



The home of harmony, prosperity and growth

**2025/26 Medium Term Revenue and Expenditure Framework  
(MTREF)  
May 2025**

## Table of Contents

Part 1: Annual Budget .....	2
1.1 Executive Mayor's Report .....	2
1.2 Resolutions .....	3
1.3 Executive Summary .....	3
1.4 Annual Budget Tables .....	5
Part 2: Supporting Documentation .....	25
2.1 Overview of the Budget Process .....	25
2.2 Overview of Alignment of the Budget with the IDP.....	28
2.3 Measurable Performance Objectives and Indicators .....	29
2.4 Overview of Budget Related-Policies .....	34
2.5 Overview of Budget Assumptions.....	35
2.6 Overview of Budget Funding .....	38
2.7 Expenditure on Allocations and Grant Programmes .....	58
2.8 Disclosure of Councillors Allowances and Remuneration of Employees .....	60
2.9 Overview of Annual Departmental Service Delivery and Budget Implementation Plan (SDBIP) .....	62
2.10 Capital Expenditure Details .....	62
2.11 Contracts having Future Budgetary Implications .....	64
Annexure A-A1 .....	66
Municipal Manager's Quality Certification .....	67

## Part 1: Annual Budget

### 1.1 Executive Mayor's Report

I am pleased to present the Annual Budget for Ngwathe Local Municipality for the 2025/26 MTREF period. This budget outlines our municipality's financial plans and priorities for the next year and is aligned with our Integrated Development Plan (IDP).

The total budget for the upcoming financial year is R 2,099 billion, which represents a 59% increase from the previous year and this increase is justifiable and is attributable to a detailed and rigorous process and approach.

Our budget priorities for the upcoming financial year include:

- a) Improving Service Delivery: We will focus on improving service delivery, including water, sanitation, electricity, and waste management.
- b) Supporting Economic Growth: We will support economic growth by investing in infrastructure development and providing support to small businesses and entrepreneurs.
- c) Promoting Social Development: We will promote social development by investing in community facilities and programs that support vulnerable communities.

Although we have made a significant progress over the years, we still face several challenges that are impacting on our annual budget and the speed at which we wish to develop our area and provide sustainable services, and these include, amongst others the following:

- a) Limited Resources;
- b) Infrastructure Backlogs;
- c) Economic Uncertainty.

In conclusion, I believe that our Annual Budget for the upcoming financial year is a critical step towards achieving our vision for Ngwathe Local Municipality as a vibrant, prosperous, and sustainable municipality. I would like to thank the Council, officials, residents and all stakeholders for their input and support in developing this budget. Let us work together to implement this budget and build a better future for all our residents.

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Cllr Victoria De Beer – Mthombeni

**Executive Mayor**

**Ngwathe Local Municipality**

## **1.2 Resolutions**

In line with regulation 2 of Schedule A of Municipal Budget and Reporting Regulations 2009, resolutions are hereby presented that Council approve:

- the 2025/26 Medium Term Revenue and Expenditure Framework (Annual Budget) of the municipality, specifically appropriating the amounts for the different votes, and for single-year and multi-year capital expenditure;
- all rates, taxes and tariffs for services provided by the municipality;
- measurable performance objectives for the annual budget for each year of the Medium Term Revenue and Expenditure Framework (MTREF); and
- Budget-related policies or amendments to such policies.

## **1.3 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.

To this effect, section 21 of Municipal Finance Management Act 56 of 2003, supported by Municipal Budget and Reporting Regulations, 2009, gives a contextual framework to budget preparation process by a municipality, in a manner that seek to guarantee the said sustainable provision of services to the community and fulfillment of other prescribed constitutional mandates.

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 programmes so as to maintain sound financial stewardship. Furthermore, in order to improve our revenue collection benchmarks and take a cost leadership approach in management of our expenditure, we have conducted a detailed analysis of our source of revenue from a completeness point of view, whilst at the same time we have also undertaken a review of expenditures on noncore items.

The outcomes of this process has helped us identify critical gaps that existed between our billing system and the General Valuation Roll, which is a primary credible source of data that identifies different categories of properties and owners within the municipality which is fundamental for billing purposes.

In Preparation of the 2025/26 MTREF, Management has also considered the guidelines of the National Treasury's MFMA Circular No. 129 of 07 December 2024 and other applicable previous budget and financial

management guidelines, and also where possible, the 2024 – 2029 Medium Term Strategic Framework and the FSGDS.

Management has also considered the Division of Revenue Bill Gazette issued by the Cabinet, which provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2025/2026 Medium Term Revenue and Expenditure Framework.

The preparation of the 2025/26 MTREF was not without challenges, and some of the dominant challenges experienced during the process of compiling the 2025/2026 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;
- Sharp increased cost of bulk water and electricity (due to tariff increases from Rand Water, DWS 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, leaving many more people without jobs and eroding revenue base for municipalities;
- Wage increases for municipal staff as per bargaining council, resulting in pressure on the budget; and
- Affordability of capital projects that are not funded by National Grants.

In order to navigate through the above stated challenges, we had to consider the following key factors and planning strategies in order to compile a workable, yet realistic and realistic budget:

- The need for tariff increases and cost reflectiveness thereof in order to ensure sustainability of the municipality versus the ability of the community to pay for services;
  - Identification of revenue gaps and practical measures to address these in order to ensure improve financial sustainability going forward;
  - New policy proposals in order to aid and support robust collection of revenue, whilst at the same time providing cover for indigent households within the prescribe limits;
  - 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
  - Considerations to ensure preventive and regular maintenance of assets, renewal and upgrading in order to prolong their lifespan instead of buying new ones;
  - General National Provincial and Regional economic climate and trends in order to reasonably forecast and plan for any possible future scenarios; and

- Assessment of our own performance trends and identification of areas where efficiencies and economies of scale can be improved.

With regard to tariffs, the following summary of increases in tariffs will apply with effect from 1 July 2025 in line with the 2025/2026 budget.

**Table 1: % Increase on Tariffs for 2025/26**

Item	% Increase for 2025/26
Water	9.85% (15.3% Rand water and DWS proposed tariff 4.4%)
Electricity	11.32%
Sanitation	4.4%
Refuse Removal	4.4%
Rates and Taxes	4.4% (With rebates of 10% residential, 5% on business, 5% on industrial and 40% on PBO)
Cemeteries	4.4%
Hiring of Halls	4.4%
All other Sundries	4.4%

With all of the above considered, we have managed to put together an ambitious, yet pragmatic and realistic budget that seeks to set a new trajectory in taking Ngwathe Local Municipality forward as set out in more detail in the rest of this financial plan.

## 1.4 Annual Budget Tables

The budget tables provide a perspective and detailed breakdown of the municipality's revenue and expenditure plans for the upcoming financial year. They serve as key documents in the budget process, detailing how the municipality plans to allocate its resources to meet service delivery obligations and other needs. These schedules must be read together with the foregoing executive summary as well as other supporting documents and details contained herein.

The order of the tables and summarised explanation of what each table entails is provided herewith as follows:

Table A1 – Budget Statement Summary (**Attached hereto as Annexure A-A1**)

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

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

Table A4 – Budgeted Financial Performance (revenue and expenditure)

Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding

Table A6 – Budgeted Financial Position

Table A7 – Budgeted Cash Flows

Table A8 – Cash Backed Reserves / Accumulated Surplus Reconciliation

Table A9 – Asset Management

Table A10 – Basic Service Delivery Measurement

**Table A1 – Budget Statement Summary:** Summarises the whole of municipality's financial performance, financial position and cash flow for the period under review. For the 2025/26 financial year, the **proposed total budget is R 2,099 billion**, and is outlined in **table A1 Budget Summary attached hereto as Annexure A-A1**.

The following is a high level, abridged version of the total budget as presented in Table A1:

**Table 1.2 Abridged Total Budget**

Vote Description  R thousand	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Total Revenue	1 176 917	1 188 013	1 188 013	2 098 678	2 304 469	2 385 437
Total Operating Expenditure	1 098 745	1 253 897	1 253 897	1 383 477	1 460 518	1 551 798
Total Capital Expenditure	139 254	145 554	145 554	171 207	209 195	183 020
Surplus/(Deficit) for the year	(61 082)	(211 438)	(211 438)	543 994	634 756	650 619

The 2025/26 annual budget is 59% more than the 2024/25 final adjusted budget and this increase is justifiable and is attributable to the following factors that have been taken into account during the budgeting process:

**Correction in Budgeting Approach:** Previously, the budgeting approach was simply based on taking prior / current year's actual performance of the budget and then a CPI increase as directed by the National Treasury would be applied to arrive at a budgeted figure. This approach was fundamentally flawed in a sense that it was simply carrying over a lot of inefficiencies embedded in the actual figures, which were simply carried over from one year to another. A classic example is for instance where our revenue collection rate has been around 45% and over 13 098 pre-paid electricity meters (which make up 44% of all installed pre-paid electricity meters) which are not showing any record of purchase activity for up to six years in some instances. The budgeting approach based on actual past performance (i.e actual revenue) ignored these obvious revenue leakages.

To correct this, we approached the budget from firstly on the basis of the latest General Valuation Roll, which is a credible source of all formal properties that exist within the municipality, and from this basis, we were able to identify all different categories of properties within the municipality which must be billed for rates and taxes and secondly, we had to rely on our thoroughly assess and analyse various internal records and reports in order to identify which properties are receiving what type of services, through which channel and finally we have then assessed the completeness of our revenue forecast based on the outcome of these processes, the results which ultimately did not only inform our revenue forecast, but also helped us identify for instance consumers who were using municipal service without paying such as the 13 098 pre-paid electricity users.

**Targeted Revenue and Debt Collection Assumption:** Previously, the projected revenue collection rate that was used as part of budget assumptions was based on a blanket, average rate that did not have specific focus on different consumer groups and their ability to pay. For the 2025/26 MTREF and beyond, we have refined this approach assumed a targeted revenue collection approach, which for instance, focus of 100% collection rate on current and arrear accounts for businesses, state owned properties, agricultural properties and approximately 40% collection rates from residential consumers based on, with an understanding of the prevailing socio-economic challenges faced by households.

Revenue Protection Measures: As already indicated above, there are 13 098 electricity meters that are potentially breached, thus creating a massive revenue leak for the municipality. Therefore, in order to address transgressions such as these and ensuring sustainable revenue generation for the municipality for the services provided, the budget takes an assumption that various measures would be implemented going forward in order to ensure protection of revenue base and sources from erosion, this would include measures such as:

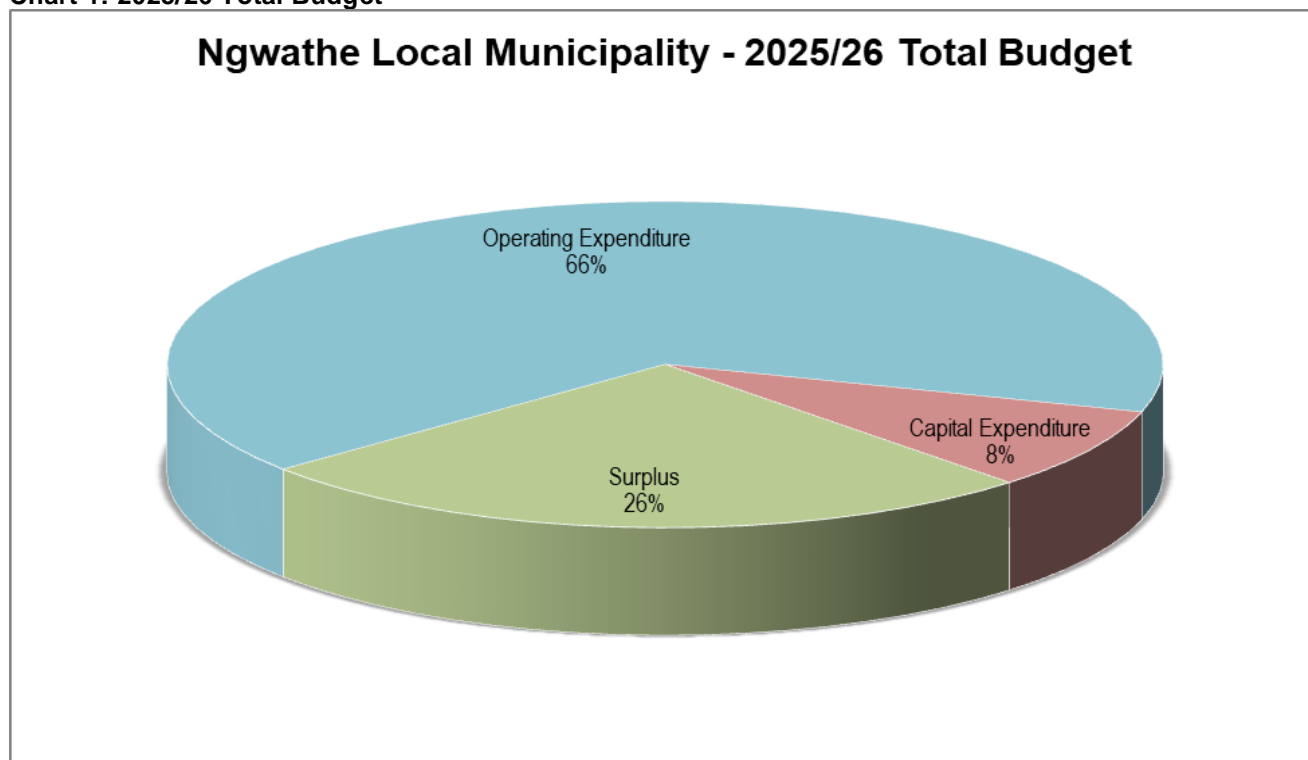
- regular meter audits (both water and electricity);
- conducting regular interim valuations of properties;
- regular reconciliation of billing system and the valuation rolls; and
- using technology to identify credit activity and profiles during Indigent verification processes in order to ensure that those how can afford to pay, do not unduly benefit from the indigent support.
- use from fines and penalties for various transgressions such as breaching of meters, land used violations, etc to finance revenue protection initiatives.

**National Treasury's Budget Parameters:** Included in the 59% increase in the 2025/26 budget is the 4,3% proposed CPI increase as proposed by the National Treasury.

**Identification of Operational Inefficiencies:** Lastly, we also re-assessed some of the major expenditure items such as employee related costs for example, in which case we have identified possible inefficiencies which led to ever increasing costs against ever shrinking revenue. To this effect, we have conceptualized improvement measures that are needed, which amongst others will result in approximately R10 million rand savings in overtime.



**Chart 1: 2025/26 Total Budget**



**NB:** Detailed Budget Summary, is attached hereto as **Annexure A-A1**

**Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification):** Table A2 focuses solely on operating revenue and expenditure based on the functions carried out by the municipality, but also provides a more detailed breakdown of how revenue and expenditure as summarised on table A are driven by / from various functions within the municipality.

**FS203 Ngwathe - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

Functional Classification Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Revenue - Functional</b>										
<b>Municipal governance and administration</b>		356 962	375 456	397 298	369 685	372 623	372 623	1 279 072	1 175 367	1 223 669
Executive and council		-	-	-	-	-	-	-	-	-
Mayor and Council		-	-	-	-	-	-	-	-	-
Municipal Manager, Town Secretary and Chief Executive		-	-	-	-	-	-	-	-	-
Finance and administration		356 962	375 456	397 298	369 685	372 623	372 623	1 279 072	1 175 367	1 223 669
Administrative and Corporate Support		-	1 969	290	-	269	269	-	-	-
Finance		356 962	373 488	397 007	369 685	372 354	372 354	1 279 072	1 175 367	1 223 669
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		951	540	98 413	1 830	1 312	1 312	1 370	1 432	1 468

Functional Classification Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand	1									
Community and social services		839	493	98 283	1 082	1 102	1 102	1 150	1 202	1 232
Cemeteries, Funeral Parlours and Crematoriums		839	493	98 283	1 082	1 102	1 102	1 150	1 202	1 232
Sport and recreation		112	46	129	748	211	211	220	230	236
Recreational Facilities		112	46	129	748	211	211	220	230	236
Public safety		–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>		39 862	15 052	32 091	107 470	107 559	107 559	38 622	119 460	123 531
Planning and development		227	1 846	431	58 814	58 903	58 903	370	64 256	65 862
Town Planning, Building Regulations and Enforcement, and City Engineer		227	1 846	431	58 814	58 903	58 903	370	64 256	65 862
Road transport		39 635	13 206	31 660	48 656	48 656	48 656	38 252	55 204	57 669
Roads		39 635	13 206	31 660	48 656	48 656	48 656	38 252	55 204	57 669
<b>Trading services</b>		502 537	463 188	627 569	697 932	706 519	706 519	779 614	1 008 210	1 036 770
Energy sources		239 668	217 644	305 892	329 844	330 859	330 859	464 532	669 978	667 247
Electricity		239 668	217 644	305 892	329 844	330 859	330 859	464 532	669 978	667 247
Water management		128 093	110 636	185 434	183 552	187 559	187 559	161 714	184 699	181 718
Water Treatment		–	–	–	14 703	14 703	14 703	15 349	16 040	16 441
Water Distribution		128 093	110 636	185 434	168 849	172 856	172 856	146 364	168 659	165 277
Waste water management		84 345	85 431	82 879	107 877	109 681	109 681	97 749	96 572	108 170
Sewerage		84 345	85 431	82 879	107 877	109 681	109 681	97 749	96 572	108 170
Storm Water Management		–	–	–	–	–	–	–	–	–
Waste Water Treatment		–	–	–	–	–	–	–	–	–
Waste management		50 432	49 477	53 365	76 658	78 420	78 420	55 620	56 962	79 635
Solid Waste Disposal (Landfill Sites)		50 432	49 477	53 365	76 658	78 420	78 420	55 620	56 962	79 635
<b>Other</b>		–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>	2	900 311	854 236	1 155 371	1 176 917	1 188 013	1 188 013	2 098 678	2 304 469	2 385 437
<b>Expenditure - Functional</b>	-									
<b>Municipal governance and administration</b>	-	404 100	482 858	552 393	259 591	350 938	350 938	336 862	355 416	362 507
Executive and council	-	73 180	68 808	76 157	77 653	86 856	86 856	85 028	89 093	91 728
Mayor and Council	-	35 724	35 983	43 846	42 207	49 984	49 984	51 299	53 846	55 600
Municipal Manager, Town Secretary and Chief Executive	-	37 456	32 825	32 311	35 446	36 872	36 872	33 729	35 247	36 128
Finance and administration	-	330 920	414 050	476 236	181 937	264 083	264 083	251 834	266 323	270 779
Administrative and Corporate Support	-	47 793	68 673	51 424	48 352	81 932	81 932	70 059	82 282	84 252
Finance	-	274 471	345 377	424 812	133 572	182 151	182 151	178 775	180 906	183 314
Fleet Management	-	–	–	–	13	–	–	–	–	–
Information Technology	-	8 656	–	–	–	–	–	3 000	3 135	3 213
Internal audit	-	–	–	–	–	–	–	–	–	–
<b>Community and public safety</b>	-	131 791	73 311	81 686	80 498	100 373	100 373	110 929	114 822	117 662
Community and social services	-	130 466	67 680	62 417	73 469	80 483	80 483	91 576	94 598	96 933
Cemeteries, Funeral Parlours and Crematoriums	-	130 466	67 680	62 417	73 469	80 483	80 483	91 576	94 598	96 933
Sport and recreation	-	38	2 126	9 145	2 370	8 929	8 929	9 042	9 449	9 685
Community Parks (including Nurseries)	-	11	2 097	6 521	2 370	6 338	6 338	6 337	6 622	6 787
Recreational Facilities	-	27	29	2 624	–	2 591	2 591	2 705	2 827	2 897

Functional Classification Description  R thousand	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Public safety	-	820	2 990	7 780	3 777	8 651	8 651	7 956	8 314	8 522
Fire Fighting and Protection	-	820	2 990	7 780	3 777	8 651	8 651	7 956	8 314	8 522
Housing	-	467	516	2 345	881	2 311	2 311	2 355	2 461	2 523
Housing	-	467	516	2 345	881	2 311	2 311	2 355	2 461	2 523
Health	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	-	229 334	161 472	144 031	129 182	89 843	89 843	144 796	115 741	128 831
Planning and development	-	548	281	3 015	291	4 753	4 753	20 368	20 542	31 247
Economic Development/Planning	-	404	90	-	56	1 586	1 586	17 135	17 164	27 784
Town Planning, Building Regulations and Enforcement, and City Engineer	-	143	191	3 015	235	3 167	3 167	3 233	3 378	3 463
Road transport	-	228 786	161 192	141 016	128 891	85 090	85 090	124 428	95 200	97 584
Roads	-	228 786	161 192	141 016	128 891	85 090	85 090	124 428	95 200	97 584
Environmental protection	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	-	354 639	362 359	452 360	629 474	712 743	712 743	790 890	874 539	942 798
Energy sources	-	278 447	257 349	339 694	416 415	448 266	448 266	550 641	623 766	693 345
Electricity	-	278 447	257 349	339 694	416 415	448 266	448 266	550 641	623 766	693 345
Water management	-	40 923	69 432	63 929	111 911	132 780	132 780	141 836	148 041	145 124
Water Treatment	-	3 508	2 243	19 981	19 469	17 869	17 869	18 113	18 528	18 769
Water Distribution	-	37 415	67 188	43 948	92 442	114 910	114 910	123 723	129 513	126 355
Waste water management	-	33 631	31 498	33 251	46 269	61 261	61 261	48 475	50 656	51 511
Storm Water Management	-	33 606	31 472	33 221	46 118	61 261	61 261	48 475	50 656	51 511
Waste Water Treatment	-	25	26	30	151	-	-	-	-	-
Waste management	-	1 639	4 079	15 486	54 879	70 436	70 436	49 938	52 076	52 818
Solid Waste Disposal (Landfill Sites)	-	1 639	4 079	15 486	54 879	70 436	70 436	49 938	52 076	52 818
<b>Other</b>	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	1 119 864	1 080 001	1 230 470	1 098 745	1 253 897	1 253 897	1 383 477	1 460 518	1 551 798
<b>Surplus/(Deficit) for the year</b>		(219 553)	(225 764)	(75 100)	78 172	(65 883)	(65 883)	715 201	843 951	833 639

**Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote):** Table A3 is almost similar to table A 3 in that it also provides details a more detailed breakdown of how revenue and expenditure as summarised on table A are driven by / from various votes (departments) within the municipality.

Looking at this table, it is evident that the Financial Services Department will be responsible for most of the revenue of the municipality (R 1,279 billion) which makes up 61% of the total revenue for 2025/25 and this is higher revenue margins compared to 2024/25 financial year for the reasons already outlined under the analysis of total budget (table A) above.

**FS203 Ngwathe - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Revenue by Vote</b>	1									
Vote 01 - Corporate Services		–	1 969	290	–	269	269	–	–	–
Vote 02 - Municipal Manager		–	–	–	–	–	–	–	–	–
Vote 03 - Financial Services		356 962	373 488	397 007	369 685	372 354	372 354	1 279 072	1 175 367	1 223 669
Vote 04 - Technical Services		491 740	426 917	605 864	669 929	676 755	676 755	762 247	1 006 452	1 014 804
Vote 05 - Community Services		51 610	51 863	152 209	137 303	138 635	138 635	57 360	122 649	146 964
Vote 06 - Local Economic Development		–	–	–	–	–	–	–	–	–
<b>Total Revenue by Vote</b>	2	<b>900 311</b>	<b>854 236</b>	<b>1 155 371</b>	<b>1 176 917</b>	<b>1 188 013</b>	<b>1 188 013</b>	<b>2 098 678</b>	<b>2 304 469</b>	<b>2 385 437</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 01 - Corporate Services		56 449	68 673	51 424	48 352	81 932	81 932	73 059	85 417	87 465
Vote 02 - Municipal Manager		73 180	68 808	76 157	77 653	86 856	86 856	85 028	89 093	91 728
Vote 03 - Financial Services		274 388	345 297	424 737	133 572	182 151	182 151	178 775	180 906	183 314
Vote 04 - Technical Services		581 908	519 599	578 027	703 500	727 397	727 397	865 381	917 663	987 564
Vote 05 - Community Services		133 535	77 535	100 125	135 612	173 976	173 976	164 100	170 276	173 943
Vote 06 - Local Economic Development		404	90	–	56	1 586	1 586	17 135	17 164	27 784
<b>Total Expenditure by Vote</b>	2	<b>1 119 864</b>	<b>1 080 001</b>	<b>1 230 470</b>	<b>1 098 745</b>	<b>1 253 897</b>	<b>1 253 897</b>	<b>1 383 477</b>	<b>1 460 518</b>	<b>1 551 798</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(219 553)</b>	<b>(225 764)</b>	<b>(75 100)</b>	<b>78 172</b>	<b>(65 883)</b>	<b>(65 883)</b>	<b>715 201</b>	<b>843 951</b>	<b>833 639</b>

**Table A4 – Budgeted Financial Performance (revenue and expenditure):** Similar to table A2 and A3, table A4 also provides a detailed presentation of the Summary Budget as outlined in table A1. This table however provides details of revenue and expenditure by revenue source and expenditure type. From the revenue point of view, the biggest revenue contributor is property rates and taxes at 887 million, followed by electricity service charges at R 424 million, which both makes up 45% and 22% of the total operating revenue respectively.

On the expenditure side, electricity bulk purchases of R 466 million and employee related costs of R 342 million are the two highest operating expenditure items, taking up 34% and 25% of the operating budget respectively.

Bulk water purchases of R 64,6 million is included in the Inventory Consumed total of R 148 million, which makes up 5% of the total operating budget. All the expenditure items are fully funded as outlined earlier.

**FS203 Ngwathe - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	234 321	209 148	294 869	280 426	280 426	280 426	230 735	424 305	620 634	617 414
Service charges - Water	2	74 319	66 897	117 753	79 574	79 574	79 574	52 160	68 991	71 911	101 986
Service charges - Waste Water Management	2	56 228	56 316	56 931	62 922	62 922	62 922	51 572	56 038	58 504	70 363

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Service charges - Waste Management	2	43 726	40 009	40 627	44 973	44 973	44 973	37 200	28 511	29 766	52 989
Sale of Goods and Rendering of Services		1 334	1 459	1 607	2 385	2 385	2 385	1 714	2 127	2 223	2 278
Interest earned from Receivables		43 155	69 357	92 644	96 500	106 910	106 910	90 286	55 807	50 227	42 693
Interest earned from Current and Non-Current Assets		1 407	2 836	6 537	6 514	6 857	6 857	5 490	7 159	8 229	7 668
Dividends		-	(7)	-	-	-	-	-	-	-	-
Rental from Fixed Assets		349	272	343	366	366	366	362	382	400	410
Operational Revenue		83	1 739	302	58 642	58 642	58 642	349	98	63 971	65 571
<b>Non-Exchange Revenue</b>											
Property rates	2	104 441	96 969	103 832	126 597	126 597	126 597	100 714	887 483	927 324	966 258
Fines, penalties and forfeits		229	42	148	294	368	368	324	148 590	1 045	1 071
Transfer and subsidies - Operational		233 097	247 197	266 938	285 168	285 437	285 437	227 978	296 280	304 681	318 447
Gains on disposal of Assets		-	(429)	97 333	-	-	-	-	-	-	-
Other Gains		6 775	7 697	(6 032)	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>799 466</b>	<b>799 500</b>	<b>1 073 832</b>	<b>1 044 363</b>	<b>1 055 460</b>	<b>1 055 460</b>	<b>798 883</b>	<b>1 975 771</b>	<b>2 138 913</b>	<b>2 247 148</b>
<b>Expenditure</b>											
Employee related costs	2	259 537	259 780	282 497	293 009	325 736	325 736	269 251	342 185	328 145	336 541
Remuneration of councillors		15 589	16 679	17 782	18 394	19 329	19 329	15 376	20 295	21 310	22 375
Bulk purchases - electricity	2	273 182	247 198	305 475	316 816	344 393	344 393	258 488	465 959	539 452	607 840
Inventory consumed	8	883	737	881	89 955	106 573	106 573	1 114	147 875	143 306	147 377
Debt impairment	3	-	-	-	165 269	165 269	165 269	-	103 707	108 374	108 374
Depreciation and amortisation		88 492	72 427	59 212	54 382	51 507	51 507	43 675	53 774	56 193	57 598
Interest		36 709	78 303	105 714	34 824	69 648	69 648	46 039	69 648	69 648	69 648
Contracted services		48 121	33 141	52 153	26 708	45 494	45 494	38 313	60 854	73 180	85 152
Transfers and subsidies		150	178	176	180	180	180	150	180	180	180
Irrecoverable debts written off		165 819	202 116	243 218	-	-	-	-	-	-	-
Operational costs		37 956	37 914	48 860	99 209	125 769	125 769	73 021	117 089	117 970	120 733
Losses on disposal of Assets		58 678	-	205	-	-	-	-	-	-	-
Other Losses		-	3	18	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>985 116</b>	<b>948 475</b>	<b>1 116 193</b>	<b>1 098 745</b>	<b>1 253 897</b>	<b>1 253 897</b>	<b>745 427</b>	<b>1 381 565</b>	<b>1 457 758</b>	<b>1 555 818</b>
<b>Surplus/(Deficit)</b>		<b>(185 650)</b>	<b>(148 975)</b>	<b>(42 361)</b>	<b>(54 382)</b>	<b>(198 437)</b>	<b>(198 437)</b>	<b>53 456</b>	<b>594 206</b>	<b>681 155</b>	<b>691 330</b>
Transfers and subsidies - capital (monetary allocations)	6	100 845	54 737	81 539	132 554	132 554	132 554	104 017	122 907	165 556	138 290
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(84 805)</b>	<b>(94 239)</b>	<b>39 178</b>	<b>78 172</b>	<b>(65 883)</b>	<b>(65 883)</b>	<b>157 472</b>	<b>717 114</b>	<b>846 711</b>	<b>829 620</b>
Income Tax		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>(84 805)</b>	<b>(94 239)</b>	<b>39 178</b>	<b>78 172</b>	<b>(65 883)</b>	<b>(65 883)</b>	<b>157 472</b>	<b>717 114</b>	<b>846 711</b>	<b>829 620</b>
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(84 805)</b>	<b>(94 239)</b>	<b>39 178</b>	<b>78 172</b>	<b>(65 883)</b>	<b>(65 883)</b>	<b>157 472</b>	<b>717 114</b>	<b>846 711</b>	<b>829 620</b>
<b>Surplus/(Deficit) for the year</b>	1	<b>(84 805)</b>	<b>(94 239)</b>	<b>39 178</b>	<b>78 172</b>	<b>(65 883)</b>	<b>(65 883)</b>	<b>157 472</b>	<b>717 114</b>	<b>846 711</b>	<b>829 620</b>

**Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding:** This schedule presents a three dimensional information about planned expenditure on capital projects by vote (department), function and funding.

The data indicates that bulk of capital projects will be driven from the Technical Services Department, and from the functional classification point of view, the allocations will be impacting on basic services infrastructure such as water, electricity and sanitation, followed by spending on internal roads infrastructure. From funding point of view, 72% of capital expenditure will be funded through grants allocations from the National Government and the balance of 28% will be funded from own generated income.

**FS203 Ngwathe - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding**

Vote Description R thousand	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Capital expenditure - Vote Multi-year expenditure to be appropriated</b>	2										
Vote 01 - Corporate Services		–	–	–	–	–	–	–	2 000	2 000	2 000
Vote 02 - Municipal Manager		–	–	–	–	–	–	–	2 000	1 000	1 000
Vote 03 - Financial Services		–	–	–	–	–	–	–	–	–	–
Vote 04 - Technical Services		–	–	12 750	–	40 500	40 500	32 184	52 375	57 171	53 305
Vote 05 - Community Services		–	–	83	–	–	–	30	–	–	–
Vote 06 - Local Economic Development		–	–	–	–	–	–	–	24 400	23 739	24 830
<b>Capital multi-year expenditure sub-total</b>	7	–	–	12 833	–	40 500	40 500	32 214	80 775	83 910	81 135
<b>Single-year expenditure to be appropriated</b>	2										
Vote 01 - Corporate Services		1 217	5 215	1 977	–	–	–	1 028	2 000	2 000	2 000
Vote 02 - Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 03 - Financial Services		–	3 205	–	–	–	–	5 048	–	–	–
Vote 04 - Technical Services		81 206	(0)	101 019	130 254	92 168	92 168	63 364	75 371	114 001	90 490
Vote 05 - Community Services		1 797	–	–	9 000	12 885	12 885	2 158	13 061	9 283	9 395
Vote 06 - Local Economic Development		–	–	–	–	–	–	–	–	–	–
<b>Capital single-year expenditure sub-total</b>		84 221	8 421	102 995	139 254	105 054	105 054	71 597	90 433	125 285	101 885
<b>Total Capital Expenditure - Vote</b>		84 221	8 421	115 828	139 254	145 554	145 554	103 811	171 207	209 195	183 020
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		1 217	8 421	1 977	–	–	–	6 075	6 000	5 000	5 000
Executive and council		–	–	–	–	–	–	–	2 000	1 000	1 000
Finance and administration		1 217	8 421	1 977	–	–	–	6 075	4 000	4 000	4 000
<b>Community and public safety</b>		–	–	–	9 000	12 885	12 885	2 158	13 061	9 283	9 395
Community and social services		–	–	–	9 000	12 885	12 885	2 158	13 061	9 283	6 800
Sport and recreation		–	–	–	–	–	–	–	–	–	2 595
Public safety		–	–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>		13 095	–	11 431	27 391	16 249	16 249	13 029	37 893	43 744	26 430
Planning and development		–	–	83	–	–	–	30	24 400	23 739	24 830
Road transport		13 095	–	11 347	27 391	16 249	16 249	12 999	13 493	20 005	1 600
<b>Trading services</b>		69 909	(0)	102 421	102 863	116 419	116 419	82 549	114 253	151 167	142 194
Energy sources		492	–	4 719	15 585	18 085	18 085	14 904	17 635	26 500	27 404
Water management		56 931	(0)	80 778	81 876	81 378	81 378	56 444	78 742	113 244	110 024
Waste water management		10 688	–	16 924	5 402	16 956	16 956	11 200	17 876	11 423	4 767

Vote Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Waste management		1 797	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>84 221</b>	<b>8 421</b>	<b>115 828</b>	<b>139 254</b>	<b>145 554</b>	<b>145 554</b>	<b>103 811</b>	<b>171 207</b>	<b>209 195</b>	<b>183 020</b>
<b>Funded by:</b>											
National Government		83 196	3 205	92 720	132 554	132 554	132 554	96 211	122 907	165 556	138 290
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–
<b>Transfers recognised - capital</b>	<b>4</b>	<b>83 196</b>	<b>3 205</b>	<b>92 720</b>	<b>132 554</b>	<b>132 554</b>	<b>132 554</b>	<b>96 211</b>	<b>122 907</b>	<b>165 556</b>	<b>138 290</b>
<b>Borrowing</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Internally generated funds</b>		<b>1 025</b>	<b>5 215</b>	<b>14 810</b>	<b>6 700</b>	<b>17 500</b>	<b>17 500</b>	<b>7 600</b>	<b>48 300</b>	<b>43 639</b>	<b>44 700</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>84 221</b>	<b>8 421</b>	<b>107 529</b>	<b>139 254</b>	<b>145 554</b>	<b>145 554</b>	<b>103 811</b>	<b>171 207</b>	<b>209 195</b>	<b>183 020</b>

**Table A6 – Budgeted Financial Position:** Table 6 takes lead from table 5 in that once capital assets are budgeted for and acquired as outlined in table 5, they eventually become assets that are eventually under the ownership and / or control of the municipality and are then reflected as this table (i.e Table 5). In traditional accounting terms, table 5 provides details about the Balance Sheet of the municipality, and from the information presented on the table below, the following can be deduced:

- **Current Assets:** Cash and cash equivalents for 2025/26 is derived primarily from projected surplus for the year and this increases marginally for each of the two outer years based on projected consistent revenue collection drive.
- **Current Liabilities:** The municipality does not have any financial liabilities in a form of overdrafts and loans and there are no intentions of acquiring these financial liabilities over the 2025/26 MTREF period and in the foreseeable future.
- **Trade and other payables from exchange transactions:** Included in traded and other payables from exchange transactions under current liabilities are outstanding accounts for Eskom, Rand Water and Department of Water and Sanitation accounts. A provision has already been made in the budget to start repaying the capital amounts of these balances in order to prevent further accumulation of interest. Once other issues such as billing reconciliation and final arrangements being made on the final reconciled balances, the any portion of the liability that will be payable beyond twelve months will be transferred into long-term portion of the debt under non-current liabilities.



**FS203 Ngwathe - Table A6 Budgeted Financial Position**

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 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 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents		(1 790)	46 713	62 989	31 341	66 847	66 847	31 625	583 976	1 202 412	1 299 523
Trade and other receivables from exchange transactions	1	123 869	141 537	184 840	980 111	980 111	980 111	380 515	191 110	156 297	137 437
Receivables from non-exchange transactions	1	25 993	28 755	31 766	58 656	58 656	58 656	85 505	95 210	107 800	115 109
Inventory	2	570	1 062	828	(88 611)	(105 228)	(105 228)	660	84 605	293 670	510 744
VAT		518 683	585 654	283 574	626 374	626 374	626 374	355 780	626 374	626 374	626 374
<b>Total current assets</b>		<b>667 325</b>	<b>803 720</b>	<b>563 997</b>	<b>1 607 871</b>	<b>1 626 759</b>	<b>1 626 759</b>	<b>854 085</b>	<b>1 581 276</b>	<b>2 386 553</b>	<b>2 689 187</b>
<b>Non-current assets</b>											
Investments											
Investment property		238 300	172 881	285 809	172 881	172 881	172 881	285 809	172 881	172 881	172 881
Property, plant and equipment	3	1 358 408	1 622 306	1 643 374	1 608 505	1 615 709	1 615 709	1 711 816	1 624 906	1 991 219	1 980 334
Intangible assets		–	(0)	(0)	133 202	133 202	133 202	(0)	133 202	133 202	133 202
<b>Total non-current assets</b>		<b>1 596 708</b>	<b>1 795 186</b>	<b>1 929 182</b>	<b>1 914 588</b>	<b>1 921 792</b>	<b>1 921 792</b>	<b>1 997 625</b>	<b>1 930 989</b>	<b>2 297 302</b>	<b>2 286 417</b>
<b>TOTAL ASSETS</b>		<b>2 264 032</b>	<b>2 598 907</b>	<b>2 493 180</b>	<b>3 522 458</b>	<b>3 548 551</b>	<b>3 548 551</b>	<b>2 851 710</b>	<b>3 512 265</b>	<b>4 683 855</b>	<b>4 975 605</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Consumer deposits	-	5 080	5 081	5 342	5 311	5 311	5 311	5 361	5 311	5 311	5 311
Trade and other payables from exchange transactions	4	1 966 110	2 276 899	2 563 419	2 169 162	2 186 653	2 186 653	2 785 607	1 978 582	2 009 357	1 840 721
Trade and other payables from non-exchange transactions	5	71 799	79 119	28 527	188 451	188 451	188 451	61 990	179 197	220 139	202 096
Provision		168 796	171 814	185 419	171 814	171 814	171 814	185 419	171 814	171 814	171 814
VAT		230 314	257 769	15 130	291 322	291 322	291 322	44 378	131 262	508	508
Other current liabilities											
<b>Total current liabilities</b>		<b>2 442 100</b>	<b>2 790 683</b>	<b>2 797 837</b>	<b>2 826 059</b>	<b>2 843 550</b>	<b>2 843 550</b>	<b>3 082 755</b>	<b>2 466 165</b>	<b>2 407 129</b>	<b>2 220 450</b>
<b>Non-current liabilities</b>		–	–	–	–	–	–	–	–	–	–
<b>Total non-current liabilities</b>		–	–	–	–	–	–	–	–	–	–
<b>TOTAL LIABILITIES</b>		<b>2 442 100</b>	<b>2 790 683</b>	<b>2 797 837</b>	<b>2 826 059</b>	<b>2 843 550</b>	<b>2 843 550</b>	<b>3 082 755</b>	<b>2 466 165</b>	<b>2 407 129</b>	<b>2 220 450</b>
<b>NET ASSETS</b>		<b>(178 067)</b>	<b>(191 777)</b>	<b>(304 657)</b>	<b>696 399</b>	<b>705 002</b>	<b>705 002</b>	<b>(231 045)</b>	<b>1 046 100</b>	<b>2 276 726</b>	<b>2 755 155</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated surplus/(deficit)	8	(41 170)	(53 740)	(188 169)	667 278	611 159	611 159	(149 566)	1 525 301	2 447 353	2 677 269
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	10	<b>(41 170)</b>	<b>(53 740)</b>	<b>(188 169)</b>	<b>667 278</b>	<b>611 159</b>	<b>611 159</b>	<b>(149 566)</b>	<b>1 525 301</b>	<b>2 447 353</b>	<b>2 677 269</b>



**Table A7 – Budgeted Cash Flows:** Table 7 provides a detailed view of the projected inflows and outflows of cash, helping to understand the municipality's anticipated liquidity position and ability to meet its obligations.

From this table, the following can be deduced:

- Operating activities: The operating activities of the generate positive cash flows over the MTREF period;
- Most of the revenue will derived from property rates and taxes and this in line with our approach of budgeting and projecting our revenue on the basis of ratable properties on the valuation roll, less provision for non-payment.
- Form the investing activities, there no revenue anticipated for 2025/26 financial year, however, the anticipated revenue for 2026/27 of R 63 million relates to anticipated sale of land for development.
- The anticipated outflow of R 196 million relates directly to the capital expenditure on capital projects relating to infrastructure.
- There is not borrowing of cash or funds planned over the MTREF period and there are not repayment obligations as the municipality does not have loans or borrowings obligations.

**FS203 Ngwathe - Table A7 Budgeted Cash Flows**

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 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 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		77 927	70 716	70 663	56 304	56 304	56 304	53 717	887 483	926 533	965 447
Service charges		260 468	385 101	1 026 070	250 757	250 875	250 875	154 576	577 845	780 814	809 227
Other revenue		307 137	(180 842)	(850 015)	48 639	90 327	90 327	101 997	–	6 000	6 200
Transfers and Subsidies											
- Operational	1	4 672	246 791	266 648	285 168	285 168	285 168	229 297	296 280	304 681	318 447
Transfers and Subsidies											
- Capital	1	159 661	124 038	30 947	132 554	132 554	132 554	135 891	122 907	165 556	147 290
Interest		697	2 836	1 092	6 109	6 109	6 109	5 018	64 772	215 887	208 842
Dividends		–	(7)	–	–	–	–	–	–	–	–
<b>Payments</b>											
Suppliers and employees		(2 513 827)	(792 488)	(802 083)	(347 622)	(600 460)	(600 460)	(782 885)	(1 161 945)	(1 038 833)	(1 131 485)
Interest		–	–	–	–	(69 648)	(69 648)	–	(69 648)	(69 648)	(69 648)
Transfers and Subsidies	1	–	(406)	–	–	–	–	–	–	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>(1 703 265)</b>	<b>(144 260)</b>	<b>(256 678)</b>	<b>431 908</b>	<b>151 229</b>	<b>151 229</b>	<b>(102 389)</b>	<b>717 694</b>	<b>1 290 990</b>	<b>1 254 320</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											

Description  R thousand	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Receipts</b>											
Proceeds on disposal of PPE		–	–	97 333	–	–	–	–	–	63 869	65 466
<b>Payments</b>											
Capital assets		(70 921)	(2 934)	(115 828)	(139 254)	(145 554)	(145 554)	(99 108)	(196 889)	(240 574)	(210 473)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		(70 921)	(2 934)	(18 495)	(139 254)	(145 554)	(145 554)	(99 108)	(196 889)	(176 705)	(145 007)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Borrowing long term/refinancing		(1 173)	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	18	(264)	(229)	(229)	(229)	–	229	229	229
<b>Payments</b>											
Repayment of borrowing		–	–	–	–	–	–	–	–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		(1 173)	18	(264)	(229)	(229)	(229)	–	229	229	229
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		(1 775 359)	(147 176)	(275 436)	292 425	5 446	5 446	(201 497)	521 035	1 114 514	1 109 542
Cash/cash equivalents at the year begin:	2	56 711	5 895	46 713	3 009	3 009	3 009	10	5 740	526 775	1 641 289
Cash/cash equivalents at the year-end:	2	(1 718 648)	(141 281)	(228 724)	295 435	8 455	8 455	(201 488)	526 775	1 641 289	2 750 832

**Table A8 – Cash Backed Reserves / Accumulated Surplus Reconciliation:** This schedule is essentially detailing any deficit or surplus that will arise from the budget.

From the details available, the municipality is anticipating to generate surplus over the MTREF period, consistent with the budget objectives set to ramp up and sustain revenue collection from those who have the ability to pay for services.

From the table, there's an anticipation of positive cash and cash equivalents for 2025/26 and the two outer years, this is consistent with the anticipated surplus that we be derived from the statement of financial performance as budgeted.

The unspent conditional grants amount represents the balance of commitments that would still need to be settled as at the end of each reporting period.

Other working capital requirements represents cash that is required and planned for operations as outlined in detail in the statement of financial performance.

**FS203 Ngwathe - Table A8 Cash backed reserves/accumulated surplus reconciliation**

Description R thousand	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	(1 718 648)	(141 281)	(228 724)	295 435	8 455	8 455	(201 488)	526 775	1 641 289	2 750 832
Other current investments > 90 days		1 716 858	187 994	291 713	(264 094)	58 392	58 392	233 113	57 201	(438 878)	(1 451 308)
Non-current Investments	1	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		(1 790)	46 713	62 989	31 341	66 847	66 847	31 625	583 976	1 202 412	1 299 523
<b>Application of cash and investments</b>											
Unspent conditional transfers		71 799	79 119	28 527	188 451	188 451	188 451	61 990	179 197	220 139	202 096
Unspent borrowing Statutory requirements	2	(288 369)	(327 884)	(268 444)	(335 053)	(335 053)	(335 053)	(311 402)	(495 113)	(625 866)	(625 866)
Other working capital requirements	3	1 872 951	2 228 441	2 516 437	1 935 823	1 925 962	1 925 962	2 638 310	1 718 980	1 754 487	1 601 227
Other provisions		168 796	171 814	185 419	171 814	171 814	171 814	185 419	171 814	171 814	171 814
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
<b>Total Application of cash and investments:</b>		1 825 178	2 151 490	2 461 939	1 961 035	1 951 174	1 951 174	2 574 317	1 574 878	1 520 574	1 349 271
<b>Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits</b>		(1 826 969)	2 104 777	(2 398 950)	(1 929 694)	(1 884 327)	(1 884 327)	(2 542 692)	(990 902)	(318 162)	(49 747)
<b>Creditors transferred to Debt Relief - Non-Current portion</b>		–	–	–	–	–	–	–	–	–	–
<b>Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits</b>		(1 826 969)	(1 104 777)	(2 398 950)	(1 929 694)	(1 884 327)	(1 884 327)	(2 542 692)	(990 902)	(318 162)	(49 747)

**Table A9 – Asset Management:** table A9 provides a detailed analysis of budgeted capital expenditure, for various categories of capital expenditure such as acquisition of new assets, renewal and upgrading of existing assets, etc. It also provides a summarised overview of the capital assets of the municipality.

From this data, it is evident that renewals and upgrading of existing assets will take a greater proportion of the capital budget, constituting 63,7% for the 2025/26, then 60% and 63.7% for 2026/27 and 2027/28 respectively. This pattern is consistent with the past few years as the municipality has been sourcing and allocating resources to upgrade and renew existing assets, and most of these assets are service delivery infrastructure assets.

Water supply, sanitation infrastructure and electrification of households are the highest three ranking capital expenditure items, collectively making up 65% of the total capital budget, with the balance (i.e 35%) being allocated to roads infrastructure, clearly demonstrating the municipality's commitment to improve service delivery and widening access to all communities within the municipality.

**FS203 Ngwathe - Table A9 Asset Management**

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	40 764	8 421	31 587	46 168	50 609	50 609	62 156	83 640	66 450
Roads Infrastructure		12 519	–	–	7 575	–	–	2 841	5 934	600
Electrical Infrastructure		581	–	4 719	15 585	18 085	18 085	13 135	22 000	22 904
Water Supply Infrastructure		18 715	–	10 459	10 906	5 067	5 067	12 737	30 522	12 846
Sanitation Infrastructure		6 127	–	8 479	5 402	16 956	16 956	9 443	6 883	9 205
Solid Waste Infrastructure		1 797	–	–	–	–	–	–	–	–
<b>Infrastructure</b>		39 739	–	23 657	39 468	40 109	40 109	38 156	65 340	45 555
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	2 595
<b>Community Assets</b>		–	–	–	–	–	–	–	–	2 595
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	11 400	8 500	8 500
<b>Other Assets</b>		–	–	–	–	–	–	11 400	8 500	8 500
Computer Equipment		1 217	885	421	–	–	–	2 000	2 000	2 000
Furniture and Office Equipment		–	326	30	–	–	–	–	–	–
Machinery and Equipment		(192)	4 005	7 479	–	800	800	1 000	1 000	1 000
Transport Assets		–	3 205	–	6 700	9 700	9 700	9 600	6 800	6 800
Living Resources		–	–	–	–	–	–	–	–	–
<b>Total Renewal of Existing Assets</b>	2	41 868	(0)	72 894	69 047	69 594	69 594	79 293	103 223	59 267
Roads Infrastructure		–	–	–	–	–	–	2 628	13 071	–
Water Supply Infrastructure		41 868	(0)	72 810	69 047	69 594	69 594	66 232	83 612	52 500
Sanitation Infrastructure		–	–	–	–	–	–	8 433	4 540	4 767
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
<b>Infrastructure</b>		41 868	(0)	72 810	69 047	69 594	69 594	77 293	101 223	57 267
Operational Buildings		–	–	83	–	–	–	–	–	–
<b>Other Assets</b>		–	–	83	–	–	–	–	–	–

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Machinery and Equipment</b>		–	–	–	–	–	–	2 000	2 000	2 000
<b>Living Resources</b>		–	–	–	–	–	–	–	–	–
<b>Total Upgrading of Existing Assets</b>	6	1 589	–	11 347	24 039	25 351	25 351	29 758	22 333	57 303
Roads Infrastructure		576	–	11 347	19 816	16 249	16 249	7 024	–	–
Water Supply Infrastructure		1 013	–	–	1 923	6 716	6 716	2 272	1 610	37 972
<b>Infrastructure</b>		1 589	–	11 347	21 739	22 965	22 965	9 296	1 610	37 972
Community Facilities		–	–	–	2 300	2 385	2 385	18 461	18 723	17 330
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
<b>Community Assets</b>		–	–	–	2 300	2 385	2 385	18 461	18 723	17 330
<b>Computer Equipment</b>		–	–	–	–	–	–	2 000	2 000	2 000
<b>Living Resources</b>		–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure</b>	4	84 221	8 421	115 828	139 254	145 554	145 554	171 207	209 195	183 020
Roads Infrastructure		13 095	–	11 347	27 391	16 249	16 249	12 493	19 005	600
Electrical Infrastructure		581	–	4 719	15 585	18 085	18 085	13 135	22 000	22 904
Water Supply Infrastructure		61 595	(0)	83 269	81 876	81 378	81 378	81 242	115 744	103 319
Sanitation Infrastructure		6 127	–	8 479	5 402	16 956	16 956	17 876	11 423	13 972
Solid Waste Infrastructure		1 797	–	–	–	–	–	–	–	–
<b>Infrastructure</b>		83 196	(0)	107 815	130 254	132 668	132 668	124 746	168 172	140 794
Community Facilities		–	–	–	2 300	2 385	2 385	18 461	18 723	17 330
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	2 595
<b>Community Assets</b>		–	–	–	2 300	2 385	2 385	18 461	18 723	19 925
Operational Buildings		–	–	83	–	–	–	11 400	8 500	8 500
<b>Other Assets</b>		–	–	83	–	–	–	11 400	8 500	8 500
<b>Computer Equipment</b>		1 217	885	421	–	–	–	4 000	4 000	4 000
<b>Furniture and Office Equipment</b>		–	326	30	–	–	–	–	–	–
<b>Machinery and Equipment</b>		(192)	4 005	7 479	–	800	800	3 000	3 000	3 000
<b>Transport Assets</b>		–	3 205	–	6 700	9 700	9 700	9 600	6 800	6 800
<b>Living Resources</b>		–	–	–	–	–	–	–	–	–
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		84 221	8 421	115 828	139 254	145 554	145 554	171 207	209 195	183 020
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	1 530 420	1 610 941	1 777 542	2 031 146	2 037 446	2 037 446	2 051 269	2 421 997	2 402 987
Roads Infrastructure		472 188	610 067	595 233	56 200	45 059	45 059	41 303	47 815	29 410
Storm water Infrastructure		–	–	(605)	–	–	–	–	–	–
Electrical Infrastructure		93 889	132 901	132 536	195 697	198 197	198 197	195 747	204 612	205 516
Water Supply Infrastructure		174 092	142 265	230 545	469 506	469 008	469 008	794 882	848 593	836 167
Sanitation Infrastructure		294 640	304 579	296 469	329 555	341 109	341 109	17 229	324 309	334 022
Solid Waste Infrastructure		1 797	–	(6 691)	1 797	1 797	1 797	1 797	1 797	1 797
<b>Infrastructure</b>		1 036 606	1 189 812	1 247 488	1 052 755	1 055 170	1 055 170	1 050 957	1 427 125	1 406 912
<b>Community Assets</b>		215 010	197 972	197 651	634 772	634 857	634 857	662 333	659 695	660 897
<b>Investment properties</b>		238 300	172 881	285 809	172 881	172 881	172 881	172 881	172 881	172 881
<b>Other Assets</b>		32 797	27 446	24 434	15 541	15 541	15 541	–	–	–
<b>Intangible Assets</b>		–	(0)	(0)	133 202	133 202	133 202	133 202	133 202	133 202
<b>Computer Equipment</b>		1 522	2 605	2 557	(4 932)	(4 932)	(4 932)	(932)	(932)	(932)
<b>Furniture and Office Equipment</b>		1 130	1 683	1 346	1 683	1 683	1 683	1 683	1 683	1 683
<b>Machinery and Equipment</b>		1 312	8 474	7 629	8 474	9 274	9 274	11 474	11 474	11 474

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Transport Assets</b>		<b>3 744</b>	<b>10 070</b>	<b>10 629</b>	<b>16 770</b>	<b>19 770</b>	<b>19 770</b>	<b>19 670</b>	<b>16 870</b>	<b>16 870</b>
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5</b>	<b>1 530 420</b>	<b>1 610 941</b>	<b>1 777 542</b>	<b>2 031 146</b>	<b>2 037 446</b>	<b>2 037 446</b>	<b>2 051 269</b>	<b>2 421 997</b>	<b>2 402 987</b>
<b>EXPENDITURE OTHER ITEMS</b>		<b>155 372</b>	<b>136 380</b>	<b>117 270</b>	<b>69 650</b>	<b>72 016</b>	<b>72 016</b>	<b>70 164</b>	<b>70 941</b>	<b>72 379</b>
<b>Depreciation</b>	<b>7</b>	<b>88 492</b>	<b>72 427</b>	<b>59 212</b>	<b>54 382</b>	<b>51 507</b>	<b>51 507</b>	<b>53 774</b>	<b>56 193</b>	<b>57 598</b>
<b>Repairs and Maintenance by Asset Class</b>	<b>3</b>	<b>66 880</b>	<b>63 953</b>	<b>58 058</b>	<b>15 268</b>	<b>20 508</b>	<b>20 508</b>	<b>16 391</b>	<b>14 748</b>	<b>14 781</b>
Electrical Infrastructure		3 277	6 046	6 448	3 260	3 260	3 260	5 383	3 535	3 624
Water Supply Infrastructure		3 495	(390)	3 194	5 500	7 500	7 500	6 400	6 400	6 400
<b>Infrastructure</b>		<b>6 773</b>	<b>5 655</b>	<b>9 642</b>	<b>8 760</b>	<b>10 760</b>	<b>10 760</b>	<b>11 783</b>	<b>9 935</b>	<b>10 024</b>
Community Facilities		304	336	205	100	100	100	200	209	214
<b>Community Assets</b>		<b>304</b>	<b>336</b>	<b>205</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>200</b>	<b>209</b>	<b>214</b>
Operational Buildings		97	–	–	600	600	600	2 500	2 610	2 500
<b>Other Assets</b>		<b>97</b>	<b>–</b>	<b>–</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>2 500</b>	<b>2 610</b>	<b>2 500</b>
Furniture and Office Equipment		871	3 082	1 000	2 487	3 437	3 437	1 144	1 195	1 225
Machinery and Equipment		57 838	53 851	45 711	2 111	3 043	3 043	–	–	–
<b>Transport Assets</b>		<b>998</b>	<b>1 030</b>	<b>1 500</b>	<b>1 210</b>	<b>2 568</b>	<b>2 568</b>	<b>763</b>	<b>798</b>	<b>818</b>
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		<b>155 372</b>	<b>136 380</b>	<b>117 270</b>	<b>69 650</b>	<b>72 016</b>	<b>72 016</b>	<b>70 164</b>	<b>70 941</b>	<b>72 379</b>
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		51.6%	0.0%	72.7%	66.8%	65.2%	65.2%	63.7%	60.0%	63.7%
<i>Renewal and upgrading of Existing Assets as % of depreciation</i>		49.1%	0.0%	142.3%	171.2%	184.3%	184.3%	202.8%	223.4%	202.4%
<i>R&amp;M as a % of PPE &amp; Investment Property</i>		4.4%	4.0%	3.3%	0.8%	1.1%	1.1%	0.9%	0.6%	0.7%
<i>Renewal and upgrading and R&amp;M as a % of PPE and Investment Property</i>		7.2%	4.0%	8.0%	5.7%	6.1%	6.1%	6.5%	6.1%	5.8%

**Table A10 – Basic Service Delivery Measurement:** table A10 focus on providing quantitative data about the number of households that are provided with basic services within the municipality, and the level of such services. It must be noted however that the numerical data relating to is based on census data of 2022 from Statistics South Africa as municipalities and the whole of government are required to use on data from Statistics South Africa as an authoritative source for planning purposes. This therefore means that the will always be a timing gap between the Census data and the actual data that is presently available. To this effect, the number of households, and consequently consumers of municipal services as per the municipality's latest valuation roll indicates a proportionally higher number than that presented from 2022 Census data.

Nevertheless, from the this table, it is evident that the majority of households within the municipality are provided with service that is above minimum service level across all categories of services and we anticipate more and more households having access to improve level of services as we work towards completing most of the currently work-in-progress that are aimed at improving and widening provision of basic services.

Moreover, the data also shows that more and more households are receiving free basic services as compared to prior years. Although this is a much needed intervention to cushion vulnerable communities against the hardship of unemployment, it is also for us an indicator for a need to do more to improve the local conditions to enable inflow of investments from the private sector which will unlock employment opportunities for most of our residents, particularly young people.

**FS203 Ngwathe - Table A10 Basic service delivery measurement**

Description	Ref	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b><u>Household service targets</u></b>	1						
<b><u>Water:</u></b>							
Piped water inside dwelling		19 719	19 719	19 719	19 719	19 719	19 719
Piped water inside yard (but not in dwelling)		15 089	15 089	15 089	15 089	15 089	15 089
Using public tap (at least min.service level)	2	942	942	942	942	942	942
Other water supply (at least min.service level)	4	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		35 750	35 750	35 750	35 750	35 750	35 750
Using public tap (< min.service level)	3	468	468	468	468	468	468
Other water supply (< min.service level)	4	-	-	-	-	-	-
No water supply		576	576	576	576	576	576
<i>Below Minimum Service Level sub-total</i>		1 044	1 044	1 044	1 044	1 044	1 044
<b>Total number of households</b>	5	<b>36 794</b>	<b>36 794</b>	<b>36 794</b>	<b>36 794</b>	<b>36 794</b>	<b>36 794</b>
<b><u>Sanitation/sewerage:</u></b>							
Flush toilet (connected to sewerage)		32 328	32 328	32 328	32 328	32 328	32 328
Flush toilet (with septic tank)		474	474	474	474	474	474
Chemical toilet		67	67	67	67	67	67
Pit toilet (ventilated)		1 018	1 018	1 018	1 018	1 018	1 018
Other toilet provisions (> min.service level)		-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		33 887	33 887	33 887	33 887	33 887	33 887
Bucket toilet		1 546	1 546	1 546	1 546	1 546	1 546
Other toilet provisions (< min.service level)		1 092	1 092	1 092	1 092	1 092	1 092
No toilet provisions		270	270	270	270	270	270
<i>Below Minimum Service Level sub-total</i>		2 908	2 908	2 908	2 908	2 908	2 908
<b>Total number of households</b>	5	<b>36 795</b>	<b>36 795</b>	<b>36 795</b>	<b>36 795</b>	<b>36 795</b>	<b>36 795</b>
<b><u>Energy:</u></b>							
Electricity (at least min.service level)		35 126	35 126	35 126	35 126	35 126	35 126
Electricity - prepaid (min.service level)		-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		35 126	35 126	35 126	35 126	35 126	35 126
Electricity (< min.service level)		-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-
Other energy sources		1 637	1 637	1 637	1 637	1 637	1 637
<i>Below Minimum Service Level sub-total</i>		1 637	1 637	1 637	1 637	1 637	1 637

Description	Ref	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Total number of households</b>	5	36 763	36 763	36 763	36 763	36 763	36 763
<b><u>Refuse:</u></b>							
Removed at least once a week		33 613	33 613	33 613	33 613	33 613	33 613
<i>Minimum Service Level and Above sub-total</i>		33 613	33 613	33 613	33 613	33 613	33 613
Removed less frequently than once a week		394	394	394	394	394	394
Using communal refuse dump		99	99	99	99	99	99
Using own refuse dump		1 553	1 553	1 553	1 553	1 553	1 553
Other rubbish disposal		1 134	1 134	1 134	1 134	1 134	1 134
No rubbish disposal		-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		3 180	3 180	3 180	3 180	3 180	3 180
<b>Total number of households</b>	5	36 793	36 793	36 793	36 793	36 793	36 793
<b><u>Households receiving Free Basic Service</u></b>	7						
Water (6 kilolitres per household per month)		13 171	13 171	13 171	13 171	13 171	13 171
Sanitation (free minimum level service)		12 765	12 765	12 765	12 765	12 765	12 765
Electricity/other energy (50kwh per household per month)		13 197	13 197	13 197	13 197	13 197	13 197
Refuse (removed at least once a week)		13 197	13 197	13 197	13 197	13 197	13 197
Informal Settlements		51 239	51 239	61 842	64 526	60 506	-
<b><u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u></b>							
Water (6 kilolitres per indigent household per month)		14 703	15 665	15 665	18 798	19 588	20 077
Sanitation (free sanitation service to indigent households)		15 965	16 677	16 677	21 686	22 640	18 649
Electricity/other energy (50kwh per indigent household per month)		20 789	(9 298)	(9 298)	456	475	487
Refuse (removed once a week for indigent households)		18 485	18 897	18 897	21 359	22 298	21 780
<b><u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u></b>		-	-	-	-	-	-
<b>Total cost of FBS provided</b>	8	69 941	41 941	41 941	62 298	65 001	60 993
<b><u>Highest level of free service provided per household</u></b>							
Property rates (R value threshold)		15 000	15 000	15 000	15 000	15 000	15 000
Water (kilolitres per household per month)		6	6	6	6	6	6
Sanitation (kilolitres per household per month)		6	6	6	6	6	6
Sanitation (Rand per household per month)		136	136	136	142	148	155
Electricity (kwh per household per month)		50	50	50	50	50	50
Refuse (average litres per week)							
<b><u>Revenue cost of subsidised services provided (R'000)</u></b>	9						
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)		-	-	-	-	-	-
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)		-	-	-	-	-	-



Description	Ref	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Refuse (in excess of one removal a week for indigent households)	6	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-
Housing - top structure subsidies		-	-	-	-	-	-
Other		-	-	-	-	-	-
<b>Total revenue cost of subsidised services provided</b>		-	-	-	-	-	-

## Part 2: Supporting Documentation

### 2.1 Overview of the Budget Process

Section 21 of Municipal Finance Management Act 56 of 2003 (MFMA), read together with regulation 9 of Municipal Budget and Reporting Regulations, 2009 (MBRR) gives a contextual framework for budget preparation process and format of annual budget respectively for municipalities.

To this effect, 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. by end of August) 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.

In line with the legislative framework as outlined above, the annual budget preparation process for the 2025/26 MTREF must therefore involve budget preparation, council approval, public consultation, and budget execution, all guided by the municipality's Integrated Development Plan (IDP) and Medium Term Revenue and Expenditure Framework (MTREF). The process culminates in the approval of the budget before the start of the financial year, which runs from July 1st to June 30th.

Below is a more comprehensive overview of the process:

#### **(i) Budget Preparation:**

The preparation process involves the development of our annual budget based on the IDP and MTREF, ensuring alignment with the national government's priorities and the municipality's vision and mission. This involves detailed planning, including revenue forecasting, expenditure projections, and identifying capital projects. The budget is divided into operating and capital components.

**(ii) Public Consultation and Engagement:**

The draft budget is subjected to public consultation, allowing for community input and feedback. This ensures that the budget reflects the needs and priorities of the community.

**(iii) Council Approval:**

The municipality's council reviews the draft budget, considers public input, and makes necessary adjustments. The budget must be approved by the council at least 30 days before the start of the financial year (i.e by the end of May).

**(iv) Budget Implementation:**

Once approved, the budget is implemented by the municipality, with the Chief Financial Officer (CFO) playing a key role in ensuring its effective implementation. This includes managing revenue collection, allocating funds to various departments, and monitoring spending.

The table hereunder presents an activity plan / programme specifying timeframes for different phases followed during the Development of the IDP and Budget.

The process plan, which incorporated this activity plan, was tabled by the Executive Mayor to Council for adoption during August 2024. The process plan further outlined the planning process and indicates the timeframes and community participation process. This was done in line with the guidelines set out in the Municipal Systems Act, 32 of 2000.

The planning activities were conducted in line with the time frames set out in the activity plan below.

**Table 2.1: IDP Activity Plan/Programme**

IDP / Budget Phase	Target Date	Actions for the IDP/Budget Process	Responsibility
<b>Preparation Phase</b>	<b>August 2024</b>	<ul style="list-style-type: none"> <li>- Approval of IDP / Budget Process Plan by Council</li> <li>- Submission of Process Plan to Fezile Dabi District Municipality &amp; COGTA</li> <li>- Allocates responsibility to drive the process</li> <li>- Development of Sector Plans</li> </ul>	<ul style="list-style-type: none"> <li>- IDP/PMS Manager</li> <li>- CFO</li> </ul>
<b>Analysis Phase</b>	<b>August – November 2024</b>	<ul style="list-style-type: none"> <li>- Stakeholder engagement</li> <li>- Ward base engagement</li> <li>- Town based engagement</li> <li>- Legally compliant Situational analysis (status quo)</li> </ul>	<ul style="list-style-type: none"> <li>- Management,</li> <li>- Speaker's Office, and Ward Councillors</li> </ul>

IDP / Budget Phase	Target Date	Actions for the IDP/Budget Process	Responsibility
		analysis), - IDP Community needs analysis. - Written Submission	
<b>Strategy</b>	<b>November 2024 January 2025</b>	- Political Strategic Session - Preceded by Organizational Work Session (Senior Management/ Unit Managers/Unions) - Development of Objectives, Strategies, projects & Programmes. - Supports a participatory planning exercise to develop a vision and objectives, for inclusion within the IDP - Strategic Focus Areas and alignment of Sector Plans with these.	- Municipal Manager - Section 56 Managers (Directors)
<b>Projects</b>	<b>January – February 2025</b>	- Formulation of project proposals, - Screen, adjust, consolidate and agree on projects. - Identifies capacity, resources and performance management systems to integrate this into the Municipal operational systems.	- Steering Committee - Sec 56 Managers (Directors)
<b>Integration</b>	<b>March 2025</b>	- Alignment session with the District. - Ensures that climate response work is visible throughout the IDP and related development plans.	- IDP/PMS Manager - CFO
<b>Approval</b>	<b>March - May 2025</b>	- Tabling of Draft IDP / Budget to Council, - Submission of the draft IDP to FDDM & COGTA, - Advertisement for comments on Draft IDP / Budget, - Final Adoption of the IDP & Budget by the Council.	- Executive Mayor - Municipal Manager - Sec 56 Managers - IDP/PMS Manager
<b>Submission</b>	<b>June 2025</b>	- Final IDP, SDF & Budget submitted to COGTA and Treasury. - Publishing the IDP, SDF and Budget on the website and Newspapers - Print the IDP & Budget and distribute to all Municipal Regions	- IDP/PMS Manager - CFO
<b>Implementation</b>	<b>July 2025</b>	- Implementation of the 2025/26 IDP and Budget - Conduct Monitoring & Evaluation ( M & E) throughout implementation	- All

## 2.2 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 (SDBIP), which is effectively an interface between the IDP and the Budget.

The IDP therefore serves as a strategic framework for development, while the budget provides the financial resources to implement the IDP's objectives. Alignment between the two ensures that municipal resources are effectively allocated to support the municipality's development priorities.

During the preparation of the 2025/26 MTREF, the following key aspects of alignment of the Budget and IDP were considered and taken into account:

- a) The IDP outlines the municipality's vision, mission, goals, and objectives for development and therefore informed the strategic intent and focus of the budget.
- b) The budget took lead from the vision, mission, goals and strategic objectives of the municipality so as to ensure appropriate allocation of financial resources to programs and projects that support the IDP's objectives.
- c) Ultimately, the budget is used to implement the IDP by providing the necessary funding for projects and activities.
- d) The budget also supports performance management as it enables formulation, implementation, monitoring and evaluation of Key Performance Indicators (KPIs) and by Targets formulated through the SDBIP.

### 2.2.1 Proposed Amendments to the IDP

There are no revisions to the strategic objectives and outcome oriented goals of Council that will have material financial impact on the MTREF. The reviewed IDP is a continuation and updated version of the prior years' IDP.

### 2.2.2 Breakdown of Revenue, Operating and Capital Expenditure Aligned to Goals of the IDP

The table below provides an overview analysis of reconciliation of the goals of the IDP and the budget. Essentially, it demonstrates how the resources will be distributed in order to address the strategic goals set by Council in terms of the IDP.

From this table it can be deduced that most of the operating and capital budget will be channeled towards the goal of ensuring the provision of services to communities in a sustainable manner.

**Table 2.2: Alignment of IDP Goals and the Budget**

Goal No.	Strategic Goal Description	2025/26 Budget					
		Operating		Capital		Total	
		Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
1	To provide democratic and accountable government for local communities.	R 215 795 245	R 69 733 999	-	-	R 215 795 245	R 69 733 999
2	To ensure the provision of services to communities in a sustainable manner.	R 1 759 975 547	R 584 321 816	R 113 507 400	R 113 507 400	R 1 873 482 947	R 697 829 216
3	To promote social and economic development.	-	R 37 610 044	R 9 400 000	R 9 400 000	R 9 400 000	R 47 010 044
4	To promote a safe and healthy environment.	-	-	-	-	-	-
5	To encourage the involvement of communities and community organisations in the matters of local government.	-	R 20 294 967	-	-	-	R 20 294 967
6	Allocation to other priorities	-	R 671 516 287	-	-	-	R 671 516 287
<b>Total Budget</b>		<b>R 1 975 770 792</b>	<b>R 1 383 477 113</b>	<b>R 122 907 400</b>	<b>R 122 907 400</b>	<b>R 2 098 678 192</b>	<b>R 1 506 384 513</b>

## 2.3 Measurable Performance Objectives and Indicators

Through alignment with the IDP and guided by the municipality's Performance Management and Development System, this budget is informed by and seeks to deliver on the outcome based Development Objectives, Programmes and Programmes and Projects as outlined in Section H of the reviewed 2025/26 IDP as well as the Performance Objectives and Indicators as outlined in the 2025/26 SDBIP and are aligned with national priorities and local needs. These objectives and targets are then monitored and evaluated regularly, with the results reported in annual reports.

The following key aspects of Performance Objectives and Indicators were considered in formulating the 2025/26 MTREF:

**Alignment with IDP and SDBIP:** The budget must be informed by the IDP that outline the strategic direction and objectives of Council, which are then translated into quantifiable budget and specific service delivery targets within the SDBIP.

**Service Delivery Focus:** Performance objectives and indicators should focus on improving service delivery, such as infrastructure development, water and sanitation, and social programs, and so will the budget.

**Financial Sustainability:** Performance objectives, indicators and targets should also ensure that the municipality maintains long-term financial stability and avoid unsustainable debt.

**Measurable Indicators:** Objectives must be defined using quantifiable indicators that can be tracked and assessed, such as the number of households with access to water, waste collection rates, or the percentage of budget expenditure aligned with IDP objectives in order to ensure appropriately quantifiable and justifiable allocations in the budget.

## 2.2.2 Key Financial Indicators and Ratios

In line with Schedule A, sub regulation 2 of MBRR, the following financial indicators forms part of the measurable financial performance objective and indicators for the 2025/26 MTREF period.

### 2.2.2.1 Liability Management

#### a) *Debt Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure*

**Purpose/ Use of the Ratio:** The Ratio indicates the cost required to service the debt. It assesses the Debt or Payment obligation expressed as a percentage of Total Operating Expenditure. This formula is particularly important in relation to measurement of Eskom, Rand Water and Department of Water and Sanitation outstanding debts.

Details		Target		
Formula	Norm	2025/26	2026/27	2027/28
Debt Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	6% to 8%	7%	7% - 8%	7% - 8%

### 2.2.2.2 Liquidity

#### a) *Cash/ Cost Coverage Ratio (Excluding Unspent Conditional Grants)*

**Purpose/ Use of the Ratio:** The Ratio indicates the municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month. The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal Municipal day-to-day operational expenditure but rather reserved for Grant related expenditure.

Details		Target		
Formula	Norm	2025/26	2026/27	2027/28
((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)).	1-3 Months	1-2 Weeks	2-3 Weeks	1 Month

## 2.2.2.3 Debtors and Creditors Management

### a) Revenue Collection Rate

**Purpose/ Use of the Ratio:** The Ratio indicates the collection rate; *i.e.* level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. In addition, in order to determine the real collection rate bad debts written-off is taken into consideration.

Details		Target		
Formula	Norm	2025/26	2026/27	2027/28
Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	95%	86%	90%	95%

### b) Net Debtors Days

**Purpose/ Use of the Ratio:** This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for the municipality to receive payment from its Consumers for bills/invoices issued to them for services.

Details		Target		
Formula	Norm	2025/26	2026/27	2027/28
((Gross Debtors - Bad Debt Provision) / Billed Revenue) × 365 (on arrears)	30 days	120 days	60 days	30 days
((Gross Debtors - Bad Debt Provision) / Billed Revenue) × 365 (on current accounts)		30 days	30 days	30 days



**c) Growth in Number of Active Consumer Accounts**

**Purpose/ Use of the Ratio:** The ratio measures the actual growth in the Revenue base of the municipality brought about by an increase in the Consumer base rather than tariff increases.

Details		Target		
Formula	Norm	2025/26	2026/27	2027/28
$\frac{(\text{Period under Review's Number of Active Debtor Accounts} - \text{Previous Period's Number of Active Debtor Accounts})}{\text{Previous Period Number of Active Debtor Accounts}} \times 100$	N/A	44%	10%	5%

**d) Capital Expenditure Budget Implementation Indicator**

**Purpose/ Use of the Ratio:** This ratio measures the extent to which Budgeted Capital Expenditure has been spent during the financial year, under review. Further, this ratio measures the municipality's ability to implement capital projects and monitor the risks associated with non-implementation. The ratio also assess whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget.

Details		Target		
Formula	Norm	2025/26	2026/27	2027/28
$\text{Actual Capital Expenditure} / \text{Budget Capital Expenditure} \times 100$	N/A	100%	100%	100%

**2.2.2.4 Asset Management**

**a) Repairs and Maintenance as a % of Property, Plants and Equipment and Investment Property (Carrying Value)**

**Purpose/ Use of the Ratio:** The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. Repairs and maintenance of municipal assets is required to ensure the continued provision of services.

Details		Target		
Formula	Norm	2025/26	2026/27	2027/28
$\frac{\text{Total Repairs and Maintenance Expenditure}}{\text{Property, Plant and Equipment and Investment Property (Carrying Value)}} \times 100$	8%	4%	6%	8%

## 2.2.2.5 Unaccounted for Water and Electricity Losses

### a) Electricity Distribution Losses (Percentage)

**Purpose/ Use of the Ratio:** The purpose is to measure the percentage loss of potential revenue from Electricity Services through electricity units purchased and generated but not sold as a result of losses incurred through theft (illegal connections), non or inaccurate metering or wastage. It is expected that implementation of the free basic service policy is included in the calculation for sale of electricity.

Details		Target		
Formula	Norm	2025/26	2026/27	2027/28
$(\text{Number of Electricity Units Purchased and / or Generated} - \text{Number of Electricity Units Sold}) / \text{Number of Electricity Units Purchased and / or Generated} \times 100$	7% to 10%	30%	25%	15%

### b) Water Distribution Losses (Percentage)

**Purpose/ Use of the Ratio:** The purpose of this ratio is to determine the percentage loss of potential revenue from water service through kilolitres of water purchased but not sold as a result of losses incurred through theft (illegal connections), non- or incorrect metering or wastage as a result of deteriorating water infrastructure. It is expected that implementation of the free basic service policy is included in the calculation for sale of water.

Details		Target		
Formula	Norm	2025/26	2026/27	2027/28
$((\text{Number of Kiloliters Water Purchased or Purified} - \text{Number of Kilolitres Water Sold}) / \text{Number of Kiloliters Water Purchased or Purified} \times 100$	15% to 30%	35%	28%	20%

The following Free Basic Services (FBE) measurable performance objectives are also applicable for the 2025/26 MTREF period.

**Table 2.3 Free Basic Services Data**

Service	INDIGENT SUBSIDY – 205/26					
	Offer per Month	Level of Service Provided	Number of Households	Budgeted Cost p.a	Cost per unit / Month (Incl. Availability Charge)	Revenue Foregone p.a
Water	6 Kl	Minimum level and >	13 171	R 18 798 119	R 167.76	R 26 514 804
Electricity (pre-paid and conventional)	50 kWh	Minimum level and >	13 197	R 455 971	R 118.00	R 18 686 952
Sewerage	100%	Minimum level and >	12 765	R 21 685 693	R 141.57	R 21 685 693
Refuse	100%	Minimum level and >	13 197	R 21 358 553	R 134.87	R 21 358 553

The municipality has made a provision of a total amount of R 62,2 million for 2025/26 for provision of free basic services as outlined above. This is 49% more than what was budgeted for in 2025/26 financial year mainly due to a thorough analysis of the actual cost of FBS especially in relation to sanitation and refuse removal services which were previously underestimated.

Whilst the actual indigent subsidy is based only on the actual cost of consumption for water and electricity, the revenue foregone element includes both the actual consumption and the applicable availability charges for service which would have constituted revenue under normal circumstances.

## 2.4 Overview of Budget Related-Policies

In terms of regulation 7 of the Municipal Budget and Reporting Regulations (MBRR), the Municipal Manager must take all reasonable steps to ensure the preparation and / or amendment of budget related policies for tabling in council together with the annual budget.

In line with regulation 7 of MBRR, the following policies have been reviewed as part of budget preparation process:

- Credit Control and Debt Collection Policy;
- Municipal Property Rates Policy;
- Tariff Policy,
- Supply Chain Management
- Borrowing Policy;

- 
- f) Indigent subsidy Policy
  - g) Subsistence and Traveling Policy
  - h) Budget Policy
  - i) Transfer and Virement Policy
  - j) Funding and Reserves Policy
  - k) Asset Management Policy
  - l) Banking and investment Policy
  - m) Unauthorised, Irregular, Fruitless and Wasteful Policy
  - n) Cellphone Allowance

The following new budget related policies were also developed as part of the budget preparation process in order to give full effect to the objectives and goals of the 2025/26 MTREF and beyond. These policies did not previously exist and are an addition to the existing budget related policies:

- a) Customer Care Policy;
- b) Disconnection and Connection of Services Policy;
- c) Estimation of Consumption Policy;
- d) Long-Term Debtors Policy;
- e) Prepaid Electricity Vending Policy;
- f) Revenue Policy;
- g) Sundry Income Policy;
- h) Value Added Tax (VAT) Policy; and
- i) Cost Containment Policy

All the reviewed and new budgeted related policies can be accessed at the municipality's website, [www.ngwathe.fs.gov.za](http://www.ngwathe.fs.gov.za) or at the Office of the Chief Financial Officer, Liebenberg Street, Parys.

## 2.5 Overview of Budget Assumptions

The budget assumptions involved projections for revenue and expenditure, heavily influenced by national macroeconomic policies, specific local circumstances as well as an analysis of our internal operations and systems. These assumptions were used to create a financial plan that outlines how a municipality will collect and spend money to deliver services.

In preparing the 2025/26 MTREF, our budget assumptions focused in areas such as tariff increases, revenue collection rates, investment interest rates, and the impact of various external factors. These factors serve as fundamental pillars in budget formulation and are outlined in detail below:

### 2.5.1 Demographics Projections:

According to StatsSA census data of 2022, it is estimated that the number of properties receiving services within the municipality are 36 795. However, in compiling this budget, we have relied on our won General Valuation Roll data as at 31 March 2025, which indicates that the following number of properties that must invariably be billed for municipal services. This data excludes any informal settlements within the municipality.

**Table 2.4 Analysis of Consumer Groups**

Consumer Group	Number of properties	% of Total Number of properties
Business & Commercial Properties	837	3%
Agricultural Purposes <i>(Including those classified as Small Holdings)</i>	5 266	16%
Industrial Properties	99	0.3%
Public Service Infrastructure	224	1%
Residential Properties: Developed <i>(Including Indigents)</i>	23 282	72%
Residential Properties: Vacant Land	2 458	8%
State-Owned Properties <i>(Excluding Municipal Properties)</i>	565	2%
Total	32 507	100%

From the above table, it is evident that the biggest proportion of our consumer groups is the residential consumers, which makes up 72% of the total consumer groups within the municipality. This therefore means that this is the group that needs to be given priority in terms of both service delivery and revenue collection.

Properties that are classified as agricultural properties, which also include small holdings, is the second largest consumer groups at 16%. However, do not necessarily receive a complete complement of services from the municipality, and our focus in with regard to this consumer group in respect of revenue collection will primarily be on assessment rates.

Lastly, industrial consumers make up less than 1% of our consumer groups. This presents an opportunity for us to start to think of innovative ways on how we can initiate programs and initiatives that can attract industries to invest in our area. However, our starting point will be to ensure stable and sustainable supply of basic services such as water, electricity and proper internal roads.

## 2.5.2 Revenue Projections:

**Tariff Increases:** Tariffs are an important element in budget preparation process as they provide the basis for revenue estimation for various services provided by the municipality. In projection of our tariff increases, we were guided by national Treasury Circular 129 and 130 which provide budget parameters for the 2025/26 MTREF period.

Except for water and electricity tariffs, which are increased increase in line with the rates determined by the Water Boards and NERSA respectively, all other tariffs were increased as follows in line with National Treasury macro-economic forecasts:

Fiscal Year	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Forecast		
CPI Inflation	6.0%	4.4%	4.3%	4.6%	4.4%

**Grants and Subsidies:** In this case our assumptions were dual dimensional in the following manner:

- (i) that the allocations in term of DoRA 2024 will be received in full as allocated, and
- (ii) that in relation to conditional grants which are mainly for capital projects, the municipality will fully comply with the conditions for each respective grant and all allocated funds will be spent in full at the end of the financial year.

### 2.5.3 Expenditure Projections:

**Operating Costs:** Operating costs include expenses related to salaries, utilities, maintenance, and other operational needs.

Forecasts for operating expenditure were based on various assumptions, which include the following key assumptions amongst others:

**Table 2.5: Escalation Margins on Expenditure Items**

Expenditure Item	Escalation Margin
Employee Related Cost	CPI plus 0.75%
Bulk Electricity Purchases	11.32%
Bulk Water Purchases	15.2%
Other Operational Costs	Recurring operational costs - 4.4% Non-recurring operational costs –Zero Based Budgeting (ZBB)

**Capital Expenditure:** Recurring operational expenditure funded from grants was budgeted for based on the approved allocations per project and new projects were budgeted fro from Zero Base, with estimates informed by applicable industry benchmarks.

**Free Basic Services:** Free Basic Services provided to indigent households were budgeted for based on the following assumptions:

- (i) that the number of indigent households will not increase by more than 10% of the 2024/25 numbers (i.e 13 197);
- (ii) that the indigent income threshold per month will not increase (i.e R 4 700); and
- (iii) that the average increase on the cost of providing FBS will not exceed 8.98% for 2025/26

All in all, these assumptions were assessed and applied in the context of the following considerations throughout the budgeting process:

- a) **Sustainability:** the municipality's budget needs to be sustainable, meaning we should be able to cover our expenses without accumulating excessive debt.
- b) **Community Needs:** we have considered that the focus of the budget should be prioritizing the basic needs of the community and ensure that resources are allocated efficiently to deliver essential services.
- c) **Financial Stewardship:** we also had to consider the overall impact of the budgeting decisions and ensure that they are informed, all while aligning financial practices with organisational objectives and goals.

## 2.6 Overview of Budget Funding

The 2026/27 MTREF is funded through various sources, including revenue generated from rates and taxes, service charges, and intergovernmental grants and subsidies.

**Funding of Operating and Capital Expenditure:** The summarised proposed **total budget for the 2025/2026 financial year is R 2,099 billion** which is made up as detailed below, including proposed funding measures:

**Table 2.6: Analysis of Budget Funding Measures**

Component	Budget	Funding Measures			
		Source of Funding	Amount	% of Total Budget	% of Respective Budget Component
Operating Expenditure	R 1,381 billion	Operating Grants	R 296 million	14%	21%
		Own Revenue	R 1,085 billion	52%	79%
Capital Expenditure	R 171 million	Capital Grants	R 123 million	6%	72%
		Own Revenue	R 48 million	2%	28%
Surplus	R 547 million	Own Revenue	R 547 million	26%	100%

As depicted on the table above, 79% of operating expenditure will be funded from own generated revenue, and from the total budget point of view, own generated revenue will fund 52% of the total budget, and the rest operating expenditure (i.e 21%) will be funded from operating grants allocations from the National Government, and in terms of the total budget, the operating grants will fund 14% of the total budget.

On the other hand, capital expenditure will primarily be funded from various conditional capital grants from the National Government, which makes up 72% of the total capital budget and 2% of the total budget, whilst 28% of planned capital expenditure, which will be funded from own generated revenue, which makes up 2% of the total budget.

From the total budget point of view, it is also evident that own generated revenue constitutes a proportionally bigger funding source of the budget, making up a total of 62% of the combined total operating and capital budget and for this reason, it is important that stringent measures must continuously be put in place to protect the revenue base of the municipality from erosion, whilst at the same time new/ additional sources of revenue must be identified and unlocked.

The realisation of the above budget measures, its objectives, indicators and targets is strongly dependent on its successful implementation which includes amongst others, robust and consistent application of budget related policies to give full effect to various revenue collection measures and various other interventions such as compliant and optimal, yet cost effective spending on capital budget and other expenditure.

Further details on how the projected own revenue is to be generated are outlined in the sub-sections that follows.

### **2.6.1 Particular of Funding Measures to determine whether the Budget is funded according to MFMA s.18**

**Operating Revenue:** The total operating revenue for 2025/26 amounts to R 1,976 billion, with the following revenue items contributing a significant proportion: Property Rates and Taxes 45% (R 887,5 million), followed by Electricity Service Charges at 21% (R 423,4 million), Operating Government Gants and Subsidies at 15% (R 296,6 million) and Fines and Penalties at 8% (R 148.6 million). These revenue measures are projected to increase by 4,6% and 4,4% for 2026/27 and 2027/28 respectively.

For 2025/26, all revenue items have generally increased marginally more than the proposed CPI margin of 4,3% proposed by the National Treasury for the 2025/26 budget due to the following:



**Rates and Taxes:** When we conducted completeness assessment of revenue, it appeared that, amongst other billable items, some properties were not billed for property rates and various other availability charges for all our trading services.

Out of this revenue completeness assessment process, it was evident that there are discrepancies between the billing data and the valuation roll in that there were fewer properties on the billing system that were billed as opposed to the number of properties that should be billed according to the valuation roll. For example, in comparing the end March 2025 billing report and the valuation roll data, some of the following stark discrepancies were identified:

- There were 385 Business Properties billed for Rates and Taxes, whilst according to the valuation roll, there are 837 Business Properties that MUST be billed for Rates and Taxes.
- There were 910 Agricultural Properties billed for Rates and Taxes, whilst according to the valuation roll, there are 5 266 Agricultural Properties (excluding Municipality Owned and Government owned properties) that MUST be billed for rates.
- There were 13 968 Residential Properties billed for Rates and Taxes, whilst according to the valuation roll, there are 23 282 Residential Properties (excluding Indigent households) that MUST be billed for Rates and Taxes.

Through this process, we are now in a position to close these and other revenue gaps on various other services through this budget and we have also concurrently reviewed our various budget related policies and developed additional new ones which will support the implementation of strategies that are necessary to give full effect to various revenue collection measures and interventions in order to ensure that this budget is realised.

**Electricity Service Charges:** Electricity service charges constitutes one of the key revenue items that which if not properly monitored, may result into a catastrophic outcome like we are almost facing now, where revenue collected is not near enough to at least cover the bulk purchase costs, let alone other related service costs.

As already outlined above, our revenue completeness assessment included gaps in assessment rates and all other service lines items, and with regard to electricity services charges, the following gaps were identified which are now also addressed through this budget, hence the projected revenue for the current and two outer years is above the proposed CPI increases on prior year collections:

- As at 31 March 2025, there were 29 477 registered prepaid electricity meters within the municipality, out of these, 44% (i.e 13 098 meters) have not been buying electricity for a period of between 60 days and 6 years when the initial meters were installed in 2019 and we have no

record of these meters having been reported as faulty by the respective consumers. All these factors therefore leave us with one conclusion that these meters have been deliberately breached / tampered with and continue to illegally consume our electricity resources.

- Our analysis further shows that 81% of potentially breached meters are for normal Domestic Consumers, whilst Businesses account for 7%, Churches 5% and Indigent Consumers 4%.
- Our estimates shows that, based on the data analyzed, the total revenue loss from these meters is estimated at R 170,5 million per annum.
- When this revenue gap is closed as it is so intended based on the proposed projection of this budget, it is evident that the revenue from electricity service charges will increase above the CPI margins propose by the National Treasury,
- Lastly, a number of properties that are liable for service charges were previously not billed for it, including other service charges applicable to other trading services, and as already explained, this is attributable to a number of properties that are on the valuation roll not being billed accordingly, and in some instances billed based on land values only whilst there is a valuation for improvements on the property. The inclusion of previously excluded property from electricity availability charged has resulted in additional revenue of R 23,8 million for 2025/26 and going forward.

**Operating Government Gants and Subsidies:** Revenue from Government Grants and Subsidies is based on the allocation in terms of the Government Gazette. the biggest component of these operating grants and subsidies is the Equitable Share, which constitutes 97,4% (R 288.8 million) of the R 296,6 million and it is split as follows to subsidise delivery of various basic services that are provided by the municipality, especially in an effort to make these service accessible to poor households:

**Table 2.7: Summary of Equitable Share Allocation to Services**

Service Line / Function	Equitable Share Allocation		Indigent Subsidy Cover
	Amount	Proportion	
Water	R 15,349 million	5%	58%
Electricity	R 21,704 million	8%	116%
Sanitation	R 16,667 million	6%	77%
Refuse Removal	R 19,299 million	7%	90%
Assessment Rates / Rates & Taxes	R -	0%	0%
Operations (Finance)	R 215,795 million	75%	N/A
<b>Total</b>	<b>R 288,814 million</b>	<b>100%</b>	<b>68% Average</b>

**Fines and Penalties:** The increase in fines and penalties is primarily due to the 13 098 pre-paid electricity meters that are flagged as being tampered with or breached. The municipality has different penalty charges applicable per consumer category per number of times of tampering, and these penalties range between R 12 413.85 to R 35 468.15 per incident for first time offences.

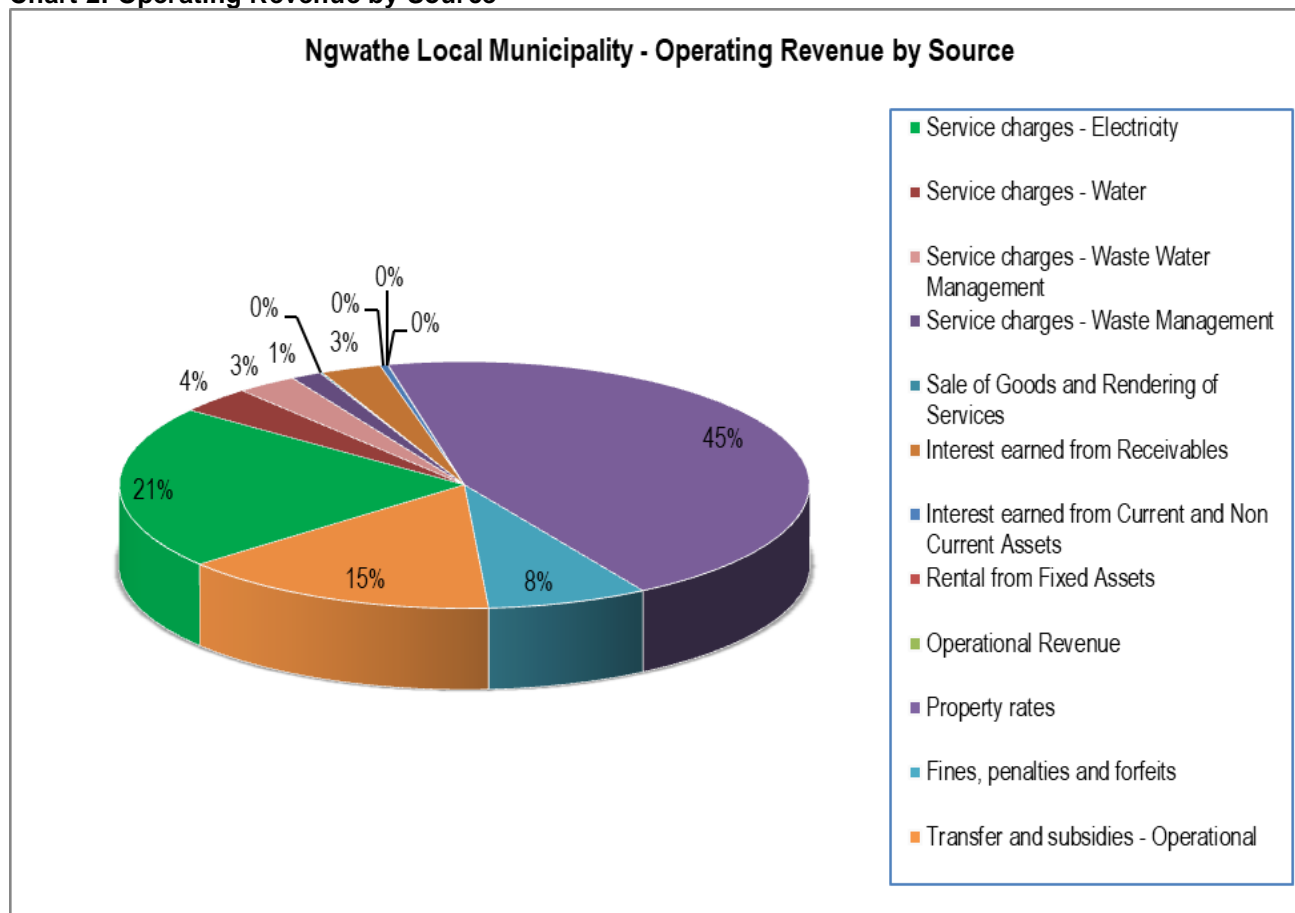
In arriving at our budgeted amount for tampering budget revenue, the following assumptions were made:

- a) that all 13 098 meters must have been breached or violated in one form or the other, considering no records of reported faults;
- b) that all offences are first time offences and therefore first time offence penalties will be applicable
- c) that based on the above number of meters and applicable tariffs per consumer groups, the total penalties will amount to R 209,2 million;
- d) that from this amount (i.e R 209,2 million), only 71% will be recovered after taking into account% of indigent households (which the Council will decide at the appropriate time who their breach is to be dealt with) and a further 25% being an estimated proportion of meters that might actually be faulty than being breached, then the estimated actual amount that may be collected is R 147,9 million) and this is the amount that was finally budgeted for.
- e) It must also be noted that for the outer years, penalties and fines decreased significantly as we believe we would then have put controls and measures in place to prevent this widespread problem that is also leading to our inability to fully service Eskom accounts.

Revenue generated from fines and penalties as budgeted for will be prioritised towards electricity revenue protection programs such as regular meter inspections / audits, meter testing and calibrations, etc.

The chart below provides a full overview of the relative proportion of various sources of operating revenue to the total revenue:

**Chart 2: Operating Revenue by Source**



**Operating Expenditure:** As already outlined above, operating expenditure is estimated to take up approximately 78% of operating budget, and therefore, it was important to evaluate major expenditure items in assessing the viability of the budget in line with section 18 of MFMA. To this effect, emphasis was placed on the ensuing, expenditure items because of their significance and impact not only on the budget, but also on the operations of the municipality and service delivery, and therefore must be appropriately budgeted for and fully funded and these are outlined as follows:

**Bulk Purchases - Electricity:** The cost for bulk electricity cost constitutes the single biggest cost item for this budget, taking up 38% (R 465,9 million). Included in this amount is planned capital repayment of arrears on Eskom amount budgeted at R 24 million for 2025/26 financial year. This is over and above the interest component on the arrears budgeted for at over R 60 million.

The annual purchase cost takes into account 11.32% increase on bulk consumers by Eskom effective from 1 July 2025.

**Employee Related Costs:** The National Treasury norm for employee-related costs in municipalities is between 25% and 40% of total operating expenditure. This norm, outlined in the Municipal Finance

Management Act (MFMA) Circular 71, and aims to ensure that municipalities allocate sufficient resources for other essential services like infrastructure, procurement of water and electricity, refuse removal, etc.

The budget allocation for employee related costs for the 2025/2026 financial year is R 342 million, which represents 25 per cent of the total operating expenditure and falls within the prescribed Circular 71 norm. The budget for employee related costs is based on annual increase of CPI plus (0.75% as per MFMA budget Circular 129 there has been reduction of R 10 million in overtime expenditure.

**Remuneration of Councillors:** 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. Based on the ministerial determination, budget allocation for remuneration of councillors amounts to R 20,3 million for 2025/26, R 21,3 million and R 22,4 for 2026/27 and 2027/28 respectively.

**Bulk Purchases - Water:** Bulk water purchases makes up only 5% (R 64,6 million). The municipality source bulk water from both Rand Water and Department of Water Affairs, with the latter licensing the municipality to extract raw water from its dams, at tariffs that are far below those applied by Rand Water, hence a lower cost on average, particularly when compared to electricity.

The budget estimates for bulk water purchases takes into account an increase of 15.2% for 2025/26 financial year effective from 1 July 2025, and also additional consumption that will come from additional households which will be connected to the supply in 2025/26 financial year.

**Repairs and Maintenance:** Sufficient provision has also been made in relation to Repairs and Maintenance of municipal infrastructure and other assets as compared to the previous financial year. The National Treasury recommends that municipalities must budget for repairs and maintenance of assets at a minimum of 8% of the carrying value of their property, plant, and equipment (PPE).

Although our budget provision is less than the prescribed norm and is approximately 4% of the carrying value of the PPE, this was arrived at after careful consideration of the following factors:

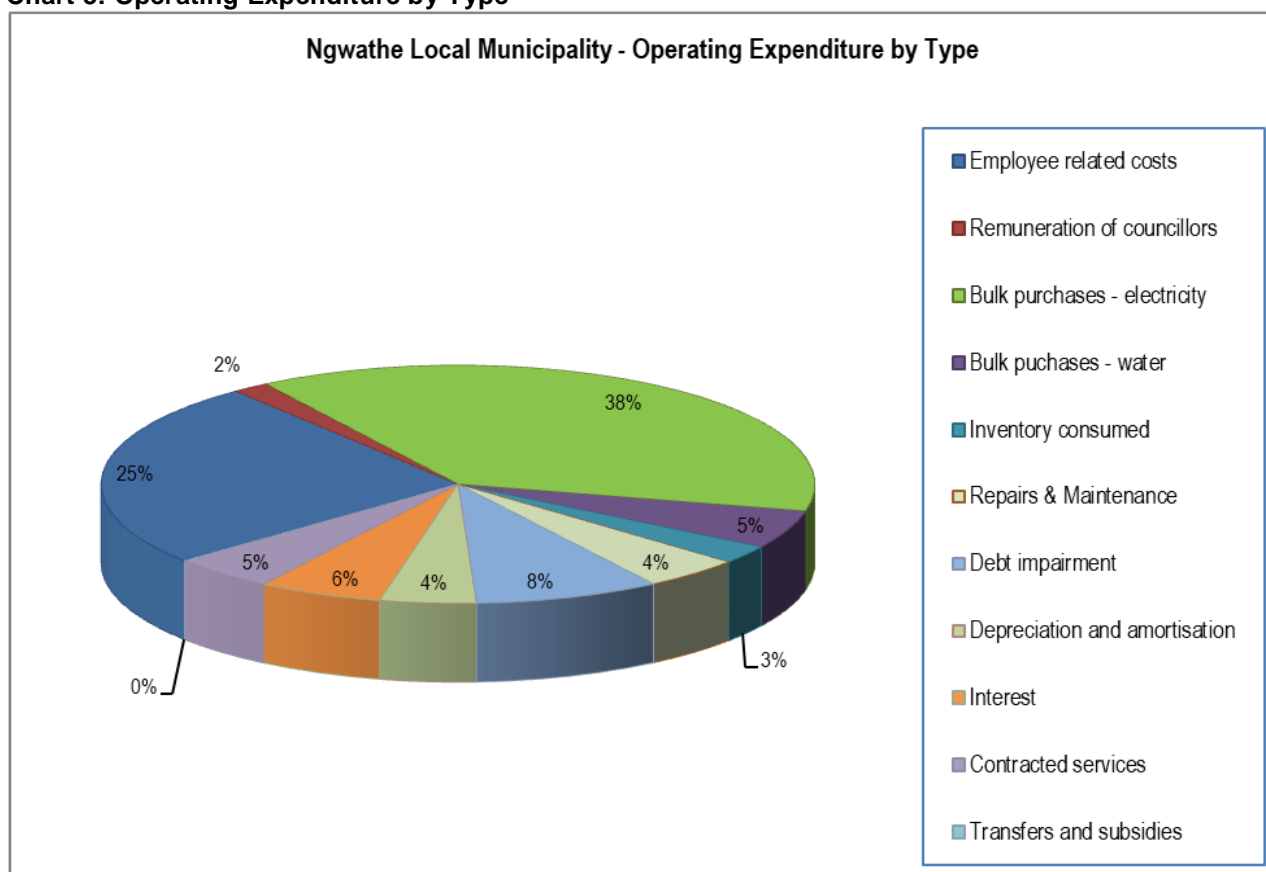
- a) our total capacity to deliver and / or monitor this function even if it were outsourced, would not be sufficient to ensure that value for money is realised and expenditure appropriately accounted for.
- b) some of our major infrastructure assets have just been refurbished or are undergoing refurbishment, as a result, they would not initially require extensive repairs and maintenance like our older ones.

Going forward, we will continue to improve the provision for maintenance alongside improvement of our internal capacity in order to ensure that any investment made in repairs and maintenance will yield returns that can be fully accounted for.

We however believe that the current provision for 2025/26 is sufficient to support our medium to long-term strategy of ensuring that we maintain, repair and refurbish our assets as far as possible in order to prolong their life-span with a view to save unnecessarily buying new ones.

The following chart provides an overview of the proportions of various expenditure items by type to the total operating budget.

**Chart 3: Operating Expenditure by Type**



**Capital Expenditure:** For the 2025/26 financial year, the municipality has a capital budget of R 171,2 million, which will constitute the total capital expenditure for the year. The 2026/27 and 2027/28 capital budget is forecast at R 195,7 and R 177.6 million respectively, with the major contributors to the increase being Regional Bulk Infrastructure

Grant for the 2026/27 financial year, which moderates again in 2027/28 financial year, whilst the MIG and INEP shows a marginally higher increase in allocations.

For the 2025/26 and the two outer years, the capital expenditure will primarily be finance through various grants from the National Government, which constitutes 72% of the capital budget for 2025/26 financial year. Capital expenditure that will be funded through grants relates mainly to the development of following service delivery related capital items:

- Water Infrastructure;
- Electricity Infrastructure;
- Roads and Storm water Systems Infrastructure;
- Sewer Infrastructure; and
- Refuse removal vehicle

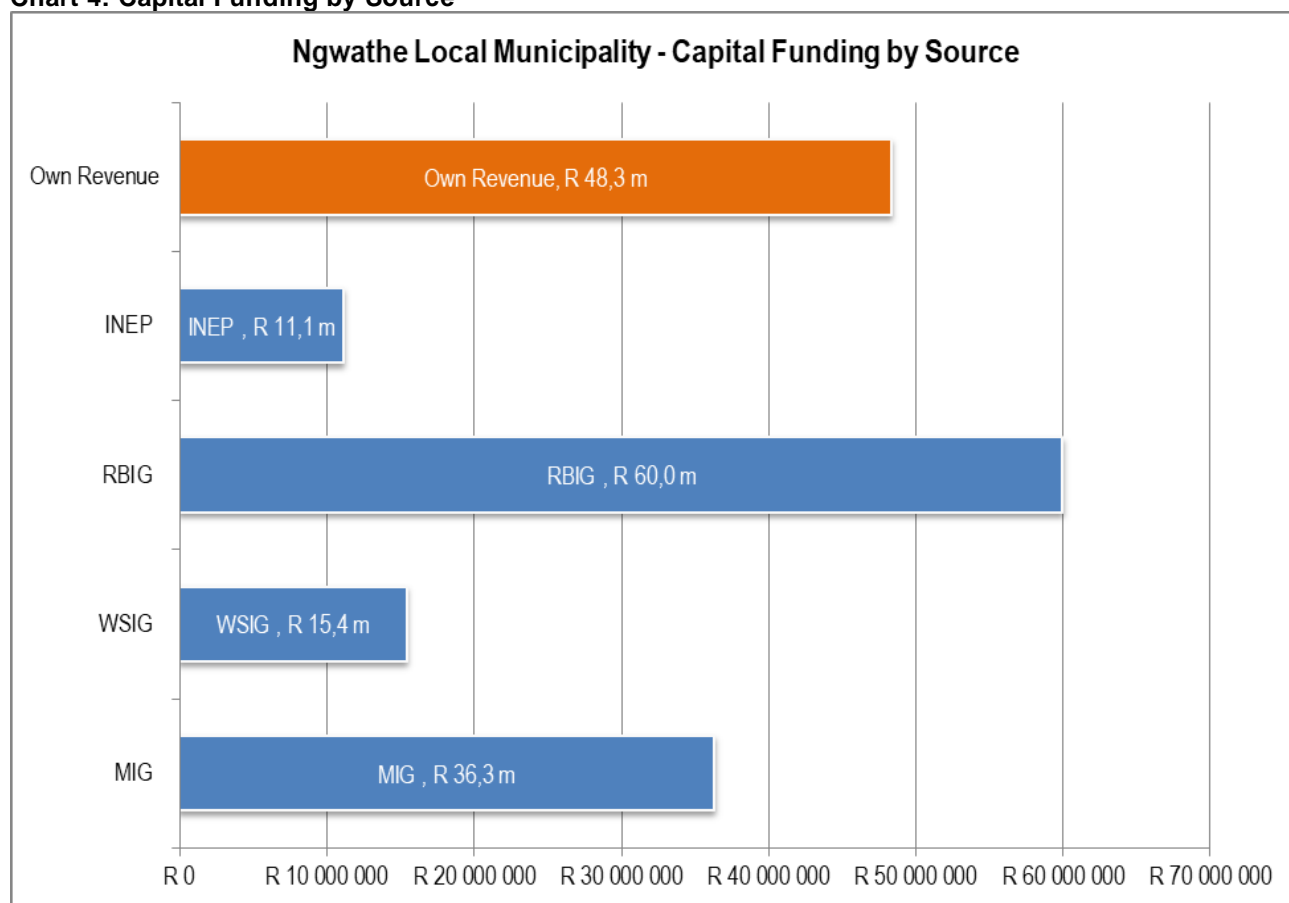
On the other hand, allocation of own revenue towards capital budget is meant to augment capital expenditure in relation to some following capital expenditure amongst others:

- Upgrading of Information and Communication Technology (ICT) Infrastructure
- Acquisition of additional computers for newly appointed employees
- Refurbishment / upgrading of substations
- Upgrading of Tourism Infrastructure (Mimosa)
- Acquisition of yellow-fleet; etc

In our assessment of 2024/25 spending against capital grants in relation to future impact on the 2025/26 budget, there was no indication of risk of spending that is not in line with conditions of the respective grants. Any conditional grants allocation or a portion thereof that is not spent at the end of the 2024/25 financial year shall be dealt with in line with of Section 21 of the DoRA, 2024 and MFMA Circular 130 guidelines in order to mitigate against the risk of potential forfeiture of any unspent portion of grants and / or future impact thereof on the 2025/26 Equitable Share allocations.

The chart below provides an overview of the capital budget allocations by source.

**Chart 4: Capital Funding by Source**



**General:** Based on our approach to the 2025/26 budget, we believe that it is credible and realistic. Given its full implementation, continuous support and monitoring, it will unlock previously stagnant revenue base, improve revenue collection rate as well as addressing expenditure and other operational inefficiencies and has the potential to improve the liquidity position of the municipality going forward.

## 2.6.2 Particulars of Property Valuations, Rates, Tariffs and Other Charges

The following disclosure particulars of property valuations within the municipality, rates, tariffs and other charges are provided in terms of sub-regulation 17 of MBRR and were used as part of the budgeting parameters for the purpose of this budget.



**Particulars of Property Valuations:** The table below contains data relating to the number of properties within the municipality as per the latest general valuation roll, their categories as so classified on the valuation roll, as well as their total combined valuations per category. This data was used to inform projections in relation to services that must be provided and budgeted for, as well as the estimated corresponding revenue that will be generated.

**Table 2.8: Number of Properties per Category and Valuations**

Property Category	Number of properties	Combined Valuations	% of Total Combined Valuation
Agricultural Properties (Including Small Holdings)	5 266	R 5 345 352 100	37%
Business & Commercial Properties	837	R 850 221 000	6%
Industrial Properties	99	R 95 703 500	1%
Public Service Infrastructure	224	R 558 212 000	4%
Residential – Developed	23 282	R 5 876 931 503	41%
Vacant Stands	2 458	R 372 578 750	3%
State Owned Properties	565	R 292 744 200	2%
Municipal Properties	16 293	R 983 182 367	7%
<b>Total</b>	<b>49 024</b>	<b>R 14 374 925 420</b>	<b>100%</b>

From the above table, it can be deduced that the combined market value of agricultural properties trail very close to the combined value of residential properties, at 37%. This highlights the potential assessment rates revenue that will be generated on from these properties because of their relatively higher combined market value relative to the total number of properties contributing to that combined valuation.

**Particulars of Rates, Tariffs and Charges:** The municipalities is empowered in terms of the Constitution and Municipal Structures Act to levy rates, charges, and tariffs on properties and services within its jurisdiction to fund local government operations. Rates are based on property value, while charges and tariffs cover specific services like water, electricity, and refuse removal.

The tariff tables that follow outline proposed tariffs for 2025/26 that will be applicable to various basic services that are provided by the municipality, and the increase in tariffs is based on the following margins:

**Table 2.9: Proposed Tariff Increase Margins**

Item	Proposed Increase
Water	9.85% (Include 15.3% Rand Water and 4.4% DWS increase)
Electricity	12.74% (Include 11.32% Eskom increase)
Sanitation	4.4%
Refuse Removal	4.4%

Item	Proposed Increase
Rates and Taxes	Revised tariffs in line with new GVR (With rebates of 10% residential, 5% on business, 5% on industrial and 40% on PBO)
Cemeteries	4.4%
Hiring of Halls	4.4%
All other Sundries	4.4%

Full details of proposed tariffs and other charges for the 2025/26 Annual Budget are attached hereto as annexures referenced as below and forms part of the budget.

Annexure A: Electricity

Annexure B: Water

Annexure C: Sewerage / Sanitation

Annexure D: Refuse Removal

Annexure E: Rates and Taxes

Annexure F: Land

Annexure G: Cemeteries

Annexure H: Rent

Annexure I: Resorts

Annexure J: Swimming Pools

Annexure K: Stadiums

Annexure L: Planning and Housing

Annexure M: Way Leaves

Annexure N: Traffic

The following tariffs relate to the provision of basic services, the details of which will be found in the detailed in the annexures as outlined above, and are provided where for ease of reference:

**Table 2.10: Property Rates Tariffs**

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

Category	Rates	Tariff Codes	Exemptions, Reductions & 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

**Table 2.11: Proposed Water Tariffs**

Supply of Water						
Parys/Heilbron/Vredefort/Koppies/Edenville						
Schedule (b) Water Consumption						
Property Category	Details	Tariff Codes Services		2025/2026		
			Measurement	Tariff	VAT	TOTAL
Vacant stands	Basic	BW000		161,23	24,99	186,22
EHKV						
Indigents	Basic	BWi01		75,90	11,76	87,66
	Consumption	WA01i	0 - 6 FBS	-	-	-
			7 - 20 Indigent Only	15,31	2,37	17,69
			21 - >	15,54	2,41	17,95
Residential	Basic	BW001		75,90	11,76	87,66
	Consumption	WA001	0 – 20	15,31	2,37	17,69
		WA001	21 - 30	15,54	2,41	17,95
			31 - >	15,54	2,41	17,95
EHKPV						
Business (per Business)	Basic	BW002		243,71	37,78	281,49

Supply of Water						
Parys/Heilbron/Vredefort/Koppies/Edenville						
Schedule (b) Water Consumption						
Property Category	Details	Tariff Codes Services	Measurement	2025/2026		
				Tariff	VAT	TOTAL
	Consumption	WA002	Cons	17,77	2,75	20,53
		New-2019/20	0 – 20	17,77	2,75	20,53
			21 - 30	17,77	2,75	20,53
			31 - >	17,77	2,75	20,53
EHKPV						
Bulk/Government/Schools	Basic	BW004		243,72	37,78	281,50
EHKPV	Consumption	WA004	Cons	15,31	2,37	17,69
Schools		New-2019/20	0 – 20	15,31	2,37	17,69
EHKPV			21 - 30	15,54	2,41	17,95
Government			31 - >	15,54	2,41	17,95
Municipal	Basic	BW010		243,70	37,77	281,48
	Consumption	WA005		15,31	2,37	17,69
EHKPV					-	
Sports Organisations	Consumption	WA007		15,31	2,37	17,69
Industrial	Basic	BW009		158,87	24,62	183,49
EHKPV	Consumption	WA009	Cons	15,31	2,37	17,69
		New-2019/20	0 – 20	15,31	2,37	17,69
			21 - 30	15,54	2,41	17,95
			31 - >	15,54	2,41	17,95
Small Business (Business from Home)	Basic	BW010		120,91	18,74	139,65
EHKPV	Consumption	WA015	Cons			
		New-2019/20	0 – 20	15,31	2,37	17,69
			21 - 30	15,54	2,41	17,95
			31 - >	15,54	2,41	17,95
Sewerage	Consumption	WA013		9,06	1,40	10,47
Unpurified	Consumption	WA014		9,06	1,40	10,47

**Table 2.12: Electricity Tariffs**

Parys/Heilbron/Vredefort/Koppies/Edenville					
Schedule (a) Electricity Consumption					
Tariffs excluding VAT		Tariff Code	Tariff	VAT %	TOTAL
Vacant stands Residential		BE000	258.11	40.01	298.11
Residential - Pre Paid - Non Indigent		EL001	3.56	0.55	4.11
Residential - Conventional - Non Indigent		EL001	3.56	0.55	4.11
EHKPV					
Residential - Pre Paid – Indigent		EL011	2.34	0.36	2.71
Residential - Conventional – Indigent		EL011	2.34	0.36	2.71
EHKPV					
Business (Pre-paid incl)		BE002	1 360.85	210.93	1 571.78
		EL002	3.40	0.53	3.93
EHKPV					
Small Holdings		BE003	821.20	127.29	948.48
		EL003	3.40	0.53	3.93
EHKPV					
Bulk Consumers	Basic	BE004	1 618.95	250.94	1 869.88
Consumption	Consumption	EL004	2.42	0.38	2.80
Demand	Demand	EL004	347.25	53.82	401.07
EHKPV					
Municipal		BE005	1 374.32	213.02	1 587.34
		EL005	3.36	0.52	3.88
EHKPV					
Sundry Consumers		BE006	1 374.32	213.02	1 587.34
		EL006	3.36	0.52	3.88
EHKPV					
Sports Organisations		BE007	1 403.30	217.51	1 620.81
		EL007	3.25	0.50	3.75
EHKPV					
Schools/Hostels		BE008	1 615.19	250.35	1 865.55
		EL008	3.25	0.50	3.75
EHKPV					
Industrial	<10kW	BE009	1 560.25	241.84	1 802.09
		EL009	3.27	0.51	3.78
EHKPV					
	10kW-29kW	BE010	1 560.25	241.84	1 802.09

Parys/Heilbron/Vredefort/Koppies/Edenville					
Schedule (a) Electricity Consumption					
Tariffs excluding VAT		Tariff Code	Tariff	VAT %	TOTAL
EHKPV		EL010	3.27	0.51	3.78
	30kW plus	BE011	1 563.87	242.40	1 806.27
EHKPV		EL011	3.29	0.51	3.80
Telkom exchange/Auto Exchange EHKPV.	Basic	BE012	1 618.95	250.94	1 869.88
	Consumption	EL012	2.42	0.38	2.80
	Demand	EL012	347.25	53.82	401.07
Flood Lights/ Streetlights		BE013	703.89	109.10	813.00
		EL013	2.60	0.40	3.01
Government		BE014	1 615.19	250.35	1 865.55
		EL014	3.25	0.50	3.75
EHKPV					
Churches		BE015	598.91	92.83	691.74
		EL015	3.72	0.58	4.30
EHKPV					
Small Business		BE016	821.20	127.29	948.48
		EL016	3.40	0.53	3.93
EHKPV					
Vacant stands Business and Other		BE017	258.11	40.01	298.11

**Table 2.13: Proposed Sanitation Tariffs**

Parys/Heilbron/Vredefort/Koppies/Edenville					
Schedule 6(c) Sewerage					
Tariffs excluding VAT	Tariff Codes		2025/2026		
			Tariff	VAT	Total
Residential:	SE001	Waterborne (per household)	141,57	21,94	162.81
	SEBS	Bucket System	71,73	11,12	82.49
	SEST	Suction Tank	139,56	21,63	160.49
Crèche	SECR8		394,86	61,20	454.09
Primary School	SEPS8		8 775,94	1 360,27	10 092.33
Secondary School	SESS8		13 163,92	2 040,41	15 138.51
Business	SE002		394,86	61,20	454.09
Café, Guest H. Restaurants			513,32	79,56	590.32
Clover 1	SEH011	Clover 1	116 467,00	18 052,39	133 937.05
Simba	SEH012	Simba	2 912,12	451,38	3 348.94

Parys/Heilbron/Vredefort/Koppies/Edenville					
Schedule 6(c) Sewerage					
Tariffs excluding VAT	Tariff Codes		2025/2026		
			Tariff	VAT	Total
Hotels, Supermarkets, Hospitals, Country Club	SE015		1 776,88	275,42	2 043.41
Khaya Ebubhesi	Sundry	Khaya Ebubhesi Per Dumping			
		As Per Council Resolution	709,26	109,94	815.65
Small Business	SE016	Waterborne per shop			
(Business From Home)			187,54	29,07	215.67
Government	SE014	Fixed basic charge	13 703,65	2 124,07	15 759.20
Sport Organisations	SE007	Fixed basic charge	200,98	31,15	231.13
Departmental (Municipal)	SE005	Fixed basic charge	176,37	27,34	202.83
Vacant Stands	SE000	Fixed basic charge	187,23	29,02	215.31
Abattoir	SE003	Fixed basic charge	5 017,40	777,70	5 770.01
Churches	SE013	Fixed basic charge	176,37	27,34	202.83
Welfare Organisations					
Bulk	SE004	Fixed basic charge	160,42	24,87	184.48
Holiday Resorts	SE006	Fixed basic charge	177,22	27,47	203.80
Old Aged Homes:	SE009	Clinic/Rooms Per Point	110,24	17,09	126.78
	SE010	Flats/Houses Per Unit	178,92	27,73	205.76

**Table 2.14: Refuse Removal Tariffs**

Parys/Heilbron/Vredefort/Koppies/Edenville					
Tariffs excluding VAT		Tariff Codes Services	2025/2026		
			Tariff	VAT	Total
Residential		RF001	134.87	20.23	155.10
Business		RF002	249.46	37.42	286.88
Restaurants, Café, Guest House		RF	324.30	48.65	372.95
Holiday Resorts	/Cottage	RF016	52.83	7.92	60.75
Office considered as	/Caravan Stand	RF017	26.57	3.99	30.56
Churches and Welfare		RF018	134.28	20.14	154.42
Small Business(Business From Home)		RF020	202.01	30.30	232.31
Municipal		RF005	103.18	15.48	118.66
Sports Clubs		RE007	44.42	6.66	51.08
Industrial	Large	RE009	610.53	91.58	702.11
Hotels, Supermarkets, Hospitals, Country Club	Fixed	RF015	1 122.59	168.39	1 290.98

Parys/Heilbron/Vredefort/Koppies/Edenville					
Tariffs excluding VAT		Tariff Codes Services	2025/2026		
			Tariff	VAT	Total
Old Aged Homes Hostels	Fixed	RF019	62.59	9.39	71.98
Bulk	Fixed	RF004	4 476.33	671.45	5 147.78
Government		RF014			
Creche	Fixed	RFCR8	249.46	37.42	286.88
Primary School		RFPS8	4 476.34	671.45	5 147.79
Secondary School		RFHS8	4 476.34	671.45	5 147.79

**Summary of Estimated Debt Collection Levels:** With regard to revenue and debt collection, we have taken “consumer group focused” approach instead of applying a blanket approach in order to ensure a clear targeted revenue approach. The following revenue collection assumptions were made based on different consumer groups for all categories of services rendered:

**Table 2.15: Revenue and Debt Collection Targets**

Consumer Group	Targeted Collection Rate on <u>Current</u> <u>Accounts</u>	Targeted Collection Rate on <u>Overdue</u> <u>Accounts</u>
Business & Commercial Properties	100%	70%
Agricultural Purposes (Incl. those classified as Small Holdings)	100%	100%
Industrial Properties	100%	70%
Public Service Infrastructure	100%	100%
Residential Properties: Developed (Excluding Indigents)	60%	50%
Residential Properties: Vacant Land	40%	40%
State-Owned Properties	100%	100%
<b>Average Collection Rate</b>	<b>86%</b>	<b>76%</b>

We also made an assumption that the newly developed policies such as Disconnection and Reconnection Policy; Estimation Policy, etc will augment policies such as Credit Control and Debt Collection by providing more enforcement framework and mechanism to ensure that those that are able to afford to pay for municipal services are rigorously pursued to do so.

### 2.6.3 Planned Savings and Efficiencies

With regard savings and efficiencies, our approach is typically to implement various mechanisms aimed at optimizing resource allocation and reducing unnecessary expenses. These measures will include, amongst others, the following measures:



- a) Streamlining operations,
- b) Exploring innovative and modernized methods of service delivery
- c) enhancing revenue collection,
- d) reducing debt, and
- e) ensuring better financial management practices.

Specific areas of focus where we would like to improve over the 2025/26 MTREF period include the following:

- a) Improving revenue collection to 86% to 95%
- b) Management and reduction of overtime and ensuring that salary bill remains within 25% - 40% of the total operating expenditure;
- c) Benchmarking of costs prior to procurement in order to ensure that we do not overpay for goods and services provided by external service providers and suppliers;
- d) Accelerate Repayment of Eskom, Rand Water and Department of Water Affairs in order to suppress accumulation of interest;
- e) Introducing smart meters for electricity in order to ensure accurate billing for consumptions at various cycles during the day;
- f) Regular maintenance of assets in order to prolong their lifespan;
- g) Regular auditing of water and electricity meters in order to prevent illegal connections and theft of resources;
- h) Reduction of water and electricity distribution losses to at least 10%.

#### 2.6.4 Monetary Investments

Monetary investments framework in municipalities is guided by Municipal Investment Regulations 2005 as provided for in terms of section 13 of MFMA. In line with the regulations, the municipality can invest funds, but with specific guidelines and ethical considerations. Investments must be genuine, not speculative, and prioritize safety, liquidity, and return on investment. They are generally limited to government securities, listed corporate bonds with investment-grade ratings and bank deposits.

Although the municipality does not have any monetary investments currently, it is important to highlight the above guiding principles, which will be applied once the anticipated surplus becomes realised and available for investments.

#### 2.6.5 Budgeted Allocations and Grants to the Municipality

The following table provides a detailed overview of various operating as well as capital grants allocation from the National Government and the Free State Provincial Government. Except for Infrastructure Maintenance

Grant (R 363 404) which constitutes 0.1% of the total grants allocations, all other grants (i.e 99.9%) are allocations from the National Government.

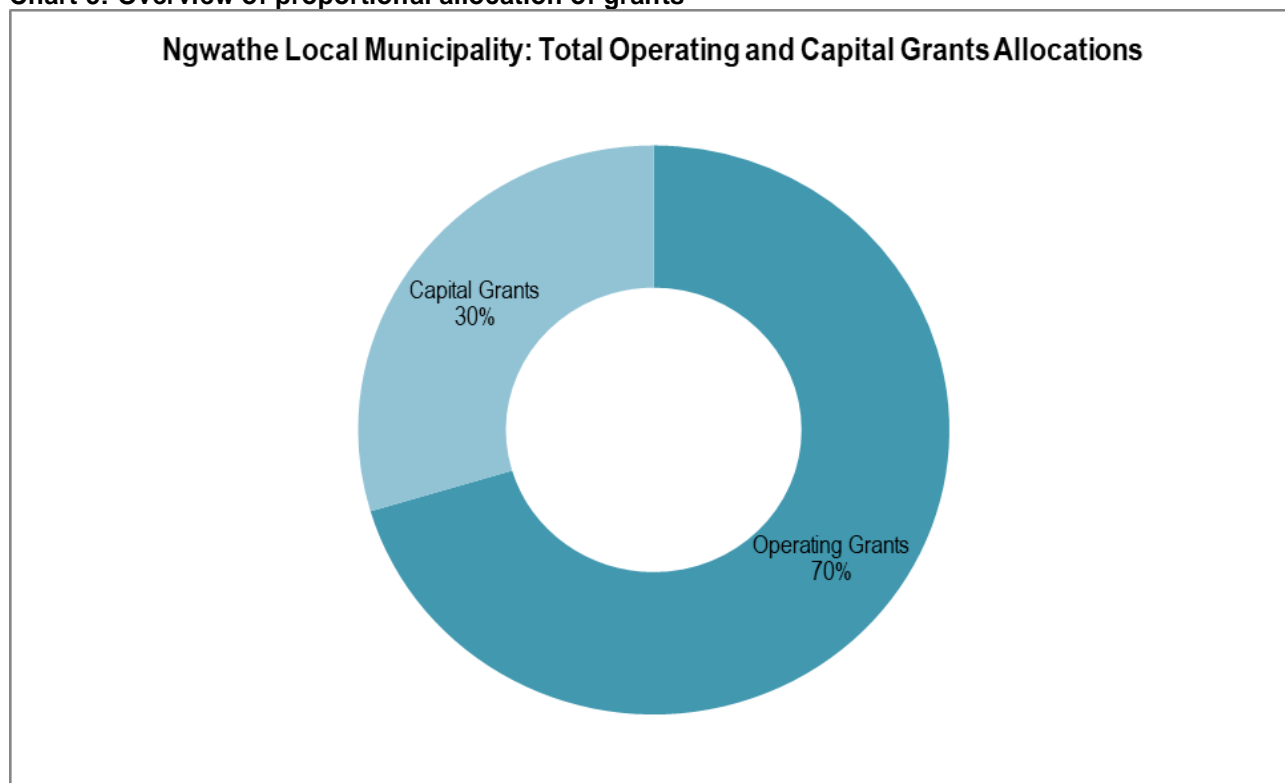
These grants will be utilised for the purposes allocated and according to their respective conditions and it is our plan to spend 100% of the allocations in order to create an opportunity for more allocations where possible in order to speed up infrastructure development and service delivery.

**Table 2.16: Budgeted Allocations and Grants**

Grant Description	Amount
Expanded Public Works (EPWP) Grant	R 2 553 000
Financial Management Grant (FMG)	R 3 000 000
Equitable Share Grant	R 288 814 000
Municipal Infrastructure Grant (MIG)	R 1 912 600
Infrastructure Maintenance Grant (FS Gov.)	R 363 404
<b>Sub-Total Operating Grants</b>	<b>R 296 643 004</b>
Municipal Infrastructure Grant (MIG)	R 36 339 400
Water Services Infrastructure Grant (WSIG)	R 15 433 000
Regional Bulk Infrastructure Grant (RBIG)	R 60 000 000
Integrated National Electrification Programme Grant (INEP)	R 11 135 000
<b>Sub-Total Capital Grants</b>	<b>R 122 907 400</b>
<b>Total Operating and Capital Grants</b>	<b>R 419 550 404</b>

The chart below provides an overview of proportional allocation of both the operating and capital grants to the total allocations.

**Chart 5: Overview of proportional allocation of grants**



## 2.7 Expenditure on Allocations and Grant Programmes

For 2025/26, our total operating and capital expenditure is planned to be R 1,573 billion. Included in this expenditure is an amount of R 421 million that will be driven through operational and capital grants allocations. The details of these grants allocation is outlined below as follows:

**Table 2.17: Planned Expenditure against Capital Grants**

Grant Description	Project Description	Amount
INEP	Electrification Projects	R 11 135 000
<b>Sub-total INEP</b>		<b>R 11 135 000</b>
MIG	Parys: Refurbishment of old Parys Water Treatment Works	R 2 272 154
MIG	Ngwathe Replace 15km Asbestos Pipes	R 3 732 270
MIG	Phiritona/Sandersville: Construction of low level bridge	R 1 200 000
MIG	Vredefort 2km Paving Roads	R 7 024 240
MIG	Constr 1,5 Km Paved Road & Storm Water W7	R 2 628 139
MIG	Ngwathe/Phiritona: Construction of pedestrian bridge	R 1 041 091
MIG	Phiritona/Heilbron: Constr 3km Waterborne Sanit. Network	R 6 442 696
MIG	Vredefort: Upgrading of Water Treatment Works	R 5 737 397
MIG	Mosepedi Community Hall Refurbishment & Upgrade	R 3 461 412

Grant Description	Project Description	Amount
MIG	Provision of Specilized Vehiicle (Compaction Truck) in Mokwallo/Vredefort	R 2 800 000
<b>Sub-total MIG</b>		<b>R 36 339 400</b>
WSIG	Refur: Vredefort Waste WTW	R 8 432 965
WSIG	Phiritona/Heilbron: Cons 3km Pipeline & Elevated Tower	R 7 000 035
<b>Sub-total WSIG</b>		<b>R 15 433 000</b>
RBIG	Construct Pipeline Koppies - Edenville	R 17 926 557
RBIG	Upgrading of Secondary Bulk Kwakwatsi	R 1 426 856
RBIG	Refurbishment of Parys WTW (COVID 19)	R 40 646 587
<b>Sub-total RBIG</b>		<b>R 60 000 000</b>
<b>Grand-Total</b>		<b>R 122 907 400</b>

**Table 2.18: Planned Expenditure against Operating Grants**

Grant Description	Project Description	Amount
EPWP	Stipends for Extended Public Works Projects	R 2 553 000
<b>Sub-total EPWP Grant</b>		<b>R 2 553 000</b>
Equitable Share	Water provision	R 15 349 456
Equitable Share	Electricity provision	R 21 703 566
Equitable Share	Sanitation provision	R 16 667 183
Equitable Share	Refuse removal	R 19 298 550
Equitable Share	Operations (Finance)	R 215 795 245
<b>Sub-total Equitable Share Grant</b>		<b>R 288 814 000</b>
FMG	Stipends for Finance Interns and their respective equipment	R 3 000 000
<b>Sub-total FMG</b>		<b>R 3 000 000</b>
MIG	Salaries for Project Management Unit (PMU) Staff	R 1 912 600
<b>Sub-total MIG</b>		<b>R 1 912 600</b>
Infr. Maint. Grant	Maintenance of Offices	R 363 404
<b>Sub-total Infrastructure Maintenance Grant</b>		<b>R 363 404</b>
<b>Grand-Total</b>		<b>R 296 643 004</b>

Other than the allocations and grant to be received as outlined above, the municipality has not made any allocations or grants to any institution.

## 2.8 Disclosure of Councillors Allowances and Remuneration of Employees

The table below provides details of Councillors Allowances and Remuneration of Employees as budgeted for. 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).

On the other hand, employee-related is budgeted for at CPI of 4,3 plus 0,75% in line with the SALGBC Collective Agreement for all employees, including those who do not fall within the SALGBC.

An indicative increase on the remuneration of senior managers of 55% for 2025/26 is as a results of filling of vacant senior management posts which are now appropriately budgeted for.

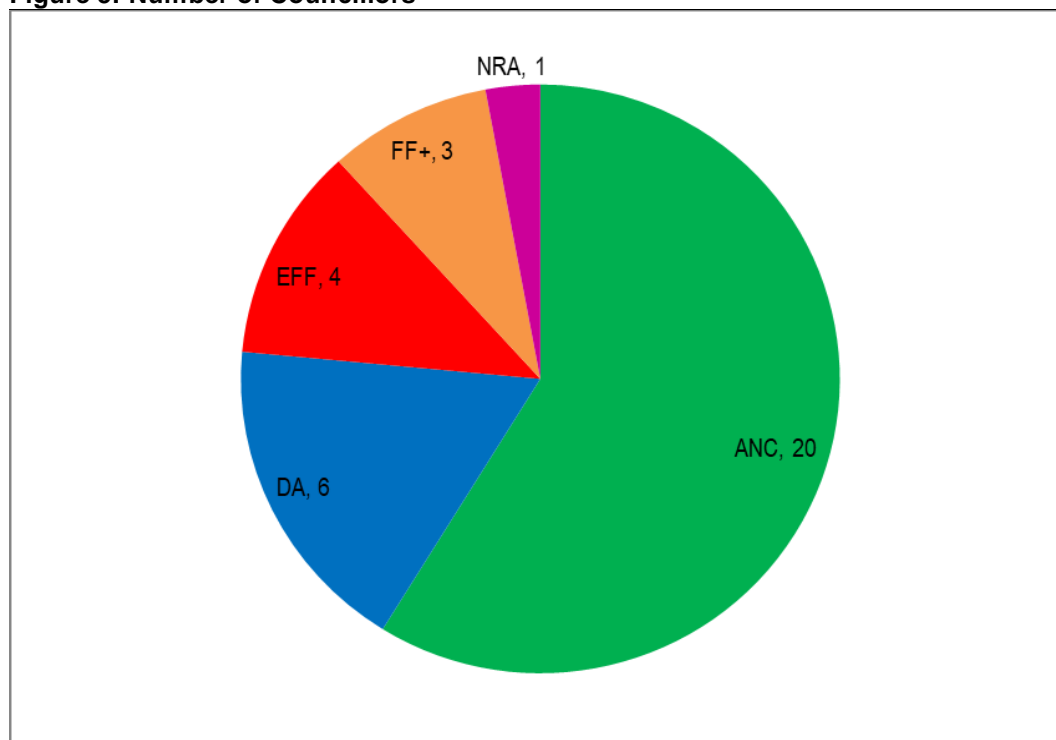
FS203 Ngwathe - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand										
<b><u>Councillors (Political Office Bearers plus Other)</u></b>	1	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages		–	–	–	10 883	13 149	13 149	13 843	14 567	15 464
Pension and UIF										
Contributions		30	67	–	161	171	171	178	186	191
Medical Aid Contributions		15	–	–	407	–	–	–	–	–
Motor Vehicle Allowance		144	156	156	3 101	217	217	227	237	243
Cellphone Allowance		1 476	1 523	1 583	2 627	1 680	1 680	1 754	1 833	1 879
Other benefits and allowances		13 924	14 933	16 043	1 216	4 112	4 112	4 293	4 486	4 598
<b>Sub Total - Councillors</b>		<b>15 589</b>	<b>16 679</b>	<b>17 782</b>	<b>18 394</b>	<b>19 329</b>	<b>19 329</b>	<b>20 295</b>	<b>21 310</b>	<b>22 375</b>
<b>% increase</b>	4		<b>7.0%</b>	<b>6.6%</b>	<b>3.4%</b>	<b>5.1%</b>	<b>–</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
<b><u>Senior Managers of the Municipality</u></b>	2									
Basic Salaries and Wages		1 866	80	771	4 655	4 964	4 964	6 298	6 581	6 746
Pension and UIF										
Contributions		10	5	2	7	5	5	1 295	1 354	1 388
Medical Aid Contributions		(1 668)	(2 127)	(2 198)	27	–	–	28	29	30
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	1 641	750	355	1 131	708	708	1 181	1 234	1 265
Cellphone Allowance	3	42	3	–	–	–	–	–	–	–
<b>Sub Total - Senior Managers of Municipality</b>		<b>1 891</b>	<b>(1 288)</b>	<b>(1 070)</b>	<b>5 820</b>	<b>5 678</b>	<b>5 678</b>	<b>8 803</b>	<b>9 199</b>	<b>9 429</b>
<b>% increase</b>	4		<b>(168.1%)</b>	<b>(16.9%)</b>	<b>(644.1%)</b>	<b>(2.4%)</b>	<b>–</b>	<b>55.0%</b>	<b>4.5%</b>	<b>2.5%</b>
<b><u>Other Municipal Staff</u></b>										
Basic Salaries and Wages		153 697	152 451	173 868	164 409	197 443	197 443	214 649	213 680	219 022
Pension and UIF										
Contributions		29 061	29 852	30 399	33 676	32 260	32 260	33 683	35 199	36 079
Medical Aid Contributions		14 655	14 978	15 369	14 468	16 121	16 121	16 831	17 588	18 028
Overtime		26 243	28 140	31 382	31 740	36 304	36 304	28 000	10 450	10 711
Performance Bonus		13 405	13 970	13 723	15 757	15 132	15 132	15 798	16 509	16 922
Motor Vehicle Allowance	3	5 934	5 906	5 290	6 376	6 222	6 222	7 170	7 493	7 680
Cellphone Allowance	3	–	–	–	–	–	–	–	–	–
Housing Allowances	3	542	587	597	662	810	810	763	797	817
Other benefits and allowances	3	11 351	11 302	9 131	12 748	12 036	12 036	12 566	13 131	13 459
Payments in lieu of leave		2 759	3 882	3 808	6 987	3 729	3 729	3 894	4 069	4 170

Summary of Employee and Councillor remuneration	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand										
Long service awards		–	–	–	366	–	–	31	32	225
Sub Total - Other Municipal Staff		257 647	261 068	283 567	287 189	320 058	320 058	333 383	318 947	327 113
% increase	4		1.3%	8.6%	1.3%	11.4%	–	4.2%	(4.3%)	2.6%
Total Parent Municipality		275 126	276 459	300 279	311 402	345 064	345 064	362 480	349 455	358 917
			0.5%	8.6%	3.7%	10.8%	–	5.0%	(3.6%)	2.7%
TOTAL SALARY, ALLOWANCES & BENEFITS		275 126	276 459	300 279	311 402	345 064	345 064	362 480	349 455	358 917
% increase	4		0.5%	8.6%	3.7%	10.8%	–	5.0%	(3.6%)	2.7%
TOTAL MANAGERS AND STAFF	5,7	259 537	259 780	282 497	293 009	325 736	325 736	342 185	328 145	336 541

The above remuneration costs are based on the number councillors and employees as detailed on the tables below:

**Figure 5: Number of Councillors**



As part of the bigger human resource management plan, the municipality's human resource strategy focuses on filling of critical vacancies, skills audit, and capacity building intervention for councillors and officials, performance recognition and achieving our employment equity targets.

The primary focus is to ensure that departments are neither over- nor understaffed, and that employees with appropriate talents and skills are available to carry out tasks in the right jobs at the right time to support the municipality to achieve its strategic objectives. The table hereunder summarizes the total workforce of the municipality per race group.

**Table 2.17: Number of Employees and Occupational Categories**

Employment Category	Race								Total
	African		Coloured		Indian		White		
	M	F	M	F	M	F	M	F	
Top Management	1	-	-	-	-	-	-	-	1
Senior Management	3	1	-	-	-	-	-	-	4
Mid- Management	20	8	1	-	-	-	-	-	29
Skilled Technicians	32	27	-	2	-	-	-	1	63
Semi-Skilled	184	113	5	1	-	-	1	4	308
Unskilled	143	97	3	1	-	-	1	-	245
Total Permanent Employees	383	246	9	4	-	-	2	5	650

## 2.9 Overview of Annual Departmental Service Delivery and Budget Implementation Plan (SDBIP)

The SDBIP is a plan that converts the IDP and Annual Budget into measurable criteria on how, where and when the strategies, objectives and normal business processes of the municipality are implemented. It also allocates responsibility to a department to deliver the service in terms of the approved IDP and Annual Budget.

The SDBIP organisational SDBIP, from which departmental SDBIP are derived from for the 2025/26 period, shall be submitted to the Executive Mayor no later than the 20<sup>th</sup> June and will serve as an implementing and measuring tool for the budget.

## 2.10 Capital Expenditure Details

The following table provides an overview of planned capital expenditure by class. As it will be noticed from this table and the supporting chart that follows, the biggest amount of the capital budget will be channeled towards sanitation infrastructure 51%, followed by buildings and facilities with 19% allocation. Equipment and tools received the lowest allocation which equates to 2% of the total capital budget.

It must also be noted that some of the capital expenditure relates to multi-year projects that are continuing into the 2025/26 MTREF period and therefore, their initial total allocations may be higher than what is available for the 2025/26 financial year as outlined.

The future financial implications of these assets, particularly capital assets, will be assessed and quantified once the assets are completed and appropriate budgetary provision such as revenue potential, running and maintenance costs will be made.

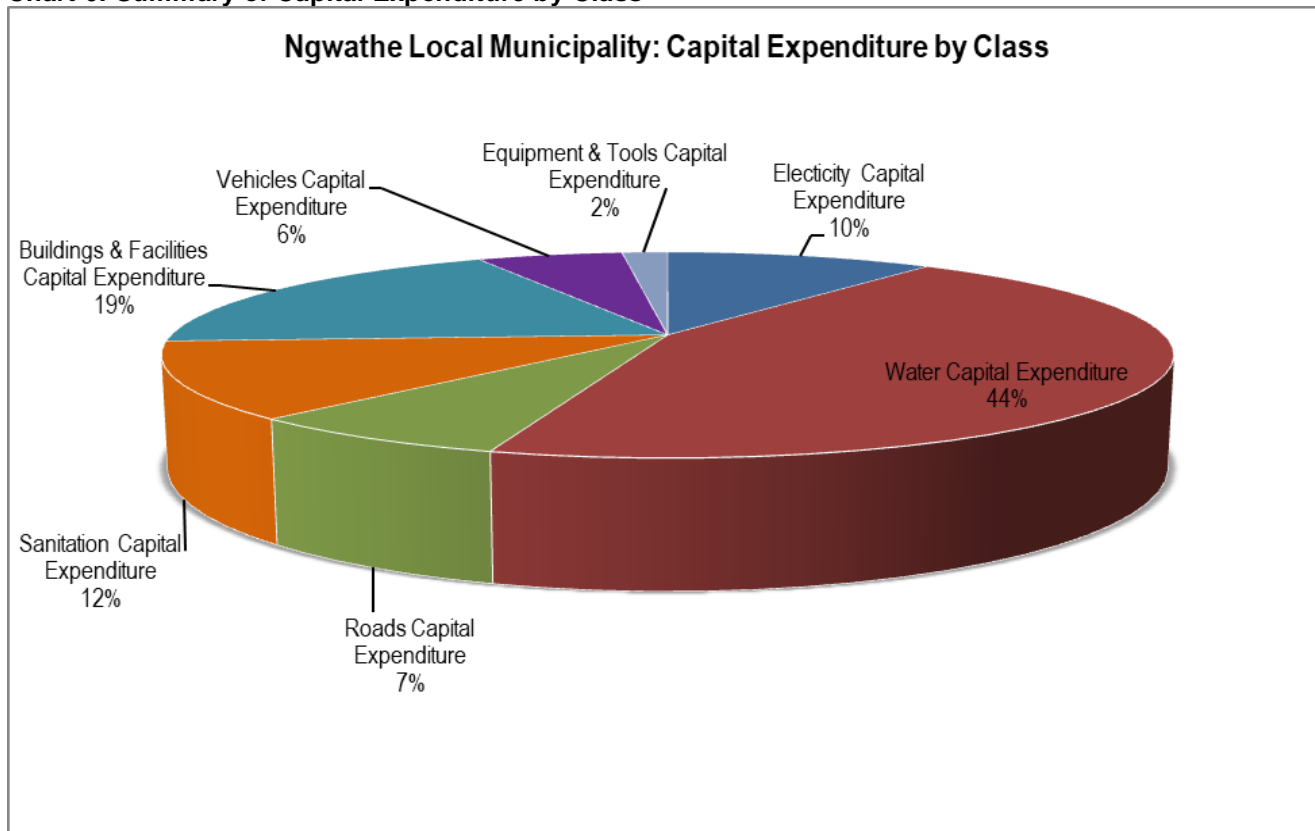
**Table 2.18: Detailed Capital Expenditure by Class**

Expenditure Class / Sub-Class	Source of Funding	Project Description	Amount
Electricity	Own Revenue	Parys Electricity Bulk Supply	R 2 000 000
Electricity	Own Revenue	Mini-Substation	R 2 500 000
Electricity	Own Revenue	Generator 6.5 KvA On Wheels X1	R 2 000 000
Electricity	INEP	Electrification Projects	R 11 135 000
<b>Sub-total Electricity Capital Expenditure</b>			<b>R 17 635 000</b>
Water	MIG	Parys: Refurbishment of old Parys Water Treatment Works	R 2 272 154
Water	MIG	Ngwathe Replace 15km Asbestos Pipes	R 3 732 270
Water	Own Revenue	PUMP	R 3 000 000
Water	WSIG	Phiritona/Heilbron: Cons 3km Pipeline & Elevated Tower	R 7 000 035
Water	RBIG	Construct Pipeline Koppies - Edenville	R 17 926 557
Water	RBIG	Upgrading of Secondary Bulk Kwakwatsi	1 426 856
Water	RBIG	Refurbishment of Parys WTW (COVID 19)	R 40 646 587
<b>Sub-total Water Capital Expenditure</b>			<b>R 76 004 459</b>
Roads & Stormwater	MIG	Phiritona/Sandersville: Construction of low level bridge	R 1 200 000
Roads & Stormwater	MIG	Vredefort 2km Paving Roads	R 7 024 240
Roads & Stormwater	MIG	Constr 1,5 Km Paved Road & Storm Water W7	R 2 628 139
Roads & Stormwater	MIG	Ngwathe/Phiritona: Construction of pedestrian bridge	R 1 041 091
Roads & Stormwater	Own Revenue	Building of 1919 Bridge	R 600 000
<b>Sub-total Roads Capital Expenditure</b>			<b>R 12 493 471</b>
Sanitation	MIG	Phiritona/Heilbron: Constr 3km Waterborne Sanit. Network	R 6 442 696
Sanitation	MIG	Vredefort: Upgrading of Water Treatment Works	R 5 737 397
Sanitation	WSIG	Refur: Vredefort Waste WTW	R 8 432 965
<b>Sub-total Sanitation Capital Expenditure</b>			<b>R 20 613 058</b>
Buildings & Facilities	MIG	Mosepedi Community Hall Refurbishment & Upgrade	R 3 461 412
Buildings & Facilities	Own Revenue	Upgrading of the Server (War Room)	R 2 000 000
Buildings & Facilities	Own Revenue	SMME All Towns - Business Hub	R 9 400 000
Buildings & Facilities	Own Revenue	Upgrading of Mimosa	R 15 000 000
Buildings & Facilities	Own Revenue	Municipal Building Edenville Office	R 2 000 000
<b>Sub-total Buildings and Facilities Capital Expenditure</b>			<b>R 31 861 412</b>
Vehicles	MIG	Provision of Specilized Vehilcle (Compaction Truck) in Mokwallo/Vredefort	R 2 800 000
Vehicles	Own Revenue	Vehicles - for Roads Section	R 1 000 000
Vehicles	Own Revenue	Yellow Fleet - Special Vehicle	R 5 800 000
<b>Sub-total Vehicles Capital Expenditure</b>			<b>R 9 600 000</b>
Equipment & Tools	Own Revenue	Tools of Trade: Computer Equipment - Personnel	R 2 000 000
Equipment & Tools	Own Revenue	Two Way Radio System	R 1 000 000
<b>Sub-total Equipment &amp; Tools Capital Expenditure</b>			<b>R 3 000 000</b>
<b>Grand-Total</b>			<b>R 171 207 400</b>



The following chart provides a summarised overview of the total allocation per class of capital expenditure and must be read together with the above table.

**Chart 6: Summary of Capital Expenditure by Class**



## 2.11 Contracts having Future Budgetary Implications

Section 33 of MFMA stipulates and outlines conditions, processes, compliance requirements and that a municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year.

Currently, the municipality has seven active contracts for relating to capital projects and three for services. All contracts for capital projects will come to an end during 2025/26 financial year and will therefore have no future budgetary implications and new contracts will be procured as and when new capital projects are initiated.

The details provided below provides an overview of active contracts having future budgetary implications on the municipality as outlined and were procured in line with the stipulations of section 33 of MFMA.

**Table 2.19: Contracts having Future Budgetary Implications**

End User/ User Department	Contract Number	Contract Description	Contract Commence ment Date	Contract Expiry Date	Contract Value	Commitment to Date
Finance	NLM: FIN: FAR-004-2024	Panel of Consultants to Assist in Compilation of GRAP & MSCOA Compliant Fixed Asset Register and Asset Verification for the Period of Three Years (36 Months) on As and When Required	2022/01/18	2027/06/11	R 3 070 576.67	R 2 578 076.66
Corporate	NLM:STR/02/2025	Appointment for the Strategic Support Service for Ngwathe Local Municipality	2025/02/24	2028/02/24	R 2 967 512.23	R 2 116 662.91
Finance	NLM:FIN/INSURANCE/02/2025	Provision of Short-Term Insurance Portfolio for 36 Months	2025/05/09	2028/05/09	R 3 562 023.99	R 1 562 023.99

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## **Annexure A-A1**

### **FS203 Ngwathe - Table A1 Budget Summary**

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### Municipal Manager's Quality Certification

I, **F P Mothamaha**, the Municipal Manager of **Ngwathe Local Municipality**, hereby certify that:

Annual Budget for the period of 1 July 2025 to 30 June 2025 as presented herein has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

**Dr F P Mothamaha**

**Municipal Manager of Ngwathe Local Municipality, FS 203**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_