ANNEXURE A

KNYSNA
Municipality Munisipaliteit uMasipala

inclusive II innovative II inspired

Final
2024/2025 MTREF
Budget Report

(Sections 16, 17 and 21 of the MFMA)

May 2024

ANNUAL STATE OF THE TOWN &
BUDGET ADDRESS 2024/2025

CLLR AUBREY TSENGWA
EXECUTIVE MAYOR

31 May 2024

Municipal Manager's quality certificate

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

Print Name: ________________________________

Municipal Manager of Knysna Municipality (WC048)

Signature: ____

Date: ____

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1. EXECUTIVE SUMMARY

1.1 The Final 2024/2025 Medium Term Revenue and Expenditure Framework (MTREF) Budget Report addresses the operating budget and tariff proposals, as well as the capital budget and funding source proposals, to ensure that Knysna Municipality renders services to the local community in a financially sustainable manner.

1.2 The process of developing the Municipality's annual budget is mainly guided by the strategic thrusts and operational priorities of Knysna Municipality's Integrated Development Plan (IDP), as well as the MTREF that outlines the projected annual revenue and expenditure for the budget year under consideration and the two outer financial years.

1.3 The 2024/2025 MTREF Budget Report commences with a discussion on the legislative requirements to which the Municipality must comply with; the Budget Circulars containing directives published by the National and Provincial Treasury's; as well as the key budget projections for the next three financial years.

1.4 The 2024/2025 MTREF Budget report is based on these documents, as well as forecasted economic trends. A high level summary of the operating and capital budgets.

2. LEGISLATION

2.1 Sections 15 to 24 of the Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA), read in conjunction with Regulations 9 to 20 of the Municipal Budget and Reporting Regulations (MBRR) legislates the processes for the compilation and approval of the municipal budget. The MFMA determines that:

*"**15. Appropriation of funds for expenditure***

A municipality may, except where otherwise provided in this Act, incur expenditure only –

(a) In terms of an approved budget; and

(b) Within the limits of the amounts appropriated for the different votes in an approved budget.

16. Annual budgets

(1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days **[31 March annually]** *before the start of the budget year.*

(3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

17. Contents of annual budgets and supporting documents

(1) An annual budget of a municipality must be a schedule in the prescribed format –

(a) Setting out realistically anticipated revenue for the budget year from each revenue source;

(b) Appropriating expenditure for the budget year under the different votes of the municipality;

(c) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;

(d) Setting out –

(i) Estimated revenue and expenditure by vote for the current year; and

(ii) Actual revenue and expenditure by vote for the financial year preceding the current year; and

(e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.

(2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.

(3) When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents –

(a) Draft resolutions –

(i) Approving the budget of the municipality;

(ii) Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and

(iii) Approving any other matter that may be prescribed;

(b) Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;

(c) A projection of cash flow for the budget year by revenue source, broken down per month;

(d) Any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act **[addressed in a separate item/report]***;*

(e) Any proposed amendments to the budget-related policies of the municipality;

(f) Particulars of the municipality's investments;

(g) Any prescribed budget information on municipal entities under the sole or shared control of the municipality **[not applicable to Knysna Municipality]***;*

(h) Particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate **[not applicable to Knysna Municipality]***;*

(i) Particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements **[not applicable to Knysna Municipality as no service providers render services (water, electricity, sanitation, refuse) on behalf of the Municipality]***;*

(j) Particulars of any proposed allocations or grants by the municipality to –

  (i) Other municipalities **[not applicable]***;*

  (ii) Any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers **[not applicable]***;*

  (iii) Any other organs of state **[not applicable]***;*

  (iv) Any organisations or bodies referred to in section 67(1) **[not applicable]***;*

(k) The proposed cost to the municipality for the budget year of the salary, allowances and benefits of –

  (i) Each political office-bearer of the municipality;

  (ii) Councillors of the municipality; and

  (iii) The municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;

(l) The proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of **[not applicable]** *–*

  (i) Each member of the entity's board of directors; and

  (ii) The chief executive officer and each senior manager of the entity; and

(m) Any other supporting documentation as may be prescribed.

22. Publication of annual budgets

Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must –

(a) In accordance with Chapter 4 of the Municipal Systems Act –

  (i) Make public the annual budget and the documents referred to in section 17(3); and

  (ii) Invite the local community to submit representations in connection with the budget; and

(b) *Submit the annual budget* **[to be executed immediately following the tabling of the annual budget and within 10 working days following Council approval of the annual budget]**–

   (i) *In both printed and electronic formats to the National Treasury and the relevant provincial treasury; and*

   (ii) *In either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.*

2.2 Regulations 9 to 20 of the MBRR in essence confirm the contents of Sections 15 to 24 of the MFMA in detail with regards to the Budget process.

2.3 The compilation of the annual budget, in terms of legislation, must also take into consideration the Budget Circulars released by both National and Provincial Treasury.

3. BUDGET CIRCULARS

3.1 National Treasury published two budget circulars for the 2024/2025 MTREF. MFMA Municipal Budget Circular No 126 published on 07 December 2023 as well as MFMA Municipal Budget Circular No 128 published on 08 March 2024 as **Annexure F**.

3.2 The National Treasury Circulars mainly address the South African economy and inflation targets; key focus areas for the 2024/2025 budget process; Local Government conditional grant allocations; overview of the Revenue Management; latest released version 6.8 Municipal Standard Chart of Accounts (*m*SCOA); maximising funding choices and management issues in relation to employee-related costs and remuneration of councillors; conditional grant transfers to municipalities; municipal budget and reporting regulations; and, the budget process and submissions for the 2024/2025 MTREF.

3.3 NERSA circular dated 17 November 2023 issued a letter informing electricity distributors that the guideline and benchmarks that had been supplied in the past will no longer be published for annual electricity distributor tariff price increases, each distributor's tariff increase will be based on its costs.
Each distributor is expected to complete a revenue requirement tool in order to motivate the increase with regards to service charges **–** electricity for the 2024-25 MTREF period.
The circular provides guideline of the Eskom bulk purchases increase projected at 12.72% in 2024/2025 and the CPI projections for the remainder of the MTREF and these has been implemented as guided by NERSA.

3.4 Provincial Treasury issued Municipal Budget Circular No 06/2024 released on 17 March 2024 and is contained in **Annexure F**.

3.5 The Provincial Treasury Circulars mainly provide an overview of the current fiscal and economic context and key highlights from the 2023 National Budget as well as the 2023 Provincial Budget, guidance to municipalities with the finalisation of the 2023/24 MTREF Budget and Brief municipalities on the 2023 Strategic Integrated Municipal Engagements (SIME) process and the impact of the Provincial and National Elections.

3.8 All factors affecting the compilation of the budget were taken into consideration to ensure that the anticipated revenue streams and funding sources are affordable and sustainable for funding both the operating and capital budgets.

4. BUDGET PROJECTIONS

4.1 Table 1 below presents the actual amounts and percentage increases imposed for the previous two financial years, as well as the budget amounts and projected percentage increases for the next three financial years. The draft 2024/2025 MTREF Budget has been compiled based on the financial framework, financial strategies and financial policies of Council.

4.2 Key assumptions relating to the draft MTREF Budget in Table 1 includes the Government grant allocations from 2023/2024 to 2026/2027 financial years, as published in the Division of Revenue Bill (DoRB) and Provincial Grants

2023/2024 MTREF :Key Budget Projections

Row Number	Description	2023/2024	2024/2025	2025/2026	2026/2027
Column Reference	A	B	C	D	E
1	**GROWTH PARAMETERS**				
2	Growth (GDP)	1%	1.6%	1.6%	1.6%
3	Headline Inflation Rate	5.3%	4.9%	4.6%	4.6%
4	**REVENUE STREAMS**				
5	Property Rates	Per New GV	4.9%	4.6%	4.6%
6	Service Charges : Electricity	18.5%	17.00%	4.6%	4.6%
7	Service Charges : Water	9.0%	4.9%	4.6%	4.6%
8	Service Charges : Saniatation	4.3%	4.9%	4.6%	4.6%
9	Service Charges : Refuse	6.0%	10.0%	4.6%	4.6%
10	**COST OF REMUNERATION**				
11	Estimated Cost of Living Increases	5.3%	4.9%	4.6%	4.6%
12	Estimated Notch Increases	2.4%	2.0%	2.0%	2.0%
13	**BULK PURCHASES**				
14	Electricity	18.49%	12.72%	4.6%	4.6%
15	**GRANTS : NATIONAL DEPARTMENTS**		**198,473,000**	**229,663,000**	**234,551,000**
16	Equitable share	122,358,000	130,575,000	138,048,000	145,440,000
17	Equitable share % Growth	9.1%	6.7%	5.7%	5.4%
18	Financial Management Grant	1,771,000	1,800,000	1,900,000	2,000,000
19	Expanded Publick Works Programme Grant (EPWP)	1,264,000	1,279,000	-	0
20	Municipal Infrastructure Grant (MIG)	25,597,509	28,582,000	29,815,000	32,111,000
21	Intergrated National Electrification Programme Grant (INE	43,754,000	15,760,000	9,900,000	9,000,000
22	Neighbourhood DevelopmenT Partnership(NDPG)	15,000,000	10,477,000	15,000,000	1,000,000
23	Water Services Infrastructure Grant(WSIG)	3,400,000	10,000,000	35,000,000	45,000,000
24	**GRANTS : PROVINCIAL DEPARTMENTS**		**53,294,000**	**52,425,000**	**39,152,000**
25	Financial Management Capacity	639,000	150,000	-	-
26	Human Settlement Development Grant	32,316,000	29,880,000	36,800,000	27,300,000
27	Informal Settlements Upgrading Partnership Grant		2,400,000	2,400,000	-
28	Maintanance and Construction of Transport Infrastructure	120,000	130,000	150,000	157,000
29	Community Library Services Grant	10,842,000	11,113,000	11,138,000	11,638,000
30	Community Development Worker Operational Support Gr	57,000	57,000	57,000	57,000
31	Municipal Interventions Grant	-	-	-	-
32	Title Deeds Restoration Grant(TRP)	1,374,000	828,000	1,880,000	-
33	Municipal Energy Resilience Grant		600,000	-	-
34	Municipal Water Resilience Grant		8,136,000	-	-

4.2.1 As per MFMA Municipal Budget Circular No 128, the actual headline inflation rate is presented:

Table 1: Macroeconomic performance and projections, 2022 – 2027

Fiscal year	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Forecast		
CPI Inflation	6.9%	6.0%	4.9%	4.6%	4.6%

The GDP growth been stagnant when comparing to last year forecast and outcome at 1.6 per cent in real terms for 2022 to 2027 which is better by a base point compared to three prior year outcome.
National Treasury estimates that over the next three years, South Africa's economy is forecast to grow at an average of 1.8 per cent.

CPI is kept at 4.9 per cent as projected with the 2023-24 forecast while the Cost of living and all other Tariffs are higher that the estimated per centage increase once more.
This puts a continued pressure on Municipality and its Consumers as cost of leaving is unaffordable.

4.2.2 **Property Rates**
Property Rates General Valuation was implemented successfully in the current financial year.
All objections have been considered and are implemented in batches after approval of which the bulk of these batches has been incorporated with the 2024 February adjustments budget.

Council tabled Property Rates income at R 329,325,780 on the implementation of 4.9% average increase from the adjusted budget of R313,339,507 which is based on the reduced rate in a rand of 10% for residential and 9% for other property owners that was implemented in the current year.

The rebates will continue as provided by Council in the current year as follows:

- Additional R35,000 to all Households,
- Social rebate between income groups within the different tiers on properties valued at R700,000. This was a request from the Public that Council considers to increase the trash hold value to R2,000,000 but was not considered during the draft budget.
- The indigent threshold are kept at the Households income group limited to two pensioners salaries -per Households.

4.2.3 **Water**:
When considering all the secondary support service function not included in the total cost to produce water, this service is running at a loss.

Water loses continue to be high year on as reported with the audited outcome and amount of R2 million was put aside for a continuation of the conversion of the conventional meters to water prepaid in this Budget.

The implementation is sluggish due to incapacity of the department for the installation of these water meters and possible roll-over to be considered in the new budget for the continuation.

Council continues to provide 6 kl's of water to the indigent and this was extended to all pensioners, people leaving with disability as well as those that falls within the social income bracket.

Council for the past five years continued to provide an incentive of 3kl's to all other rate payers falling within the residential group however, this has become unaffordable and phased out approach was considered in the 2023/24 approved budget to ONLY provide 1kl of water however, the implementation was once more unsuccessful.
Council will have to take decision based on current difficulties on way forward for the enrolment of these prepaid water meters to all.

Due to reservoirs being low that the benchmark as per the tariff book, this resulted in drought tariff being implemented at least half way through the current financial year.
The finance office together with the engineers are embarking on a cost reflective tariff for this service.

There are challenges currently experienced with the implemented prepaid tariffs, such as free flow unmetered water in these tariffs that result in a number of customers not buying water as anticipated, as well as distribution losses. All these where it requires an investigation.

4.2.4 **Electricity**

Though Electricity tariffs are regulated by NERSA, where Municipality were strictly guided in what they increase their tariffs to their customers by, this has however changed for the first time in this budget process where Municipalities attended weekly workshops in the month of March to complete the Revenue Requirement Tool designed by NERSA that will guide the projected increases for the 2024-25 MTREF.

The template where completed and projected a 15 per cent increase for the service charges electricity. This percentage is 2 per cent more than the projected bulk purchases increase of 12.72% NERSA.

This increase is not addressing the radical decline of the electricity revenue at least the past three years but will address the increased maintenance of the Electricial infrastructure requested.

Council prepared and submitted Cost of Supply study to NERSA in 2018 where a flat rate tariff was proposed as well as the Revenue requirement tool however it was indicated by NERSA that the 2018 study is more than 5 years old completed therefore outdated with significant changes that took place with regards to Electricity tariffs across the country. Both these documents proposes a flat consumption tariff but will be further discussed with NERSA as implementation should be considered in the 2025-26 financial year after Cost of Supply study completed.

Council will embark in another study since there are other considerable factors that needs to be considered such as Load Shedding as well as significant roll-out implementation of installing prepaid boxes to our Informal areas that will yield additional revenues, and the impact on Electricity Infrastructure.

Council considered new SSEG tariffs for off-the grid customers as well as penalty tariff for customers that are not notifying the Municipality as non-communication may course serve problems should they not be catered for by KM.

Council received a number of applications in the current financial year however has not yet been implemented. These will be implemented with the new budget.

4.2.4 Refuse

There were challenges experienced with regards to Refuse collection in the current year such as regular maintenance of trucks that costed significant amounts of money; low staff rate compared to approved organisational structure.

Current staff complement working excessive overtime hours, additional casual appointed to assist with the backlog as well as outsourcing the service for some part of the town to contractors in order to be in-lign with the approved service level standards. Load shedding resulted in a number of generators acquired to get the transfer station running and this resulted in the significant fuel cost.

New landfill site that were budgeted for in the current financial year priorities to the emergencies.

All these resulted in the refuse needs be escalated with the 10 per cent increase in order to get this service functional with its current needs.

There were a number of Auditor General findings on completeness of revenue from Refuse management which the applications for wheelie bins collections on business customers were not updated on the billing system resulting in shortfalls in the billing.
These are being addressed between the Finance and Waste department hopefully finalised by End June 2024.

4.2.5 Fines and Penalties:

Traffic fines continue to be a mission to provide most reasonable projections from one year to the other and the collection rate has been between 10% -12% annually on all over R100million estimation.

There has been challenges with the current service provider and enforce service level agreements.

A number of proposals such as borrowing George Municipality buses at the times that they are not operating, in order for our traffic officers to collect moneys due to Knysna Municipality.

Re-installation and maintaining of cameras from critical points that were vandalised and in order to continue reduce speeding at hazardous areas for the safety of our road users.

4.2.6 Town planning tariffs

All Town Planning tariffs were considered and benched marked with all other municipalities within the region where applicable.
This will be workshopped during budget public participation with all stakeholders.

4.2.7 Developmental Charges

Council is in process of considering the Developmental Charges Policy, and the Infrastructure Services provide report to Council in this regard.
Current developments are still implemented with the approved tariffs.

4.2.8 Employee Related Cost

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 has come to an end and a new agreement is under consultation, which is anticipated to consider the current fiscal constraints faced by government.

Therefore, in the absence of any information in this regard from the South African Local Government Bargaining Council (SALGBC), municipalities are advised to consider their financial sustainability when considering salary increases.

This therefore means that in these difficult times Council should consider what affordable increases are for the new MTREF.

Should council consider non-increase of 4.9% CPI implemented, this will yield R 15,931,945 million that can be considered for direct service delivery projects.

R20,584,399 worth vacant posts were incorporated in this budget for positions across council to address the low staff complement and reduce overtime and standby allowances.

5. HIGH LEVEL OPERATING BUDGET

The Municipality's operating budget, lists the planned operating expenditure and income, for the delivery of all core services to its community.

5.1 Operating Revenue per Category

5.1.1 The high level operating revenue budget per category for the 2024/2025 MTREF is presented in Table 2 below:

Table 2: High level Summary of Operating Revenue per Capegory

Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 Revised Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Exchange Revenue / Service charges - Electricity	293,127,018	384,778,101	358,549,554	53,782,433	412,331,987	431,299,259	451,139,025
2	Exchange Revenue / Service charges - Water	74,100,663	84,388,754	89,582,630	4,389,551	93,972,181	98,294,902	102,816,468
3	Exchange Revenue / Service charges - Waste Water Management	28,066,963	30,864,387	32,370,798	1,586,168	33,956,966	35,518,987	37,152,860
4	Exchange Revenue / Service charges - Waste Management	27,323,821	30,029,458	31,413,434	3,276,421	34,689,855	36,285,589	37,954,725
5	Exchange Revenue / Sale of Goods and Rendering of Services	31,368,728	39,358,519	38,601,582	- 10,310,702	28,290,880	43,505,781	34,314,248
6	Exchange Revenue / Agency services	4,085,719	4,032,719	4,032,719	354,641	4,387,360	4,589,179	4,800,281
7	Exchange Revenue / Interest earned from Receivables	22,439,713	14,751,081	21,043,958	-	21,043,958	22,011,981	23,024,531
8	Exchange Revenue / Interest earned from Current and Non Current Assets	2,014,369	1,826,291	1,826,291	89,488	1,915,779	2,003,905	2,096,085
9	Exchange Revenue / Rental from Fixed Assets	6,395,970	6,938,143	7,413,022	332,900	7,745,922	8,102,234	8,474,938
10	Exchange Revenue / Licence and permits	70,929	45,480	96,349	3,946	100,295	104,909	109,735
11	Exchange Revenue / Operational Revenue	7,911,867	6,022,888	6,598,156	- 5,506,053	1,092,103	1,142,339	1,194,886
12	Non-Exchange Revenue / Property rates	260,888,545	304,253,695	313,942,594	15,383,186	329,325,780	344,474,767	360,320,606
13	Non-Exchange Revenue / Fines, penalties and forfeits	87,568,489	99,090,019	99,090,019	- 445,629	98,644,390	103,182,032	107,928,405
14	Non-Exchange Revenue / Licences or permits	1,377,333	1,742,814	1,742,814	- 217,108	1,525,706	1,595,889	1,669,300
15	Non-Exchange Revenue / Transfer and subsidies - Operational	133,959,649	150,239,391	151,320,558	13,044,790	164,365,348	166,171,260	172,050,435
16	Non-Exchange Revenue / Interest	7,795,167	5,732,582	10,604,918	217,941	10,822,859	11,320,711	11,841,464
17	Non-Exchange Revenue / Gains on disposal of Assets	2,814,933	500,000	500,000	500,000	1,000,000	1,000,000	1,000,000
18	Non-Exchange Revenue / Other Gains	3,919,883	-	-	-			
19	**Total Revenue (Capital Grants Excluded)**	**995,229,759**	**1,164,594,322**	**1,168,729,396**	**76,481,973**	**1,245,211,369**	**1,310,603,724**	**1,357,887,992**
20	Capital Grants	38,900,782	78,183,609	84,014,681	- 18,493,029	65,521,652	79,116,740	74,352,565
21	**Total Revenue (Capital Grants Included)**	**1,034,130,542**	**1,242,777,931**	**1,252,744,077**	**57,988,944**	**1,310,733,021**	**1,389,720,464**	**1,432,240,557**

5.1.2 The operating revenue budget (Column F15) equates to R 1,245 billion for the 2024/2025 tabled MTREF.

5.1.3 An overall increase of R57 million when compared to 2024 February adjusted budget mainly as a result of the below items:

This is mainly as a result of the anticipated revenue on Electricity that is in line with the Revenue Requirement tool rolled by NERSA, which is a new method for tariff increases under electricity.

Workshops and approval process is still going to be done by NERSA during public participation process.

With regards to the Electricity Service Charges Council has embarked on a rapidly growing project of electrifying informal areas of which this revenue is not included in this budget.

All other service charges increases are in line with the 4.9% CPI growth except for the planning and cemetery fees that will be extensively workshopped during public participation.

There are rebates that has been immaterially adjusted such as camping site fees, burial site costs as well as indigent social rebate to be limited to total Household income of two social grant.

There is overall annual decline in grants receipts from our stakeholders, this needs to be investigated and worked to rather increase grant receipts than loosing money.

Year-on no budget provision is made on the Augmentation Fees and Insurance claims. These items are rather kept at Zero based budgeting and adjusted upward with the adjustments budget. The reasons for this these funds are earmarked at being ringfenced in order to fund towards capital projects within main services.

5.2 Operating Expenditure per Category

5.2.1 The high level operating expenditure budget per category for the 2023/2024 MTREF is presented in Table 3 below:

Table 3: High level Summary of Operating Expenditure per Capegory								
Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 Revised Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Expenditure / Employee related costs	286,586,653	305,558,192	313,339,507	11,802,228	325,141,735	334,010,267	349,392,108
2	Expenditure / Remuneration of councillors	9,787,116	10,081,756	10,454,233	549,181	11,003,414	11,509,570	12,039,011
3	Expenditure / Bulk purchases - electricity	238,307,168	293,304,290	282,612,104	35,948,260	318,560,364	333,214,141	348,541,991
4	Expenditure / Inventory consumed	58,457,471	54,053,315	56,812,376	3,171,090	59,983,466	61,187,655	63,806,345
5	Expenditure / Debt impairment	133,173,385	149,729,891	159,976,360	4,838,841	164,815,201	172,396,700	180,326,949
6	Expenditure / Depreciation and amortisation	54,841,230	49,118,855	67,770,103	- 9,386,956	58,383,147	60,196,627	62,077,176
7	Expenditure / Interest	35,275,558	31,848,485	37,564,791	- 2,634,158	34,930,633	30,099,468	24,930,787
8	Expenditure / Contracted services	187,170,968	185,406,105	161,164,619	9,773,014	170,937,633	174,332,757	166,973,243
9	Expenditure / Transfers and subsidies	1,933,564	1,457,448	2,146,588	- 1,123,718	1,022,870	884,410	896,481
10	Expenditure / Irrecoverable debts written off	-	1,783,929	1,783,929	- 66,303	1,717,626	1,796,637	1,879,282
11	Expenditure / Operational costs	62,516,462	73,456,092	73,779,637	8,048,119	81,827,756	83,596,217	86,916,682
12	Expenditure / Other Losses	1,221,132	-	-	-			
13	**Total Operating Expenditure**	**1,069,270,707**	**1,155,798,358**	**1,167,404,247**	**60,919,598**	**1,228,323,845**	**1,263,224,449**	**1,297,780,055**

5.2.2 The operating expenditure budget (Column F12) equates to R 1,228 billion for the 2024/2025 financial year in comparison with the adjusted budget of R 1,167 million for the 2023/2024 adjusted budget.

5.2.3 An overall increase of R60million when compared to 2024 February adjusted budget as a result of the below items:

- Overall R11.8 million increase in Employee Costs due to increase in staff compliment as well as 4.9 per cent increase implemented.

- There was a significant reduction on overtime as well as the casual appointment in order to gradually address the Budget Funding Plan adopted with the February adjustments budget as well as to increase rather the permanent vacancy rate.

- Bulk purchases increase of R35 million as guided by the NERSA circular that Municipalities to increase Eskom charges in line with the guidelines.

- Contracted services and operational cost went up by overall R9 million and R8 million respectively to cover request mainly in the Service Delivery departments.

5.2.3 An overall increase of 7.1 per cent on operating expenditure budget for the 2023/2024 financial year compared to the 2022/2023 adjusted budget.

5.3 Operating Revenue and Expenditure Summary

5.3.1 The high level draft operating budget summary for the 2023/2024 MTREF is presented in Table 4 below:

Table 4: High level Summary of Operating Budget

Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 Revised Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Operating Revenue	(995,229,759)	(1,164,594,322)	(1,168,729,396)	(76,481,973)	(1,245,211,369)	(1,310,603,724)	(1,357,887,992)
2	Operating Expenditure	1,069,270,707	1,155,798,358	1,167,404,247	60,919,598	1,228,323,845	1,263,224,449	1,297,780,055
3	**(Surplus)/Deficit Excl Capital**	**74,040,948**	**(8,795,964)**	**(1,325,149)**	**(15,562,375)**	**(16,887,524)**	**(47,379,275)**	**(60,107,937)**
4	Capital Revenue	(38,900,782)	(78,183,609)	(84,014,681)	18,493,029	- 65,521,652	- 79,116,740	- 74,352,565
5	**(Surplus)/Deficit incl Capital**	**35,140,165**	**(86,979,573)**	**(85,339,830)**	**2,930,654**	**(82,409,176)**	**(126,496,015)**	**(134,460,502)**

5.3.2 The operating budget surplus (Column F3) equates to R 16.887 million for the 2024/2025.
This was purely to accommodate the capital projects funded through internal funds CRR as there will be no borrowings anticipated to be taken up in the new year.

5.3.3 The operating budget surplus (Column g6) equates to R 82.4 million for the 2023/2024 financial year this takes into account all capital projects funded through grants.

5.4 Summary Operating Budget per Council Directorates

5.4.1 The below table depicts Executive and Council operating budget:

Table 4.1: Vote 1 - Executive and Council High level Operating Budget

Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 Revised Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Exchange Revenue / Operational Revenue	- 32,306	- 84,240	- 84,240	84,240			
2	Non-Exchange Revenue / Fines, penalties and forfeits	-	-	-	-			
3	Non-Exchange Revenue / Transfer and subsidies - Operational	- 4,072,194	- 4,696,000	- 4,696,000	- 139,000	- 4,835,000	- 5,031,000	- 5,232,000
4	Non-Exchange Revenue / Gains on disposal of Assets	- 1,027,283	- 500,000	- 500,000	- 500,000	- 1,000,000	- 1,000,000	- 1,000,000
5	Non-Exchange Revenue / Other Gains	-	-	-	-			
6	Non-Exchange Revenue / Transfers and subsidies - capital (monetary allocations)	-	-	-	-			
7	**TOTAL REVENUE**	**- 5,131,783**	**- 5,280,240**	**- 5,280,240**	**- 554,760**	**- 5,835,000**	**- 6,031,000**	**- 6,232,000**
8	Expenditure / Employee related costs	11,187,001	25,654,213	24,969,833	- 253,676	24,716,157	25,852,736	27,041,597
9	Expenditure / Remuneration of councillors	9,787,116	10,081,756	10,454,233	549,181	11,003,414	11,509,570	12,039,011
10	Expenditure / Inventory consumed	135,830	142,006	152,006	- 23,680	128,326	133,310	138,523
11	Expenditure / Debt impairment	1,847,991	-	-	-			
12	Expenditure / Depreciation and amortisation	362,389	359,551	359,551	3,763	363,314	367,154	371,069
13	Expenditure / Interest	176,740	137,686	174,824	- 61,782	113,042	92,948	76,783
14	Expenditure / Contracted services	1,991,964	2,550,563	2,607,563	2,160,429	4,767,992	4,707,000	4,923,522
15	Expenditure / Transfers and subsidies	732,936	818,448	920,948	- 48,078	872,870	884,410	896,481
16	Expenditure / Irrecoverable debts written off	-	-	-	-			
17	Expenditure / Operational costs	1,781,647	2,867,736	2,103,515	- 712,700	1,390,815	1,047,133	1,089,790
18	**TOTAL EXPENDITURE**	**28,003,616**	**42,611,959**	**41,742,473**	**1,613,457**	**43,355,930**	**44,594,261**	**46,576,776**
19	**(SURPLUS)/DEFICIT**	**22,871,832**	**37,331,719**	**36,462,233**	**1,058,697**	**37,520,930**	**38,563,261**	**40,344,776**

The above table depicts an overview of Executive and Council Directorate which is vote 1 financial performance.

This directorate comprises of four main service Department: The Council, Municipal Managers Office, IDP, Communication as well as Internal Audit

An overall revenue increase of R554 thousand other Gains for possible auction as indicated by the service departments as well as portion of the equitable share for the councillors remuneration.

The expenditure increase of R1.6 million mainly on contracted services to cover Forensic Investigation R1.5 million as well as R3 million for the Internal audit project request as per the Internal audit plan.

5.4.2 The below table depicts Corporate Services operating budget:

Table 4.2: Vote 2 - Corporate Services High level Operating Budget

Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 Revised Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Exchange Revenue / Service charges - Waste Water Management	-	-	-	-			
2	Exchange Revenue / Sale of Goods and Rendering of Services	- 221,382	- 234,929	- 246,718	- 12,089	- 258,807	- 270,712	- 283,165
3	Exchange Revenue / Rental from Fixed Assets	- 4,207,826	- 4,603,793	- 4,922,802	- 241,218	- 5,164,020	- 5,401,565	- 5,650,037
4	Exchange Revenue / Licence and permits	- 435	-	- 739	739	-	-	-
5	Exchange Revenue / Operational Revenue	- 461,755	- 290,978	- 290,978	290,978			
	Non-Exchange Revenue / Transfer and subsidies - Operational	- 1,732,318	- 1,233,620	- 1,483,620	- 650,791	- 2,134,411	- 3,259,202	- 1,451,993
6	Non-Exchange Revenue / Gains on disposal of Assets	- 10,900	-	-	-			
7	**TOTAL REVENUE**	**- 6,634,615**	**- 6,363,320**	**- 6,944,857**	**- 612,381**	**- 7,557,238**	**- 8,931,479**	**- 7,385,195**
8	Expenditure / Employee related costs	24,683,490	26,175,555	27,254,033	3,536,196	30,790,229	32,189,515	33,653,168
9	Expenditure / Inventory consumed	337,273	259,544	266,185	- 77,596	188,589	187,621	189,367
10	Expenditure / Debt impairment	- 630,467	-	-	-			
11	Expenditure / Depreciation and amortisation	1,199,493	1,255,588	1,255,687	14,534	1,270,221	1,290,953	1,312,215
12	Expenditure / Interest	371,005	89,502	255,557	59,971	315,528	287,813	248,638
13	Expenditure / Contracted services	8,717,516	9,647,691	10,947,201	- 1,214,766	9,732,435	9,314,795	6,966,552
14	Expenditure / Transfers and subsidies	663,340	-	250,000	- 250,000			
15	Expenditure / Operational costs	27,450,197	30,817,684	30,453,844	1,459,037	31,912,881	31,772,506	32,665,501
16	**TOTAL EXPENDITURE**	**62,791,847**	**68,245,564**	**70,682,507**	**3,527,376**	**74,209,883**	**75,043,203**	**75,035,441**
17	**(SURPLUS)/DEFICIT**	**56,157,232**	**61,882,244**	**63,737,650**	**2,914,995**	**66,652,645**	**66,111,724**	**67,650,246**

The above table depicts an overview of Corporate Services Directorate which is vote 2 financial performance.

This directorate comprises of four main service Department: The Council Support, Human Resource Management, Public Participation, Legal Services, MPAC as well as Property Management.

An overall revenue increase of R612 thousand mainly on Operating Grants for the Title Deeds Restoration implemented by the Legal Service Department.

The expenditure increase of R 3.5 million mainly on Employee Cost to cover the senior positions request such as legal service manager.

There are potential revenue that may realise under the Rental of Municipal Properties as discussed with the Department. System has been acquired within the current service provider that will capture all contracts on system and manage them electronically.

5.4.3 The below table depicts Financial Services operating budget:

Table 4.3: Vote 3 - Financial Services High level Operating Budget								
Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 Revised Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Exchange Revenue / Sale of Goods and Rendering of Services	-496,676	-808,317	-915,542	167,873	-747,669	-782,062	-818,037
2	Exchange Revenue / Interest earned from Receivables	-1,102,034	-612,998	-612,998	-	-612,998	-641,196	-670,691
3	Exchange Revenue / Interest earned from Current and Non Current A	-2,014,369	-1,826,291	-1,826,291	-89,488	-1,915,779	-2,003,905	-2,096,085
4	Exchange Revenue / Operational Revenue	-470,498	-2,546,511	-4,370,842	4,066,148	-304,694	-318,710	-333,371
5	Non-Exchange Revenue / Property rates	-260,888,509	-304,253,659	-313,942,577	-15,383,185	-329,325,762	-344,474,748	-360,320,586
6	Non-Exchange Revenue / Fines, penalties and forfeits	-1,320	-	-1,987	1,987			
7	Non-Exchange Revenue / Transfer and subsidies - Operational	-2,084,360	-2,410,000	-2,746,640	796,640	-1,950,000	-1,900,000	-2,000,000
8	Non-Exchange Revenue / Interest	-7,795,167	-5,732,582	-10,604,918	-217,941	-10,822,859	-11,320,711	-11,841,464
9	Non-Exchange Revenue / Gains on disposal of Assets	-750	-	-	-			
10	Non-Exchange Revenue / Other Gains	-3,919,883	-	-	-			
11	**TOTAL REVENUE**	**-278,773,566**	**-318,190,358**	**-335,021,795**	**-10,657,966**	**-345,679,761**	**-361,441,332**	**-378,080,234**
12	Expenditure / Employee related costs	36,606,876	41,263,972	39,551,787	1,160,115	40,711,902	42,595,001	44,560,121
13	Expenditure / Inventory consumed	404,236	435,136	269,735	107,917	377,652	285,717	298,862
14	Expenditure / Debt impairment	9,731,010	30,425,370	43,951,963	-4,846,354	39,105,609	40,904,467	42,786,072
15	Expenditure / Depreciation and amortisation	542,259	547,100	547,100	17,453	564,553	573,200	582,020
16	Expenditure / Interest	223,930	155,917	203,003	-55,427	147,576	121,918	97,579
17	Expenditure / Contracted services	4,738,229	4,537,272	4,050,373	-423,373	3,627,000	1,715,440	1,794,349
18	Expenditure / Transfers and subsidies	315,965	639,000	975,640	-825,640	150,000	-	-
19	Expenditure / Irrecoverable debts written off	-	-	-	-			
20	Expenditure / Operational costs	10,030,546	10,696,909	11,411,626	-1,565,629	9,845,997	10,278,193	10,754,531
21	Expenditure / Other Losses	1,221,132	-	-	-			
22	**TOTAL EXPENDITURE**	**63,814,183**	**88,700,676**	**100,961,227**	**-6,430,938**	**94,530,289**	**96,473,936**	**100,873,534**
23	**(SURPLUS)/DEFICIT**	**-214,959,383**	**-229,489,682**	**-234,060,568**	**-17,088,904**	**-251,149,472**	**-264,967,396**	**-277,206,700**

The above table depicts an overview of Financial Services Directorate which is vote 3 financial performance.

This directorate comprises of four main service Department: The Financial Management Service, Revenue Management, Supply Chain Management, as well as Expenditure Management.

An overall revenue increase of R 10.6 million mainly on property rates which is purely as a result of the 4.9 % increase projected in line with the CPI increase

The R 4 million reduction is mainly on Collection Fees Recovered as well as Tender deposits being reduced to Zero in this yearly simply as a result of the non continuation of the legal suit tender, the major part of the service will be hosted in house.

The expenditure decrease of R 6.4 million mainly on debt impairment due to the possible reductions anticipated with the implementation of the write-off policy.

5.4.4 The below table depicts Planning and Development operating budget:

Table 4.4: Vote 5 - Planning and Development High level Operating Budget								
Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 Revised Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Exchange Revenue / Sale of Goods and Rendering of Services	-4,885,366	-3,811,018	-4,601,000	-395,311	-4,996,311	-5,226,141	-5,466,544
2	Exchange Revenue / Operational Revenue	-44,750	-36,855	-36,855	-1,806	-38,661	-40,439	-42,299
3	Non-Exchange Revenue / Fines, penalties and forfeits	-	-	-8,166	8,166			
4	Non-Exchange Revenue / Transfer and subsidies - Operational	-2,151,004	-1,264,000	-1,363,566	84,566	-1,279,000	-	-
7	**TOTAL REVENUE**	**-7,081,120**	**-5,111,873**	**-6,009,587**	**-304,385**	**-6,313,972**	**-5,266,580**	**-5,508,843**
8	Expenditure / Employee related costs	22,434,972	22,781,183	21,318,704	430,302	21,749,006	20,760,367	21,710,512
9	Expenditure / Inventory consumed	206,895	260,849	184,365	62,849	247,214	258,585	270,479
10	Expenditure / Debt impairment	287,075	-	-	-			
11	Expenditure / Depreciation and amortisation	149,290	108,752	108,752	1,617	110,369	112,021	113,703
12	Expenditure / Interest	186	15,576	49,566	-4,880	44,686	39,510	34,381
13	Expenditure / Contracted services	2,959,547	5,850,000	4,010,308	2,865,182	6,875,490	7,191,762	7,522,583
14	Expenditure / Transfers and subsidies	213,773	-	-	-			
15	Expenditure / Operational costs	1,202,843	1,433,214	1,436,080	268,780	1,704,860	1,783,644	1,866,100
16	**TOTAL EXPENDITURE**	**27,454,579**	**30,449,574**	**27,107,775**	**3,623,850**	**30,731,625**	**30,145,889**	**31,517,758**
17	**(SURPLUS)/DEFICIT**	**20,373,459**	**25,337,701**	**21,098,188**	**3,319,465**	**24,417,653**	**24,879,309**	**26,008,915**

The above table depicts an overview of Planning and Development Directorate which is vote 5 budget.

This directorate comprises of five main service Department: The Environmental Management, Local Economic Development, Town planning/ Land Use Management, , as well as Building Control.

An overall revenue increase of R 304 thousand mainly planning tariffs though the overall planning tariffs increased by 9% overall the revenue was still increased with the CPI of 4.9 % as the impact is not yet know until implementation of the revised tariff after approval.
These tariffs were increased in line with the regions benchmark.

Additional revenue as a result can be incorporated with the adjustments budget.

The expenditure increase of R 3.6 million mainly on contracted services for Environmental Management various projects such as Bongani River and Wetland Rehabilitation.

5.4.5 The below table depicts Community Service operating budget:

Table 4.5: Vote 6 - Community Services High level Operating Budget

Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 February Adjusted Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Exchange Revenue / Service charges - Waste Management	- 28,465,919	- 30,029,458	- 31,413,434	- 3,276,421	- 34,689,855	- 36,285,589	- 37,954,725
2	Exchange Revenue / Sale of Goods and Rendering of Services	- 571,088	- 747,202	- 753,567	404,621	- 348,946	- 364,998	- 381,788
3	Exchange Revenue / Agency services	- 4,085,719	- 4,032,719	- 4,032,719	- 354,641	- 4,387,360	- 4,589,179	- 4,800,281
4	Exchange Revenue / Interest earned from Receivables	- 4,478,111	- 3,315,940	- 3,315,940	-	- 3,315,940	- 3,468,473	- 3,628,023
5	Exchange Revenue / Rental from Fixed Assets	- 2,188,144	- 2,334,350	- 2,490,220	- 91,682	- 2,581,902	- 2,700,669	- 2,824,901
6	Exchange Revenue / Licence and permits	- 70,494	- 45,480	- 95,610	- 4,685	- 100,295	- 104,909	- 109,735
7	Exchange Revenue / Operational Revenue	- 3,083	- 2,704,763	- 19,082	19,082	-	-	-
8	Non-Exchange Revenue / Fines, penalties and forfeits	- 87,562,669	- 99,090,019	- 98,644,916	526	- 98,644,390	- 103,182,032	- 107,928,405
9	Non-Exchange Revenue / Licences or permits	- 1,377,333	- 1,742,814	- 1,742,814	217,108	- 1,525,706	- 1,595,889	- 1,669,300
10	Non-Exchange Revenue / Transfer and subsidies - Operational	- 44,313,273	- 42,610,740	- 42,706,740	- 2,939,228	- 45,645,968	- 47,634,196	- 50,011,424
11	Non-Exchange Revenue / Operational Revenue	-	-	-	-			
12	Non-Exchange Revenue / Gains on disposal of Assets	- 455,450	-	-	-	-	-	-
13	Non-Exchange Revenue / Transfers and subsidies - capital (monetary	- 120,000	-	- 40,000	40,000	-	-	-
14	Non-Exchange Revenue / Transfers and subsidies - capital (in-kind)	-	-	-	-			
15	**TOTAL REVENUE**	**-173,691,283**	**-186,653,485**	**-185,255,042**	**- 5,985,320**	**-191,240,362**	**-199,925,934**	**-209,308,582**
16	Expenditure / Employee related costs	104,725,370	99,221,572	102,904,416	3,047,105	105,951,521	110,339,094	115,402,345
17	Expenditure / Inventory consumed	12,989,230	9,966,026	11,559,068	3,598,899	15,157,967	14,420,052	14,895,235
18	Expenditure / Dept Impairment	89,656,661	87,157,206	81,313,017	3,984,338	85,297,355	89,221,034	93,325,202
19	Expenditure / Depreciation and amortisation	10,268,306	6,448,745	16,100,838	- 9,577,049	6,523,789	6,614,498	6,707,062
20	Expenditure / Interest	4,384,260	2,452,452	2,618,902	- 455,768	2,163,134	1,681,672	1,309,439
21	Expenditure / Contracted services	50,648,837	34,398,041	40,526,549	5,549,802	46,076,351	41,473,326	43,381,101
22	Expenditure / Transfers and subsidies	7,551	-	-	-	-	-	-
23	Expenditure / Irrecoverable debts written off	-	146,535	146,535	- 146,535	-	-	-
24	Expenditure / Operational costs	6,890,937	10,494,394	13,095,717	9,807,652	22,903,369	23,952,008	25,050,329
25	**TOTAL EXPENDITURE**	**279,571,151**	**250,284,971**	**268,265,042**	**15,808,444**	**284,073,486**	**287,701,684**	**300,070,713**
26	**(SURPLUS)/DEFICIT**	**105,879,868**	**63,631,486**	**83,010,000**	**9,823,124**	**92,833,124**	**87,775,750**	**90,762,131**

The above table depicts an overview of Community Services Directorate which is vote 6 financial performance.

This directorate comprises of five main service Department: The Library and Museum Services, Public Safety, Fire, Refuse Management, Parks and Recreation.

An overall revenue increase of R 5.9 million mainly on service charges waste management which with the overall increase of 10 % for the refuse services as well as additional R2.9 million operating grant equitable share portion

The caravan park as well as the Cemetery tariffs and rebates has been adjusted with the service department as most of the tariffs under community are not generating revenue however the expenditure is increasingly required. Once more this is expected revenue increase that hasn't been incorporated but will be addressed with the adjustments budget.

The expenditure increase of R 15.8 million mainly on operational cost as well as contracted services for Waste Management contractors to assist with the waste collection as well as Parks programs.

5.4.6 The below table depicts Electrical Services operating budget:

Table 4.6: Vote 7 - Electrical Services High level Operating Budget

Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 February Adjusted Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Exchange Revenue / Service charges - Electricity	- 305,379,319	- 384,778,101	- 358,549,554	- 53,782,433	- 412,331,987	- 431,299,259	- 451,139,025
2	Exchange Revenue / Interest earned from Recei	- 5,759,254	- 3,262,048	- 6,625,825	-	- 6,625,825	- 6,930,613	- 7,249,421
3	Exchange Revenue / Operational Revenue	- 525,011	- 321,418	- 675,383	- 21,191	- 696,574	- 728,616	- 762,132
4	Non-Exchange Revenue / Fines, penalties and fc	-	-	-	-	-	-	-
5	Non-Exchange Revenue / Transfer and subsidies	- 21,585,078	- 37,475,740	- 36,986,088	596,328	- 36,389,760	- 36,990,780	- 38,838,757
6	Non-Exchange Revenue / Operational Revenue	-	-	-	-	-	-	-
7	Non-Exchange Revenue / Gains on disposal of A	- 1,176,800	-	-	-	-	-	-
8	Non-Exchange Revenue / Other Gains	-	-	-	-	-	-	-
9	Non-Exchange Revenue / Transfers and subsidies - capital (monetary allocations)	- 9,330,404	- 38,047,000	- 34,782,652	21,078,304	- 13,704,348	- 8,608,696	- 7,826,087
10	**TOTAL REVENUE**	**-343,755,865**	**-463,884,307**	**-437,619,502**	**- 32,128,992**	**-469,748,494**	**-484,557,964**	**-505,815,422**
11	Expenditure / Employee related costs	17,013,834	16,707,143	16,097,711	3,261,064	19,358,775	16,710,512	17,479,196
12	Expenditure / Bulk purchases - electricity	238,307,168	293,304,290	282,612,104	35,948,260	318,560,364	333,214,141	348,541,991
13	Expenditure / Inventory consumed	8,003,244	6,784,445	5,774,313	- 1,715,995	4,058,318	4,245,000	4,440,271
14	Expenditure / Dept Impairment	7,403,407	20,632,483	14,309,487	701,165	15,010,652	15,701,142	16,423,395
15	Expenditure / Depreciation and amortisation	8,698,914	8,567,591	10,784,893	8,712	10,793,605	11,206,046	11,634,807
16	Expenditure / Interest	6,569,623	5,168,148	5,174,576	1,347,977	6,522,553	5,709,628	4,780,508
17	Expenditure / Contracted services	23,116,143	32,317,380	26,086,194	1,878,224	27,964,418	28,623,180	29,939,846
18	Expenditure / Irrecoverable debts written off	-	1,090,070	1,090,070	53,413	1,143,483	1,196,083	1,251,103
19	Expenditure / Operational costs	7,746,160	10,115,499	7,393,507	103,843	7,497,350	7,851,148	8,221,773
20	**TOTAL EXPENDITURE**	**316,858,492**	**394,687,049**	**369,322,855**	**41,586,663**	**410,909,518**	**424,456,880**	**442,712,890**
21	**(SURPLUS)/DEFICIT**	**- 26,897,373**	**- 69,197,258**	**- 68,296,647**	**9,457,671**	**- 58,838,976**	**- 60,101,084**	**- 63,102,532**

The above table depicts an overview of Electrical Services Department which is vote 7 budget. This directorate comprises of two sub Department: The Electrical Administration as well as Distribution and Fleet Services.

An overall revenue increase of R 32 million on service charges electricity due to the 15% tariff increase implementation which is subject to change after NERSA confirms approval of Revenue Requirement tool.

The Capital grants are reducing by R21 million mainly INEP and the NDPG grant compared to 2023-24 gazetted figures.

The expenditure increase of R 41 million mainly on bulk purchases with R35 million due to 12.72% regulated increase and R3 million worth vacancies.

5.4.7 The below table depicts Technical Services operating budget:

Table 4.7: Vote 8 - Technical Services High level Operating Budget								
Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 February Adjusted Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Exchange Revenue / Service charges - Water	- 77,197,968	- 84,388,754	- 89,582,630	- 4,389,551	- 93,972,181	- 98,294,902	- 102,816,468
2	Exchange Revenue / Service charges - Waste Water Management	- 29,240,122	- 30,864,387	- 32,370,798	- 1,586,168	- 33,956,966	- 35,518,987	- 37,152,860
3	Exchange Revenue / Sale of Goods and Rendering of Services	- 29,025	- 29,980	- 33,682	- 1,650	- 35,332	- 36,957	- 38,657
4	Exchange Revenue / Interest earned from Receivables	- 11,093,018	- 7,551,712	- 10,480,812	-	- 10,480,812	- 10,962,930	- 11,467,224
5	Exchange Revenue / Operational Revenue	- 6,374,463	- 38,123	- 998,416	946,242	- 52,174	- 54,574	- 57,084
6	Non-Exchange Revenue / Fines, penalties and forfeits	-	-	-	-			
7	Non-Exchange Revenue / Transfer and subsidies - Operational	- 58,021,423	- 60,549,291	- 61,337,904	- 10,793,305	- 72,131,209	- 71,356,082	- 74,516,261
8	Non-Exchange Revenue / Operational Revenue	-	-	-	-			
9	Non-Exchange Revenue / Gains on disposal of Assets	- 121,250	-	-	-			
10	Non-Exchange Revenue / Other Gains	-	-	-	-			
11	Non-Exchange Revenue / Transfers and subsidies - capital (monetary allo	- 27,752,786	- 40,136,609	- 45,394,029	3,976,725	- 41,417,304	- 68,108,044	- 66,526,478
12	**TOTAL REVENUE**	**-209,830,055**	**-223,558,856**	**-240,198,271**	**- 11,847,707**	**-252,045,978**	**-284,332,476**	**-292,575,032**
13	Expenditure / Employee related costs	70,116,328	69,043,170	75,140,154	- 1,069,416	74,070,738	77,473,899	81,083,926
14	Expenditure / Inventory consumed	33,701,274	34,987,341	37,847,251	1,854,149	39,701,400	41,527,666	43,437,938
15	Expenditure / Dept Impairment	24,732,484	10,946,476	19,833,537	4,971,843	24,805,380	25,946,427	27,139,963
16	Expenditure / Depreciation and amortisation	32,326,977	30,695,477	36,468,633	142,382	36,611,015	37,884,809	39,206,656
17	Expenditure / Interest	23,401,118	23,537,736	28,796,213	- 3,446,318	25,349,895	21,973,616	18,237,265
18	Expenditure / Contracted services	57,072,216	56,233,369	33,710,624	8,452,159	42,162,783	35,606,036	37,244,016
19	Expenditure / Irrecoverable debts written off	-	547,324	547,324	26,819	574,143	600,554	628,179
20	Expenditure / Operational costs	6,195,377	6,500,944	7,559,315	- 1,359,397	6,199,918	6,516,583	6,849,856
21	**TOTAL EXPENDITURE**	**247,545,773**	**232,491,837**	**239,903,051**	**9,572,221**	**249,475,272**	**247,529,590**	**253,827,799**
22	**(SURPLUS)/DEFICIT**	**37,715,718**	**8,932,981**	**- 295,220**	**- 2,275,486**	**- 2,570,706**	**- 36,802,886**	**- 38,747,233**

The above table depicts an overview of Technical Services Directorate which is vote 8 budget. This directorate comprises of three main Department: The Roads and Stormwater; Water and Sewer as well as PMU.

An overall revenue increase of R 11.8 million on service charges electricity as well as operating grants.

The expenditure increase of R 9.5 million mainly on contracted services as well as well as operational cost to cover operational requirements.

5.4.8 The below table depicts Housing Services operating budget:

Table 4.8: Vote 9 - Housing Services High level Operating Budget								
Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 February Adjusted Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G	H
1	Exchange Revenue / Sale of Goods and Rendering of Services	- 25,165,192	- 33,727,073	- 32,051,073	10,147,258	- 21,903,815	- 36,824,911	- 27,326,057
2	Exchange Revenue / Interest earned from Receivables	- 7,296	- 8,383	- 8,383	-	- 8,383	- 8,769	- 9,172
3	Exchange Revenue / Operational Revenue	-	-	- 122,360	122,360			
4	Non-Exchange Revenue / Property rates	- 36	- 36	- 17	- 1	- 18	- 19	- 20
5	Non-Exchange Revenue / Fines, penalties and forfeits	- 4,500	-	- 434,950	434,950			
6	Non-Exchange Revenue / Transfer and subsidies - Operational	-	-	-	-			
7	Non-Exchange Revenue / Gains on disposal of Assets	- 22,500	-	-	-			
8	Non-Exchange Revenue / Transfers and subsidies - capital (monetary	- 1,697,593	-	- 3,798,000	- 6,602,000	- 10,400,000	- 2,400,000	-
9	**TOTAL REVENUE**	**- 26,897,116**	**- 33,735,492**	**- 36,414,783**	**4,102,567**	**- 32,312,216**	**- 39,233,699**	**- 27,335,249**
10	Expenditure / Employee related costs	5,700,873	4,711,384	6,102,869	1,690,538	7,793,407	8,089,143	8,461,243
11	Expenditure / Inventory consumed	2,679,489	1,217,968	759,453	- 635,453	124,000	129,704	135,670
12	Expenditure / Dept Impairment	145,225	568,356	568,356	27,849	596,205	623,630	652,317
13	Expenditure / Depreciation and amortisation	1,293,602	1,136,051	2,144,649	1,632	2,146,281	2,147,946	2,149,644
14	Expenditure / Interest	148,697	291,468	292,150	- 17,931	274,219	192,363	146,194
15	Expenditure / Contracted services	37,926,516	39,871,789	39,225,807	- 9,494,643	29,731,164	45,701,218	35,201,274
16	Expenditure / Operational costs	1,218,756	529,712	542,195	- 169,629	372,566	395,002	418,802
17	**TOTAL EXPENDITURE**	**49,113,157**	**48,326,728**	**49,635,479**	**- 8,597,637**	**41,037,842**	**57,279,006**	**47,165,144**
18	**(SURPLUS)/DEFICIT**	**22,216,041**	**14,591,236**	**13,220,696**	**- 4,495,070**	**8,725,626**	**18,045,307**	**19,829,895**

The above table depicts an overview of Housing Services Department which is vote 9 budget. This directorate comprises of two sub Department: The Housing Administration as well as Informal Settlement.

An overall revenue decrease of R 4.1 million on the Housing Grant operating and an increase on Capital grant for various project as per business plan.

The expenditure decrease of R 8.5 million mainly on contracted services was mainly on the grant funded projects to be in line with the gazette. The council co funding projects .internally reduced by R2 million from R9,071 million to R7,850 million.

5.5 Other Disclosures

Section 17(3)(k) of the MFMA determines that as part of the budget documents, the proposed cost to the Municipality for the budget year of the salary, allowances and benefits of each political office bearer, Municipal Manager, Chief Financial Officer, Senior Manager and any other official with a remuneration package greater than or equal to that of a Senior Manager, must be disclosed:

5.5.1. Staff Employee Related Cost high level item breakdown

High Level Summary of Employee Related Costs

			2023/24 Performance			2024/25 MTREF		
Row Number	Description	2022-23 Audited Outcome	2023-24 Original Budget	2023-24 Revised Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Colun Reference	A	B	C	D	E	F	G	H
1	Acting Allowance	2,493,481	1,865,257	2,508,399	(1,207,136)	1,301,263	1,261,002	1,317,859
2	Actuarials	3,284,498	14,036,900	15,042,000	-	15,042,000	15,733,564	16,456,940
3	Allowance:Non-pensionable	38,985	15,795	15,795	64,205	80,000	83,680	87,529
4	Allowances - Service Related Benefits - Fire Brigade	1,315,930	164,200	1,390,400	(1,233,200)	157,200	164,431	171,995
5	Bonus	13,569,591	13,866,016	13,548,533	1,140,265	14,688,798	15,273,620	15,976,208
6	Danger Allowance	-	-	-	-	-	-	-
7	Housing Allowance	830,704	754,767	737,705	11,730	749,435	783,917	819,981
8	Leave Pay	3,033,728	1,490,660	1,488,666	42,731	1,531,397	1,516,489	1,586,247
9	Night Shift Allowance	995,657	1,263,917	916,996	126,654	1,043,650	1,091,659	1,141,875
10	Overtime	20,044,551	13,066,800	16,806,684	(2,814,983)	13,991,701	12,540,969	13,117,854
11	Performance Bonus	(171,352)	199,112	214,112	274,987	489,099	511,596	535,130
12	Rental Allowance	1,853,307	2,144,506	1,866,107	188,398	2,054,505	2,149,011	2,247,867
13	Scarcity Allowance	1,910,722	1,611,435	1,802,513	37,724	1,840,237	1,837,997	1,922,545
14	Shift Allowance	3,446,684	4,074,856	3,830,275	185,824	4,016,099	4,200,839	4,394,078
15	Skills Dev Levy	84,033	109,229	105,437	(17,602)	87,835	91,875	96,101
16	SM Acting Allowance	-	-	11,951	(11,951)	-	-	-
17	SM Car Allowance	521,571	430,032	630,312	61,758	692,070	723,905	757,205
18	SM Cellular and Telephone	5,000	5,265	12,000	-	12,000	12,552	13,129
19	SM Group Life Insurance	54,648	71,036	61,174	1,603	62,777	65,665	68,686
20	SM Housing Allowance	-	-	49,998	61,002	111,000	116,106	121,447
21	SM Medical Aid	60,066	50,451	63,324	3,108	66,432	69,488	72,684
22	SM Pension	284,583	437,984	378,295	127,362	505,657	528,917	553,248
23	SM Salaries	5,075,612	7,211,932	5,204,678	1,884,483	7,089,161	7,415,262	7,756,363
24	SM Scarcity Allowance	-	220,518	220,518	(220,518)			
25	SM UIF	10,694	12,750	12,750	-	12,750	13,338	13,950
26	Staff Car Allowance	8,322,133	7,600,098	8,231,707	123,857	8,355,564	8,578,675	8,959,865
27	Staff Cellular and Telephone	-	200,000	200,000	9,800	209,800	219,451	229,546
28	Staff Group life Insurance	4,760,022	4,941,488	4,875,085	509,908	5,384,993	5,600,412	5,858,029
29	Staff Medical Aid	13,125,857	15,253,528	14,214,509	2,796,712	17,011,221	17,730,593	18,546,198
30	Staff Pension	28,838,914	30,204,600	30,006,967	2,156,186	32,163,153	33,365,566	34,900,384
31	Staff Salaries	161,837,795	168,961,905	167,635,826	17,270,677	184,906,503	192,202,819	201,078,030
32	Staff UIF	1,739,830	3,231,753	3,115,045	131,364	3,246,409	3,410,716	3,580,208
33	Standby Allowance	6,661,264	5,270,393	6,695,067	(2,582,608)	4,112,459	2,968,286	3,094,339
34	Temp Salaries	8,439,708	6,790,481	11,445,391	(7,319,352)	4,126,039	3,747,316	3,916,011
35	Uniform/Special/Protective Clothing	528	528	1,288	(760)	528	551	577
36	**Grand Total**	**292,468,744**	**305,558,192**	**313,339,507**	**11,802,228**	**325,141,735**	**334,010,267**	**349,392,108**

The above table depicts Council total salary budget complement breakdown per item for at least four years as well as the R11.8 million increase on Salaries per item.

Overall increase on salaries equates to 4.0% from the February adjusted budget due to the following factors: The movement in Employee Related Costs in relation to the revised budget for 2023/24 emanated from the following key areas:

Bonuses increase is in relation to the 13th cheque and this is due to a variety of factors such as additional employees, salary adjustment for inflation, etc.

Night Shift Allowance increased by approximately 13.8% due to the additional staff in the Fire Services and the general increase in accordance with the industry regulatory requirements

Performance Bonus has increased due to the expectation that the employees entitled to performance assessment would have a completed a full year in which a performance may be given. The allocation was based on the regulatory guidance on the potential outcome limits of the assessments.

Shift Allowance has also increased by approximately 4.9% in line with the Consumer Price Index as guided by the National Treasury Circular.

Senior Management Salaries increased by 36.2% because of the revised grade of the municipality which had an incremental impact on the upper limits guidance from COGTA. The revision which resulted in the municipal grade change from grade 3 (lower grade) to grade 4. This has resulted in additional remuneration for all Senior Managers.

Vacant positions that were budgeted for a period of eight months, emanating from a council decision to freeze all vacant positions for four months in the previous financial year, while in the current budget, the vacant positions are budgeted for a full financial year, hence the increase.

Vacant positions that were budgeted for a period of eight months, emanating from a council decision freeze all vacant positions for four months in the previous financial year, while in the current budget, the vacant positions are budgeted for a full financial year, hence the increase. This is predominantly due to vacant positions to be filled in the current financial year including key positions such as Legal Services Manager, Process Controller, etc.

5.5.2. Senior Management salary Costs high level item breakdown

Section 56 Senior Managers and Accounting Officer	
Senior Managers (Managers reporting directly to the Municipal Manager)	**Draft 2024/25**
Municipal Manager	1,749,379.95
Director : Corporate Services	1,419,288.61
Director : Planning Develop	1,425,018.66
Director : Community Services	1,511,710.80
Director : Technical Services	1,425,018.66
Director : Financial Services	1,510,660.78
Total	**9,041,077.45**

The above table provides overview of the Section 56 Senior Managers and R9,041million is the total amount after the revision of the municipal grade as guided by COGTA.

Accounting Officer and all section 56 Managers' position are all filled with the exception of Director: Technical Services of which in the Recruitment and Selection process has commenced.

5.5.3 KM Public Office Bearers salary package

Public Office Bearers	
Description	**Draft 2024/25**
Executive Mayor	966,201
Deputy Mayor	769,871
Speaker	782,792
Mayoral Committee Members	2,841,054
Council Whip	412,570
Chairperson of MPAC	468,552
Ordinary Council Member	4,762,374
Total	**11,003,414**

Due to the revised municipal grade level of 3, lower grade, to grade level 4, higher grade, the remuneration of public office bearers will be adjusted in line with the guidelines on the Public Office Bearers as indicated in the latest gazette.

Total Budget for all Councillors amount to R11 million including all Ordinary Council Members.

5.5.4 KM Senior Managers not appointed as Section 56

Senior Managers not S56	Draft 2024/25
Senior Manager: Electro Technical	1,644,840.00
Senior Manager: Project Management	1,610,598.00
Senior Manager: Land Use Management	1,564,888.00
Senior Manager: Financial Management Services	1,663,620.00
Manager: Water and Waste Water Services	1,411,085.00
Manager: Roads, Transport, Stormwater and Building Maintenance	1,346,789.00
Total	**9,241,820.00**

The total proposed cost to the Municipality's salary packages budgeted for officials with a remuneration package greater than or equal to that of a S56 Senior Manager are as depicted in the above table.

The total budget amount to R9.2 million of the total Employee Cost for the above six managers.

6. HIGH LEVEL CAPITAL BUDGET

6.1 Capital Budget per Directorate

6.1.1 The high level capital expenditure budget per directorate for the 2023/2024 MTREF is presented in Table 5 below:

Table 5: Capital Expenditure Budget per Directorate

Row Number	Description	2023-24 Original Budget	2023-24 February Adjusted Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G
1	Vote 1 - Executive and Council	-	-	40,000	40,000	-	-
2	Vote 2 - Corporate Services	200,000	449,739	1,350,261	1,800,000	1,775,000	-
3	Vote 3 - Financial Services	-	61,130	150,000	211,130	5,000	-
4	Vote 5 - Planning and development	5,000	-	500,000	500,000	500,000	-
6	Vote 6 - Community Services	11,879,910	12,615,304	- 2,360,304	10,255,000	5,050,000	-
7	Vote 7 - Electrical Services	47,747,000	45,588,480	- 29,884,132	15,704,348	15,458,696	10,326,087
8	Vote 8 - Technical Services	50,906,699	56,374,270	- 6,466,166	49,908,104	101,858,044	87,176,478
9	Vote 9 - Housing Services		3,798,000	6,602,000	10,400,000	2,400,000	-
10	**Grand Total**	**110,738,609**	**118,886,923**	**- 30,068,341**	**88,818,582**	**127,046,740**	**97,502,565**

6.1.2 The total capital expenditure budget (Row 10) equates to R 88.8 million for the 2024/2025 financial year in comparison with the March 2023/24 tabled budget of R 118.8 million.

Capital budget has decreased from the February 2023/24 adjusted budget of R118,9 million to R88.8 million which translates to 25 per cent reduction overall across departments.
The reductions are mainly on the main service departments due to non-allocation of Borrowings as well grants reductions.

6.2 Capital Budget per Funding Source

6.2.1 The high level capital expenditure budget per funding source for the 2021/2022 MTREF is presented in Table 6 below:

Table 6: Capital Expenditure Budget per Funding Source

Row Number	Description	2023-24 Original Budget	2023-24 February Adjusted Budget	MOVEMENTS	2024-25 Draft Budget	2025-26 Draft Budget	2026-27 Draft Budget
Column Reference	A	B	C	D	E	F	G
1	National Government Grants	78,183,609	80,176,681	- 25,055,029	55,121,652	76,716,740	74,352,565
2	Provincial Government Grants	-	3,838,000	6,562,000	10,400,000	2,400,000	-
3	District Municipality Grant	-	-	-	-	-	-
4	Borrowings	25,005,000	27,342,544	- 27,342,544	-	37,750,000	16,000,000
5	Internally Generated Funds	7,550,000	7,529,698	15,767,232	23,296,930	10,180,000	7,150,000
6	Public Contributions		-	-	-	-	-
7	**Grand Total**	**110,738,609**	**118,886,923**	**-30,068,341**	**88,818,582**	**127,046,740**	**97,502,565**

6.2.2 The current year's Borrowings increased by approximately R2 million due to the amount was not spent and rolled over to the 2023/24 financial year. A tender process

was undertaken with the objective of securing funds through borrowings and a limited response was received with conditions that are not favourable to the municipality, hence the decrease to Rnil.
Management will consider all permissible options as guided by the Supply Chain Management Regulations in soliciting the Borrowings from the lenders.

Though we are within the Geared Ratio NT norms, the Annual Annuity Interest and redemption portion paid against total Loans is currently unaffordable hence the reduction on loans.

Service Department are in process of tapping into other available Grants for qualifying projects such as Roads and Infrastructure projects. The new budget tabled two new grants for the Electrical as well as Water Resilient grants for the first time.

6.2.3 Capital Replacement Reserve CRR (Internally Generated Funds) increased by R15.7 million from the February 2024 adjusted amount of R 7.5 million.

The reasons for the increases relates to risks involved with the bidding process of borrowing and banks becoming non-responsive again. Council and management will consider the alternative means of funding.

The CRR is not cashed back as it was in the previous year. However, we will embark on a process of opening subaccounts with Standard Bank in order to ring-fence funding not only from the Vote level but Cash Flow level.

6.2.4 Government grants was decreased to R55.1 million from R80.2 Million mainly due to reduced allocation by National Treasury.

6.3 Capital Budget Summary

6.3.1 In consideration of the limited availability of financial resources, and to render acceptable levels of service delivery, the Municipality capital projects are limited to R88 million for the 2024/2025 and possibly consider borrowings in the two outer year depending on performance.

Reduced Borrowings from the normal standard that Services are used to, with the intention of tapping into the available options within Borrowings as indicated by NT as well as new Grants.

7. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH THE INTEGRATED DEVELOPMENT PLAN (IDP)

7.1 The Constitution mandates local government with the responsibility to exercise local developmental and co-operative governance functions. The eradication of imbalances in the South African society can only be realised through a credible participative integrated development planning process.

7.2 Municipalities in South Africa are required to utilise integrated development planning as an approach to plan future development in their respective municipal areas, and accordingly determine the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at establishing short, medium and long term strategic and budget priorities to create a developmental platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and capabilities of the Municipality to the overall development aims, which guide the municipal budget. The IDP further enables municipalities to make the best use of scarce resources to accelerate service delivery goals. An IDP is therefore a key instrument utilised by municipalities to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area.

7.3 The Constitution requires local government to ensure that management, budgeting and planning functions comply with the objectives of the Constitution. This provides a clear indication of the intended purposes of municipal integrated development planning. Legislation further stipulates that a municipality must not only give effect to the IDP, but must also conduct the affairs in a manner that is consistent with the IDP.

7.4 At the beginning of March 2023, a strategic planning session was conducted between management and Political Office Bearers with the aim to get Strength, Weaknesses, Opportunities and Threats (SWOT) analysis with Key Performance Focus of each Directorate in order to formulate revised Municipal Strategic Objectives

This budget is based on the following six strategic objectives however, the budget might be revised during the adjustment period in February 2025 to address changes to the new strategic objectives where applicable.

(a) <u>Strategic Objective 1</u>: To improve and maintain current basic service delivery through specific infrastructural development projects;

(b) <u>Strategic Objective 2</u>: To create an enabling environment for social development and economic growth;

(c) <u>Strategic Objective 3</u>: To promote a safe and healthy environment through the protection of our natural resources;

(d) Strategic Objective 4: To grow the revenue base of the municipality;

(e) Strategic Objective 5: To structure and manage the municipal administration to ensure efficient service delivery; and

(f) Strategic Objective 6: To encourage the involvement of communities in the matters of local government, through the promotion of open channels of communication.

7.5 The IDP is currently under review process and will be aligned with the 2024/2025 MTREF, through adjustments budget process where applicable. The respective SA4, SA5 and SA6 schedules are included in Annexure B, provide a reconciliation between the IDP strategic objectives and the operating revenue, operating expenditure and capital expenditure.

8. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

8.1 Performance Management is a system intended to manage and monitor progress against the identified strategic objectives and priorities of Council. 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, which is amended regularly as the integrated planning process progresses. The Municipality monitors assesses and reviews organisational performance, which is linked directly to individual employee's performance of the Senior Managers.

8.2 Knysna Municipality continuously ensures that a culture of performance management is institutionalised. Performance agreements are therefore concluded with senior management.
The Human Resources Department is in process of implementing Performance Management and cascading to the Supervisor Level and this is an ongoing process.

9. OVERVIEW OF BUDGET FUNDING INCLUDING FUNDING COMPLIANCE

9.1 National Treasury requires that the Municipality assess the financial sustainability against fourteen different funding measures, which monitor various aspects of the financial health of the municipality. These measures are contained in SA10 of **Annexure C**.

The respective information is extracted directly from the annual budgeted statements of financial performance, financial position and cash flow. The funding compliance measurement table in essence measures the degree to which the proposed budget complies with the funding requirements of Section 18 of the MFMA.

10. EXPENDITURE ON GRANT ALLOCATIONS MADE TO THE MUNICIPALITY

Financing of the Grant Funded Projects

The below table depicts total grants gazetted for the Municipality for the 2023-24 MTREF

There is a decline in number of grants we used to receive as the Municipality when comparing with allocations of five years plus ago and a decrease in some other grants.

This is as a result of various factors such as low spending and non-approval of roll-overs as well as compressed grants of three to one.

Table 7: High level Summary of Total Grant Gazetted 2023/2024 MTREF					
Row Number	Description	2023/2024	2024/2025	2025/2026	2026/2027
Column Reference	A	C	D	E	F
1	**GRANTS : NATIONAL DEPARTMENTS**	**213,144,509**	**198,473,000**	**229,663,000**	234,551,000
2	Equitable share	122,358,000	130,575,000	138,048,000	145,440,000
3	Equitable share % Growth	9.1%	8.7%	7.2%	
4	Financial Management Grant	1,771,000	1,800,000	1,900,000	2,000,000
5	Expanded Publick Works Programme Grant (EPWP)	1,264,000	1,279,000		
6	Municipal Infrastructure Grant (MIG)	25,597,509	28,582,000	29,815,000	32,111,000
7	Intergrated National Electrification Programme Grant (INE	43,754,000	15,760,000	9,900,000	9,000,000
8	Neighbourhood DevelopmenT Partnership(NDPG)	15,000,000	10,477,000	15,000,000	1,000,000
9	Water Services Infrastructure Grant(WSIG)	3,400,000	10,000,000	35,000,000	45,000,000
10	**GRANTS : PROVINCIAL DEPARTMENTS**		**53,294,000**	**52,425,000**	**39,152,000**
11	Financial Management Capacity	639,000	150,000		
12	Human Settlement Development Grant	32,316,000	29,880,000	36,800,000	27,300,000
13	Informal Settlements Upgrading Partnership Grant		2,400,000	2,400,000	
14	Maintanance and Construction of Transport Infrastructure	120,000	130,000	150,000	157,000
15	Community Library Services Grant	10,842,000	11,113,000	11,138,000	11,638,000
16	Community Development Worker Operational Support Gra	57,000	57,000	57,000	57,000
17	Municipal Interventions Grant	-	-	-	
18	Title Deeds Restoration Grant(TRP)	1,374,000	828,000	1,880,000	-
19	Municipal Energy Resilience Grant		600000		
20	Municipal Water Resilience Grant		8136000		

The total grants decreased from R258 million prior year to R251 million mainly in the MIG and the INEP Grants.

11. ALLOCATION OF GRANTS MADE BY THE MUNICIPALITY

11.1 Schedule SA21, included in **Annexure C**, provides a breakdown of all grants paid by the municipality.

Grants paid by the Municipality has been revised downward.

- Council annually through its Grant in Aid and Donations committee has made budget provision of R350,000 for Bursaries toward the Public when they submit required documentation, Funded through Capacity Building Grant.
- R200,000 Mayoral bursary fund to co-fund the grant through the mayor program.
- R350,000 grant in aid donations to all qualifying applicant.
-

12. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

12.1 The Municipality closely monitors the debtor collection rates, which equated to 90% in the 2022/2023 audited outcome.

The supporting tables that indicates monthly budget was partly done for the fixed costs and all variables and Projects finally approved with the Final budget to be tabled at Council end May will be properly done between Finance and Service Departments that will be aligned to the Procurement Plan.

13. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

13.1 The Municipality's Supply Chain Management Policy stipulates specific processes to be complied with for contracts that will impose financial obligations beyond the three years in the annual budget for that financial year, and will require approval by Council.

13.2 The external loans procured for capital assets is the only tender awarded by the municipality in the 2022/2023 financial year which exceeds the three-year timeframe. All processes, as prescribed by the Supply Chain Management Policy and Section 46 of the MFMA (long-term debt), have been fully complied with for this tender.

14. LONG-TERM FINANCIAL SUSTAINABILITY

14.1 Financial sustainability over the long-term entails the management of high priority expenditure projects, both operating and capital, to ensure project sustainability; a reasonable degree of stability and predictability in the overall property rates and service charges imposed to ensure affordability and sustainability; and to promote a fair allocation in the distribution of resources and the attendant taxation between the current and future ratepayers to ensure intergenerational sustainability.

14.2 Investment in infrastructure, which stimulates economic development, required the creation of a fourth financial sustainability ratio to be used should the debt/revenue ratio (external borrowings as a percentage of total operating revenue less conditional grants) exceed 45%. This ratio will address the interest and redemption repayable on external borrowings as a percentage of total operating revenue less conditional grants. Interest and redemption should not exceed 6-8% of total operating expenditure.

14.3 The current long term financial plan was last reviewed four years ago and we are in consultation with DBSA office to acquire funding to assist us with the update of the existing plan taking into consideration the current status together with the Revenue Enhancement milestones and Recommendations.

15. MSCOA PROGRESS TO DATE

15.1 The Municipal Regulations on the Standard Chart of Accounts (*m*SCOA), promulgated on 22 April 2014, required all municipalities to be *m*SCOA compliant with effect from 1 July 2017. The relevant *m*SCOA segments, as prescribed by the regulations, were implemented on the financial reporting system by Knysna Municipality on 01 July 2017. National Treasury has since the inception of *m*SCOA released several *m*SCOA version updates consequently resulting in continuous account code re-mapping functions and amendments to the system-generated financial statement reporting tools.

15.2 As per MFMA Budget Circular 123, Version 6.8 of the mSCOA chart was uploaded onto the Financial system and the 2024-25 budget will be transacted on this new version released.

Despite the significant changes by NT from version 6.6.1 to 6.7 Knysna Municipality is ready to continue to run the budget directly from the system with no manual intervention on running of data strings to the NT portal.

16. SERVICE LEVEL STANDARDS

The Service Level Standards is a turnaround plan that provides timeframes in which the Service Delivery Departments should adhered to.

This plan is not necessarily approved with the budget but may be approved as and when required.

Currently there was no update on the milestone compared to 2023-24 submission. This is attached as **Annexure H**.

17. LEGISLATIVE COMPLIANCE STATUS

The MFMA implementation requirements have been satisfactorily complied with through the following activities:

17.1 In-Year Reporting

Monthly, Quarterly and Bi-annual reporting to National Treasury and Provincial Treasury, in electronic format, is fully complied with. reports, submitted to the Executive Mayor, has progressively improved, and is published timeously on Knysna Municipality's website.

17.2 Internship Programme

The Municipality has participated in the Municipal Financial Management Internship programme since 2014. The last intern's intake expired end February 2023 and the recruitment and selection process is underway. Since the introduction of the Internship programme the Municipality has appointed or absorbed some of the interns permanently through the recruitment process.

17.3 Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

17.4 Audit Committee

The Municipality has an Audit Committee, which is fully capacitated and functional.

17.5 Service Delivery and Budget Implementation Plan

The Service Delivery and Budget Implementation Plan (SDBIP) will be finalised following approval of the 2024/2025 budget by end May 2024.

17.6 Policies

Various budget-related policies were reviewed but will be workshop during the budget consultations with relevant stakeholders. All budget-related policies are contained in **Annexure F**.

17.7 Procurement Plan

Municipal Budget Circular No 94 highlights the slow spending of capital budgets by most municipalities, and the associated negative impact on service delivery. It therefore became necessary to compile a draft procurement plan to address a weak planning process. The procurement plan will be included in the final budget as **Annexure I**. The timeframes and other relevant information will be finalised when Final budget is approved by end May 2024.

18. RECOMMENDATIONS

18.1 It is recommended that:

[a] Council approves the Tabled 2024/2025 Medium Term Revenue and Expenditure Framework (MTREF) Report.

[b] Council approves the revenue budget of R 1,310,733,021 for the 2024/2025 financial year as set out in **Table 2** of the MTREF Report

[c] Council approves the operating expenditure budget of R1,228,323,845 for the 2024/2025 financial year as set out in **Table 3** of the MTREF Report

[d] Council takes note of the operating budget surplus of R82,409,176 for the 2024/2025 financial year as set out in **Table 4** of the MTREF Report.

[e] Council approves the capital expenditure budget of R88,818,582 for the 2024/2025 financial year as set out in **Table 5** of the MTREF Report.

[f] Council approves the capital expenditure budget funding sources of R 88,818,582 for the 2024/2025 financial year as set out in **Table 6** of the MTREF Report.

[g] Council approves the following revenue increases for the main five revenue sources with effect from 1 July 2024 –

Main Service	% Increase
Property Rates (All)	4.9%
Service Charges: Electricity	15.0%
Service Charges: Water	4.9%
Service Charges: Sanitation	4.9%
Service Charges: Refuse	10.0%
Other	4.9%

[h] Council approves the annual budget of Knysna Municipality for the 2024/2025 financial year as well as the indicative budgets for the two outer financial years, as presented in the new mSCOA version 6.8 Schedules A1 to A10 and Supporting Schedules SA1 to SA38, attached as **Annexure B**.

[i] Council takes note of the revenue increases for property rates, service charges and fees contained in the Tariff Book, attached as **Annexure C**

[j] Council takes note of the Line Item Capital Budget per Directorate and funding source. **Annexure D.**

[k] Council takes note of the Line Item Operating Budget per Directorate. **Annexure E.**

[l] Council takes note of the proposed total cost-to-municipality expenses for the salary, allowances and benefits of the Political Office Bearers, Municipal Manager, Chief Financial Officer, Senior Managers and other officials with a remuneration package greater than or equal to that of a Senior Manager, as contained in **Tabled 5.5.1-5.5.4** of the 2024/2025 MTREF Budget Report.

[n] Council takes note of Directorate budget performance provided in **Table 4.1-4.8** of the report.

[o] Council approves following reviewed budget-related policies of Knysna Municipality for the 2023/2024 financial year, attached as **Annexure G**:

Row Number	Policies
1	Writing-off of Irrecoverable Debt Policy
2	Property Rates Policy
3	Tariffs policy
4	Customer Care, Credit control and debt collection, Indigent and Tempering policy
5	Supply chain management policy
6	Cash management and investment policy
7	Funding and reserves policy
8	Liquidity Policy
9	Virement Policy
10	Contract Management Policy
11	Cost Containment Policy
12	Asset Management Policy
13	Disposal of Unserviceable, Obsolete or Redundant assets policy
14	Insurance Policy
15	UIFW Policy
16	Petty Cash Policy
17	Accounting Policy
18	Special Rating Area Policy
19	HR Related Policies

[p] Council to note the start of the Cost Reflective Tariff table populated as required by NT **Annexure J**.

19. ANNEXURES:

- Medium Term Revenue and Expenditure Framework (MTREF) 2023/2024–2025/2026 Budget Report
- Annexure A: Main budget tables and Supporting tables
- Annexure B: Tariffs, charges and fees for 2023/2024 MTREF
- Annexure C: Capital Budget per department and per funding source
- Annexure D: Operating Budget per Directorate
- Annexure E: Budget Circulars
- Annexure F: Policies
- Annexure G: Service Level Standards
- Annexure H NERSA Revenue Requirement Tool

20. TABLES

Table 1: Tabled 2024/2025 MTREF: Key Budget Projections;
Table 2: Tabled 2024/2025 MTREF: High Level Summary of Operating Revenue per Category;
Table 3: Tabled 2024/2025 MTREF: High Level summary of Operating Expenditure per Category;
Table 4: Tabled 2024/2025 MTREF: High Level Summary of Operating Revenue and Expenditure;
Table 4.1: High level Summary of Executive and Council Financial Performance
Table 4.2: High level Summary of Corporate Services Financial Performance
Table 4.3: High level Summary of Financial Services Financial Performance
Table 4.4: High level Summary of Planning and Development Financial Performance
Table 4.5: High level Summary of Community Services Financial Performance
Table 4.6: High level Summary of Electrical Services Financial Performance
Table 4.7: High level Summary of Technical Services Financial Performance
Table 4.8: High level Summary of Housing Services Financial Performance
Table 5.1: High level breakdown of Employee Related Costs Section
Table 5.2: High level Summary of 56 Senior Managers
Table 5.3: High level Summary of Public Office Bearers
Table 5.4: High level Summary of Senior Managers not S56
Table 6.1: Final 2024/2025 MTREF: Capital Budget per Directorate; and
Table 6.2: Final 2024/2025 MTREF: Capital Budget per Funding Source.
Table 7: High level Summary of Total Grants Gazetted.

File Number: 9/1/2/10
Execution: Municipal Manager
Director: Financial Services