

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE 2024/2025 FINANCIAL AND TWO OUTER YEARS

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE:

The purpose of this report is to table the Final Budget for the 2024/2025 Medium Term Revenue and Expenditure Framework (MTREF) which takes into consideration, where practical previous Budget Circulars addressing the format and guidelines to be adopted when preparing the Final Budget. Further, to inform Council of key aspects that has influenced the compilation of the above-mentioned budget and to consider recommendations on the financing and approval of this budget. In addition preparation has been in compliance with the New Format Reform Initiatives Promulgated in terms of the Gazette No. 32141 Municipal Budget and Reporting Regulations (MBRR). Also to ensure that the Final Budget will be prepared in compliance with the Regulations requirements of the Municipal Standard Chart of Accounts (mSCOA) – per MFMA Circular No. 80 and Government Gazette No. 37577 and addressing municipal revenue generation challenges. The Final Budget also has been prepared on the basis of limiting non-priority spending and implementing stringent cost –containment measures as per MFMA circular.

2. BACKGROUND:

Section 16(1) and (2) of the Local Government: Municipal Finance Management Act, Act 56 of 2003, stipulates the following:

“1. The Council of a municipality must for each year approve an Annual Budget for the municipality before the start of the new financial year.

In order for the municipality to comply with subsection (1), the mayor of a municipality must table the Annual Budget at a council meeting at least 90 days before the start of the budget year.”

It must be noted that in addition to complying with the new format in terms of Gazette no 32141, the budget has been prepared in terms of the MFMA Circular no 126 and 128 other previous years relevant Municipal Budget MFMA Circulars.

3. OVERVIEW

National Treasury has issued Municipal Finance Management Act (MFMA) circular numbers 126 and 128 to guide the compilation of the 2024/2025 medium term revenue and expenditure framework (MTREF) which emphasises that during this tough economical period the municipalities should tighten their spending and reduced unnecessary or nice to have expenditures, improve and prioritise service delivery.

The National Treasury projects real economic growth of 0.6 per cent in 2023. Real GDP growth is expected to moderate to 1.6 per cent over the medium term.

The weak economic growth has put pressure on consumers' ability to pay for services, this including slow growth in transfers from national government (GRANTS) resulted in the municipality falling into financial distress and facing liquidity problems. These include the municipality being unable to meet its payment obligations to Eskom, water boards and other creditors. There is a need for municipality to focus on collecting revenues owed to it and eliminate wasteful and non-core spending.

The non-payment of creditors is a symptom of underlying problems which include, among others, weaknesses in revenue collection and underinvestment in asset maintenance and renewal, which compromises the reliability of delivering basic services. To achieve financial sustainability, the institution must demonstrate the political & administrative will to implement the changes required to improve the performance.

We must ensure that expenditure is limited to the maximum revenue collected and not spend on money that it does not have. We are also reminded that; the local government equitable share allocation is mainly to fund the costs of free basic services and to subsidise some of the administrative costs. The increasing unemployment and growth in the number of persons per household means that the revenue foregone in respect of free basic services will likely increase and it will become even more difficult to collect revenue. The household budget will be under pressure and trade-offs will be applied as it may be unaffordable to pay all household expenses with regularity.

The budget preparation process is confronted with numerous challenges, significantly complicating financial management and service delivery. These challenges encompass:

- **Aging Infrastructure Requiring Extensive Maintenance:** The municipality's infrastructure is in dire need of repair and maintenance, which demands considerable financial resources.
- **Inefficient Revenue Collection:** The municipality faces issues with collecting enough revenue, critically impacting its ability to cover operational costs and invest in necessary projects.
- **Losses from Trading Services:** Essential services are operating at a loss, diminishing the municipality's revenue and contributing to financial difficulties.
- **Unfunded Budget:** The municipality's budget shows expenditures that exceed its revenue, leading to an unfunded budget and financial instability.
- **Challenges with Long-term Financial Obligations:** Managing long-term financial obligations, including debts to creditors and collections from debtors, presents a significant challenge.
- **Over-reliance on Service Providers:** This reliance has led to increased costs for contracted services, further straining the budget.
- **Failure to Meet Eskom Debt Relief Conditions:** The inability to comply with the conditions for Eskom debt relief adds to the municipality's financial strain.
- **Projected 2023/24 Deficit Budget:** The anticipated budget for 2023/24 reveals a deficit, with spending outstripping revenue, threatening to further weaken the municipality's financial health
- **Absence of Cash Reserves:** The lack of cash reserves restricts the municipality's capacity to address emergencies, unexpected expenses, or critical infrastructure needs.

Addressing these challenges necessitates a thoughtful and comprehensive strategy, emphasizing improvements in revenue collection methods, expenditure optimization, the refinement of financial management practices,

and strategic emphasis on critical infrastructure initiatives. Moreover, the pursuit of alternative financing options, the renegotiation of creditor agreements, and the enhancement of internal capabilities to decrease reliance on outside providers are critical for securing financial stability and the continuity of high-quality service delivery.

Essential actions include:

- Exploring new own-revenue streams to expand the municipal revenue pool, such as leasing properties, outdoor advertising, and selling plots of land.
- Strengthening credit controls and setting more ambitious goals for debt recovery.
- Enhancing interactions with customers to encourage timely payment for services.
- Cultivating a conducive environment for growth, development, and efficient service provision.
- Implementing policies to support needy families by offering them essential services for free, thereby shielding them from severe economic downturns.
- Rolling out strategies to enhance revenue.
- Executing a plan for financial recovery.
- Generating employment opportunities.
- Carrying out the installation and replacement of meters, including conducting meter audits.
- Adjusting tariffs to accurately reflect service costs.

Additionally, it's crucial for municipalities to adhere to cost-containment measures in specific areas such as consultancy fees, avoiding the use of credit cards, managing travel and related expenses, minimizing costs on advertising and catering, and reducing expenses related to events and accommodation. Budgeting carefully for mandates that are not fully funded is also essential. In line with regulations, municipalities must enforce cost containment policies approved by the Council. Lastly, there is a reminder for municipalities to act on items addressed in prior MFMA budget circulars, ensuring compliance and efficient financial management.

4. THE BUDGET PROCESS AND THE ALIGNMENT OF THE ANNUAL BUDGET WITH THE IDP

It must be noted that the next five year Integrated Development Plan (IDP) is also being prepared and this process will permit the Municipality to re-examine plans and strategies to include strategic matters reflected in the IDP. Also, to ensure that these plans contain strategies that informs Institutional and Financial Planning through the entire budget process and are in line with key national and provincial government policies and programmes.

Further, the final annual budget will be fully aligned to the IDP process and will be linked to 07 Government priorities as per Medium Term Strategic Framework (MTSF) which include the following:

1. *A capable, ethical and developmental state*
2. *Economic transformation and job creation*
3. *Education, skills and health*
4. *Consolidating the social wage through reliable and quality basic services*
5. *Spatial integration, human settlements and local government*
6. *Social cohesion and safe communities*
7. *A better Africa and World*

5. DISCUSSION:

In terms of Section 9 of the Municipal Budget and Reporting Regulations, the Annual Budget and Supporting documentation of the municipality must be in a format specified in Schedule A and include all the required tables, explanatory information, taking into account any guidelines issued by the Minister of Finance in terms of Section 168(1) of the MFMA.

The budget's financial structure is underpinned by a combination of an operational grant (equitable share), capital grant, and internal revenue generated from rates, taxes, and service charges. In response to inflation and rising operational costs, the municipality proposes the following tariff adjustments:

- **Property Rates:** There will not be any increases on property rates, the municipality will be implementing a new General Valuation Roll with effect from 01 July 2024.
- **Sewerage Services:** To support the ongoing provision and maintenance of sewerage services, an adjustment of approximately 4.9% is suggested.
- **Refuse Collection:** For the continuation of efficient refuse collection services, a 4.9% increase is proposed, aiding in maintaining community cleanliness and health standards.
- **Water Supply:** An enhancement in water tariffs by 4.9% is recommended to address the cost pressures of supplying this vital service, ensuring its sustainability and reliability.(DWS)
- **Electricity Supply:** Due to significant cost pressures in energy provision, a notable tariff hike of 12.72% is advised to ensure the municipality can continue to offer reliable electricity services and invest in sustainable energy initiatives.(awaiting Nersa guideline)

These adjustments are critical for the municipality to maintain and improve service delivery within the context of current economic challenges, ensuring financial viability and sustainability.

5.1. FUNDING CHOICES AND MANAGEMENT ISSUES IN TERMS OF CIRCULAR NO.126 and 128

The Circulars reflects on the following aspects:

The economy of the country is forecasted to grow at an average of 1.6 per cent over the next three budget years, a moderate improvement on the 1.4 per cent expected. Loadshedding and operational problems in freight rail and ports continue to disrupt economic activities and limit the country's export potential.

Headline inflation is projected to moderate from 6 per cent in 2023 to 4.9 per cent in 2024 and 4.6 per cent in 2025 and 2026 as food and fuel inflation continue to decline. In 2023 food inflation slowed less than expected due to power cuts and rand depreciation, keeping imported food costs high. An avian influenza outbreak also increased the costs for poultry and eggs. These factors are expected to dissipate over the medium term. The current economic challenges in the country place pressure on households' ability to pay municipal accounts, therefore municipal own revenue generation gets affected.

Macroeconomic Performance and Projections 2022 – 2027

Fiscal Year	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Forecast	Forecast	Forecast
Consumer Price Index (CPI inflation)	6.90%	6%	4.90%	4.60%	4.60%

The Salary and Wage Collective agreement for the period 01 July 2021 to 30 June 2024 has come to an end and a new agreement is under consultation, municipalities are advised to consider their financial sustainability when considering salary increases.

Employee related cost were provided using the Circular as a guidance as follows:

- 2024/25 Financial Year – 2024/25 projected CPI
- 2025/26 Financial Year – 2025/26 projected CPI
- 2026/27 Financial Year – 2026/27 projected CPI

5.2. BUDGET ENGAGEMENT AND BENCHMARKING PROCESS PROVINCIAL

As mandated by the MFMA, after tabling the draft budget on April 2, 2024, it was submitted to the National Treasury. Provincial treasuries conducted benchmark budget hearings on the municipalities' tabled budgets during April and May 13, 2024, to evaluate their realism, sustainability, relevance, and funding alignment with MFMA requirements. Following this assessment, the municipality was advised to revise the budget based on their recommendations and to table their recommendations to the Council. Attached as ANNEXURE “A” is a detailed report.

5.3. IDP/BUDGET COMMUNITY CONSULTATIONS

Lekwa Local Municipality embarked on a public participation programme with its local community members in the process of reviewing the five-year 2022/27 IDP for the 2024/2025 financial year. The public participation primarily focused on community engagements through physical meetings across all fifteen (15) wards. The councillors, Municipal Manager, Heads of Departments and Divisional Managers attended the various meetings. The meetings took place in the months of May 2024. The municipality used a hailing system to notify residents of the consultations.

No of wards	No of ward concluded with the budget consultative meetings	Wards to still conclude the consultations	Challenges
15	9 wards consulted successfully	<ul style="list-style-type: none"> • 1 Ward was disrupted due to delegated MMCs not showing up to address the community (Ward 8) • 1 ward postponed because the venue was not conducive for the community (tents were not procured) (Ward 7) • 4 Wards were disrupted but MMCs were present. MMCs and Officials were chased away as community members wanted to be addressed by the Mayor (Wards 1,2,3 and 11) 	<ul style="list-style-type: none"> • All wards were visited to convene consultations, however, community members refused to be consulted as the Mayor was not present. • Meetings were disrupted, officials chased away and attendance registers torn or withheld from officials. • Poor attendance rate and general loss of interest in attending IDP/Budget community consultations.

SUMMARY OF ISSUES RAISED DURING COMMUNITY CONSULTATIONS

Key Performance Area	Issue raised by community
General	<ul style="list-style-type: none"> • Issues raised in the previous IDP/Budget community consultations not attended to. • Projects not aligned to what was raised in community consultations.
Technical Services	<ul style="list-style-type: none"> • No access to water at all n certain wards • Interrupted Electricity supply • Electrification • Sewer spillages • No toilets and desludge of existing toilets in rural wards • Gravel, pavement and fixing of potholes on main roads within areas such as Thuthukani, sakhile and rural wards. • Stormwater • Road signs
Planning and Economic Development	<ul style="list-style-type: none"> • Unemployment • SMME support • RDP houses • Title deeds • Serviced stands • Informal settlements upgrading • Recreational • Social amenities
Community Services and Safety	<ul style="list-style-type: none"> • Waste collection • Illegal dumping sites
Budget and Treasury Office	<ul style="list-style-type: none"> • Inaccurate billing system

5.4. CONSOLIDATED SUMMARY OVERVIEW OF THE 2024/2025 FINAL ANNUAL BUDGET:

A copy of the budget, including recommendations, the executive summary, annual budget tables, overview of the budget and budget related policies is attached as ANNEXUREA”. The table below depicts the consolidated Overview of the Annual Budget:

DESCRIPTION	2024/25 Medium Term Revenue and Expenditure Framework			
	Approved Adjustmen	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Total Operating Revenue	- 1 181 949 768,89	- 1 247 229 318,29	- 1 344 402 150,00	- 1 456 569 288,00
Total Operating Expenditure	1 442 287 987,50	1 621 918 624,84	1 626 279 905,47	1 726 461 166,05
Surplus/(Deficit)	260 338 218,61	374 689 306,55	281 877 755,47	269 891 878,05
Irrecoverable Debt Write off	77 653 815,00	77 653 815,00		
Impairment Loss	67 436 366,79	206 985 762,30	193 100 155,29	181 613 700,00
Surplus/(Deficit) Excl Write off and Impairment	115 248 036,82	90 049 729,25	88 777 600,18	88 278 178,05
Capital Revenue	- 55 998 600,00	- 50 113 450,00	- 47 699 850,00	- 49 259 800,00
Surplus/Deficit	204 339 618,61	324 575 856,55	234 177 905,47	220 632 078,05

OPERATING BUDGET

MP305 Lekwa - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	###	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
R thousand	1										
Revenue											
Exchange Revenue											
Service charges - Electricity	2	327 762	371 436	354 287	467 837	507 827	507 827	507 827	507 626	568 543	636 770
Service charges - Water	2	84 716	71 733	72 414	84 373	87 803	87 803	87 803	78 122	81 716	85 393
Service charges - Waste Water Management	2	40 957	37 169	39 502	42 599	42 599	42 599	42 599	71 223	74 499	77 851
Service charges - Waste Management	2	26 519	27 750	28 581	33 115	33 115	33 115	33 115	53 900	56 380	58 918
Sale of Goods and Rendering of Services		695	1 125	952	3 150	2 621	2 621	2 621	1 618	1 699	1 779
Agency services		-	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		46 930	65 431	72 042	116 639	116 639	116 639	116 639	83 241	87 072	90 992
Interest earned from Current and Non Current Assets		1 931	1 795	2 484	638	1 027	1 027	1 027	1 078	1 129	1 181
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		1 666	1 729	1 643	2 502	2 820	2 820	2 820	2 849	2 982	3 118
Licence and permits		-	0	298	-	3	3	3	50	53	56
Operational Revenue		338	451	195	370	370	370	370	275	289	303
Non-Exchange Revenue											
Property rates	2	156 421	167 993	152 872	203 391	208 614	208 614	208 614	219 697	229 806	240 149
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		1 181	2 983	2 594	4 550	4 550	4 550	4 550	2 865	2 998	3 134
Licences or permits		-	-	-	-	4	4	4	4	5	6
Transfer and subsidies - Operational		152 770	139 953	158 754	173 957	173 957	173 957	173 957	185 568	196 318	214 164
Interest		-	-	33 495	-	-	-	-	39 113	40 913	42 755
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Gains		9 316	12 096	18 956	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and cont)		851 201	901 644	939 070	1 133 123	1 181 950	1 181 950	1 181 950	1 247 229	1 344 402	1 456 569
Expenditure											
Employee related costs	2	239 009	258 324	283 203	326 221	331 484	331 484	331 484	338 791	353 864	369 842
Remuneration of councillors		12 090	7 517	12 086	13 913	13 761	13 761	13 761	14 435	15 105	14 435
Bulk purchases - electricity	2	363 481	429 417	421 368	531 559	510 000	510 000	510 000	574 872	647 996	730 421
Inventory consumed	8	60 497	69 093	75 076	80 345	89 300	89 300	89 300	82 506	86 314	90 209
Debt impairment	3	235 172	206 687	255 426	69 319	67 436	67 436	67 436	206 986	193 100	181 614
Depreciation and amortisation		59 446	57 091	15 701	82 660	72 781	72 781	72 781	57 511	57 511	57 511
Interest		35 422	96 196	152 750	73 256	68 256	68 256	68 256	68 256	71 397	74 612
Contracted services		53 541	106 089	86 658	123 768	130 232	130 232	130 232	128 086	124 757	128 304
Transfers and subsidies		-	-	733	-	-	-	-	-	-	-
Irrecoverable debts written off		431	236	100	1 100	77 896	77 896	77 896	77 654	-	-
Operational costs		45 552	54 825	69 227	59 339	81 387	81 387	81 387	72 823	76 236	79 514
Losses on disposal of Assets		-	-	25	-	-	-	-	-	-	-
Other Losses		2 295	9	-	-	-	-	-	-	-	-
Total Expenditure		1 106 934	1 285 482	1 372 355	1 361 480	1 442 534	1 442 534	1 442 534	1 621 919	1 626 280	1 726 461
Surplus/(Deficit)		(255 733)	(383 838)	(433 285)	(228 357)	(260 584)	(260 584)	(260 584)	(374 689)	(281 878)	(269 892)
Transfers and subsidies - capital (monetary allocations)	6	38 320	24 933	69 262	40 637	55 999	55 999	55 999	50 113	47 700	49 260
Transfers and subsidies - capital (in-kind)	6	14 683	1 151	1 741	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(202 730)	(357 754)	(362 283)	(187 720)	(204 585)	(204 585)	(204 585)	(324 576)	(234 178)	(220 632)
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		(202 730)	(357 754)	(362 283)	(187 720)	(204 585)	(204 585)	(204 585)	(324 576)	(234 178)	(220 632)
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(202 730)	(357 754)	(362 283)	(187 720)	(204 585)	(204 585)	(204 585)	(324 576)	(234 178)	(220 632)
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	(202 730)	(357 754)	(362 283)	(187 720)	(204 585)	(204 585)	(204 585)	(324 576)	(234 178)	(220 632)

For the fiscal year 2024-2025, the total operating revenue is expected to grow from **R1.181 billion** to **R1.247 billion**, as opposed to the adjusted budget for 2023-2024. Operating expenses are set to rise from **R1.422 billion** to **R1.621 billion**. This leads to an overall deficit of **R 324 million**, marking an improvement compared to the adjusted budget's deficit of **R260 million**. The Municipality as per section 18 of MFMA may only fund its budget from realistically anticipated revenue to be collected. It is based on this section that the municipality then made an appropriation for impairment and debt write off using the current collection rate. Due to the low collection rate projections for Debt impairment and debt write off were high resulting high deficit.

The main drivers of the municipality's expenditures are bulk purchases, employee related costs, finance costs, impairment loss and contracted services

Repairs and Maintenance

In terms of NT circular 66 and 70 repairs and maintenance as a percentage of Operating expenditure should be at 8%. The municipality budgeted R 65 801 630.62 towards repair and maintenance, this amount represents 5% of the operating expenditure which is below the norm in terms of circular 66 and 70.

Description	Draft Budget 2024 - 25	Draft Budget 2025 - 26	Draft Budget 2026 - 27
Building & Structure	R 654 900.00	R 688 000.00	R 722 000.00
Plant & Machinery	R 1 174 900.00	R1 233 000.00	R1 291 000.00
Furniture & Fixtures			
Motor Vehicle	R 3 863 545.00	R4 047 000.00	R4 235 000.00
IT Equipments	R 1 370 707.00	R 1 434 000.00	R 1 499 000.00
Roads	R 6 000 000.00	R 6 276 000.00	R 6 559 000.00
Electricity Network	R 34 855 196.32	R36 459 000.00	R38 101 000.00
Landfill Sites (solid waste removal)	R 6 550 000.00	R 6 852 000.00	R 7 161 000.00
Waste Water Network	R5 152 270.00	R5 393 000.00	R5 639 000.00
Water Network	R5 760 000.00	R6 027 000.00	R6 301 000.00
Other, Property Plant & Equipment	R420 112.30	R442 000.00	R466 000.00
	R 65 801 630.62	R 68 851 000.00	R 71 974 000.00
Total Budget Expenditure	R1 415 239 610.55		
R & M YTD Expenditure			
R & M % Approved Budget	5%		

CAPITAL BUDGET

- An amount of **R 73.8 million** has been allocated for the capital investment program for 2024/2025 financial year. This is a decrease from the **R 92.2 Million** in 2023/24. The main reason for this decrease is non available of adequate internal funding to funded own capital program.
- Capital items budgeted from internal funds amounts to **R 13.7 million** which is a decrease from **R 37 Million**, the municipality should put in place extra ordinary efforts to collect outstanding debtors and reduce the water and electricity losses which will subsequently reduce the bulk purchases expenditure

MP305 Lekwa - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	###	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Capital Expenditure - Functional											
Governance and administration		19 735	5 571	9 990	17 000	18 168	18 168	18 168	13 700	210	220
Executive and council		-	-	-	-	-	-	-	1 500	-	-
Finance and administration		19 735	5 571	9 990	17 000	18 168	18 168	18 168	12 200	210	220
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		(13 809)	(11 286)	1 478	234	50	50	50	8 850	2 972	5 598
Community and social services		80	1 951	1 301	184	(0)	(0)	(0)	8 800	2 972	5 598
Sport and recreation		(13 889)	(13 237)	177	50	50	50	50	50	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		70	13 176	4 521	400	12 100	12 100	12 100	10 000	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		70	13 176	4 521	400	12 100	12 100	12 100	10 000	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		55 604	24 450	57 491	58 052	61 926	61 926	61 926	41 313	40 300	39 661
Energy sources		11 334	19 827	12 139	8 900	10 066	10 066	10 066	26 184	21 943	9 764
Water management		10 870	1 365	6 787	28 952	29 621	29 621	29 621	3 234	8 357	9 752
Waste water management		33 399	3 257	38 565	2 000	4 239	4 239	4 239	2 500	10 000	20 145
Waste management		-	-	-	18 200	18 000	18 000	18 000	9 395	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	61 601	31 910	73 481	75 687	92 244	92 244	92 244	73 863	43 482	45 480
Funded by:											
National Government		25 548	23 315	62 703	40 637	56 026	56 026	56 026	60 113	43 272	45 260
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporators, Higher Educ Institutions)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	25 548	23 315	62 703	40 637	56 026	56 026	56 026	60 113	43 272	45 260
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds	7	28 431	29 501	4 969	35 050	36 218	36 218	36 218	13 750	-	-
Total Capital Funding	7	53 979	52 816	67 672	75 687	92 244	92 244	92 244	73 863	43 272	45 260

MIG FUNDED PROJECTS

IDP No	Project name	2024/2025 FY	2025/2026 FY	2026/2027 FY	Planned job opportunities for 2024/2025 FY	Ward Location	Ward/s Benefitting
MIG 01/2425	Upgrading of Standerton Water Bulk System phase 2A: Construction of Kieser Reservoir and Pressure Tower.	406 736	-	-	0	10	10
MIG 02/2425	Installation/Refurbishment /Desludging or rural VIP toilets and provision of chemicals for the VIP toilets	2 500 000	10 000 000	20 145 146	15	9,12 & 13	9,12 & 13
MIG 03/2425	Refurbishment/Installation of boreholes in rural/farm areas	2 827 340	8 357 230	9 752 169	12	9,12 & 13	9,12 & 13
MIG 04/2425	Installation of 26 high masts lighting in Sakhile ext 8, Thuthukani, Sivukile and rural areas	7 564 140	11 562 660	-	10	9,12,13 & 14	9,12,13 & 14
MIG 05/2425	Rehabilitation of Morgenzon Landfill site	9 395 234	-	-	10	14	14
MIG 06/2425	Development of Thuthukani Cemetery	8 800 000	2 971 960	-	10	12	12
MIG 01/2526	Fencing of Walter Sisulu Cemetery			5 598 485			
	Project Management Unit	1 657 550	1 731 150	1 868 200			
	TOTAL	33 151 000	34 623 000	37 364 000			

INEP FUNDED PROJECTS

IDP No	Project name	2024/2025 FY	2025/2026 FY	2026/2027 FY	Project category	Planned job opportunities for 2024/2025 FY	Ward Location	Ward/s Benefitting
INEP 01/2425	Construcion of 11KV Switching Station for Rooikoppen	10 000 000	5 000 000	5 000 000	Electricity	10	11	11
INEP 02/2425	Construction of 6km ,11KV line from Substation A to Rooikoppen	4 620 000	5 380 000	4 764 000	Electricity	10	7,11	11
	TOTAL	14 620 000	10 380 000	9 764 000		20		

EPWP FUNDED PROJECT

IDP No	Project name	2024/2025 FY	Scope for 2024/2025 FY	Project category	Planned job opportunities for 2024/2025 FY	Ward Location	Ward/s Benefitting
EPWP 01/2425	Keep Lekwa Clean	1 760 000	Keep Lekwa Clean	Environment	60	1,2,3,4,5,6,7,8,10,11,14 &15	1,2,3,4,5,6,7,8,10,11,14 &15
	TOTAL	1 760 000					

EEDSM FUNDED PROJECTS

IDP No	Project name	2024/2025 FY	2025/2026 FY	2026/2027 FY	Project category	Planned job opportunities for 2024/2025 FY	Ward Location	Ward/s Benefitting
EEDS M 01/2425	Implementation of energy efficiency and energy demand management within Lekwa LM	4 000 000	4 000 000	4 000 000	Electricity	10	1,2,3,4,5,6,7,8,9,10,11,12,13,14 & 15	1,2,3,4,5,6,7,8,9,10,11,12,13,14 & 16
	TOTAL	4 000 000	4 000 000	4 000 000		10		

MDRG FUNDED GRANT

IDP No	Project name	2024/2025 FY	Scope for 2024/2025 FY	Project category	Ward Location	Ward/s Benefitting	Comment
MDRG 01/2425	Rehabilitation of 1km of Vry Street	10 000 000	Rehabilitation of 1km of Vry Street	Roads	10	10	Project budgetted from the R11m allocated in the 202324 FY. Project planned for implementation over 12 months from March 2024 to February 2025.

Sector Departments Projects

MISA			
Local municipality	Project/Programme Name/Description	Project Name	2024/25 Target Area of support
Govan Mbeki , , Lekwa , <u>Dipaleseng</u> , Dr Pixley	Strengthening capacity in Local Municipalities and districts	Deployment of MISA Engineers, Planners, Young Graduates. .	The objective of this intervention is to address the challenges of scarce and critical skills shortage in municipalities. This is achieved by facilitating technical skills pool required to strengthen municipal technical capacity within municipalities for planning, implementation , operation and maintenance of municipal infrastructure. MISA <u>mobilises</u> expert capacity across government and the private sector for deployment to municipalities for interventions.
Govan Mbeki , Msukaligwa, Lekwa , Dipaleseng	Reduced non-revenue water in dysfunctional municipalities	Technical and Project management support in the Implementation of WCWDM projects and activities Improved municipal infrastructure asset management practices	Technical and Project management support in the Implementation of WCWDM projects and activities as well as Operation and Maintenance. The target is reduction of non-revenue water in municipalities in identified Water Services Authority. MISA supports the identified municipalities with the development and implementation of Water conservation water demand management plans.
<u>Msukaligwa</u> , Lekwa and Pixley Ka Seme	Support with implementation of SPLUMA compliant and technical support on Township Establishment.	The Feasibility Study and undertaking of the Township Establishment process on the remainder of Portion 44 of the Farm <u>Spitskop</u> 276-Is. Township Establishment Standerton Ext 11 Development Control Applications (Pixley)	Contract & Project Management, Quality Control Management, conducting project site visits, Project Management, Monitoring implementation and evaluation. Development control Application Assessment
Govan Mbeki , Msukaligwa, Lekwa , Dipaleseng	Technical Services: District-wide infrastructure plans through DDM model or approach	Development of Business plans/TORS for funding/applications for potential funders. Implementation of district-wide infrastructure plans (Catalytic Projects) Support to Improve spending on Conditional Grants (MIG, INEP, WSIG, RBIG, IUDG, etc...)	Contract & Project Management, Quality site control Management, conducting project site visits, Development of TORS and TRs Project Management, Control and Quality Management
Govan Mbeki , Msukaligwa, Lekwa ,	Dysfunctional municipalities increasing job creation through mainstreaming LIC on Municipal infrastructure projects	Support the municipalities with LIC implementation on on-going projects and monitor progress	MISA provides identified and dysfunctional municipalities with <u>programme</u> management support that seeks to <u>institutionalise Labour Intensive Construction</u> methods through conditional grant infrastructure projects. MISA seeks to promote training or inclusion of municipal officials in the implementation of LIC .MIS supports municipalities to implement their projects in accordance with LIC guideline henceforth achieving annual sector targets .
Govan Mbeki , Msukaligwa, Lekwa , Dipaleseng	Kilometres of roads maintained to include potholes patching and drainage cleaning in the 22 dysfunctional municipalities.	Technical and Project management support in the Implementation of road & stormwater activities.	Technical and Project management support in the Implementation of road & stormwater projects and road maintenance <u>programmes</u> utilizing the <u>Labour Intensive Construction</u> methods in collaboration with the municipalities and other stakeholders.
Govan Mbeki , Msukaligwa, Lekwa , Dipaleseng	Increased household to Waste Management services	Technical and Project management support in the Implementation of Solid Waste projects and activities	MISA assist the municipalities to improve access to solid waste removal services.
Govan Mbeki , Msukaligwa, Lekwa , Dipaleseng	Improved functionality of dysfunctional Wastewater Treatment Works (WWTWs and WTW)	Conditional assessments of wastewater treatment and water treatment works Technical and Project management support in the Implementation of water treatment works projects and activities	Blue, and green drop assessment focuses on the whole value chain for both the wastewater and water treatment works. The Blue Drop Risk Rating (BDRR) focuses on the function of each water supply system The Green drop risk analysis (CRR) focuses on the wastewater treatment function. MISA in collaboration with SALGA and DWS are working on improvement plans for the municipalities falling off the rating scores.
Govan Mbeki , <u>Msukaligwa</u> , Lekwa	Implementation of INEP and EEDSM Programmes	Project Management, Technical Support and development of Business Plans	Contract & Project Management, Quality site control Management, conducting project site visits, Development of TORS and TRs

Sector Department Projects 2024/2025

DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT					
Local municipality	Project/Programme Name/Description	Project Beneficiary/ Ward/Location/ GPS Coordinate	2024/25 Target	2024/25 Budget Allocation (Annual) R'000	Total project cost R'000
TENURE REFORM IMPLEMENTATION					
All municipalities	Land Acquisition for Farm Dwellers and Labour Tenants	Farm Dwellers and Labour Tenants	Acquisition of 467 hectares of land to secure the legally insecure land tenure rights	R3 195 000	R3 195 000
STRATEGIC LAND ACQUISITION					
All municipalities	Land Acquisition for agricultural (food security) and development purposes	Historically Disadvantaged Individuals (preferably women, youth and persons with disabilities)	Acquisition of land for agricultural (food security) and development purposes.	R124 700 000	R124 700 000
Not yet identified	Gert Sibande non-agricultural project	Not yet identified	Provision of mechanisation, production inputs, skills development, operational costs to support food production in the prioritised commodities value chain.	R 700 000	R 1 000 000

Sector Department Projects 2024/2025

DEPARTMENT OF EDUCATION					
Local Municipality	Project/Programme Name/Description	Project Beneficiary/ Ward/Location/ GPS Coordinate	2024/25 Target	2024/25 Budget Allocation (Annual) R'000	Total project cost R'000
Lekwa	Vaalrivier Special School- Upgrades & additions	Lekwa	100%	4,285.43.	27,265.00
Lekwa	George Hofmeyer Special School- Upgrades & additions	Lekwa	100%	6,367.55	15,026.00.

Sector Department Projects 2024/2025

DEPARTMENT OF COMMUNITY SAFETY, SECURITY & LIAISON			
Local municipality	Project/Programme Name/Description	Project Beneficiary/ Ward/Location/ GPS Coordinate	2024/25 Budget Allocation (Annual) R'000
Lekwa	<ul style="list-style-type: none"> Community Outreach Programme (Imbizo) 	<ul style="list-style-type: none"> Sakhile 	850
	Educational awareness campaigns <ul style="list-style-type: none"> Liquor traders event 	<ul style="list-style-type: none"> Standerton & Sakhile 	15
	School Safety Initiative <ul style="list-style-type: none"> Crime awareness campaign 	<ul style="list-style-type: none"> Azalea Combined School 	19
	Contact Crime initiative Campaign against domestic violence	<ul style="list-style-type: none"> Morgenzon 	17
	Support to Community Safety Forum (CSF)	<ul style="list-style-type: none"> Lekwa Local Municipality 	13
	Support to Community Policing Forum (CPFs)	<ul style="list-style-type: none"> Sakhile Morgenzon Standerton 	25
	Job Massification: Recruitment and Deployment of Tourism Safety Monitors for a 12 Months Closed Contract @R2432.22 pm	5. young people <ul style="list-style-type: none"> Standerton 	146

Identified SLP Projects : 2024/2025



IDENTIFIED SLP PROJECTS 2024/2025							
No	Project Name	Status	Ward	Funding Source	Amounts	Progress Status	Estimated Start & Completion date
1.	Provision of sanitation	Not commenced	1-15	Seriti	4 500 000	Procurement phase	TBC
2.							

6. IMPLICATIONS:

6.1. FINANCIAL

The annual budget has an operating deficit of **R 324 million**

Currently the municipality's creditors amount to **R 2 913 041 223.60** with Eskom and DWS debt totalling to **R 2 849 849 545.22**. The current outstanding creditors is not in line with the cash flow , therefore the municipality is unable to pay its creditors timeously which might lead to litigations.

Based on the payment rate of 60% it is not adequate to cover the outstanding creditors and operational expenditures of the municipality

The municipality will be unable to pay the obligations when they become due and that will result in non-compliance with section 99(2)(b) of the Municipal Finance Management Act.

6.2. PERSONNEL

Certain critical vacant positions might remain unfilled due to cash flow constraints which will therefore impact on the service delivery

6.3. COMMUNICATION

The annual budget be sent to Provincial and National Treasury as prescribed and published on the municipality website.

7. RECOMMENDATIONS OF THE EXECUTIVE MAYOR

- 7.1. That the Council take note of the recommendations resulting from the Provincial Treasury budget engagement, as outlined in **Annexure "A"**.
- 7.2. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the Final Annual Budget of the municipality for the financial year 2024/25; and indicative allocations for the two projected outer years 2025/26 and 2026/27; and the multi-year capital appropriations **BE APPROVED; Annexure "B"**
- 7.3. That, pending approval by NERSA, the 12.72% the proposed increase on electricity tariffs, for the supply of electricity accounts rendered with effect from 1 April 2024, **BE APPROVED;**
- 7.4. That in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply of water, cleansing services, sanitation services property rates and sundry tariffs for accounts rendered with effect from 1 July 2024.
- 7.5. That proposed tariff increases **BE APPROVED** as follows:

- 7.6. Assessment Rates: All Property Taxes As Per The 2024/2025 Will Remain Unchanged (**2023/24 tariff with apply**) due to implementation of new valuation roll
- 7.7. Sewerage : CPI (4.9%) **Annexure “C”**
- 7.8. Refuse: CPI (4.9%) **Annexure “C”**
- 7.9. Water: CPI (4.9%) **Annexure “C”**
- 7.10. Electricity- All Basic Electricity Charges Increase With 12.72% In Line With NERSA
- 7.11. Deposits: CPI (4.9%) **Annexure “C”**
- 7.12. Sundry Tariffs : CPI (4.9%) (These are tariffs that are used on a needs basis) **Annexure “C”**

All tariffs exclude VAT except in the case of assessment rates that are zero-rate.

- 7.13. Interest / Capitalized Arrears
 - No interest will be levied on those arrears for which the consumer made formal arrangements.
 - Interest will only be levied on those arrears for which no formal arrangement exist and/or arrear as a result of not complying with the said arrangements.
 - Interest rates will be levied at market related rates
8. That the provision for employees’ salaries increase BE MADE for **4.9%** ,while the multi years collective salary agreement negotiations between SALGA and labour unions
9. That provision BE MADE for a **4.9%** estimate increase in the salaries of councillors, of which final approval is still to be announced in terms of Public Office Bearers Act;
10. That Heads of Department Ensure that the revenue and expenditure of their relevant department/section is monitored regularly, and, should it be found that the estimate revenue would not be realised,
11. That, the following Final Budget Related policies **Be Approved Annexure “D”**
 - Credit Control & Debt Collection Policy
 - Supply Chain Management Policy.
 - Property Rates Policy
 - Tariff Policy
 - Cell phone Allowances Policy
 - Bad Debt Provision & Write-off Policy
 - Budget Policy
 - Virement Policy
 - Unclaimed deposit Policy
 - Asset Management Policy
 - Petty Cash Policy
 - Indigent Policy
 - S & T Policy
 - Unauthorised, Irregular & Fruitless Expenditure
 - Borrowings policy
 - Funding and Reserves Policy
 - Policy relating to dealing with infrastructure investment and capital projects
 - Banking and Investment Policy
 - Cost Curtailment Policy
 - Creditors Payment Policy
 - Smart Metering Policy
12. That the reviewed budget Funding Plan **be approved (Annexure “E”)**
13. That the procurement plan for 2024-25 **be Approved (Annexure “F”)**

14. That, the Municipal Manager be delegated to authorize the Quality Certificate relating to the Annual Budget and supporting documentation , BE APPROVED
15. That fixed travel allowances remain unchanged (not increased) in accordance with strategy for cost containment.
16. That, the cost containment policy and regulation be implemented fully by the administration, BE NOTED.
17. That a copy of the approved Final budget BE SUBMITTED in print form and electronically to Provincial and National Treasury.