



THEMBELIHLE

**LOCAL MUNICIPALITY
PLAASLIKE MUNISIPALITEIT
U-MASIPALA WASEKUHLENI**

DRAFT BUDGET

2025/2026



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GLOSSARY

Annual Budgets – Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.

Allocations – Money received from Provincial and National Treasury.

Budget – The financial plan of a municipality.

Budget related policy – Policy of a municipality affecting or affected by the budget. Examples include traffic policy, rated policy and credit control and debt policy.

Budget Steering Committee – Committee established to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the MFMA.

Capital Expenditure – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality, and the month end balances of cash and short term investments. Cash receipts and payments do not always coincide with budgeted income and expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month that the services or goods are received, even though it may not be paid in the same period.

CPI – Headline Consumer Price Index

DORA – Division of Revenue Act. Annual legislation which shows the allocations from national to local government.

DoRb – Division of Revenue Bill. Annual legislation tabled in parliament, but not enacted, which shows the allocations from national to local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to assist municipalities with the costs of free basic services.

GFS – Government Finance Statistics. An internationally recognized classification system that facilitates comparisons between municipalities.

IDP – Integrated Development Plan. The main strategic planning document of a municipality.

KPI – Key Performance Indicators. Measures of service output and/or outcome.

MFMA – Municipal Finance Management Act (No 53 of 2003). The principal piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework as prescribed by the MFMA sets out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level thereof. It effectively represents a municipality's medium term financial plan.

NT – National Treasury

Operating Expenditure – Spending on the day to day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

Rates – Local Government tax based on assessed valuation of a property.

TMA – Total Municipal Account

SCM – Supply Chain Management

SDBIP – Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

SFA – Strategic Focus areas: The main priorities of a municipality as set out in the IDP. Budgeted spending must contribute towards achievement of these strategic focus areas.

Vote – One of the main segments into which a budget is divided, usually at directorate level

MAYORAL BUDGET SPEECH

4 EXECUTIVE SUMMARY

The 2025/2026 MTREF budget has been developed with an overall planning framework and includes programmes and projects to achieve the municipality's strategic objectives. Municipal revenues and cash flows are expected to remain under pressure in 2025/2026 due to the state of the economy; hence a conservative approach has been adopted when projecting expected revenues and receipts.

The challenge to produce a sustainable, affordable budget necessitated reduction to certain budgetary provisions. National Treasury MFMA Budget related Circulars and related correspondence clearly prescribe that a budget must be realistic, sustainable and relevant; and must be fully funded. To comply with these prescribes, it is a requirement that the municipality must produce a positive cash flow budget for the 2025/2026 financial year. This was no mean feat to achieve which resulted in having to apply a very conservative approach during the budget process.

The MTREF is a financial plan that enables the municipality to achieve its vision and mission through the IDP Strategy which is informed by the development agenda and community/stakeholder inputs.

The budget serves to bring to light the current council developmental priorities as outlined below:

- Poverty reduction, job-creation, rural and economic development
- Financial sustainability
- Spatial development and the built environment
- Human settlements
- Social and community services
- Good governance

National Treasury's MFMA Circular No. 129 was used to guide the compilation of the 2025/26 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations.

The following budgeting PRINCIPLES were applied in formulating the medium-term budget:

- Sustainable, affordable, realistic and balanced budget
- Budget to contribute to achieving strategic objectives of the IDP
- Tariffs to be cost reflective, realistic and affordable
- Income/ Revenue driven budget: affordability i.e. if funds do not materialize review expenditure
- Realistic and achievable collection rates

The main CHALLENGES experienced during the compilation of the 2025/26 MTREF can be summarized as follows:

- The growing debt to Eskom;
- Limited resources and minimal growth in the rates base;
- Major strain on capital budget due to increased demand and eradication of backlogs.
- Unemployment: sustaining existing collection rates
- Other long outstanding payables

The MFREF-based revenue and expenditure projections assumed inflation-linked annual adjustments stands at 4.4%.

Macroeconomic performance and projections, 2023 - 2027

Fiscal year	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate		Forecast	
CPI Inflation	5.9%	4.6%	4.4%	4.5%	2.5%

Further key parameters applied to the Municipality's financial framework included the following for the 2025/2026 financial year:

Revenue / tariff increases

• Rates	4.4%
• Electricity	12.7%
• Water	4.4%
• Sanitation	4.4%
• Refuse	4.4%
• Salaries and Wages adjustments	4.4%
• General Expenses	4.4%

Our major cost drivers reflect as follows:

• Employee Cost	R 45.9million
• Remuneration of Councilor's	R 4.3million
• Operating Cost	R 23.8million
• Bulk Purchases	R 21.1 million
• Capital Cost	R 15.8 million
• Depreciation and Debt Impairment:	R 11.2 million

Our Major Revenue Sources that we anticipate:

• Grants & Subsidies	R 43.6 million
• Income Generated	R 73.4 million
• Capital Funding	R 15.8 million

Our Major Revenue Sources that we anticipate:

Unconditional Grant

• Equitable Share	R38 960 million
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Conditional Operational Grants

• Financial Management Grant	R 3 000 million
• Library Provincial Grant	R 1 230 million
• Municipal Infrastructure Grant (5%)	R 524 thousand

Conditional Capital Grants

• Municipal Infrastructure Grant (95%)	R 9 948 million
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- Water Services Infrastructure Grant -
- Energy Efficiency & Demand-side Grant R 2 000 million
- Integrated National Electrification R 3910 million

Transfers and subsidies (Capital) amount to R 15 858 million

The budget has been prepared in terms of guidelines as contained in all budget related National Treasury Circulars and Guidelines issued. Budget related policies need to be revised or amended on a regular basis to ensure that the municipality has effective guidelines to ensure performance of their duties.

I hereby recommend that this 2025/ 2026 Draft Annual budget presented to council be adopted.

4 QUALITY CERTIFICATE

ANNUAL BUDGET TABLES

The Budget schedules approved by resolution of Council:

Table 1 – Table A1 Budget Summary

NC076 Thembelihle - Table A1 Budget Summary							
Description	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousands							
Financial Performance							
Property rates	16 033	9 514	9 514	9 514	9 933	10 380	10 639
Service charges	36 318	35 718	35 718	36 519	39 164	40 926	41 949
Investment revenue	2 674	376	376	376	392	410	420
Transfer and subsidies - Operational	43 898	40 188	40 188	40 188	43 772	43 323	43 323
Other own revenue	19 411	18 531	18 531	18 531	23 751	24 820	25 440
Total Revenue (excluding capital transfers and contributions)	118 334	104 327	104 327	105 128	117 012	119 859	121 772
Employee costs	39 999	43 480	43 480	43 480	45 983	48 052	49 254
Remuneration of councillors	5 031	6 579	6 579	6 579	4 326	4 520	4 633
Depreciation and amortisation	10 836	5 000	5 000	5 000	11 220	11 725	12 018
Interest	3 710	10 210	10 210	10 210	10 660	11 139	11 418
Inventory consumed and bulk purchases	27 362	21 929	21 929	21 929	25 127	26 258	26 915
Transfers and subsidies	96	-	-	-	-	-	0
Other expenditure	30 580	26 868	26 868	26 868	35 405	36 998	37 923
Total Expenditure	117 614	114 066	114 066	114 066	132 721	138 693	142 161
Surplus/(Deficit)	720	(9 739)	(9 739)	(8 938)	(15 709)	(18 835)	(20 389)
Transfers and subsidies - capital (monetary allocations)	23 764	9 440	9 440	9 440	15 858	23 055	23 055
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	0
	24 484	(299)	(299)	502	149	4 220	2 666
Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	24 484	(299)	(299)	502	149	4 220	2 666
Capital expenditure & funds sources							
Capital expenditure	23 764	23 764	23 764	23 764	22 547	23 562	24 151
Transfers recognised - capital	23 764	23 764	23 764	23 764	22 547	23 562	24 151
Borrowing	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	0
Total sources of capital funds	23 764	23 764	23 764	23 764	22 547	23 562	24 151
Financial position							
Total current assets	12 091	12 091	12 091	12 091	(11 562)	(27 630)	(44 174)
Total non current assets	309 435	309 435	309 435	309 435	308 218	322 088	330 140
Total current liabilities	165 079	165 079	165 079	165 079	165 079	172 507	176 820
Total non current liabilities	2 476	2 476	2 476	2 476	2 476	2 587	2 652
Community wealth/Equity	153 972	178 755	178 755	178 755	129 101	119 363	106 494
Cash flows							
Net cash from (used) operating	70 427	57 007	57 007	57 007	321	336	344
Net cash from (used) investing	-	-	-	-	(15 858)	(16 572)	(16 986)
Net cash from (used) financing	(1 286)	-	-	-	-	-	(0)
Cash/cash equivalents at the year end	76 015	63 882	63 882	63 882	(15 318)	(31 555)	(48 197)
Cash backing/surplus reconciliation							
Cash and investments available	8 335	8 335	8 335	8 335	(15 318)	(31 555)	(48 197)
Application of cash and investments	164 581	162 848	162 848	162 859	161 482	168 749	172 967
Balance - surplus (shortfall)	(156 245)	(154 513)	(154 513)	(154 524)	(176 801)	(200 303)	(221 164)
Asset management							
Asset register summary (WDV)	265 946	265 946	265 946		264 729	276 641	283 558
Depreciation	10 836	5 000	5 000		11 220	11 725	12 018
Renewal and Upgrading of Existing Assets	2 000	2 000	2 000		-	-	0
Repairs and Maintenance	13 675	6 830	6 830		8 630	9 019	9 244
Free services							
Cost of Free Basic Services provided	-	801	801		904	944	968
Revenue cost of free services provided	1 093	1 093	1 093		1 141	1 192	1 222
Households below minimum service level							
Water:	-	-	-		-	-	-
Sanitation/sewerage:	-	-	-		-	-	-
Energy:	-	-	-		-	-	-
Refuse:	-	-	-		-	-	-

Table 2 – Table A2 Budgeted Financial Performance (Revenue and Expenditure by standard classification)

NC076 Thembelihle - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Revenue - Functional	1									
Governance and administration		42,294	53,852	96,148	77,764	64,436	64,436	68,520	67,583	68,223
Executive and council		28,135	-	36,145	37,699	33,552	33,552	37,640	37,598	37,564
Finance and administration		14,159	53,852	60,003	40,066	30,885	30,885	30,880	29,984	30,659
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	1,000	1,043	1,090	1,090	1,090	1,230	1,345	1,345
Community and social services		-	1,000	1,043	1,090	1,090	1,090	1,230	1,345	1,345
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		11,859	12,245	5,039	16,089	5,373	5,373	15,484	16,234	16,365
Planning and development		8,137	8,408	4,778	13,347	4,631	4,631	15,472	16,221	16,352
Road transport		3,722	3,837	261	2,742	742	742	12	13	13
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		23,267	29,701	28,286	47,155	42,867	42,867	47,636	57,752	58,895
Energy sources		9,321	10,606	11,420	19,580	24,511	24,511	32,273	29,639	30,380
Water management		8,846	12,251	10,324	14,772	9,276	9,276	4,221	16,470	16,580
Waste water management		2,720	3,896	3,685	4,606	4,606	4,606	5,640	5,894	6,041
Waste management		2,380	2,948	2,856	8,198	4,474	4,474	5,502	5,750	5,894
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	77,420	96,798	130,516	142,099	113,767	113,767	132,870	142,914	144,827
Expenditure - Functional										
Governance and administration		45,176	51,626	76,560	48,274	51,597	51,597	60,456	63,176	64,756
Executive and council		6,649	8,545	10,321	9,583	11,550	11,550	9,007	9,412	9,647
Finance and administration		38,527	43,081	66,239	38,692	40,046	40,046	51,449	53,764	55,108
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		1,455	1,988	1,864	1,361	2,526	2,526	2,637	2,756	2,824
Community and social services		1,455	1,988	1,864	1,361	2,526	2,526	2,637	2,756	2,824
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	0
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		11,492	11,903	15,047	14,568	14,277	14,277	16,724	17,476	17,913
Planning and development		11,904	8,533	6,384	10,948	10,498	10,498	12,915	13,496	13,834
Road transport		(412)	3,370	8,664	3,620	3,779	3,779	3,809	3,980	4,080
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		38,603	170,231	45,929	53,613	45,868	45,868	52,905	55,285	56,668
Energy sources		18,152	142,413	32,301	26,398	28,773	28,773	34,848	36,416	37,327
Water management		14,116	19,112	9,390	19,468	11,660	11,660	11,980	12,519	12,832
Waste water management		3,619	5,331	1,189	3,381	1,970	1,970	2,359	2,465	2,526
Waste management		2,715	3,375	3,050	4,365	3,465	3,465	3,718	3,885	3,982
Other	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	96,726	235,748	139,402	117,815	114,267	114,267	132,721	138,693	142,161
Surplus/(Deficit) for the year		(19,306)	(138,951)	(8,886)	24,283	(500)	(500)	149	4,220	2,666

Table 3 – Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

NC076 Thembelihle - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Revenue by Vote	1									
Vote 1 - Executive Council		28,135	-	36,145	37,699	33,552	33,552	37,640	37,598	37,564
Vote 2 - Public Safety		-	-	-	-	-	-	-	-	0
Vote 3 - Office of Financial Management		13,893	17,732	27,690	27,830	19,805	19,805	19,067	17,700	18,068
Vote 4 - Corporate Services		7,927	8,277	8,507	11,508	9,352	9,352	12,330	12,883	13,172
Vote 5 - Road Transport		9,774	10,845	6,908	10,905	2,610	2,610	9,948	10,996	10,996
Vote 6 - Community & Social Services		-	-	-	-	-	-	-	-	-
Vote 7 - Planning & Development		578	477	(703)	511	90	90	524	-	0
Vote 8 - Budget & Treasury		-	1,471	30,273	-	6	6	-	-	0
Vote 9 - Electricity		908	3,201	2,407	19,580	24,511	24,511	32,273	29,639	30,380
Vote 10 - Water		10,984	14,510	12,737	21,232	14,730	14,730	9,914	22,419	22,678
Vote 11 - Waste Water Management		2,841	37,337	3,696	4,637	4,637	4,637	5,672	5,927	6,076
Vote 12 - Waste Management		2,380	2,948	2,856	8,198	4,474	4,474	5,502	5,750	5,894
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	77,420	96,798	130,516	142,099	113,767	113,767	132,870	142,914	144,827
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive Council		6,649	8,545	10,321	9,583	11,550	11,550	9,007	9,412	9,647
Vote 2 - Public Safety		-	-	-	-	-	-	-	-	0
Vote 3 - Office of Financial Management		22,544	154,599	38,706	26,126	28,008	28,008	39,251	41,018	42,043
Vote 4 - Corporate Services		16,969	18,066	16,573	17,273	18,230	18,230	18,526	19,360	19,844
Vote 5 - Road Transport		19,839	10,184	6,359	12,241	11,641	11,641	14,211	14,850	15,221
Vote 6 - Community & Social Services		8	-	(0)	-	-	-	-	-	0
Vote 7 - Planning & Development		-	-	-	34	-	-	-	-	0
Vote 8 - Budget & Treasury		29	63	22,437	78	78	78	81	85	87
Vote 9 - Electricity		18,119	18,057	32,301	26,374	28,773	28,773	34,848	36,416	37,327
Vote 10 - Water		8,134	19,112	8,468	18,381	10,573	10,573	10,845	11,333	11,616
Vote 11 - Waste Water Management		1,720	5,322	1,185	3,360	1,949	1,949	2,234	2,335	2,393
Vote 12 - Waste Management		2,715	1,801	3,050	4,365	3,465	3,465	3,718	3,885	3,982
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	96,726	235,748	139,402	117,815	114,267	114,267	132,721	138,693	142,161
Surplus/(Deficit) for the year	2	(19,306)	(138,951)	(8,886)	24,283	(500)	(500)	149	4,220	2,666

Table 4 – Table A4 Budgeted Financial Performance (revenue and expenditure)

NC076 Thembelihle - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Revenue											
Exchange Revenue											
Service charges - Electricity	2	10,974	13,842	15,101	18,349	22,479	22,479	23,280	25,343	26,483	27,145
Service charges - Water	2	3,623	4,506	4,230	7,051	6,045	6,045	6,045	6,311	6,595	6,759
Service charges - Waste Water Management	2	2,720	3,896	3,685	4,031	4,031	4,031	4,031	4,208	4,398	4,507
Service charges - Waste Management	2	1,645	2,127	1,947	6,887	3,163	3,163	3,163	3,302	3,451	3,537
Sale of Goods and Rendering of Services		135	169	137	373	325	325	325	274	287	294
Agency services		3,294	460	261	2,731	731	731	731	-	-	0
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		4,889	5,595	6,046	7,437	9,005	9,005	9,005	12,727	13,300	13,633
Interest earned from Current and Non Current Assets		47	355	381	2,674	376	376	376	392	410	420
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	4	-	132	-	-	-	312	326	334
Rental from Fixed Assets		413	480	642	988	670	670	670	699	731	749
Licence and permits		-	-	-	-	-	-	-	-	-	-
Special rating levies		-	-	-	-	-	-	-	-	-	-
Operational Revenue		2,698	1,070	2,301	2,021	2,185	2,185	2,185	2,281	2,384	2,443
Non-Exchange Revenue											
Property rates	2	(1,589)	(2,119)	7,501	16,033	9,514	9,514	9,514	9,933	10,380	10,639
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		24	38	97	263	63	63	63	65	68	70
Licences or permits		148	140	393	351	437	437	437	456	477	488
Transfer and subsidies - Operational		33,277	45,454	74,337	43,898	40,188	40,188	40,188	43,772	43,323	43,323
Interest		-	-	1,254	3,185	3,185	3,185	3,185	1,936	2,023	2,073
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	199	-	-	-	-	-	-	0
Gains on disposal of Assets		-	407	-	1,931	1,931	1,931	1,931	5,000	5,225	5,356
Other Gains		4	-	(703)	-	-	-	-	-	-	0
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		62,303	76,424	117,809	118,334	104,327	104,327	105,128	117,012	119,859	121,772
Expenditure											
Employee related costs	2	33,127	35,198	38,738	39,999	43,480	43,480	43,480	45,983	48,052	49,254
Remuneration of councillors		4,409	4,737	6,011	5,031	6,579	6,579	6,579	4,326	4,520	4,633
Bulk purchases - electricity	2	14,525	14,483	17,233	16,346	18,817	18,817	18,817	21,151	22,103	22,655
Inventory consumed	8	2,021	2,070	2,924	11,015	3,112	3,112	3,112	3,976	4,155	4,259
Debt impairment	3	-	-	-	-	-	-	-	-	-	0
Depreciation and amortisation		15,073	19,442	14,186	10,836	5,000	5,000	5,000	11,220	11,725	12,018
Interest		7,167	10,305	18,095	3,710	10,210	10,210	10,210	10,660	11,139	11,418
Contracted services		8,189	8,417	9,383	8,248	10,619	10,619	10,619	11,603	12,125	12,428
Transfers and subsidies		20	14	96	96	-	-	-	-	-	0
Irrecoverable debts written off		-	124,304	15,904	5,000	-	-	-	10,224	10,684	10,951
Operational costs		11,942	16,337	16,572	17,332	16,248	16,248	16,248	13,579	14,190	14,545
Losses on disposal of Assets		206	-	0	-	-	-	-	-	-	-
Other Losses		2	-	63	-	-	-	-	-	-	-
Total Expenditure		96,681	235,306	139,206	117,614	114,066	114,066	114,066	132,721	138,693	142,161
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations)	6	(34,378)	(158,882)	(21,397)	720	(9,739)	(9,739)	(8,938)	(15,709)	(18,835)	(20,389)
Transfers and subsidies - capital (in-kind)	6	13,527	18,255	12,706	23,764	9,440	9,440	9,440	15,858	23,055	23,055
Surplus/(Deficit) after capital transfers & contributions		(20,851)	(140,627)	(8,691)	24,484	(299)	(299)	502	149	4,220	2,666
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		(20,851)	(140,627)	(8,691)	24,484	(299)	(299)	502	149	4,220	2,666
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(20,851)	(140,627)	(8,691)	24,484	(299)	(299)	502	149	4,220	2,666
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	(20,851)	(140,627)	(8,691)	24,484	(299)	(299)	502	149	4,220	2,666

Table 5 – Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure, to be appropriated	2										
Vote 1 - Executive Council		158	-	-	-	-	-	-	-	-	0
Vote 2 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 3 - Office of Financial Management		191	-	542	-	-	-	-	-	-	0
Vote 4 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Road Transport		11,780	(110)	(21,515)	21,764	21,764	21,764	21,764	22,547	23,562	24,151
Vote 6 - Community & Social Services		-	-	-	-	-	-	-	-	-	-
Vote 7 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 8 - Budget & Treasury		-	-	-	-	-	-	-	-	-	-
Vote 9 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 10 - Water		-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	12,128	(110)	(20,973)	21,764	21,764	21,764	21,764	22,547	23,562	24,151
Single-year expenditure to be appropriated	2										
Vote 1 - Executive Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 3 - Office of Financial Management		-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 6 - Community & Social Services		-	-	-	-	-	-	-	-	-	0
Vote 7 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 8 - Budget & Treasury		-	-	-	-	-	-	-	-	-	-
Vote 9 - Electricity		-	-	-	2,000	2,000	2,000	2,000	-	-	0
Vote 10 - Water		-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	2,000	2,000	2,000	2,000	-	-	0
Total Capital Expenditure - Vote		12,128	(110)	(20,973)	23,764	23,764	23,764	23,764	22,547	23,562	24,151
Capital Expenditure - Functional											
Governance and administration		182	-	-	-	-	-	-	-	-	0
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		182	-	-	-	-	-	-	-	-	0
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	-	-	-	-	-	-	0
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	0
Economic and environmental services		5,853	(110)	4,402	9,705	9,705	9,705	9,705	10,488	10,960	11,234
Planning and development		5,853	(110)	4,402	9,705	9,705	9,705	9,705	10,488	10,960	11,234
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		6,093	-	(25,376)	14,059	14,059	14,059	14,059	12,059	12,602	12,917
Energy sources		46	-	-	2,000	2,000	2,000	2,000	-	-	0
Water management		6,048	-	(25,413)	12,059	12,059	12,059	12,059	12,059	12,602	12,917
Waste water management		-	-	37	-	-	-	-	-	-	0
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	12,128	(110)	(20,973)	23,764	23,764	23,764	23,764	22,547	23,562	24,151
Funded by:											
National Government		12,058	565	(20,973)	23,764	23,764	23,764	23,764	22,547	23,562	24,151
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat/ Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatbns, Higher Educ Institutions)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	12,058	565	(20,973)	23,764	23,764	23,764	23,764	22,547	23,562	24,151
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		46	(675)	-	-	-	-	-	-	-	0
Total Capital Funding	7	12,104	(110)	(20,973)	23,764	23,764	23,764	23,764	22,547	23,562	24,151

Table 6 – Table A6 Budgeted Financial Position

NC076 Thembelihle - Table A6 Budgeted Financial Position

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand											
ASSETS											
Current assets											
Cash and cash equivalents		668	4,278	220	8,335	8,335	8,335	8,335	(15,318)	(31,555)	(48,197)
Trade and other receivables from exchange transactions	1	13,809	4,703	20,975	3,754	3,754	3,754	3,754	3,754	3,923	4,021
Receivables from non-exchange transactions	1	169	169	9,542	-	-	-	-	-	-	0
Current portion of non-current receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	13	13	53	2	2	2	2	2	2	2
VAT		14,694	22,083	38,385	-	-	-	-	-	-	0
Other current assets		(47)	(61)	(51)	-	-	-	-	-	-	0
Total current assets		29,306	31,185	69,124	12,091	12,091	12,091	12,091	(11,562)	(27,630)	(44,174)
Non current assets											
Investments		-	-	-	-	-	-	-	-	-	0
Investment property		20,997	22,038	22,727,011.09	23,148	23,148	23,148	23,148	23,148	24,189	24,794
Property, plant and equipment	3	246,768	242,280	240,582	286,252	286,252	286,252	286,252	285,034	297,861	305,307
Biological assets		-	-	-	-	-	-	-	-	-	-
Living and non-living resources		-	-	-	-	-	-	-	-	-	-
Heritage assets		8,945	8,970	2,305	-	-	-	-	-	-	0
Intangible assets		20	67	43	36	36	36	36	36	38	39
Trade and other receivables from exchange transactions		-	-	-	-	-	-	-	-	-	-
Non-current receivables from non-exchange transactions		-	-	-	-	-	-	-	-	-	0
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		276,730	273,356	265,657	309,435	309,435	309,435	309,435	308,218	322,088	330,140
TOTAL ASSETS		306,036	304,541	334,781	321,527	321,527	321,527	321,527	296,656	294,458	285,966
LIABILITIES											
Current liabilities											
Bank overdraft		-	-	-	-	-	-	-	-	-	0
Financial liabilities		3,379	2,045	2,711	(1,286)	-	-	-	-	-	0
Consumer deposits		746	765	816	783	783	783	783	783	818	838
Trade and other payables from exchange transactions	4	154,629	183,490	106,736	148,519	147,233	147,233	147,233	147,233	153,858	157,705
Trade and other payables from non-exchange transactions	5	4,250	5,995	5,518	-	-	-	-	-	-	0
Provision		16,827	(10,839)	5,134	13,567	13,567	13,567	13,567	13,567	14,177	14,531
VAT		6,165	9,339	13,433	3,497	3,497	3,497	3,497	3,497	3,654	3,746
Other current liabilities		-	-	-	-	-	-	-	-	-	0
Total current liabilities		185,997	190,795	134,349	165,079	165,079	165,079	165,079	165,079	172,507	176,820
Non current liabilities											
Financial liabilities	6	1,143	28,205	1,668	2,476	2,476	2,476	2,476	2,476	2,587	2,652
Provision	7	-	-	78,508	-	-	-	-	-	-	0
Long term portion of trade payables		-	-	-	-	-	-	-	-	-	-
Other non-current liabilities		7,529	6,486	7,813	-	-	-	-	-	-	0
Total non current liabilities		8,672	34,691	87,990	2,476	2,476	2,476	2,476	2,476	2,587	2,652
TOTAL LIABILITIES		194,669	225,486	222,339	167,555	167,555	167,555	167,555	167,555	175,095	179,472
NET ASSETS		111,367	79,055	112,442	153,972	153,972	153,972	153,972	129,101	119,363	106,494
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	8	126,977	204,030	129,286	153,972	178,755	178,755	178,755	129,101	119,363	106,494
Reserves and funds	9	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	10	126,977	204,030	129,286	153,972	178,755	178,755	178,755	129,101	119,363	106,494

References

Table 7 – Table A7 Budgeted Cash Flows

NC076 Thembelihle - Table A7 Budgeted Cash Flows

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	10,421	6,053	6,053	6,053	6,953	7,266	7,448
Service charges		-	-	-	29,992	33,212	33,212	33,212	29,885	31,230	32,010
Other revenue		-	-	-	-	3,154	3,154	3,154	2,281	2,384	2,443
Transfers and Subsidies - Operational	1	-	-	-	43,387	40,132	40,132	40,132	43,190	45,134	46,262
Transfers and Subsidies - Capital	1	-	-	-	23,764	23,764	23,764	23,764	15,858	16,572	16,986
Interest		-	-	-	-	-	-	-	13,431	14,036	14,387
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(48,335)	(73,886)	(6,982)	(32,548)	(39,098)	(39,098)	(39,098)	(100,618)	(105,146)	(107,774)
Interest		(3)	-	-	(4,589)	(10,210)	(10,210)	(10,210)	(10,660)	(11,139)	(11,418)
Transfers and Subsidies	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		(48,338)	(73,886)	(6,982)	70,427	57,007	57,007	57,007	321	336	344
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	0
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	-	-	-	-	(15,858)	(16,572)	(16,986)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(15,858)	(16,572)	(16,986)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	(0)
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(4)	-	-	(1,286)	-	-	-	-	-	(0)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(4)	-	-	(1,286)	-	-	-	-	-	(0)
NET INCREASE/ (DECREASE) IN CASH HELD		(48,341)	(73,886)	(6,982)	69,140	57,007	57,007	57,007	(15,537)	(16,236)	(16,642)
Cash/cash equivalents at the year begin:	2	296	633	4,278	6,875	6,875	6,875	6,875	219	(15,318)	(31,555)
Cash/cash equivalents at the year end:	2	(48,046)	(73,253)	(2,704)	76,015	63,882	63,882	63,882	(15,318)	(31,555)	(48,197)

Table 8 – Table A8 Budgeted Cash Backed Reserves

NC076 Thembelihle - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	(48,046)	(73,253)	(2,704)	76,015	63,882	63,882	63,882	(15,318)	(31,555)	(48,197)
Other current investments > 90 days		48,714	77,531	2,924	(67,680)	(55,547)	(55,547)	(55,547)	-	-	0
Non current Investments	1	-	-	-	-	-	-	-	-	-	0
Cash and investments available:		668	4,278	220	8,335	8,335	8,335	8,335	(15,318)	(31,555)	(48,197)
Application of cash and investments											
Unspent conditional transfers		4,250	5,995	5,518	-	-	-	-	-	-	0
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	(8,528)	(12,744)	(24,952)	3,497	3,497	3,497	3,497	3,497	3,654	3,746
Other working capital requirements	3	154,629	183,490	106,736	147,517	145,785	145,785	145,796	144,419	150,917	154,690
Other provisions		16,827	(10,839)	5,134	13,567	13,567	13,567	13,567	13,567	14,177	14,531
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		167,178	165,902	92,437	164,581	162,848	162,848	162,859	161,482	168,749	172,967
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits		(166,509)	(161,624)	(92,217)	(156,245)	(154,513)	(154,513)	(154,524)	(176,801)	(200,303)	(221,164)
Creditors transferred to Debt Relief - Non-Current portion		-	-	-	-	-	-	-	-	-	(0)
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits		(166,509)	(161,624)	(92,217)	(156,245)	(154,513)	(154,513)	(154,524)	(176,801)	(200,303)	(221,164)

Table 9 – Table A9 Asset Management

NC076 Thembehlile - Table A9 Asset Management

R thousand	Description	Ref	2021/22			2022/23			2023/24			Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28						
CAPITAL EXPENDITURE																	
	Total New Assets	1	12,104	(110)	(20,973)	21,764	21,764	21,764	22,547	23,562	24,151						
	Roads Infrastructure		5,853	(110)	4,402	9,705	9,705	9,705	10,488	10,960	11,234						
	Storm water Infrastructure		46	-	-	-	-	-	-	-	0						
	Electrical Infrastructure		6,048	-	(25,413)	12,059	12,059	12,059	12,059	12,602	12,917						
	Water Supply Infrastructure		-	-	-	-	-	-	-	-	-						
	Sanitation Infrastructure		-	-	-	-	-	-	-	-	-						
	Solid Waste Infrastructure		-	-	37	-	-	-	-	-	0						
	Rail Infrastructure		-	-	-	-	-	-	-	-	-						
	Coastal Infrastructure		-	-	-	-	-	-	-	-	-						
	Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-						
	Infrastructure		11,946	(110)	(20,973)	21,764	21,764	21,764	22,547	23,562	24,151						
	Community Facilities		-	-	-	-	-	-	-	-	-						
	Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-						
	Community Assets		-	-	-	-	-	-	-	-	-						
	Heritage Assets		-	-	-	-	-	-	-	-	-						
	Revenue Generating		-	-	-	-	-	-	-	-	-						
	Non-revenue Generating		-	-	-	-	-	-	-	-	-						
	Investment properties		-	-	-	-	-	-	-	-	-						
	Operational Buildings		158	-	-	-	-	-	-	-	0						
	Housing		-	-	-	-	-	-	-	-	-						
	Other Assets		158	-	-	-	-	-	-	-	0						
	Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-						
	Servitudes		-	-	-	-	-	-	-	-	-						
	Licences and Rights		-	-	-	-	-	-	-	-	-						
	Intangible Assets		-	-	-	-	-	-	-	-	-						
	Computer Equipment		-	-	-	-	-	-	-	-	-						
	Furniture and Office Equipment		-	-	-	-	-	-	-	-	-						
	Machinery and Equipment		-	-	-	-	-	-	-	-	0						
	Transport Assets		-	-	-	-	-	-	-	-	-						
	Land		-	-	-	-	-	-	-	-	-						
	Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-						
	Mature		-	-	-	-	-	-	-	-	-						
	Immature		-	-	-	-	-	-	-	-	-						
	Living Resources		-	-	-	-	-	-	-	-	-						
	Total Renewal of Existing Assets	2	24	-	-	2,000	2,000	2,000	-	-	0						
	Roads Infrastructure		-	-	-	-	-	-	-	-	-						
	Storm water Infrastructure		-	-	-	-	-	-	-	-	-						
	Electrical Infrastructure		-	-	-	2,000	2,000	2,000	-	-	0						
	Water Supply Infrastructure		-	-	-	-	-	-	-	-	-						
	Sanitation Infrastructure		-	-	-	-	-	-	-	-	-						
	Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-						
	Rail Infrastructure		-	-	-	-	-	-	-	-	-						
	Coastal Infrastructure		-	-	-	-	-	-	-	-	-						
	Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-						
	Infrastructure		-	-	-	2,000	2,000	2,000	-	-	0						
	Community Facilities		-	-	-	-	-	-	-	-	-						
	Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-						
	Community Assets		-	-	-	-	-	-	-	-	-						
	Heritage Assets		-	-	-	-	-	-	-	-	-						
	Revenue Generating		-	-	-	-	-	-	-	-	-						
	Non-revenue Generating		-	-	-	-	-	-	-	-	-						
	Investment properties		-	-	-	-	-	-	-	-	-						
	Operational Buildings		-	-	-	-	-	-	-	-	-						
	Housing		-	-	-	-	-	-	-	-	-						
	Other Assets		-	-	-	-	-	-	-	-	-						
	Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-						
	Servitudes		-	-	-	-	-	-	-	-	-						
	Licences and Rights		-	-	-	-	-	-	-	-	-						
	Intangible Assets		-	-	-	-	-	-	-	-	-						
	Computer Equipment		-	-	-	-	-	-	-	-	-						
	Furniture and Office Equipment		-	-	-	-	-	-	-	-	-						
	Machinery and Equipment		24	-	-	-	-	-	-	-	0						
	Transport Assets		-	-	-	-	-	-	-	-	-						
	Land		-	-	-	-	-	-	-	-	-						
	Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-						
	Mature		-	-	-	-	-	-	-	-	-						
	Immature		-	-	-	-	-	-	-	-	-						
	Living Resources		-	-	-	-	-	-	-	-	-						
	Total Upgrading of Existing Assets	6	-	-	-	-	-	-	-	-	-						
	Roads Infrastructure		-	-	-	-	-	-	-	-	-						
	Storm water Infrastructure		-	-	-	-	-	-	-	-	-						
	Electrical Infrastructure		-	-	-	-	-	-	-	-	-						
	Water Supply Infrastructure		-	-	-	-	-	-	-	-	-						
	Sanitation Infrastructure		-	-	-	-	-	-	-	-	-						
	Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-						
	Rail Infrastructure		-	-	-	-	-	-	-	-	-						
	Coastal Infrastructure		-	-	-	-	-	-	-	-	-						
	Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-						
	Infrastructure		-	-	-	-	-	-	-	-	-						
	Community Facilities		-	-	-	-	-	-	-	-	-						
	Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-						
	Community Assets		-	-	-	-	-	-	-	-	-						
	Heritage Assets		-	-	-	-	-	-	-	-	-						
	Revenue Generating		-	-	-	-	-	-	-	-	-						
	Non-revenue Generating		-	-	-	-	-	-	-	-	-						
	Investment properties		-	-	-	-	-	-	-	-	-						
	Operational Buildings		-	-	-	-	-	-	-	-	-						
	Housing		-	-	-	-	-	-	-	-	-						
	Other Assets		-	-	-	-	-	-	-	-	-						
	Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-						
	Servitudes		-	-	-	-	-	-	-	-	-						
	Licences and Rights		-	-	-	-	-	-	-	-	-						
	Intangible Assets		-	-	-	-	-	-	-	-	-						
	Computer Equipment		-	-	-	-	-	-	-	-	-						
	Furniture and Office Equipment		-	-	-	-	-	-	-	-	-						
	Machinery and Equipment		-	-	-	-	-	-	-	-	0						
	Transport Assets		-	-	-	-	-	-	-	-	-						
	Land		-	-	-	-	-	-	-	-	-						
	Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-						
	Mature		-	-	-	-	-	-	-	-	-						
	Immature		-	-	-	-	-	-	-	-	-						
	Living Resources		-	-	-	-	-	-	-	-	-						
	Total Capital Expenditure	4	12,128	(110)	(20,973)	23,764	23,764	23,764	22,547	23,562	24,151						
	Roads Infrastructure		5,853	(110)	4,402	9,705	9,705	9,705	10,488	10,960	11,234						
	Storm water Infrastructure		46	-	-	-	-	-	-	-	0						
	Electrical Infrastructure		6,048	-	(25,413)	12,059	12,059	12,059	12,059	12,602	12,917						
	Water Supply Infrastructure		-	-	-	-	-	-	-	-	-						
	Sanitation Infrastructure		-	-	-	-	-	-	-	-	-						
	Solid Waste Infrastructure																

ASSET REGISTER SUMMARY - PPE (WDV)	5	234,572	227,799	181,659	265,946	265,946	265,946	264,729	276,641	283,558
<i>Roads Infrastructure</i>		188,785	193,115	197,554	9,705	9,705	9,705	10,488	10,960	11,234
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		25	(942)	(36,181)	2,000	2,000	2,000	-	-	(0)
<i>Water Supply Infrastructure</i>		5,931	4,648	(31,384)	12,059	12,059	12,059	12,059	12,602	12,917
<i>Sanitation Infrastructure</i>		-	(4,409)	(4,409)	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		5,189	1,695	2,089	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		199,930	194,105	127,669	23,764	23,764	23,764	22,547	23,562	24,151
Community Assets		(4)	(1,411)	24,622	-	-	-	-	-	0
Heritage Assets		8,945	8,970	2,305	-	-	-	-	-	0
Investment properties		20,997	22,038	22,727	23,148	23,148	23,148	23,148	24,189	24,794
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Intangible Assets		20	67	43	36	36	36	36	38	39
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		1,548	(1,315)	(1,010)	-	-	-	-	-	0
Machinery and Equipment		181	95	95	-	-	-	-	-	0
Transport Assets		1,306	3,592	3,552	-	-	-	-	-	0
Land		1,648	1,657	1,657	218,998	218,998	218,998	218,998	228,853	234,574
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	234,572	227,799	181,659	265,946	265,946	265,946	264,729	276,641	283,558
EXPENDITURE OTHER ITEMS		16,538	21,207	12,921	24,511	11,830	11,830	19,850	20,743	21,262
Depreciation	7	15,073	19,442	11,622	10,836	5,000	5,000	11,220	11,725	12,018
Repairs and Maintenance by Asset Class	3	1,465	1,765	1,299	13,675	6,830	6,830	8,630	9,019	9,244
<i>Roads Infrastructure</i>		0	1	2	29	29	29	83	86	88
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		412	326	401	2,266	593	593	1,346	1,406	1,442
<i>Water Supply Infrastructure</i>		142	238	803	7,401	830	830	1,133	1,184	1,213
<i>Sanitation Infrastructure</i>		216	46	415	803	499	499	721	753	772
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		769	611	1,621	10,499	1,950	1,950	3,282	3,430	3,515
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		251	459	59	122	6	6	7	7	7
Housing		-	-	-	-	-	-	-	-	-
Other Assets		251	459	59	122	6	6	7	7	7
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		100	201	102	2,455	4,143	4,143	4,479	4,680	4,797
Machinery and Equipment		31	14	(486)	90	54	54	56	59	60
Transport Assets		313	479	3	510	677	677	807	843	864
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-	-
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		16,538	21,207	12,921	24,511	11,830	11,830	19,850	20,743	21,262

Table 10 – Table A10 Service Delivery Measurement

NC076 Thembelihle - Table A10 Basic service delivery measurement

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Household service targets	1									
Water:										
Piped water inside dwelling		-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>										
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>										
Total number of households	5	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		-	-	-	-	-	-	-	-	-
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>										
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>										
Total number of households	5	-	-	-	-	-	-	-	-	-
Energy:										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>										
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>										
Total number of households	5	-	-	-	-	-	-	-	-	-
Refuse:										
Removed at least once a week		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>										
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>										
Total number of households	5	-	-	-	-	-	-	-	-	-
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
Informal Settlements		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Formal Settlements (R'000)										
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	801	801	904	944	968	
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided	8	-	-	-	-	801	801	904	944	968
Highest level of free service provided per household										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		1,589	2,119	1,935	399	399	399	417	435	446
Water (in excess of 6 kilolitres per indigent household per month)		2	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		649	414	953	260	260	260	271	284	291
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		436	248	546	434	434	434	453	473	485
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of subsidised services provided	6	2,676	2,781	3,434	1,093	1,093	1,093	1,141	1,192	1,222

References

Part Two

OVERVIEW OF ANNUAL BUDGET PROCESS

a. Budget Process Overview (including consultation process and outcomes)

In terms of Section 24 of the MFMA, Council must at least 30 days before the start of the financial year consider approval of the annual budget. Section 53, requires the mayor of a municipality to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations, gazetted on 17 April 2009, 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.

1. BACKGROUND

The Municipal System Act (Act 32 of 2000) and the Municipal Finance Management Act (Act 56 of 2003) require all municipalities to adopt a process plan for the integrated development plan and budget that will harness the development process. It is within this context that this first process plan of the newly constituted council was Annulled to particularly enable the municipality to meet the requirements spelled-out in section 27 (2) of the Municipal Systems Act (Act 32 Of 2000). The next sub-sections highlight the legislative frameworks to be complied with.

In Circular 128 Municipal Budget Circular for the 2025/26 MTREF, National Treasury encouraged municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 4 to 6 per cent target band; therefore, municipalities are now required to justify all increases in excess of the 4.9 per cent projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

National Treasury has released Version 6.9. of Schedule A1 (the PDF Format) which is aligned to version 6.9 of the mSCOA classification framework which must be used when compiling the 2025/26 MTREF budget. This version incorporates major changes (see Annexure A). Therefore, Thembelihle made use of this version for the preparation of their 2025/26 MTREF budget.

The process plan focusing on the IDP, PMS and Budget for 2024-2025 was tabled by the Mayor to Council during a Special Council meeting on 31 August 2024.

1.1 *Municipal Systems Act*

In terms of the Municipal System Act of 2000, all municipalities have to undertake an IDP process to produce the IDP. The Act further mandates

municipalities to have a Performance Management System in place. These planning tools together with other planning instruments i.e. a municipal budget is designed to assist Municipalities to be developmentally oriented and to contribute meaningfully in improving the lives of their communities. As the aforementioned plans are the legislative requirements, they have legal status and supersede all other plans that guide development at local government level.

Thembelihle Municipality has completed its 5-year IDP cycle. This was done in terms of chapter 5 and 6, of the Municipal System Act and of the Municipal Finance Management Act of 2003. In terms of Section 34 of the Municipal Systems Act:

Thembelihle Municipality is currently embarking on revising the IDP, the first one of the newly elected council, which will reflect the new planning. This plan will address, amongst others, the following:

- (a) Comments received from various role-players in the IDP process, especially the community, the IDP Representative Forum the IDP Hearings and the Engagement sessions.
- (b) Areas requiring additional attention in terms of legislation requirements;
- (c) Areas identified through self-assessment;
- (d) The review of KPI's (PMS) and alignment of budget;
- (e) The update of the 5 years' financial plan as well as the list of projects;
- (f) Identification of new projects,
- (g) The continuation of the Sector Plans to be completed
- (h) Implementation of existing projects
- (i) The update of the Spatial Development Framework (SDF); and
- (j) The preparation and update to the Sector Plans.

1.2 *Municipal Finance Management Act*

Chapter 4, section 16 (1) and (2) of the Municipal Finance Management Act states that-

- 1) *The Council of the municipality must of each financial year approve an annual budget for the municipality before the start of the financial year.*
- 2) *In order for the municipality to comply with subsection (1), the Mayor of the municipality must table the annual budget at the council meeting at least 90 days before the start of the budget year.*

The above section must be read in conjunction with section 24 (1) which states that Council must at least 30 days before the start of the new financial year approve the annual budget. It is clear that this Act provides very strict time frames within the budget process must be completed.

Adding to the above the Act states in section 21 (1) (b) that-

The Mayor of a Municipal must-

- (a) At least 10 months before the starts of the budget year, table in the municipal council a time schedule outlining key deadlines for-
- (b) The preparation, tabling and approval of the annual budget;

- (ii) the annual review of-
 - (aa) the integrated development plan in terms of section 34 of the municipal Systems Act and
 - (bb) the budget related policies;
- (iii) the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
- (iv) Any consultative processed forming part of the referred to in subparagraphs (i), (ii) and (iii).

Considering this, it implies that the Mayor must table the budget process before Council, 10 months before the start of the new financial year.

ALIGNMENT PROCESS

The Municipal Systems Act states that development strategies must be aligned with National and Provincial sector plans as well as planning requirements. It also establishes that a single inclusive and strategic plan must be adopted which links, integrates and coordinates plans.

The municipality realized early into the first round of IDPs that good effective alignment would result in successful implementation whilst a failure to align might result in a total collapse of the implementation of the IDP. The municipality tries to ensure alignment with the assistance of the PIMS-Centre, located at the Pixley ka Seme District Municipality and the involvement of the sector departments in the IDP Representative Forum.

Although alignment was not always reached fully in the previous IDP cycle the municipality takes the following documents into account in the IDP process:

- Integrated Sustainable Rural Development Programme (ISRDP)
- Northern Cape Provincial Growth and Development Strategy (PGDS)
- District Growth and Development (DGDS)
- National Spatial Development Programme (NSDP)
- IDP Hearings Comments

Besides the alignment with National, Provincial and district programmes and policies, internal alignment is also reached in the process plan, aligning the budget, the PMS and the IDP.

2. PROCESS PLAN

As with the previous years, there is a need for the preparation and adoption of a process plan as emphasized in paragraph 1.2 above. This plan is also aligned with the District Process and Framework Plan to provide the linkage and binding relationships between the district and local municipality in the region.

3. TABLE 11- ORGANISATIONAL STRUCTURE
ORGANISATIONAL ARRANGEMENT

Council	<ul style="list-style-type: none"> • Political oversight over the IDP
IDP Steering Committee	<ul style="list-style-type: none"> • Responsible for assisting the Council in its oversight role. • Assumes the role of the political champion of the process (this is particularly important and critical as it allows for the Councilors to take ownership of the IDP process). • Forms the link between Council, management and the representatives forum
Municipal Manager	<ul style="list-style-type: none"> • Overall responsibility for the IDP
IDP Co-ordinator	<ul style="list-style-type: none"> • Responsible for managing the IDP process through • Facilitation of the IDP process, • Coordinating IDP related activities including Municipality building programmes, • Facilitating reporting and the documentation thereof, • Making recommendations to the IDP Steering Committee • Liaising with the PIMS Centre and Provincial Sector Departments, • Providing secretariat functions for the IDP Steering Committee and the Representative Forum
The Manager: BTO	<p>Ensures that the municipal budget is linked to the IDP. Responsible for:</p> <ul style="list-style-type: none"> • Co-ordinating the budget implementation in a manner aimed at addressing the issues raised in the IDP, • Development of the 3-year integrated financial plan
IDP Steering Committee	<p>The technical working team, also the “driver of the bus” consist of 11 members of whom 3 are departmental managers, 1 Municipal Manager, 11 Councilors</p> <ul style="list-style-type: none"> • This committee meets monthly, chaired by Mayor • It is responsible for IDP process, resources and outputs, • It oversees the monthly status reports that are received from departments, • It makes recommendations to Council, • It oversees the meetings of the IDP Representative Forum,

	<ul style="list-style-type: none"> • The committee is responsible for the process of integration and alignment.
IDP Representative Forum	<p>Representatives from local organisational and communities.</p> <p>It forms the interface for community participation in the affairs of the council.</p> <p>Operates on consensus basis in the determination of priority issues for the municipal area,</p> <p>Participates in the annual IDP review process,</p> <p>Meets quarterly to discuss progress and shortcomings,</p> <p>All the wards within the municipal area are represented on this forum through the Ward Committee members.</p>
PIMS Centre	<p>Situated at the Pixley ka Seme District Municipality.</p> <ul style="list-style-type: none"> • The centre plays a supporting role to the local municipality, • It contributes to the IDP process by facilitating activities and process, especially during difficult times, • Facilitates the process of alignment amongst the municipalities in the district and the various other sector departments.
Budget Steering Committee	<p>The budget steering committee (BSC) is responsible for the budget process</p> <p>The composition of the BSC is as follows:</p> <ul style="list-style-type: none"> • Mayor (Chairperson) • Municipal Manager • Chief Financial Officer • Manager responsible for IDP • Other managers will be co-opted, when necessary. Councilors may attend any meetings of BSC and will be co-opted, when necessary, to smoothen the process. <p>2.2 Other stakeholders to be consulted:</p> <ul style="list-style-type: none"> • Ward Committees and Ward communities • Local Economic Steering forum • Local Formers / Emerging Farmers Committee • IDP Rep Forum

4. ACTION PROGRAMME WITH TIME FRAME AND RESOURCE REQUIREMENTS

As mentioned earlier, the new legislation and processes like the Municipal Finance Management Act, budget process and PMS compel municipalities to align the planning process (IDP) with all these other processes. Adding to this, it is sometimes a difficult task to align projects of the IDP with Provincial and National Departments as well as aligning timeframes with the District Municipality. All of this did take place in the previous IDP processes, but it is recognized that room for improvement does exist. The Municipality will increase its efforts to try and consider that various Provincial and National Department's efforts in the IDP and also try to improve the process of budget allocations to the Local Municipalities.

The table below illustrates the various phases of the planning process, linking it with the budget process and PMS process in order to accomplish proper alignment. This is also the schedule for the budget and IDP process stipulated in Section 21 of the MFMA.

Table 12: IDP and Budget Time Schedule

SCHEDULE FOR THE BUDGET; IDP AND PMS PROCESSES FOR THE 2025/2026 FINANCIAL YEAR

Budget, IDP and Performance Management Process Plans.

(Submitted in terms of S 21 (1) (b) of the MFMA, Act No: 56 of 2003)

LEGISLATIVE DATE	BUDGET PROCESS	INTEGRATED DEVELOPMENT PLAN (IDP)	PERFORMANCE MANAGEMENT – SYSTEM PROCESS (PMS)
July 2024	<ul style="list-style-type: none"> • Financial Statements-S 71 report (June) to Mayor • Submit Draft SDBIP within 14 days after approval of the 2024/2025 budget • Submit quarterly report to Council on Budget implementation and the financial affairs of the municipality (S 52 report) • Approval of SDBIP for 2024/2025 – within 28 days after budget approval • Plan annual report 2024/25 <p><u>Mayor and Council:</u></p> <ul style="list-style-type: none"> • Mayor begins planning for next three- year budget in accordance with co-ordination role of the budget process.(MFMA S53) • Planning includes review of the previous year’s budget process and completion of the Budget Evaluation Checklist. <p><u>Administration:</u></p> <ul style="list-style-type: none"> • Accounting officers and senior officials of municipality begin planning for the next three-year budget. • Accounting officers and senior officials of municipality review options 	<ul style="list-style-type: none"> • Ensure the establishment of organizational structures (IDP/Budget Steering Committee, Technical Committee, & IDP Rep, Forum) • Assessment of the previous IDP/Budget performance, level of development, backlogs & disaster; Review previous year’s processes, what worked well, what didn’t, where to improve and issues to address for legislative compliance of the Budget Evaluation Checklist (BEC); Human resources challenges and gaps. • Drafting of the Process Plan for the compilation of the 2025/2026 review IDP and Budget 	<ul style="list-style-type: none"> • <u>4th Quarterly</u> evaluation of Sec 57 employees • <u>4th Quarterly report and performance review on budget implementation</u> • Annual PMS evaluation • Annual evaluation of SDBIP • Publish the 2023/2024 performance agreements and performance plans within 14 days on the municipal website. • Submit the 2023/2024 performance agreements to MEC, Co-operative Governance and Traditional Affairs.

	and contracts for service delivery.		
August 2024	<ul style="list-style-type: none"> Financial Statements-S 71 report (July) to Mayor Mayor to table the planning and budget schedule of Key deadlines for the 2025/2026 financial year and draft budget related policies to Council Submission of Annual financial statements (2018/19) to Council Establishment of budget office, consultation forums and BCSC (Budget Coordinating Steering Committee) Review of Annual Financial statements by Audit Committee Submit Annual Financial statements to Auditor General, PT, NT and MEC 	<ul style="list-style-type: none"> Mayor tables the process plan for the compilation of the 2025/2026 review IDP and Budget to Council for approval before 31 August 2024. Advertise the approved process plan. 	<ul style="list-style-type: none"> Receive monthly performance datasheets for departmental and Section 57 performance Monitor SDBIP Start compiling reports on Annual performance of 2023/24 Preparation for the compilation of the 2023/2024 Annual Report
September 2024	<ul style="list-style-type: none"> Submit Financial statements –S 71 (Aug) to Mayor Review of budget process (Budget Evaluation Checklist) for 3 years Budget offices of municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives (Proposals for tariffs-rates and taxes. Allocations and policies) Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity roads etc...) Advertise for public hearings. 	<ul style="list-style-type: none"> Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans. Reconsider strategies and objectives accordingly IDP Workshop initiating and kick – starting the IDP review process Start with the review of the IDP Analyze Integrated Sector Programmes like Environmental programmes, Waste Management programmes, Provincial and District G & DS, comments from Province etc. 	<ul style="list-style-type: none"> PMS Coordinating Committee meeting interacting on 2023-2024 annual reports Receive monthly performance datasheets for departmental and Section 57 Employees (Annual performance contracts) Monitor SDBIP Advertise public hearings

		<ul style="list-style-type: none"> • IDP Steering committee meeting • Advertise public hearings 	
October 2024	<ul style="list-style-type: none"> • Financial statements –S 71 (September) submitted to Mayor • Budget workshops for 2024/2025 and 3 years budget Agenda: • Planning-Accounting officer does initial review of national policies and budget plans and potential increases of bulk resources with function and department officials. • Inputs and managers according to A B C system (MFMA's 35,36,42, MTBPS) • Budget workshops for managers and supervisors • Budget implementation (July – Sept) Mayor and Council • Submit feedback of budget implementation (June – Sept) to Council • Feedback on progress up to date (Budget implementation) 	<ul style="list-style-type: none"> • IDP Road show identifying community needs to inform budget (visiting all wards) 	<ul style="list-style-type: none"> • Mayor table annual PMS/performance report for 2023/2024 to council • Submit the 2023/2024 Annual Performance Report to the office of the Auditor-General • Submit the 2023/2024 Annual Performance Report to the MEC for Local Government • Receive monthly performance datasheets for departmental and Section 57 Employees (Performance contracts) • 1st Quarterly evaluation of Sec 57 employees • <u>1st Quarterly report and performance review on budget implementation</u> • 1st Quarterly evaluation on organizational PMS • Public hearing on Annual Report jointly with IDP budget roadshow (visiting all wards)
November 2024	<ul style="list-style-type: none"> • Financial statements-S 71 (October) submitted to Mayor • Preparation and consolidating of draft budget for 2025-2026 • Draft budget submitted to BSC • Review with managers 		<ul style="list-style-type: none"> • Continue Public hearings on Annual Report jointly with IDP budget road show (visiting all wards) • Receive monthly performance datasheets for departmental and

	<ul style="list-style-type: none"> Finalize rates and taxes 2025/2026 Rates and taxes- proposed tariffs submitted to Council Receive audit report for 2023/2024 AFS from AG Ensure that Audit action is compiled to address issues. 		<p>Section 57 Employees.</p> <ul style="list-style-type: none"> Monitor SDBIP PMS Coordinating meeting to interact on 1st quarter reports Submit 1st Quarter reports to Council
December 2024	<ul style="list-style-type: none"> Monthly financial statements –S 71 (November) submitted to Mayor Council approves (draft) rates and taxes policies for 2025/2026 (MSA)s 74-75 Accounting officer and senior officials consolidate and prepare proposed budget and plans for the next financial year taking into account previous year’s performance as per audited financial statements. 	<ul style="list-style-type: none"> Design of project proposals, setting of project objectives, targets and indicators. Continue with integrated programmes and finalize integrated programmes. Integration of sector plans into the IDP to address community basic service needs e.g. water, roads, electricity etc. Amend IDP documentation accordingly 	<ul style="list-style-type: none"> Receive monthly performance datasheets for departmental and Section 57 Employees Monitor SDBIP
January 2025	<ul style="list-style-type: none"> Financial statements-S 71 (December) submitted to Mayor Budget implementation progress report (October – December) to Mayor Annual Budget for 2023-2024 as on 31 December 2024 submitted to Budget Steering Committee (BSC) for mid-year reviewing Reviewing 2024-2025 budget and submit adjustment budget if so required. Corrective measures as part of oversight report for the previous years audited financial statements and annual report Accounting officer reviews proposed national and provincial allocations to municipality from NT and PT for incorporation into the draft budget for tabling. (proposed national and provincial allocations for 	<ul style="list-style-type: none"> Submission of Project lists to Pixley ka Seme District Municipality not later than 31 January 2025 (Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year.) <p>(MFMA S 37 (2))</p>	<ul style="list-style-type: none"> Table the 2023/2024 Annual Report before Council Submit Annual PMS Report to Auditor General and to Province and National after approval from Council Receive monthly performance datasheets for departmental and Section 57 Employees Finalise the Mid-year Budget and performance Assessment Report and submit to: <ul style="list-style-type: none"> -Mayor -Council -Provincial Treasury -National treasury

	<p>three years must be available by 20 January) (MFMA S 36)</p>		<ul style="list-style-type: none"> • 2nd Quarterly evaluation of Section 57 employees • <u>2nd Quarterly Report on performance review and budget implementation</u> • 2nd Quarterly evaluation on organizational PMS • Review SDBIP in line with mid-year budget review
<p>February 2025</p>	<ul style="list-style-type: none"> • Financial Statements-S 71 (January) submitted to Mayor • Workshop on draft budget 25-26 - Councilors and management • Information from PKSDM for 25/26 budget • Consultation with NT and PT • Council approve revised/adjustment budget 2024/2025 • S72 PT engagement-Mid-year Performance and assessment visits and thereafter submission of Budget/Performance assessment report to Council. • Accounting officer finalizes and submits to Mayor proposed draft budgets and plans for next three-year budgets (MTREF) taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report. Accounting officer to notify relevant municipalities of 	<ul style="list-style-type: none"> • Alignment of IDP with National and Provincial Plans. • Presentation of integrated programmes and projects by departments to the IDP and Budget Steering Committee. • Report to Council on the progress of the project implementation for IDP 	<ul style="list-style-type: none"> • Receive monthly performance datasheets for departmental and Section 57 Employees • Produce first draft balance scorecard • Monitor SDBIP • PMS Coordinating committee to interact on mid-year evaluation reports • Public participation and comments on the Annual Report for 2018/2019 • Consolidation of the feedback received from the public on the 2023/2024 Annual Report • Table the oversight report to Council after consideration of the 2023/2024 Annual report • Adopted Annual Report is published

	<p>projected allocations for next three budget years 120 days prior to start of budget year. (MFMA S 37 (2))</p>		<p>on the website, sent to local newspapers and make copies available to the public (municipal offices/Libraries) etc...)</p>
March 2025	<ul style="list-style-type: none"> Financial Statements –S 71 (February) submitted to Mayor Mayor tables municipality Draft operating and capital budget (2025/2026) in Council and also tables proposed revisions to the IDP together with reviewed budget related policies. (MFMA S 16;22;23;87 & MSA S 34) Draft budget & IDP (2025/2026) submitted to NT and PT (MFMA S 22). Notification of approval of draft budget & IDP to all stakeholders. Accounting officer reviews any changes in prices for bulk resources/services from authorities. (MFMA S 42) 	<ul style="list-style-type: none"> Produce first draft IDP for 2025/2026 Tabling of the draft IDP to the IDP and Budget Steering Committee. Tabling of draft Organizational Structure to Senior Management. Workshop for Councilors on Draft IDP & Budget Mayor tables draft IDP together with budget to Council. Tabling of the Final Organizational Structure before Council Interaction with sector department to integrate funding 	<ul style="list-style-type: none"> Receive monthly performance datasheets for departmental and Section 57 Employees Finalise Departmental Programmes Monitor SDBIP Table first draft on SDBIP with IDP and budget
April 2025	<ul style="list-style-type: none"> Financial Statements –S 71 (March) submitted to Mayor Consultations with NT & PT for finalizing grants and also finalise plans for water, sanitation, electricity etc...(MFMS S 21) Budget implementation (Jan-March) to Mayor and to Council Finalizing draft budget 2025-2026 and Draft IDP in accordance with consultative processes and feedback received and also taking 	<ul style="list-style-type: none"> MM publish the draft IDP and related documents for comments in local papers Advertise and then conduct public hearings on IDP Finalize inputs from sector Departments Consult Rep Forums 	<ul style="list-style-type: none"> Submit the Annual Report and Oversight Report to Provincial legislature Make public the Oversight Report within seven (7) days of adoption of the Annual Report Review monthly performance datasheets for departmental and

	<p>account the results from the third quarterly review of the current year.</p> <ul style="list-style-type: none"> • MM publish draft budget and related documents in local newspapers, libraries, municipal offices and invite public representation and comments • Conduct public hearings on the draft budget with community, traditional authorities, key stakeholders, District municipality, provincial and national departments • Budget sent to Provincial and National Treasury • Draft system of delegations • PT Budget Benchmark Engagement 	<ul style="list-style-type: none"> • Report to Council on project implementation IDP 	<p>Section 57 Employees</p> <ul style="list-style-type: none"> • 3rd Quarterly evaluation of Sec 57 employees • <u>3rd Quarterly Report and performance review on budget implementation</u> • 3rd Quarterly evaluation on organizational PMS
<p>May 2025</p>	<ul style="list-style-type: none"> • Financial Statements s 71 (April) to Mayor • Conduct public hearings on the budget, Council debate and consider inputs and comments received from local community, NT. PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. • Amend budget accordingly • Accounting officer assists the Mayor in preparing the final budget documentation for consideration. • -Mayor table 2025/2026 Budget and IDP for adoption not later than 31 May 2025 taking into account consultative processes and 	<ul style="list-style-type: none"> • Consider inputs and comments received from the public participation process • Amend document accordingly- incorporate into the final IDP. • Present the consolidated IDP to the IDP/Budget Steering Committee. • Workshop for Councilors on final IDP/Budget • Mayor tables 2025/2026 IDP for adoption together with budget (not later than 31 May 2025) 	<ul style="list-style-type: none"> • Receive monthly performance datasheets for departmental and Section 57 Employees • Monitor SDBIP • PMS Coordinating Committee to interact on 3rd quarter reports

	<p>any other new information of a material nature.</p>		
<p>June 2025</p>	<ul style="list-style-type: none"> • Financial statements S 71 (May) to Mayor • Council to approve the annual budget by resolution, setting taxes and tariffs, approving changes to the IDP and Budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year. • Submit copies of the approved operating and capital budget for 2025/2026 and outer years to Provincial and National Treasuries in both printed and electronic format. • Accounting officer publishes the approved budget and IDP for 2025/2026 on the website of the municipality. • Finalizing of all plans and budget working papers to implement the approved budget. • Council must review and finalise a System of Delegations Financial year (21-22) ends 	<ul style="list-style-type: none"> • Advertise the approved IDP- MM place notice that the Council has adopted its reviewed IDP • Submit the approved IDP to the MEC of Local Government within 10 days after adoption by Council • Submit the final IDP to National Treasury. 	<ul style="list-style-type: none"> • Advertise the draft SDBIP and Section 57 performance agreements for inputs from community • The Accounting officer submits to the Mayor no later than 14 days after approval of the budget, a draft of the 2025/2026 SDBIP and annual performance agreements as required by S 57 (1) (b) of the MSA. • Mayor must approve the SDBIP within 28 days after approval of the budget for 2025/2026. • The Mayor to ensure that annual performance agreements are concluded and signed in terms of S 57 (2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the

			<p>budget and the SDBIP. The Mayor must submit the approved SDBIP and performance agreements to Council, MEC for local government and makes information public within 14 days after approval.</p> <ul style="list-style-type: none">• Receive monthly performance datasheets for departmental and Section 57 Employees.• Review organizational PMS indicators and set targets for 2025/2026
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7. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

a. The Vision & Mission of the Municipality

Thembelihle Municipality Vision:

At its strategic planning session comprising of Councillors and Senior Officials the Municipality has set its vision to be “Providing quality services through good relations and sound management”

From this vision the following mission has been set out in order to conform to the vision.

3.2.2 Thembelihle Municipal Mission

During the term of office of the current council the municipality will focus on the following as their mission statement.

Develop and build a skilled knowledgeable workforce

Increase Financial viability

Optimizing and sustaining infrastructure investment and services

Increased Investment in the Thembelihle Economy

Responsive, accountable, effective and efficient local government

b. The IDP and Strategic Focus Areas

The Council has identified the following strategic issues that would be addressed during the term of office.

Issue	Implication if not addressed	Strategy to address issue
Lack of discipline among staff	No work ethic	Develop a policy to address staff discipline
	Decrease in staff morale	Initiate wellness programme for staff
	Negative image of the municipality	Monitor policy implementation and wellness programme through LLF
	No service delivery	
Low Skilled Staff	Poor quality of reports to government departments	Development of a Workplace Skills Plan (WSP)
	Poor quality of work	Implementing the WSP

	General non-compliance with norms and standards	Quality Control and Monitoring of WSP
Unfilled critical posts	Staff do work not in their job description	Develop recruitment policy
	Overtime and disputes	Review Organogram (in process)
		Employ staff in the vacant posts
High redundant staff	Increased salary cost	Review all employee contracts
	Municipality not getting value for money	Proper Placement of staff
	Employment of unskilled people	Initiate job evaluation process
	Increase in labour cost	
Poor alignment of key programmes	Non-compliance of government grants	Improving the capacity of officials to develop plans
	No clear plan to develop municipality	Training of councilors on IDP, PMS etc for better oversight
	Lack of efficiency in municipal operations	Annual Review of plans
Consequence Management	Fruitless and irregular expenditure will continue	Establish Financial Misconduct Committee
	Impression of a corrupt municipality will persist	Develop procedural manual
	Employees will continue to do as they wish	Quarterly and regular reporting on the activities of the Misconduct Committee
Communication with key stakeholders	Lack of trust	Develop a communications policy/strategy
	Wasteful expenditure	Appoint a communications officer
	Not addressing the needs of the community	Establish and train ward committees (done)

Ageing infrastructure	Increase in overtime	Develop an operations and maintenance plan
	Slow service delivery	Implement the O and M Plan
	Increase in maintenance cost	
Decrease in economic growth	Increase in the number of indigents	Develop an economic development strategy
	Decrease in revenue for the municipality	Design economic development projects (done)
	Increase in poverty	
Supply Chain Non-compliance	Increase in corruption	Training of staff on SCM
	Disadvantage local businesses	CSD and registration of SMME on database
	Negative audit report	Training of councilors on SCM
Revenue Enhancement	Cannot pay creditors	review and implement Credit Control Policy
	Cannot manage projects	Create a community awareness on the policy
	Create a culture of non-payment	Install Smart Metering

8. OVERVIEW OF BUDGET ASSUMPTIONS

Circular 128 from National Treasury states that as a result of the economic landscape and weak tariff setting, municipalities are under pressure to generate revenue. The ability of customers to pay for services is declining and this means that less revenue will be collected. Municipalities were therefore required to consider the following when compiling the 2025/26 MTREF budget:

- Improving the effectiveness of revenue management processes and procedures;
- Paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities;
- The affordability of providing free basic services to all households; and
- Curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

The Municipality faced similar challenges in preparing the 2025/2026 MTREF as in the 2024/2025 MTREF:

1. Lower than planned revenue collection ratios are currently achieved, which in turn required a re-assessment of previously modeled rates revenue for future years. The collection ratios of major revenue sources were consequently adjusted downwards to reflect realistic and sustainable flows over the 3-year MTREF period. This aspect is currently receiving priority attention to improve on the collection rate of the municipality.
2. The actual expenditure incurred on the repairs and maintenance of infrastructure, especially on water infrastructure with pipes bursting and the replacement of the old asbestos pipes with pvc type pipes.
3. Service delivery vehicles are very old and are breaking down more regularly and subsequent repair cost is gradually on the increase year after year.
4. With the National Municipal Infrastructure Unit of the Department of Cooperative Governance and Traditional Affairs, declining to finance roads in town and previous “white” areas, more and more pressure is put on the repair and maintenance of the tar roads in town that is very old.
5. Roads infrastructure in the CBD area can no longer be repaired but is at a stage where it must be resealed and in other places even ripped up and rebuild in full.
6. This high unemployment rate has a huge effect on the main source of income of the municipality which is rates and taxes for services rendered.

The combined effect of the above-listed economic/financial factors and consequential impact on departmental budgets resulted in a substantial deficit starting position on the MTREF Rates-funded portion.

Reversing the unacceptable deficit position on Rates required several iterative changes to the multi-year targets on both revenue and expenditure across all services, while simultaneously retaining the strategic links to and focus on the IDP and Budget Prioritization Model.

The Budget Steering Committee further placed particular emphasis on the following aspects to influence the outcome of the financial / MTREF scenario's presented to it:

- ✓ a differentiated approach to consideration of budgetary amendments across services, thereby giving effect to the strategic intent of the Budget Prioritization Model;
- ✓ further specific considerations to inform budgetary amendments or allocations were (factors to impact positively on budget allocations):
 - services which promote external service delivery;
 - services responsible for improvement to citizens' quality of living environment;
 - services responsible for hard infrastructure – based economic growth;
 - Services responsible for revenue collection.
- ✓ The limited financial resources available for additional allocations meant that few new projects or initiatives were to receive such budgetary allocations.

Financial modeling

In addition to the above, further principles applied to the MTREF in determining the affordability envelope included:

- ✓ Higher than headline CPI revenue increases with regards Property rates at 0% increase to the extent that they affect and support Council's operational activities of relevant services.
- ✓ A high percentage capital expenditure implementation rate was assumed, based on current spending patterns.
- ✓ Improved collection rates, based on collection achievements to date, incorporating improved success anticipated on selected revenue items taking in consideration the debt collection strategy.
- ✓ Higher than nationally projected inflation provisions for repairs and maintenance, to attain nationally benchmarked levels on this expenditure item, and ensure/enhance the preservation of the Municipality's infrastructure.

Key Financial Indicators in the MTREF

Headline Consumer Price Index (CPI) – Inflation Outlook

Headline CPI projected over the MTREF is an average of CPI forecasts from various financial institutions and the Bureau of Economic Research (BER).

The CPI increase for 2025/26 budget was set at 4.4%,

The MTREF-based revenue and expenditure projections assumed inflation-linked annual adjustments between 4.6% and 4.9% respectively for the 3-year budget period of 2024/2025, 2025/2026 and 2026/2027.

EXPENDITURE FRAMEWORK

Salaries, wages and related staff costs

The promulgation of the Salary and Wage Collective Agreement by the South African Local Government Bargaining Council (SALGBC) that provides the general salary adjustment guidelines for the period 2023/2024 is at 5.4% as the 2024/2025 still not available.

General expenses

Items with the general expenses category were increased in proportion on the projected CPI increases over the MTREF.

However, as part of the initiative to generate more revenue, general expenses were increased to procure smart meters for both electricity and water.

Repairs and maintenance

Serious repairs and maintenance and renewal backlogs exist in relation to municipal infrastructure, particularly municipality's electricity, water reticulation, sewage, storm water and roads systems. It is noted that these backlogs are impacting negatively on the financial sustainability of municipalities and on the reliability and quality of municipal services, as well as municipality's contribution to supporting economic growth.

- National Treasury is very concerned about the low levels of expenditure on repairs and maintenance and the renewal of existing infrastructure in most municipalities. Municipal councils, Mayors and municipal managers are therefore urged to ensure that allocations to repairs and maintenance, and the renewal of existing infrastructure are prioritised. In this regard:
- Therefore, more emphasis will be placed on this budget allocations from this year going forward.

REVENUE FRAMEWORK

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 4 to 6 per cent target band; therefore, municipalities are now required to justify all increases in excess of the 4.4 per cent projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

The revenue budget

Similar to the rest of government, municipalities face a difficult fiscal environment. The weak economic growth has put pressure on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, Water Boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them and eliminate wasteful and non-core spending. It is important to note that the municipal equitable share as a policy instrument is meant to subsidise services to the poorest of the poor and not to pay municipal creditors. This bad practice by municipalities will have to be addressed as a matter of urgency. Municipal creditors should be advised that municipalities cannot use funds allocated for basic service provision to pay creditors.

Municipalities must ensure that they render basic services, maintain their assets and a clean environment. Furthermore, there must be continuous communication with the community and other stakeholders to strengthen awareness and participation and to improve the municipality's reputation. This will assist in attracting investment in the local economy which may result in increased employment.

Some municipalities are experiencing serious liquidity challenges. Therefore, the new leadership is advised to:

- Decisively address unfunded budgets by reducing non-priority spending and improving revenue management processes to enable collection; and
- Address service delivery failures by ensuring adequate maintenance, upgrading and renewal of existing assets to enable reliable service delivery.

Maximising the revenue generation of the municipal revenue base

Reference is made to MFMA Circulars No. 93, paragraph 3.1 and No. 98, paragraph 4.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this is a fundamental reason for municipalities not attaining their desired collection rates.

The purpose of the above mentioned MFMA Circulars is to ensure that the municipalities are using their entire revenue base as the basis for the revenue budget. It is essential that municipalities reconcile their most recent consolidated valuation roll data to that of the current billing system data to ensure that revenue anticipated from property rates is realistic. The municipalities should implement a data management strategy and develop internal capacity to perform these reconciliations and investigations to improve completeness of billing.

One of the aims of the reconciliation process is to identify exceptions, i.e. records on the general valuation roll that are not on the billing system and records on the billing system and vice versa. In addition, the reconciliation must identify duplicated records, missing data, and data errors. These exceptions should then be investigated, and remedial action strategies developed for data cleansing and other corrective actions. The Debtors Ageing data should also form part of the reconciliation process so that “debtors” can be tracked and assessed at a property record level and prioritised for verification of rates liability measured against a MPRA property and owner.

To facilitate reconciliation of the separate databases (General Valuation Roll and Billing), a unique property identifier (common primary unique link code) must be created and populated for each rateable property on the general valuation roll system and on the rates billing system. This property identifier must be unique, without duplicates, and must remain constant for the life of the property. The standards adopted by the South African Council for the Property Valuers Profession (SACPVP), namely South African Standard: Municipal Valuations for Property Rating, specifies that the Surveyor General Code SG 21-digit Code, derived, and created from the property description, be applied for all registered full title properties defined in terms of part (a) of the definition of property.

For all other MPRA defined property, Part (a) Sectional Title, Part (b) Registered Rights, Part (c) Land Tenure Rights and Part (d) PSI and, apportioned multiple use property in terms of sections 8(2)(i) and 9(2), an added suffixed 5 digits to the SG 21-digit code must be assigned by the designated municipal valuer, thereby creating a unique 26-digit code. The municipality must ensure that the SG21 digit code and 26-digit coding system is applied in their valuation roll management system and billing system and engage with their designated municipal valuer and systems service providers to implement the unique property identifier.

Further it is important that municipalities who are performing a general valuation (GV) to implement a new valuation roll on 1 July 2023, must also as best practice compare the

current consolidated roll to the new valuation roll. This will identify any anomalies and errors of category of property and market values for review and investigation and the option of lodging an objection by the municipality, where applicable. This process should also identify outliers and shifts in market values by category and area so that tariffs on the new roll can be modelled and determined in an equitable manner to avoid rates shocks. Municipalities should undertake this exercise as a routine practice during the budget process so that supplementary adjustments to the valuation roll are kept up to date. In order to ensure that the most updated information is used for the reconciliations, municipalities are reminded to adhere and comply with Section 23(1)(2) of the MPRA and therefore use the Part A register as the basis for performing the reconciliations going forward.

Furthermore, municipalities are also advised and expected to comply with Section 8(1) of the MPRA in terms of the billing methodology that should be specified within their policies to ensure that the correct categories (based on the selection made by the municipality) are used in the reconciliation process.

The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates or whether the municipality is overstating its revenue budget.

A further test would be to reconcile this information with the Deeds Office registry. In accordance with the MFMA Circular No. 93, municipalities are once more requested to submit their reconciliation of the Valuation roll/ Part A register to the billing system to the National Treasury on a quarterly basis by no later than the 10th working day after the end of the quarter. A detailed action plan must accompany the reconciliation where variances are noted. Municipalities are reminded of the need to clearly communicate the GV appeals and objection process to residents to ensure that any disputes are timeously resolved.

Revenue Collection – No operation can be sustainable if it does not collect its revenue. A municipality is no different. There is a misconception that a municipality may not interrupt or restrict the supply of water services of a defaulting consumer. The National Treasury confirms that neither the Water Services Act, 1997 (Act No. 108 of 1997) or any other legislation prevents a municipality from cutting the supply of water to a defaulting consumer unless the consumer is an indigent in which case the water services to that household must be restricted to the national free basic water limit of 6 kilolitre water monthly (or 50 kilowatt hours in the case of free basic electricity monthly). This was confirmed by the Constitutional Court in the matter of Mazibuko and Others v City of Johannesburg and Others (CCT 39/09) [2009] ZACC 28; 2010 (3) BCLR 239 (CC); 2010 (4) SA 1 (CC) (8 October 2009).

Municipalities are urged to use the restriction/ interruption of supply of both water and electricity services as a collection tool. Effective from the tabling and adoption of the 2023/24 MTREF, municipalities' By-laws and policies must facilitate this and clearly stipulate the order in which any partial payment of the consolidated municipal bill (including property rates) will be applied as well as the process before the supply of water and electricity services will be cut. The National Treasury recommended that any partial payment firstly be applied to property rates, wastewater, waste management, water and lastly to electricity. When interrupting or restricting the supply of water it is important that such is undertaken together with the municipal engineer(s) to ensure a continued minimum supply of waste-water.

Municipalities should develop a Wheeling Framework to allow for the transmission of energy across their networks. These wheeling frameworks provide an opportunity for municipalities to generate revenue from their distribution networks. Provincial Treasuries or National Treasury can be approached for support to develop these frameworks.

Setting cost-reflective tariffs

Reference is made to MFMA Circular No. 98, paragraph 4.2. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (Financial and Fiscal Commission (FFC), 2011). Credible budgets are critical for local government to fulfil its mandate and ensure financial sustainability.

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively, namely:

- A budget adequate to deliver a service of the necessary quality on a sustainable basis; and
- A budget that delivers services at the lowest possible cost.

The National Treasury issued a tariff setting tool and guide as part of MFMA Budget Circular No. 98 (refer item 4.2) on 6 December 2019 and since 2019, has encouraged municipalities to utilise the tool. With effect, from the 2023/24 MTREF, all municipalities (except metropolitan cities and district municipalities that do not provide any services) as part of both the tabled and adopted MTREF submissions must submit the completed National Treasury tariff tool (in excel format) illustrating that the revenue component of the budget is credible and funded and that the municipality's tariffs are cost reflective. If the municipality's initial calculation results in high increases to facilitate cost-reflectiveness, it is recommended that such are phased in over 3 to 5 years. The municipality's strategy in this regard should be included as part of the budget narratives.

This tool will assist in setting tariffs that are cost-reflective and enable a municipality to recover costs to fulfil its mandate. Going forward it is also imperative that every municipality fully embrace the Municipal Standard Chart of Accounts (mSCOA): costing component. Considering, mSCOA implementation is entering its sixth year of implementation, all municipalities must fully embrace and report also utilising the costing segment correctly. The National Treasury Municipal Costing Guide is available on the link below on the National Treasury website.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other consumers while ensuring the financial sustainability of the municipality.

When setting tariffs, it is therefore critical to understand the economic environment specific to the municipality and consideration should include at least –

- The socio-economic profile undertaken for the municipality available on the National Treasury GoMuni portal – municipalities are encouraged to annually update their own socio-economic profile using the template model available on GoMuni;
- The most recent average monthly household income in the municipality as per Statistics South Africa (Stats SA) available on Statistics South Africa | Improving Lives Through Data Ecosystems (statsa.gov.za);
- The average property value in the municipality per its most recent approved general valuation roll and/ or supplementary general valuation roll;

- The number of indigent households in the municipality, including any variation in the number of indigent households included in the Equitable Share: free basic services component for the municipality vs the municipality's own indigency level discretion; and
- The economic drivers and activities specific to the municipal area¹; etc.

The municipality's tariff-setting or other committee tasked with this role must understand and deliberately reflect on this context during the tariff-setting process. Considering the average monthly household income, the median affordable municipal bill would ideally not exceed proportionally approximately 10 to 15 per cent the average monthly household income. This median affordable bill, in combination with the median average property value should inform the basis to determine any rebates to households with income below the median.

Eskom bulk tariff increases

In terms of the Multi-Year Price Determination (MYPD) for Eskom's tariffs approved by the National Energy Regulator of South Africa (NERSA), a tariff increase of 12.7 per cent was estimated for 2024/2025 financial year.

Municipalities were urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability. Furthermore, municipalities contemplating to increase free basic electricity allocations as an indigent relief measure, should do so only after careful consideration of the long-term financial impact that such a decision might have.

It is also important when setting particularly water and electricity tariffs that municipalities are encouraged to set two-tier tariffs, that include a basic availability charge to recover the fixed (direct and indirect) cost associated with the service in conjunction with consumption-based tariff bands. For example, in a drought, such tariffs will facilitate the ability to pay for infrastructure and maintenance, treating chemicals and salaries, etc. while parallel facilitating water restriction based on inclining tariffs as consumption increase. Furthermore, it is important to link the municipality's water tariffs to dam levels, also approved as part of the budget process. For example, if the dam levels drop to 60 per cent the first tier of restriction tariffs should become applicable in terms of the municipality's approved tariff policy.

It is also noted that NERSA approves seasonal tariffs for Eskom but not necessarily for the municipality. It is important that the municipality clearly factors this in its tariff application to NERSA, illustrating the cash flow crunch if the municipality is not similarly allowed a seasonal tariff to recover the higher Eskom bulk cost during winter months. Lastly, municipalities are cautioned against setting tariffs that include operating inefficiencies. This could lead to tariffs falling into the unaffordable range.

The Consumer Price Index (CPI) inflation is forecasted to be within the 3 to 6 per cent target band; therefore, municipalities are required to justify all increases in excess of the projected inflation target for 2023/24 in their budget narratives and pay careful attention to tariff increases across all consumer groups. In addition, municipalities should include a detailed account of their revenue growth assumptions for the different service charges in the budget narrative.

Additional loadshedding considerations when calculating anticipated revenue collection rates include:

- Consumption patterns amongst pre-paid users who work more sparingly with electricity units. This can have a lagging effect on revenue estimations i.e. although units are paid for up front, it is not necessarily used in high-demand periods; and
- A decline in average consumption patterns for post-paid customers.

As part of its debtor management strategy municipalities should clearly communicate the impact of loadshedding on municipal tariff setting, including through education campaigns. Consumers will expect a decrease in their electricity bills as consumption drops due to loadshedding. Not understanding the impact of tariff structures (fixed and demand-driven components) can create distrust and reduce willingness to pay municipal accounts.

Municipal Debt Relief

Municipal Budget Circular for the 2023/24 MTREF

03 March 2023

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5.6 Municipal Debt Relief

An optimally designed debt solution for Eskom can leverage the structural reform of the electricity sector that is needed both on the Eskom side and the municipal side, however, the municipal debt owed to Eskom pose a material risk to any Eskom debt relief package. In parallel the challenge of defaulting municipalities cannot be separated from a consumer culture to not pay for services.

Municipal Debt Relief that is conditional and application based, has therefore been sanctioned. The relief is aimed to correct the underlying behaviour and operational practices in defaulting municipalities and Eskom while in parallel, progressively introducing a smart metering solution to change consumer behaviour by instilling a culture of payment for services consumed. The proposal consists of 4 elements:

i. Eskom will write-off all debt municipalities owe as on 31 March 2023 (excluding the March 2023 current account). This will be done over three national financial years and require as a critical qualification that municipalities monthly honour their current

(monthly consumption) Eskom and water accounts going forward and maintain a minimum average quarterly collection, etc;

ii. Secondly, new mechanisms are explored to resolve non-payment – this to include a dispute ombud mechanism and re-assigning the license of persistent defaulters;

iii. Thirdly, Eskom will continue to implement a regime of installation of pre-paid meters in Eskom supplied areas to improve Eskom collection. Municipalities are additionally encouraged to adopt a similar operating regime; and

iv. Lastly, the National Treasury will continue to implement municipal revenue enhancement initiatives, including a transversal tender for a smart pre-paid meter solution to change to a forward-looking culture of payment of the consolidated municipal bill.

More details on the application process and related conditions for municipalities will soon be outlined and published through a separate MFMA Circular.

Critical Notice Affecting STS Meters

As highlighted in previous MFMA Circular No. 115 (dated 04 March 2022) municipalities are once again alerted that there is still a pending business risk to the prepayment metering industry that requires urgency of action. The token identifiers (TID) used to identify each credit token will run out of available numbers in November 2024, at which point all STS meters will stop accepting credit tokens.

The remedy is to visit each meter and enter a special set of key change tokens in order to reset the meter memory. Municipalities are advised that the National Treasury, through the Office of the Chief Procurement Officer (OCPO), will soon facilitate a transversal contract for the provision of auditing, re-calibration and re-configuration services for standard transfer specification compliant prepayment meters that align to minimum and critical technical specifications for local government. In this respect the development of the transversal contract for smart prepaid meters as per NRS 049 (per latest approved version) is at an advanced stage and should be issued shortly by National Treasury.

If your municipality or municipality entity is currently in the process of procuring for a solution or is planning to, you are cautioned:

- Against proceeding prior to the OCPO having issued and awarded the transversal contract for the provision of inter alia auditing, re-calibration and re-configuration services for standard transfer specification compliant prepayment meters Terms of Reference (ToR); and
- That, with immediate effect, you must inform and obtain the National Treasury's input prior to proceeding with any current procurement or proposed procurement for this purpose or any related solution or similar. This is to prevent unnecessary and wasteful expenditure on such solutions. Any request for National Treasury's input on the current or planned procurement of any related solution or similar or component thereof. In this regard, municipalities will have two options to choose from:
 - Firstly, to pursue the route of auditing, re-calibrating and re-configuring services for standard transfer specification compliant prepayment meters; and/ or
 - Secondly, to replace the old meter with a new smart prepaid meter.
 - For both options, the municipality will have to budget accordingly as no additional funding will be available through the national fiscus.
 - Your assistance in proactively ensuring that the municipality and/ or its entities are not adversely affected by these processes will be appreciated.

Update on Municipal Debt Relief (MFMA Circular No. 124)

Accounting Guidance

Municipalities whose Municipal Debt Relief applications were approved must fully account for and correctly report on the write-off of their Eskom arrear debt and related benefits. Municipalities should note the guidance in this regard provided in *MFMA Circular No. 124: Supplementary Guide on the accounting- and mSCOA reporting requirements* that can be accessed on the MFMA website at the following link:

<http://mfma.treasury.gov.za/Circulars/Pages/default.aspx>.

It is recommended that all municipalities familiarise themselves with the guidance as far as it relates to correctly budgeting- and accounting for free basic services as well as raising and paying their bulk accounts.

Debt relief reporting requirements

Municipalities approved for debt Relief (in terms of their National Treasury approvals), must ensure that their MFMA s.71 statements, over-and-above the normal MFMA s.71 requirements, include the following as a minimum:

- The municipality's self-assessment in the format of the compliance certificate issued in MFMA Circular No. 124: Annexure A2 (signed by the Municipal Manager) – municipalities should use the latest format of the compliance certificate issued during February 2024 available under MFMA Circular No. 124 and included as **Annexure B** to this circular;
- The municipality's progress towards restricting free basic services to the national policy limits (condition 6.6) and in the format included as **Annexure C** to this circular;
- The municipality's progress towards achieving a minimum average quarterly collection of 80 per cent (condition 6.7) and in the format included as **Annexure D** to this circular;
- If the municipality's 2023/24 and/ or 2024/25 MTREF is not funded, the MFMA Section 71 statement must monthly include the municipality's progress against its approved Budget Funding Plan – if the municipality has an approved the Financial Recovery Plan (FRP), the monthly FRP progress report must include the municipality's progress against the components of the FRP aimed to achieve a funded budget and revenue enhancement initiatives;
- The high-level summary of its monthly property rates reconciliation (in the National Treasury template format already shared with the municipality during the application process); and
- The municipality's progress in addressing any variances evident from its monthly property rates reconciliation; etc.

3.2. Smart Meter Grant

With regard to the smart meter grant referred under 2.1 above, the National Treasury has targeted MFMA Circular No. 124 debt relief applicants for the initial implementation of this grant.

The potential beneficiaries of the smart meter grant will be invited by National Treasury and a compulsory template will be circulated for completion by municipalities. This invitation will be sent out before 15 March 2024. Furthermore, the grant conditions require a council resolution endorsing the application.

A completed template with supporting documentation and council resolution must be submitted to revenuemanagement@treasury.gov.za and sadesh.ramjathan@treasury.gov.za before 30 April 2024.

The applications will be evaluated before 31 May 2024 and allocations will be completed determined the commencement of the municipal budget year.

Tariff Policies

Municipalities must comply with the provisions of Section 74 of the Municipal Systems Act (MSA) which requires that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act and with any other applicable legislation. Municipalities should also ensure that the tariff policies adhere to all the principles outlined in section 74(2) of the MSA. A municipality's tariff policies must also take into consideration variable factors such as water shortages and electricity feedback excess into the municipal system from new generation capacity. Municipalities are urged to develop wheeling and Small-Scale Embedded Generation (SSEG) frameworks to guide the development of associated tariffs. Municipalities must adopt by-laws to give effect to the implementation and enforcement of their tariff policies.

Burial of Councillors

Salaries, allowances and benefits for political office-bearers and members is managed through Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils notice issued by the Minister of Cooperative Governance and Traditional Affairs.

Section 167 of the MFMA provides that a municipality may remunerate its Councillors within the framework of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998), setting the upper limits of the salaries, allowances and benefits for those political office-bearers and members. Any benefit which is not included in the above-mentioned notice constitutes irregular expenditure and recovery thereof from the Councillor concerned is mandatory.

Municipalities may also refer to relevant Councillor Pension Scheme or personal funeral policies in existence for any funeral benefits relating to such Councillor.

Employee related costs

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution should be used when budgeting for employee related costs for the 2023/24 MTREF. In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2023 and 01 July 2024 an increase based on the projected average CPI percentages for 2023 (5.4 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023) and 2024 (4.8 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023). The forecasts of the Reserve Bank, in terms of the January 2023 and January 2024, shall be used to determine the projected average CPI. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, to root out ghost employees.

According to the 2021 State of Local Government Finance Report, there are about 165 municipalities that are in financial distress. These municipalities need to ensure that

they seek an early exemption from this dispensation of this salary agreement. Municipalities should also avoid paying out leave in cash while having major financial challenges.

Remuneration of Councillors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process. Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from councillor(s) concerned.

Local government conditional and unconditional grants allocations

Over the 2023 MTEF period, local government allocations will increase by a total of R14.3 billion, made up of R8.1 billion in the local government equitable share and R6.2 billion in direct conditional grants. This takes the total direct allocation to R521.7 billion over the same period. These allocations alleviate some of the financial pressures, particularly in basic services, where the costs of providing services are rising.

The local government equitable share and related allocations increases at an annual average rate of 7.8 per cent and municipal conditional grants increase by 3.5 per cent over the 2023 MTEF period.

The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the 2023 MTEF period. It also includes allocations for the operational and maintenance costs associated with the provision of free basic services.

The 2023 Budget has ensured that sufficient provision has been made to ensure that all municipalities are fully subsidised to support indigent households. Following this, R1.35 billion has been left unallocated in the LGES formula for 2023/24 to serve as a precautionary measure should municipal electricity tariffs exceed the 20.7 per cent provided for in the formula (see section 5.7 on why this is above the 18.7 per cent approved by the Energy Regulator). If the actual increase in municipal bulk tariffs exceeds the provision made in the formula, it will be the first call on those unallocated funds. We will consider funding broader cost relief measures for municipalities if funds remain available after that.

11. OVERVIEW OF BUDGET FUNDING

Fiscal Overview

1. 2024/2025 and 2025/2026 to 2026/2027 projected financial performance.

1.1 Operating Budget

The followings provisions made:

- Repairs and Maintenance (Primary) of Infrastructure
- Inflation related increases to major expenditure components, such as the staff budget (salary level increases).

1.2 Capital Budget

The capital remains at a bracket of R15.8 million in 2025/2026 when compared to the previous financial year. The following funding available:

- MIG
- INEP
- EEDSMG

2. Medium Term Outlook: 2024/2025 to 2026/2027

Table 16: Medium term operating budget

The ensuing table reflects the operating budgets

	2025/2026 R'm	2026/2027 R'm	2027/2028 R'm
Operating Budget	118	121	127

Table 17: Medium term capital budget and funding sources

Capital Budget

The ensuing table reflects the capital budget as well as the funding sources in the medium term:

	2025/2026 R'm	2026/2027 R'm	2027/2028 R'm
Capital Budget	15	12	27.5
Funded as follows:			
National Grant Funding	15	12	27.5
Provincial Grant Funding			

The funding sources listed below as appropriated towards the following major projects on the capital budget:

National Grant Funded

- MIG
- EEDSMG
- INEP

ANNEXURE 1 - 26: POLICIES

ANNEXURE 27: FINAL TARIFFS

ANNEXURE 28: QUALITY AND LOCK CERTIFICATE