Funded by				
National Government	79,562	64,521	56,686	49,168
Provincial Government				
District Municipality	1,638	1,362	1,429	1,496
Transfers recognised - capital	**81,200**	**65,883**	**58,115**	**50,664**
Borrowing	10,104			
Internally generated funds	16,679	13,460	710	711
Total Capital Funding	**107,983**	**79,343**	**58,826**	**51,375**

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

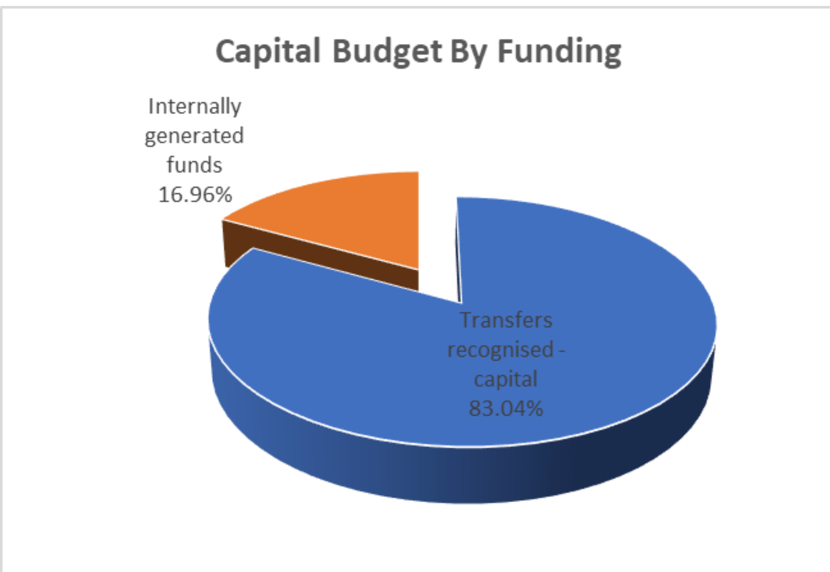

Figure 4 Sources of Capital Revenue for the 2023/24 financial year

Capital Grants constitute 83.04% 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 thousands	**Adjusted Budget**	**Budget Year 2023/24**	**Budget Year 2024/25**	**Budget Year 2025/26**
RECEIPTS				
Operating				
National Government				
Equitable Share	163,292	180,506	198,345	214,749
Expanded Public Works Programme Integrated Grant	1,175	2,458		
Local Government Financial Management Grant	1,720	1,720	1,720	1,858
Municipal Infrastructure Grant	1,795	1,868	1,947	2,029
Total Operating/National Government	**167,982**	**186,552**	**202,012**	**218,636**
Provincial Government				
Capacity Building and Other	7,050	2,050	2,050	2,050
Total Operating/Provincial Government	**7,050**	**2,050**	**2,050**	**2,050**
District Municipalities				
Environmental Health Subsidy	2,888	2,281	2,393	2,505
Total Operating/District Municipalities	**2,888**	**2,281**	**2,393**	**2,505**
Total Operating	**177,920**	**190,883**	**206,455**	**223,191**
Capital				
National Government				
Energy Efficiency and Demand Side Management Grant		4,000	5,000	
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		4,700	13,200	11,000
Municipal Infrastructure Grant	34,096	35,499	36,989	38,543
Water Services Infrastructure Grant	57,400	30,000	10,000	7,000
Total Capital/National Government	**91,496**	**74,199**	**65,189**	**56,543**
District Municipalities				
Fire Services Subsidy	1,638	1,362	1,429	1,496
Total Capital/District Municipalities	**1,638**	**1,362**	**1,429**	**1,496**
Total Capital	**93,134**	**75,561**	**66,618**	**58,040**
TOTAL	**271,054**	**266,444**	**273,073**	**281,231**

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		
R thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	227,440	270,495	280,763	293,959
Service charges	628,917	697,055	760,507	840,092
Other revenue	101,036	67,422	67,536	69,060
Transfers and Subsidies - Operational	177,920	190,883	206,455	223,191
Transfers and Subsidies - Capital	93,134	75,561	66,618	58,040
Interest	3,057	4,598	4,823	5,050
Payments				
Suppliers and employees	(1,140,765)	(1,219,527)	(1,315,865)	(1,428,442)
Finance charges	-	-	-	-
Transfers and Subsidies	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	**90,740**	**86,487**	**70,837**	**60,950**
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	(97,879)	(79,343)	(58,826)	(51,375)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(97,879)**	**(79,343)**	**(58,826)**	**(51,375)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments				
Repayment of borrowing	(12,169)	(10,091)	(9,484)	(564)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(12,169)**	**(10,091)**	**(9,484)**	**(564)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(19,308)**	**(2,947)**	**2,527**	**9,010**
Cash/cash equivalents at the year begin:	**27,851**	**8,542**	**5,596**	**8,122**
Cash/cash equivalents at the year end:	**8,542**	**5,596**	**8,122**	**17,133**

For the 2023/24 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 5,596 million in 2023/24 million to R 17,133 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		
R thousands	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	5,596	8,122	17,133
Other current investments > 90 days	-	-	-	-
Non current assets - Investments	-	-	-	-
Cash and investments available:	**8,542**	**5,596**	**8,122**	**17,133**
Application of cash and investments				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements	(50,443)	(50,443)	(50,443)	(50,443)
Other working capital requirements	8,193	(2,446)	(7,374)	(22,438)
Other provisions	41,511	43,689	45,968	48,352
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-
Total Application of cash and investments:	**(740)**	**(9,200)**	**(11,849)**	**(24,529)**
Surplus(shortfall)	**9,282**	**14,795**	**19,971**	**41,662**

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 5,596 million in the 2023/24 financial year and increases to R 17,133 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.

- The current provision relates to Post-retirement Benefits Liability which has been provided for.

It is concluded that the Municipality's cash backed, and accumulated surpluses reconciliation reflects surpluses of R 14,795 million, R 19,971 million and R 41,662 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, 0.06 months, 0.08 months and 0.16 months for the 2023/24, 2024/25 and 2025/26 financial years, respectively.

2.6.5 Funding Compliance Measurement

The 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	5,596	8,122	17,133
Cash + investments at the yr end less applications - R'000	18(1)b	2	9,282	14,795	19,971	41,662
Cash year end/monthly employee/supplier payments	18(1)b	3	0.10	0.06	0.08	0.16
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%)	7.3%	2.5%	2.8%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	45.6%	41.7%	42.0%	42.9%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	11.2%	10.4%	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%	11.2%	9.9%	9.4%
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%	3.0%	3.4%	3.6%
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 5,596 million, R 8,122 million and R 17,133 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 14,795 million, R 19,971 million and R 41,662 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 0.06 months to 0.16 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets.

For the 2023/24 MTREF the indicative outcome is a deficit of R 33,798 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 thousands	**Adjusted Budget**	**Budget Year 2023/24**	**Budget Year 2024/25**	**Budget Year 2025/26**
Revenue				
Surplus/(Deficit)	(121,757)	(109,359)	(117,221)	(108,500)
Transfers and subsidies - capital (monetary allocations)	93,134	75,561	66,618	58,040
Total	**(28,623)**	**(33,798)**	**(50,603)**	**(50,460)**

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 7.3%, 2.5% 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 95.0% for the 2023/24 and 95.0% for the 2024/25 and 95.0% 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 5% for property rates and services, for the 2023/24 and 5% for the 2024/25 and 5% 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 3.0%, 3.4% and 3.6% 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 thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
RECEIPTS				
Operating				
National Government				
Equitable Share	163,292	180,506	198,345	214,749
Expanded Public Works Programme Integrated Grant	1,175	2,458		
Local Government Financial Management Grant	1,720	1,720	1,720	1,858
Municipal Infrastructure Grant	1,795	1,868	1,947	2,029
Total Operating/National Government	**167,982**	**186,552**	**202,012**	**218,636**
Provincial Government				
Capacity Building and Other	7,050	2,050	2,050	2,050
Total Operating/Provincial Government	**7,050**	**2,050**	**2,050**	**2,050**
District Municipalities				
Environmental Health Subsidy	2,888	2,281	2,393	2,505
Total Operating/District Municipalities	**2,888**	**2,281**	**2,393**	**2,505**
Total Operating	**177,920**	**190,883**	**206,455**	**223,191**
Capital				
National Government				
Energy Efficiency and Demand Side Management Grant		4,000	5,000	
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		4,700	13,200	11,000
Municipal Infrastructure Grant	34,096	35,499	36,989	38,543
Water Services Infrastructure Grant	57,400	30,000	10,000	7,000
Total Capital/National Government	**91,496**	**74,199**	**65,189**	**56,543**
District Municipalities				
Fire Services Subsidy	1,638	1,362	1,429	1,496
Total Capital/District Municipalities	**1,638**	**1,362**	**1,429**	**1,496**
Total Capital	**93,134**	**75,561**	**66,618**	**58,040**
TOTAL	**271,054**	**266,444**	**273,073**	**281,231**

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
Rand thousands	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
EXPENDITURE				
Operating				
National Government				
Equitable Share	163,292	180,506	198,345	214,749
Expanded Public Works Programme Integrated Grant	1,175	2,458		
Local Government Financial Management Grant	1,720	1,720	1,720	1,858
Municipal Infrastructure Grant	1,795	1,868	1,947	2,029
Total Operating/National Government	**167,982**	**186,552**	**202,012**	**218,636**
Provincial Government				
Capacity Building and Other	7,050	2,050	2,050	2,050
Total Operating/Provincial Government	**7,050**	**2,050**	**2,050**	**2,050**
District Municipalities				
Environmental Health Subsidy	2,888	2,281	2,393	2,505
Total Operating/District Municipalities	**2,888**	**2,281**	**2,393**	**2,505**
Total Operating	**177,920**	**190,883**	**206,455**	**223,191**
Capital				
National Government				
Energy Efficiency and Demand Side Management Grant		4,000	5,000	
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		4,700	13,200	11,000
Municipal Infrastructure Grant	34,096	35,499	36,989	38,543
Water Services Infrastructure Grant	57,400	30,000	10,000	7,000
Total Capital/National Government	**91,496**	**74,199**	**65,189**	**56,543**
District Municipalities				
Fire Services Subsidy	1,638	1,362	1,429	1,496
Total Capital/District Municipalities	**1,638**	**1,362**	**1,429**	**1,496**
Total Capital	**93,134**	**75,561**	**66,618**	**58,040**
TOTAL	**271,054**	**266,444**	**273,073**	**281,231**

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*	*924*	*1,084*	*1,129*
Total Cash Transfers To Entities/Ems'	***725***	***924***	***1,084***	***1,129***
TOTAL CASH TRANSFERS AND GRANTS	***725***	***924***	***1,084***	***1,129***
TOTAL TRANSFERS AND GRANTS	***725***	***924***	***1,084***	***1,129***

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 thousands	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	10,020,212	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**	**15,140,069**	**16,091,945**	**16,832,172**
Senior Managers of the Municipality				
Basic Salaries and Wages	6,741,584	7,519,114	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**	**16,159,310**	**17,194,946**	**17,985,906**
Other Municipal Staff				
Basic Salaries and Wages	257,138,048	281,509,532	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**	**431,653,958**	**442,344,749**	**462,722,452**
Total Parent Municipality	**423,743,347**	**462,953,337**	**475,631,640**	**497,540,530**
TOTAL SALARY, ALLOWANCES & BENEFITS	**423,743,347**	**462,953,337**	**475,631,640**	**497,540,530**
TOTAL MANAGERS AND STAFF	**409,378,942**	**447,813,268**	**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
Rand	**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	25,242	25,706	25,681	15,879	12,548	19,302	15,975	15,937	15,953	17,722	270,495
Service charges - electricity revenue	43,186	32,990	34,317	35,052	35,012	35,326	30,052	40,744	35,478	35,418	35,442	38,243	428,253
Service charges - water revenue	42,075	6,303	6,670	6,873	6,862	6,949	5,491	8,447	6,991	6,974	6,981	7,755	118,374
Service charges - sanitation revenue	25,773	3,861	4,086	4,210	4,203	4,257	3,364	5,174	4,282	4,272	4,276	4,750	72,508
Service charges - refuse revenue	27,696	4,149	4,391	4,524	4,517	4,574	3,615	5,560	4,602	4,591	4,595	5,105	77,920
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	7,639	1,144	1,211	1,248	1,246	1,262	997	1,534	1,269	1,266	1,267	1,408	21,491
Cash Receipts by Source	**260,323**	**108,607**	**78,765**	**81,844**	**82,502**	**133,111**	**58,411**	**85,102**	**122,408**	**71,436**	**71,496**	**78,293**	**1,230,453**
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	**274,004**	**108,607**	**79,265**	**100,629**	**95,542**	**152,870**	**58,411**	**85,102**	**132,205**	**71,436**	**71,496**	**78,293**	**1,306,014**

Description	2023/24												2023/24 Medium Term Revenue & Expenditure Framework
Rand	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)	(426,926)
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)	(15,140)
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)	(418,922)
Acquisition inventory - water and other inventory	(27,885)	(4,177)	(4,421)	(4,555)	(4,548)	(4,605)	(3,639)	(5,598)	(4,633)	(4,622)	(4,627)	(5,140)	(78,452)
Contracted services	(41,465)	(6,212)	(6,573)	(6,774)	(6,763)	(6,848)	(5,412)	(8,324)	(6,890)	(6,873)	(6,880)	(7,643)	(116,656)
Other expenditure	(58,091)	(8,703)	(9,209)	(9,489)	(9,474)	(9,594)	(7,582)	(11,662)	(9,652)	(9,629)	(9,639)	(10,707)	(163,431)
Cash Payments by Type	**(204,298)**	**(95,853)**	**(90,264)**	**(83,303)**	**(104,998)**	**(83,257)**	**(80,525)**	**(87,529)**	**(81,055)**	**(83,204)**	**(82,235)**	**(100,709)**	**(1,219,527)**
Other Cash Flows/Payments by Type													
Capital assets	(28,202)	(4,225)	(4,471)	(4,607)	(4,600)	(4,658)	(3,681)	(5,662)	(4,686)	(4,675)	(4,679)	(5,198)	(79,343)
Repayment of borrowing	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(10,091)
Total Cash Payments by Type	**(233,341)**	**(100,919)**	**(95,576)**	**(88,751)**	**(110,439)**	**(88,756)**	**(85,046)**	**(94,031)**	**(86,582)**	**(88,719)**	**(87,755)**	**(106,748)**	**(1,308,961)**
NET INCREASE/(DECREASE) IN CASH HELD	**40,663**	**7,689**	**(16,311)**	**11,878**	**(14,897)**	**64,114**	**(26,635)**	**(8,929)**	**45,623**	**(17,283)**	**(16,259)**	**(28,455)**	**(2,947)**
Cash/cash equivalents at the month/year begin:	712	41,375	49,063	32,752	44,631	29,733	93,847	67,212	58,283	103,906	86,623	70,364	8,542
Cash/cash equivalents at the month/year end:	41,375	49,063	32,752	44,631	29,733	93,847	67,212	58,283	103,906	86,623	70,364	41,909	5,596

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	270,495	280,763	293,959
Service charges - electricity revenue	428,253	479,304	539,600
Service charges - water revenue	118,374	122,384	131,251
Service charges - sanitation revenue	72,508	76,509	81,483
Service charges - refuse revenue	77,920	82,309	87,758
Rental of facilities and equipment	3,789	3,974	4,161
Interest earned - external investments	4,598	4,823	5,050
Fines, penalties and forfeits	11,884	12,466	13,052
Licences and permits	29,258	30,691	32,134
Agency services	1,000	1,049	1,098
Transfers and Subsidies - Operational	190,883	206,455	223,191
Other revenue	21,491	19,355	18,615
Cash Receipts by Source	**1,230,453**	**1,320,084**	**1,431,352**
Other Cash Flows by Source			
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	75,561	66,618	58,040
Total Cash Receipts by Source	**1,306,014**	**1,386,702**	**1,489,392**

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	(426,926)	(457,651)	(478,733)
Remuneration of councillors	(15,140)	(16,092)	(16,832)
Bulk purchases - Electricity	(418,922)	(412,234)	(476,873)
Acquisition inventory - water and other inventory	(78,452)	(77,035)	(81,387)
Contracted services	(116,656)	(105,735)	(108,799)
Other expenditure	(163,431)	(247,117)	(265,818)
Cash Payments by Type	**(1,219,527)**	**(1,315,865)**	**(1,428,442)**
Other Cash Flows/Payments by Type			
Capital assets	(79,343)	(58,826)	(51,375)
Repayment of borrowing	(10,091)	(9,484)	(564)
Total Cash Payments by Type	**(1,308,961)**	**(1,384,175)**	**(1,480,381)**
NET INCREASE/(DECREASE) IN CASH HELD	**(2,947)**	**2,527**	**9,010**
Cash/cash equivalents at the month/year begin:	8,542	5,596	8,122
Cash/cash equivalents at the month/year end:	5,596	8,122	17,133

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, was considered at a Council meeting 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 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 was considered at a Council meeting held on 31 March 2023.

Oversight Report

The Municipal Public Accounts Committee has considered the 2021/22 Annual report. Its Oversight Report was considered at a Council meeting held on 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 four Interns on the Municipal Financial Management Internship programme, and the additional intern will be soon appointed in line with the National Treasury requirements.

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 “G”.**

2.14 MUNICIPAL MANAGER’S QUALITY CERTIFICATION

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

Print Name : Charl Du Plessis

Municipal Manager of Kouga Local Municipality (EC108)

Signature…………………………………………...

Date:………22 May 2023…………………………

ANNEXURE G

PROJECT DESCRIPTION	PROJECT NR.	FUNDING	ANNUAL BUDGET 2023/24	ANNUAL BUDGET 2024/25	ANNUAL BUDGET 2025/26
EXECUTIVE & COUNCIL					
Furniture and equipment	CP_9	Internal	10,000	10,460	10,941
Ward Development Capital Projects		Internal	750,000		
			760,000	**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					
Solar Panels Installation Project		Internal	12,000,000		
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	-
			76,520,562	**56,686,258**	**49,168,172**
			79,342,839	**58,825,746**	**51,375,306**
Transfers recognised - Capital			65,882,839	58,115,286	50,664,365
Internally generated funds			13,460,000	710,460	710,941
			79,342,839	**58,825,746**	**51,375,306**
			-	-	-