ANNEXURE "A"

KOUGA LOCAL MUNICIPALITY

2024/25 – 2026/27

DRAFT

ANNUAL BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

It is my greatest privilege on behalf of Kouga Municipality and in my capacity as Executive Mayor of Kouga Municipality to present to you the municipality's Integrated Development Plan (IDP) for the cycle 2022 to 2027.

The IDP provides the strategic 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

Kouga Municipality has additionally set four key objectives which we are determined to achieve within the next 15 months. These include (1) Fixing our roads (2) Upgrading our Waste Water treatment Works (3) Improving our levels of customer care and (4) Reducing our reliance on ESKOM.

Council passed a resolution to secure external funding amounting to R200 million for the vital task of rehabilitating 150KM of roads in the next 15 months.

We are presently negotiating with several financial institutions to secure these funds in order to appoint the most capable contractors to do the job effectively.

A environmental impact assessment for the construction of a 20MW solar plant outside Humansdorp has been completed and approved. We are currently in the process of conducting a thorough financial feasibility study to distinguish costing and various financing models.

This green energy project will reduce our reliance from ESKOM, cut costs on energy supply, create jobs, keep local businesses energized and will ultimately increase economic development exponentially, particularly within the targeted Humansdorp area.

Kouga Municipality will be forking out more than R42m to upgrade the vandalized wastewater treatment plant in KwaNomzamo, Humansdorp.

The 18-month project, designed to enhance the treatment capacity of the plant, will also clear obstacles holding back the progress of a 400-unit housing project here.

Kouga Municipality is committed to bringing open, accessible, transparent and accountable government to all residents across the Kouga region. For this reason, I launched the first Thursday initiative.

On every first Thursday of the month, residents can meet with myself and my mayoral committee, the municipal manager and directors without having to make any appointment.

I am also excited about launching our first ever Customer Service Charter, which could possibly be the first of its kind in the Province.

This document, which will be distributed broadly, is essentially a commitment to residents detailing the services we offer, the level to which they ought to be rendered and the turnaround time we commit ourselves toward.

We must strive to provide dignity to the poorest within our community. Informal settlements across the Kouga region are set to be upgraded at a combined cost of more than R68 million.

The implementation of this project will see nine informal communities with over 3 000 households be provided with decent basic services, such as water, electricity, sanitation, and waste management.

This will help to address the ongoing dependence of informal areas on the bucket system – which we are committed to removing entirely.

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.

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 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.

Hon. Cllr Hatting Bornman

…………………………
EXECUTIVE MAYOR

1.2 COUNCIL RESOLUTIONS

a) That the Executive Mayor recommends that the Council, by resolution taken by the majority of its full number, and in terms of Section 30(2) of the Local Government: Municipal Structures Act No. 117 of 1998 (as amended), read in conjunction with Section 16 of the Local Government: Municipal Finance Management Act, Act 56 of 2003, approves the 2024/25 – 2026/27 Draft Annual Budget, as set out in the **Annexure "A"** on the following tables:

1.1 Consolidated Budget Summary [Table A1] [Page 23]
1.2 Budgeted Financial Performance (revenue and expenditure by standard classification); [Table A2] [Page 25]

1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Table A3] [Page 27]

1.4 Budgeted Financial Performance (revenue by source and expenditure by type); [Table A4] [Page 28]

1.5 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Table A5] [Page 30]

10.2 That 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:

a) Budgeted Financial Position; [Table A6] [Page 32]
b) Budgeted Cash Flows; [Table A7] [Page 34]
c) Cash backed reserves and accumulated surplus reconciliation; [Table A8] [Page 35]
d) Asset management; [Table A9] [Page 36]
e) Basic service delivery measurement. [Table A10] [Page 39]

10.3 That the tariffs be increased as follows, with effect from 1 July 2024:

Property rates	5.5%
Water	7.25%
Sanitation	6.5%
Refuse	6.5%
Electricity (average increase in electricity income)	12.7%
Environmental Management Fee	6.5%

a) Indicative tariffs for 2025/26 and 2026/27 will be increased as follows:

	2025/26	**2026/27**
Property rates	5.5%	5.5%
Water	7.25%	7.25%
Sanitation	6.5%	6.5%

Refuse	6.5%	6.5%
Electricity (average increase in electricity income)	15.7%	15.7%
Environmental Management Fee	6.5%	6.5%

10.4 That Council notes **Annexure "B"** which regulates the format of the budget documentation as set out in Schedule A (version 6.8) of the Municipal Budget and Reporting Regulations. This includes the main Tables A1 - A10 as well as the supporting tables SA1 – SA38.

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

10.6 That the mSCOA road map be approved. **"Annexure D"**

(a) 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. 126 and 128 was used to guide the compilation of the 2024/25 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2024/25 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 2024/25 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 at this stage.
- 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 2024/25 Medium-term Revenue and Expenditure Framework:

Table 1 (Overview of the 2024/25 MTREF)

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	Budget Year 2024/25	% Incr./Decr.	Budget Year 2025/26	% Incr./Decr.	Budget Year 2026/27	% Incr./Decr.
Revenue							
Total Revenue (excluding capital transfers and contributions)	1 297 411	1 392 621	7,34%	1 512 282	8,59%	1 648 335	9,00%
Total Expenditure	1 436 791	1 505 669	4,79%	1 631 362	8,35%	1 755 199	7,59%
Surplus/(Deficit)	(139 380)	(113 048)	-18,89%	(119 080)	5,34%	(106 864)	-10,26%
Total Capital Expenditure	121 690	81 369	-33,13%	45 354	-44,26%	49 890	10,00%

Total operating revenue has increased by 7.34% or R 95,210 million for the 2024/25 financial year, compared to the 2023/24 Adjustments Budget.

For the two outer years, operational revenue increases by 8.59% and 9.0% respectively, resulting in a total revenue growth of R 350,924 million over the MTREF, when compared to the 2023/24 financial year.

Total operating expenditure for the 2024/25 financial year amounts to R 1,506 billion, resulting in a budgeted deficit of R 113,048 million. Compared to the 2023/24 Adjustments Budget, operational expenditure increased by 4,79% in the 2024/25 Budget.

For the two outer years, operational expenditure increases by 8.35% and 7.59% respectively. The 2025/26 and 2026/27 budgets reflect operating deficits of R 119,080 million and R 106,864 million respectively.

The major operating expenditure items for 2024/25 are employee related costs (31.34%), bulk electricity purchases (25.66%), debt impairment (10.51%), contracted services (8.35%), depreciation (7.82%), inventory consumed (7.21%) and operational costs (6.26%).

Funding for the 2024/25 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (47.71%), property rates (21.33%), grants and subsidies received from National and Provincial Governments (14.52%).

To fund the 2024/25 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2024:

Property rates (decrease in cents in the Rand)	-	5.5%
Water	-	7.25%
Sanitation	-	6.5%
Refuse	-	6.5%
Electricity (average increase in income)	-	12.7%
Environmental Management Fee	-	6.5%

The capital budget of R 81,369 million for 2024/25 is R 45,733 million or 33.13% less than the 2023/24 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.

1.3 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 must 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 consider 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 2024/25 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2024/25**	**Budget Year 2025/26**	**Budget Year 2026/27**
Revenue				
Exchange Revenue				
Service charges - Electricity	352 780	397 583	460 004	532 224
Service charges - Water	118 603	127 202	136 424	146 315
Service charges - Waste Water Management	64 268	68 446	72 895	77 633
Service charges - Waste Management	66 782	71 123	75 745	80 669
Sale of Goods and Rendering of Services	9 000	9 533	10 095	10 689
Agency services	4 276	4 554	4 850	5 166
Interest earned from Receivables	30 145	32 335	34 757	37 376
Interest earned from Current and Non-Current Assets	11 674	13 998	12 809	13 385
Rental from Fixed Assets	2 999	3 187	3 385	3 595
Licence and permits	2 677	2 851	3 037	3 234
Operational Revenue	4 116	1 955	1 976	1 998
Non-Exchange Revenue				
Property rates	281 488	297 076	313 303	330 535
Fines, penalties, and forfeits	134 597	143 343	152 658	162 577
Licences or permits	11 053	11 772	12 537	13 352
Transfer and subsidies - Operational	197 730	202 153	211 994	223 454
Interest	5 223	5 510	5 813	6 133
Total Revenue (excluding capital transfers and contributions)	**1 297 411**	**1 392 621**	**1 512 282**	**1 648 335**

The following table illustrates the mix of main revenue sources, supporting the 2024/25 MTREF:

Table 3 (Mix of main revenue sources)

Description	Current Year 2023/24		2024/25 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2024/25	%	Budget Year 2025/26	%	Budget Year 2026/27	%
Revenue								
Exchange Revenue								
Service charges - Electricity	352 780	27,19%	397 583	28,55%	460 004	30,42%	532 224	32,29%
Service charges - Water	118 603	9,14%	127 202	9,13%	136 424	9,02%	146 315	8,88%
Service charges - Waste Water Management	64 268	4,95%	68 446	4,91%	72 895	4,82%	77 633	4,71%
Service charges - Waste Management	66 782	5,15%	71 123	5,11%	75 745	5,01%	80 669	4,89%
Sale of Goods and Rendering of Services	9 000	0,69%	9 533	0,68%	10 095	0,67%	10 689	0,65%
Agency services	4 276	0,33%	4 554	0,33%	4 850	0,32%	5 166	0,31%
Interest earned from Receivables	30 145	2,32%	32 335	2,32%	34 757	2,30%	37 376	2,27%
Interest earned from Current and Non-Current Assets	11 674	0,90%	13 998	1,01%	12 809	0,85%	13 385	0,81%
Rental from Fixed Assets	2 999	0,23%	3 187	0,23%	3 385	0,22%	3 595	0,22%
Licence and permits	2 677	0,21%	2 851	0,20%	3 037	0,20%	3 234	0,20%
Operational Revenue	4 116	0,32%	1 955	0,14%	1 976	0,13%	1 998	0,12%
Non-Exchange Revenue								
Property rates	281 488	21,70%	297 076	21,33%	313 303	20,72%	330 535	20,05%
Fines, penalties, and forfeits	134 597	10,37%	143 343	10,29%	152 658	10,09%	162 577	9,86%
Licences or permits	11 053	0,85%	11 772	0,85%	12 537	0,83%	13 352	0,81%
Transfer and subsidies - Operational	197 730	15,24%	202 153	14,52%	211 994	14,02%	223 454	13,56%
Interest	5 223	0,40%	5 510	0,40%	5 813	0,38%	6 133	0,37%
Total Revenue (excluding capital transfers and contributions)	**1 297 411**	**100,00%**	**1 392 621**	**100,00%**	**1 512 282**	**100,00%**	**1 648 335**	**100,00%**

In the 2023/24 financial year, rates and service charges amounted to R 883,921 million. This increases to R 961,430 million, R 1,058 billion and R 1,167 billion in the 2024/25, 2025/26 and 2026/27 financial years, respectively.

The major operating revenue sources for 2024/25 are electricity (28.55%), property rates (21.33%), operating grants & subsidies (14.52%), water (9.13%), waste management (5.11%) and waste water management (4.91%).

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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
RECEIPTS:				
-				
Operating Transfers and Grants				
National Government:	**186 290**	**197 710**	**207 441**	**218 788**
Operational Revenue: General Revenue: Equitable Share	180 506	192 664	203 746	214 723
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	2 321	1 495	–	–
Local Government Financial Management Grant [Schedule 5B]	1 720	1 723	1 785	2 001
Municipal Infrastructure Grant [Schedule 5B]	1 743	1 828	1 910	2 064
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Libraries, Archives and Museums	2 050	2 050	2 050	2 050
District Municipality:	**2 281**	**2 393**	**2 503**	**2 616**
Environmental Health	2 281	2 393	2 503	2 616
Total Operating Transfers and Grants	**190 622**	**202 153**	**211 994**	**223 454**
Capital Transfers and Grants				
National Government:	**71 214**	**52 874**	**50 558**	**55 774**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	4 089	4 203	7 260	7 558
Municipal Infrastructure Grant [Schedule 5B]	33 125	34 730	36 298	39 216
Energy Efficiency and Demand Side Management Grant	4 000	–	–	–
Water Services Infrastructure Grant [Schedule 5B]	30 000	13 941	7 000	9 000
District Municipality:	**1 362**	**1 600**	**1 600**	**1 600**
Fire Services	1 362	1 600	1 600	1 600
Total Capital Transfers and Grants	**72 576**	**54 474**	**52 158**	**57 374**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**263 197**	**256 627**	**264 152**	**280 828**

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:

1.3.1 Property Rates

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

The following provisions in the Property Rates Policy are highlighted:

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

A property rates increase of 5.5% in cents in the rand is proposed as from 1 July 2024.

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

- Employee-related costs increased by 6%.
- Providing for debt impairment.

1.3.2 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.

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.

A tariff increases of 7.25% is proposed as from 1 July 2024. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6%.
- The cost of bulk water purchases increased by 7.25%.
- 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.

1.3.3 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 12.7% increase in bulk costs for electricity was approved by Nersa.
The Municipality is proposing a 12.7% increase on average consumer tariffs to offset the additional electricity bulk purchases costs, as from 1 July 2024. The proposed tariffs increase of 12.7% is subjected to the approval by Nersa.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 6%.
- The cost of bulk electricity purchases increased by 12.7%.
- Repairs and maintenance of electricity infrastructure.
- Providing for debt impairment.

1.3.4 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.

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.

A tariff increases of 6.5% is proposed as from 1 July 2024. The proposed tariff increase is mainly influenced by the following:

- Employee-related costs increased by 6%.
- Providing for debt impairment.

1.3.5 Refuse Collection and Impact of Tariff Increases

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective. The tariffs should consider 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.

A tariff increases of 6.5% is proposed for refuse collection, as from 1 July 2024.

The proposed tariff increase is mainly influenced by the following:

- Employee-related costs increased by 6%.
- Providing for debt impairment

1.3.6 Environmental Management Fees and Impact of Tariff increases

A tariff increases of 6.5% is proposed for the environmental management fee, as from 1 July 2024.

1.4 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2024/25 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 operating revenue.

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

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

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2024/25**	**Budget Year 2025/26**	**Budget Year 2026/27**
Expenditure				
Employee related costs	441 256	471 877	502 140	528 366
Remuneration of councillors	15 140	15 594	16 345	17 163
Bulk purchases - electricity	354 710	386 299	462 520	535 135
Inventory consumed	103 156	108 619	114 517	121 908
Debt impairment	173 540	158 246	176 273	188 877
Depreciation and amortisation	109 663	117 798	123 884	129 229
Interest	5 750	17 404	17 757	11 519
Contracted services	128 147	125 787	114 007	116 078
Transfers and subsidies	1 124	400	400	400
Irrecoverable debts written off	13 835	9 359	10 227	11 197
Operational costs	90 470	94 287	93 291	95 326
Total Expenditure	**1 436 791**	**1 505 669**	**1 631 362**	**1 755 199**

The total operating expenditure increased by R 68,878 million (4.79%) from R 1,437 billion in 2023/24 to R 1,506 billion in 2024/25.

Below is a discussion of the main expenditure components.

Employee related costs

The 2024/25 budget provides for a general increase of 6%, based on the salary and wage collective agreement.

The total budget provision of R 471,877 million represents an increase of 6.94% over the 2024/25 budget. Employee related costs in the 2024/25 Budget, represent 31.34% 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 2024/25 financial year this amounted to R 158,246 million (includes R 123,039 million for traffic fines debt impairment) and R 9,359 million, respectively. While this expenditure represents a non-cash flow item, it is considered 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 117,798 million for the 2024/25 financial year and equates to 7.82% of the total operating expenditure.

Bulk Electricity Purchases

The bulk purchases of increased by 8.91% or R 31,589 million, compared to the 2023/24 adjustments budget. The approved NERSA bulk electricity purchases is 12.7% and the Bulk electricity purchases constitute 25.66% of total operating expenditure for 2024/25.

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 2024/25 amounts to R 108,619 million and equates to 7.21% of the total operating expenditure.

Contracted Services

In the 2024/25 financial year, the budget provision amounts to R 125,787 million and equates to 8.35% 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 2024/25 financial year, the budget provision amounts to R 0,400 million and equates to 0.03% of the total operating expenditure.

Operational Costs

Operational costs comprise of various line items relating to the daily operations of the municipality. In the 2024/25 financial year, the budget provision amounts to R 94,287 million and equates to 6.26% of the total operating expenditure.

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

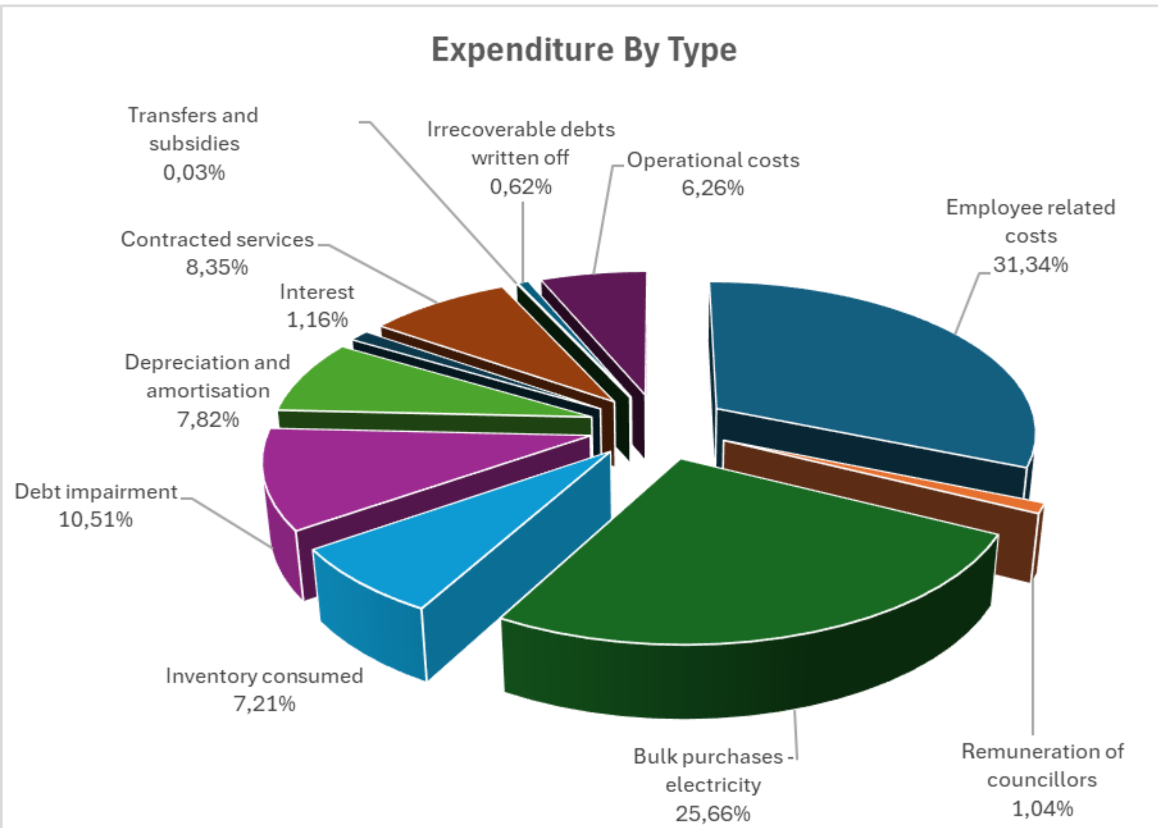

Figure 1 Main operational expenditure categories for the 2024/25 financial year.

1.5.1 Priority relating to repairs and maintenance.

The repairs and maintenance expenditure in the 2024/25 financial year increased by R 158,776 million or 266.38% compared to the 2023/24 Approved Adjustments Budget.

It is to be noted that repairs and maintenance constitute 14.5%, 14.3% and 14.01% of the total operating expenditure, for the 2024/25, 2025/26 and 2026/27 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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Repairs and Maintenance by Asset Class	**59 605**	**218 381**	**233 320**	**245 952**
Roads Infrastructure	9 744	42 069	48 545	52 267
Storm water Infrastructure	989	2 420	3 400	4 320
Electrical Infrastructure	10 827	30 806	30 431	31 896
Water Supply Infrastructure	6 055	32 198	35 881	37 553
Sanitation Infrastructure	11 990	38 483	40 225	42 041
Infrastructure	***39 605***	***145 976***	***158 481***	***168 077***
Community Facilities	2 911	40 224	41 708	43 634
Sport and Recreation Facilities	1 445	1 340	1 431	1 431
Community Assets	***4 356***	***41 564***	***43 139***	***45 065***
Operational Buildings	4 061	4 187	4 201	4 215
Other Assets	***4 061***	***4 187***	***4 201***	***4 215***
Machinery and Equipment	**727**	**694**	**699**	**710**
Transport Assets	**10 856**	**25 960**	**26 800**	**27 885**

For the 2024/25 financial year an amount of R 145,976 million (66.84%) of total repairs and maintenance will be spent on infrastructure assets.

1.4.1 Free Basic Services: Indigent Support

Indigent support assists indigent households that have limited financial ability to pay for municipal services. 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. Details 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.

1.5 CAPITAL EXPENDITURE

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

Table 7 (2024/25 Medium-term capital budget per vote)

Vote Description	Current Year 2023/24		2024/25 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2024/25	%	Budget Year 2025/26	%	Budget Year 2026/27	%
Capital expenditure - Vote								
Multi-year expenditure to *be appropriated*								
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER	–	0,00%	–	0,00%	–	0,00%	–	0,00%
Vote 2 - OFFICE OF THE DEPUTY MUNICIPAL MANAGER	1 132	0,93%	–	0,00%	–	0,00%	–	0,00%
Vote 3 - FINANCE AND ECONOMIC DEVELOPMENT	2 972	2,44%	–	0,00%	–	0,00%	–	0,00%
Vote 4 - COMMUNITY SERVICES	5 999	4,93%	1 391	1,71%	1 391	3,07%	1 391	2,79%
Vote 5 - CIVIL AND WATER SERVICES	91 646	75,31%	42 223	51,89%	36 650	80,81%	39 427	79,03%
Vote 6 - ELECTRO/MECHANICAL SERVICES	–	0,00%	37 755	46,40%	7 313	16,12%	9 072	18,18%
Vote 7 - PLANNING AND DEVELOPMENT	19 941	16,39%	–	0,00%	–	0,00%	–	0,00%
Total Capital Expenditure - Vote	**121 690**	**100,00%**	**81 369**	**100,00%**	**45 354**	**100,00%**	**49 890**	**100,00%**

Civil and Water Services receives the highest allocation of R 42,223 million in 2024/25, which equates to 51.89%, followed by Electro/Mechanical Services at R 37,755 million (46.40%) and Community Services at R 1,391 million (1.71%).

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

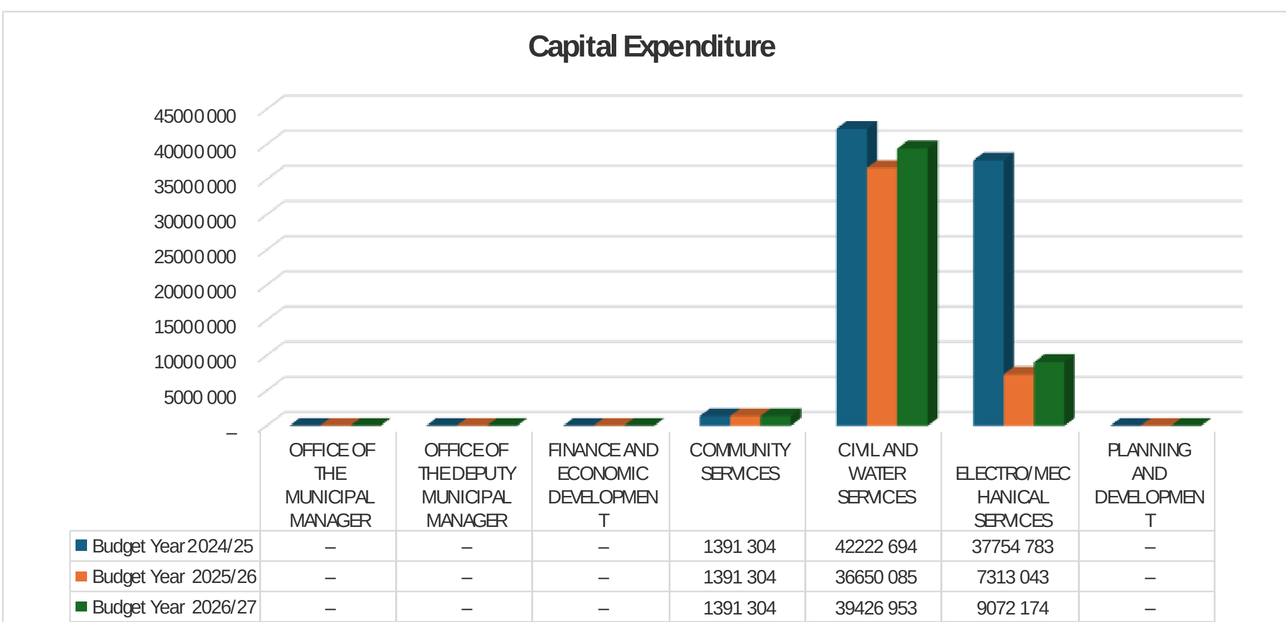

Figure 2 Capital Expenditure

1.6 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 2024/25 Budget and MTREF to be considered for approval by the Council. Each table is accompanied by *explanatory notes*.

Table 8 (Table A1 - Budget Summary)

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousands	**Adjusted Budget**	**Budget Year 2024/25**	**Budget Year 2025/26**	**Budget Year 2026/27**
Financial Performance				
Property rates	281 488	297 076	313 303	330 535
Service charges	602 433	664 354	745 068	836 841
Investment revenue	11 674	13 998	12 809	13 385
Transfer and subsidies - Operational	197 730	202 153	211 994	223 454
Other own revenue	204 086	215 040	229 107	244 120
Total Revenue (excluding capital transfers and contributions)	1 297 411	1 392 621	1 512 282	1 648 335
Employee costs	441 256	471 877	502 140	528 366
Remuneration of councillors	15 140	15 594	16 345	17 163
Depreciation and amortisation	109 663	117 798	123 884	129 229
Interest	5 750	17 404	17 757	11 519
Inventory consumed and bulk purchases	457 866	494 918	577 037	657 043
Transfers and subsidies	1 124	400	400	400
Other expenditure	405 992	387 679	393 798	411 479
Total Expenditure	1 436 791	1 505 669	1 631 362	1 755 199
Surplus/(Deficit)	(139 380)	(113 048)	(119 080)	(106 864)
Transfers and subsidies - capital (monetary allocations)	94 462	54 474	52 158	57 374
Transfers and subsidies - capital (in-kind)	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(44 919)	(58 574)	(66 923)	(49 490)
Intercompany/Parent subsidiary transactions	–	–	–	–
Surplus/(Deficit) for the year	(44 919)	(58 574)	(66 923)	(49 490)
Capital expenditure & funds sources				
Capital expenditure	121 690	81 369	45 354	49 890
Transfers recognised - capital	86 544	47 369	45 354	49 890
Borrowing	–	34 000	–	–
Internally generated funds	35 146	–	–	–
Total sources of capital funds	121 690	81 369	45 354	49 890
Financial position				
Total current assets	196 456	196 260	201 276	238 442
Total non-current assets	2 328 913	2 292 484	2 213 954	2 134 616
Total current liabilities	213 556	225 392	213 601	202 708
Total non-current liabilities	255 754	270 953	276 153	294 364
Community wealth/Equity	2 056 059	1 992 399	1 925 476	1 875 986

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousands	**Adjusted Budget**	**Budget Year 2024/25**	**Budget Year 2025/26**	**Budget Year 2026/27**
Cash flows				
Net cash from (used) operating	55 205	69 651	73 935	98 389
Net cash from (used) investing	(121 690)	(47 369)	(45 354)	(49 890)
Net cash from (used) financing	(12 169)	(22 478)	(23 564)	(11 333)
Cash/cash equivalents at the year end	26 282	26 086	31 102	68 268
Cash backing/surplus reconciliation				
Cash and investments available	26 282	26 086	31 102	68 268
Application of cash and investments	20 861	21 301	21 741	22 182
Balance - surplus (shortfall)	5 420	4 785	9 361	46 086
Asset management				
Asset register summary (WDV)	2 328 913	2 292 484	2 213 954	2 134 616
Depreciation	109 663	117 798	123 884	129 229
Renewal and Upgrading of Existing Assets	89 996	35 036	14 045	22 990
Repairs and Maintenance	59 605	218 381	233 320	245 952
Free services				
Cost of Free Basic Services provided	38 098	66 720	71 730	77 158
Revenue cost of free services provided	17 793	–	–	–
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 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))

Functional Classification Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Revenue - Functional				
Governance and administration	**558 025**	**590 750**	**621 613**	**655 502**
Executive and council	135	142	148	155
Finance and administration	557 890	590 608	621 465	655 347
Internal audit	–	–	–	–
Community and public safety	**37 059**	**18 317**	**19 225**	**20 187**
Community and social services	2 435	2 460	2 486	2 515
Sport and recreation	10 802	11 504	12 252	13 048
Public safety	1 604	1 857	1 874	1 892
Housing	19 841	–	–	–
Health	2 378	2 496	2 613	2 733
Economic and environmental services	**50 432**	**45 763**	**47 066**	**50 111**
Planning and development	9 690	10 252	10 839	11 529
Road transport	13 003	9 599	8 631	9 192
Environmental protection	27 739	25 912	27 596	29 390
Trading services	**746 356**	**792 266**	**876 535**	**979 909**
Energy sources	370 684	409 585	476 287	550 222
Water management	182 887	177 913	182 860	197 609
Waste water management	116 065	123 062	130 371	139 404
Waste management	76 720	81 707	87 018	92 674
Other	**–**	**–**	**–**	**–**
Total Revenue - Functional	**1 391 872**	**1 447 095**	**1 564 439**	**1 705 709**
Expenditure - Functional				
Governance and administration	**323 646**	**361 817**	**369 436**	**377 649**
Executive and council	60 112	60 669	63 460	65 420
Finance and administration	263 075	300 625	305 578	311 781
Internal audit	460	523	398	449
Community and public safety	**119 186**	**140 104**	**145 522**	**151 964**
Community and social services	13 558	13 952	14 331	14 956
Sport and recreation	60 909	75 205	78 127	81 461
Public safety	30 280	33 254	34 943	36 726
Housing	6 606	9 703	9 753	10 088
Health	7 832	7 991	8 368	8 732

Functional Classification Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Economic and environmental services	**303 538**	**287 839**	**306 635**	**325 294**
Planning and development	35 970	31 456	29 720	31 225
Road transport	254 766	246 274	266 817	283 816
Environmental protection	12 802	10 109	10 098	10 254
Trading services	**682 411**	**715 909**	**809 769**	**900 291**
Energy sources	427 457	454 724	534 317	611 385
Water management	107 011	108 542	116 361	122 468
Waste water management	84 300	88 779	93 970	98 663
Waste management	63 643	63 864	65 121	67 774
Other	**8 010**	**–**	**–**	**–**
Total Expenditure - Functional	**1 436 791**	**1 505 669**	**1 631 362**	**1 755 199**
Surplus/(Deficit) for the year	**(44 919)**	**(58 574)**	**(66 923)**	**(49 490)**

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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
<u>Revenue by Vote</u>				
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER	–	–	–	–
Vote 2 - OFFICE OF THE DEPUTY MUNICIPAL MANAGER	789	1 115	1 143	1 172
Vote 3 - FINANCE AND ECONOMIC DEVELOPMENT	422 753	446 890	468 447	492 425
Vote 4 - COMMUNITY SERVICES	263 317	276 782	294 491	313 345
Vote 5 - CIVIL AND WATER SERVICES	306 542	304 298	315 141	339 078
Vote 6 - ELECTRO/MECHANICAL SERVICES	370 684	409 586	476 288	550 224
Vote 7 - PLANNING AND DEVELOPMENT	27 788	8 424	8 929	9 465
Total Revenue by Vote	**1 391 872**	**1 447 095**	**1 564 439**	**1 705 709**
<u>Expenditure by Vote</u> *to be appropriated*				
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER	38 166	31 456	32 681	34 019
Vote 2 - OFFICE OF THE DEPUTY MUNICIPAL MANAGER	112 376	128 955	131 727	136 388
Vote 3 - FINANCE AND ECONOMIC DEVELOPMENT	113 131	142 064	143 474	143 136
Vote 4 - COMMUNITY SERVICES	369 557	386 594	410 377	430 778
Vote 5 - CIVIL AND WATER SERVICES	334 137	316 288	334 913	353 575
Vote 6 - ELECTRO/MECHANICAL SERVICES	427 457	466 160	546 114	623 674
Vote 7 - PLANNING AND DEVELOPMENT	41 967	34 152	32 074	33 629
Total Expenditure by Vote	**1 436 791**	**1 505 669**	**1 631 362**	**1 755 199**
Surplus/(Deficit) for the year	**(44 919)**	**(58 574)**	**(66 923)**	**(49 490)**

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, 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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2024/25**	**Budget Year 2025/26**	**Budget Year 2026/27**
Revenue				
Exchange Revenue				
Service charges - Electricity	352 780	397 583	460 004	532 224
Service charges - Water	118 603	127 202	136 424	146 315
Service charges - Waste Water Management	64 268	68 446	72 895	77 633
Service charges - Waste Management	66 782	71 123	75 745	80 669
Sale of Goods and Rendering of Services	9 000	9 533	10 095	10 689
Agency services	4 276	4 554	4 850	5 166
Interest	–	–	–	–
Interest earned from Receivables	30 145	32 335	34 757	37 376
Interest earned from Current and Non-Current Assets	11 674	13 998	12 809	13 385
Rental from Fixed Assets	2 999	3 187	3 385	3 595
Licence and permits	2 677	2 851	3 037	3 234
Operational Revenue	4 116	1 955	1 976	1 998
Non-Exchange Revenue				
Property rates	281 488	297 076	313 303	330 535
Surcharges and Taxes	–	–	–	–
Fines, penalties and forfeits	134 597	143 343	152 658	162 577
Licences or permits	11 053	11 772	12 537	13 352
Transfer and subsidies - Operational	197 730	202 153	211 994	223 454
Interest	5 223	5 510	5 813	6 133
Total Revenue (excluding capital transfers and contributions)	**1 297 411**	**1 392 621**	**1 512 282**	**1 648 335**
Expenditure				
Employee related costs	441 256	471 877	502 140	528 366
Remuneration of councillors	15 140	15 594	16 345	17 163
Bulk purchases - electricity	354 710	386 299	462 520	535 135
Inventory consumed	103 156	108 619	114 517	121 908
Debt impairment	173 540	158 246	176 273	188 877
Depreciation and amortisation	109 663	117 798	123 884	129 229
Interest	5 750	17 404	17 757	11 519
Contracted services	128 147	125 787	114 007	116 078
Transfers and subsidies	1 124	400	400	400
Irrecoverable debts written off	13 835	9 359	10 227	11 197
Operational costs	90 470	94 287	93 291	95 326
Total Expenditure	**1 436 791**	**1 505 669**	**1 631 362**	**1 755 199**
Surplus/(Deficit)	**(139 380)**	**(113 048)**	**(119 080)**	**(106 864)**
Transfers and subsidies - capital (monetary allocations)	94 462	54 474	52 158	57 374
Transfers and subsidies - capital (in-kind)	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	**(44 919)**	**(58 574)**	**(66 923)**	**(49 490)**
Income Tax	–	–	–	–
Surplus/(Deficit) after income tax	(44 919)	(58 574)	(66 923)	(49 490)
Share of Surplus/Deficit attributable to Joint Venture	–	–	–	–
Share of Surplus/Deficit attributable to Minorities	–	–	–	–
Surplus/(Deficit) attributable to municipality	(44 919)	(58 574)	(66 923)	(49 490)
Share of Surplus/Deficit attributable to Associate	–	–	–	–
Intercompany/Parent subsidiary transactions	–	–	–	–
Surplus/(Deficit) for the year	**(44 919)**	**(58 574)**	**(66 923)**	**(49 490)**

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, to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, to assess performance.

2. Total revenue (excluding capital transfers and contributions) amounts to R 1,393 billion in 2024/25 and increases to R 1,648 billion in 2026/27.This represents a year-on-year increase of 7.34% for the 2024/25 financial year and increases of 8.59% for the 2025/26 financial year and increases of 9,0% for the 2026/27 financial year, respectively.

3. Revenue from property rates amounts to R 297,076 million in the 2024/25 financial year and increases to R 330,535 million in 2026/27, which amounts to 21.33% 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 664,354 million for the 2024/25 financial year and increasing to R 836,841 million in 2026/27. For the 2024/25 financial year services charges amount to 47.71% 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 2.24% for 2024/25, increases by 4.87% for 2025/26 and increased by 5.41% for 2026/27, compared to previous financial years.

   Below a breakdown of property rates and service charges for 2024/25:

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	Budget Year 2024/25	% Increase	Budget Year 2025/26	% Increase	Budget Year 2026/27	% Increase
Revenue							
Exchange Revenue							
Service charges - Electricity	352 780	397 583	12,70%	460 004	15,70%	532 224	15,70%
Service charges - Water	118 603	127 202	7,25%	136 424	7,25%	146 315	7,25%
Service charges - Waste Water Management	64 268	68 446	6,50%	72 895	6,50%	77 633	6,50%
Service charges - Waste Management	66 782	71 123	6,50%	75 745	6,50%	80 669	6,50%
Property rates	281 488	297 076	5,5%	313 303	5,5%	330 535	5,5%
Total	**883 921**	**961 430**	**8,77%**	**1 058 371**	**10,08%**	**1 167 376**	**10,30%**

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

Vote Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Capital expenditure - Vote				
Multi-year expenditure to *be appropriated*				
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER	48	–	–	–
Vote 2 - OFFICE OF THE DEPUTY MUNICIPAL MANAGER	2 664	–	–	–
Vote 3 - FINANCE AND ECONOMIC DEVELOPMENT	1 422	–	–	–
Vote 4 - COMMUNITY SERVICES	4 199	–	–	–
Vote 5 - CIVIL AND WATER SERVICES	85 263	–	–	–
Vote 6 - ELECTRO/MECHANICAL SERVICES	4 970	–	–	–
Vote 7 - PLANNING AND DEVELOPMENT	19 841	–	–	–
Capital multi-year expenditure sub-total	**118 407**	**–**	**–**	**–**
Single-year expenditure *to be appropriated*				
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER	55	–	–	–
Vote 2 - OFFICE OF THE DEPUTY MUNICIPAL MANAGER	–	–	–	–
Vote 3 - FINANCE AND ECONOMIC DEVELOPMENT	15	–	–	–
Vote 4 - COMMUNITY SERVICES	1 800	1 391	1 391	1 391
Vote 5 - CIVIL AND WATER SERVICES	266	42 223	36 650	39 427
Vote 6 - ELECTRO/MECHANICAL SERVICES	1 146	37 755	7 313	9 072
Capital single-year expenditure sub-total	**3 283**	**81 369**	**45 354**	**49 890**
Total Capital Expenditure - Vote	**121 690**	**81 369**	**45 354**	**49 890**
Capital Expenditure - Functional				
Governance and administration	**4 960**	**34 000**	**–**	**–**
Executive and council	1 096	–	–	–
Finance and administration	3 808	34 000	–	–
Internal audit	55	–	–	–
Community and public safety	**23 041**	**1 391**	**1 391**	**1 391**
Community and social services	–	–	–	–
Sport and recreation	200	–	–	–
Public safety	3 000	1 391	1 391	1 391
Housing	19 841	–	–	–
Health	–	–	–	–
Economic and environmental services	**16 297**	**650**	**27 500**	**13 845**
Planning and development	9 127	500	7 500	5 135
Road transport	6 771	150	20 000	8 709
Environmental protection	400	–	–	–
Trading services	**77 392**	**45 327**	**16 463**	**34 655**
Energy sources	6 117	3 755	7 313	9 072
Water management	32 608	10 685	150	–
Waste water management	36 867	30 888	9 000	25 582
Waste management	1 800	–	–	–
Other	**–**	**–**	**–**	**–**
Total Capital Expenditure - Functional	**121 690**	**81 369**	**45 354**	**49 890**

Vote Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Funded by:				
National Government	63 703	45 977	43 963	48 499
Provincial Government	19 841	–	–	–
District Municipality	3 000	1 391	1 391	1 391
Transfers recognised - capital	**86 544**	**47 369**	**45 354**	**49 890**
Public contributions & donations	–	–	–	–
Borrowing	–	34 000	–	–
Internally generated funds	35 146	–	–	–
Total Capital Funding	**121 690**	**81 369**	**45 354**	**49 890**

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 2024/25, capital transfers totals R 47,369 million (58.21%) and amount to R 49,890 million for 2026/27 (100%). Borrowing amounts to R 34,000 million (41.79%) in the 2024/25 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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2024/25**	**Budget Year 2025/26**	**Budget Year 2026/27**
ASSETS				
Current assets				
Cash and cash equivalents	26 282	26 086	31 102	68 268
Trade and other receivables from exchange transactions	77 030	77 030	77 030	77 030
Receivables from non-exchange transactions	29 014	29 014	29 014	29 014
Current portion of non-current receivables	–	–	–	–
Inventory	18 598	18 598	18 598	18 598
VAT	45 422	45 422	45 422	45 422
Other current assets	109	109	109	109
Total current assets	**196 456**	**196 260**	**201 276**	**238 442**
Non-current assets				
Investments	–	–	–	–
Investment property	262 608	262 608	262 608	262 608
Property, plant and equipment	2 065 702	2 029 273	1 950 743	1 871 405
Biological assets	–	–	–	–
Living and non-living resources	–	–	–	–
Heritage assets	–	–	–	–
Intangible assets	603	603	603	603
Trade and other receivables from exchange transactions	–	–	–	–
Non-current receivables from non-exchange transactions	–	–	–	–
Other non-current assets	–	–	–	–
Total non-current assets	**2 328 913**	**2 292 484**	**2 213 954**	**2 134 616**
TOTAL ASSETS	**2 525 369**	**2 488 744**	**2 415 231**	**2 373 058**
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Financial liabilities	12 169	23 564	11 333	–
Consumer deposits	29 060	29 060	29 060	29 060
Trade and other payables from exchange transactions	124 413	124 413	124 413	124 413
Trade and other payables from non-exchange transactions	(0)	–	–	–
Provision	47 914	48 355	48 795	49 235
VAT	(0)	(0)	(0)	(0)
Other current liabilities	–	–	–	–
Total current liabilities	**213 556**	**225 392**	**213 601**	**202 708**
Non-current liabilities				
Financial liabilities	11 207	11 333	–	–
Provision	137 116	259 620	276 153	294 364
Long term portion of trade payables	–	–	–	–
Other non-current liabilities	107 431	–	–	–
Total non-current liabilities	**255 754**	**270 953**	**276 153**	**294 364**
TOTAL LIABILITIES	**469 310**	**496 345**	**489 755**	**497 072**
NET ASSETS	**2 056 059**	**1 992 399**	**1 925 476**	**1 875 986**
COMMUNITY WEALTH/EQUITY				
Accumulated surplus/(deficit)	2 056 059	1 992 399	1 925 476	1 875 986
Reserves and funds	–	–	–	–
Other	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	**2 056 059**	**1 992 399**	**1 925 476**	**1 875 986**

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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	263 774	287 458	303 161	319 834
Service charges	672 771	761 922	853 251	956 982
Other revenue	89 140	84 168	78 479	81 248
Transfers and Subsidies - Operational	194 472	202 153	211 994	223 454
Transfers and Subsidies - Capital	68 726	54 474	52 158	57 374
Interest	11 674	13 998	12 809	13 385
Dividends	–	–	–	–
Payments				
Suppliers and employees	(1 237 615)	(1 319 188)	(1 422 176)	(1 545 322)
Interest	(6 612)	(14 934)	(15 340)	(8 167)
Transfers and Subsidies	(1 124)	(400)	(400)	(400)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**55 205**	**69 651**	**73 935**	**98 389**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (increase) in non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(121 690)	(47 369)	(45 354)	(49 890)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(121 690)**	**(47 369)**	**(45 354)**	**(49 890)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments				
Repayment of borrowing	(12 169)	(22 478)	(23 564)	(11 333)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(12 169)**	**(22 478)**	**(23 564)**	**(11 333)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(78 653)**	**(196)**	**5 016**	**37 166**
Cash/cash equivalents at the year begin:	104 935	**26 282**	**26 086**	**31 102**
Cash/cash equivalents at the year end:	**26 282**	**26 086**	**31 102**	**68 268**

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 2024/25 to 2026/27 period, from R 26,086 million to R 68,268 million.

4. Cash and cash equivalents amount to R 26,086 million as at the end of the 2024/25 financial year and increases to R 68,268 million in 2026/27.

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

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Cash and investments available				
Cash/cash equivalents at the year end	26 282	26 086	31 102	68 268
Other current investments > 90 days	–	–	–	–
Non-current Investments	–	–	–	–
Cash and investments available:	**26 282**	**26 086**	**31 102**	**68 268**
Application of cash and investments				
Trade payables from non-exchange transactions: Unspent conditional Grants	(0)	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements	(45 422)	(45 422)	(45 422)	(45 422)
Other working capital requirements	18 369	18 368	18 368	18 368
Other provisions	47 914	48 355	48 795	49 235
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–
Total Application of cash and investments:	**20 861**	**21 301**	**21 741**	**22 182**
Surplus(shortfall)	**5 420**	**4 785**	**9 361**	**46 086**

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 2024/25 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 4,785 million in 2024/25 to a funding surplus of R 46,086 million in 2026/27.

Table 16 (Table A9 - Asset Management)

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
CAPITAL EXPENDITURE				
Total New Assets	**31 694**	**46 333**	**31 309**	**26 901**
Roads Infrastructure	5 939	150	20 000	8 709
Storm water Infrastructure	–	–	–	–
Electrical Infrastructure	4 702	3 755	7 313	9 072
Water Supply Infrastructure	9 778	6 957	50	–
Sanitation Infrastructure	566	81	2 055	5 000
Solid Waste Infrastructure	172	–	–	–
Infrastructure	***21 158***	***10 942***	***29 418***	***22 782***
Community Facilities	750	–	–	–
Sport and Recreation Facilities	–	–	–	–
Community Assets	***750***	**–**	**–**	**–**
Computer Equipment	**2 625**	**–**	**–**	**–**
Furniture and Office Equipment	**1 372**	**–**	**–**	**–**
Machinery and Equipment	**989**	**–**	**–**	**–**
Transport Assets	**4 800**	**35 391**	**1 891**	**4 119**
Total Renewal of Existing Assets	**221**	**250**	**100**	**–**
Water Supply Infrastructure	221	250	100	–
Infrastructure	***221***	***250***	***100***	**–**
Total Upgrading of Existing Assets	**89 774**	**34 786**	**13 945**	**22 990**
Roads Infrastructure	2 609	–	–	–
Storm water Infrastructure	–	–	–	–
Electrical Infrastructure	1 371	–	–	–
Water Supply Infrastructure	42 449	3 478	–	–
Sanitation Infrastructure	36 128	30 807	6 945	20 582
Infrastructure	***82 558***	***34 286***	***6 945***	***20 582***
Community Facilities	–	–	–	–
Sport and Recreation Facilities	7 217	500	7 000	2 407
Community Assets	***7 217***	***500***	***7 000***	***2 407***
Total Capital Expenditure	**121 690**	**81 369**	**45 354**	**49 890**
Roads Infrastructure	8 548	150	20 000	8 709
Storm water Infrastructure	–	–	–	–
Electrical Infrastructure	6 073	3 755	7 313	9 072
Water Supply Infrastructure	52 449	10 685	150	–
Sanitation Infrastructure	36 695	30 888	9 000	25 582
Solid Waste Infrastructure	172	–	–	–
Infrastructure	***103 937***	***45 477***	***36 463***	***43 364***
Community Facilities	750	–	–	–
Sport and Recreation Facilities	7 217	500	7 000	2 407
Community Assets	***7 967***	***500***	***7 000***	***2 407***
Computer Equipment	**2 625**	**–**	**–**	**–**
Furniture and Office Equipment	**1 372**	**–**	**–**	**–**
Machinery and Equipment	**989**	**–**	**–**	**–**
Transport Assets	**4 800**	**35 391**	**1 891**	**4 119**
TOTAL CAPITAL EXPENDITURE - Asset class	**121 690**	**81 369**	**45 354**	**49 890**

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
ASSET REGISTER SUMMARY - PPE (WDV)	2 328 913	2 292 484	2 213 954	2 134 616
Roads Infrastructure	551 217	510 225	487 744	451 610
Storm water Infrastructure	29 724	27 660	25 596	23 532
Electrical Infrastructure	170 298	174 053	181 366	190 438
Water Supply Infrastructure	407 098	401 805	385 973	369 991
Sanitation Infrastructure	485 547	484 334	458 539	447 727
Solid Waste Infrastructure	(15 087)	(15 087)	(15 087)	(15 087)
Rail Infrastructure	–	–	–	–
Coastal Infrastructure	–	–	–	–
Information and Communication Infrastructure	72	72	72	72
Infrastructure	***1 628 869***	***1 583 062***	***1 524 203***	***1 468 283***
Community Assets	56 844	57 344	64 344	66 751
Heritage Assets	–	–	–	–
Investment properties	262 608	262 608	262 608	262 608
Other Assets	114 133	112 819	111 504	110 190
Biological or Cultivated Assets	–	–	–	–
Intangible Assets	603	603	603	603
Computer Equipment	5 696	5 110	4 523	3 937
Furniture and Office Equipment	2 156	(12 500)	(28 989)	(46 638)
Machinery and Equipment	7 798	6 323	4 839	3 345
Transport Assets	38 870	65 778	58 981	54 200
Land	211 337	211 337	211 337	211 337
Zoo's, Marine and Non-biological Animals	–	–	–	–
Living Resources	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	**2 328 913**	**2 292 484**	**2 213 954**	**2 134 616**

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2024/25**	**Budget Year 2025/26**	**Budget Year 2026/27**
EXPENDITURE OTHER ITEMS				
Depreciation	109 663	117 798	123 884	129 229
Repairs and Maintenance by Asset Class	**59 605**	**218 381**	**233 320**	**245 952**
Roads Infrastructure	9 744	42 069	48 545	52 267
Storm water Infrastructure	989	2 420	3 400	4 320
Electrical Infrastructure	10 827	30 806	30 431	31 896
Water Supply Infrastructure	6 055	32 198	35 881	37 553
Sanitation Infrastructure	11 990	38 483	40 225	42 041
Infrastructure	***39 605***	***145 976***	***158 481***	***168 077***
Community Facilities	2 911	40 224	41 708	43 634
Sport and Recreation Facilities	1 445	1 340	1 431	1 431
Community Assets	***4 356***	***41 564***	***43 139***	***45 065***
Operational Buildings	4 061	4 187	4 201	4 215
Housing	–	–	–	–
Other Assets	***4 061***	***4 187***	***4 201***	***4 215***
Machinery and Equipment	**727**	**694**	**699**	**710**
Transport Assets	**10 856**	**25 960**	**26 800**	**27 885**
TOTAL EXPENDITURE OTHER ITEMS	**169 268**	**336 179**	**357 204**	**375 181**

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 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 43.1% of the capital budget, whilst repairs and maintenance constitute 9.5% of PPE.

Table 17 (Table A10 - Basic Service Delivery Measurement)

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
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)	19 797 190	21 232 488	22 771 848	24 422 796
Sanitation (free minimum level service)	13 345 283	14 212 728	15 136 560	16 120 428
Electricity/other energy (50kwh per household per month)	4 955 229	5 584 548	6 461 316	7 475 748
Refuse (removed at least once a week)	–	25 690 656	27 360 552	29 138 988
Informal Settlements	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)				
Water (6 kilolitres per **indigent** household per month)	19 797	21 232	22 772	24 423
Sanitation (free sanitation service to **indigent households**)	13 345	14 213	15 137	16 120
Electricity/other energy (50kwh per **indigent** household per month)	4 955	5 585	6 461	7 476
Refuse (removed once a week **for indigent households**)	–	25 691	27 361	29 139
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	–	–	–	–
Total cost of FBS provided	**38 098**	**66 720**	**71 730**	**77 158**
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) (impermissible values per section 17 of MPRA**)	–	–	–	–
Property rates exemptions, reductions and rebates **and impermissible values in excess of section 17 of MPRA)**	17 793	–	–	–
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	**17 793**	**–**	**–**	**–**

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 2023 after the approval of a timetable to guide the preparation of the 2024/25 to 2026/27 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 2024. The main aim of the timetable is to ensure that an IDP and a balanced Budget are tabled in March 2024. The Draft Budget and IDP will be tabled by the Executive Mayor at a Council meeting scheduled for 29 March 2024. After this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation will take the form of series of public meetings in the various wards under the direction and leadership of the Executive Mayor and his Mayoral Committee. The inputs of the consultations will be considered, whilst the Executive Mayor will table the final IDP and Budget for consideration and approval at a Council meeting to be held on 31 May 2024.

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 2024/25 to 2026/27

The preparation of the 2024/25 to 2026/27 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 31 August 2023.

Activity	Date
IDP/Budget Schedule approved by Council	31 August 2023
Tabling of Draft IDP and Budget in Council	29 March 2024
Public Participation	During April and May 2024
Final adoption of IDP and Budget by Council	31 May 2024
Approval of SDBIP by Executive Mayor	26 June 2024

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 2024/25 to 2026/27 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

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

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

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation		2024/25 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget 2023/24	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Borrowing Management					
Credit Rating					
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1,2%	2,6%	2,5%	1,3%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1,6%	3,4%	3,2%	1,6%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0,0%	100,0%	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	0,9	0,9	0,9	1,2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0,9	0,9	0,9	1,2
Liquidity Ratio	Monetary Assets/Current Liabilities	0,1	0,1	0,1	0,3
Revenue Management					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	92,0%	95,0%	95,0%	95,0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		153,2%	155,7%	153,1%	150,7%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	3,7%	3,4%	3,1%	2,9%
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		478,4%	476,9%	400,0%	182,2%

Description of financial indicator	Basis of calculation		2024/25 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget 2023/24	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
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)	34,0%	33,9%	33,2%	32,1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	35,2%	35,0%	34,3%	33,1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4,6%	15,7%	15,4%	14,9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	8,9%	9,7%	9,4%	8,5%
IDP regulation financial viability indicators	-				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	0,02	0,03	0,03	0,01
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	7,7%	7,0%	6,3%	5,6%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0,27	0,25	0,28	0,55

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 2024/25 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 2.6% of total operating expenditure over the 2024/25 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 2024/25 MTREF, the current ratio is 0.1 in the 2024/25, 0.1 in the 2025/26 and 0.3 in the 2026/27 financial years.

- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. For the 2024/25 MTREF, the liquidity ratio is at 0,1:1. 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 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, because of adverse social and economic conditions.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

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

2.4.1 Financial Management Policies

A number of policies have been adopted by the Council. The policies govern the financial management functions of the Municipality, such as supply chain management, budget virements, credit control and debt collection, etc.

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

The Customer Care, Credit Control and Debt Collection Policy was reviewed and approved by Council on 31 May 2023.

The 2024/25 MTREF has been prepared on the basis of achieving an average revenue collection rate of 95% of current billings.

2.4.3 Supply Chain Management Policy

A revised Supply Chain Management Policy was adopted by Council on 31 May 2023.

2.4.4 Property Rates Policy

A revised Property Rates Policy was adopted by Council on 31 May 2023.

2.4.5 Funding and Reserves Policy

A revised Funding and Reserves Policy was adopted by Council on 31 May 2023.

2.4.6 Cost Containment Policy

The Cost Containment Policy was reviewed and adopted by Council on 31 May 2023.

2.4.7 Cash Management and Investment Policy

A revised Cash Management and Investment Policy was adopted by Council on 31 May 2023.

2.4.8 Borrowing Policy

A revised Borrowing Policy was adopted by Council on 31 May 2023.

2.4.9 Budget virement Policy

the current approved Budget Virement Policy was reviewed, and the following changes are proposed:

<u>Ref 6. Virement Restrictions</u>

a. If virement result in a mSCOA segment change, by adding a new project, changing the region, or funding source, it is not allowed. Such a shifting of budgetary allocations may only be done through an adjustments budget. (MFMA mSCOA Circular Nr. 8, page 2, last paragraph)

c. Virements between votes will only be allowed where the proposed shifts in funding facilitate sound risk and financial management (e.g., virements in fuel & oil, cell phones, vehicle registration, insurance premiums etc from separate votes).

l. No virements are permitted between operating budget line items that are funded by different sources of funding. (To be deleted)

o. In terms of Section 17 of the MFMA, a municipality's budget is divided into an operational and capital budget and consequently no virements are permitted between the operational and capital budgets. (To be deleted)

q. No virements are permitted in the first and last month of the financial year.

2.4.10 Budget Implementation and Management Policy

the current approved Budget Implementation and Management Policy was reviewed, and the following changes are proposed:

<u>Ref 3. BUDGETING PRINCIPLES</u>

g) The municipality will only budget for a deficit as a result of unfunded depreciation and amortization at this stage and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.

<u>Ref 9. ADJUSTMENT BUDGET</u>

(i) Council may revise its annual budget by means of an adjustments budget in terms of section 28 of the MFMA and according to the timeframes of the Municipal Budget and reporting regulations section 23.

(iii) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with the MFMA s28(b) and Municipal Budget and Reporting Regulations, regulation 23(2) and (3).

(vi) Only the Executive Mayor shall table an adjustments budget which shall be done at most three times during a financial year and be submitted to Council in the following months:

- In August – to adjust the annual budget for the spending of roll-overs from the previous financial year and to include additional funding that has become available from external sources.
- In January – to authorise unauthorised expenditure in terms of MBRR, regulation 23(6)(b).
- In February – to consider recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget.

2.4.11 Indigent Policy

A revised Indigent Policy was adopted by the Council on 31 May 2023.

2.4.12 Unallocated Revenue and Building Deposit Policy

A revised Unallocated Revenue and Building Deposit Policy was adopted by the Council on 31 May 2023.

2.4.14 Tariff Policy

A revised Tariffs Policy was adopted by the Council on 31 May 2023.

2.4.15 Asset Management Policy

the current approved Asset Management Policy was reviewed, and the following changes are proposed:

Asset Management Duties:

a) Shall ensure that complete records of assets items, tangible and intangible assets, are kept, verified and balanced regularly.
b) Shall ensure that all movable assets are properly tagged and accounted for.
c) Shall ensure that all locations are identified and properly tagged.
d) Shall maintain a location key map indicating all locations where movable assets are held.
e) Shall conduct an annual inventory by verifying all movable assets and compare this inventory with the department asset verification.
f) The asset verification report shall:
   I. Reflect a complete list of all assets found during the verification;
   II. Reflect whether appropriate records have been maintained reflecting what articles should have been found during the verification;
   III. Reflect any discrepancies between the articles found during the verification and the complete record referred to the above.
g) Shall ensure that the Asset Management System is balanced monthly with the general ledger and with the financial statements.
h) Provide the Auditor- General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the Fixed Asset Register.
i) Ensure that all audit queries are resolved in a timely manner.
j) Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the Departments, including the estimated lifespan and residual value.
k) Shall ensure that depreciation calculations are provided to the Financial Department in the prescribed format.
l) Shall ensure that asset acquisition are allocated to the correct asset location, and all the mSCOA segments.
m) Shall ensure that, before accepting obsolete or damaged asset or asset inventory item, a completed asset disposal form, countersigned by the CFO is presented.
n) Shall ensure that a verifiable record is kept of all obsolete, damaged, and unused asset or asset inventory items received from Department.
o) Shall compile a list of items to be auctioned in accordance with their guidelines in the Supply Chain Management (SCM) Policy.
p) Shall compile and circulate a list of unused moveable assets to enable other Departments to obtain items that are of use to them.
q) Shall ensure that the SCM Unit is notified of any auctioning or disposing of written- off asset or asset inventory items.

CAPITAL ASSET MANAGEMENT PLANS

- managers shall budget for the executing of the approved maintenance plan.

2.4.16 Preferential Procurement Policy Framework

A revised Preferential Procurement Policy Framework was adopted by the Council on 31 May 2023.

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 consider 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 at this stage.
- 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 2024/25 – 2026/27 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:

	2024/25	**2025/26**	**2026/27**
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)	5.5	5.5	5.5
Electricity tariff increase (on average)	12.7	15.7	15.7

	2024/25	2025/26	2026/27
Environmental Management Fee increase	6.5	6.5	6.5
Revenue collection rates (Property Rates and Service Charges)	95	95	95
Expenditure increases allowed	4.9	4.6	4.5
Salary increase	6	6	6
Increase in bulk purchase of electricity costs	12.7	15.7	15.7
Increase in bulk purchase of water costs	7.25	7.25	7.25

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 2024/25 financial year.

Description	Current Year 2023/24		2024/25 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2024/25	%	Budget Year 2025/26	%	Budget Year 2026/27	%
Revenue								
Exchange Revenue								
Property rates	281 488	21,70%	297 076	21,33%	313 303	20,72%	330 535	20,05%
Service charges	602 433	46,43%	664 354	47,71%	745 068	49,27%	836 841	50,77%
Transfer and subsidies - Operational	197 730	15,24%	202 153	14,52%	211 994	14,02%	223 454	13,56%
Other revenue	215 760	16,63%	229 038	16,45%	241 916	16,00%	257 505	15,62%
Total Revenue (excluding capital transfers and contributions)	**1 297 411**	**100,00%**	**1 392 621**	**100,00%**	**1 512 282**	**100,00%**	**1 648 335**	**100,00%**

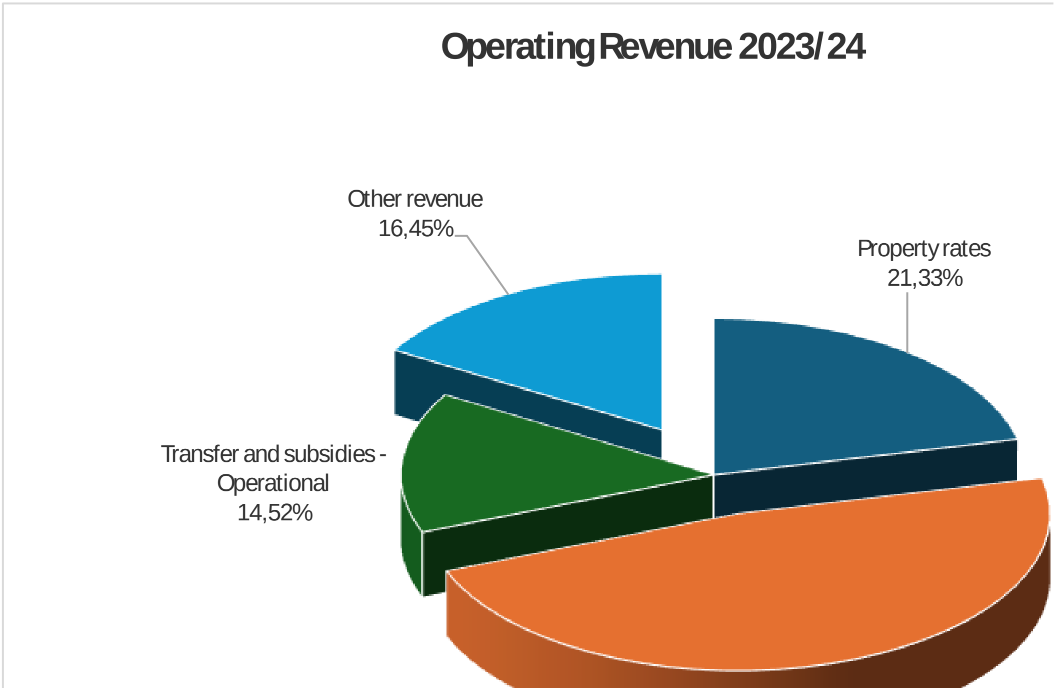

Figure 3 Breakdown of operating revenue over the 2024/25 MTRE

Tariff determination is important in ensuring appropriate levels of revenue, 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 consider maintenance and replacement of infrastructure, including the expansion of services.
- Determining fully cost reflective tariffs for trading services.
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality.
- Efficient revenue management, targeting an 95% annual collection rate for property rates and service charges.
- Growth in the revenue base.

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

Property rates amount to R 297,076 million in the 2024/25 financial year and increase to R 330,535 million in 2026/27, representing 21.33% of the total operating revenue for the 2024/25 budget.

Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R 664,354 million in the 2024/25 financial year and increasing to R 836,841 million in 2026/27. For the 2024/25 financial year, services charges amount to 47.71% of the total revenue base.

Operational grants and subsidies amount to R 202,153 million, R 211,994 million and R 223,454 million for each of the respective financial years of the MTREF, or 14.52% of total operating revenue for 2024/25.

The table below provides investment particulars by type.

Table 19 (SA15 – Detail Investment Information)

Investment type	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
R thousand				
Parent municipality				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	26 282	26 086	31 102	68 268
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	**26 282**	**26 086**	**31 102**	**68 268**
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:	**26 282**	**26 086**	**31 102**	**68 268**

Investments are anticipated to increase from R 26,086 million in 2024/25 to R 68,268 million in 2026/27.

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2024/25 medium-term capital programme:

Table 20 (Sources of capital revenue over the MTREF)

Vote Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2024/25**	**Budget Year 2025/26**	**Budget Year 2026/27**
Funded by:				
National Government	63 703	45 977	43 963	48 499
Provincial Government	19 841	–	–	–
District Municipality	3 000	1 391	1 391	1 391
Transfers recognised - capital	**86 544**	**47 369**	**45 354**	**49 890**
Public contributions & donations	–	–	–	–
Borrowing	–	34 000	–	–
Internally generated funds	35 146	–	–	–
Total Capital Funding	**121 690**	**81 369**	**45 354**	**49 890**

The above table is graphically represented as follows for the 2024/25 financial year.

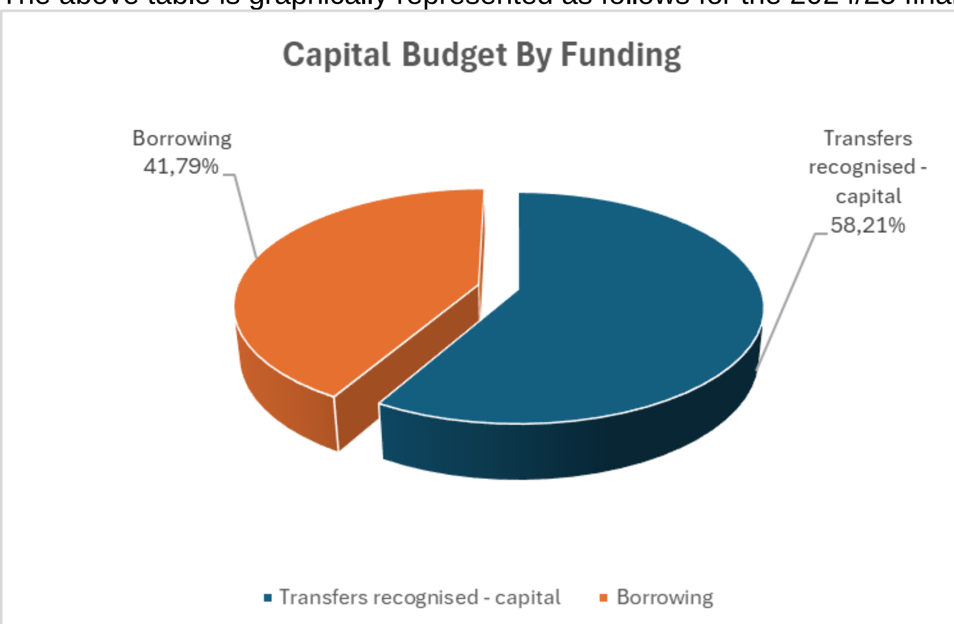

Figure 4 Sources of Capital Revenue for the 2024/25 financial year

Capital Grants constitute 58.21% of the total funding sources, amounting to R 47,369 million for the 2024/25 financial year and amounting to R 49,890 million or 100% in the 2026/27 financial year.
It is to be noted that no borrowing is planned for the 2024/25 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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
RECEIPTS:				
-				
Operating Transfers and Grants				
National Government:	**186 290**	**197 710**	**207 441**	**218 788**
Operational Revenue: General Revenue: Equitable Share	180 506	192 664	203 746	214 723
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	2 321	1 495	–	–
Local Government Financial Management Grant [Schedule 5B]	1 720	1 723	1 785	2 001
Municipal Infrastructure Grant [Schedule 5B]	1 743	1 828	1 910	2 064
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Libraries, Archives and Museums	2 050	2 050	2 050	2 050
District Municipality:	**2 281**	**2 393**	**2 503**	**2 616**
Environmental Health	2 281	2 393	2 503	2 616
Total Operating Transfers and Grants	**190 622**	**202 153**	**211 994**	**223 454**
Capital Transfers and Grants				
National Government:	**71 214**	**52 874**	**50 558**	**55 774**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	4 089	4 203	7 260	7 558
Municipal Infrastructure Grant [Schedule 5B]	33 125	34 730	36 298	39 216
Energy Efficiency and Demand Side Management Grant	4 000	–	–	–
Water Services Infrastructure Grant [Schedule 5B]	30 000	13 941	7 000	9 000
District Municipality:	**1 362**	**1 600**	**1 600**	**1 600**
Fire Services	1 362	1 600	1 600	1 600
Total Capital Transfers and Grants	**72 576**	**54 474**	**52 158**	**57 374**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**263 197**	**256 627**	**264 152**	**280 828**

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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	263 774	287 458	303 161	319 834
Service charges	672 771	761 922	853 251	956 982
Other revenue	89 140	84 168	78 479	81 248
Transfers and Subsidies - Operational	194 472	202 153	211 994	223 454
Transfers and Subsidies - Capital	68 726	54 474	52 158	57 374
Interest	11 674	13 998	12 809	13 385
Dividends	–	–	–	–
Payments				
Suppliers and employees	(1 237 615)	(1 319 188)	(1 422 176)	(1 545 322)
Interest	(6 612)	(14 934)	(15 340)	(8 167)
Transfers and Subsidies	(1 124)	(400)	(400)	(400)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**55 205**	**69 651**	**73 935**	**98 389**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (increase) in non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(121 690)	(47 369)	(45 354)	(49 890)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(121 690)**	**(47 369)**	**(45 354)**	**(49 890)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments				
Repayment of borrowing	(12 169)	(22 478)	(23 564)	(11 333)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(12 169)**	**(22 478)**	**(23 564)**	**(11 333)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(78 653)**	**(196)**	**5 016**	**37 166**
Cash/cash equivalents at the year begin:	104 935	**26 282**	**26 086**	**31 102**
Cash/cash equivalents at the year end:	**26 282**	**26 086**	**31 102**	**68 268**

For the 2024/25 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 26,282 million in 2024/25 million to R 68,268 million in 2026/27.

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

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Cash and investments available				
Cash/cash equivalents at the year end	26 282	26 086	31 102	68 268
Other current investments > 90 days	–	–	–	–
Non-current Investments	–	–	–	–
Cash and investments available:	**26 282**	**26 086**	**31 102**	**68 268**
Application of cash and investments				
Trade payables from non-exchange transactions: Unspent conditional Grants	(0)	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements	(45 422)	(45 422)	(45 422)	(45 422)
Other working capital requirements	18 369	18 368	18 368	18 368
Other provisions	47 914	48 355	48 795	49 235
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–
Total Application of cash and investments:	**20 861**	**21 301**	**21 741**	**22 182**
Surplus(shortfall)	**5 420**	**4 785**	**9 361**	**46 086**

The 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 26,086 million in the 2024/25 financial year and increases to R 68,268 million in 2026/27. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2024/25 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 Medical Aid Benefits Liability which has been provided for.

It is concluded that the Municipality’s cash backed, and accumulated surpluses reconciliation reflects surpluses of R 4,785 million, R 9,361 million and R 46,086 million for the 2024/25, 2025/26 and 2026/27 financial years, respectively.

It is to be noted that the 2024/25 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 0.25 months, 0.28 months, and 0.55 months for the 2024/25, 2025/26 and 2026/27 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		2024/25 Medium Term Revenue & Expenditure Framework		
			Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Funding measures	-	-				
Cash/cash equivalents at the year end - R'000	18(1)b	1	26 282	26 086	31 102	68 268
Cash + investments at the yr end less applications - R'000	18(1)b	2	5 420	4 785	9 361	46 086
Cash year end/monthly employee/supplier payments	18(1)b	3	0,27	0,25	0,28	0,55
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	–	–	–	–
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	(8,2%)	2,8%	4,1%	4,3%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	31,8%	32,9%	33,5%	34,4%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	11,7%	11,3%	10,8%	10,4%
Capital payments % of capital expenditure	18(1)c;19	8	100,0%	58,2%	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	14,1%	0,0%	0,0%	0,0%
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	2,9%	10,8%	12,0%	13,1%
Asset renewal % of capital budget	20(1)(vi)	14	0,2%	0,3%	0,2%	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 2024/25 MTREF amounts to R 26,086 million, R 31,102 million and R 68,268 million for the respective financial years.

2.6.5.2 Cash plus investments less application of funds.

For the 2024/25, 2025/26 and 2026/27 budgets, the available cash and investments exceed the application of funds by an amount of R 4,785 million, R 9,361 million and R 46,086 million, respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents.

As part of the 2024/25 MTREF, the projected cash position causes the ratio to increase from 0.25 months to 0.55 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets.

For the 2024/25 MTREF the indicative outcome is a deficit of R 58,574 million, R 66,923 million and R 49,490 million, respectively. This is made up as follows:

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2024/25**	**Budget Year 2025/26**	**Budget Year 2026/27**
Revenue				
Surplus/(Deficit)	**(139 380)**	**(113 048)**	**(119 080)**	**(106 864)**
Transfers and subsidies - capital (monetary allocations)	94 462	54 474	52 158	57 374
Total	(44 919)	(58 574)	(66 923)	(49 490)

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 4.9%), to determine the real increase in revenue. The percentage growth totals 2.8%, 4.1% and 4.3% for the respective financial years of the 2024/25 MTREF.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue.

The outcome is approximately 95.0% for the 2024/25 and 95.0% for the 2025/26 and 95.0% for the 2026/27 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 2024/25 and 5% for the 2025/26 and 5% for the 2026/27 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 considered in forecasting the cash position.

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

A budget provision of R 34 million for vehicles finance leases has been made for the 2024/25 financial year.

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 10.8%, 12.0% and 13.1% of Property, Plant and Equipment respectively, over the 2024/25 MTREF, whilst National Treasury has suggested an 8% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
RECEIPTS:				
-				
Operating Transfers and Grants				
National Government:	**186 290**	**197 710**	**207 441**	**218 788**
Operational Revenue: General Revenue: Equitable Share	180 506	192 664	203 746	214 723
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	2 321	1 495	–	–
Local Government Financial Management Grant [Schedule 5B]	1 720	1 723	1 785	2 001
Municipal Infrastructure Grant [Schedule 5B]	1 743	1 828	1 910	2 064
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Libraries, Archives and Museums	2 050	2 050	2 050	2 050
District Municipality:	**2 281**	**2 393**	**2 503**	**2 616**
Environmental Health	2 281	2 393	2 503	2 616
Total Operating Transfers and Grants	**190 622**	**202 153**	**211 994**	**223 454**
Capital Transfers and Grants				
National Government:	**71 214**	**52 874**	**50 558**	**55 774**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	4 089	4 203	7 260	7 558
Municipal Infrastructure Grant [Schedule 5B]	33 125	34 730	36 298	39 216
Energy Efficiency and Demand Side Management Grant	4 000	–	–	–
Water Services Infrastructure Grant [Schedule 5B]	30 000	13 941	7 000	9 000
District Municipality:	**1 362**	**1 600**	**1 600**	**1 600**
Fire Services	1 362	1 600	1 600	1 600
Total Capital Transfers and Grants	**72 576**	**54 474**	**52 158**	**57 374**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**263 197**	**256 627**	**264 152**	**280 828**

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
EXPENDITURE:				
-				
Operating Expenditure				
National Government:	**186 290**	**197 710**	**207 441**	**218 788**
Operational Revenue: General Revenue: Equitable Share	180 506	192 664	203 746	214 723
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	2 321	1 495	–	–
Local Government Financial Management Grant [Schedule 5B]	1 720	1 723	1 785	2 001
Municipal Infrastructure Grant [Schedule 5B]	1 743	1 828	1 910	2 064
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Libraries, Archives and Museums	2 050	2 050	2 050	2 050
District Municipality:	**2 281**	**2 393**	**2 503**	**2 616**
Environmental Health	2 281	2 393	2 503	2 616
Total Operating Expenditure	**190 622**	**202 153**	**211 994**	**223 454**
Capital Expenditure				
National Government:	**71 214**	**52 874**	**50 558**	**55 774**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	4 089	4 203	7 260	7 558
Municipal Infrastructure Grant [Schedule 5B]	33 125	34 730	36 298	39 216
Energy Efficiency and Demand Side Management Grant	4 000	–	–	–
Water Services Infrastructure Grant [Schedule 5B]	30 000	13 941	7 000	9 000
District Municipality:	**1 362**	**1 600**	**1 600**	**1 600**
Fire Services	1 362	1 600	1 600	1 600
Total Capital Expenditure	**72 576**	**54 474**	**52 158**	**57 374**
TOTAL	**263 197**	**256 627**	**264 152**	**280 828**

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 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Cash Transfers to Entities/Other External Mechanisms				
Various Organisations	*1,124*	*400*	*400*	*400*
Total Cash Transfers To Entities/Ems'	***1,124***	***400***	***400***	***400***
TOTAL CASH TRANSFERS AND GRANTS	***1,124***	***400***	***400***	***400***
TOTAL TRANSFERS AND GRANTS	***1,124***	***400***	***400***	***400***

2.9 COUNCILLORS AND EMPLOYEE BENEFITS

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Councillors (Political Office Bearers plus Other)				
Basic Salaries and Wages	10 101	10 414	10 906	11 451
Motor Vehicle Allowance	3 407	3 503	3 678	3 862
Cellphone Allowance	1 632	1 678	1 762	1 850
Sub Total - Councillors	**15 140**	**15 594**	**16 345**	**17 163**
% increase	**–**	**3,0%**	**4,8%**	**5,0%**
Senior Managers of the Municipality				
Basic Salaries and Wages	8 210	9 681	10 165	10 674
Pension and UIF Contributions	117	123	130	136
Medical Aid Contributions	52	56	58	61
Performance Bonus	1 528	1 798	1 812	1 828
Motor Vehicle Allowance	1 922	2 196	2 306	2 421
Cellphone Allowance	10	11	11	12
Other benefits and allowances	5	5	5	6
Payments in lieu of leave	4 543	–	–	–
Sub Total - Senior Managers of Municipality	**16 387**	**13 870**	**14 488**	**15 137**
Other Municipal Staff				
Basic Salaries and Wages	267 361	295 283	313 565	329 243
Pension and UIF Contributions	37 186	38 993	40 942	42 989
Medical Aid Contributions	18 788	19 915	20 911	21 957
Overtime	19 932	20 000	23 186	24 345
Performance Bonus	18 363	19 464	20 438	21 459
Motor Vehicle Allowance	11 856	12 091	12 695	13 330
Cellphone Allowance	56	59	62	65
Housing Allowances	1 234	1 308	1 374	1 442
Other benefits and allowances	17 821	18 890	19 835	20 826
Payments in lieu of leave	1 686	–	–	–
Long service awards	1 445	–	–	–
Post-retirement benefit obligations	20 887	23 361	25 569	28 043
Acting and post related allowance	8 413	8 642	9 074	9 528
Sub Total - Other Municipal Staff	**425 028**	**458 007**	**487 652**	**513 229**
TOTAL SALARY, ALLOWANCES & BENEFITS	**456 555**	**487 471**	**518 485**	**545 529**
TOTAL MANAGERS AND STAFF	**441 415**	**471 877**	**502 140**	**528 366**

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2024/25											Medium Term Revenue and Expenditure Framework
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2024/25
Cash Receipts By Source													
Property rates	34 294	16 215	17 560	17 366	46 344	46 363	17 656	18 246	17 957	19 037	17 866	18 552	287 458
Service charges - electricity revenue	45 492	30 767	45 205	34 727	36 995	77 398	16 205	32 093	34 339	36 825	37 036	14 779	441 861
Service charges - water revenue	15 178	5 851	12 676	13 589	11 279	12 308	18 001	12 181	15 394	16 543	15 493	5 568	154 061
Service charges - sanitation revenue	7 745	6 495	6 169	6 079	6 317	6 046	7 139	6 295	8 172	6 855	8 526	4 328	80 167
Service charges - refuse revenue	9 020	6 983	7 080	6 989	7 001	6 969	6 987	6 968	6 965	6 982	6 963	6 925	85 833
Rental of facilities and equipment	202	173	172	215	199	714	591	276	364	307	261	190	3 665
Interest earned - external investments	345	413	562	534	749	524	2 368	1 039	1 512	2 225	1 984	1 742	13 998
Interest earned - outstanding debtors												–	–
Dividends received												–	–
Fines, penalties, and forfeits	48	58	66	55	234	309	216	43	311	178	283	118	1 919
Licences and permits	6 188	3 532	2 461	2 647	2 425	1 931	4 942	2 967	1 671	1 091	1 838	1 454	33 147
Agency services	360	–	783	–	–	–	–	–	–	2 212	751	450	4 554
Transfers and Subsidies - Operational	92 042	2 118			4 014	72 803		31 176				–	202 153
Other revenue	2 462	6 482	1 439	3 787	6 418	3 114	2 974	4 506	3 761	1 959	1 186	2 796	40 883
Cash Receipts by Source	**213 377**	**79 088**	**94 172**	**85 988**	**121 974**	**228 480**	**77 080**	**115 789**	**90 446**	**94 214**	**92 188**	**56 903**	**1 349 699**

MONTHLY CASH FLOWS	Budget Year 2024/25												Medium Term Revenue and Expenditure Framework
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2024/25
Cash Receipts By Source													
Other Cash Flows by Source													
Transfers and subsidies - capital (monetary allocations)	21 006			6 971	10 535	6 655		9 307				–	54 474
Total Cash Receipts by Source	**234 383**	**79 088**	**94 172**	**92 959**	**132 509**	**235 135**	**77 080**	**125 096**	**90 446**	**94 214**	**92 188**	**56 903**	**1 404 173**
Cash Payments by Type													
Employee related costs	(35 968)	(35 914)	(36 160)	(36 153)	(55 181)	(36 264)	(40 576)	(37 875)	(36 835)	(37 307)	(37 307)	(34 617)	(460 157)
Remuneration of councillors	(1 300)	(1 300)	(1 300)	(1 300)	(1 300)	(1 300)	(1 300)	(1 300)	(1 300)	(1 300)	(1 300)	(1 300)	(15 594)
Finance charges	(1 245)	(1 245)	(1 245)	(1 245)	(1 245)	(1 245)	(1 245)	(1 245)	(1 245)	(1 245)	(1 245)	(1 245)	(14 934)
Bulk purchases - Electricity	(50 342)	(50 210)	(41 766)	(33 161)	(32 562)	(32 530)	(34 372)	(32 574)	(29 588)	(32 081)	(30 256)	(46 820)	(446 262)
Other materials	(3 379)	(12 675)	(2 865)	(21 025)	(5 203)	(5 476)	(2 841)	(10 981)	(8 978)	(7 648)	(7 924)	(5 780)	(94 773)
Contracted services	(2 157)	(5 366)	(8 292)	(12 475)	(12 924)	(11 684)	(7 494)	(9 365)	(10 168)	(15 579)	(18 074)	(27 320)	(140 899)
Transfers and grants - other												(400)	(400)
Other expenditure	(5 894)	(9 987)	(25 242)	(9 160)	(16 079)	(12 495)	(11 251)	(10 186)	(14 372)	(11 927)	(14 557)	(20 353)	(161 503)
Cash Payments by Type	**(100 284)**	**(116 697)**	**(116 868)**	**(114 519)**	**(124 493)**	**(100 992)**	**(99 078)**	**(103 525)**	**(102 485)**	**(107 086)**	**(110 661)**	**(137 834)**	**(1 334 522)**
Other Cash Flows/Payments by Type													
Capital assets	(586)	(3 017)	(3 103)	(1 031)	(8 303)	(1 086)	(2 238)	(6 693)	(10 592)	(7 858)	(6 475)	3 614	(47 369)
Repayment of borrowing	(1 873)	(1 873)	(1 873)	(1 873)	(1 873)	(1 873)	(1 873)	(1 873)	(1 873)	(1 873)	(1 873)	(1 873)	(22 478)
Total Cash Payments by Type	**(102 743)**	**(121 587)**	**(121 844)**	**(117 423)**	**(134 669)**	**(103 951)**	**(103 189)**	**(112 092)**	**(114 950)**	**(116 818)**	**(119 009)**	**(136 093)**	**(1 404 368)**
NET INCREASE/(DECREASE) IN CASH HELD	**131 640**	**(42 499)**	**(27 672)**	**(24 465)**	**(2 160)**	**131 184**	**(26 109)**	**13 004**	**(24 504)**	**(22 603)**	**(26 821)**	**(79 190)**	**(196)**
Cash/cash equivalents at the month/year begin:	26 282	157 922	115 422	87 751	63 286	61 126	192 310	166 201	179 205	154 700	132 097	105 276	26 282
Cash/cash equivalents at the month/year end:	157 922	115 422	87 751	63 286	61 126	192 310	166 201	179 205	154 700	132 097	105 276	26 086	26 086

Item Description	Medium Term Revenue and Expenditure Framework		
R thousand	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Cash Receipts By Source			
Property rates	287 458	303 161	319 834
Service charges - electricity revenue	441 861	511 233	591 496
Service charges - water revenue	154 061	165 228	177 205
Service charges - sanitation revenue	80 167	85 378	90 927
Service charges - refuse revenue	85 833	91 412	97 354
Rental of facilities and equipment	3 665	3 892	4 134
Interest earned - external investments	13 998	12 809	13 385
Interest earned - outstanding debtors	–	–	–
Dividends received	–	–	–
Fines, penalties and forfeits	1 919	2 041	2 171
Licences and permits	33 147	34 991	36 924
Agency services	4 554	4 850	5 166
Transfers and Subsidies - Operational	202 153	211 994	223 454
Other revenue	40 883	32 704	32 853
Cash Receipts by Source	**1 349 699**	**1 459 694**	**1 594 904**
Other Cash Flows by Source			
Transfers and subsidies - capital (monetary allocations)	54 474	52 158	57 374
Total Cash Receipts by Source	**1 404 173**	**1 511 852**	**1 652 278**

Item Description	Medium Term Revenue and Expenditure Framework		
R thousand	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Cash Payments by Type			
Employee related costs	(460 157)	(488 959)	(513 508)
Remuneration of councillors	(15 594)	(16 345)	(17 163)
Finance charges	(14 934)	(15 340)	(8 167)
Bulk purchases - Electricity	(446 262)	(531 898)	(615 406)
Bulk purchases - Water & Sewer	–	–	–
Other materials	(94 773)	(100 094)	(107 171)
Contracted services	(140 899)	(128 052)	(130 323)
Transfers and grants - other municipalities	–	–	–
Transfers and grants - other	(400)	(400)	(400)
Other expenditure	(161 503)	(156 829)	(161 751)
Cash Payments by Type	**(1 334 522)**	**(1 437 916)**	**(1 553 888)**
Other Cash Flows/Payments by Type			
Capital assets	(47 369)	(45 354)	(49 890)
Repayment of borrowing	(22 478)	(23 564)	(11 333)
Other Cash Flows/Payments	–	–	–
Total Cash Payments by Type	**(1 404 368)**	**(1 506 835)**	**(1 615 112)**
NET INCREASE/(DECREASE) IN CASH HELD	**(196)**	**5 016**	**37 166**
Cash/cash equivalents at the month/year begin:	26 282	26 086	31 102
Cash/cash equivalents at the month/year end:	26 086	31 102	68 268

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 2024/25 financial year will be approved by the Executive Mayor during July 2024, 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 2024/25 IDP has been developed, which will be considered at a Council meeting to be held on 29 March 2024. The IDP includes specific deliverables that form the basis for the Budget and SDBIP. The final version of the revised 2024/25 IDP will be considered at a Council meeting scheduled for 31 May 2024.

Budget

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

Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2022/23 Annual Report will be considered at a Council meeting scheduled for 29 March 2024.

Oversight Report

The Municipal Public Accounts Committee has considered the 2022/23 Annual report. Its Oversight Report will be considered at a Council meeting scheduled for 29 March 2024.

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 Municipal Manager and is operating in accordance with an audit plan.

In relation to the 2024/25 financial year and beyond, the municipality plans to focus on the following high priority areas:

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

Internship Programme

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

Municipal Standard Chart of Accounts (mSCOA)

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

2.13 CAPITAL EXPENDITURE DETAILS

Below is the summary of the budgeted capital expenditure.

PROJECT DESCRIPTION	FUNDING	Draft Annual Budget 2024/25	Draft Annual Budget 2025/26	Draft Annual Budget 2026/27
COMMUNITY SERVICES				
Fire Vehicles	District	1 391 304	1 391 304	1 391 304
		1 391 304	**1 391 304**	**1 391 304**
ELECTRO/MECHANICAL SERVICES				
Vehicles	Finance Lease	34 000 000	-	-
Ocean View 1250 Electrification	INEP	3 654 783	6 313 043	6 572 174
Design High Mast Lights	MIG	100 000	1 000 000	2 500 000
		37 754 783	**7 313 043**	**9 072 174**
CIVIL AND WATER SERVICES				
Upgrade of Phillipsville Sportfield	MIG	500 000	7 000 000	2 407 126
Specialised Waste Management Vehicles	MIG	-	500 000	2 728 069
Upgrading Kouga Gravel Roads	MIG	150 000	20 000 000	8 709 360
Design: Upgrading of OceanView Sewer Pipe	MIG	80 500	2 055 151	5 000 000
Upgrading KwaNomzamo WWTW	MIG	29 169 586	1 007 978	-
Design: LA Mer New Sewer Rising Main	MIG	200 000	-	10 028 243
Upgrading of Sewer Pump Stations	MIG	-	-	2 728 069
Upgrading of Loerie Sewer Pump Station	WSIG	150 000	50 000	-
Beach Sewer Pump Station	WSIG	1 287 831	5 886 956	7 826 086
Water Supply Infrastructure	WSIG	3 478 260	-	-
Ageing Water Infrastructure St Francis Bay	WSIG	150 000	50 000	-
South Rivier Bridge Crossing - Main waterline	WSIG	100 000	50 000	-
St Francis Bay Boreholes	WSIG	6 956 517	50 000	-
		42 222 694	**36 650 085**	**39 426 953**
	TOTAL	**81 368 781**	**45 354 432**	**49 890 431**

2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

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

Print Name : DAVID DE JAGER

Acting Municipal Manager of Kouga Local Municipality (EC108)

Signature………………………………………………….

Date:………15 March 2024…………………………