

ITEM

REPORT BY THE EXECUTIVE MAYOR

FINAL BUDGET 2024/25

PURPOSE OF THE REPORT

The purpose of the report is to table the 2024/25 Medium-Term Revenue and Expenditure Framework in terms of Section 16 (2) of the Local Government Finance Management Act (MFMA) to Council for approval.

BACKGROUND

Section 16 (1) of the Municipal Finance Management Act requires that the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16(1) stipulates that in order to comply with subsection (1), the Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year.

Section 22 of the MFMA further stipulates that immediately after the annual budget is tabled in a municipal Council meeting, the accounting officer must make public the annual budget and documents in terms of section 17; invite the local community to submit representations in connection with the budget; and submit the annual budget to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

Section 17 of the MFMA states that an annual budget must be in a schedule in the “*prescribed format*”. Paragraph 9 of the Municipal Budget & Reporting regulations (MBRR) indicates that: “*The annual budget and supporting documentation must be in the format specified in Schedule A and include all the required tables, charts and explanatory information.*”

The local government Municipal Systems Act (MSA), Chapter 4 deals with community participation, section 16 (1) (a) and (iv) stipulate that a municipality must encourage and create condition to participate in the affairs of the municipality, including in the preparation and review of its Integrated Development Plan and the preparation of its budget.

Section 23(2) of the MFMA stipulates that “after considering all budget submissions, the Council must give the Executive Mayor an opportunity –

- a) To respond to the submissions; and
- b) If necessary, to revise the budget and table amendments for consideration by the Council”.

The operating and capital budget is tabled to facilitate community participation and receive inputs from all stakeholders and will be refined to consider the outcome of the public consultation process before approval.

In terms of Section 24 of the MFMA;

- 1) The municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget;
- 2) An annual budget –
 - a) Must be approved before the start of the budget year;
 - b) Is approved by the adoption by the council of a resolutions referred to in section 17 (3) (a) (1); and
 - c) Must be approved together with the adoption of resolutions as may be necessary –
 - i. Imposing any municipal tax for the budget year;
 - ii. Setting any municipal tariffs for the budget year;
 - iii. Approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - iv. Approving any changes to the municipality’s integrated development plan; and
 - v. Approving any changes to the municipality’s budget-related policies.

- 3) The accounting officer of a municipality must submit the approved annual budget to National Treasury and relevant provincial treasury”.

4) BUDGET GUIDELINES AND PRINCIPLES

The 2024/25 MTREF is prepared amidst economic contraction. According to the WDM Budget Process Plan approved by Council, the annual 2024/25 MTREF budget must be tabled to Council 30 days before the start of the new budget year, and it is thus tabled to Council on 23 May 2024.

After the approval by Council of the tabled 2024/25 budget, the budget will be made public and submitted to National and Provincial Treasury in line with MFMA. The municipality will embark on public participation for the Budget & IDP between March and April 2024 in terms of the 2024/25 IDP/Budget Process Plan approved by Council in August 2023.

Waterberg District Municipality due to funding challenges as well as limited opportunities for revenue as a result of reduced powers and functions had to adjust expenditure projections downwards considering the decline in the cash position available to fund budget shortfall. The budget is divided into a capital and operating budget.

Some of the guiding principles for the budget are as follows:

- Tariff increases should be affordable;
- Projects and programmes must be within affordability limits;
- Only funded projects that are ready for implementation will be prioritised in the 2024/25 financial year;
- The operating expenditure baseline was reduced, and the focus must be on efficiency gains and the principle of value for money (doing more with less, while prioritising service delivery);
- Some programmes will be deferred to the outer years in order to ensure that the WDM approves a funded budget;
- The budget must be aligned to the IDP priorities;
- 2023/24 Adjustment budget priorities and targets as well as the baseline allocations contained in the approved adjustment budget;

- The grants allocated in DORA;
- Inflation has been assumed at 4.9% in 2024/25, 4.7% in 2025/26 and 4.7% in 2026/27 in line with Municipal Budget Circular 128 for the 2024/25 MTREF;
- Salary increases have been assumed at 5.4% in 2023/24, 4.9% in 2024/25 and 4.7% in 2025/26.
- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous year's surpluses not committed for other purposes; and
- The budget related policies are being reviewed and where any adjustments are required, the revised policies will be attached to the final item for approval

DISCUSSION OF THE 2024/25 MTREF

Section 17 (1) of the MFMA requires that the annual budget of the municipality must be in the prescribed format as follows:

- Setting out realistically anticipated revenue for the budget year from each revenue source.
- Appropriating expenditure for the budget year under the different votes of the municipality.
- Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year.
- Setting out the estimated revenue and expenditure by vote for the current year and actual revenue and expenditure by vote for the financial year.

Waterberg District Municipality is tabling an operating revenue of R163 million and increases to R167 million in 2025/26 financial year. The revenue represents an increase of 3% against the 2023/24 adjustment budget.

The operating expenditure amounts to R194 million, a increase of 4.9% against the 2023/24 adjustment budget, resulting in a deficit of R31 million for the 2024/25 financial year.

The table below indicates the high-level consolidated 2024/25 Medium-term Revenue and Expenditure Framework.

Table 1: Consolidated budget summary

0 Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
High Level Outcome of Funding Compliance												
Total Operating Revenue			151 289	148 006	154 937	159 512	160 234	160 234	160 234	165 077	167 289	169 788
Total Operating Expenditure			166 821	175 491	172 277	186 142	185 168	185 168	185 168	196 175	202 948	212 282
Surplus/(Deficit) Budgeted Operating Statement			(15 532)	(27 486)	(17 339)	(26 630)	(24 934)	(24 934)	(24 934)	(31 099)	(35 659)	(42 494)
Surplus/(Deficit) Considering Reserves and Cash Backing			23 870	135 017	256 743	(5 111)	(3 675)	(3 675)	(3 675)	(31 799)	(35 659)	(42 494)
MTREF Funded (1) / Unfunded (0)		15	1	1	1	0	0	0	0	0	0	0
MTREF Funded ✓ / Unfunded ✗		15	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü

Attached as Budget Table SA10 is the funding measurement test which indicates that 2024/25, 2025/26 and 2026/27 financial year may be unfunded.

Operating Revenue Framework

The District has limited opportunities for revenue due the reduced powers and functions impacting negatively on the municipal ability to raise sufficient revenue to fund both operational and capital budget.

In terms of the MFMA, a credible and funded budget must be tabled based on realistic estimates of revenue that are consistent with budgetary resources and collection history.

The following key components are central to the Municipality revenue

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipal economic development;
- The rate of abattoir revenue collection is currently expressed as a 100% of annual billings. Cash flow is assumed to be 100% of billings, due to the majority of clients being cash clients, plus no provision for doubtful debt as old disputes have been written off and there are currently no new disputes or long outstanding debts;
- Determination of tariff escalation rate;
- The WDM funding plan; and
- Increased ability to render new service, Air Quality licensing

The following table is a summary of the 2024/25 MTREF (classified by main revenue source):

Table 2: Summary of revenue classified by main revenue source

DC36 Waterberg - Table A1 Budget Summary										
Description	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-	-
Investment revenue	3 517	2 718	3 029	2 566	3 265	3 265	3 265	3 425	3 583	3 748
Transfer and subsidies - Operational	146 353	143 766	149 388	154 572	154 572	154 572	154 572	159 354	161 303	163 527
Other own revenue	1 419	1 522	2 520	2 373	2 396	2 396	2 396	2 297	2 403	2 513
Total Revenue (excluding capital transfers and contributions)	151 289	148 006	154 937	159 512	160 234	160 234	160 234	165 077	167 289	169 788

Figure 1: Main operational revenue categories for the 2024/25 financial year

- Revenue generated from transfers and subsidies contributes 97% of the revenue basket of the Waterberg District Municipality. The total grant allocated for 2024/25 financial year amounts to R159 million.
- Service charges which entail revenue realized from Abattoir services contributed 1% to the revenue basket.
- Interest received is income from external investments and interest on the current account. Based on the current reserves and prevailing investment rates, a provision of R 2.5 million is made in this regard. The budget for 2024/25 is 5% above the adjusted 2023/24 budget due to projected cash position.

Tariffs setting

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6% target band; therefore municipalities are required to ***justify all increases in excess of the projected inflation target for 2024/25*** in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

The 2024/25 municipal tariffs for the Abattoir, Fire Fighting services and municipal health have been reviewed and are attached to this budget item. A tariff increment of 25% is proposed for 2024/25 financial year for fire-fighting and 20% for municipal health whilst 30% increase is proposed for abattoir services. Details of the proposed tariff schedules are set out in Annexure 2, 3 and 4.

Operating Expenditure Framework

The table below provides high-level summary of the 2024/25 Medium-term Expenditure Framework

Table 3: Summary of operating expenditure by standard classification category

DC36 Waterberg - Table A1 Budget Summary										
Description	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-	-
Investment revenue	3 517	2 718	3 029	2 566	3 265	3 265	3 265	3 425	3 583	3 748
Transfer and subsidies - Operational	146 353	143 766	149 388	154 572	154 572	154 572	154 572	159 354	161 303	163 527
Other own revenue	1 419	1 522	2 520	2 373	2 396	2 396	2 396	2 297	2 403	2 513
Total Revenue (excluding capital transfers and contributions)	151 289	148 006	154 937	159 512	160 234	160 234	160 234	165 077	167 289	169 788
Employee costs	107 463	115 753	116 764	127 546	126 059	126 059	126 059	132 235	138 318	144 681
Remuneration of councillors	8 421	8 305	9 008	9 218	9 976	9 976	9 976	10 464	10 946	11 449
Depreciation and amortisation	7 894	7 218	5 272	7 393	5 969	5 969	5 969	6 262	6 550	6 851
Interest	-	-	-	-	-	-	-	-	-	-
Inventory consumed and bulk purchases	3 815	224	(0)	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-
Other expenditure	39 228	43 992	41 232	41 985	43 165	43 165	43 165	47 214	47 134	49 301
Total Expenditure	166 821	175 491	172 277	186 142	185 168	185 168	185 168	196 175	202 948	212 282
Surplus/(Deficit)	(15 532)	(27 486)	(17 339)	(26 630)	(24 934)	(24 934)	(24 934)	(31 099)	(35 659)	(42 494)
Transfers and subsidies - capital (monetary allocations)	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(15 532)	(27 486)	(17 339)	(26 630)	(24 934)	(24 934)	(24 934)	(31 099)	(35 659)	(42 494)

The operating expenditure equates to R194 million in the 2024/25 financial year and escalates to R202 million in the 2025/26 financial year. Total operating expenditure increased by 5% against the 2023/24 adjustments budget.

The following graph illustrates the percentage each expenditure group constitutes of the total expenditure for the 2024/25 financial year:

Figure 2: Main operational expenditure categories for the 2024/25 financial year

The expenditure categories are discussed as follows:

Employee costs

Personnel expenditure increase in 2024/25 to R132 million for officials (2023/24 adjusted – R126 million), including contributions to long service awards and post-retirement medical aid actuarial valuations. Due to budgetary constraints management took a decision to not budget for the filling of vacant positions; overtime and performance bonus in the 2024/25 MTREF budget. As a result the total employee related costs amounts to R132 million (2023/24 R127 million), which is a 5% increase on 2023/24 adjusted budget.

Provision is made for a general increase of 4.9 % for all employees. The Salary and Wage Collective Agreement for the period 1 July 2021 to 30 June 2024 has come into effect. The preparation of the 2024/25 is based on the MFMA Circular no. 128.

Remuneration of Councillors

The cost associated with the remuneration of Councillors is determined and informed directly by the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The determined upper limits of salaries, allowances and benefits of members of Council are Gazetted annually in December/January. Provision for the 2024/25 increase of 4.9% has been made.

The total salaries and allowances for Councillors amounts to R10 million for the 2024/2025 financial year (2023/24 – R9.2 million) and makes up 4.9% of the total operating expenditure, however this expenditure is subsidized by a portion of equitable share allocation specifically for this purpose.

Depreciation and amortization

Provision for depreciation and amortization is informed by the Municipality Assets Management Policy. Depreciation is considered a proxy for the measurement of the rate of assets consumption. The 2024/25 budget is R6.2 million which equates to a decrease of 5% when compared to the 2023/24 adjustments budget.

Other expenditure

This group of expenditure comprises of general related expenditure which includes amongst others contracted services, audit fees, subsistence & travel, municipal services, annual insurance, financial system costs and allocations to all the Waterberg Local Municipalities' Disaster Centre's for the operation thereof. When compared to the 2023/24 adjusted budget this group has been increased by 4.9% in line with realistic anticipated revenue.

To support austerity measures as well as considering financial constraints faced by the municipality, no budget increases has been granted for catering and some expenditure votes have not been increased while other have been reduced.

Capital Budget

Due to funding constraints capital expenditure has been provided for in the 2024/25 Medium-term Revenue Expenditure Framework. The only project budgeted for financial year 2024/2025 is Mayoral Vehicle for R700 000.

STAFF IMPLICATIONS

There are new funded positions included in the 2024/25 budget.

FINANCIAL IMPLICATIONS

See attached Schedules.

OTHER PARTIES CONSULTED

WDM Municipal Manager
WDM Section 57 managers

WDM Divisional managers
WDM IDP Forums
Limpopo Provincial Treasury
National Treasury

Bela Bela Local Municipality
Modimolle/Mookgopong Local
Municipality
Thabazimbi Local Municipality
Lephalale Local Municipality
Mogalakwena Local Municipality
Waterberg Community

ANNEXURES

- | | | |
|-------------|---|---|
| Annexure 1 | - | 2024/25 MTREF Budget Report |
| Annexure 2 | - | Abattoir Tariffs |
| Annexure 3 | - | Fire Fighting Tariffs |
| Annexure 4 | - | Municipal Health Tariff |
| Annexure 5 | - | Fees and fine as per the emergency services by – laws |
| Annexure 6 | - | 2024 MTREF budget Summary |
| Annexure 7 | - | 2024 MTREF IDP capital and operating projects |
| Annexure 8 | - | Funding plan |
| Annexure 9 | - | Organogram 2023/24 implementation status |
| Annexure 10 | - | Circulars 123 of 03 March 2023 |
| Annexure 11 | - | Reconciliation of A1 grants to DORA |
| Annexure 12 | - | A-Schedule 6.7 version |
| Annexure 13 | - | Procurement plan |

AUTHORITY

- Municipal Finance Management Act, No 56 of 2003
- Municipal Systems Act, No 32 of 2000
- Municipal Budget and Reporting Regulations, notice 393 of 2009, Government Gazette no 32141 dated 17 April 2009
- The Division of Revenue Bill 2019/20
- MFMA Budget Circulars, most recently is 128 for the 2024/25 Budget Year

RECOMMENDATIONS

THAT:

1. The 2024/25 Medium-term Revenue and Expenditure Framework, tabled in accordance with the Municipal Finance Management Act, 2003 (Act 56 of 2003) be considered for the community consultation process.
2. Council approves the proposed tariffs for the 2024/25 MTREF as outlined in Annexures 1 and 3.
3. Council approves the multi-year operating and capital projects appropriations for the financial year 2024/25 and indicative for the two projected outer years 2025/26 and 2026/27.
4. Council approves the procurement- and funding plan as outlined in Annexure 8 and 13
5. That the Accounting Officer:

5.1 In accordance with chapter 4 of the Systems Act:

- (a) Make public the 2024/25 MTREF and other documents referred to in section 17(3) of the MFMA.
- (b) Invite the local community to submit representations in connection with the 2024/25 MTREF.

- 5.2 Submit the 2024/25 MTREF:
- (a) In both printed and electronic formats to the National and Provincial Treasury.
 - (b) In either format to any prescribed national or provincial organs of state and such other municipalities as may be affected by the budget.
- 6 The Executive Mayor be mandated to engage the DDM Political Champion, COGTA and National Treasury in a view to address the unfunded mandate (Fire-fighting and Environmental Health).