

ANNUAL BUDGET 2024/25

# SETSOTO LOCAL MUNICIPALITY



2024/25 TO 2026/27

MEDIUM TERM REVENUE AND EXPENDITURE  
FORECASTS

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## Abbreviations and Acronyms

|        |  |
|--------|--|
| AMR    | Automated Meter Reading                          |
| ASGISA | Accelerated and Shared Growth Initiative         |
| BPC    | Budget Planning Committee                        |
| CBD    | Central Business District                        |
| CFO    | Chief Financial Officer                          |
| MM     | Municipal Manager                                |
| CPI    | Consumer Price Index                             |
| CRRF   | Capital Replacement Reserve Fund                 |
| DBSA   | Development Bank of South Africa                 |
| DoRA   | Division of Revenue Act                          |
| DWA    | Department of Water Affairs                      |
| EE     | Employment Equity                                |
| EEDSM  | Energy Efficiency Demand Side Management         |
| EM     | Executive Mayor                                  |
| FBS    | Free basic services                              |
| GAMAP  | Generally Accepted Municipal Accounting Practice |
| GDP    | Gross domestic product                           |
| GDS    | Gauteng Growth and Development Strategy          |
| GFS    | Government Financial Statistics                  |
| GRAP   | General Recognised Accounting Practice           |
| HR     | Human Resources                                  |
| HSRC   | Human Science Research Council                   |
| IDP    | Integrated Development Strategy                  |
| IT     | Information Technology                           |
| kl     | kilolitre  |
| km     | kilometre  |
| KPA    | Key Performance Area                             |
| KPI    | Key Performance Indicator                        |
| kWh    | kilowatt   |
| l      | litre  |
| LED    | Local Economic Development                       |
| MEC    | Member of the Executive Committee                |
| MFMA   | Municipal Financial Management Act               |
| MIG    | Municipal Infrastructure Grant                   |
| MMC    | Member of Mayoral Committee                      |
| MPRA   | Municipal Properties Rates Act                   |
| MSA    | Municipal Systems Act                            |
| mSCOA  | Municipal Standard Chart of Accounts             |
| MTEF   | Medium-term Expenditure Framework                |
| MTREF  | Medium-term Revenue and Expenditure Framework    |
| NERSA  | National Electricity Regulator South Africa      |
| NGO    | Non-Governmental organisations                   |
| NKPIs  | National Key Performance Indicators              |
| OHS    | Occupational Health and Safety                   |
| OP     | Operational Plan                                 |
| PBO    | Public Benefit Organisations                     |
| PHC    | Provincial Health Care                           |
| PMS    | Performance Management System                    |
| PPE    | Property Plant and Equipment                     |
| PPP    | Public Private Partnership                       |
| PTIS   | Public Transport Infrastructure System           |
| RG     | Restructuring Grant                              |
| RSC    | Regional Services Council                        |
| SALGA  | South African Local Government Association       |
| SAPS   | South African Police Service                     |

# Setsoto Local Municipality – Annual Budget & MTREF 2024/25

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SDBIP Service Delivery Budget Implementation Plan  
SMME Small Micro and Medium Enterprises

## **PART 1: Annual Budget**

### **1.1 Mayor's Report**

*The Executive Mayors report will be handed out during the Budget meeting.*

### **1.2 Executive Summary**

The application of sound financial management principles for the compilation of the Municipality 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.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, accommodation, and catering. Also referring to the Cost containment measures adopted by Council.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 126 and 128 were used to guide the compilation of the 2024/25 MTREF. The mSCOA version 6.8 was also introduced with the circulars and thus the budget tables were compiled and reported in terms of the said circulars.

The main challenges experienced during the compilation of the 2024/25 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- The need to fill critical vacancies.
- The unexpected fuel price hike might have a detrimental effect on service delivery.

The following budget principles and guidelines directly informed the compilation of the 2024/25 MTREF:

- The 2023/24 Adjustments Budget priorities and targets, as well as the baseline allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2024/25 annual budget;
- Intermediate service level standards were used to inform the measurable objectives.
- Tariff and property rate increases should be affordable, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of providing water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

### **1.3 Recommendation**

It is recommended that council at its Meeting held on March 2024, consider the tabling of the annual budget for the 2024/25 financial year, with the following:

- 1.1. measurable performance objectives for revenue from each source and for each vote in the budget;
- 1.2. any changes to the municipality's integrated development plan;
- 1.3. any changes to the municipality's budget related policies;
- 1.4. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are considered

2. The Council of Setsoto Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) should also consider the tabling of the following tariffs;
  - 2.1. the tariffs for property rates – as set out in attached tariff list,
  - 2.2. the tariffs for electricity– as set out in attached tariff list,
  - 2.3. the tariffs for the supply of water – as set out in attached tariff list
  - 2.4. the tariffs for sanitation services – as set out in attached tariff list
  - 2.5. the tariffs for solid waste services – as set out in attached tariff list
  
3. The Council of Setsoto Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) allow the Accounting Officer to:
  - 3.1. Make public the annual budget together with its documentation;
  - 3.2. Invite the local community to submit representations in connection with the budget;
  - 3.3 Submit the annual budget to National and Provincial Treasury and other sector departments affected by the budget.

In view of the above, the following table is a consolidated overview of the proposed 2024/25 Medium-Term Revenue and Expenditure Framework:

### **1.4 Summary of Operating Revenue and Expenditure**

Total operating revenue has grown by 10% or R71.7 million to R765.5 million for the 2024/25 financial year when compared to the 2023/24 Adjustment Budget. For the two outer years, operational revenue will increase by 5% and 4% for 2025/26 and 2026/27 respectively.

Total operating expenditure for the 2024/25 financial year increased by 7% or R58 million and the total amount appropriated is R893.1 million including depreciation and amortisation of R162.8 million and which translates into a budgeted deficit of R127.5 million excluding capital transfers.

A detailed information is given under table “A1 Budgeted Summary”.

# Setsoto Local Municipality – Annual Budget & MTREF 2024/25

## Setsoto Local Municipality - Table A1 Budgeted Summary

| Description  | Ref | 2020/21          | 2021/22         | 2022/23          | Current year 2023/24 |                  |                    | 2024/25 Medium term revenue and expenditure framework |                     |                        |                        |
|--|-----|------------------|-----------------|------------------|----------------------|------------------|--------------------|---|---------------------|------------------------|------------------------|
| Figures in Rand thousand   |     | Audited outcome  | Audited outcome | Audited outcome  | Original budget      | Adjusted budget  | Full year forecast | Pre-Audited outcome                                   | Budget year 2024/25 | Budget year +1 2025/26 | Budget year +2 2026/27 |
| <b>Financial performance</b>   |     |                  |                 |                  |                      |                  |                    |   |                     |                        |                        |
| Property rates   |     | 66,418           | 64,828          | 68,402           | 76,749               | 81,749           | 81,749             | 55,285  | 85,836              | 89,699                 | 93,287                 |
| Service charges  |     | 218,662          | 244,759         | 256,571          | 273,867              | 279,345          | 279,345            | 191,816   | 304,406             | 318,106                | 330,829                |
| Investment revenue   |     | 1,850            | 4,772           | 9,597            | 3,500                | 10,909           | 10,909             | 8,908   | 11,454              | 11,970                 | 12,449                 |
| Transfer and subsidies - Operational                                 |     | 243,876          | 216,782         | 239,156          | 255,437              | 255,457          | 255,457            | 191,366   | 270,645             | 282,824                | 294,137                |
| Other own revenue  |     | 17,136           | 41,180          | 63,694           | 49,012               | 66,295           | 66,295             | 40,987  | 93,180              | 97,373                 | 101,268                |
| <b>Total revenue (excluding capital transfers and contributions)</b> |     | <b>547,942</b>   | <b>572,321</b>  | <b>637,420</b>   | <b>658,565</b>       | <b>693,755</b>   | <b>693,755</b>     | <b>488,362</b>  | <b>765,521</b>      | <b>799,972</b>         | <b>831,970</b>         |
| Employee costs   |     | 222,426          | 215,404         | 219,912          | 235,005              | 238,874          | 238,874            | 158,626   | 267,542             | 279,587                | 290,771                |
| Remuneration of councillors  |     | 12,967           | 12,871          | 14,072           | 14,641               | 15,491           | 15,491             | 10,115  | 16,158              | 16,885                 | 17,561                 |
| Depreciation and amortisation  |     | 394,456          | -               | 199,913          | 110,734              | 170,632          | 170,632            | 112,207   | 162,863             | 170,192                | 177,000                |
| Finance charges  |     | 4,731            | 2,061           | 3,397            | 2,502                | 1,349            | 1,349              | 74  | 1,570               | 1,641                  | 1,706                  |
| Inventory consumed and bulk purchases                                |     | 94,539           | 111,120         | 100,070          | 149,480              | 146,942          | 146,942            | 72,223  | 183,335             | 191,585                | 199,249                |
| Transfers and subsidies  |     | 30,601           | 22,699          | 42,271           | 38,951               | 30,610           | 30,610             | 19,313  | 32,159              | 33,606                 | 34,950                 |
| Other expenditure  |     | 173,813          | 167,100         | 180,262          | 110,273              | 231,146          | 231,146            | 107,576   | 229,491             | 239,819                | 249,411                |
| <b>Total expenditure</b>   |     | <b>933,533</b>   | <b>531,255</b>  | <b>759,897</b>   | <b>661,586</b>       | <b>835,044</b>   | <b>835,044</b>     | <b>480,134</b>  | <b>893,118</b>      | <b>933,315</b>         | <b>970,648</b>         |
| <b>Surplus/(Deficit)</b>   |     | <b>(385,591)</b> | <b>41,066</b>   | <b>(122,477)</b> | <b>(3,021)</b>       | <b>(141,289)</b> | <b>(141,289)</b>   | <b>8,228</b>  | <b>(127,597)</b>    | <b>(133,343)</b>       | <b>(138,678)</b>       |
| Transfers and subsidies - capital (monetary allocations)             |     | 166,664          | 97,385          | 208,901          | 220,198              | 220,198          | 220,198            | 48,456  | 218,681             | 228,522                | 237,663                |
| Transfers and subsidies - capital (in-kind)                          |     | -                | -               | 69               | -                    | -                | -                  | -   | -                   | -                      | -                      |
| <b>Surplus/(Deficit) after capital transfers and contributions</b>   |     | <b>(218,927)</b> | <b>138,451</b>  | <b>86,493</b>    | <b>217,177</b>       | <b>78,909</b>    | <b>78,909</b>      | <b>56,684</b>   | <b>91,084</b>       | <b>95,179</b>          | <b>98,985</b>          |
| Intercompany/Parent subsidiary transactions                          |     | 67               | 68              | -                | 65                   | 50               | 50                 | 47  | -                   | -                      | -                      |
| <b>Surplus/(Deficit) for the year</b>                                |     | <b>(218,994)</b> | <b>138,519</b>  | <b>86,493</b>    | <b>217,242</b>       | <b>78,959</b>    | <b>78,959</b>      | <b>56,731</b>   | <b>91,084</b>       | <b>95,179</b>          | <b>98,985</b>          |
| <b>Capital expenditure and funds sources</b>                         |     |                  |                 |                  |                      |                  |                    |   |                     |                        |                        |
| Capital expenditure  |     | 221,686          | 120,355         | 345,687          | 234,993              | 203,516          | 203,516            | 96,254  | 224,016             | 234,098                | 243,461                |



## 1.5 Operating Revenue Framework

For Setsoto Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices must be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a a) annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Council.

## 1.6 Summary of Operating Revenue by source

Table 2 – Summary of Operating Revenue by source (Table A4 Budgeted Financial Performance)

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## Setsoto Local Municipality - Table A4 Budgeted Financial Performance (Revenue and Expenditure)

| Description  | Ref | 2020/21         | 2021/22         | 2022/23         | Current year 2023/24 |                 |                    |                     | 2024/25 Medium term revenue and expenditure framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---------------------|---|------------------------|------------------------|
|  |     | Audited outcome | Audited outcome | Audited outcome | Original budget      | Adjusted budget | Full year forecast | Pre-Audited outcome | Budget year 2024/25                                   | Budget year +1 2025/26 | Budget year +2 2026/27 |
| <b>Revenue</b>   |     |                 |                 |                 |                      |                 |                    |                     |   |                        |                        |
| <b>Exchange revenue</b>  |     |                 |                 |                 |                      |                 |                    |                     |   |                        |                        |
| Service charges - Electricity  |     | 87,999          | 93,535          | 90,044          | 109,264              | 111,449         | 111,449            | 69,159              | 128,116   | 133,882                | 139,237                |
| Service charges - Water  |     | 60,995          | 65,672          | 75,111          | 70,092               | 71,494          | 71,494             | 57,588              | 75,069  | 78,447                 | 81,584                 |
| Service charges - Waste water management                             |     | 35,033          | 37,169          | 39,628          | 40,258               | 41,063          | 41,063             | 28,322              | 43,116  | 45,057                 | 46,859                 |
| Service charges - Waste management                                   |     | 34,635          | 48,383          | 51,788          | 54,253               | 55,339          | 55,339             | 36,747              | 58,105  | 60,720                 | 63,149                 |
| Sale of goods and rendering of services                              |     | 2,223           | 1,985           | 2,541           | 1,765                | 2,040           | 2,040              | 1,311               | 2,142   | 2,238                  | 2,328                  |
| Interest earned from receivables                                     |     | 28,914          | 34,106          | 43,166          | 40,000               | 55,647          | 55,647             | 37,679              | 50,000  | 52,250                 | 54,340                 |
| Interest earned from current and non current assets                  |     | 1,850           | 4,772           | 9,597           | 3,500                | 10,909          | 10,909             | 8,908               | 11,454  | 11,970                 | 12,449                 |
| Dividends  |     | 47              | 55              | 77              | 80                   | 81              | 81                 | 81                  | 85  | 89                     | 92                     |
| Rent on land   |     | 1,289           | 1,905           | 1,879           | 1,201                | 1,670           | 1,670              | 1,109               | 1,754   | 1,833                  | 1,906                  |
| Rental from fixed assets   |     | 59              | 121             | 90              | 75                   | 109             | 109                | 72                  | 114   | 119                    | 124                    |
| Operational revenue  |     | 1,965           | 601             | 6,887           | 375                  | 536             | 536                | 317                 | 563   | 588                    | 612                    |
|  |     | <b>255,009</b>  | <b>288,304</b>  | <b>320,808</b>  | <b>320,863</b>       | <b>350,337</b>  | <b>350,337</b>     | <b>241,293</b>      | <b>370,518</b>  | <b>387,193</b>         | <b>402,680</b>         |
| <b>Non-exchange revenue</b>  |     |                 |                 |                 |                      |                 |                    |                     |   |                        |                        |
| Property rates   |     | 66,418          | 64,828          | 68,402          | 76,749               | 81,749          | 81,749             | 55,285              | 85,836  | 89,699                 | 93,287                 |
| Fines, penalties and forfeits  |     | 1,105           | 463             | 644             | 10                   | 300             | 300                | 162                 | 315   | 329                    | 342                    |
| Licences or permits  |     | 70              | 51              | 27              | 6                    | 126             | 126                | 80                  | 132   | 138                    | 144                    |
| Transfer and subsidies - Operational                                 |     | 243,876         | 216,782         | 239,156         | 255,437              | 255,457         | 255,457            | 191,366             | 270,645   | 282,824                | 294,137                |
| Interest   |     | -               | 194             | 5,866           | -                    | -               | -                  | -                   | -   | -                      | -                      |
| Operational revenue  |     | 196             | 1,221           | 1,380           | 5,500                | 5,610           | 5,610              | -                   | 5,891   | 6,156                  | 6,402                  |
| Gains on disposal of assets  |     | (18,732)        | 478             | 850             | -                    | 176             | 176                | 176                 | 184   | 193                    | 200                    |
| Other gains  |     | -               | -               | 287             | -                    | -               | -                  | -                   | 32,000  | 33,440                 | 34,778                 |
|  |     | <b>292,933</b>  | <b>284,017</b>  | <b>316,612</b>  | <b>337,702</b>       | <b>343,418</b>  | <b>343,418</b>     | <b>247,069</b>      | <b>395,003</b>  | <b>412,779</b>         | <b>429,290</b>         |
| <b>Total Revenue (excluding capital transfers and contributions)</b> |     | <b>547,942</b>  | <b>572,321</b>  | <b>637,420</b>  | <b>658,565</b>       | <b>693,755</b>  | <b>693,755</b>     | <b>488,362</b>      | <b>765,521</b>  | <b>799,972</b>         | <b>831,970</b>         |

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.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise **51%** of the total operating revenue mix. In the above table revenue foregone arising from discounts and

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rebates associated with the tariff policies of the Municipality have been considered for both property rates and service charges.

Service charges on electricity will be increased in line with the proposed increase by the National Energy Regulation of South Africa (NERSA) while other service charges were increased with an average of 6%.

## 1.7 Summary of operating expenditure by standard classification item

**Table 8 Summary of operating expenditure by standard classification item (Table A4 Budgeted Financial Performance)**

### Setsoto Local Municipality - Table A4 Budgeted Financial Performance (Revenue and Expenditure)

| Description                     | Ref | 2020/21          | 2021/22         | 2022/23          | Current Year 2023/24 |                  |                    | 2024/25 Medium Term Revenue and Expenditure Framework |                     |                        |                        |
|---------------------------------|-----|------------------|-----------------|------------------|----------------------|------------------|--------------------|---|---------------------|------------------------|------------------------|
|                                 |     | Audited outcome  | Audited outcome | Audited outcome  | Original budget      | Adjusted budget  | Full year forecast | Pre-Audited outcome                                   | Budget year 2024/25 | Budget year +1 2025/26 | Budget year +2 2026/27 |
| <b>Expenditure</b>              |     |                  |                 |                  |                      |                  |                    |   |                     |                        |                        |
| Employee related costs          |     | 222,426          | 215,404         | 219,912          | 235,005              | 238,874          | 238,874            | 158,626   | 267,542             | 279,587                | 290,771                |
| Remuneration of councillors     |     | 12,967           | 12,871          | 14,072           | 14,641               | 15,491           | 15,491             | 10,115  | 16,158              | 16,885                 | 17,561                 |
| Bulk purchases - electricity    |     | 79,631           | 92,583          | 90,974           | 123,272              | 121,198          | 121,198            | 63,096  | 139,377             | 145,649                | 151,475                |
| Inventory consumed              |     | 14,908           | 18,537          | 9,096            | 26,208               | 25,744           | 25,744             | 9,127   | 43,958              | 45,936                 | 47,774                 |
| Debt impairment                 |     | 76,736           | -               | 19,537           | 32,469               | 53,469           | 53,469             | -   | 93,089              | 97,278                 | 101,169                |
| Depreciation and amortisation   |     | 394,456          | -               | 199,913          | 110,734              | 170,632          | 170,632            | 112,207   | 162,863             | 170,192                | 177,000                |
| Interest                        |     | 4,731            | 2,061           | 3,397            | 2,502                | 1,349            | 1,349              | 74  | 1,570               | 1,641                  | 1,706                  |
| Contracted services             |     | 17,577           | 24,898          | 33,414           | 26,359               | 32,436           | 32,436             | 20,533  | 24,300              | 25,393                 | 26,409                 |
| Transfers and subsidies         |     | 30,601           | 22,699          | 42,271           | 38,951               | 30,610           | 30,610             | 19,313  | 32,159              | 33,606                 | 34,950                 |
| Irrecoverable debts written off |     | 51,192           | 113,924         | 81,642           | 20,182               | 85,433           | 85,433             | 53,731  | 58,000              | 60,610                 | 63,034                 |
| Operational costs               |     | 28,381           | 28,278          | 45,669           | 31,263               | 59,808           | 59,808             | 33,312  | 54,102              | 56,538                 | 58,799                 |
| Losses on disposal of Assets    |     | (73)             | -               | -                | -                    | -                | -                  | -   | -                   | -                      | -                      |
| <b>Total expenditure</b>        |     | <b>933,533</b>   | <b>531,255</b>  | <b>759,897</b>   | <b>661,586</b>       | <b>835,044</b>   | <b>835,044</b>     | <b>480,134</b>  | <b>893,118</b>      | <b>933,315</b>         | <b>970,648</b>         |
| <b>(Deficit)/Surplus</b>        |     | <b>(385,591)</b> | <b>41,066</b>   | <b>(122,477)</b> | <b>(3,021)</b>       | <b>(141,289)</b> | <b>(141,289)</b>   | <b>8,228</b>  | <b>(127,597)</b>    | <b>(133,343)</b>       | <b>(138,678)</b>       |

The budgeted allocation for employee related costs for the 2024/25 financial year totals R267.5 million (excluding Councillor’s remuneration of R16.1 million).

The cost associated with the remuneration of councillors 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 considered in compiling the Municipality’s budget.

Provision of debt impairment for the 2024/25 financial year amounts to **R93 million**. While this expenditure is 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 as well as the GRAP standards. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years. The recurring audit finding from the Auditor General in terms of the depreciation was also considered when compiling the budget.

Interest consists primarily of the repayment of interest on long-term borrowing (cost of capital) that the municipality has with financial institutions.

Bulk purchases are directly informed by the purchase of electricity from Eskom and an increase as determined and approved by NERSA.

Operational costs decreased with 10% or R5.7 million, however the cost containment measures as outlined in the Circular 82 and adopted by the municipal Council still apply.

## **1.7.1 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 Indigent Policy. The target is to register more indigent households during the 2024/25 financial year, a process reviewed annually.

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.

## **1.8 Capital Expenditure**

The following table provides a breakdown of budgeted capital expenditure for the 2024/25 Medium Term Revenue & Expenditure Framework, using the Division of Revenue Bill of 2024.

# Setsoto Local Municipality – Annual Budget & MTREF 2024/25

| GRANT  | 2024-25        | 2025-26        | 2026-27        |
|--|----------------|----------------|----------------|
| Municipal Infrastructure Grant (MIG)                       | 54 722         | 57 323         | 62 163         |
| Integrated National Electrification Programme Grant (INEG) | -              | 5 280          | 4 770          |
| Regional Bulk Infrastructure Grant (RBIG)                  | 143 951        | 70 000         | 34 222         |
| Water Service Infrastructure Grant (WSIG)                  | 20 008         | 25 540         | 27 890         |
| <b>TOTAL</b>   | <b>218 681</b> | <b>158 143</b> | <b>129 045</b> |

## Setsoto Local Municipality - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

| Vote Description                              | Ref | 2020/21         | 2021/22         | 2022/23         | Current year 2023/24 |                 |                    | 2024/25 Medium term revenue and expenditure framework |                     |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|---------------------|------------------------|------------------------|
| Figures in Rand thousand                      |     | Audited outcome | Audited outcome | Audited outcome | Original budget      | Adjusted budget | Full year forecast | Pre-Audited outcome                                   | Budget year 2024/25 | Budget year +1 2025/26 | Budget year +2 2026/27 |
| <b>Capital expenditure - Functional</b>       |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| <b>Governance and administration</b>          |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| Executive and council                         |     | 47              | 68              | 1,174           | -                    | 187             | 187                | 91  | -                   | -                      | -                      |
| Finance and administration                    |     | 3,201           | 734             | 1,230           | -                    | 1,408           | 1,408              | 351   | 35                  | 37                     | 38                     |
|   |     | <b>3,248</b>    | <b>802</b>      | <b>2,404</b>    | <b>-</b>             | <b>1,595</b>    | <b>1,595</b>       | <b>442</b>  | <b>35</b>           | <b>37</b>              | <b>38</b>              |
| <b>Community and public safety</b>            |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| Community and social services                 |     | -               | 42              | -               | -                    | 60              | 60                 | 60  | -                   | -                      | -                      |
| Sport and recreation                          |     | 16,601          | 19              | -               | 11,000               | 1,103           | 1,103              | 182   | 1,056               | 1,104                  | 1,148                  |
| Public safety                                 |     | 8               | 20              | 30              | -                    | -               | -                  | -   | -                   | -                      | -                      |
| Housing                                       |     | -               | 99              | 11              | -                    | -               | -                  | -   | -                   | -                      | -                      |
|   |     | <b>16,609</b>   | <b>180</b>      | <b>41</b>       | <b>11,000</b>        | <b>1,163</b>    | <b>1,163</b>       | <b>242</b>  | <b>1,056</b>        | <b>1,104</b>           | <b>1,148</b>           |
| <b>Economic and environmental services</b>    |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| Planning and development                      |     | -               | 17              | -               | -                    | 47              | 47                 | 25  | -                   | -                      | -                      |
| Road transport                                |     | 10,521          | -               | 2,855           | 5,000                | 44,993          | 44,993             | 17,243  | 45,485              | 47,532                 | 49,433                 |
|   |     | <b>10,521</b>   | <b>17</b>       | <b>2,855</b>    | <b>5,000</b>         | <b>45,040</b>   | <b>45,040</b>      | <b>17,268</b>   | <b>45,485</b>       | <b>47,532</b>          | <b>49,433</b>          |
| <b>Trading services</b>                       |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| Energy sources                                |     | 18,561          | 10,144          | 38,380          | 11,775               | 7,422           | 7,422              | 1,355   | 10,481              | 10,953                 | 11,391                 |
| Water management                              |     | 128,996         | 96,568          | 289,547         | 184,173              | 114,102         | 114,102            | 59,218  | 53,951              | 56,379                 | 58,634                 |
| Waste water management                        |     | 42,383          | 12,622          | 12,438          | 12,025               | 34,148          | 34,148             | 17,718  | 110,008             | 114,958                | 119,557                |
| Waste management                              |     | 1,368           | 22              | 22              | 11,020               | 46              | 46                 | 11  | 3,000               | 3,135                  | 3,260                  |
|   |     | <b>191,308</b>  | <b>119,356</b>  | <b>340,387</b>  | <b>218,993</b>       | <b>155,718</b>  | <b>155,718</b>     | <b>78,302</b>   | <b>177,440</b>      | <b>185,425</b>         | <b>192,842</b>         |
| <b>Total Capital expenditure - Functional</b> |     | <b>221,686</b>  | <b>120,355</b>  | <b>345,687</b>  | <b>234,993</b>       | <b>203,516</b>  | <b>203,516</b>     | <b>96,254</b>   | <b>224,016</b>      | <b>234,098</b>         | <b>243,461</b>         |
| <b>Funded by:</b>                             |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| National government                           |     | 172,053         | 110,225         | 300,312         | 220,198              | 179,221         | 179,221            | 92,984  | 218,681             | 228,522                | 237,663                |
| Borrowing                                     |     | (2)             | 75              | 4,444           | 14,775               | 16,033          | 16,033             | 1,133   | 5,300               | 5,539                  | 5,760                  |
| Internally generated funds                    |     | 140             | 9,183           | 225             | -                    | 8,249           | 8,249              | 211   | 35                  | 37                     | 38                     |
|   |     | <b>138</b>      | <b>9,258</b>    | <b>4,669</b>    | <b>14,775</b>        | <b>24,282</b>   | <b>24,282</b>      | <b>1,344</b>  | <b>5,335</b>        | <b>5,576</b>           | <b>5,798</b>           |
| <b>Total capital funding</b>                  |     | <b>172,191</b>  | <b>119,483</b>  | <b>304,981</b>  | <b>234,973</b>       | <b>203,503</b>  | <b>203,503</b>     | <b>94,328</b>   | <b>224,016</b>      | <b>234,098</b>         | <b>243,461</b>         |

## 1.9 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 website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA and headed by the Chief Financial Officer.

4. Audit and Risk Committees

An Audit and Risk Committees have been established and are 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 2024/25 MTREF in May 2024 which will be aligned and informed by the 2024/25 MTREF.

6. Annual Report

Annual report is 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 internal centre and training is ongoing.

8. Policies

# Setsoto Local Municipality – Annual Budget & MTREF 2024/25

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All budget related policies will be amended and be tabled in the Municipal Council meeting together with the annual budget.

## 1.10 Funding credibility on cash flow

The following table illustrate that based on the collection rate of service charges the budget are cash funded.

In order to determine a realistic and credible budget the following calculation was made:

|                               |                                 |
|-------------------------------|---------------------------------|
| Total Revenue                 | R 765.521 million               |
| Less Debt Impairment          | R 93.089 million                |
| <b>Available Cash Revenue</b> | <b><u>R 672.432</u></b> million |
| <br>                          |                                 |
| Total Expenditure             | R 893.118 million               |
| Less Debt Impairment          | R 93.089 million                |
| Less Depreciation             | R 162.863 million               |
| <b>Cash Expenditure</b>       | <b><u>R 637.116</u></b> million |
| Surplus                       | <u>R 35.266</u> million         |

With the necessary financial discipline, the municipality might maintain the basic service delivery.

## **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 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 (i.e. in August 2023) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled the budget key timelines before Council meeting outlining the key activities to be undertaken with strict timeliness.

### **2.3 Overview of budget related policies**

The municipal budget related policies will be reviewed as part of community consultation.

### **2.4 List of Tariffs**

The municipal budget was compiled using the attached Tariff list.



## 1.1 Municipal manager’s quality certificate

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

Print Name: Mrs. N F Malatjie

Municipal manager of Setsoto Municipality (FS191)

Signature \_\_\_\_\_

Date \_\_\_\_\_