

# **ANNUAL BUDGET OF NGWATHE LOCAL MUNICIPALITY**



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

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## Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CM	City Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GDS	Gauteng Growth and Development Strategy
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

MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

## **Part 1 – Draft 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 2024/2025 to 2026-2027 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 2024/2025, 2025/26 and 2026/27, Management has considered the guideline of the National Treasury's MFMA Circular No. 126, 07 December 2023 and previous guidelines, previous circulars, Guidelines on Cost containment measures announced by the National Treasury, the NDP and the FSGDS were used to guide the compilation of the 2024/2025 MTREF.

Management has also considered the Division of Revenue Bill (Gazette No. 50099 of 08 February 2024, 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 2024/2025 financial year

Challenges experienced during the compilation of the 2024/2025 MTREF are summarized as follows:

- The need to reprioritize projects and expenditure within the existing resource 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 2024/2025 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 2023/24 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 2024/2025 financial year is **R1,044 billion** with the operational expenditure budget of **R 1,098 billion** and a capital budget of **R139 million**, which R132 million grant is based DORA Bill and R6.7 million Internal Funding. There is an increase of **R12,9 million on** operational revenue and increase of **R15.7 million** on operational expenditure when compared to 2023/24 adjustments budget.

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 30% and 40%
- iii) The municipality anticipate an increase of 20% on the current collection towards the budget

1.2.1. The following summary of tariffs applied for increase on 2024/2025 budget,

1.2.1.1.	Water Supply	4.9% (Rand Water and DWA proposed tariff)
1.2.1.2.	Electricity	12.74% (NERSA proposed tariff)
1.2.1.3.	Sewerage	4.9%
1.2.1.4.	Refuse	4.9%
1.2.1.5.	Rates and Taxes	Revised tariffs in line with new GVR (With rebates of 5% on industrial and 40% on PBO)
1.2.1.6.	Cemeteries	4.9%
1.2.1.7.	Halls	4.9%
1.2.1.8.	All Other Sundries	4.9%

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

- Depreciation **R 54 million**
- Provision for bad debts **R 165 million**

When compared to the 2023/24 Adjustments Budget, the major operational expenditure has decreased in the 2024/2025 budget; the decrease is proposed to accommodate the following:

- Salaries - The current year performance (2023/24) financial year) and 4.9%.
- Bulk purchase on electricity – based on the audited an increase of 12.74% as approved by NERSA
- Bulk purchases on water – increase of 4.9% and current year performance (2023/24 financial year).

### 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 60 per cent annual collection rate for property rates and other key service charges for 2024/2025;
- 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 2024/2025 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	2020/21	2021/22	2022/23	Budget Year 2023/24				2024/25 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 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Revenue</b>										
<b>Exchange Revenue</b>										
Service charges - Electricity	216,918	234,321	209,148	390,990	366,162	366,162	366,162	280,426	293,326	306,819
Service charges - Water	54,750	74,319	66,897	88,492	88,492	88,492	88,492	79,574	83,234	87,063
Service charges - Waste Water Management	57,131	56,228	56,316	71,812	71,812	71,812	71,812	62,922	65,817	68,844
Service charges - Waste Management	39,357	43,726	40,009	57,561	57,561	57,561	57,561	44,973	47,042	49,205
Sale of Goods and Rendering of Services	1,391	1,334	1,459	1,039	1,264	1,264	1,264	2,385	2,495	2,610
Agency services										
Interest										
Interest earned from Receivables	45,635	43,155	69,357	46,712	46,712	46,712	46,712	96,500	100,939	105,582
Interest earned from Current and Non Current Assets	1,131	1,407	2,836	2,077	2,077	2,077	2,077	6,514	6,814	7,127
Dividends			(7)							
Rent on Land										
Rental from Fixed Assets	320	349	272	286	456	456	456	366	383	401
Licence and permits										
Operational Revenue	907	83	1,739	669	669	669	669	56,862	59,478	62,214
<b>Non-Exchange Revenue</b>										
Property rates	96,614	104,441	96,969	125,698	125,698	125,698	125,698	126,597	132,421	138,512
Surcharges and Taxes										
Fines, penalties and forfeits	259	229	42	1,920	1,129	1,129	1,129	294	308	322
Licences or permits										
Transfer and subsidies - Operational	258,184	233,097	247,197	269,087	269,377	269,377	269,377	286,948	294,078	301,967
Interest										
Fuel Levy										
Operational Revenue										
Gains on disposal of Assets	19,379	-	(429)							
Other Gains	(2,715)	6,775	7,697							
Discontinued Operations										
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>789,260</b>	<b>799,466</b>	<b>799,500</b>	<b>1,056,344</b>	<b>1,031,411</b>	<b>1,031,411</b>	<b>1,031,411</b>	<b>1,044,363</b>	<b>1,086,334</b>	<b>1,130,667</b>

In the 2023/24 budget adjustment on revenue from rates and services charges totaled **R710 million**. In 2024/2025 budget it decreased to **R594 million** by R115 million which is 16% decrease. The 2024/2025 projected amounts are based on the 2022/2023 audited figures and year to date performance of 2023/24 financial year.



The municipality's ability to fund its operations is largely based on generating its own revenue, 60% per cent is envisaged of the total municipality income in the 2024/2025 financial year (70% in 2025/26), **R286 million** will be from government grants as per Dora Bill. The collection of revenue is therefore crucial to the financial well-being of the municipality.

The largest revenue items are electricity revenue at **R280 million**, water revenue at **R79 million**, assessment rates at **R127 million**, of the total operational revenue (i.e. excluding capital grants of **R132 million**). Revenue from electricity and water sales, government grants and property rates remain the main income items for the MTREF period.

'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. The increase on other revenue is mainly based on Sale of Land due. 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**

<b>FS203 Ngwathe - Supporting Table SA18 Transfers and grant receipts</b>									
Description	2020/21	2021/22	2022/23	Budget Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>RECEIPTS:</b>									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	<b>255,257</b>	<b>233,097</b>	<b>246,791</b>	<b>269,087</b>	<b>269,087</b>	<b>269,087</b>	<b>285,168</b>	<b>294,078</b>	<b>301,967</b>
Local Government Equitable Share	244,478	228,425	241,451	261,348	261,348	261,348	278,095	288,372	296,208
Energy Efficiency and Demand Side Management Grant	4,709	–	–	–	–	–	–	–	–
Expanded Public Works Programme Integrated Grant	1,466	1,672	2,240	2,154	2,154	2,154	1,480	–	–
Local Government Financial Management Grant	3,000	3,000	3,100	3,100	3,100	3,100	3,000	3,000	3,000
Municipal Disaster Relief Grant	–	–	–	–	–	–	–	–	–
Municipal Infrastructure Grant	1,604	–	–	2,485	2,485	2,485	2,593	2,706	2,759
<b>Provincial Government:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>District Municipality:</b>	<b>–</b>	<b>–</b>	<b>406</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
			406						
<b>Other grant providers:</b>	<b>221</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>290</b>	<b>290</b>	<b>–</b>	<b>–</b>	<b>–</b>
Local Government Water and Related Service SETA	221	–	–	–	290	290	–	–	–
<b>Total Operating Transfers and Grants</b>	<b>255,478</b>	<b>233,097</b>	<b>247,197</b>	<b>269,087</b>	<b>269,377</b>	<b>269,377</b>	<b>285,168</b>	<b>294,078</b>	<b>301,967</b>
<b>Capital Transfers and Grants</b>									
<b>National Government:</b>	<b>89,393</b>	<b>100,845</b>	<b>53,174</b>	<b>141,235</b>	<b>136,011</b>	<b>136,011</b>	<b>132,554</b>	<b>216,793</b>	<b>351,319</b>
Integrated National Electrification Programme Grant	4,754	1,142	–	30,000	24,100	24,100	15,585	17,000	20,000
Municipal Infrastructure Grant	42,059	39,635	13,206	47,214	43,890	43,890	46,063	48,233	52,429
Regional Bulk Infrastructure Grant	25,313	38,875	22,642	50,000	50,000	50,000	60,000	141,112	266,890
Water Services Infrastructure Grant	17,266	21,193	17,326	14,021	18,021	18,021	10,906	10,448	12,000
<b>Provincial Government:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>District Municipality:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Other grant providers:</b>	<b>600</b>	<b>–</b>	<b>1,563</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	600	–	1,563	–	–	–	–	–	–
<b>Total Capital Transfers and Grants</b>	<b>89,993</b>	<b>100,845</b>	<b>54,737</b>	<b>141,235</b>	<b>136,011</b>	<b>136,011</b>	<b>132,554</b>	<b>216,793</b>	<b>351,319</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>345,470</b>	<b>333,942</b>	<b>301,933</b>	<b>410,322</b>	<b>405,388</b>	<b>405,388</b>	<b>417,722</b>	<b>510,871</b>	<b>653,286</b>

### 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 information on Property Rates is 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(1)(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 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 2024/2025 financial year based on the new General Valuation Roll from 1 July 2024 is contained below:

**Table 5 Comparison of proposed rates to levy for the 2024/2025 financial year**

CATEGORY	RATES	TARIFF CODES	EXEMPTIONS, REDUCTIONS & REBATES
Residential	0.0131	VAP001  VAP004	A total rebate of R30 000 will be granted on the value of the property (R15 000 impermissible according to the Municipal Property Act plus a further R15 000 according to the municipality's Property Rates Policy)
Business and Commercial	0.0228	VAP002	A maximum of reduction in line with Property Rates Policy will be granted
Industrial	0.0228	VAP011	A maximum of reduction in line with Property Rates Policy will be granted

			(5% reduction)
Mining	0.0228	VAP008	No rebates
Agriculture	0.0033	VAP006	25% of the residential tariff. Any rebates will be granted in line with the Property Rates Policy
Properties owned by an Organ of the State and used for Public Service Purpose	0.0228	VAP007	No rebates
Public Service Infrastructure	0.0033	VAP009	Any rebates will be granted in line with amended Rates Act of 2014
Properties owned by Public Benefit Organisation and used for Specified Public Benefit Activities	0.0144	VAP003	Any rebates will be granted in line with amended Rates Act of 2014
Vacant Stand	0.0146	VAP000	A total rebate of R30 000 will be granted on the value of the property (R15 000 impermissible according to the Municipal Property Act plus a further R15 000 according to the municipality's Property Rates Policy)
Municipal	0.0000	VAP005	Exempted/Zero rated
Place of Worship	0.0000	VAP010	Exempted/Zero rated

### 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 2024/2025 is projected at **R79,5 million** and represent a decrease of **R8.9 million (10%)** as compared to 2023/24 adjusted budgeted amount of **R88.4 million**. With the current water and electricity supply challenges facing the municipality and the country at large, National Treasury has encouraged all municipalities to carefully review the level and structure of their water tariffs.

Rand Water and DWA proposed tariff is 4.9 per cent from 1 July 2024. The municipality will grant 6 kℓ water per 30-day period free of charge to registered indigent households.

<b>PART 1 : SUPPLY OF WATER</b>				Increase		4.9	
<b>Parys/Heilbron/Vredefort/Koppies/Edenville</b>							
<b>Schedule (b) Water Consumption</b>							
Tariffs excluding VAT		Tariff Codes Services		2024/2025			
				Tariff	VAT	TOTAL	
Indigents	Basic Consumption	BWi01 WA01i	0 - 6 FBS	69.09	10.36	79.45	
			7 - 20 Indigent Only	-	-	-	
			21 - >	13.94	2.09	16.03	
				14.15	2.12	16.27	
Residential	Basic Consumption	BW001 WA001 WA001	0 - 20	69.09	10.36	79.45	
			21 - 30	13.94	2.09	16.03	
			31 - >	14.15	2.12	16.27	
EHKPV				14.15	2.12	16.27	
Business (per Business)	Basic Consumption	BW002 WA002	Cons	221.86	33.28	255.14	
		New-2019/20	0 - 20	16.18	2.43	18.61	
			21 - 30	16.18	2.43	18.61	
			31 - >	16.18	2.43	18.61	
EHKPV				16.18	2.43	18.61	
Bulk/Government/Schools	Basic Consumption	BW004 WA004	Cons	221.87	33.28	255.15	
EHKPV		New-2019/20	0 - 20	13.94	2.09	16.03	
Sch			21 - 30	13.94	2.09	16.03	
EHKPV			31 - >	14.15	2.12	16.27	
Gov				14.15	2.12	16.27	
Industrial	Basic Consumption	BW009 WA009	Cons	144.62	21.69	166.31	
EHKPV		New-2019/20	0 - 20	13.94	2.09	16.03	
			21 - 30	13.94	2.09	16.03	
			31 - >	14.15	2.12	16.27	
				14.15	2.12	16.27	
Small Business(Business from Home)	Basic Consumption	BW010 WA015	Cons	110.07	16.51	126.58	
EHKPV		New-2019/20	0 - 20	13.94	2.09	16.03	
			21 - 30	14.15	2.12	16.27	
			31 - >	14.15	2.12	16.27	
Municipal	Basic Consumption	BW010 WA005		221.85	33.28	255.13	
EHKPV				13.94	2.09	16.03	
Sewerage	Consumption	WA013		8.25	1.24	9.49	
Unpurified	Consumption	WA014		8.25	1.24	9.49	
Sports Organisations	Consumption	WA007		13.94	2.09	16.03	
Vacant stands	Basic	BW000		146.77	22.02	168.79	
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 2024/2025 is projected **R280 million** and this represents a decrease of **R86 million** or 23% as compared to the 2023/2024 adjusted budgeted figure of **R366 million**. NERSA proposed a tariff increase of 12.74% for 2024/2025 financial year.
- 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.

<b>PART 1 : SUPPLY OF ELECTRICITY</b>				
	Increase	12.75		
<b>Parys/Heilbron/Vredefort/Koppies/Edenville</b>				
<b>Schedule (a) Electricity Consumption</b>				
Tariffs excluding VAT	Tariff Codes	2024/2025		
		Tariff	VAT %	TOTAL
Residential - Pre Paid - Non Indigent	EL001	3.17	0.48	3.65
Residential - Conventional - Non Indigent	EL001	3.17	0.48	3.65
EHKPV		-		
Residential - Pre Paid - Indigent	EL011	2.09	0.31	2.40
Residential - Conventional - Indigent	EL011	2.09	0.31	2.40
EHKPV				
Business (Pre-paid incl)	BE002	1,211.80	181.77	1,393.57
	EL002	3.03	0.45	3.48
EHKPV			-	-
Government	BE014	1,438.28	215.74	1,654.02
	EL014	2.89	0.43	3.32
EHKPV				
Churches	BE015	543.22	81.48	624.70
	EL015	3.31	0.50	3.81
EHKPV				
Small Holdings	BE003	731.26	109.69	840.95
	EL003	3.03	0.45	3.48
EHKPV				
Small Business	BE016	731.26	109.69	840.95
	EL016	3.03	0.45	3.48
EHKPV				
Bulk Consumers	BE004	1,441.62	216.24	1,657.87
Consumption	EL004	2.16	0.32	2.48
Demand	EL004	309.22	46.38	355.60
EHKPV				
Municipal	BE005	1,223.80	183.57	1,407.37
	EL005	3.00	0.45	3.45
EHKPV				
Sundry Consumers	BE006	1,223.80	183.57	1,407.37
	EL006	3.00	0.45	3.45
EHKPV				
Sports Organisations	BE007	1,438.28	215.74	1,654.02
	EL007	2.89	0.43	3.32
EHKPV				
Schools/Hostels	BE008	1,438.28	215.74	1,654.02
	EL008	2.89	0.43	3.32
EHKPV				
Industrial	BE009	1,438.28	215.74	1,654.02
EHKPV	EL009	3.02	0.45	3.47
	BE010	1,438.28	215.74	1,654.02
EHKPV	EL010	3.02	0.45	3.47
	BE011	1,441.62	216.24	1,657.87
EHKPV	EL011	3.03	0.45	3.48
Telkom exchange/Auto Exchange	BE012	1,441.62	216.24	1,657.87
EHKPV.	EL012	2.16	0.32	2.48
	EL012	309.22	46.38	355.60
Flood Lights/ Streetlights	BE013	626.79	94.02	720.81
		2.32	0.35	2.67
Vacant stands Residential	BE000	229.83	34.47	264.31
Vacant stands Business and Other	BE017	229.83	34.47	264.31

### 1.3.4 Sanitation and Impact of Tariff Increases

Sanitation revenue for the financial year 2024/2025 is projected at **R62.9 million** and this represents a decrease of **R9 million** as compared to the 2023/24 budgeted amount of **R71.8 million**. A tariff increase of 4.9 per cent for sanitation from 1 July 2024 is proposed.

<b>PART 1 : SUPPLY OF SANITATION</b>						
			Increase		4.9	
<b>Parys/Heibron/Vredefort/Koppies/Edenville</b>						
<b>Schedule 6(c) Sewerage</b>						
Tariffs excluding VAT		Tariff Codes		2024/2025		
				Tariff	VAT	Total
Residential:		SE001	Waterborne (per household)	121.48	18.22	139.70
		SEBS	Bucket System	61.56	9.23	70.79
		SEST	Suction Tank	119.76	17.96	137.72
Crèche		SECR8		378.22	56.73	434.95
Primary School		SEPS8		7,531.11	1,129.67	8,660.78
Secondary School		SESS8		11,296.67	1,694.50	12,991.17
Business				378.22	56.73	434.95
Restaurants, Café, Guest House				491.69	73.75	565.44
Clover 1		SEH011	Clover 1	99,946.63	14,991.99	114,938.62
Simba		SEH012	Simba	2,499.04	374.86	2,873.90
Hotels, Supermarkets, Hospitals, Country Club,		SE015		1,701.99	255.30	1,957.29
Khaya Ebubhesi		Sundry	Khaya Ebubhesi Per Dumping As Per Council Resolution	679.37	101.91	781.28
Small Business (Business From Home)		SE016	Waterborne per shop	179.64	26.95	206.59
Government		SE014	Fixed basic charge	11,759.84	1,763.98	13,523.82
Sport Organisations		SE007	Fixed basic charge	172.48	25.87	198.35
Departmental (Municipal)		SE005	Fixed basic charge	151.35	22.70	174.05
Vacant Stands		SE000	Fixed basic charge	160.68	24.10	184.78
Abattoir		SE003	Fixed basic charge	4,305.70	645.86	4,951.56
Churches and Welfare Organisations		SE013	Fixed basic charge	151.35	22.70	174.05
Bulk		SE004	Fixed basic charge	137.66	20.65	158.31
Holiday Resorts		SE006	Fixed basic charge	152.08	22.81	174.89
Old Aged Homes:		SE009	Clinic/Rooms Per Point	94.60	14.19	108.79
		SE010	Flats/Houses Per Unit	153.54	23.03	176.57



### 1.3.5 Waste Removal and Impact of Tariff Increases

Refuse removal revenue for the financial year 2024/2025 is projected at **R44.9 million** and this represents a decrease of **R12.6 million** or **22%** as compared to the 2023/2024 budgeted amount of **R57.5 million**. A **4.9 per cent** increase in the waste removal tariff is proposed from 1 July 2024. Table 9 The following table compares current and proposed amounts payable from 1 July 2024.

<b>PART 1 : SUPPLY OF REFUSE</b>					
		Increase	4.9		
<b>Parys/Heibron/Vredefort/Koppies/Edenville</b>					
<b>Schedule 6(d) Refuse Removal</b>					
Tariffs excluding VAT		Tariff Codes Services	2024/2025		
			Tariff	VAT	Total
Residential		RF001	129.19	19.38	148.57
Business		RF002	238.95	35.84	274.79
Restaurants, Café, Guest House		RF002	310.64	46.60	357.23
Holiday Resorts	/Cottage	RF016	50.60	7.59	58.19
Office considered as	/Caravan Stand	RF017	25.45	3.82	29.27
Churches and Welfare		RF018	128.62	19.29	147.91
Small Business(Business From Home)		RF020	193.50	29.03	222.53
Municipal		RF005	98.83	14.82	113.65
Sports Clubs		RE007	42.55	6.38	48.93
Industrial	Large	RE009	584.80	87.72	672.52
Hotels, Supermarkets, Hospitals, Country Club, Guest Houses	Fixed	RF015	1,075.28	161.29	1,236.57
Old Aged Homes	Fixed	RF019	59.95	8.99	68.94
Hostels					
Bulk Government	Fixed	RF004 RF014	4,287.67	643.15	4,930.82
Creche	Fixed	RFCR8	238.95	35.84	274.79
Primary School		RFPS8	4,287.68	643.15	4,930.83
Secondary School		RFHS8	4,287.68	643.15	4,930.83

**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.

## 1.4 Operating Expenditure Framework

The Municipality's expenditure framework for the 2024/2025 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**

Description	2020/21	2021/22	2022/23	Budget Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousand</b>										
<b>Expenditure</b>										
Employee related costs	249,031	259,537	259,780	280,898	280,898	280,898	280,898	293,009	306,487	320,279
Remuneration of councillors	15,493	15,589	16,679	18,056	18,056	18,056	18,056	18,394	19,240	20,106
Bulk purchases - electricity	232,041	273,182	247,198	341,478	341,478	341,478	341,478	316,816	331,389	346,633
Inventory consumed	720	883	132,262	130,725	111,832	111,832	111,832	89,955	92,539	96,796
Debt impairment	-	-								
Depreciation and amortisation	59,428	88,492	79,963	76,842	51,842	51,842	51,842	54,382	56,883	59,500
Interest	34,941	36,709	78,303	22,293	22,293	22,293	22,293	34,824	36,426	38,101
Contracted services	39,720	48,121	45,457	36,351	26,147	26,147	26,147	26,708	27,936	29,221
Transfers and subsidies	165	150	178	180	180	180	180	180	180	180
Irrecoverable debts written off	163,129	165,819	202,116	157,549	157,549	157,549	157,549	165,269	172,872	180,824
Operational costs	41,152	37,956	37,914	68,814	72,687	72,687	72,687	99,209	103,772	108,546
Losses on disposal of Assets	3,781	58,678	-							
Other Losses	28	-	3							
<b>Total Expenditure</b>	<b>839,629</b>	<b>985,116</b>	<b>1,099,853</b>	<b>1,133,186</b>	<b>1,082,962</b>	<b>1,082,962</b>	<b>1,082,962</b>	<b>1,098,745</b>	<b>1,147,725</b>	<b>1,200,186</b>

The budget allocation for employee related costs for the 2024/2025 financial year is **R293 million**, which represents 27 per cent of the total operating expenditure. The budget for employee related costs is based on annual increase of CPIX (4.9%) 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. The current performance for Remuneration of Councilors for 2023/24 is **R17 million**. 2024/25 projections for councilors amounts to **R18,4 million**.

The provision of debt impairment for the 2024/2025 financial year is **R165 million** which leads to an increase of **R7.7 million** is based on the 2023/2024 budget. 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 is informed by the Municipality's Asset Management Policy. Budgeted amount in this regard totals **R54 million** for the 2024/2025 financial year.

Finance charges consist primarily of the repayment of interest portion on overdue creditors. Finance charges is budgeted at **R34,8 million** for 2024/2025.

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 2024/2025 budget for bulk purchases is **R316 million** which is less by **R25 million** as compared with 2023/2024 budget amount of **R341 million**. The adjustment is mainly based on the current performance to date (2023/24 financial year).

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 **R33 million** has been made to cover the below indigents benefits-

SERVICE	INDIGENT SUBSIDY
Water	6 Kiloliters 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 and above R1 500 000

## 1.5 Capital expenditure

Grant	Project Description	Budget Allocated 2024/25	Budget Allocated 2025/26	Budget Allocated 2026/27
MIG	Tumaholo: Refurbishment of Mosepedi Hall for sport purposes Phase 2	2,300,000.00		
MIG	Provision of Specilized vehicles in Mokwallo	-	2,500,000.00	
MIG	Ngwathe Edenville: Refurbishment of community hall for indoor Sports facilities	-		2,483,460.00
INTER	YELLOW FLEET	5,300,000.00	-	-
		<b>7,600,000.00</b>	<b>2,500,000.00</b>	<b>2,483,460.00</b>
MIG	Parys: Replacement of Two 500kVA Mini Substations at the Water Treatment Works (MIS:511140)	-		
MIG	Phiritona/Sandersville: Construction of low level bridge in ward 1 (MIS:438422)	4,533,837.38		
MIG	Mokwallo: Construction of 2km paved access road and storm water in Ward 15 (MIS:338361)	13,426,017.99	3,084,119.73	
MIG	Ngwathe/Phiritona: Construction of pedestrian bridge in ward 1 (MIS:400866)	3,041,091.42		
MIG	Tumahole: Construction of 1km paved access road and storm water drainage in ward 13 (MIS:439242)	6,389,568.11		
		<b>27,390,514.90</b>	<b>3,084,119.73</b>	<b>-</b>
MIG	Vredefort: Upgrading of Waste Water Treatment Works (MIS:441764)	-		
MIG	Phiritona/Heilbron: Construction of 3km Waterborne Sanitation network connecting 66 erven - Phase 1 (MIS:434660)	5,401,774.45	12,105,125.51	
MIG	Provision of Specilized vehicles in Edenville (Honeysucker)	-	-	
MIG	Phiritona/Heilbron: Construction of 3km Waterborne Sanitation network connecting 66 erven - Phase 2	-		14,097,065.49
WSIG	TS_C_M_NG_WSIG GRANT	10,906,000.00	10,448,000.00	12,000,000.00
		<b>16,307,774.45</b>	<b>22,553,125.51</b>	<b>26,097,065.49</b>
MIG	Parys: Refurbishment of old Parys Water treatment works (COVID-19) (MIS:395105)	1,923,383.85		
MIG	Parys: Replacement of 15km water asbestos pipe (MIS:417534)	9,046,976.78	-	
MIG	Vredefort: Upgrading of Water Treatment Works	-	11,664,387.80	22,148,343.64
MIG	Replacement of Heilbron AC water reticulation pipelines	-	18,879,066.96	2,035,343.07
MIG	Effective Water Management Systems in Phiritona	-		11,664,387.80
RBIG	TS_C_M_NG_RBIG GRANT	60,000,000.00	141,112,000.00	266,890,000.00
		<b>70,970,360.63</b>	<b>171,655,454.76</b>	<b>302,738,074.51</b>
INEG	TS_C_M_NG_INEP GRANT	15,585,000.00	17,000,000.00	20,000,000.00
INEG	TS_C_M_NG_INEP GRANT	<b>15,585,000.00</b>	<b>17,000,000.00</b>	<b>20,000,000.00</b>
INTER	Purchase of Mayor's car	700,000.00		
INTER	Purchase of Speaker's car	700,000.00	-	-
		<b>139,253,649.98</b>	<b>216,792,700.00</b>	<b>351,318,600.00</b>

For 2023/24 capital budget was **R139 million** had been appropriated for the development of infrastructure. The Proposed Capital Budget for the 2024/2025 financial year amounts to **R132 million** as per Dora Bill Allocation and **R6.7 million** internal funding. The breakdown of the projects will be presented in the Technical Department Committee.

- MIG R 46 Million
- INEG R15.5 Million
- WSIG R 10.9 Million
- RBIG R 60 Million
- Internal R 6.7 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 2023) 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 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 purpose of the Budget Steering Committee is to ensure:

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

In compliance with chapters 4 and 5, Act No. 32 of 2000, the IDP & Budget Documents for 2024 to 2025 will also be available for inspection for a period of 30 days as from the 1<sup>st</sup> April to the 30<sup>th</sup> April 2024. 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 2024/25 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 2023/24 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

2024/2025 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 being reviewed during the 2024/2025 financial year.

The following budget-related policies and by-laws be considered by Council for the 2024/2025 – 2026/27 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

### 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 \_\_\_\_\_

