

**ANNUAL BUDGET
OF
NGWATHE LOCAL
MUNICIPALITY**



**2023/24 TO 2025/26
REVENUE AND EXPENDITURE FORECASTS**

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Table of Contents

PART 1 – ANNUAL BUDGET

1.1 MAYOR'S REPORT _____	4
1.2 EXECUTIVE SUMMARY _____	4-6
1.3 OPERATING REVENUE FRAMEWORK _____	7-9
1.4 OPERATING TRANSFERS AND GRANT RECEIPTS _____	10
1.5 TARRIFF PROPOSAL _____	11-21
1.6 OPERATING EXPENDITURE FRAMEWORK _____	22-24
1.5 CAPITAL EXPENDITURE _____	25

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS _____	26-27
2.2 OVERVIEW OF BUDGET RELATED-POLICIES _____	28
2.3 MUNICIPAL MANAGER'S QUALITY CERTIFICATE _____	29

Abbreviations and Acronyms

AMR	Automated Meter Reading	MTREF	Medium-term Revenue and Expenditure Framework
ASGISA	Accelerated and Shared Growth Initiative	NERSA	National Electricity Regulator South Africa
BPC	Budget Planning Committee	NGO	Non-Governmental organisations
CBD	Central Business District	NKPIs	National Key Performance Indicators
CFO	Chief Financial Officer	OHS	Occupational Health and Safety
CM	City Manager	OP	Operational Plan
CPI	Consumer Price Index	PBO	Public Benefit Organisations
CRRF	Capital Replacement Reserve Fund	PHC	Provincial Health Care
DBSA	Development Bank of South Africa	PMS	Performance Management System
DoRA	Division of Revenue Act	PPE	Property Plant and Equipment
DWA	Department of Water Affairs	PPP	Public Private Partnership
EE	Employment Equity	PTIS	Public Transport Infrastructure System
EEDSM	Energy Efficiency Demand Side Management	RG	Restructuring Grant
EM	Executive Mayor	RSC	Regional Services Council
FBS	Free basic services	SALGA	South African Local Government Association
GAMAP	Generally Accepted Municipal Accounting Practice	SAPS	South African Police Service
GDP	Gross domestic product	SDBIP	Service Delivery Budget Implementation Plan
GDS	Gauteng Growth and Development Strategy	SMME	Small Micro and Medium Enterprises
GFS	Government Financial Statistics		
GRAP	General Recognised Accounting Practice		
HR	Human Resources		
HSRC	Human Science Research Council		
IDP	Integrated Development Strategy		
IT	Information Technology		
kl	kilolitre		
km	kilometre		
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		
l	Litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act Programme		
MIG	Municipal Infrastructure Grant		
MMC	Member of Mayoral Committee		
MPRA	Municipal Properties Rates Act		
MSA	Municipal Systems Act		

Part 1 – Annual Budget

1.1 Purpose (Mayors Budget Speech attached)

The purpose of this report is to table the Medium-Term Revenue and Expenditure Framework (MTREF) for the period 2023-2024 to 2024-2025 in Council in terms of section 16 (2) of the Municipal Finance Management Act (MFMA)

1.2 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programme's so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore items.

In Preparation of the MTREF Budget for 2023-24, 2024/25 and 2025/26, Management has considered the guideline of the National Treasury's MFMA Circular No. 122 (issued 09 December 2022), and MFMA circular 123 (issued 03 March 2023), previous circulars, the NDP and the FSGDS were used to guide the compilation of the 2023-24 MTREF.

Management has also considered the Division Of Revenue Bill for 2022, The Cabinet has considered the Division of Revenue Bill which provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2023-2024 financial year

Challenges experienced during the compilation of the 2023-24 MTREF are summarized as follows:

- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable;
- The ongoing difficulties in the national and local economy;
- Tariffs increase being guided by NERSA and inflation rate
- Wage increases for municipal staff and the need to fill critical vacancies;
- Affordability of capital projects

The following key factors and planning strategies have informed the compilation of the 2023-24 MTREF:

- The need for tariff increases versus the ability of the community to pay for services;
 - Tariffs should be cost reflective to ensure sustainability of the municipality
 - There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act; □
- Municipal growth
- Policy priorities and strategic objectives
 - Asset maintenance
 - Economic climate and trends (i.e. inflation, Eskom increases, household debt)
 - Performance trends
 - The 2022/23 adjustments budget and performance against the SDBIP
 - Debtor payment levels
 - Loan and investment possibilities
 - Improved and sustainable service delivery

The proposed revenue budget for the 2023-24 financial year is **R 1 056 billion**, with the operational expenditure budget of **R 1 012, billion** and a capital budget of **R147 million** which is inclusive of **R6 million** internal funding. There is an increase of **R119 million or 12 %** operational revenue and increase on operating expenditure of **R120 million** or **11%** on the adjustments budget in the 2022/2023 financial year.

The marginal increase in the budget is a result of:

- i) Trimming down of the expenditure budget to match the anticipated collection rate for the financial year.
- ii) The current collection rate is between 55% and 65%.
- iii) The municipality anticipate an increase of 10% on the current collection towards the budget

1.2.1. The following summary of tariffs applied for increase on 2023-24 budget,

1.2.1.1.	Water Supply	7.3%
1.2.1.2.	Electricity	25%
1.2.1.3.	Sewerage	5.3%
1.2.1.4.	Refuse	5.3%
1.2.1.5.	Rates and Taxes	5.3% (With rebates / discount on Residential and 5% discount on business)
1.2.1.6.	Cemeteries	5.3%
1.2.1.7.	Halls	5.3%
1.2.1.8.	All Other Sundries	5.3%

The following Items are being excluded from operating expenditure as they have no cash outflow impact in the budget:

- Depreciation **R 76 million**
- Provision for bad debts **R 157 million**

When compared to the 2022/23 Adjustments Budget, the major operational expenditure has decreased in the 2023-24 budget; the increase is proposed to accommodate the following:

- Salaries 5.3% (The salary and Wage Collective Agreement, paragraph 6.4 and 6.5 parties agreed that the salary increase for financial year 2022/2023 will be projected based on CPIX Forecast (CPIX Forecast 5.3%) with effect from 1 July 2023.
- Bulk purchase on electricity – increase of 25%
- Bulk purchases on water – increase of 7.3%

1.3 Operating Revenue Framework

For Ngwathe Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue is fundamental to the financial sustainability of the municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipal area and continued economic development;
- Sustainable revenue management, which aims to ensure a 70 per cent annual collection rate for property rates and other key service charges for 2023-24;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policy of the Municipality.

The following attached tables is a summary of the 2023-24 MTREF (classified by main revenue source):

Table 2 Table A4 Summary of revenue classified by main revenue source

FS203 Ngwathe - Table A4 Budgeted Financial Performance (revenue)										
Description	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Revenue										
Exchange Revenue										
Service charges - Electricity	210 605	216 918	234 321	312 792	312 792	312 792	163 165	390 990	410 149	429 426
Service charges - Water	75 694	54 750	74 319	82 471	82 471	82 471	60 016	88 492	92 828	97 191
Service charges - Waste Water Management	40 850	57 131	56 228	68 197	68 197	68 197	47 471	71 812	75 331	78 871
Service charges - Waste Management	39 307	39 357	43 726	54 664	54 664	54 664	34 474	57 561	60 382	63 220
Sale of Goods and Rendering of Services	983	1 391	1 334	987	987	987	944	1 039	1 090	1 141
Agency services										
Interest										
Interest earned from Receivables	52 788	45 635	43 155	44 361	44 361	44 361	49 903	46 712	49 001	51 304
Interest earned from Current and Non Current Assets	1 978	1 131	1 407	1 973	1 973	1 973	1 653	2 077	2 179	2 282
Dividends										
Rent on Land										
Rental from Fixed Assets	339	320	349	272	272	272	275	286	300	315
Licence and permits										
Operational Revenue	515	907	83	636	636	636	1 636	669	702	735
Non-Exchange Revenue										
Property rates	87 260	96 614	104 441	119 371	119 371	119 371	77 264	125 698	131 857	138 054
Surcharges and Taxes										
Fines, penalties and forfeits	352	259	229	1 823	1 823	1 823	40	1 920	2 014	2 109
Licences or permits										
Transfer and subsidies - Operational	226 662	258 184	233 097	249 174	249 467	249 467	194 823	269 087	286 875	297 035
Interest										
Fuel Levy										
Operational Revenue										
Gains on disposal of Assets	-	19 379	-	-	-	-	-	-	-	-
Other Gains	8 494	(2 715)	6 775	-	-	-	-	-	-	-
Discontinued Operations										
Total Revenue (excluding capital transfers and contributions)	745 829	789 260	799 466	936 722	937 015	937 015	631 663	1 056 344	1 112 708	1 161 682

In the 2022/23 budget adjustment on revenue from rates and services charges totaled **R518 million**. In 2023-24 it increased to **R608 million** by R91 million which is 18%. The collection rate is based on the projected (72%) total of the account receivables.

The municipality’s ability to fund its operations is largely based on generating its own revenue, 72% per cent is envisaged of the total municipality income in the 2023-24 financial year (75% in 2024/25), **R269 million** will be from government grants. The collection of revenue is therefore crucial to the financial well-being of the municipality. The budgeted contribution to the provision for doubtful debts is **R157million**. The largest revenue items are electricity revenue at **R390 million**, water revenue at **R88 million**, assessment rates at **R125 million**, of the total operational revenue (i.e. excluding capital grants of **R141 million**). Revenue from electricity and water sales, government grants and property rates remain the main income items for the MTREF period as can be seen on the table “percentage growth in revenue by main revenue source” below

Table 3 – Revenue Source percentage growth

DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK BUDGET FOR THE FINANCIAL						
DETAILS	Audited Actual 2021/22	Budget 2022/23	Adjusted Budget 2023/24	Proposed Budget Adjustment 2023/24	Proposed Budget Adjustment 2023/25	Proposed Budget Adjustment 2023/26
OPERATIONAL GRANTS & SUBSIDIES						
NAT GR - EQUITABLE SHARE	228 425 345	241 451 000	241 451 000	261 348 000	281 182 000	291 091 000
FINANCE MANAGEMENT GRANT (FMG)	3 000 000	3 100 000	3 100 000	3 100 000	3 100 000	3 238 000
EPWPINCENTIVE GRANTS	1 672 000	2 240 000	2 240 000	2 154 000	-	-
ND - MUNICIPAL INFRASTR GRANT		2 383 150	2 383 150	2 484 950	2 593 350	2 706 300
TS_O_M_DPAA_NDA_LGW&R SETA			292 727	-	-	-
SUB-TOTAL GRANTS & SUBS OPERATING	233 097 345	249 174 150	249 466 877	269 086 950	286 875 350	297 035 300
Operational Revenue						
Property rates	104 441 186	119 371 223	119 371 223	125 697 898	131 857 095	138 054 378
Service charges - electricity revenue	233 930 610	312 792 177	312 792 177	390 990 221	410 148 742	429 425 733
Service charges - water revenue	74 235 966	82 471 319	82 471 319	88 491 725	92 827 820	97 190 727
Service charges - sanitation revenue	56 317 040	68 197 374	68 197 374	71 811 835	75 330 615	78 871 154
Service charges - refuse revenue	43 726 286	54 663 979	54 663 979	57 561 170	60 381 667	63 219 606
Rental of facilities and equipment	108 023	271 968	271 968	286 382	300 415	314 535
Interest earned - external investments	1 407 374	1 972 821	1 972 821	2 077 381	2 179 172	2 281 593
Interest earned - outstanding debtors	43 155 478	44 361 278	44 361 278	46 712 426	49 001 335	51 304 397
Fines, penalties and forfeits	228 647	1 823 250	1 823 250	1 919 882	2 013 956	2 108 612
Other revenue	9 726 736	1 622 357	1 622 357	1 708 342	1 792 051	1 876 277
SUB-TOTAL OPERATING REVENUE	567 277 346	687 547 746	687 547 746	787 257 262	825 832 868	864 647 012
Total Revenue (excluding capital transfers)	800 374 691	936 721 896	937 014 623	1 056 344 212	1 112 708 218	1 161 682 312

‘Other revenue’ which consists of various items such as income received from permits and licenses, building plan fees, connection fees, Interest income and Rental Income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective.

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

Table 4 Operating Transfers and Grant Receipts

FS203 Ngwathe - Supporting Table SA18 Transfers and grant receipts									
Description	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
RECEIPTS:									
Operating Transfers and Grants									
National Government:	217,779	255,257	233,097	249,174	249,174	249,174	269,087	286,875	297,035
Local Government Equitable Share	204,644	244,478	228,425	241,451	241,451	241,451	261,348	281,182	291,091
Energy Efficiency and Demand Side Management Grant	6,512	4,709	-	-	-	-	-	-	-
Expanded Public Works Programme Integrated Grant	1,377	1,466	1,672	2,240	2,240	2,240	2,154	-	-
Local Government Financial Management Grant	2,680	3,000	3,000	3,100	3,100	3,100	3,100	3,100	3,238
Municipal Disaster Relief Grant	467	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	2,099	1,604	-	2,383	2,383	2,383	2,485	2,593	2,706
Other grant providers:	258	221	-	-	293	293	-	-	-
<i>Local Government Water and Related Service SETA</i>	258	221	-	-	293	293	-	-	-
Total Operating Transfers and Grants	226,662	258,184	233,097	249,174	249,467	249,467	269,087	286,875	297,035
Capital Transfers and Grants									
National Government:	82,854	89,393	100,845	135,280	135,280	135,280	141,235	174,274	181,956
Integrated National Electrification Programme Grant	5,746	4,754	1,142	25,000	25,000	25,000	30,000	15,000	20,000
Municipal Infrastructure Grant	33,584	42,059	39,635	45,280	45,280	45,280	47,214	49,274	51,420
Regional Bulk Infrastructure Grant	25,544	25,313	38,875	50,000	50,000	50,000	50,000	100,000	100,088
Water Services Infrastructure Grant	17,980	17,266	21,193	15,000	15,000	15,000	14,021	10,000	10,448
Total Capital Transfers and Grants	83,354	89,993	100,845	135,280	135,280	135,280	141,235	174,274	181,956
TOTAL RECEIPTS OF TRANSFERS & GRANTS	310,016	348,176	333,942	384,454	384,747	384,747	410,322	461,149	478,991

1.3.1 Property Rates

The levying of rates forms part of a municipality's annual budget process as set out in Chapter 4 of the Municipal Finance Management Act. A municipality must annually at the time of its budget process review the amount in the Rand of its current rates in line with its annual budget for the next financial year. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process in line with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R30 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a minimum of 15 per cent to a maximum/total rebate of 100 per cent (calculated on a sliding scale) in line with the policy will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount as stipulated within the policy.
- Property owners must apply on a prescribed application form for a rebate as determined by the municipality.
- Registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport may also apply for property rebate.
- The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2023-24 financial year based on a 5.3 per cent increase from 1 July 2023 is contained below:

Table 5 Comparison of proposed rates to levy for the 2023-24 financial year

PART 1 : RATES AND TAXES

Rates tariffs 2023-2024 increase 5.3

5.3

**Parys/Heibron/Vredefort/Koppies/Edenville
Schedule 6(e) Rates and Taxes**

Tariffs excluding VAT	Valuation in Rands	2022/2023	2023/24	Tariff Codes
Residential	0 - 30 000 Market Value - 30 000 (10% reduction)			
-	30 001 - 999999999.99	0.0139	0.0146	VA001
Business/Industrial/ Commercial	0 - 999999999.99 (5% reduction)	0.0228	0.0240	VA007 & VA008
Agriculture	First 25% Of the Residential Tariff 100% Phased in terms of the MFMA	0.0035	0.0037	VA006
Government	0 - 999999999.99	0.0228	0.0240	VA002
Schools	0 - 999999999.99	0.0228	0.0240	VA002
Public Service Infrastructure	First 25% Of the Residential Tariff 100% Phased in terms of the MFMA	0.0035	0.0037	VA009
Vacant Stands Business From 2020/21	0 - 999999999.99	0.0139	0.0146	VA000
Vacant Stands Residential	0 - 30 000 30 001 - 999999999.99	0.0139	0.0146	VA000
-				
Private own town	0 - 30 000			VA001

	30 001 - 999999999.99	0.0139	0.0146	
Gholf Island	0 - 30 000 30 001 - 999999999.99	0.0139	0.0146	VA004

1.3.2 Sale of Water and Impact of Tariff Increases

Table 6 Summary of the proposed water tariffs for households (residential) and non-residential are as follows:

Water sales for the financial year 2023-24 is projected at **R88.4 million** and represent an increase of **R6 million** or **7.3%** of **R82.4 million** of 2022/23 as a result of the proposed tariff increase. With the current water and electricity supply challenges facing the municipality and the country at large, since demand growth outstrips the supply. National Treasury has in the past encouraged all municipalities to carefully review the level and structure of their water tariffs.

A tariff increase of 7,3 per cent from 1 July 2023 for water is proposed. This is based on input cost assumptions of **7.3 per cent** increase in the cost of bulk water both DWS and Rand Water. 6 kℓ water per 30-day period will be granted free of charge to registered indigent households

PART 1 : SUPPLY OF WATER							
Parys/Heilbron/Vredefort/Koppies/Edenville							
Schedule (b) Water Consumption							
Tariffs excluding VAT		Tariff Codes	Services	2022/2023	2023/2024		
				Tariff	Tariff	VAT	TOTAL
Indigents	Basic Consumption	BWi01 WA01i	0 - 6 FBS	61.38	65.86	9.88	75.74
			7 - 20 Indige	-	-	-	-
			21 - >	12.39	13.29	1.99	15.28
				12.57	13.49	2.02	15.51
Residential	Basic Consumption	BW001 WA001 WA001	0 - 20	61.38	65.86	9.88	75.74
			21 - 30	12.39	13.29	1.99	15.28
			31 - >	12.57	13.49	2.02	15.51
EHKPV				12.57	13.49	2.02	15.51
Business (per Business)	Basic Consumption	BW002 WA002	Cons	197.11	211.50	31.73	243.23
		New-2019/20	0 - 20	14.37	15.42	2.31	17.73
			21 - 30	14.37	15.42	2.31	17.73
			31 - >	14.37	15.42	2.31	17.73
EHKPV							
Bulk/Government/Schools	Basic Consumption	BW004 WA004	Cons	197.11	211.49	31.72	243.21
EHKPV		New-2019/20	0 - 20	12.39	13.29	1.99	15.28
Sch			21 - 30	12.39	13.29	1.99	15.28
EHKPV			31 - >	12.57	13.49	2.02	15.51
Gov				12.57	13.49	2.02	15.51
Industrial	Basic Consumption	BW009 WA009	Cons	128.48	137.86	20.68	158.54
EHKPV		New-2019/20	0 - 20	12.39	13.29	1.99	15.28
			21 - 30	12.39	13.29	1.99	15.28
			31 - >	12.57	13.49	2.02	15.51
				12.57	13.49	2.02	15.51
Small Business(Business from Home)	Basic Consumption	BW010 WA015	Cons	97.79	104.93	15.74	120.67
EHKPV		New-2019/20	0 - 20	12.39	13.29	1.99	15.28
			21 - 30	12.39	13.29	1.99	15.28
			31 - >	12.57	13.49	2.02	15.51
				12.57	13.49	2.02	15.51
Municipal	Basic Consumption	BW010 WA005		197.11	211.49	31.72	243.21
EHKPV				12.39	13.29	1.99	15.28
Sewerage	Consumption	WA013		7.33	7.86	1.18	9.04
Unpurified	Consumption	WA014		7.33	7.86	1.18	9.04
Sports Organisations	Consumption	WA007		12.39	13.29	1.99	15.28
Vacant stands	Basic	BW000		130.39	139.91	20.99	160.90
EHKV							

1.3.3 Sale of Electricity and Impact of Tariff Increases

Table 7 A summary of the proposed electricity tariffs for households (residential) and non-residential are as follows:

- Electricity revenue for the financial year 2023-24 is projected **R390 million** and this represents an increase of **R78 million** or 25% as compare to the budget projection of 2022/23, the increase informed by the tariff increase and growth in consumption based on previous trends.
- The proposed electricity tariff increase is 25 percent in the absence of the municipal guideline on municipal tariff increase, management used the current proposed Eskom Bulk increase and difference/percentage short-fall of prior year in determining the current year increase, subject to NERSA approval. The municipality will link the online-prepaid system to collect for other services and arrear accounts by implementing the credit Control Debt Control by Law.
- Registered indigents will again be granted 50 kWh per 30-day period free of charge.

PART 1 : SUPPLY OF ELECTRICITY

Increase

25%

Parys/Heilbron/Vredefort/Koppies/Edenville

Schedule (a) Electricity Consumption

Tariffs excluding VAT	Tariff Codes	2022/2023		2023/2024	
		Tariff	Tariff	VAT %	TOTAL
Residential - Pre Paid - Non Indigent	EL001	2.4435	2.8993	0.43	3.3342
Residential - Conventional - Non Indigent EHKPV	EL001	2.4435	2.8993	0.43	3.3342
Residential - Pre Paid - Indigent	EL01I	1.6099	1.9101	0.2865	2.1966
Residential - Conventional - Indigent EHKPV	EL01I	1.6099	1.9101	0.2865	2.1966
Business (Pre-paid incl)	BE002	933.7669	1,107.9144	166.1872	1,274.1016

	EL002	2.3344	2.7698	0.4155	3.1853
EHKPV				-	-
Government	BE014	1,108.2861	1,314.9815	197.2472	1,512.2287
	EL014	2.2261	2.6413	0.3962	3.0375
EHKPV					
Churches	BE015	418.5852	496.6513	74.4977	571.1490
	EL015	2.5534	3.0296	0.4544	3.4840
EHKPV					
Small Holdings	BE003	563.4800	668.5690	100.2854	768.8544
	EL003	2.3344	2.7698	0.4155	3.1853
EHKPV					
Small Business	BE016	563.4800	668.5690	100.2854	768.8544
	EL016	2.3344	2.7698	0.4155	3.1853
EHKPV					
Bulk Consumers	BE004	1,110.8606	1,318.0361	197.7054	1,515.7415
Consumption	EL004	1.6639	1.9742	0.2961	2.2703
Demand	EL004	238.2715	282.7091	42.4064	325.1155
EHKPV					
Municipal	BE005	943.0153	1,118.8877	167.8332	1,286.7209
	EL005	2.3091	2.7397	0.4110	3.1507

EHKPV					
Sundry Consumers	BE006	943.0153	1,118.8877	167.8332	1,286.7209
	EL006	2.3091	2.7397	0.4110	3.1507
EHKPV					
Sports Organisations	BE007	1,108.2861	1,314.9815	197.2472	1,512.2287
	EL007	2.2261	2.6413	0.3962	3.0375
EHKPV					
Schools/Hostels	BE008	1,108.2861	1,314.9815	197.2472	1,512.2287
	EL008	2.2261	2.6413	0.3962	3.0375
EHKPV					
Industrial	BE009	1,108.2861	1,314.9815	197.2472	1,512.2287
EHKPV	EL009	2.3235	2.7568	0.4135	3.1703
	BE010	1,108.2861	1,314.9815	197.2472	1,512.2287
EHKPV	EL010	2.3235	2.7568	0.4135	3.1703
	BE011	1,110.8606	1,318.0361	197.7054	1,515.7415
EHKPV	EL011	2.3344	2.7698	0.4155	3.1853
Telkom exchange/Auto Exchange	BE012	1,110.8606	1,318.0361	197.7054	1,515.7415
EHKPV.	EL012	1.6639	1.9742	0.2961	2.2703

	EL012	238.2715	282.7091	42.4064	325.1155
Flood Lights/ Streetlights	BE013	482.9829	573.0592	85.9589	659.0181
		1.7870	2.1203	0.3180	2.4383
Vacant stands Residential	BE000	177.1000	210.1292	31.5194	241.6486
Vacant stands Business and Other	BE017	177.1000	210.1292	31.5194	241.6486

1.3.4 Sanitation and Impact of Tariff Increases

Sanitation revenue for the financial year 2023-24 is projected at **R71.8 million** and this represents an increase of **R3 million** or **5.3%** as compare to the budget projection of 2022/23 of **R56 million** as a result of the tariff increase. A tariff increase of 5.3 per cent for sanitation from 1 July 2023 is proposed.

PART 1 : SUPPLY OF SANITATION							
			Increase			5.3	
Parys/Heibron/Vredefort/Koppies/Edenville							
Schedule 6(c) Sewerage							
Tariffs excluding VAT		Tariff Codes		2022/2023	2023/2024		
					Tariff	VAT	Total
Residential:		SE001	Waterborne (per household)	122.76	129.27	19.39	148.66
		SEBS	Bucket System	62.20	65.50	9.83	75.33
		SEST	Suction Tank	121.02	127.44	19.12	146.56
Crèche		SECR8		382.18	402.44	60.37	462.81
Primary School		SEPS8		7,610.08	8,013.41	1,202.01	9,215.42
Secondary School		SESS8		11,415.13	12,020.13	1,803.02	13,823.15
Small Business	Turnover < 250k	SESM2	Per Business/Unit/Empty Busin	149.04	156.93	23.54	180.47
Micro Business	Turnover >25k <500k	SEMI2		382.18	402.44	60.37	462.81
Medium Business	Turnover > 500k < 1 mil	SEME2		382.18	402.44	60.37	462.81
Large Business	Turnover > 1 Mil	SELA2		382.18	402.44	60.37	462.81
Clover 1		SEH011	Clover 1	100,994.69	106,347.41	15,952.11	122,299.52
Simba		SEH012	Simba	2,525.25	2,659.09	398.86	3,057.95
Khaya Ebubhesi		Sundry	Khaya Ebubhesi Per Dumping As Per Council Resolution	615.04	647.64	97.15	744.79
Small Business (Business From Home)		SE016	Waterborne per shop	155.14	163.37	24.51	187.88
Government		SE014	Fixed basic charge	11,883.15	12,512.96	1,876.94	14,389.90
Sport Organisations		SE007	Fixed basic charge	174.29	183.52	27.53	211.05
Departmental (Municipal)		SE005	Fixed basic charge	152.94	161.05	24.16	185.21
Vacant Stands		SE000	Fixed basic charge	162.36	170.96	25.64	196.60
Abattoir		SE003	Fixed basic charge	4,350.85	4,581.45	687.22	5,268.67
Churches and Welfare Organisations		SE013	Fixed basic charge	152.94	161.05	24.16	185.21
Bulk		SE004	Fixed basic charge	139.11	146.48	21.97	168.45
Holiday Resorts/Hotels/Guest Houses		SE006	Fixed basic charge	153.68	161.82	24.27	186.09
Old Aged Homes:		SE009	Clinic/Rooms Per Point	95.59	100.66	15.10	115.76
		SE010	Flats/Houses Per Unit	155.15	163.37	24.51	187.88

1.3.5 Waste Removal and Impact of Tariff Increases

Refuse removal revenue for the financial year 2023-24 is projected at **R57.7 million** and this represents an increase of **R3.6 million** or **5.3%** as compare to the budget projection of 2022/2023 of **R54.7 million** as a result of the tariff increase. A **5.3 per cent** increase in the waste removal tariff is proposed from 1 July 2023. Table 9 The following table compares current and proposed amounts payable from 1 July 2023.

PART 1 : SUPPLY OF REFUSE						
		Increase		5.3		
Parys/Heibron/Vredefort/Koppies/Edenville Schedule 6(d) Refuse Removal						
Tariffs excluding VAT		Tariff Codes Services	2022/2023	2023/24		
				Tariff	VAT	Total
Residential		RF001	116.96	116.96	17.54	134.50
Small Business	Turnover <250k	RF002	111.85	117.78	17.67	135.45
Micro Business	Turnover > 250k < 500k	RFMI2	216.32	227.79	34.17	261.96
Medium Business	Turnover > 500k < 1 mil	RFME2	980.66	1,032.63	154.89	1,187.52
Large Business	Turnover > 1 Mil	RFLA2	1,876.86	1,976.33	296.45	2,272.78
Restaurants, Café		RF002	225.19	237.13	35.57	272.70
Holiday Resorts	/Cottage	RF016	45.81	48.24	7.24	55.48
Office considered as	/Caravan Stand	RF017	23.04	24.26	3.64	27.90
Churches and Welfare		RF018	116.44	122.61	18.39	141.00
Small Business(Business From Home)		RF020	116.44	122.61	18.39	141.00
Municipal		RF005	89.46	94.21	14.13	108.34
Sports Clubs		RE007	38.52	40.56	6.08	46.64
Industrial	Large	RE009	529.42	557.48	83.62	641.10
Hotels, Supermarkets, Hospitals, Country Club, Guest Houses	Fixed	RF015	1,020.87	1,074.97	161.25	1,236.22
Old Aged Homes Hostels	Fixed	RF019	54.27	57.15	8.57	65.72
Bulk Government	Fixed	RF004 RF014	3,881.66	4,087.39	613.11	4,700.50
Creche	Fixed	RF008	3,881.66	4,087.39	613.11	4,700.50
Primary School		RFPS8	3,881.67	4,087.40	613.11	4,700.51
High School		RFHS8	3,881.67	4,087.40	613.11	4,700.51

1.3.6 Overall impact of tariff increases on households.

The following table shows the overall expected impact of the tariff increases is influenced as per the guidelines of National Treasury. The impact on the household is huge as compared with the revenue growth which does not reflect growth in the community. The rate of unemployment within the municipality is not in line with the tariff increases on the households. The majority of the Ngwathe households in terms of the income threshold are just above the indigent threshold, which means that as and when the services are increasing it will burden the households in terms of affordability.

However, the municipality has put in place the indigent policy and rates taxes rebates as a relief.

Table 10 MBRR Table SA14 – Household bills/Sample Accounts

SERVICE	DETAILS	2022-2023	2023-2024	VAT	TOTAL	INCREASE
Elec Consumption	600	R 1,466.10	R 1,739.58	R 260.94	R 2,000.52	R 273.48
Water basic Consumption	20	R 60.35	R 64.76	R 9.71	R 70.07	R 4.41
	11	R 247.80	R 265.80	R 39.87	R 287.67	R 18.00
	11	R 138.27	R 148.39	R 22.26	R 160.53	R 10.12
	Total 31kl	R 386.07	R 414.19	R 62.13	R 448.20	R 28.12
Refuse		R 116.96	R 123.16	R 18.47	R 135.43	R 6.20
Sewerage		R 122.76	R 129.27	R 19.39	R 142.15	R 6.51
Rates	Market Value - R 500 000	R 544.42	R 571.83			R -
TOTAL		R 2,696.66	R 3,042.79	R 370.64	R 2,796.37	R 346.13

1.4 Operating Expenditure Framework

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

- The asset renewal strategy and the repairs and maintenance plan (informed by the municipal master plans);
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

Table 3 Table A4 Summary of expenditure classified by main revenue source

FS203 Ngwathe - Table A4 Budgeted Financial Performance (Expenditure)										
Description	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Expenditure										
Employee related costs	236 874	249 031	259 537	266 190	266 190	266 190	200 360	280 298	294 033	307 853
Remuneration of councillors	15 524	15 493	15 589	17 148	17 148	17 148	13 622	18 056	18 941	19 831
Bulk purchases - electricity	222 789	232 041	273 182	352 622	352 622	352 622	244 420	341 478	358 210	375 046
Inventory consumed	613	720	883	92 267	92 284	92 284	515	139 325	150 764	154 697
Debt impairment	-	-	-	-	-	-	-	157 549	165 269	173 037
Depreciation and amortisation	65 245	59 428	88 492	75 402	75 402	75 402	-	76 842	80 607	84 395
Interest	55 837	34 941	36 709	21 171	21 171	21 171	175	22 293	23 386	24 485
Contracted services	30 222	39 720	48 121	26 271	26 885	26 885	22 175	28 351	29 740	31 138
Transfers and subsidies	7 680	165	150	180	180	180	133	180	180	18
Irrecoverable debts written off	170 700	163 129	165 819	96 602	96 602	96 602	-	-	-	-
Operational costs	34 834	41 152	37 956	64 271	63 933	63 933	28 180	68 814	72 185	75 578
Losses on disposal of Assets	-	3 781	58 678	-	-	-	-	-	-	-
Other Losses	115	28	-	-	-	-	-	-	-	-
Total Expenditure	840 433	839 629	985 116	1 012 124	1 012 417	1 012 417	509 580	1 133 186	1 193 315	1 246 078

The budgeted allocation for employee related costs for the 2023-24 financial year totals **R280 million**, which equals 26 per cent of the total operating expenditure. The budget for employee related costs is based on the collective agreement. An annual increase of CPIX and in the next 2 years' outer years of the MTREF.

The cost associated with the remuneration of councilors 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). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget. Remuneration of Councilors for 2023/24 is **R18 million**.

The provision of debt impairment for the 2023-24 financial year equates to **R157 million** which led an increase of **R61 million**. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total **R77 million** for the 2023-24 financial year.

Finance charges consist primarily of the repayment of interest portion on overdue creditors. Finance charges has been budgeted **R22 million** for 2023-24 due Eskom arrangement with the municipality.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. The 2023-24 budget for bulk purchases is **R341 million** which is less by **R11 million** as compared with budget of 2022/23 for bulk purchases amounting to **R353 million**.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

1.4.1 Free Basic Services: Basic Social Services Package

A consumer qualifying for indigent support will receive the following subsidies as determined annually during the preparation of the municipality's budget, the provision amounting to **R31 million** has been made to cover the below indigents benefits-

SERVICE	INDIGENT SUBSIDY
Water	6 Kilolitres per month
Electricity (pre-paid and conventional)	50 kWh
Sewerage	100%
Refuse	100%
Assessment Rates (Category A)	100%
Assessment Rates (Category B)	R200 rebate per month If the market value of the house is R1 500 000

1.5 Capital expenditure

For 2022/23 capital budget was **R135 million** had been appropriated for the development of infrastructure. The Proposed Capital Budget for the 2023/2024 financial year amounts to **R141million** as per Dora Bill Allocation and **R12 million** from internal funding. The breakdown of the projects will be presented in the Technical Department Committee.

CAPITAL PROJECT PROJECTIONS 2023-24				
Grant	Project Description	Budget Allocated 2023-24	Budget Allocated 2024-25	Budget Allocated 2025-26
INEG	Construction of Koppies Sub-Station	11 500 000,00		
INEG	Electrification of ward 7	3 500 000,00		
INEG	ELECTRIFICATION PROJECTS (INEP)	15 000 000,00	15 000 000,00	20 000 000,00
INTERNAL	Community Halls Refurbishment	4 000 000,00	-	-
INTERNAL	Sewer Spillage-Mbeki Section	2 000 000,00		
INTERNAL	Purchase of Generators	6 000 000,00		
MIG	Community Halls Refurbishment	2 500 000,00	2 500 000,00	2 500 000,00
MIG	Mokwallo construction of 2KM paved access road and storm water in ward 15	16 757 563,00	17 561 926,00	18 404 898,00
MIG	Parys replacement of 15km water asbestos pipe	9 428 432,00	9 880 996,00	10 355 285,00
MIG	Parys Water Treatment Works Refurbishment and upgrade	12 165 528,00	12 749 473,00	13 361 447,00
MIG	Tumahole construction of 1KM paved access road and storm water in ward 13	6 362 527,00	6 581 255,00	6 798 070,00
RBIG	Parys WTW upgrade and refurbishment	33 000 000,00	82 184 000,00	81 416 832,00
RBIG	Kwakwatsi Secondary Bulk and an elevated water tower	17 000 000,00	17 816 000,00	18 671 168,00
WSIG	Refurbishment of sewer pipeline in Heilbron	5 521 000,00	-	-
WSIG	Refurbishment of bulk pipeline reservoir 4,3.2.1	1 500 000,00	-	-
WSIG	Construction of Water Pressure tower and 3km pipeline in Heilbron	7 000 000,00	10 000 000,00	10 448 000,00
		153 235 050,00	174 273 650,00	181 955 700,00

- **MIG R 47 Million**
- **INEG R30 Million**
- **WSIG R 14 Million**
- **RBIG R 50 Million**
- **INTERNAL FUNDING R12 Million**

Part 2 – Supporting Documentation

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2020) a time schedule that sets out the process to revise the IDP and prepare the budget. In light of the above, Council approved an Integrated Process Plan in 14 September 2017 as required by Section 21 of the Municipal Finance Management Act and section 34 of the Municipal Systems Act (MSA). The plan outlined key deadlines for the review of the Integrated Development Plan (IDP), Budget and other processes required by municipal legislation.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the honorable mayor.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

In compliance with chapters 4 and 5, Act No. 32 of 2000, the IDP & Budget Documents for 2023 to 2024 will also be available for inspection for a period of 30 days as from the 1st April to the 30th April 2023. Both documents will be available at all Libraries and Municipal Satellite offices across as well as the Ngwathe Local Municipality website.

2.1.1 Overview of Alignment of the Budget with the IDP

The Municipal IDP is the principal strategic planning document, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan included the following key IDP processes and deliverables:

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

During the compilation of the 2023/24 MTREF, each department/function (at strategic planning session) had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2022/23 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detailed operating budget appropriations and three-year capital programme.

IDP Strategic Objectives

2023-24 MTREF	
1.	Improve service delivery and infrastructure development
2.	Improvement of public participation and good governance
3.	Improve institutional development and transformation
4.	Financial Viability
5.	Local economic development
6.	Spatial Planning

The Service Delivery and Budget Implementation Plan (SDBIP) of the municipality will be adopted and will be approved by the Executive Mayor after approval of the budget in 1 June 2023.

2.2 Overview of budget related-policies

In terms of regulation 7 of the Municipal Budget and Reporting Regulations (MBRR) when annual budget is tabled it must be accompanied by any proposed amendments to policies and by-laws due to annual review process. The budget policies and by-laws were reviewed and forms part of the budget. Budget related policies and by-laws will be extensively be reviewed during the 2023/2024 financial year.

The following budget-related policies and by-laws be considered by Council for the 2023-24 – 2024/25 Medium Term Revenue and Expenditure Framework budget:

The following policies are tabled with the budget:

- a. Credit Control and Debt Collection Policy; By Laws
- b. Municipal Property Rates Policy;
- c. Tariff Policy,
- d. Supply Chain Management
- e. Borrowing Policy;
- f. Indigent subsidy Policy
- g. Subsistence and Traveling Policy
- h. Budget Policy
- i. Transfer and Virement Policy
- j. Funding and Reserve Policy
- k. Asset Management Policy
- l. Banking and investment Policy
- m. Wasteful and Fruitless Expenditure
- n. Cellphone Allowance

On the 20th of April 2023 the proposals for the amendments on the following policies were adopted for 2023/24 Financial Year:

- Subsistence and Traveling Policy
- Tariff Policy
- Municipal Property Policy
- Credit control and Debt Collection Policy

- Indigent Subsidy Policy

2.3 Municipal Manager’s Quality Certificate

I, Municipal Manager of Ngwathe Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Ngwathe Local Municipality (FS203)

Signature _____

Date _____

