

ANNUAL BUDGET OF
EPRHAIM MOGALE
LOCAL MUNICIPALITY



2024/25 TO 2026/27
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

CFO	Chief Financial Officer
MM	Municipality Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IDP	Integrated Development Strategy
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
OHS	Occupational Health and Safety
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

Part 1 – Annual Budget

1.1 Mayor’s Report

1.2 Council Resolution

That the Council of Ephraim Mogale Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:

1. The Annual budget of the municipality for the financial year 2024/2025 and the multi-year and single-year capital appropriations as set out in the following tables:
 - (A) Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 of MTREF
 - (B) Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 of MTREF
 - (C) Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 of MTREF
 - (D) Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 of MTREF

Summary

	Adjustment Budget 2023-2024	Draft Annual Budget 2024-2025	Draft Annual Budget 2025-2026	Draft Annual Budget 2026-2027
Revenue	382 830 767.98	396 909 000.00	400 392 000.00	402 599 000.00
Operational Expenditure	398 272 000.00	426 239 000.00	438 369 000.00	459 414 000.00
Deficit	- 15 441 232.02	- 29 330 000.00	- 37 977 000.00	- 56 815 000.00
Capital Grants	36 755 000.00	49 410 000.00	42 544 000.00	43 853 000.00
Surplus/(Deficit) Including Capital Transfers	21 313 767.98	20 080 000.00	4 567 000.00	- 12 962 000.00

- (E) The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - (F) Budgeted Financial Position as contained in Table A6 OF MTREF
 - (G) Budgeted Cash Flows as contained in Table A7 OF MTREF
 - (H) Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 OF MTREF
 - (I) Asset management as contained in Table A9 of MTREF
 - (J) Basic service delivery measurement as contained in Table A10 OF MTREF
 - (K) The deficit for 2024/2025 annual budget be funded from the reserves from the bank.

2. That the proposed tariffs for the Annual 2024/25 MTREF be Approved.

3. That Council approve the following reviewed budget related policies:

- Investment policy
- Cost containment policy
- Credit control & debt collection policy.
- Tariff policy.
- Property rates policy
- Asset management policy

- Supply chain management policy.
- Virement policy
- Indigent policy
- Funding and reserve policy
- Budget policy
- Fleet management policy.
- Appointment of consultant's policy
- Unknown direct deposit policy
- Inventory management policy.
- Bursary policy for employees
- Acting Allowance policy
- Standby, overtime and emergency work policy
- Cellphone allowance for councillors and senior managers policy
- Cellphone allowance for officials' policy
- Training policy
- Travelling and Subsistence policy
- Transport Allowance policy.

1.3 Executive Summary

The Annual budget for 2024/2025 was compiled in accordance with the requirements of the Municipal Finance Management Act (Act 56 of 2003) as well as the Municipal Budget and Reporting Regulations which gives a clear directive on the prescribed reporting framework and structure to be used.

The application of sound financial management principles for the compilation of the municipal'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.

Section 16 of the Municipal Finance Management Act (MFMA) requires that the municipality must for each financial year approve an annual budget before the start of the financial year. The format and contents of the budget are prescribed by sections 16 to 27 of the MFMA as well the Municipal Budget and Reporting Regulation issued by National Treasury.

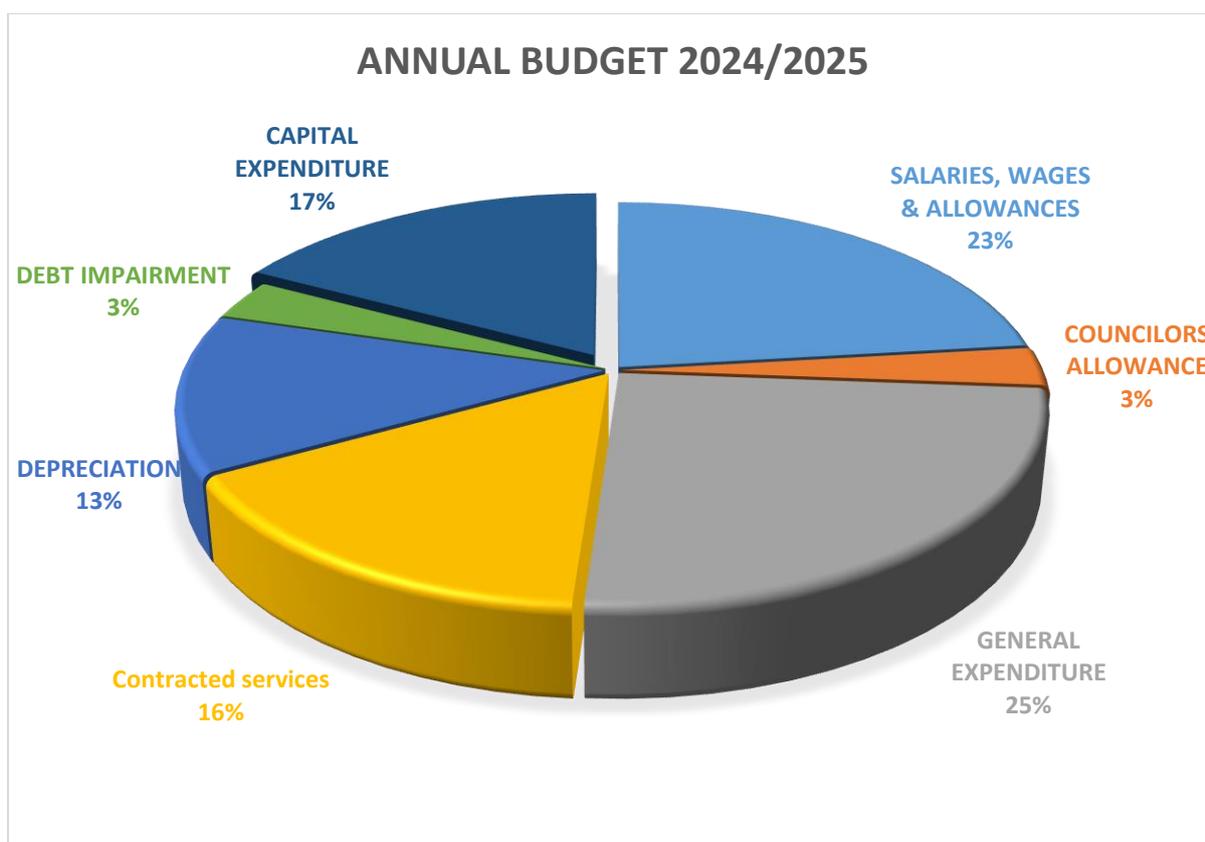
The MFMA refers to funding of expenditure and states:

- a.** An annual budget may only be funded from:
 - realistically anticipated revenues to be collected
 - cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - Borrowed funds; but only for the capital budget referred to in section 17(2).

- b.** Revenue projections in the budget must be realistic, taking into account:
 - projected revenue for the current year based on collection levels to date; and
 - Actual revenue collected in previous financial years."

Circular 126 and 128 was issued by National Treasury to provide further guidance for the preparation of 2024/2025 MTREF. All other MFMA Budget Circulars as well as departmental inputs were taken into consideration when preparing the annual budget.

The following is a summary of Annual budget for 2024/2025.



The highest percentage goes to the funding of General Expenses by 25%, mainly as a result of electricity bulk purchases amounting to R52 Million.

The salaries and wages for 2023/2024 financial year was R110 Million and it has increased to R118 Million for 2024/2025 financial year. The increase is based on costing of the whole organisational structure taking in to account all vacant positions and the anticipated increase on the collective agreement.

Repairs and maintenance is below 8% of the total property plant and equipment of the municipality, however the overall budget will be able to deal with all items that needs to be repaired or maintained in 2024/2025 financial year.

Provision for doubtful debts is seating at 3% due to non-payment of debts.

Depreciation is at 13%, and this has been done in line with **GRAP** standard.

The following were the challenges experienced during the compilation of the 2024/2025 MTREF.

- The ongoing difficulties in the national and local economy
- The need to reprioritize projects and expenditure within the existing limited resource considering the current cash flow limitations.
- Salaries increases for municipal staff.
- Non-payment of municipal services account
- Alignment of 2024/2025 budget to mSCOA
- Load Shedding and Continuous increase in Fuel price.

The following budget principles and guidelines directly informed the compilation of the 2024/2025 Annual Budget

- Zero rated budgeting was used on capital budget.
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality.
- Tariffs need to remain or move towards being cost reflective and should take into account the need to address infrastructure backlogs.
- 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

Revenue management

National Treasury continues to encourage municipalities to keep increases in property rates, tariffs for trading services and charges for other municipal own revenue sources within the parameters of the country's inflation rate. Furthermore, municipalities must adopt a tariff setting methodology that achieves an appropriate balance between the interests of poor households and other customers while ensuring financial sustainability of the municipality. Demand management is becoming increasingly necessary as the country faces water shortages and an unstable electricity supply. The approach to tariff setting should consider all these factors and strive to achieve an equitable balance.

It is anticipated that the cost of providing municipal services will grow at a faster rate than the transfers from national government. Resource scarcity will most likely increase the cost of bulk purchases in respect of electricity beyond the country's inflationary targets.

Furthermore, providing for free basic services in the case of poorer households must be carefully considered and, where some municipalities have opted to provide this benefit to ALL households, this may not be financially sustainable in the long-term.

Where appropriate, a municipality should re-evaluate the costs and benefits of universal or targeted provision of free basic services subsidies, in order to protect their delivery to poor households in particular. At no point should the provision of these subsidies remove resources from programmes that will expand access to infrastructure services for presently un-served households. Where municipalities do not have an adequate revenue base and where municipalities face a combination of challenges such as resource scarcity, high unemployment and slower than average economic growth, an aggressive approach to curbing non-core spending and improving operational efficiencies is strongly advised.

Tariff setting

There are several tools available, and methodologies employed to determine the appropriate tariffs. Municipalities may favour different approaches, but the principles of tariff setting should be consistently applied. Municipalities should consider the following practicalities when setting tariffs:

- Costs of bulk purchases and the fluctuation in the seasonal cost thereof.
- Consumption patterns to enable better demand planning and management; and
- In the event that municipalities have been under recovering costs, embark on a process to correct their tariff structures over a reasonable time period so that cost reflective tariffs are achieved.

The tariff setting process is reliant on sound baseline information such as the number of properties within the municipal area of jurisdiction, the values of these properties, the number of households identified as indigent or poor, the consumption patterns in respect of basic services and the growth patterns within the various geographic areas.

The inflation rate forecasts as per MFMA circular no.128 issued by National Treasury has been used on the MTERF. The maximum of 4.8 growth rate was used on the tariffs. However some tariffs are based on cost recovery.

The following are the proposed tariff increases after taking into consideration the guidelines from National Treasury:

Assessment Rates:	0%
Electricity:	10.26% (Final Approved NERSA tariff will be used)
Cleansing:	4.9%
Other income:	4.9%

The inflation rate forecasts as per MFMA circular no.128 issued by National Treasury has been used on the MTERF. The maximum of 4.9% growth rate was used on the tariffs

Revenue

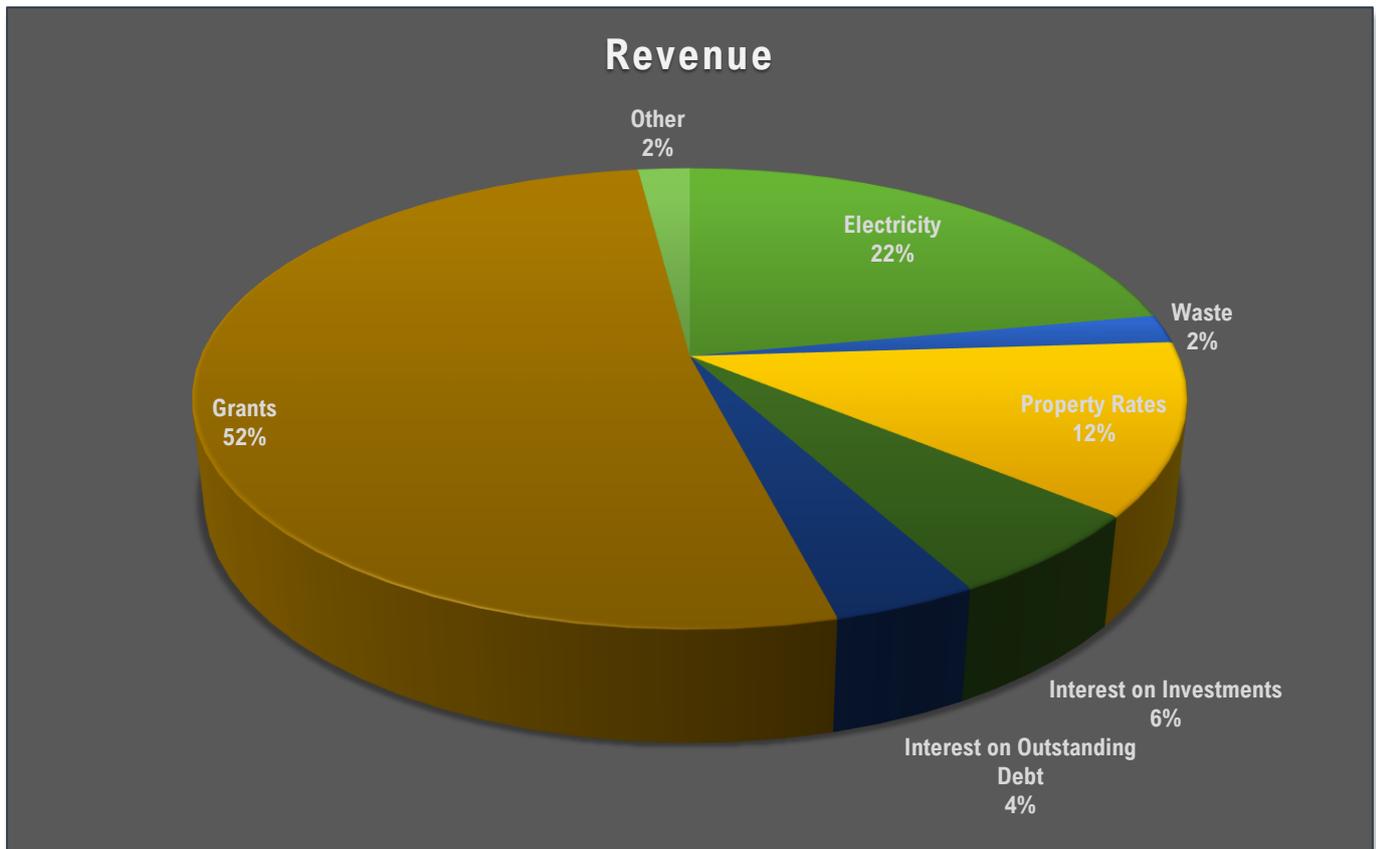
In 2023/24 total revenue as adjusted is estimated at R382 Million whilst the Annual 2024/25 MTREF revenue is estimated at **R396 million**, **R400 million** and **R402 million**. These projections are excluding revenue from capital grants.

The table below set out the Annual Medium-Term Revenue and Expenditure Budget for the 2024/25- 2026/27 financial years.

LIM471 Ephraim Mogale - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	###	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Revenue											
Exchange Revenue											
Service charges - Electricity	2	60 317	67 241	65 099	86 048	79 760	79 760	79 760	87 749	91 597	95 536
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	5 337	5 469	5 722	6 100	6 021	6 021	6 021	6 316	6 606	6 904
Sale of Goods and Rendering of Services		807	(613)	331	684	318	318	318	334	349	365
Agency services		-	-	-	-	5 825	5 825	5 825	6 110	6 392	6 679
Interest		190	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		903	1 109	2 675	-	-	-	-	5 250	5 450	5 650
Interest earned from Current and Non Current Assets		1 304	2 886	13 954	15 000	23 000	23 000	23 000	24 127	25 237	26 373
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		175	140	218	188	91	91	91	95	100	104
Licence and permits		4 767	6 159	5 688	5 828	10	10	10	11	11	12
Operational Revenue		37	282	988	460	454	454	454	476	498	520
Non-Exchange Revenue											
Property rates	2	40 096	41 719	40 952	50 000	49 415	49 415	49 415	49 415	49 415	51 639
Surcharges and Taxes		8 504	9 814	10 310	-	-	-	-	-	-	-
Fines, penalties and forfeits		365	562	2 916	207	120	120	120	125	131	137
Licences or permits		-	-	35	-	-	-	-	-	-	-
Transfer and subsidies - Operational		193 491	170 781	183 236	202 450	202 793	202 793	202 793	206 391	203 571	197 104
Interest		6 451	6 718	8 650	8 862	15 024	15 024	15 024	10 510	11 035	11 577
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Gains		-	(102)	5 504	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contri		322 744	312 166	346 279	375 827	382 831	382 831	382 831	396 909	400 392	402 599

The average increase in our own operational revenue is **5.82%** and the average increase on the operational grants is **1.77%**.



The projected operational municipal revenue is derived from the following sources:

- Grants 52%
- Electricity 22%
- Property Rates 12%
- Interest on Investments 6%
- Interest on Outstanding Debts 4%
- Refuse Collection 2%
- Other Revenue 2%

The table below sets out the average tariff increases for 2024/25- 2026/27 financial years.

Service	Budget year	Budget Year +1	Budget Year + 2
	2024/25	2025/26	2026/27
Property rates	0%	0%	0%
Electricity	10.29%	10.29%	10.29%
Other	4.9%	4.9%	4.9%

Property Rates: The municipality has implemented the new valuation roll from the 1st of July 2023. Proposed Property Rates revenue in 2024/25 will be R49 million since there won't be any tariff increases to provide relief to consumers, as mitigation to the high tariff levied.

Service Charges - Electricity revenue is at **R87 million** in 2024/25 financial year. The increase is at 10.26%, however the electricity tariff is depended on NERSA approvals and also the tariff increase that will be granted to Eskom for bulk supply.

Service charges – refuse: The projected revenue for waste management is at **R6 million**, for the 2024/25 financial year. The tariff is proposed to increase with 4.9%.

Interest earned – External Investment – The projected revenue on interest on investment is **R24 million** due to the municipality being able to have surplus funds.

Interest on outstanding debtors: This is the interest charged on accounts in arrears. The projected revenue for 2024/25 financial year is **R15.7 million**. The credit control and debt collection policy require the municipality to collect all monies due to the municipality. The municipality has appointed a debt collection company to assist with collection of outstanding debts. The projected debtors' collection rate is at **90%**.

The **income for Agency Services** is for Vehicle Testing and Licenses which is a function done by the municipal on behalf of the Provincial Government. It is important to note that a portion of this revenue is payable to Provincial Government under the 80/20 agreement and the municipality retains 20% before vat of the revenue on vehicle testing and licenses.

Operating and Capital grants will increase with an average of 9% compared to the 2023/24 financial year. The grants anticipated by the municipality in the 2024/25 financial year is as follows:

	Adjustment Budget 2023-2024	Draft Annual Budget 2024-2025	Draft Annual Budget 2025-2026	Draft Annual Budget 2026-2027
EPWP Grant	2 560 000.00	1 549 000.00	-	-
Grant MIG	36 755 000.00	48 796 000.00	40 617 800.00	43 853 000.00
Finanacial Management Grant	3 100 000.00	3 000 000.00	3 000 000.00	3 000 000.00
Equitable share	191 532 999.00	201 842 000.00	200 571 000.00	194 104 000.00
Integrated National Electricity Program (INEP)	-	614 000.00	1 980 000.00	-

Expenditure Analysis

The municipality adopted the 2023/24 Adjusted Operating Budget of R398 million. The 2024/25 Annual MTREF proposes a **R426 million** budget which represents a 7% increase.

The table below set out the Annual Medium-Term Revenue and Expenditure Budget for the 2024/25- 2026/27 financial years.

Description	###	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
R thousand											
Expenditure											
Employee related costs	2	88 916	91 447	91 902	113 248	110 666	110 666	110 666	118 816	125 251	131 881
Remuneration of councillors		13 299	13 521	13 929	16 874	14 980	14 980	14 980	15 879	16 673	17 440
Bulk purchases - electricity	2	42 460	48 276	46 860	50 000	50 000	50 000	50 000	52 495	54 868	57 405
Inventory consumed	8	1 648	2 017	2 066	2 575	2 836	2 836	2 836	3 435	3 191	3 345
Debt impairment	3	13 458	8 082	9 486	12 339	16 021	16 021	16 021	16 639	17 305	17 997
Depreciation and amortisation		46 380	52 785	61 831	50 128	63 540	63 540	63 540	65 700	68 722	71 883
Interest		3 355	2 832	3 835	2 094	2 800	2 800	2 800	2 940	3 075	3 217
Contracted services		28 880	38 876	51 112	67 530	68 166	68 166	68 166	81 046	73 201	76 289
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		-	-	-	-	-	-	-	-	-	-
Operational costs		28 269	41 411	52 824	60 878	69 282	69 282	69 282	69 290	76 083	79 956
Losses on disposal of Assets		-	-	426	-	-	-	-	-	-	-
Other Losses		(5 041)	(4 962)	200	-	-	-	-	-	-	-
Total Expenditure		261 626	294 284	334 469	375 666	398 292	398 292	398 292	426 239	438 369	459 414

Employee-Related Costs refers to salaries and benefits of all the municipal staff.

Salary increases: The SALGBC signed a multi- year collective agreement on salaries and wages that will come to an end as of 30 June 2024.

A salary increases of **7.36%** across the Annual Medium-Term Revenue and Expenditure Framework, has been budgeted for. The increase is to provide for the possible increase that will be effected after negotiations and filling of critical vacancies. It increases by **R8,1million** when compared to the adjustment budget.

Remuneration of Councillors - The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). Provision of 6% increase has been made which is based on upper limits determined in the current year.

The provision of debt impairment was determined based on the projected average collection rate of **90 %**.

The municipality is being mindful of its local economic conditions, downturn in the global economy and the high rate of unemployment. Through the continuous data cleansing and

appointment of debt collection company, the municipality is confident that it will reach the anticipated collection rate.

Audited debt impairment expense as a % of total billable revenue is at 9%. The municipality should direct attention in collection of current and outstanding debt.

Debt impairment is at 3.9% of the total expenditure for the 2024/25 Annual budget year and the outer years.

The provision is anticipated to decline as there are plans to resuscitate the revenue enhancement committee.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of asset rate of consumption. Through the implementation of mSCOA, the municipality can accurately track the performance of its asset monthly

The proposed depreciation provision for the 2024/25 Annual budget year is **R65 million** and is at 15.4% of total operational expenditure. The outer year's provision for depreciation is at 15.6 % and 15.6% of total outer year's expenditure respectively.

Depreciation increases by 3.3% for 2024/25 financial year and the outer years increases by 4.6% respectively.

A contracted services spending has been appropriated at R80 million in 2024/25 financial year and is at **19%** of the total operating budget. It is an increase of over R10 million due to the extension of guarding of municipal sites. The newly extended sites will be phased in based on the availability of municipal resources.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This service is mainly on (Advertising, Travelling, Stationery, Rentals, Copy Charges, Financial Management activities, Materials and Stock, Departmental Charges, Transport, etc.) There is a proposed increase of 0.2% from the 2023/24 Adjustment Budget to R69.1 million from R69.2 million.

CAPITAL EXPENDITURE

The level of capital expenditure is based on the grant funding and the available cash reserves of the municipality.

Financial	Function	SegmentDesc	Funding	Adjustment Budget 2023-2024	Draft Annual Budget 2024-2025	Draft Annual Budget 2025-2026	Daft Annual Budget 2026-2027
2024	Administration	Capital Fund Purchase of Furniture (500/305065)	own	300 000.00	900 000.00	700 000.00	-
2024	Corporate Services	Mobile Office	own	2 600 000.00	2 700 000.00		
2024	Electricity	Electrical Infrastructure: MV Networks: HIGH MAST LIGHT	own	3 000 000.00			
2024	Electricity	Electrical Infrastructure: MV Networks: HIGH MAST LIGHT	own	3 000 000.00			
2024	Electricity	MV Substations Replace old Pex 11kv Cable from 812 to 1/900	own	264 578.00			
2024	Electricity	Mast Light Connections	own				
2024	Electricity	Moganyaka High Mast	own	945 761.00			
2024	Electricity	Electrical Infrastructure	own				
2024	Electricity	Replce 20kWh meters	own	300 000.00			
2024	Electricity	Industrial Substation Second Supply Phase 4	own	3 500 000.00	1 300 000.00		
2024	Electricity	Replace Minisubstation ERF 338 MOPANI STREET	own				
2024	Electricity	CHAINSAW AND BRUSHCUTTER	own	24 500.00			
2024	Electricity	Generato (WIP)	own	780 000.00			
2024	Electricity	Quality of supply recorders	own	1 800 000.00			
2024	Electricity	Electrical Master Plan	own		1 500 000.00		
2024	Electricity	Replace Mini-substation Erf 338	own		2 500 000.00		
2024	Electricity	Purchase 100 kwh meters	own		350 000.00	400 000.00	450 000.00
2024	Electricity	Tools sets (3 toolboxes complete with tools)	own		120 000.00	130 000.00	140 000.00
2024	Electricity	Radio repeater	own		-	150 000.00	
2024	Electricity	Replace 6 wood poles on overhead line – Dump site	own		150 000.00	150 000.00	
2024	Electricity	Mast light connections - Leeufontein	own		900 000.00		
2024	Electricity	Mast light connections - Malebitsa	own		900 000.00		
2024	Electricity	High Mast Lights – (Ward 3)	own		3 500 000.00		
2024	Electricity	High Mast Lights – (Ward 12)	own		3 500 000.00		
2024	Electricity	New LDV with Toolbox Canopy	own		700 000.00		700 000.00
2024	Electricity	Electrification of households Engineering design Driefontein	INEP		141 000.00		
2024	Electricity	Electrification of households Engineering design Malebitsa	INEP		267 000.00		
2024	Electricity	Electrification of households Engineering design Mohlalaotwane	INEP		206 000.00		
2024	Electricity	INEP Households Connection	INEP			1 980 000.00	
2024	Electricity	Replace Mini-substation – Stand 477 – Sportfield	own			2 500 000.00	
2024	Electricity	Replace old PEX cable Ext 5 – Erf1/900 to 749(235m)	own			1 180 000.00	
2024	Electricity	Replace old PEX cable Erf749 to 753	own			1 300 000.00	
2024	Electricity	High Mast Lights – Seriting (6)	own			3 500 000.00	
2024	Electricity	High Mast Lights – Mabitsi A (6)	own			3 500 000.00	
2024	Electricity	High Mast Lights – Mooihoek (6)	own				3 500 000.00
2024	Electricity	High Mast Lights – Mathukuthela(6)	own				3 500 000.00
2024	Fleet Mangement	Minibus	own		650 000.00		
2024	ICT	SWITCH	own	100 000.00	5 700 000.00	-	
2024	ICT	Capital Fund Purchase of routers and wireless access point	own	230 000.00	-		
2024	ICT	Capital Fund ICT Computers	own	2 164 002.15	700 000.00		
2024	ICT	Purchase of UPS	own	500 000.00	-		
2024	ICT	WIFI	own	600 000.00	-		
2024	ICT	SERVER	own	580 000.00	800 000.00		
2024	ICT	Capital Fund PURCHASE OF PRINTERS	own	70 100.00	300 000.00		
2024	Paks & Cemtries	Capital Fund Machinery & Equipment (425/305070)	own	540 000.00	566 460.00	594 216.54	594 216.54
2024	Paks & Cemtries	PURCHASE OF PARKS TOOLS	own	300 000.00	314 700.00	330 120.30	330 120.30
2024	Parks & Cemtries	Front Loader TLB	own		2 000 000.00		
2024	Roads & Stormwater 1	Community Assets: Community Facilities: Halls: Keero	own	4 984 383.90	1 000 000.00		
2024	Roads & Stormwater (650)	Matlala Ramoshebo Internal Route	MIG	6 208 688.68	12 130 685.00	25 516 094.99	
2024	Roads & Stormwater 1	Mamphokgo Sports Complex	own	-	9 000 000.00	3 000 000.00	
2024	Roads & Stormwater (650)	Uitvlught Internal Bus Route W	MIG	15 034 481.63	24 725 518.00	-	
2024	Roads & Stormwater (650)	Leeuwfontein Sports Complex	own	1 615 616.10			
2024	Roads & Stormwater (650)	Rathoke Internal Street	MIG	6 208 688.68			
2024	Roads & Stormwater (650)	Morarela Internal Road	MIG	13 542 129.69	-		
2024	Roads & Stormwater (650)	Mathukuthela Internal Road	MIG			13 018 874.21	27 981 125.75
2024	Roads & Stormwater (650)	Moeding Internal street	MIG			-	13 751 537.02
2024	Roads & Stormwater (650)	Matlerekeng Sports Facility	MIG		10 000 000.00		
2024	Roads & Stormwater (650)	Mechanical Broom Sweeper	own	1 884 383.90			
2024	Licencing and Traffic	Roadblock vehicle	own		1 000 000.00		
2024	Licencing and Traffic	Mechanical Road Marker	own		0.00	500 000.00	
2024	Community Services	Disaster vehicle	own		0.00	500 000.00	
2024	Solid Waste	508 REFUSE CONTAINER	own	1 600 000.00	1 400 000.00	1 760 641.60	1 846 913.04
2024	Solid Waste	Boom Gate	own	45 004.00			
2024	Solid Waste	Compactor Truck	own	6 800 000.00			
	TOTAL			79 522 317.73	89 921 363.00	60 709 947.64	52 793 912.65

Capital expenditure has slightly increased by R10 Million in 2023/2024 to 2024/2025 financial year. The municipality has also received new conditional Grant Called Integrated National Electricity Programme (INEP) amounting to R614 000.00.

The municipality has prioritised the following key projects to be internally funded:

- Mamphokgo Sports Complex - R9 million
- Installation of High Mast Lights - R7 million
- Upgrading of IT Infrastructure - R5.7 million
- Procurement of TLB - R2 million

The Municipal Infrastructure Grant amounting to R46 million will focus on the following projects:

- Construction of Uitvlugt Bus Route – R22 million
- Construction of Matlala Ramoshebo Internal Route – R14 million
- Construction of Matlerekeng Sports Facility – R10 million

Funding of the capital projects is as follows:

Municipal Infrastructure Grant – R46 856 200

Own Funding – R43 065 160

1.4 Annual Budget Tables

See attached copy of Medium-Term Revenue and Expenditure (MTREF) which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2024/2025 Annual budget in Annexure A.

Table A1 –Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs. Financial management reforms emphasize the importance of the municipal budget being funded.
3. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - (A) The operating surplus/deficit (after Total Expenditure) is positive over the final budget.
 - (B) Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognized are reflected on the Financial Performance Budget
 - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows In essence the cash backing surplus table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

5. From the table it can be seen that for the period 2021/2022 up to date, the cash backed reserved shows a positive movement, which proves that the municipality will be able to pay their expenses.
6. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The Total Revenue on this table includes capital revenues (Transfers recognized – capital)
2. The municipality shows a positive surplus for all perspective years. This prove that the municipality follows section 18 of the MFMA.

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

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table A4 – Budgeted Financial Performance (revenue and Expenditure)

1. Table A4 reflects the level in which the revenue base of the municipality. Our reliance is mainly on grants and subsidies constitute 54% of the total budget.
2. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operations gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The Annual budget provides that a municipality may approve multi-year or single year capital budget appropriations. In relation to multi-year appropriations, for 2024/2025 R84 million has been allocated for capital expenditure which has increased 6% when compared to 2023/2024 financial year.

Table A6 – Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position.
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities

as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
 - (a) Call investments deposits
 - (b) Consumer debtors;
 - (c) Property, plant and equipment;
 - (d) Trade and other payables;
 - (e) Provisions noncurrent;
 - (f) Changes in net assets; and
 - (g) Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table A7 Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The Budgeted cash flow show a favourable closing balance which clearly indicate that the municipality will be able to finance the adjustment budget over the medium-term.

Table A8 Cash Backed Reserves/Accumulated Surplus

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality’s budget must be “funded”. The municipality shows the positive movement for all the years.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the Annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2020/2021 up to date, the cash backed reserved shows a positive movement, which proves that the municipality will be able

to pay their expenses without borrowings Considering the requirements of section 18 of the MFMA, it can be shown that municipality has funded all the projects by having the positive cash

6. As part of the budgeting and planning guidelines that informed the compilation of the 2023/2024 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table A9 – Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The repairs and maintenance are mainly done In house. Repairs and maintenance is below 8% since we have recently unbundled community assets however the 3% will be able to deal with all items that needs to be repaired or maintained in 2024/2025 financial year.

Table A10 Basic Service Delivery Measurement

This table proves an overview of service delivery levels for each main Service.

The municipality has kept cost of free basic service from R2 million in 2024/2025 financial year.

The following services are not offered by Ephraim Mogale Local municipality hence there are no inputs on the budget.

- (a) Water (Sekhukhune District Municipality)
- (b) Sanitation (Sekhukhune District Municipality)

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

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

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

A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2022 as required. The Annual budget was tabled to Council on the 31st of March 2023. A period of consultation will then follow as per Sections 22 and 23 of the MFMA.

a. Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2018) a time schedule that sets out the process to revise the IDP and prepare the budget.

The following has been adhered to in terms of the Budget Time Table and IDP process plan:

The budget process timetable was submitted to council and approved.

SDBIP's were approved as provided for in the MFMA Section 53 (3)(a).

Financial statements were prepared and submitted on 30 August 2023.

The Budget Advisory Committee held its meetings for the reviewing the annual performance.

The mid-year budget and performance assessment was tabled to council and approved.

The annual report was tabled to council.

The adjustment budget process was finalized and tabled to council for approval by end of February 2024.

The strategic planning took place on February 2024 and the purpose as per the timetable is to align the budget with the IDP, where community needs have been prioritized.

The municipality will hold public participation meetings for comments with regards to the budget from the month of April 2024.

1.2 Overview of alignment of annual budget with IDP

The Ephraim Mogale Local Council adopted an Integrated Development Plan (IDP) process plan in terms of section 28 of the Municipal Systems Act which clarified the roles and responsibilities of IDP structures that must be established for the consideration of the final IDP review for the 2024/2025 Financial Year.

This review process was done in terms of section 34 of the MSA which inter-alia reads as follows:

“A municipal Council must review its IDP in accordance with an assessment of its performance measurements in terms of section 41; and to the extent that changing circumstances so demand; and may amend its IDP in accordance with a prescribed process”.

Therefore, the purpose of this review is to incorporate the views of the community of EPRHAIM MOGALE, as influenced by changing circumstances.

Accordingly, section 25 of the Municipal Structures Act (MSA) says that each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which;

- (a) Links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- (b) Aligns the resources and capacity of the municipality with the implementation of the plan;
- (c) Forms the policy framework and general basis on which annual budgets must be based
- (d) Is compatible with National and Provincial development plan and planning requirements binding on the municipality in terms of MFMA Circular no. 54.

An integrated development plan adopted by a municipal council in terms of sub-section (1) may be amended in terms of section 34 and remains in force until an integrated development plan is adopted by the next elected council.

In Annual IDP for the next five years, the municipality has followed its process plan adopted in terms of section 28 (1)(2) and (3) of the Municipal Systems Act, adopted by council during August 2016.

Section 26 (a) to (i) of the MSA² prescribes nine (9) key components which must appear on a credible IDP and these components are discussed in summary below.

- a) The vision of the Municipality
- b) Guided by the community, the Municipal Council has developed a set of priority development issues as per the requirement of section 26 (c), which are clustered into five Key Performance Areas, to be implemented during the next three years.

The Key Performance Areas are the following:

1. Service Delivery and Infrastructure Developments
2. Local Economic Development
3. Municipal Financial Liability
4. Institutional Transformation
5. Good Governance and Public Participation
6. Spatial Rationale

1.3 Measurable performance objectives and indicators

The key financial indicators and ratios are disclosed in Supporting Table SA8: Performance indicators and benchmarks. Ephraim Mogale Local municipality is anticipating an 80% collection rate in 2024/2025 financial year.

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

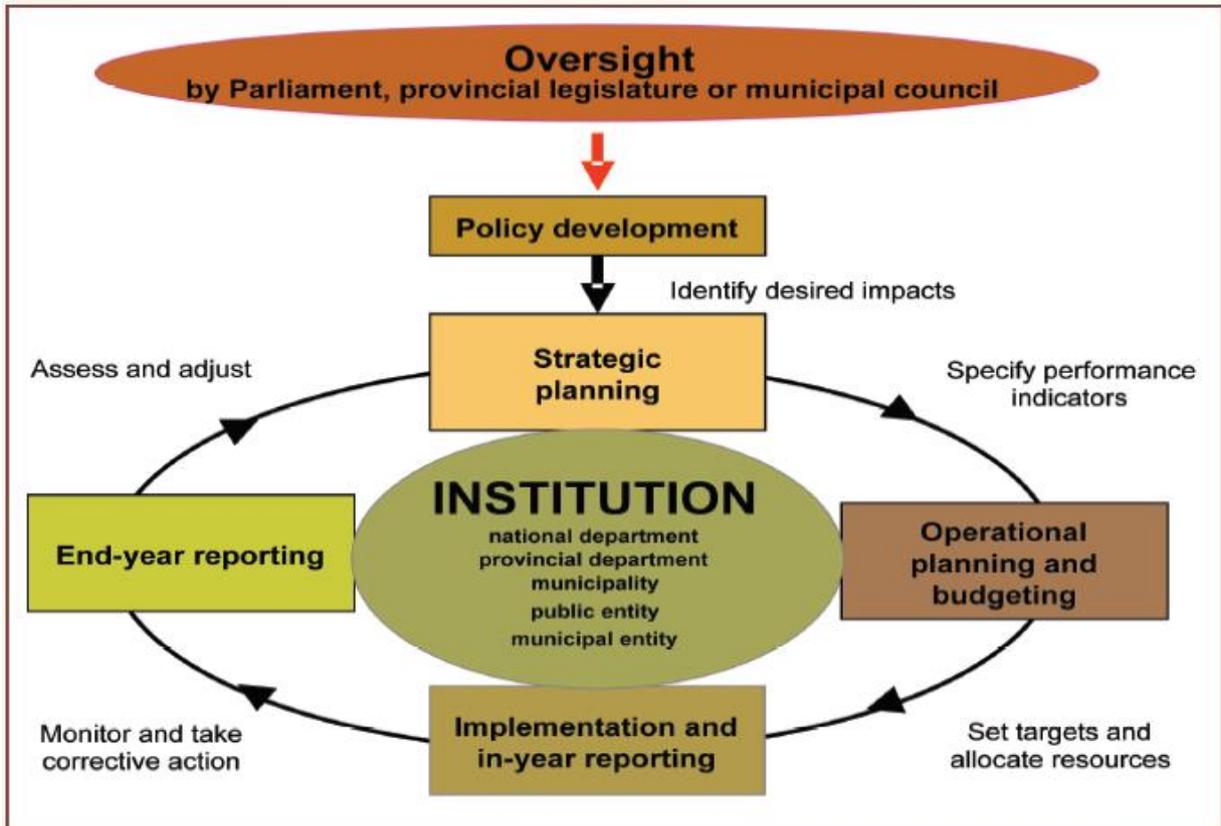
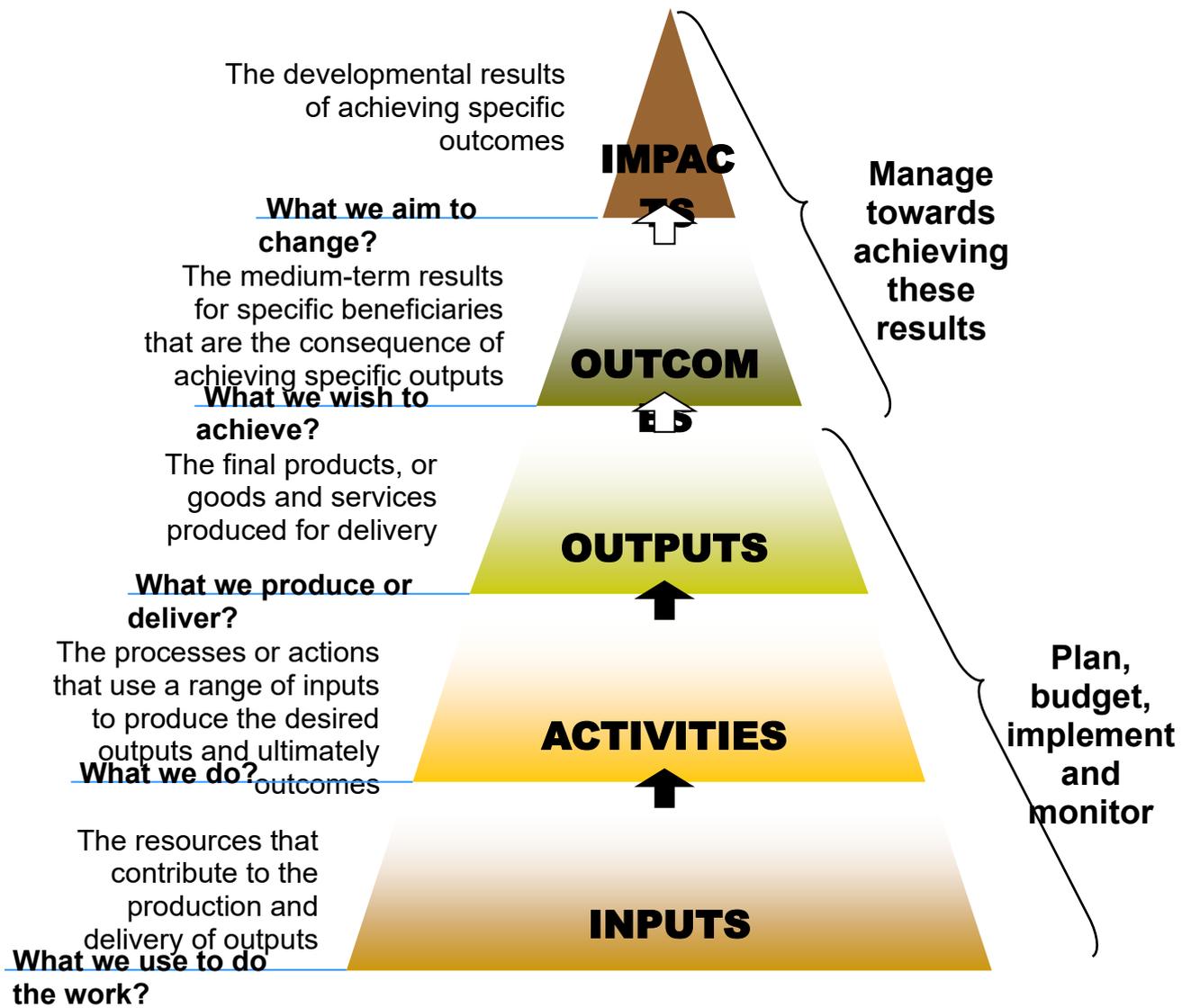


Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose);
and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:



2.4 Overview of budget related policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies, and related policies.

The purpose of these policies is to prescribe the accounting and administrative and procedures relating to Ephraim Mogale Local Municipality.

The Municipality performs the procedures set out in the policies to ensure the effective planning and sound financial management.

1. **Credit Debt Management Policy** - The implementation of this policy should be based on sound business practices. This includes credit worthiness checks when application for services is made, as well as debt collection through sanctions of warnings, disconnections, evictions, and other legal processes.
2. **Supply Chain Management Policy** - The purpose of this manual is to prescribe the policies and procedures relating to Supply Chain Management of the EPRHAIM MOGALE Municipality. The principle of this policy is to give effect to a fair, equitable, transparent, competitive and cost-effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of municipal services.
3. **Budget Policy** - The purpose of this policy is to provide an overview of the procedure for the structural process of Planning and Managing the Budget. The procedures include the development of budgets, including the preparation of the budget, revision, approval, monitoring, and evaluation of budgetary performance for a financial year.
4. **Indigent Support Policy** - to provide access and regulate free basic services to all indigent households.
5. **Tariff and Rates Policy** –the purpose of this policy is to determine the tariffs which must be charged for the supply of the four major services, which are: water, electricity, sewerage & refuse.
6. **Property Rates Policy** – the purpose of this policy is to assist the municipality to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation, and which takes account of historical imbalances and the burden of rates on the poor. It be noted that the municipality is working on final Annual.
7. **Investment policy** – this policy prescribes for the management of cash and the investing of municipal money. Travel and Subsistence Policy

8. **Travel and Subsistence** - This policy regulates the re-imbursment of travelling and subsistence cost to officials and councilors attending to official business.
9. **Cell Phone Policy** - The aim of this policy is to: regulate the granting of cell phones allowance to the employees of Ephraim Mogale Local Municipality improve the communication in the workplace and to the public, in order to give a better service.
10. **Funding and Reserve Policy**- This policy ensures that cash resources and reserves are maintained at the required levels to avoid future year unfunded liabilities.
11. **Overtime and standby policy** – To provide framework and guidelines for the implementation and maintenance of overtime and standby worked and the remuneration attached thereto.
12. **Acting Allowance Policy**– Provide guidelines for the handling of acting in various positions
13. **Virement Policy**- Provides guidance on how and when they may shift funds between items, projects, programmes within their areas of responsibilities.
14. **Transport Allowance** - To provide Ephraim Mogale Local Municipality with uniform procedures, conditions and limitations for transport allowances in a consistent, fair and equitable manner.

2.5 Overview of budget assumptions

2.5.1 External factors

The following factors were taken into consideration:

- Anticipated wage agreements
- The need to ensure financial sustainability,
- Consideration of the local economic conditions and the affordability of services,
- Consideration of the municipality's indigent policy.
- Consideration of relevant policy developments in the different sectors.
- In considering changes in property rates, the municipality took cognizance of local economic conditions such as the changes in the property market, trends in household incomes and unemployment. Excessive increases in property rates and other tariffs are likely to be counterproductive, resulting in higher levels of non-payment and increased bad debts.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2024/25 MTREF:

- National Government macro-economic targets.

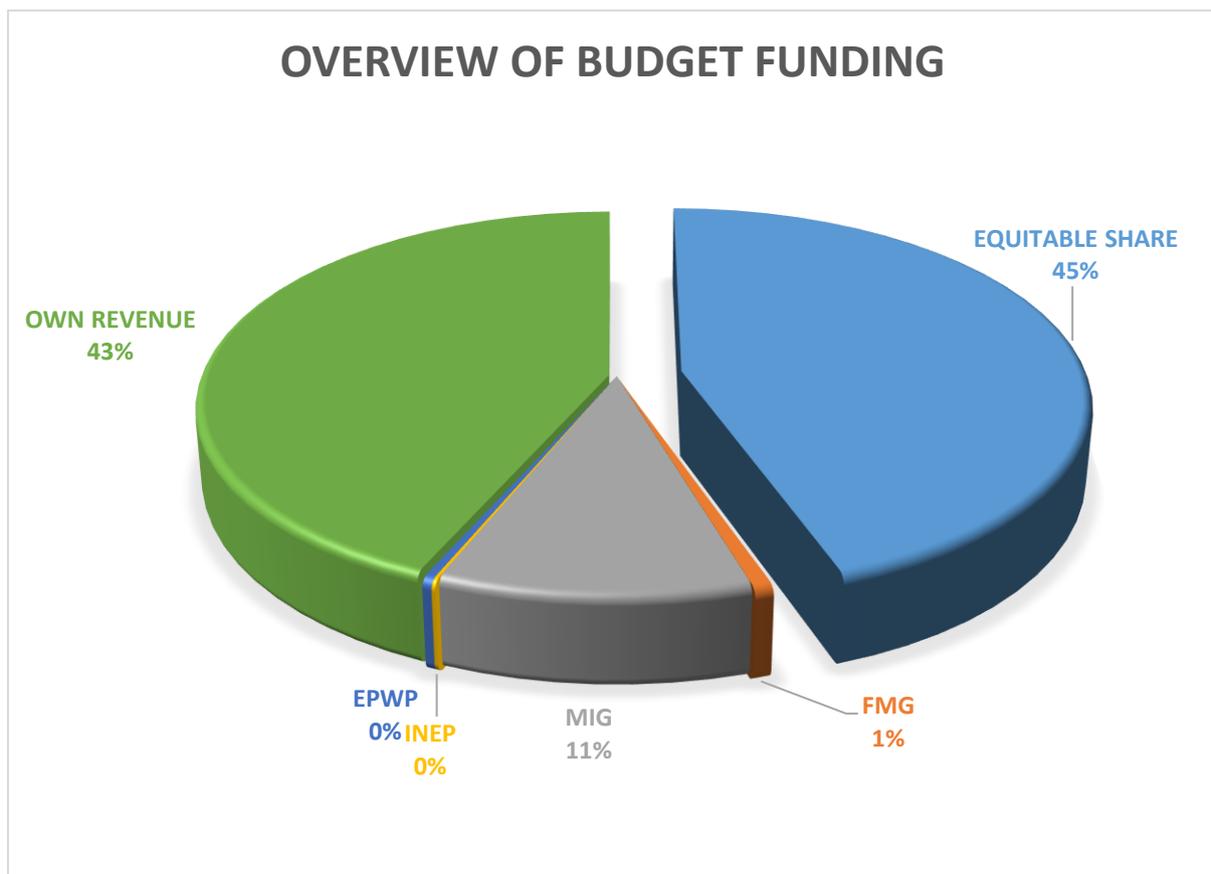
- The general inflationary outlook and the impact on Municipality's residents and businesses.
- The impact of municipal cost drivers.
- The increase in prices for bulk electricity
- The increase in the cost of remuneration
- The 90% average payment rate.

2.6 Overview of Budget Funding

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected.
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer Table A8: Cash backed reserves/accumulated surplus reconciliation' and Supporting Table SA10: Funding measurement.



2.7 Expenditure on allocations and grants programmers

Expenditure on grants can also be viewed in SA19 and SA20 attached with other supporting documents in Annexure A

2.8 Allocation and Grants made by the Municipality

- Allocation and Grants made by the Municipality is reflected in Annexure A

2.9 Councilors and employee benefits

Councillor and employee benefits can be viewed in SA 22 and 23, together with the summary of the personnel numbers in SA24 attached as Annexure A

2.10 Monthly targets for revenue, expenditure and cash

Disclosure on monthly targets for revenue, expenditure and cash flow is made in the following MTREF tables:

- (A) TABLE SA25 - Budgeted monthly revenue and expenditure
- (B) TABLE SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- (C) TABLE SA27 - Budgeted monthly revenue and expenditure (standard classification)
- (D) TABLE SA28 - Budgeted monthly capital expenditure (municipal vote)
- (E) TABLE SA29 - Budgeted monthly capital expenditure (standard classification)
- (F) TABLE SA30 - Budgeted monthly cash flow

2.11 Annual budgets and SDBIPs – internal departments

- In terms of section 53(1)(c)(ii) of the MFMA the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 28 days after the final approval of the budget. The monthly and quarterly service delivery targets and performance indicators will be revised to correspond with the 2024/2025 budget.

2.12 Contracts having future budgetary implications

- In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years).

2.13 Capital expenditure details

Capital Details are shown in the following MTREF Tables:

- TABLE SA 34a – Capital expenditure on new assets by assets class
- TABLE SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE SA 34c – Repairs and maintenance expenditure by assets class
- TABLE SA 34d - Depreciation by assets classification
- TABLE SA 35 – Future financial implications of the capital budget
- TABLE SA 36 – Detailed capital budget per municipal vote
- TABLE SA 37– Projects delayed from previous financial year

2.14 Legislation compliance status

The Municipality operations are governed by an array of different acts.

The following Acts and prescripts are central in defining municipal boundaries and areas of influence:

- ◆ Regional Services Council Act, 1985 (Act 109 of 1985)
- ◆ Local Government: Municipal Structures Act, Act 117 of 1998 with all its amendments to date.
- ◆ Local Government : Municipal Systems Act, Act 32 of 2000 with all its amendments to date in its entirety together with regulations promulgated and applicable to high capacity municipalities.
- ◆ Local Government: Municipal Finance Management Act, Act 56 of 2004 in its entirety including regulations promulgated.
- ◆ Compliance is also given to circulars by National Treasury in line with the Municipal Systems Act and the Municipal Finance Management Act
- ◆ Local Government : Property Rates Act, Act 6 of 2004 and its promulgated regulations

Thus not only is Ephraim Mogale Local Municipality responsive to national government legislation, it has to comply with all the local government regulations and acts.

2.15 Other Supporting Document.

Other supporting documents entail supporting budget tables on SA1 to SA38, attached as **Annexure A**

2.16 Annual Budget of municipal entities to the municipal annual budget

- Not applicable