

JOE GQABI DISTRICT MUNICIPALITY



2023/24 TO 2025/26 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

(Draft Budget for Approval by Council)

30 March 2023

Table of Contents

1.1	MAYOR’S REPORT	3
1.2	COUNCIL RESOLUTIONS	4
1.3	EXECUTIVE SUMMARY	5
1.4	OPERATING REVENUE FRAMEWORK	6
1.5	OPERATING EXPENDITURE FRAMEWORK.....	11
1.6	CAPITAL EXPENDITURE	16
1.7	ANNUAL BUDGET TABLES.....	17
2.1	OVERVIEW OF THE ANNUAL BUDGET PROCESS.....	30
2.2	BUDGET PROCESS OVERVIEW.....	30
2.3	OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	31
2.4	MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS.....	32
2.5	PERFORMANCE INDICATORS AND BENCHMARKS.....	35
2.6	OVERVIEW OF BUDGET RELATED-POLICIES	36
2.7	OVERVIEW OF BUDGET ASSUMPTIONS.....	37
2.8	OVERVIEW OF BUDGET FUNDING.....	38
2.9	EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS	45
2.10	CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS.....	46
2.11	CAPITAL EXPENDITURE DETAILS.....	46
2.12	LEGISLATION COMPLIANCE STATUS	49
2.13	MUNICIPAL MANAGER’S QUALITY CERTIFICATE	50

List of tables

Table 1	Consolidated Overview of the 2023/24 MTREF	6
Table 2	Summary of revenue classified by main revenue source	7
Fig 1:	Revenue by main revenue source.....	8
Table 5	Summary of operating expenditure by standard classification item.....	12
Table 6	Percentage growth in expenditure by main expenditure type.....	12
Fig 2:	Expenditure by major type.....	13
Fig 3:	Expenditure by major type – 2023/24.....	14
Table 7	2023/24 Medium-term capital budget per function	16
Table 8	MBRR NT A1 - Budget Summary	Error! Bookmark not defined.
Table 10	MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote).....	21
Table 11	MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure).....	22
Table 12	MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source	24
Table 13	MBRR NT A6 - Budgeted Financial Position.....	26
Table 14	MBRR NT A7 - Budgeted Cash Flow Statement	28
Table 15	MBRR NT SA8 – Performance indicators and benchmarks.....	34
Table 16	Breakdown of the operating revenue over the medium-term	39
Table 17	Sources of capital revenue over the MTREF	39
Table 18	MBRR NT A7 - Budget cash flow statement.....	40
Table 19	MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation	41
Table 20	MBRR NT SA10 - Funding compliance measurement.....	43
Table 21	MBRR SA19 - Expenditure on transfers and grant programmes.....	45
Table 22	2023/24 Capital expenditure by asset class	46

Part 1 – Annual Budget

1.1 Mayor’s Report

To be distributed during the Council meeting.

1.2 Council Resolutions

1. The Council of Joe Gqabi District Municipality, acting in terms of section 16 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) tables:
 - 1.1. The annual budget of the municipality for the financial year 2023/24 and indicative allocations for the two projected outer years 2024/25 and 2025/26; and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15.
 - 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are tabled as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 16;
 - 1.2.2. Budgeted Cash Flows as contained in Table 17; and
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23;
2. The revised Integrated Development Plan (IDP) is tabled as reflected in the agenda.
3. The Council of Joe Gqabi District Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the tariffs for the provision of water and sanitation.
4. The measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.
5. The Budget related policies including any amendments are tabled for the budget year 2023/24.

1.3 Executive Summary

This section contains an Executive Summary of the Joe Gqabi District Municipality's (JGDM) Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

National Treasury's MFMA Circular No. 89, 91, 94, 98, 99, 107, 108, 112, 115, 122 and 123 was used to guide the compilation of the 2023/24 MTREF.

The main challenges experienced during the compilation of the 2023/24 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- Affordability of capital projects – Municipal Infrastructure Grant and Water Services Infrastructure Grant were allocated towards refurbishing existing and developing of new capital infrastructure assets; and
- Low collection levels.

The following budget principles and guidelines directly informed the compilation of the 2023/24 MTREF:

- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water, employee related costs and other costs drivers. In addition, tariffs need to move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- Other than the grant funding through the Department of Roads and Transports Service Level Agreement, all other grant funding, allocated has been Gazetted as required by the annual Division of Revenue Bill;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2023/24 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2023/24 MTREF

SUMMARY OF INCOME AND EXPENDITURE				
	Mid Year Adjustments Budget 2022/23	Draft Budget 2023/24	Draft Budget 2024/25	Draft Budget 2025/26
Total Revenue (excluding capital transfers and contributions)	703,559,014.00	739,266,816.00	752,933,747.00	769,059,014.00
Total Expenditure	661,730,761.00	673,523,151.00	670,065,000.00	655,407,004.00
Surplus / (deficit) - Operational	41,828,253.00	65,743,665.00	82,868,747.00	113,652,010.00
Total Capital Expenditure	226,523,242.00	287,683,300.00	298,251,150.00	359,989,100.00
Total Capital Funding	222,897,242.00	276,183,300.00	298,251,150.00	359,989,100.00
	(3,626,000.00)	(11,500,000.00)	-	-
Surplus / (deficit) - Total	38,202,253.00	54,243,665.00	82,868,747.00	113,652,010.00

A Budget Committee was established to examine, review and prioritise budget proposals from departments

Over the 3 year period, the Municipality is planning to spend R945 million on capital investment for the infrastructure needs of the District. The Capital Budget for the 2023/24 Financial Year is R287 million. Operating expenditure is budgeted at R673 million. This is more than the prior year adjustments budget. The operating revenue is budgeted at R739 million for the 2023/24 Financial Year.

Concerns have recently been raised by National Treasury in relation to the amount of municipalities budgeting for a deficit in the Budgeted Statement of Financial Performance.

The National Treasury has requested municipalities over time via the annual MFMA Budget Circulars to consider tabling a surplus budget on the statement of operating performance to enable municipalities to augment the capital replacement fund (CCR) which can be used to contribute to the Internally Generated Funding as a source of funding for the Municipal Capital Budget.

National Treasury is also of a view that a budgeted deficit is indicative that a municipality is living above the municipality's means.

As evident from the table above, the municipality has a budgeted surplus of R54 million. This together with the supporting table SA10 – funding measurement on page 44, indicates that the budget is funded over the MTREF.

1.4 Operating Revenue Framework

JGDM is heavily reliant on grants. The service charges are not making meaningful contribution to the revenue in the short-term, which warranted the proposal of new tariffs. This should improve in the medium term.

The following table is a summary of the 2023/24 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Eastern Cape: Joe Gqabi (DC14) - Table A4 Budgeted Financial Performance

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue											
Exchange Revenue											
Service charges - Electricity	2	-	-	-	-	-	-	-	-	-	(0)
Service charges - Water	2	105,980	136,474	126,196	180,950	180,950	180,950	180,950	191,807	203,316	215,515
Service charges - Waste Water Management	2	17,295	25,530	22,897	41,437	41,437	41,437	41,437	43,923	46,559	49,352
Service charges - Waste Management	2	-	-	-	-	-	-	-	-	-	-
Sale of Goods and Rendering of Services		281	4,127	2,172	2,700	8,100	8,100	8,100	2,862	3,033	3,216
Agency services		-	-	463	480	480	480	480	520	420	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		36,585	32,808	50,221	54,692	54,692	54,692	54,692	57,973	61,452	65,139
Interest earned from Current and Non Current Assets		2,400	1,935	2,056	8,708	8,708	8,708	8,708	9,230	9,784	10,371
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		-	-	-	5,000	5,000	5,000	5,000	5,300	5,618	5,955
Licence and permits		17	35	33	89	89	89	89	94	100	106
Operational Revenue		-	-	1	1,061	1,061	1,061	1,061	1,124	1,192	1,263
Non-Exchange Revenue											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	0	0	-	-	-	-
Licences or permits		-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		304,212	443,421	405,817	389,206	400,543	400,543	400,543	419,079	413,776	410,458
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	2,500	2,500	2,500	2,500	-	-	-
Other Gains		10,594	671	2,530	-	-	-	-	7,354	7,685	7,685
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		477,363	645,001	612,386	686,823	703,559	703,559	703,559	739,267	752,934	769,059

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Fig 1: Revenue by main revenue source

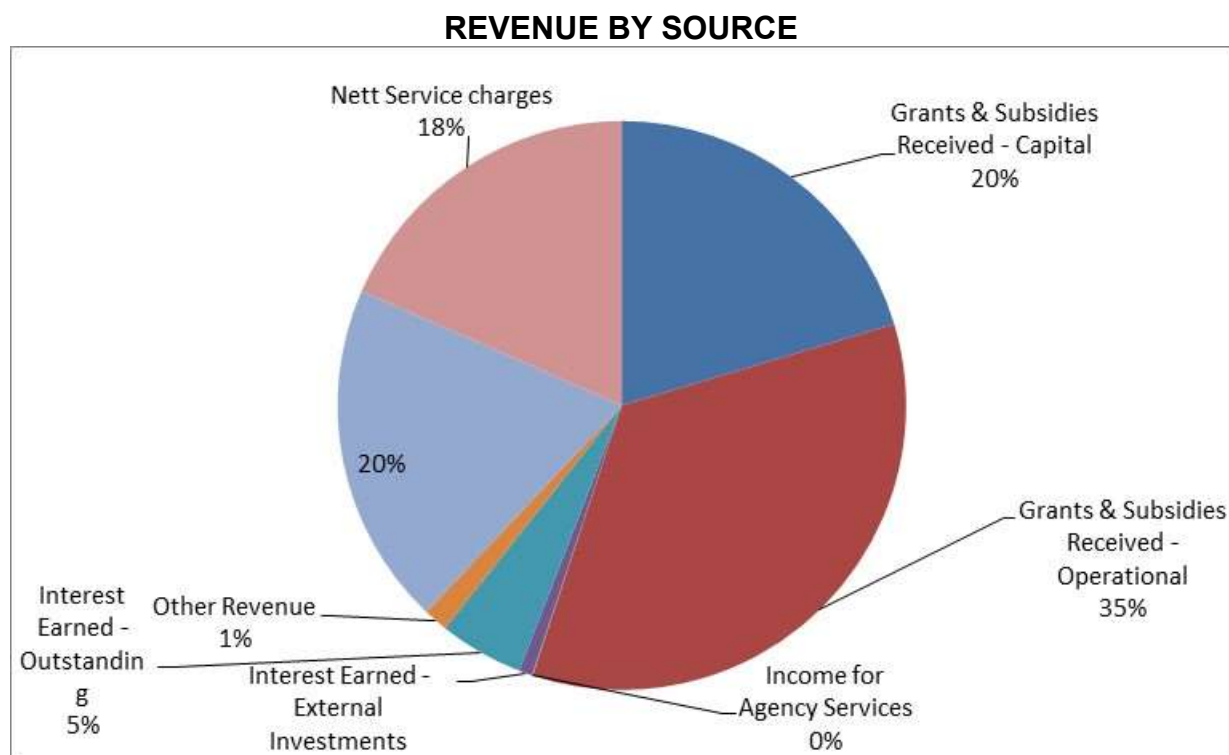


Table 3 Revenue by main revenue source

Description	Mid Year Adjustments Budget 2022/23	Draft Budget 2023/24	Draft Budget 2024/25	Draft Budget 2025/26
Grants & Subsidies Received - Capital	222,897,294.00	246,183,300.00	298,251,150.00	359,989,102.00
Grants & Subsidies Received - Operational	400,542,709.00	419,078,700.00	413,775,850.00	410,457,900.00
Income for Agency Services	480,000.00	520,000.00	420,000.00	-
Interest Earned - External Investments	8,707,874.00	9,230,346.00	9,784,167.00	10,371,217.00
Interest Earned - Outstanding	54,691,617.00	57,973,115.00	61,451,501.00	65,138,590.00
Other Revenue	16,749,238.00	16,733,816.00	17,627,540.00	18,224,141.00
Nett Service charges	222,387,576.00	235,730,839.00	249,874,689.00	264,867,166.00
Service Charges	480,047,409.00	508,850,259.00	539,381,275.00	571,744,149.00
Less: Free Basic Services	(257,286,399.00)	(272,723,581.00)	(289,086,997.00)	(306,432,218.00)
Less: Revenue Foregone	(373,434.00)	(395,839.00)	(419,589.00)	(444,765.00)
Grand Total	926,456,308.00	985,450,116.00	1,051,184,897.00	1,129,048,116.00

Total Revenue increased from R926 million in the 2022/23 Adjustment Budget to R985 million in the 2023/24 Draft Budget.

The 6% increase is largely as result of the annual increase in service charges and operational and capital grants.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Eastern Cape: Joe Gqabi (DC14) - Table SA18 Transfers and Grant Receipts										
Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
R thousands										
RECEIPTS										
Operating										
National Government										
Equitable Share		273,796	327,882	302,992	334,540	334,540	334,540	356,119	376,708	393,716
Expanded Public Works Programme Integrated Grant		1,504	1,647	1,559	1,314	1,314	1,314	1,382	-	-
Infrastructure Skills Development Grant			365	442	-	-	-	-	-	-
Local Government Financial Management Grant		1,786	1,499	1,500	1,500	1,500	1,500	1,500	1,500	1,600
Municipal Disaster Grant			2,235					-	-	-
Municipal Infrastructure Grant			52,212	50,317	21,012	32,349	32,349	29,431	9,876	10,340
Municipal Systems Improvement Grant					4,262	4,262	4,262	2,060	2,000	2,000
Municipal Water Infrastructure Grant (Schedule 5B)			29,461	25,848		0	0	-	-	-
Regional Bulk Infrastructure Grant			4,765					-	-	-
Road Asset Management Systems Grant (Schedule 5B)			2		2,338	2,338	2,338	2,347	2,452	2,562
Total Operating/National Government		277,086	420,068	382,659	364,966	376,303	376,303	392,839	392,536	410,218
Provincial Government										
Infrastructure		27,064	23,223	23,158	24,000	24,000	24,000	26,000	21,000	-
Total Operating/Provincial Government		27,064	23,223	23,158	24,000	24,000	24,000	26,000	21,000	-
Other Grant Providers										
National Skills Fund		62			240	240	240	240	240	240
Product			130							
Total Operating/Other Grant Providers		62	130	-	240	240	240	240	240	240
Total Operating		304,212	443,421	405,817	389,206	400,543	400,543	419,079	413,776	410,458
Capital										
National Government										
Municipal Infrastructure Grant		156,868	91,649	115,871	159,234	147,897	147,897	159,183	187,641	196,458
Regional Bulk Infrastructure Grant		2,235	3,768		15,000	15,000	15,000	20,000	50,000	100,225
Water Services Infrastructure Grant		89,676	40,539	47,152	60,000	60,000	60,000	67,000	60,610	63,306
Total Capital/National Government		248,779	135,956	163,022	234,234	222,897	222,897	246,183	298,251	359,989
Provincial Government										
Infrastructure		5,105	2,463	50		0	0			
Other Transfers Public Corporations				1,060						
Total Capital/Provincial Government		5,105	2,463	1,109	-	0	0	-	-	-
Total Capital		253,884	138,419	164,132	234,234	222,897	222,897	246,183	298,251	359,989
TOTAL		558,095	581,840	569,949	623,440	623,440	623,440	665,262	712,027	770,447

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs, Value added tax increase and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6.45 percent. Excessive increases are likely to be counter productive, resulting in higher levels of non-payment. The municipality decided against using a blanket approach in setting tariffs. The basic charges and consumption charges on conventional meters and that on pre-paid meters were increased in line with the costs associated with the service. The increase on average amounts to an increase of 15 percent. Some services were therefore more affected than others.

Inline with MFMA Circular 123, par 5

“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.”

The cost per kl as per the audited AFS for 2021/2022 is R16,36. In comparison with the current tariffs (2022/2023) it is evident that the first 2 steps are below the cost of delivering the service, however as from the 3rd step cost have been recovered fully.

The major cost drivers for delivering water and sanitation services are:

- Salary cost
- Electricity
- Chemicals
- Fuel
- Maintenance

NERSA approved an increase of 18,49% - 18,65% for electricity cost for the new year and the cost of Fuel and Chemicals have also increased above normal in the last 2 financial years. To recover the cost of the service, an increase of 15% is proposed on all water and sanitation related services. The cost of 1l of water will be as follows (excluding VAT):

Conventional:

Indigents:

- Basic charges of R285 (subsidised)
- Cost per litre starting from 1.5c – 4.7c

Residential:

- Basic charges of R285
- Cost per litre starting from 1.6c – 5c

Business:

- Basic charges of R549
- Cost per litre starting from 1.5c – 2.8c

Pre paid:

Indigents:

- Cost per litre starting from 1.67c

Residential:

- Cost per litre starting from 2c – 4.3c

Business:

- Cost per litre starting from 2.5c – 5.1c

The tariffs for the health inspection certificates have all been increased to R434.78 (R500 inclusive of VAT) to be more reflective of cost. Comparisons have been done with other municipalities and the new rate is still below the tariffs in those institutions. The increase is from R178.65, R59.55 and R238.20 respectively to a rate of R434.78. All other tariffs are proposed at an increase of 6%. Having considered the proposed rates as per Annexure B and the detail above this is still deemed to be affordable in the current economic environment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities.

The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of water, petrol, diesel, chemicals, cement etc. The current challenges facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2023/24 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

The following table is a high level summary of the 2023/24 budget and MTREF (classified per main type of operating expenditure):

Table 5 Summary of operating expenditure by standard classification item

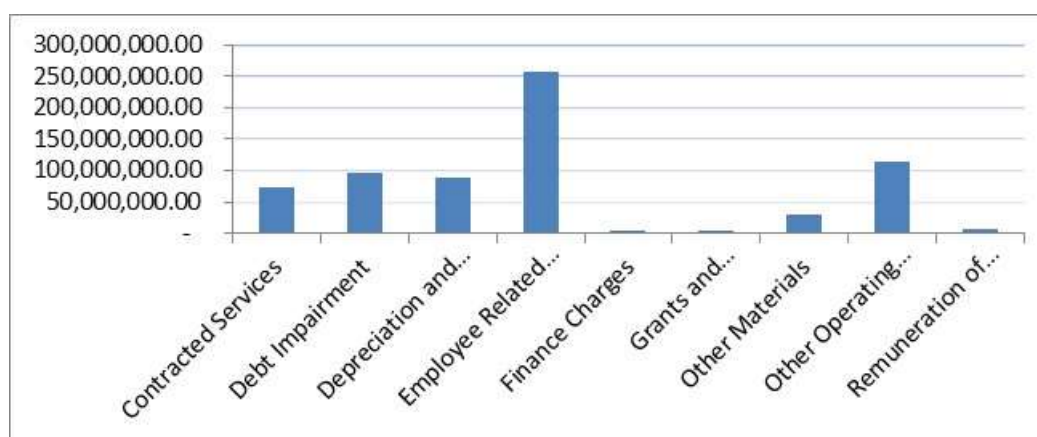
Eastern Cape: Joe Gqabi (DC14) - Table A4 Budgeted Financial Performance

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
R thousands	1										
Expenditure											
Employee related costs	2	236,208	250,095	254,423	255,714	257,518	257,518	257,518	256,584	268,876	281,513
Remuneration of councillors		6,056	5,972	5,719	7,333	7,333	7,333	7,333	7,656	8,000	8,000
Bulk purchases - electricity	2	-	-	-	-	-	-	-	-	-	-
Inventory consumed	8	20,854	19,096	22,067	28,517	27,587	27,587	27,587	29,167	32,886	31,152
Debt impairment	3	63,821	83,000	77,355	89,045	89,045	89,045	89,045	94,388	97,147	97,947
Depreciation and amortisation		123,916	58,424	67,999	87,807	88,262	88,262	88,262	87,964	88,404	88,846
Interest		4,328	3,631	6,194	9,670	6,017	6,017	6,017	3,636	3,016	3,153
Contracted services		129,983	111,223	102,594	59,997	66,460	66,460	66,460	73,542	51,796	47,991
Transfers and subsidies		6,769	7,564	5,039	14,040	13,560	13,560	13,560	5,837	5,777	5,680
Irrecoverable debts written off		-	-	-	-	298	298	298	614	0	0
Operational costs		69,526	70,821	83,254	104,319	105,755	105,755	105,755	114,127	114,163	91,125
Losses on disposal of Assets		-	1,845	19,126	-	-	-	-	1	-	-
Other Losses		-	1,379	79	-	-	-	-	9	-	0
Total Expenditure		661,461	613,050	643,848	656,442	661,837	661,837	661,837	673,523	670,065	655,407

Table 6 Percentage growth in expenditure by main expenditure type

Description	Mid Year Adjustments Budget 2022/23	Draft Budget 2023/24	Draft Budget 2024/25	Draft Budget 2025/26
Contracted Services	66,460,254.00	73,541,549.00	51,796,119.00	47,990,543.00
Debt Impairment	89,343,312.00	95,001,920.00	97,146,662.00	97,946,663.00
Depreciation and Amortisation	88,261,842.00	87,964,317.00	88,404,139.00	88,846,160.00
Employee Related Costs	257,518,149.00	256,583,569.00	268,875,878.00	281,513,150.00
Finance Charges	6,017,450.00	3,635,681.00	3,015,556.00	3,153,130.00
Transfers and Subsidies Paid	13,560,470.00	5,836,644.00	5,777,198.00	5,680,496.00
Other Materials	27,587,302.00	29,167,171.00	32,885,878.00	31,151,522.00
Other Operating expenditure	105,648,887.00	114,136,543.00	114,163,304.00	91,125,074.00
Remuneration of Councilors	7,333,095.00	7,655,757.00	8,000,266.00	8,000,266.00
Total	661,730,761.00	673,523,151.00	670,065,000.00	655,407,004.00

Fig 2: Expenditure by major type



The budgeted allocation for employee related costs for the 2023/24 financial year totals R 256 million, which equals 38 percent of the total operating expenditure. This is at the maximum point per the standard. The Budgeted Employee Related Costs increased by 5.4% per the Salary and Wage Collective Agreement. The Employee Related Costs increase from the adjustments budget to the draft budget per the table above however did not increase with 5.4% due to an adjustment in the Roads division and measures which would be implemented to curb overtime expenditure.

The cost associated with the remuneration of Councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

During the prior year's Budget Engagement process, Provincial Treasury advised that the municipality should budget for debt impairment on percentage not collected. The budgeted collection rate is 50% on consumers with conventional meters and 100% on consumers with pre-paid water meters. As per Provincial Treasury's advice, the municipality should therefore use the remaining 50% as the provision of debt impairment. The municipality decided to only apply the 50% to residential consumers with conventional meters. The total budgeted collection rate is 60% over the MTREF. For the 2023/24 financial year this amount equates to R 95 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with

rendering the services of the municipality, as well as the municipality’s realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality’s Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 87 million for the 2023/24 financial year and equates to 13 percent of the total operating expenditure.

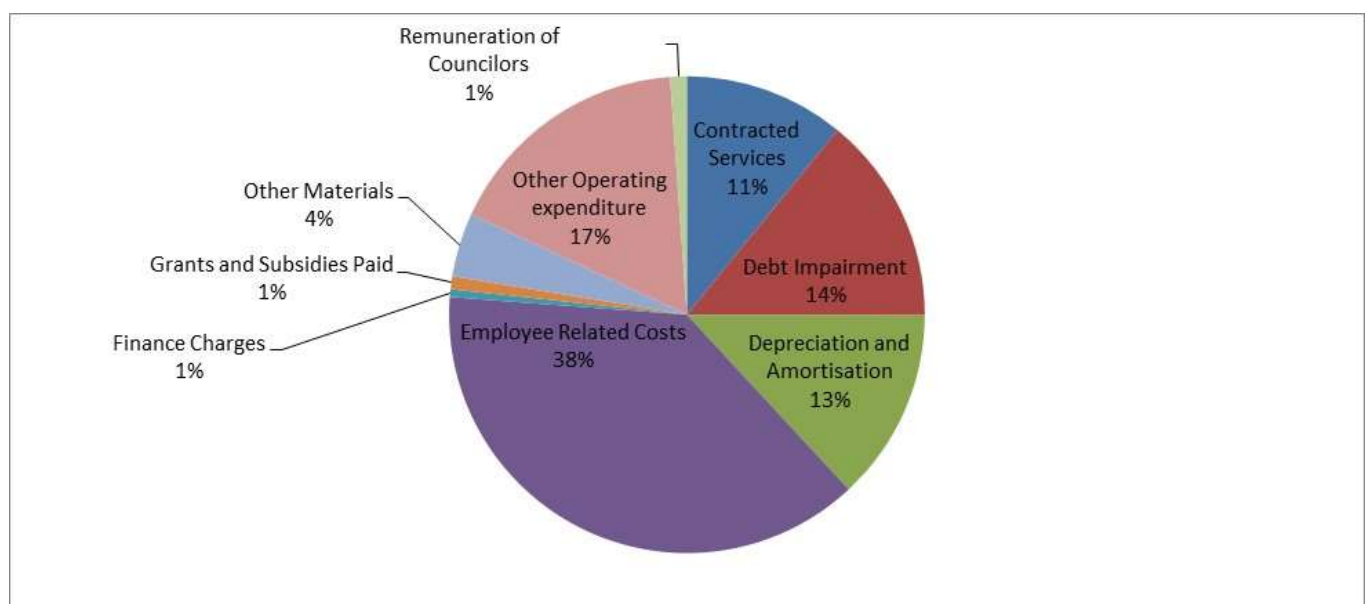
Finance charges consist primarily of the repayment of interest on long-term borrowing, frontloading and interest on non-current provisions. Finance charges (R 3.6 million) equates to 0.54 percent of the operating expenditure excluding annual redemption for 2023/24 financial year.

Repairs and Maintenance allocation is R 85.9 million (including the employee costs, amounting to R58 million, of departments responsible for repairs and maintenance) for the 2023/24 financial year. The portion reflective as repairs and maintenance is 12.8 percent of total operational expenditure. Bulk of the cost associated with repairs and maintenance comprises of employee costs.

The municipality decided to use the percentage of total operational expenditure instead of percentage of property, plant and equipment. The percentage of property, plant and equipment will require 43% of the Equitable share to be allocated to Repairs and maintenance, as evident from the table below.

Audited Property, plant and Equipment	1,933,337,953
Repairs and maintenance at 8%	154,667,036
Equitable share	356,119,000
Repairs and maintenance as a percentage of Equitable share	43%

Fig 3: Expenditure by major type – 2023/24



Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The qualifying indigents will be provided with 6kl of water per month

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by functional classification and funding:

Table 7 2023/24 Medium-term capital budget per function

Eastern Cape: Joe Gqabi (DC14) - Table A5 Budgeted Capital Expenditure by Functional Classification

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Capital Expenditure - Functional											
<i>Municipal governance and administration</i>		346	629	1,377	33,250	3,626	3,626	3,626	41,350	-	0
Executive and council											
Finance and administration		346	629	1,377	33,250	3,626	3,626	3,626	41,350	-	0
Internal audit											
<i>Community and public safety</i>		-	-	-	1,700	-	-	-	-	-	-
Community and social services											
Sport and recreation											
Public safety					200						
Housing											
Health					1,500						
<i>Economic and environmental services</i>		(94,698)	99,616	134,298	174,234	162,897	162,897	162,897	179,333	237,641	296,683
Planning and development		(94,698)	99,616	134,298	174,234	162,897	162,897	162,897	179,333	237,641	296,683
Road transport											
Environmental protection											
<i>Trading services</i>		213,671	49,945	47,152	60,000	60,000	60,000	60,000	67,000	60,610	63,306
Energy sources											
Water management		213,671	49,945	47,152	60,000	60,000	60,000	60,000	67,000	60,610	63,306
Waste water management											
Waste management											
<i>Other</i>											
Total Capital Expenditure - Functional	3	119,319	150,190	182,826	269,184	226,523	226,523	226,523	287,683	298,251	359,989
Funded by											
National Government		109,906	138,098	149,356	234,234	222,897	222,897	222,897	246,183	298,251	359,989
Provincial Government		4,487									
District Municipality											
Transfers and subsidies - capital (monetary allocations) (National Government)											
Transfers recognised - capital	4	114,393	138,098	149,356	234,234	222,897	222,897	222,897	246,183	298,251	359,989
Borrowing	6	4,581	11,463	31,485	30,000	-	-	-	30,000	-	-
Internally generated funds		346	629	1,985	4,950	3,626	3,626	3,626	11,500		
Total Capital Funding	7	119,319	150,190	182,826	269,184	226,523	226,523	226,523	287,683	298,251	359,989

1.7 Annual Budget Tables

The following pages present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2023/24 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

Joe Gqabi (DC14) - Table A1 Budget Summary

Description	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	123,275	162,004	149,093	222,388	222,388	222,388	39,993	235,731	249,875	264,867
Investment revenue	2,400	1,935	2,056	8,708	8,708	8,708	121	9,230	9,784	10,371
Transfer and subsidies - Operational	304,212	443,421	405,817	389,206	400,543	400,543	152,203	419,079	413,776	410,458
Other own revenue	47,477	37,642	55,421	66,521	71,921	71,921	29,555	75,227	79,499	83,363
Total Revenue (excluding capital transfers and contributions)	477,363	645,001	612,386	686,823	703,559	703,559	221,872	739,267	752,934	769,059
Employee costs	236,208	250,095	254,423	255,714	257,518	257,518	182,590	256,584	268,876	281,513
Remuneration of councillors	6,056	5,972	5,719	7,333	7,333	7,333	4,325	7,656	8,000	8,000
Depreciation and amortisation	123,916	58,424	67,999	87,807	88,262	88,262	28,830	87,964	88,404	88,846
Finance charges	4,328	3,631	6,194	9,670	6,017	6,017	299	3,636	3,016	3,153
Inventory consumed and bulk purchases	20,854	19,096	22,067	28,517	27,587	27,587	11,461	29,167	32,886	31,152
Transfers and subsidies	6,769	7,564	5,039	14,040	13,560	13,560	8,007	5,837	5,777	5,680
Other expenditure	263,330	268,268	282,407	253,361	261,559	261,559	94,465	282,680	263,106	237,062
Total Expenditure	661,461	613,050	643,848	656,442	661,837	661,837	329,976	673,523	670,065	655,407
Surplus/(Deficit)	(184,097)	31,952	(31,462)	30,381	41,722	41,722	(108,104)	65,744	82,869	113,652
Transfers and subsidies - capital (monetary allocations)	253,884	138,419	163,072	234,234	222,897	222,897	166,566	246,183	298,251	359,989
Transfers and subsidies - capital (in-kind)	-	-	1,060	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	69,786	170,371	132,670	264,614	264,619	264,619	58,463	311,927	381,120	473,641
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	69,786	170,371	132,670	264,614	264,619	264,619	58,463	311,927	381,120	473,641
Capital expenditure & funds sources										
Capital expenditure	119,319	150,190	182,826	269,184	226,523	226,523	110,635	287,683	298,251	359,989
Transfers recognised - capital	114,393	138,098	149,356	234,234	222,897	222,897	-	231,333	273,498	344,989
Borrowing	4,581	11,463	31,485	30,000	-	-	-	45,000	24,753	15,000
Internally generated funds	346	629	1,985	4,950	3,626	3,626	-	11,350	-	0
Total sources of capital funds	119,319	150,190	182,826	269,184	226,523	226,523	-	287,683	298,251	359,989
Financial position										
Total current assets	402,608	464,162	590,607	466,399	800,827	800,827	(233,180)	1,351,580	1,418,327	1,492,318
Total non current assets	1,757,789	1,843,328	1,939,890	2,030,745	2,001,029	2,001,029	81,806	2,196,755	2,395,925	2,659,833
Total current liabilities	229,114	215,620	336,825	228,185	351,799	351,799	(184,193)	241,697	107,263	4,358
Total non current liabilities	52,067	46,335	46,237	48,173	37,895	37,895	(25,509)	50,744	4,299	3,334
Community wealth/Equity	1,809,430	1,875,164	2,014,766	2,220,654	2,412,161	2,412,161	(135)	2,799,939	3,201,059	3,625,507
Cash flows										
Net cash from (used) operating	-	-	(18,854)	244,834	245,060	245,060	(340,467)	329,730	204,029	255,714
Net cash from (used) investing	(94)	(94)	1,865	(275,947)	(231,765)	(231,765)	-	(284,745)	(298,313)	(360,051)
Net cash from (used) financing	-	-	(416)	28,394	(61,393)	(61,393)	(366)	30,000	(969)	(0)
Cash/cash equivalents at the year end	4,787	21,430	(12,162)	1,575	(23,166)	(23,166)	(340,833)	101,152	(68,261)	(77,345)
Cash backing/surplus reconciliation										
Cash and investments available	87,248	9,096	26,919	17,990	43,868	43,868	(315,091)	39,398	40,246	40,308
Application of cash and investments	238,363	251,638	368,545	80,839	49,634	49,634	(140,485)	(518,207)	(716,419)	(868,954)
Balance - surplus (shortfall)	(151,115)	(242,542)	(341,625)	(62,849)	(5,766)	(5,766)	(174,606)	557,605	756,665	909,262
Asset management										
Asset register summary (WDV)	1,265,235	1,304,813	1,756,453	1,996,993	1,987,035	1,987,035	(27,855)	2,182,701	2,381,809	2,645,655
Depreciation	123,916	57,807	65,361	87,807	88,262	88,262	28,830	87,964	88,404	88,846
Renewal and Upgrading of Existing Assets	(112,953)	101,012	127,398	157,334	138,000	138,000	64,678	164,977	201,018	277,989
Repairs and Maintenance	77,813	35,579	42,336	21,047	29,882	29,882	12,585	27,697	10,514	10,624
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	77,723	77,723	-	77,723	77,723	77,723	-	-	-	-
Sanitation/sewerage:	77,723	77,723	-	77,723	77,723	77,723	-	-	-	-
Energy:	77,723	77,723	-	77,723	77,723	77,723	-	-	-	-
Refuse:	77,723	77,723	-	77,723	77,723	77,723	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.
The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.

Table 9 MBRR NT A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Joe Gqabi (DC14) - Table A2 Budgeted Financial Performance by Functional Classification

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue - Functional										
<i>Municipal governance and administration</i>		289,018	333,140	310,016	375,958	375,958	375,958	406,264	458,263	526,804
Executive and council					2,500	2,500	2,500	2,650	2,809	2,978
Finance and administration		289,018	333,140	310,016	373,458	373,458	373,458	403,614	455,454	523,827
Internal audit								-	-	-
<i>Community and public safety</i>		36	2,314	93	129	129	129	137	145	153
Community and social services										
Sport and recreation										
Public safety										
Housing										
Health		36	2,314	93	129	129	129	137	145	153
<i>Economic and environmental services</i>		192,776	183,202	193,194	208,378	213,778	213,778	218,863	221,389	209,360
Planning and development		165,712	156,504	167,747	181,560	181,560	181,560	189,996	197,517	206,798
Road transport		27,064	23,225	23,621	26,818	26,818	26,818	28,867	23,872	2,562
Environmental protection			3,473	1,826		5,400	5,400	-	-	0
<i>Trading services</i>		249,417	264,765	273,214	336,591	336,591	336,591	360,187	371,388	392,731
Energy sources										
Water management		132,877	190,537	225,615	215,574	215,574	215,574	228,509	242,219	256,752
Waste water management		116,540	74,227	47,600	121,017	121,017	121,017	131,678	129,169	135,978
Waste management								-	-	-
<i>Other</i>	4									
Total Revenue - Functional	2	731,247	783,421	776,518	921,056	926,456	926,456	985,450	1,051,185	1,129,048
Expenditure - Functional										
<i>Municipal governance and administration</i>		145,898	136,305	155,662	180,509	171,143	171,143	175,715	181,122	180,708
Executive and council		22,525	23,978	23,572	31,319	29,842	29,842	31,923	32,681	29,238
Finance and administration		120,157	110,758	129,757	143,870	136,928	136,928	139,613	144,534	147,407
Internal audit		3,216	1,569	2,333	5,319	4,373	4,373	4,179	3,906	4,063
<i>Community and public safety</i>		32,014	32,992	34,288	40,282	41,293	41,293	42,224	42,325	43,944
Community and social services										
Sport and recreation										
Public safety		15,620	14,777	16,740	16,677	19,138	19,138	18,910	19,809	20,599
Housing										
Health		16,394	18,215	17,548	23,606	22,155	22,155	23,314	22,516	23,345
<i>Economic and environmental services</i>		126,128	81,806	112,556	78,301	90,251	90,251	79,857	54,407	31,623
Planning and development		99,744	52,929	84,928	51,021	59,422	59,422	50,990	30,535	29,061
Road transport		22,673	23,925	22,853	26,818	26,818	26,818	28,867	23,872	2,562
Environmental protection		3,712	4,952	4,775	462	4,011	4,011	0	0	0
<i>Trading services</i>		357,422	361,947	341,341	357,349	359,150	359,150	375,728	392,211	399,132
Energy sources										
Water management		230,280	311,931	280,058	297,107	297,537	297,537	253,069	272,299	277,080
Waste water management		127,141	50,016	61,284	60,242	61,612	61,612	122,658	119,912	122,051
Waste management										
<i>Other</i>	4									
Total Expenditure - Functional	3	661,461	613,050	643,848	656,442	661,837	661,837	673,523	670,065	655,407
Surplus/(Deficit)		69,786	170,371	132,670	264,614	264,619	264,619	311,927	381,120	473,641

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Finance and Asset Management.

Table 10 MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Joe Gqabi (DC14) - Table A2 Budgeted Financial Performance by Vote Classification

Vote Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue by Vote	1									
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	2,650	2,809	2,978
Vote 2 - Financial Services		-	-	-	-	-	-	390,707	441,898	509,932
Vote 3 - Corporate Services		-	-	-	-	-	-	12,907	13,557	13,894
Vote 4 - Technical Services		-	-	-	-	-	-	218,863	221,389	209,360
Vote 5 - Community Services		-	-	-	-	-	-	137	145	153
Vote 6 - Institutional Support and Advancement		-	-	-	-	-	-	-	-	-
Vote 7 - Water Services Provision		-	-	-	-	-	-	360,187	371,388	392,731
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	-	-	-	-	-	985,450	1,051,185	1,129,048
Expenditure by Vote to be appropriated	1									
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	39,975	39,877	35,268
Vote 2 - Financial Services		-	-	-	-	-	-	48,077	48,995	50,922
Vote 3 - Corporate Services		-	-	-	-	-	-	55,237	58,333	59,921
Vote 4 - Technical Services		-	-	-	-	-	-	62,368	36,721	16,004
Vote 5 - Community Services		-	-	-	-	-	-	66,850	65,586	67,604
Vote 6 - Institutional Support and Advancement		-	-	-	-	-	-	49,915	51,604	50,217
Vote 7 - Water Services Provision		-	-	-	-	-	-	351,101	368,949	375,472
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	-	-	-	-	-	673,523	670,065	655,407
Surplus/(Deficit) for the year	2	-	-	-	-	-	-	311,927	381,120	473,641

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

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

Table 11 MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure)

Joe Gqabi (DC14) - Table A4 Budgeted Financial Performance

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Revenue											
Exchange Revenue											
Service charges - Electricity	2	-	-	-	-	-	-	-	-	-	(0)
Service charges - Water	2	105,980	136,474	126,196	180,950	180,950	180,950	180,950	191,807	203,316	215,515
Service charges - Waste Water Management	2	17,295	25,530	22,897	41,437	41,437	41,437	41,437	43,923	46,559	49,352
Service charges - Waste Management	2	-	-	-	-	-	-	-	-	-	-
Sale of Goods and Rendering of Services		281	4,127	2,172	2,700	8,100	8,100	8,100	2,862	3,033	3,216
Agency services		-	-	463	480	480	480	480	520	420	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		36,585	32,808	50,221	54,692	54,692	54,692	54,692	57,973	61,452	65,139
Interest earned from Current and Non Current Assets		2,400	1,935	2,056	8,708	8,708	8,708	8,708	9,230	9,784	10,371
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		-	-	-	5,000	5,000	5,000	5,000	5,300	5,618	5,955
Licence and permits		17	35	33	89	89	89	89	94	100	106
Operational Revenue		-	-	1	1,061	1,061	1,061	1,061	1,124	1,192	1,263
Non-Exchange Revenue											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	0	0	-	-	-	-
Licences or permits		-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		304,212	443,421	405,817	389,206	400,543	400,543	400,543	419,079	413,776	410,458
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	2,500	2,500	2,500	2,500	-	-	-
Other Gains		10,594	671	2,530	-	-	-	-	7,354	7,685	7,685
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		477,363	645,001	612,386	686,823	703,559	703,559	703,559	739,267	752,934	769,059
Expenditure											
Employee related costs	2	236,208	250,095	254,423	255,714	257,518	257,518	257,518	256,584	268,876	281,513
Remuneration of councillors		6,056	5,972	5,719	7,333	7,333	7,333	7,333	7,656	8,000	8,000
Bulk purchases - electricity	2	-	-	-	-	-	-	-	-	-	-
Inventory consumed	8	20,854	19,096	22,067	28,517	27,587	27,587	27,587	29,167	32,886	31,152
Debt impairment	3	63,821	83,000	77,355	89,045	89,045	89,045	89,045	94,388	97,147	97,947
Depreciation and amortisation		123,916	58,424	67,999	87,807	88,262	88,262	88,262	87,964	88,404	88,846
Interest		4,328	3,631	6,194	9,670	6,017	6,017	6,017	3,636	3,016	3,153
Contracted services		129,983	111,223	102,594	59,997	66,460	66,460	66,460	73,542	51,796	47,991
Transfers and subsidies		6,769	7,564	5,039	14,040	13,560	13,560	13,560	5,837	5,777	5,680
Irrecoverable debts written off		-	-	-	-	298	298	298	614	0	0
Operational costs		69,526	70,821	83,254	104,319	105,755	105,755	105,755	114,127	114,163	91,125
Losses on disposal of Assets		-	1,845	19,126	-	-	-	-	1	-	-
Other Losses		-	1,379	79	-	-	-	-	9	-	0
Total Expenditure		661,461	613,050	643,848	656,442	661,837	661,837	661,837	673,523	670,065	655,407
Surplus/(Deficit)		(184,097)	31,952	(31,462)	30,381	41,722	41,722	41,722	65,744	82,869	113,652
Transfers and subsidies - capital (monetary allocations)	6										
Transfers and subsidies - capital (in-kind)	6	253,884	138,419	163,072	234,234	222,897	222,897	222,897	246,183	298,251	359,989
		-	-	1,060	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers and contributions		69,786	170,371	132,670	264,614	264,619	264,619	264,619	311,927	381,120	473,641
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		69,786	170,371	132,670	264,614	264,619	264,619	264,619	311,927	381,120	473,641
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		69,786	170,371	132,670	264,614	264,619	264,619	264,619	311,927	381,120	473,641
Share of Surplus/Deficit attributable to Associate	7										
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		69,786	170,371	132,670	264,614	264,619	264,619	264,619	311,927	381,120	473,641

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Budgeted total revenue amount to R985 million in 2023/24.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and other expenditure are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 12 MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Joe Gqabi (DC14) - Table A5 Budgeted Capital Expenditure by Functional Classification

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Capital expenditure - Vote	1										
Multi-year expenditure to be appropriated											
Vote 1 - Office of Municipal Manager											
Vote 2 - Financial Services											
Vote 3 - Corporate Services											
Vote 4 - Technical Services		94,698	99,616	134,298	174,234	162,897	162,897	162,897	179,333	237,641	296,683
Vote 5 - Community Services											
Vote 6 - Institutional Support and Advancement											
Vote 7 - Water Services Provision		213,671	49,945	47,152	60,000	60,000	60,000	60,000	67,000	60,610	63,306
Vote 8 - [NAME OF VOTE 8]											
Vote 9 - [NAME OF VOTE 9]											
Vote 10 - [NAME OF VOTE 10]											
Vote 11 - [NAME OF VOTE 11]											
Vote 12 - [NAME OF VOTE 12]											
Vote 13 - [NAME OF VOTE 13]											
Vote 14 - [NAME OF VOTE 14]											
Vote 15 - [NAME OF VOTE 15]											
Capital multi-year expenditure sub-total		308,369	149,561	181,449	234,234	222,897	222,897	222,897	246,333	298,251	359,989
Single-year expenditure to be appropriated											
Vote 1 - Office of Municipal Manager											
Vote 2 - Financial Services											
Vote 3 - Corporate Services		346	629	1,377	31,250	1,626	1,626	1,626	38,350	-	-
Vote 4 - Technical Services											
Vote 5 - Community Services					1,700	-	-	-			
Vote 6 - Institutional Support and Advancement					2,000	2,000	2,000	2,000	3,000	-	-
Vote 7 - Water Services Provision											
Vote 8 - [NAME OF VOTE 8]											
Vote 9 - [NAME OF VOTE 9]											
Vote 10 - [NAME OF VOTE 10]											
Vote 11 - [NAME OF VOTE 11]											
Vote 12 - [NAME OF VOTE 12]											
Vote 13 - [NAME OF VOTE 13]											
Vote 14 - [NAME OF VOTE 14]											
Vote 15 - [NAME OF VOTE 15]											
Capital single-year expenditure sub-total		346	629	1,377	34,950	3,626	3,626	3,626	41,350	-	-
Total Capital Expenditure - Vote		308,714	150,190	182,826	269,184	226,523	226,523	226,523	287,683	298,251	359,989
Capital Expenditure - Functional											
Municipal governance and administration		346	629	1,377	33,250	3,626	3,626	3,626	41,350	-	0
Executive and council											
Finance and administration		346	629	1,377	33,250	3,626	3,626	3,626	41,350	-	0
Internal audit											
Community and public safety		-	-	-	1,700	-	-	-	-	-	-
Community and social services											
Sport and recreation											
Public safety					200						
Housing											
Health					1,500						
Economic and environmental services		94,698	99,616	134,298	174,234	162,897	162,897	162,897	179,333	237,641	296,683
Planning and development		94,698	99,616	134,298	174,234	162,897	162,897	162,897	179,333	237,641	296,683
Road transport											
Environmental protection											
Trading services		213,671	49,945	47,152	60,000	60,000	60,000	60,000	67,000	60,610	63,306
Energy sources											
Water management		213,671	49,945	47,152	60,000	60,000	60,000	60,000	67,000	60,610	63,306
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Functional	3	308,714	150,190	182,826	269,184	226,523	226,523	226,523	287,683	298,251	359,989
Funded by											
National Government	-	109,906	138,098	149,356	234,234	222,897	222,897	222,897	246,183	298,251	359,989
Provincial Government		4,487									
District Municipality											
Transfers and subsidies - capital (monetary allocations) (Nat)											
Transfers recognised - capital	4	114,393	138,098	149,356	234,234	222,897	222,897	222,897	246,183	298,251	359,989
Borrowing	6	4,581	11,463	31,485	30,000	-	-	-	30,000	-	-
Internally generated funds		346	629	1,985	4,950	3,626	3,626	3,626	11,500	-	-
Total Capital Funding	7	119,319	150,190	182,826	269,184	226,523	226,523	226,523	287,683	298,251	359,989

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R 41 million for the 2023/24 financial year.
4. Multi-year capital expenditure has been appropriated at R 246 million for the 2023/24 financial year.
5. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
6. The capital programmes are funded from national grants, external loans and internally generated funds.

Table 13 MBRR NT A6 - Budgeted Financial Position

Joe Gqabi (DC14) - Table A6 Budgeted Financial Position

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
ASSETS											
Current assets											
Cash and cash equivalents		83,488	5,243	24,931	9,238	29,874	29,874	29,874	25,343	26,130	21,130
Trade and other receivables from exchange transactions	1	281,088	380,121	462,858	333,666	630,524	630,524	630,524	733,627	838,435	926,478
Receivables from non-exchange transactions	1	(2,181)	(2,305)	4,082	2	-	-	-	-	-	0
Current portion of non-current receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	2,186	2,070	1,829	2,443	2,203	2,203	2,203	2,766	3,328	3,455
VAT		38,762	78,993	94,527	120,898	138,074	138,074	138,074	133,737	129,402	129,402
Other current assets		(736)	41	2,378	152	151	151	151	152	150	150
Total current assets		402,608	464,162	590,607	466,399	800,827	800,827	800,827	895,625	997,446	1,080,616
Non current assets											
Investments		3,760	3,854	1,988	8,752	13,993	13,993	13,993	14,055	14,116	14,178
Investment property		2,348	2,302	1,920	2,302	1,874	1,874	1,874	1,827	1,777	1,728
Property, plant and equipment	3	1,751,672	1,837,170	1,935,981	2,019,539	1,985,002	1,985,002	1,985,002	2,180,365	2,379,524	2,643,421
Biological assets		-	-	-	-	-	-	-	-	-	-
Living and non-living resources		-	-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-
Intangible assets	10	2	1	152	159	159	159	508	507	506	
Trade and other receivables from exchange transactions		-	-	-	-	-	-	-	-	-	-
Non-current receivables from non-exchange transactions		-	-	-	-	-	-	-	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		1,757,789	1,843,328	1,939,890	2,030,745	2,001,029	2,001,029	2,001,029	2,196,755	2,395,925	2,659,833
TOTAL ASSETS		2,160,397	2,307,490	2,530,497	2,497,144	2,801,855	2,801,855	2,801,855	3,092,380	3,393,371	3,740,448
LIABILITIES											
Current liabilities											
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities		480	675	61,430	30,963	969	969	969	17,094	16,125	(0)
Consumer deposits		1,030	1,131	1,377	1,231	1,477	1,477	1,477	1,467	1,467	
Trade and other payables from exchange transactions	4	175,962	103,518	149,358	142,802	181,255	181,255	181,255	171,529	86,352	23,625
Trade and other payables from non-exchange transactions	5	(11,560)	(12,351)	(7,878)	2,198	(7,276)	(7,276)	(7,276)	(6,737)	(7,673)	(7,673)
Provision		20,438	37,189	37,184	38,635	42,421	42,421	42,421	45,977	47,894	48,055
VAT		42,763	85,458	95,353	12,357	132,952	132,952	132,952	12,357	13,098	13,884
Other current liabilities		-	-	-	-	-	-	-	-	-	-
Total current liabilities		229,114	215,620	336,825	228,185	351,799	351,799	351,799	241,697	157,263	79,358
Non current liabilities											
Financial liabilities	6	2,848	2,051	622	2,549	627	627	627	15,159	-	-
Provision	7	22,506	19,023	16,620	20,527	10,964	10,964	10,964	9,313	8,813	9,313
Long term portion of trade payables		-	-	-	-	-	-	-	-	-	-
Other non-current liabilities		26,713	25,261	28,994	25,097	26,304	26,304	26,304	26,272	26,236	26,271
Total non current liabilities		52,067	46,335	46,237	48,173	37,895	37,895	37,895	50,744	35,049	35,584
TOTAL LIABILITIES		281,181	261,955	383,062	276,357	389,694	389,694	389,694	292,441	192,312	114,942
NET ASSETS	10	1,879,216	2,045,535	2,147,436	2,220,787	2,412,161	2,412,161	2,412,161	2,799,939	3,201,059	3,625,507
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	8	1,809,430	1,875,164	2,014,766	2,220,654	2,412,161	2,412,161	2,412,161	2,799,939	3,201,059	3,625,507
Reserves and funds	9	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	10	1,809,430	1,875,164	2,014,766	2,220,654	2,412,161	2,412,161	2,412,161	2,799,939	3,201,059	3,625,507

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 14 MBRR NT A7 - Budgeted Cash Flow Statement

Joe Gqabi (DC14) - Table A7 Budgeted Cash Flows

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	-	-	-	-	-	-	-
Service charges		-	-	-	160,722	160,722	160,722	-	171,972	184,010	196,891
Other revenue		-	-	-	1,287	1,287	1,287	-	5,300	5,618	5,955
Transfers and Subsidies - Operational	1	-	-	-	390,685	402,022	402,022	-	423,013	417,770	414,352
Transfers and Subsidies - Capital	1	-	-	-	243,246	231,910	231,910	-	246,183	298,251	359,989
Interest		-	-	-	8,708	8,708	8,708	-	9,230	9,784	10,371
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		-	-	(18,854)	(538,371)	(492,767)	(492,767)	-	(598,142)	(597,349)	(614,354)
Finance charges		-	-	-	(8,185)	(8,185)	(8,185)	-	(3,636)	(3,016)	(3,153)
Transfers and Subsidies	1	-	-	-	(5,595)	(5,595)	(5,595)	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	(18,854)	252,496	298,100	298,100	-	253,920	315,069	370,051
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors (not used)		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(94)	(94)	1,865	(6,764)	(5,242)	(5,242)	-	(62)	(62)	(62)
Payments											
Capital assets		-	-	-	(269,184)	(226,523)	(226,523)	-	(284,683)	(298,251)	(359,989)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(94)	(94)	1,865	(275,947)	(231,765)	(231,765)	-	(284,745)	(298,313)	(360,051)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	30,000	-	-	-	30,000	-	-
Increase (decrease) in consumer deposits		-	-	(416)	(700)	(700)	(700)	-	-	-	(0)
Payments											
Repayment of borrowing		-	-	-	(906)	(60,693)	(60,693)	-	-	(15,969)	(15,000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	(416)	28,394	(61,393)	(61,393)	-	30,000	(15,969)	(15,000)
NET INCREASE/ (DECREASE) IN CASH HELD		(94)	(94)	(17,405)	4,943	4,943	4,943	-	(824)	787	(5,000)
Cash/cash equivalents at the year begin:	2	4,881	21,524	5,243	4,295	24,931	24,931	-	26,167	25,343	26,130
Cash/cash equivalents at the year end:	2	4,787	21,430	(12,162)	9,238	29,874	29,874	-	25,343	26,130	21,130

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

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

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

The primary aim of the Budget Steering Committee is to ensure:

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

2.2 Budget Process Overview

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

The Mayor tabled in Council the required IDP and budget time schedule in August 2022. In accordance with the original budget time schedule the Draft IDP and annual budget for 2023/24 to be adopted by Council on 30 March 2023. In accordance with the original budget time schedule the Final IDP and annual budget for 2023/24 have to be adopted by Council on 31 May 2023.

2.2.1 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2023/24 MTREF, financial modelling to ensure affordability and long-term financial sustainability, was undertaken. The following key factors and planning strategies have informed the compilation of the 2023/24 MTREF:

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, tariff increases, household debt).
- The approved 2022/23 adjustments budget and performance against the SDBIP.
- Cash Flow Management Strategy.

- Debtor payment levels.
- Loan and investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 122 and 123 has been taken into consideration in the planning and prioritisation process. The municipality therefore have trade payables that are currently accounted for as current liabilities, the municipality however plans on repaying those creditors over a period longer than 12 months. This relate the payment arrangement in relation to historical debt owing to Department of Water and Sanitation as well as Local Municipalities

2.2.2 Community Consultation

The Draft 2023/24 MTREF will be tabled before Council for community consultation. Thereafter it will be published on the municipality's website, and hard copies made available at, municipal notice boards and various municipal offices.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2023/24 MTREF

2.3 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

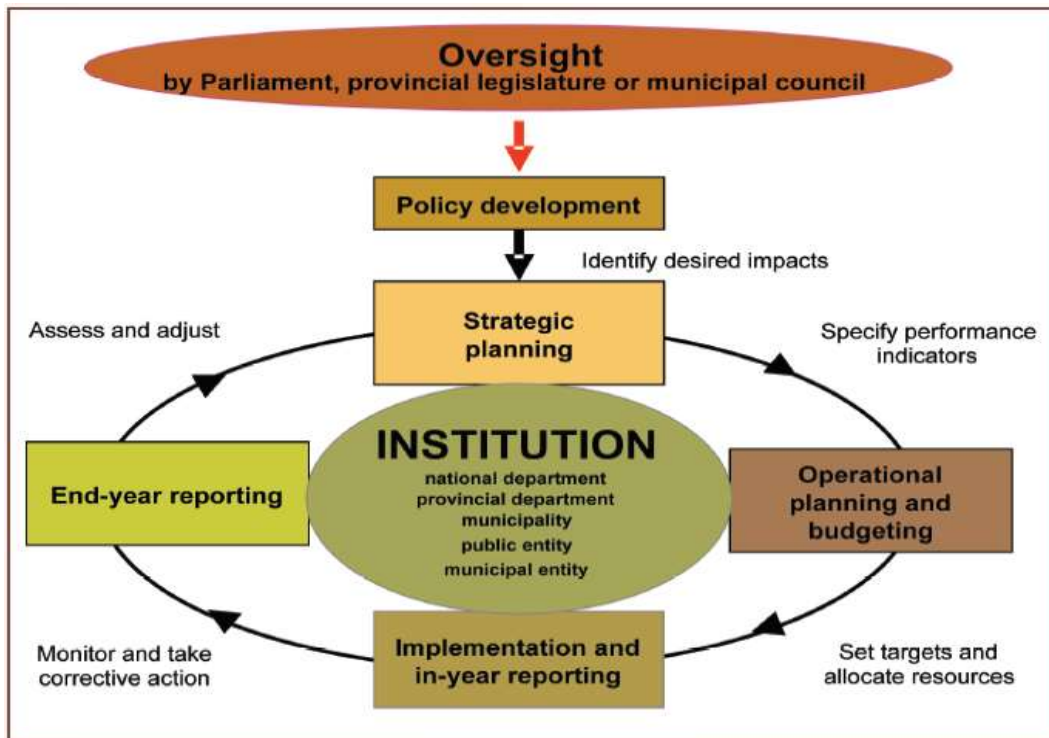
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the five key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- Spatial rationale and analysis.
- Institutional development and transformation.
- Local economic development.
- Infrastructure and service delivery.
- Good governance.
- Financial viability.

2.4 Measurable performance objectives and indicators

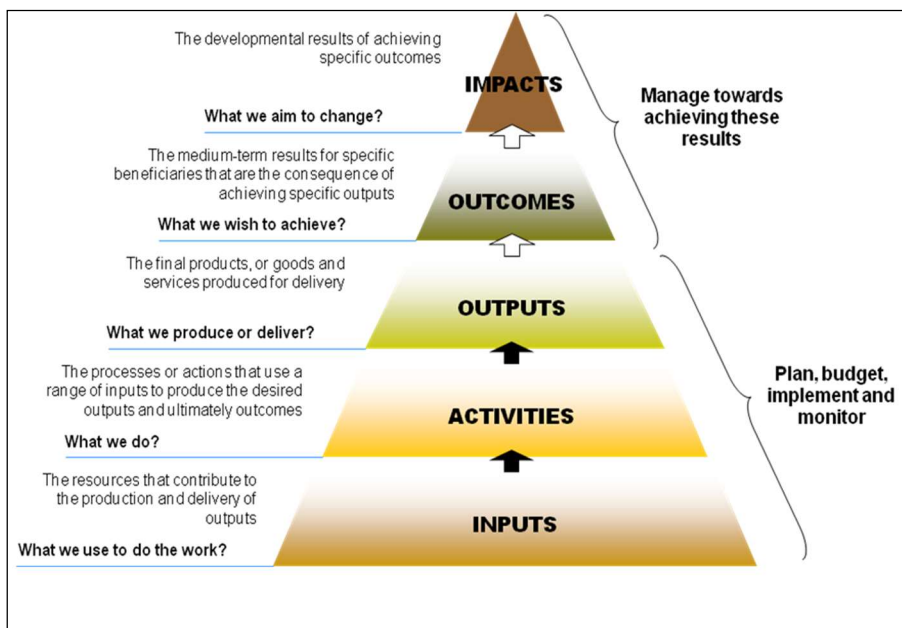
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information,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

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



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

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



The following table sets out the municipality’s main performance objectives and benchmarks for the 2023/24 MTREF.

Table 15 MBRR NT SA8 – Performance indicators and benchmarks

DC14 Joe Gqabi - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.9%	0.7%	1.5%	1.5%	1.5%	1.5%	1.6%	5.8%	1.4%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	3.4%	2.1%	4.2%	3.9%	3.9%	2.1%	3.6%	12.3%	2.9%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	173.9%	174.0%	174.0%	174.0%	85.8%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	-	2.3	2.6	5.6	7.2	7.2	7.2	2.0	1.6	1.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	-	2.3	2.6	5.6	7.2	7.2	7.2	2.0	1.6	1.4
Liquidity Ratio	Monetary Assets/Current Liabilities	-	0.4	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0.0%	0.0%	0.0%	50.4%	50.4%	50.4%	23.3%	72.3%	72.3%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	0.0%	0.0%	50.4%	50.4%	50.4%	23.3%	72.3%	72.3%	72.3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0.0%	86.9%	70.8%	87.0%	86.6%	86.6%	65.3%	66.2%	42.9%	34.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		0.0%	1069.1%	492.5%	31.1%	20.6%	20.6%	20.6%	1545.8%	1641.7%	1817.0%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kt)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	0.0%	49.5%	38.8%	38.6%	39.1%	39.1%	29.5%	37.2%	37.7%	37.8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	50.8%	39.7%	39.6%	40.1%	40.1%		38.3%	38.8%	38.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	16.3%	5.5%	9.9%	8.9%	8.9%		3.1%	1.2%	1.2%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	26.9%	9.6%	20.7%	19.4%	19.4%	14.6%	14.2%	14.1%	14.1%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	-	286.9	26.2	29.6	29.6	29.6	48.7	7.6	29.8	31.1
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.0%	336.5%	282.0%	308.6%	308.6%	308.6%	142.7%	200.0%	131.1%	104.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	0.4	0.5	6.2	6.9	6.9	6.9	0.2	0.2	0.2

2.5 Performance indicators and benchmarks

2.5.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Joe Gqabi District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2023/24 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has remained unchanged at 1.5 percent. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality will eventually reach its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

2.5.1.1 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. The ratio has been consistent at 0.04 percent.

2.5.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2023/24 MTREF the current ratio is 2:1. The estimated levels are better than industry norms.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. A negative liquidity ratio needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will always have to be set at a minimum of 1 which will be exceeded in the MTREF.

2.5.1.3 Other Indicators

- Employee costs as a percentage of operating revenue has increased from 36 percent to 38 percent for the 2023/24 financial year.

2.5.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

A summary of the free basic services package is set out below:

- All registered indigents, including consumers in the rural areas, will receive 6 kl of water per month fully subsidised.
- All registered indigents, including consumers in the rural areas, will only be charged a flat rate for Water and Sanitation consumption and not a step tariff.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

2.6 Overview of budget related-policies

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

2.6.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy has been approved by Council in May 2012. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the increasing of the credit periods for the down payment of debt. In addition emphasis will be placed on latest legislation changes and court rulings to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2023/24 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 60 percent on current billings (50 percent on conventional consumers and 100 percent on pre-paid consumers). Increased to 50 percent in the 2024/25 financial year and 50 percent in the 2025/26 financial year. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

2.6.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset

Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.6.3 Supply Chain Management Policy

No changes were made to the existing Supply Chain Management Policy.

2.6.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. With the implementation of mSCOA, virements from repairs and maintenance to operating expenditure will not be possible. This is to improve the municipality's ratio to Property, plant and equipment or total operating expenditure, which has been below the recommended threshold in recent years.

2.6.5 Cash Management and Investment Policy

No changes were made to the Municipality's Cash Management and Investment Policy. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

2.6.6 Tariff Policy

The Municipality's tariff policy provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation over the next two years.

2.7 Overview of budget assumptions

2.7.1 External factors

Owing to the economic slowdown, financial resources are limited. This has resulted in declining cash inflows. This together with the coronavirus pandemic and the uncertain costs which it might cause has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.7.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2023/24 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk water; and
- The increase in the cost of remuneration.

2.7.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term. The Collection rate has been budgeted at 60% of the Service Charges. The debt collection policy will be reviewed in order to (after conducting public participation) to allow the municipality to deduct a percentage of pre-paid water sales as part payment towards the relevant consumers' arrears.

2.7.4 Salary increases

The Budgeted Employee Related Costs increased by 5.4%, per the Salary and Wage Collective Agreement.

2.7.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure Development
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Strengthening financial management in public sector

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.7.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2023/24 MTREF of which performance has been factored into the cash flow budget. The municipality has limited funding. Programmes and Service Delivery have been prioritised.

2.8 Overview of budget funding

2.8.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 16 Breakdown of the operating revenue over the medium-term

Description	Mid Year Adjustments Budget 2022/23	Draft Budget 2023/24	Draft Budget 2024/25	Draft Budget 2025/26
Grants & Subsidies Received - Capital	222,897,294.00	246,183,300.00	298,251,150.00	359,989,102.00
Grants & Subsidies Received - Operational	400,542,709.00	419,078,700.00	413,775,850.00	410,457,900.00
Income for Agency Services	480,000.00	520,000.00	420,000.00	-
Interest Earned - External Investments	8,707,874.00	9,230,346.00	9,784,167.00	10,371,217.00
Interest Earned - Outstanding	54,691,617.00	57,973,115.00	61,451,501.00	65,138,590.00
Other Revenue	16,749,238.00	16,733,816.00	17,627,540.00	18,224,141.00
Nett Service charges	222,387,576.00	235,730,839.00	249,874,689.00	264,867,166.00
Service Charges	480,047,409.00	508,850,259.00	539,381,275.00	571,744,149.00
Less: Free Basic Services	(257,286,399.00)	(272,723,581.00)	(289,086,997.00)	(306,432,218.00)
Less: Revenue Foregone	(373,434.00)	(395,839.00)	(419,589.00)	(444,765.00)
Grand Total	926,456,308.00	985,450,116.00	1,051,184,897.00	1,129,048,116.00

2.8.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2023/24 medium-term capital programme:

Table 17 Sources of capital revenue over the MTREF

Joe Gqabi (DC14) - Table SA18 Transfers and Grant Receipts										
Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
R thousands										
Capital										
National Government										
Municipal Infrastructure Grant		156,868	91,649	115,871	159,234	147,897	147,897	159,183	187,641	196,458
Regional Bulk Infrastructure Grant		2,235	3,768		15,000	15,000	15,000	20,000	50,000	100,225
Water Services Infrastructure Grant		89,676	40,539	47,152	60,000	60,000	60,000	67,000	60,610	63,306
Total Capital/National Government		248,779	135,956	163,022	234,234	222,897	222,897	246,183	298,251	359,989
Provincial Government										
Infrastructure		5,105	2,463	50		0	0			
Other Transfers Public Corporations				1,060						
Total Capital/Provincial Government		5,105	2,463	1,109	-	0	0	-	-	-
Total Capital		253,884	138,419	164,132	234,234	222,897	222,897	246,183	298,251	359,989

The capital programmes are funded from National Grants and transfers, as well as internally generated funds and Borrowings. Internally generated funds comprise of Water and Sanitation Service Charges.

2.8.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 18 MBRR NT A7 - Budget cash flow statement

Joe Gqabi (DC14) - Table A7 Budgeted Cash Flows

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	-	-	-	-	-	-	-
Service charges		-	-	-	160,722	160,722	160,722	-	171,972	184,010	196,891
Other revenue		-	-	-	1,287	1,287	1,287	-	5,300	5,618	5,955
Transfers and Subsidies - Operational	1	-	-	-	390,685	402,022	402,022	-	423,013	417,770	414,352
Transfers and Subsidies - Capital	1	-	-	-	243,246	231,910	231,910	-	246,183	298,251	359,989
Interest		-	-	-	8,708	8,708	8,708	-	9,230	9,784	10,371
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		-	-	(18,854)	(538,371)	(492,767)	(492,767)	-	(598,142)	(597,349)	(614,354)
Finance charges		-	-	-	(8,185)	(8,185)	(8,185)	-	(3,636)	(3,016)	(3,153)
Transfers and Subsidies	1	-	-	-	(5,595)	(5,595)	(5,595)	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	(18,854)	252,496	298,100	298,100	-	253,920	315,069	370,051
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors (not used)		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(94)	(94)	1,865	(6,764)	(5,242)	(5,242)	-	(62)	(62)	(62)
Payments											
Capital assets		-	-	-	(269,184)	(226,523)	(226,523)	-	(284,683)	(298,251)	(359,989)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(94)	(94)	1,865	(275,947)	(231,765)	(231,765)	-	(284,745)	(298,313)	(360,051)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	30,000	-	-	-	30,000	-	-
Increase (decrease) in consumer deposits		-	-	(416)	(700)	(700)	(700)	-	-	-	(0)
Payments											
Repayment of borrowing		-	-	-	(906)	(60,693)	(60,693)	-	-	(15,969)	(15,000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	(416)	28,394	(61,393)	(61,393)	-	30,000	(15,969)	(15,000)
NET INCREASE/ (DECREASE) IN CASH HELD		(94)	(94)	(17,405)	4,943	4,943	4,943	-	(824)	787	(5,000)
Cash/cash equivalents at the year begin:	2	4,881	21,524	5,243	4,295	24,931	24,931	-	26,167	25,343	26,130
Cash/cash equivalents at the year end:	2	4,787	21,430	(12,162)	9,238	29,874	29,874	-	25,343	26,130	21,130

2.8.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 72 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 19 MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation

Joe Gqabi (DC14) - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Cash and investments available											
Cash/cash equivalents at the year end	1	4,787	21,430	(12,162)	1,575	(23,166)	(23,166)	(340,833)	101,152	(68,261)	(77,345)
Other current investments > 90 days		78,701	(16,187)	37,094	7,663	53,040	53,040	26,742	(75,809)	94,391	103,475
Non current assets - Investments	1	3,760	3,854	1,988	8,752	13,993	13,993	-	14,055	14,116	14,178
Cash and investments available:		87,248	9,096	26,919	17,990	43,868	43,868	(315,091)	39,398	40,246	40,308
Application of cash and investments											
Unspent conditional transfers		(7,790)	(9,782)	(11,389)	2,198	(6,668)	(6,668)	(283,009)	(1,115)	(2,052)	(2,052)
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	53,522	123,282	189,880	135,640	273,316	273,316	32,793	105,074	100,739	100,739
Other working capital requirements	3	172,192	100,949	152,868	(95,633)	(259,436)	(259,436)	111,600	(668,143)	(863,001)	(1,015,697)
Other provisions		20,438	37,189	37,184	38,635	42,421	42,421	(1,869)	45,977	47,894	48,055
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		238,363	251,638	368,545	80,839	49,633	49,633	(140,485)	(518,207)	(716,419)	(868,954)
Surplus(shortfall)		(151,115)	(242,542)	(341,625)	(62,850)	(5,766)	(5,766)	(174,606)	557,804	756,666	909,262

2.8.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

2.8.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

2.8.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.8.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.8.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

Table 20 MBRR NT SA10 - Funding compliance measurement

DC14 Joe Gqabi Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2019/20	2020/21	2021/22	Current year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	4,787	21,430	(12,162)	9,238	29,874	29,874	29,874	25,343	26,130	21,130
Cash + investments at the yr end less applications - R'000	18(1)b	2	(151,115)	(384,121)	(407,899)	368,035	470,090	470,090	358,006	687,809	805,600	928,575
Cash year end/monthly employee/supplier payments	18(1)b	3	-	0.4	0.5	6.2	6.9	6.9	6.9	0.2	0.2	0.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	-	69,786	169,012	119,953	147,824	147,824	361,483	264,614	283,882	341,180
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(6.0%)	25.4%	7.5%	(6.0%)	(6.0%)	110.2%	15.0%	(1.6%)	(1.5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	0.0%	0.0%	0.0%	42.0%	42.0%	42.0%	22.3%	56.6%	57.6%	57.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	51.8%	51.2%	44.0%	44.0%	44.0%	20.4%	40.0%	40.0%	40.0%
Capital payments % of capital expenditure	18(1)c;19	8	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	173.9%	174.0%	174.0%	174.0%	85.8%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	0.0%	10.1%	24.2%	0.0%	0.0%	0.0%	(19.9%)	(33.1%)	(16.7%)
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	1.3%	1.9%	3.5%	3.1%	3.1%	1.1%	1.0%	0.4%	0.4%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	(15.2%)	44.1%	38.4%	38.0%	38.0%	0.0%	18.6%	32.9%	43.6%
Revenue												
% Increase in Total Operating Revenue				0.0%	35.1%	1.1%	0.4%	0.0%	32.6%	4.9%	3.2%	4.4%
% Increase in Property Rates Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Electricity Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges				0.0%	31.4%	13.5%	0.0%	0.0%	116.2%	21.0%	4.4%	4.5%
Expenditure												
% Increase in Total Operating Expenditure				0.0%	(7.1%)	15.0%	(2.9%)	0.0%	0.0%	(4.3%)	0.9%	3.8%
% Increase in Employee Costs				0.0%	5.9%	0.6%	1.7%	0.0%	0.0%	(0.1%)	4.6%	4.5%
% Increase in Electricity Bulk Purchases				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)				0	0	0	0	0	0	0	0	0
Average Cost Per Councillor (Remuneration)				0	0	0	0	0	0	0	0	0
R&M % of PPE			0.0%	1.3%	1.9%	3.5%	3.1%	3.1%	1.0%	0.4%	0.4%	0.4%
Asset Renewal and R&M as a % of PPE			0.0%	(12.0%)	10.0%	14.0%	13.0%	13.0%	9.0%	7.0%	9.0%	9.0%
Debt Impairment % of Total Billable Revenue			0.0%	51.8%	51.2%	44.0%	44.0%	44.0%	20.4%	40.0%	40.0%	40.0%
Capital Revenue												
Internally Funded & Other (R'000)			-	346	629	5,150	5,100	5,100	5,100	4,950	-	-
Borrowing (R'000)			-	4,581	11,463	72,501	72,501	72,501	72,501	30,000	-	-
Grant Funding and Other (R'000)			-	(370,827)	138,098	175,150	179,751	179,751	179,751	234,234	237,206	288,297
Internally Generated funds % of Non Grant Funding			0.0%	7.0%	5.2%	6.6%	6.6%	6.6%	6.6%	14.2%	0.0%	0.0%
Borrowing % of Non Grant Funding			0.0%	93.0%	94.8%	93.4%	93.4%	93.4%	93.4%	85.8%	0.0%	0.0%
Grant Funding % of Total Funding			0.0%	101.3%	91.9%	69.3%	69.8%	69.8%	69.8%	87.0%	100.0%	100.0%
Capital Expenditure												
Total Capital Programme (R'000)			-	(365,901)	150,190	252,801	257,352	257,352	257,352	269,184	237,206	288,297
Asset Renewal			-	(598,172)	101,012	193,701	184,713	184,713	184,713	157,334	143,002	204,110
Asset Renewal % of Total Capital Expenditure			0.0%	163.5%	67.3%	76.6%	71.8%	71.8%	71.8%	58.4%	60.3%	70.8%
Cash												
Cash Receipts % of Rate Payer & Other			0.0%	0.0%	0.0%	42.0%	42.0%	42.0%	22.3%	56.6%	57.6%	57.5%
Cash Coverage Ratio			-	0	0	0	0	0	0	0	0	0
Borrowing												
Credit Rating (2009/10)										0		
Capital Charges to Operating			0.0%	0.9%	0.7%	1.5%	1.5%	1.5%	1.5%	1.6%	5.8%	1.4%
Borrowing Receipts % of Capital Expenditure			0.0%	0.0%	0.0%	173.9%	174.0%	174.0%	174.0%	85.8%	0.0%	0.0%
Reserves												
Surplus/(Deficit)			-	(61,769)	(82,045)	173,565	197,185	197,185	85,101	130,204	48,934	19,312
Free Services												
Free Basic Services as a % of Equitable Share			0.0%	24.5%	11.7%	70.5%	70.5%	70.5%		76.9%	75.5%	74.4%
Free Services as a % of Operating Revenue (excl operational transfers)			0.0%	0.0%	0.0%	0.1%	0.1%	0.1%		0.1%	0.1%	0.1%
High Level Outcome of Funding Compliance												
Total Operating Revenue			-	477,363	645,001	652,317	655,005	655,005	868,664	686,823	708,972	740,265
Total Operating Expenditure			-	661,461	614,409	706,514	685,832	685,832	656,442	662,297	687,382	687,382
Surplus/(Deficit) Budgeted Operating Statement			-	(184,097)	30,593	(54,197)	(30,827)	(30,827)	182,832	30,381	46,676	52,883
Surplus/(Deficit) Considering Reserves and Cash Backing			-	(61,769)	(82,045)	173,565	197,185	197,185	85,101	130,204	48,934	19,312
MTREF Funded (1) / Unfunded (0)	15	1	0	0	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded *	15	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓

2.8.5.5 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.8.5.6 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

2.8.5.7 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.8.5.8 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.8.5.9 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a existing asset renewal/upgrading project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.9 Expenditure on grants and reconciliations of unspent funds

Table 21 MBRR SA19 - Expenditure on transfers and grant programmes

Joe Gqabi (DC14) - Table SA19 Expenditure on Transfers and Grant										
Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
R thousands										
EXPENDITURE										
Operating										
National Government										
Equitable Share		69,859	61,377	85,131	98,453	95,833	95,833	103,761	107,308	108,378
Expanded Public Works Programme Integrated Grant		478		1,315	1,314	1,314	1,314	1,382		
Local Government Financial Management Grant		2,946	2,396							
Municipal Disaster Grant			102	89					0	0
Municipal Infrastructure Grant		80,788	33,113	44,135	21,012	32,349	32,349	29,281	9,876	10,340
Municipal Systems Improvement Grant				62	140	140	140			0
Municipal Water Infrastructure Grant		18,384	20,661	16,526						
Regional Bulk Infrastructure Grant			6,328							0
Rural Road Asset Management Systems Grant		887		2	2,338	2,338	2,338	2,347	2,452	2,562
Total National Government		173,342	123,978	147,259	123,257	131,974	131,974	136,771	119,635	121,280
Provincial Government										
Infrastructure		21,786	23,925	22,852	24,000	23,715	23,715	25,715	20,701	0
Capacity Building and Other		3,712	4,952	4,775	462	4,296	4,296	285	299	0
Total Provincial Government		25,497	28,877	27,626	24,462	28,011	28,011	26,000	21,000	0
Total Operating		198,839	152,855	174,885	147,719	159,985	159,985	162,771	140,635	121,280
Capital										
National Government										
Municipal Infrastructure Grant		(107,574)	94,076	102,204	159,234	147,897	147,897	144,333	162,888	181,458
Regional Bulk Infrastructure Grant		3,809	3,768		15,000	15,000	15,000	20,000	50,000	100,225
Water Services Infrastructure Grant		213,671	40,255	47,152	60,000	60,000	60,000	67,000	60,610	63,306
Total National Government		109,906	138,098	149,356	234,234	222,897	222,897	231,333	273,498	344,989
Provincial Government										
Infrastructure		4,487								
Total Provincial Government		4,487	-	-	-	-	-	-	-	-
Total Capital		114,393	138,098	149,356	234,234	222,897	222,897	231,333	273,498	344,989
TOTAL		313,232	290,953	324,241	381,953	382,882	382,882	394,104	414,134	466,269

Joe Gqabi District Municipality – 2023/24 DRAFT Budget MTREF (for Approval by Council)
(30 March 2023)

Description	Ref	2019/20	2020/21	2021/22	Current year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year 2024/25	Budget Year 2025/26
R thousands	N									
Total Capital Expenditure	4	119,319	150,190	182,826	269,184	226,523	226,523	287,683	298,251	359,989
<i>Roads Infrastructure</i>										
<i>Storm water Infrastructure</i>										
<i>Electrical Infrastructure</i>										
<i>Water Supply Infrastructure</i>		108,551	110,722	119,791	126,500	138,064	138,064	196,183	222,596	160,306
<i>Sanitation Infrastructure</i>		10,422	38,839	61,658	107,734	84,834	84,834	50,000	75,655	199,683
<i>Solid Waste Infrastructure</i>										
<i>Rail Infrastructure</i>										
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>										
Infrastructure		118,973	149,561	181,449	234,234	222,897	222,897	246,183	298,251	359,989
<i>Community Facilities</i>										
<i>Sport and Recreation Facilities</i>										
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets										
<i>Revenue Generating</i>										
<i>Non-revenue Generating</i>										
Investment properties		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>								3,000		
<i>Housing</i>										
Other Assets		-	-	-	-	-	-	3,000	-	-
Biological or Cultivated Assets										
<i>Servitudes</i>										
<i>Licences and Rights</i>					100	166	166			0
Intangible Assets		-	-	-	100	166	166	-	-	0
Computer Equipment		191	629	883	2,500	2,310	2,310	3,000		
Furniture and Office Equipment		155			600			5,150		0
Machinery and Equipment					1,750			350		0
Transport Assets				494	30,000	1,150	1,150	30,000		0
Land										
Zoo's, Marine and Non-biological Animals										
<i>Mature</i>										
<i>Immature</i>										
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset Class		119,319	150,190	182,826	269,184	226,523	226,523	287,683	298,251	359,989
ASSET REGISTER SUMMARY - PPE (WDV)	5	1,265,235	1,304,813	1,756,453	1,996,993	1,987,035	1,987,035	2,182,701	2,381,809	2,645,655
<i>Roads Infrastructure</i>										
<i>Storm water Infrastructure</i>										
<i>Electrical Infrastructure</i>										
<i>Water Supply Infrastructure</i>		1,148,505	1,018,034	1,501,562	1,624,788	1,541,046	1,541,046	1,709,656	1,926,838	2,205,758
<i>Sanitation Infrastructure</i>		93,108	261,196	230,590	313,734	420,265	420,265	408,591	396,391	384,191
<i>Solid Waste Infrastructure</i>										
<i>Rail Infrastructure</i>										
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>										
Infrastructure		1,241,613	1,279,231	1,732,152	1,938,522	1,961,311	1,961,311	2,118,246	2,323,228	2,589,949
Community Assets										
Heritage Assets										
Investment properties		2,348	2,302	1,920	2,302	1,874	1,874	1,827	1,777	1,728
Other Assets		8,039	7,451	6,874	6,864	6,864	6,864	9,250	5,609	4,968
Biological or Cultivated Assets										
Intangible Assets		10	2	1	152	159	159	508	507	506
Computer Equipment		2,898	2,638	2,875	4,625	4,280	4,280	6,744	6,185	5,625
Furniture and Office Equipment		1,800	1,312	1,312	1,748	964	964	5,867	5,611	5,355
Machinery and Equipment		1,447	1,185	890	2,825	772	772	601	422	243
Transport Assets		5,038	8,649	8,385	37,911	8,768	8,768	37,615	36,427	35,239
Land		2,043	2,043	2,043	2,043	2,043	2,043	2,043	2,043	2,043
Zoo's, Marine and Non-biological Animals										
Living Resources										
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)		1,265,235	1,304,813	1,756,453	1,996,993	1,987,035	1,987,035	2,182,701	2,381,809	2,645,655

2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and is intending to employ interns to undergo training in various divisions of the Budget and Treasury Office.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2023/24 MTREF on 30 March 2023 directly aligned and informing the 2023/24 MTREF budget.
6. Annual Report
Annual report has been compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

2.12 Municipal manager's quality certificate

I _____, Municipal Manager of Joe Gqabi District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature

MP Nonjola
Municipal Manager
Joe Gqabi District Municipality (DC14)

Date: _____