



BUDGET FOR

2024/2025 – 2026/2027

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1 Glossary

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

Allocations – Money received from Provincial or National Government or other municipalities.

AFS – Annual Financial Statements

Budget – The financial plan of a municipality.

Budget related policy – Policy of a municipality affecting or affected by the budget.

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

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

CFO – Chief Financial Officer / Director: Finance

DORA – Division of Revenue Act. An annual piece of legislation indicating the allocations from National Government to Local Government.

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

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GDFI - Gross Domestic Fixed Investment

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

GRAP – Generally Recognized Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

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

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

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

MIG – Municipal Infrastructure Grant

MPRA – Municipal Property Rates Act (No 6 of 2004) as amended.

MTREF – Medium Term Revenue and Expenditure Framework as prescribed by the MFMA sets out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level. Also includes details of the previous three years and current years' financial position.

NT – National Treasury

Net Assets – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

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

Rates – Local Government tax based on assessed valuation of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

RBIG – Regional Bulk Infrastructure Grant

R&M – Repairs and maintenance on property, plant and equipment.

SCM – Supply Chain Management.

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

Strategic Objectives – The main priorities of a municipality as set out in the IDP Budgeted spending must contribute towards achievement of these strategic objectives.

TMA – Total Municipal Account

Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

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

WM – Witzenberg Municipality

2 Mayors Report

Speaker
Aldermen
Deputy Executive Mayor
Members of the Mayoral Committee Councillors
Representatives of Provincial Government
Municipal Manager
Directors and officials

It is my privilege to present to you the budget for the 2024/2025 financial year as well as the 2025/2026 to 2026/2027 medium term revenue and expenditure framework.

It remains a challenge to collect sufficient funds for improved service delivery while tariffs must still be affordable to the community. Debt collection will have to improve to make more funds available for capital expenditure for much needed maintenance and replacement of aging municipal infrastructure. The level of outstanding debt was also highlighted in the Audit Report. Strict credit control and stewardship from council will have to improve to enhance our ability to collect what is due to the municipality.

The collection rate of the municipality has increased from 88% to 90%. This is still below the norm of 94%. We believe that the collection rate will rise again as we have started to implement credit control measures and have thus estimated that the budgeted collection rate for the new financial year will reach 92%. The collection rate is under pressure as no new business or expansions of current businesses can be allowed due to the inability of Eskom to increase the electricity supply to the municipal area. The ongoing load shedding have a negative effect on the financial sustainability of businesses, which are the main sources of job creation in the municipal area. We experience an alarming decrease in electricity sales that can only be attributed to load shedding.

The inability to implement credit control measures in the Eskom supply areas of Op-Die-Berg & Prince Alfred's Hamlet is of great concern. Strategic engagements with Eskom will be required to unlock the potential revenue collection. National revenue sources such as the Equitable Share is decreasing, and this will urge the municipality to explore other potential sources of income.

It is estimated that 19 656 households receive basic services from the municipality. Of these households 7 480 lives in informal areas where services need to be delivered, these households are not billed for services. The current indigent register has 2 983 households listed. The remainder of 9 193 households are billed for services. Only 4 595 of these households have a payment percentage of more than 80%.

It will be of utmost importance that we collectively strive to always ensure that we receive value for money on every rand spent from the municipal coffers. We must ensure radical constitutional economic growth to expand billable services. It must also be noted that Capital expenditure funded from our own resources and expenditure on repairs and maintenance is very limited due to a limited to zero increase in cash and cash equivalents over the past 3 year.

The municipality's cash and cash equivalents are only sufficient to cover expenditure for 3 months. A balance must be found between improving the available cash and cash equivalents and spending money on service delivery.

Community Relief Initiatives

The following financial relief to the community was introduced in previous budgets. These reliefs have contributed tremendously to the economic upliftment of the citizens of our valley. We continuously strive to increase these packages of financial relief but are constraint by the limited financial resources to implement the necessary relief to all citizens. We have so far implemented the below:

- The Indigent policy's qualifying criteria has been amended to only include the income off the property owner or account holder and his or her spouse.
- Households earning less than R5 000 and rand qualify for the indigent subsidy.
- Households earning between R5 000 and R6 000 rand may qualify for a rebate equalto 50% of the normal indigent subsidy.
- A pensioner's rebate in terms of Property Rates.
- A general exemption of on the first R150 000 of residential property as previous.

The capital budget.

The capital budget for the next financial year amounts to R 85 million of which R 20 million is from own revenue. The rest of the capital budget is financed from Grants to the value of R 40 million and a proposed external loan of R 25 million.

As can be seen from the aforementioned, the municipality is too reliant on Grants to fund its capital expenditure. That said we are thankful for the Grants allocated to Witzenberg Municipality.

The bulk of the proposed capital expenditure is in respect of service delivery and infrastructure.

The operating budget

The operating revenue budget for next year amounts to R 1 000 million of which R 768 million is from own revenue. The rest of the operating budget is financed from Grants.

Electricity Tariffs

The electricity tariffs as per the cost of supply study will not be implement for the 2024/2025 financial year as the electricity bylaw must first be amended to provide mandatory installation of the required electricity meters, for the implementation of the new tariffs.



COUNCILLOR T ABRAHAMS

EXECUTIVE MAYOR

3 Draft Resolutions

- (a) *That the annual budget of Witzenberg Municipality for the financial year 2024/2025;and indicative for the two projected years 2025/2026 and 2026/2027, as set out in the schedules contained in Section 4, be approved:*
 - (i) *Table A2: Budgeted Financial Performance (expenditure by standard classification).*
 - (ii) *Table A3: Budgeted Financial Performance (expenditure by municipal vote).*
 - (iii) *Table A4: Budgeted Financial Performance (revenue by source).*
 - (iv) *Table A5: Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification, and funding.*
- (b) *Property rates reflected in Annexure 8.1.8(c) and any other municipal tax reflected in Annexure 8.1.8(c) are imposed for the budget year 2024/2025.*
- (c) *Tariffs and charges reflected in Annexure 8.1.8(c) are approved for the budget year 2024/2025.*
- (d) *The measurable performance objectives for revenue from each source reflected in Table A4 - Budgeted Financial Performance (revenue and expenditure) are approved for the budget year 2024/2025.*
- (e) *The measurable performance objectives for each vote reflected in SA8 are approved for the budget year 2024/2025.*
- (f) *That the new amended budget related policies be approved with implementation from 1 July 2024:*
 - (i) *Tariff Policy*
 - (ii) *Property Rates Policy*
 - (iii) *Credit Control and Debt Collection Policy.*
 - (iv) *Cash Management and Investment Policy*
 - (v) *Consumer Payment Incentive Policy.*
 - (vi) *Municipal Supply Chain Management Policy.*
 - (vii) *SCM Policy for infrastructure Procurement.*
 - (viii) *Preferential Procurement Policy.*
 - (ix) *Petty Cash Policy*
 - (x) *Indigent Policy*
 - (xi) *Budget Policy*
 - (xii) *Budget Virement Policy*
 - (xiii) *Asset Management Policy*
 - (xiv) *Funding and Reserves Policy*
 - (xv) *Cellular telephone and data card policy*
 - (xvi) *Borrowing Policy*
 - (xvii) *Long Term Financial Plan Policy*
 - (xviii) *Transport, Travel and Subsistence Allowance*

- (xix) *Post-Employment Medical Aid Contributions*
- (xx) *Infrastructure Investment Policy*
- (xxi) *Cost Containment Policy*

(g) *That the reviewed Integrated Development Plan be approved*

(h) *That Council takes cognisance of the budget circulars issued by National Treasury and Provincial Treasury.*

4 Executive Summary

Economic outlook

The National Treasury estimates real economic growth of 0.6 per cent in 2023. This is a decrease from growth of 0.8 per cent projected in the 2023 MTBPS due to weaker than expected outcomes in the third quarter of 2023, resulting in downward revisions to household spending growth and spending on gross fixed investment. GDP growth is projected to average 1.6 per cent from 2024 to 2026 as the frequency of power cuts declines, lower inflation supports household consumption, and employment and credit extensions recover gradually.

Headline inflation is projected to moderate from 6 per cent in 2023 to 4.9 per cent in 2024 and 4.6 per cent in 2025 and 2026 as food and fuel inflation continue to decline. In 2023 food inflation slowed less than expected due to power cuts and rand depreciation, keeping imported food costs high.

The current economic challenges in the country place pressure on the ability of consumers to settle municipal accounts, therefore municipal own revenue generation gets affected.

The municipality's notional maximum demand (NMD) ceiling has also been reached and this is hampering its ability to attract investments to the municipal area. Continued talks are underway with Eskom to increase Witzenberg Municipality's NMD.

Population statistics suggest that the municipality has experienced a steep increase in population during the past 10 years. The expansion of Informal settlements within the municipal area supports this argument and this places pressure on the municipality to provide basic services within these areas. The municipality is in the process of lodging a dispute to Statistics South Africa as it is of the opinion that the population figure is higher than the numbers published by Statistics South Africa.

As a result of the above-mentioned challenges, the municipality followed a conservative approach for projecting revenue and expenditure.

Past performance

Witzenberg Municipality has now attained eleven consecutive clean audit reports. Whilst the reports are very positive achievements one must be honest and say that it tells the reader little about whether we have improved service delivery or even delivered on our constitutional mandate. What they do say is that the Council is reasonably honest in its operations to tax and spending on behalf of the local population.

Budget Summary

The Municipality's 2024/2025 budget amounts to R 1 081 million, represented by a Capital Budget of R 85 million and an Operating Budget of R 996 million.

The total 2024/2025 budget (operating and capital) will be financed from own revenue R 821 million, Government Grants R 235 million and loans R 25 million.

Debt Impairment is estimated at R62 million.

Tariff implications of the annual budget

Electricity:

The increase in electricity tariffs will be 10.8% for all customers. NERSA approved an 12.7% tariff increase for Eskom, the increase for municipalities is expected to be 10.8%.

The electricity tariffs have been submitted to NERSA and we hope to receive their approval before 30 June 2024.

Water:

The water consumption tariff increase will be 5% for all consumers, the basic charge for residential and small businesses has not been increased.

Property Rates:

The increase of Property Rates tariffs will be 8% for all categories.

Sanitation:

The increase of Sanitation Tariffs will be 5%.

Refuse removal:

The average tariff increase for Refuse Removal Tariffs will be 5%.

Expenditure category increases

The budgeted increase in expenditure categories are as follows:

Expenditure by Type	2023/2024	2024/2025	Increase
	R'000	R'000	
Employee related costs	233 565	252,344	8%
Job Creation	10 284	8,024	-22%
Post Employment Provisions	21 221	19,919	-6%
Remuneration of councilors	11 988	12,313	3%
Depreciation & asset impairment	54 369	54,219	0%
Bulk purchases	360 544	374,841	4%
Debt Impairment	64 475	62,758	-3%
Repairs & Maintenance	31 756	34,076	7%
Operational Projects	8 058	9,924	23%
General Expenses	62 297	66,973	8%
Vehicle Expenditure	17 013	18,659	10%
Housing Top Structures	30 000	34,320	14%
Other Contracted Services	43 271	48,343	12%
TOTAL	948 840	996,713	5%

The increase in salary expenditure is based on an expected increase of 4.9% CPI as well as the notch increase of 2.5% for qualifying employees. The municipality is awaiting the new wage agreement, and this may have a material impact on the budget. The municipality has also limited the budget for Overtime & Standby expenditure and expenditure on these items will be closely monitored.

It is estimated that the increase in bulk purchases will be 12.7%.

The financing of capital expenditure from own funds (CRR) totals R 20 million. This amount is earmarked to address specific infrastructural capital investment aligned to IDP focus areas. This level is affordable over the MTREF 3-year period.

Capital investment funding from Capital Grants represents a significant portion (52%) of the Municipality's Capital Budget in 2024/2025 and consists mainly of the Provincial Housing Grant, Public Transport Infrastructure Grant, and the Municipal Infrastructure Grant (MIG).

The 2024/2025 Budget was compiled in terms of the Municipal Budget and Reporting Regulations and a phased-in process will be followed to include all information regarding the tables and supporting documentation.

Financial position and MTREF strategy

The financial position of Witzenberg Municipality is set out in Table A6: Budgeted Financial Position.

Integrated Development Plan & Priorities

The Strategic priorities as per the IDP I is available in Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue), Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure) and Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure).

Effect of the annual budget

The annual budget for 2023/2024 to 2025/2026 is disclosed in detail in 'Section 4: Annual budget tables' and in 'Annexure 2: Supporting budget tables. Each of the summarised sections below is discussed in more detail later in this document.

Financial performance

The revenue by source for medium term revenue and expenditure framework can be summarized as follows:

Revenue by source	2023/2024	2024/2025	Increase
	R'000	R'000	
Property Rates	107,061	122,510	14%
Service Charges: Electricity	403,554	437,072	8%
Service Charges: Water	56,887	54,240	-5%
Service Charges: Wastewater	38,703	40,626	5%
Service Charges: Waste Management	61,173	66,206	8%
Indigent Rebate	-29,746	-38,705	30%

Other Revenue	85,059	86,724	2%
Transfers and Subsidies	233,922	231,769	-1%
TOTAL	956,614	1,000,443	5%

The National, Provincial and District Context

The Municipality's budget must be seen within the context of the policies and financial priorities of National and Provincial Government as well as the district municipality. In essence, the spheres of Government are partners in meeting the service delivery challenges faced in Witzenberg Municipality. The Municipality alone cannot meet these challenges and we require support from the other spheres of Government through the direct and indirect allocation of resources as well as the achievement of their own policies.

The following table shows the allocations to Witzenberg Municipality as set out in the National Division of Revenue Bill.

NATIONAL ALLOCATIONS	2024/2025	2025/2026	2026/2027
	R'000	R'000	R'000
UNCONDITIONAL GRANTS			
EQUITABLE SHARE	145 706	157 204	169 783
CONDITIONAL GRANTS INFRASTRUCTURE			
MIG	25 630	26 709	28 718
INEP		660	596
ENERGY EFFICIENT GRANT	3 500	4 000	
WSIG	15 000		
CONDITIONAL GRANTS SPECIFIC PURPOSE ALLOCATIONS			
LG FMG	1 600	1 700	1 800
EPWP	1 559		
NATIONAL GRANTS TOTAL	192 995	190 273	200 897

The following table shows the allocations to Witzenberg Municipality from the Provincial Government of the Western Cape:

PROVINCIAL ALLOCATIONS	2024/2025	2025/2026	2026/2027
	R'000	R'000	R'000
DEPARTMENT OF HUMAN SETTLEMENTS			
IHSDG	25 000	25 400	21 000
Municipal Accreditation and Capacity Building Grant	249	249	260
Contribution towards Acceleration of Housing Delivery	7 788		

Informal Settlement Upgrading Partnership Grant	1 532	8 187	1 413
DEPARTMENT OF ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING			
Regional socio-economic project/violence prevention through urban upgrading			
DEPARTMENT OF TRANSPORT AND PUBLIC WORKS			
Maintenance of proclaimed roads	1 375	1 400	1 463
DEPARTMENT OF CULTURAL AFFAIRS AND SPORT			
Library Services	4 271	4 281	4 473
Library services: Municipal Replacement Funding	6 412	6 626	6 804
Development of Sport & Recreation Facilities			
DEPARTMENT OF LOCAL GOVERNMENT			
Thusong Centre	150		
Community Development Worker Operational Support Grant	132	132	132
Fire Service Capacity Building Grant			
Municipal Energy Resilience Grant	700		
PROVINCIAL TREASURY			
Financial Management Capability Building	150		
PROVINCIAL GRAND TOTAL	47 759	46 275	35 545

Budget-related policies

Please refer to paragraph 9 for details of proposed amendments to the budget related policies.

Annual budget Tables

- A1 Budget Summary
- A2 Budgeted Financial Performance – by standard classification.
- A3 Budgeted Financial Performance – by municipal vote
- A4 Budgeted Financial Performance
- A5 Budgeted capital Expenditure by vote and Funding
- A6 Budgeted Financial Position
- A7 Budgeted Cash Flows
- A8 Cash backed reserves/accumulated surplus reconciliation
- A9 Asset Management
- A10 Basic service delivery measurement

Annual budget Supporting Tables

- SA1: Supporting Detail to Budgeted Financial Performance
- SA2: Matrix Financial Performance Budget (revenue source/expenditure type and dept.)
- SA3: Supporting detail to Budgeted Financial Position
- SA4: Reconciliation of IDP, Strategic Objectives and Budget (Revenue)
- SA5: Reconciliation of IDP, Strategic Objectives and Budget (Operating Expenditure)
- SA6: Reconciliation of IDP, Strategic Objectives and Budget (Capital Expenditure)
- SA7: Measurable Performance Objectives
- SA8: Performance Indicators and Benchmarks
- SA9: Social, Economic and Demographic Statistics and Assumptions
- SA10: Funding Measurement
- SA11: Property Rates Summary
- SA12a: Property rates by category (current year)
- SA12b: Property rates by category (budget year)
- SA13: Service Tariffs by category
- SA 14: Household Bills
- SA15: Investment Particulars by Type
- SA16: Investment Particulars by Type
- SA17: Borrowing
- SA18: Transfers and Grant Receipts
- SA19: Expenditure on Transfers and Grant Programme
- SA20: Reconciliation of Transfers, Grant Receipts and Unspent Funds
- SA21: Transfers and Grants made by the Municipality.
- SA22: Summary Councillor and Staff Benefits
- SA23: Salaries, Allowances and Benefits (political office bearers/councillors/seniormanagers)
- SA24: Summary of Personnel Numbers
- SA25: Budgeted Monthly Revenue and Expenditure
- SA26: Budgeted Monthly Revenue and Expenditure (Municipal Vote)
- SA27: Budgeted Monthly Revenue and Expenditure (Standard Classification)
- SA28: Budgeted Monthly Capital Expenditure (Municipal Vote)
- SA29: Budgeted Monthly Capital Expenditure (Standard Classification)
- SA30: Budgeted Monthly Cash Flow

SA31: Entities not required

SA32: List of External Mechanisms

SA33: Contracts having Future Budgetary Implications

SA34a: Capital Expenditure on New Assets by Asset Class

SA34b: Capital Expenditure on the Renewal of Existing Assets by Asset Class

SA34c: Repairs and Maintenance Expenditure by Asset Class

SA34d: Depreciation by Assets Class

SA35: Future Financial Implications of the Capital Budget

SA36: Detail Capital Budget

SA37: Projects Delayed from Previous Financial Years

Budget Circulars – only attached for information.

6 Overview of the Budget Process

6.1 Political oversight of the budget process

Section 53 (1) of the MFMA stipulates that the mayor of a municipality must provide general political guidance over the budget process and the priorities that guide the preparation of the budget.

Section 21(1) of the MFMA states that the mayor of a municipality must coordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible.

Furthermore, this section also states that the mayor must at least 10 months before the start of the budget year, table in municipal council, a time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget.

This time schedule provides for political input from formal organizations such as portfolio Committees.

6.2. Schedule of Key Deadlines relating to budget and IDP process [MFMA 21(1) (b)]

The IDP and Budget time schedule of the 2024/2025 budget cycle was adopted by Council during August 2023, 10 months before the start of the budget year in compliance with legislative directives.

The IDP and Budget Process Plan ensure that the role-players within the process are well prepared. All activities outlined within this document have been prepared in close inter- relation with the Framework that governs both the District and all local municipalities.

Public budget and IDP meetings will be held throughout Witzenberg, and all members of the public are urged to attend.

6.3. Process used to integrate the review of the IDP and preparation of the Budget.

Updating the IDP and Budget is an evolving and re-iterative process over a 10-month period. The initial parallel process commenced with the consultative process of the IDP in 2023 and the update of the MTREF to determine the affordability and sustainability framework at the same time.

6.4. Process for consultation with each group of stakeholders and outcomes.

Following tabling of the draft budget in March 2024, local input has been solicited via notices published in the media and budget meetings held in the different towns. The budget documentation was also made available on the municipal website: witzenberg.gov.za.

Most of the comments from the community relates to service delivery issues which has already been included in the budget, subject to financial affordability. The rest of the inputs is already part of the IDP process and will, subject to financial affordability, be included in future budgets.

6.5. Stakeholders involved in consultations.

The tabled budget was provided to National Treasury and Provincial Treasury in March/April 2023 for their consideration in line with S23 of the MFMA. Comments on the budget were received via Provincial treasury's SIME engagement and its overall assessment concluded that the budget is funded.

6.6. Process and media used to provide information on the Budget to the community.

The Municipality's consultation process on its draft IDP and budget was published in the relevant media during April/May 2024, where input from various stakeholders were requested.

6.7. Methods employed to make the Budget document available (including websites)

In compliance with the Municipal Finance Management Act and the Municipal Systems Act with regards to the advertising of Budget Documents (including the Tariffs, Fees and Charges for 2024/2025), advertisements were placed in the media. The information relating to budget documentation was displayed at the notice boards in the municipal offices as well as libraries.

In compliance with S22 of the MFMA, the Budget documentation was published on the municipality's website.

7 IDP Overview and Amendments

• VISION

A Municipality that cares for its community, creating growth and opportunities

• MISSION

The Witzenberg Municipality is committed to improve the quality of life of its community by:

- Providing and maintaining affordable services.
- Promoting Social and Economic Development
- The effective and efficient use of available resources
- Effective Stakeholder and Community participation

• VALUE SYSTEM

- Driven by the aspirations of our community, we will respect and uphold the Constitution of the Republic of South Africa.
- We commit ourselves to the Code of Conduct for Councillors and officials in the Municipal Systems Act.
- We commit ourselves to the principles of sound financial management.

• Alignment with Provincial and National Government

Witzenberg Municipality's development plan needs to align with National and Provincial initiatives to ensure optimal impact from the combined efforts of government. In this regard there are six critical elements: Accelerated and Shared Growth-South Africa (ASGI-SA), National Spatial Development Perspective (NSDP), National Strategy for Sustainable Development (NSSD), Provincial Growth and Development Strategy (PGDS) and Provincial Spatial Development Framework (PSDF).

All these feed into and influence the Integrated Development Plan.

• Witzenberg Municipality Budget Priorities (Key Performance areas)

The Municipality's 2023/2024 to 2025/2026 integrated development plan focuses on four strategic focus areas. The concrete objectives for each strategic focus area have been outlined and elaborated on. These objectives will be used to further develop key performance indicators against which performance implementation monitoring and reporting will be done. The corporate scorecard outlines these indicators and targets.

The four focus areas are:

- Essential Services
- Governance
- Communal Services
- Socio-Economic Support Services

8 Measurable performance objectives and indicators

(a) KEY FINANCIAL INDICATORS AND RATIOS

Information regarding key financial indicators and ratios are provided on Supporting TableSA8.

(b) MEASURABLE PERFORMANCE OBJECTIVES

Information regarding revenue is provided as follows:

Revenue for each vote - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Revenue for each source - Table A4 Budgeted Financial Performance (revenue and expenditure)

Provision of free basic services:

- (i) Cost to the Witzenberg Municipality in rand value for each of the free basic services provided to indigent households:

	2024-2025	2025-2026	2026-2027
DESCRIPTION	R'000	R'000	R'000
Property rates	1 113	1 180	1 251
Water	3 939	3 993	4 051
Sanitation	11 297	11 975	12 693
Electricity	4 793	5 402	6 088
Refuse	9 661	10 241	10 855
Total	30 803	32 790	34 938

More detail is provided in Table A10 Basic service delivery measurement,

- (ii) Level of service to be provided.

The first R 150 000 of the municipal valuation of property in Town areas are exempt from property rates.

Indigent households will receive 50 kWh of electricity and 6 kilolitre of water per month while their basic charges for water refuse and sewerage will be subsidized.

- (iii) Number of households to receive free basic services.

There is budgeted for 3 500 households that will receive 50 kWh electricity per month as well as 6 kilolitre water per month. Provision has also been made for households earning between R5000 and R6000 which may qualify for 50% of the indigent subsidy.

A further 7 480 households in informal areas receive all services excluding electricity free of charge.

9 Overview of Budget Related Policies and Amendments

The following budget related policies are tabled with the budget documentation for comments and inputs:

Budget Policy Tariff
Policy
Property Rates Policy
Credit Control and Debt Collection Policy Cash
Management and Investment Policy Consumer

Payment Incentive Policy Petty Cash Policy
Indigent Policy
Budget Virement Policy Asset
Management Policy Funding and
Reserves PolicyBorrowing Policy
Cellular the phone and data card policy Municipal
Supply Chain Management Policy
Preferential Procurement Policy
Long Term Financial Plan Policy
Transport- travel- and subsistence allowance PolicyPost-
Employment Medical Aid Contribution Policy Infrastructure
Investment Policy

The budget related policies were reviewed by management. The amendments recommended are explained below:

BUDGET POLICY

The aim of the policy is to set out the principles which the municipality will follow in preparing each medium-term revenue and expenditure framework (budget) and the responsibilities of the mayor and officials.

It is recommended that the accounting officer can approve adjustment to projects linked to the SDBIP to enhance service delivery and other operational requirements.

TARIFF POLICY

The Municipal System Act requires Council to adopt a Tariff Policy. The general financial management functions covered in section 62 of the MFMA includes the implementation of a tariff policy. Specific legislation applicable to each service has been taken into consideration when determining this policy.

It is recommended that a paragraph be added to provide that new rates and tariffs approved during the budget cycle is applicable to all debits raised after 1 July of the relevant year, regardless of the time of consumption.

PROPERTY RATES POLICY

The policy guides the annual setting of property rates.

No amendments are recommended.

CREDIT CONTROL AND DEBT COLLECTION POLICY

This Policy has been formulated in terms of section 96 (b) and 98 of the Local Government: Municipal Systems Act, 2000 and the Credit Control and Debt Collection By-Law.

No amendments are recommended.

CASH MANAGEMENT AND INVESTMENT POLICY

The underlying cash is managed and invested in accordance with the Municipality's approved Cash Management and Investment Policy, which is aligned with National Treasury's municipal investment regulations dated 01 April 2005.

No amendments are recommended.

CONSUMER PAYMENT INCENTIVE POLICY

The purpose of the policy is to encourage residents of Witzenberg to pay for services and to promote the culture of payment amongst its citizens.

Amendments recommended:

Verified debt as at 30 June 2022 to be “parked” and written-off in instalments as the conditions are met. Verified debt accrued after 1st July 2022 to be dealt with via an acknowledgement of debt and arrangement for payment by the participant.

PETTY CASH POLICY

The policy provides for the cash purchases up to a transaction value of R 2 000.00

It is recommended to amend the policy to include additional expenditure items such as fruit baskets, Data, Airtime, Batteries, Official photos, parking fees and cost involved with the registration of vehicles.

INDIGENT POLICY

The aim of the policy is to ensure a sound and sustainable manner to provide affordable basic services to the poor by means of assisting them financially within the legal framework of the powers and functions of the municipality to improve the livelihood, in an effort to create a prosperous municipality free of poverty.

It is recommended that the policy be amended as follows:

Section 7.1 which relates to the 100% Indigent benefit criteria, and which currently reads as:
Households with a joint monthly gross income less bond cost, not exceeding R 3,000

be amended to read as:

Households with a joint monthly gross income less bond cost, not exceeding R 5,000

Section 7.2. which relates to the 50% Indigent benefit criteria, and which currently read as:

Households with a joint monthly gross income less bond cost, between R 3,000 and R 5,000

be amended to read as:

Households with a joint monthly gross income less bond cost, between R 5,000 and R 6,000

Old age homes where more than 50% of the residence within the old age home receive less than R 5,000 per month qualify for assistance (previously R 3,000)

BUDGET VIREMENT POLICY

National Treasury has advised municipalities to implement a Virement policy to ensure that funds can be shifted for of operational requirements to ensure that service delivery is not hampered.

No amendments are recommended.

ASSET MANAGEMENT POLICY

The aim of the policy is to ensure that the assets of the municipality are properly managed and accounted for.

FUNDING AND RESERVE POLICY

In terms of section 8 of the Municipal Budget and Reporting Regulations each municipality must have a funding and reserves policy.

The policy aims to set standards and guidelines towards ensuring financial viability over both the short- and long term and includes funding as well as reserves requirements.

No amendments are recommended.

BORROWING POLICY

The policy aims to set out the objectives, statutory requirements as well as guidelines for the borrowing of funds.

No amendments are recommended.

CELLULAR TELEPHONE AND DATA CARD POLICY

The policy aims to curb the expenditure on cellular telephones by setting maximum expenditure levels and providing processes to approve and/or recover expenditure above the levels.

It is recommended that the benefits in terms of the policy be updated to be market related.

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

Section 111 of the MFMA requires each Municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act. The Municipality's Supply Chain Management Policy was approved by Council.

No amendments are recommended.

PREFERENTIAL PROCUREMENT POLICY

The purpose of this policy is to provide for categories of preference in awarding of bids and to provide for the advancement of persons or categories of persons disadvantaged by unfair discrimination.

No amendments are recommended.

LONG TERM FINANCIAL PLAN POLICY

The long-term financial plan policy integrates the financial relationships of various revenue and expenditure streams to give effect to the Integrated Development Plan.

No amendments are recommended.

TRAVEL MANAGEMENT POLICY

This policy applies to all Councillors and employees of Witzenberg Municipality who are travelling on official business.

POST-EMPLOYMENT MEDICAL AID CONTRIBUTION POLICY

The purpose of this policy is to determine guidelines for the management of contributions to medical aids, post-employment and to determine whether an employee is entitled to the post-employment medical aid benefit.

No amendments recommended.

INFRASTRUCTURE INVESTMENT POLICY

This policy sets out the process and methodology for capital investment of any nature, regardless of the funding source.

No amendments are recommended.

10 Overview of Budget Related By-Laws and Amendments

No amendments to any By-Laws are recommended.

11 Overview of Budget Assumptions

Expenditure

Salaries and Allowances

Provision has been made for a 4.9 % increase in salaries plus an additional notch increase (2.5%) for qualifying employees.

Provision has been made for a 4.5% increase in councillor allowances, the councillor allowances is subject to approval by the National Minister.

General expenditure

It is assumed that costs for services will increase in line with the CPIX. The current oil price is a concern, and it is expected that the fuel price hikes will have a substantial effect on expenditure. It is also assumed that the capital projects for 2023/2024 will be completed during the financial year as there were budgeted for the depreciation of such projects as per general recognized accounting practice (GRAP). Depreciation on new capital expenditure is calculated at a varying rate ranging between 3 and 100 years depending on the nature of the asset.

Repairs and Maintenance

It is assumed that municipal infrastructure and assets will be maintained as per previous years and that no major breakages will take place during the financial year.

Capital costs.

It is assumed that interest rates will be stable during the financial year, but the provision for capital has not been decreased.

Bulk Purchases

It is assumed that electricity tariffs of Eskom will increase by 12.7% as from 1 July 2024, as approved by NERSA. The NERSA Tariff Guidelines for municipalities has not been received but it is envisaged that the bulk cost increase will be adjusted to 10.8% for the final budget for consideration.

Income

Households

It is assumed that the total households in the municipal area (the tax base) will stay stable during the financial year. The construction of Top Structures in the Vredebes Housing Development is currently underway, and it is expected that the estimated completion of some of these top structures will be reached during the new budget year.

Collection rate for municipal services

It is assumed that the collection rate (percentage of service charges recovered) for the financial year will be the same as the current payment rate.

In accordance with relevant legislation and national directives, the estimated revenue recovery rates are based on realistic and sustainable trends. The Municipality's collection rate is set at an average of 92%. Adequate provision is

made for non-recovery.

The collection rate of 92% is attributable to:

- Inability to apply credit control measures in Eskom areas such as Prince Alfred Hamlet and Op-Die-Berg.
- Inability to implement Smart Water Meters to prevent excessive usage of water and enabling consumers to manage their water consumption effectively.
- General socio-economic conditions such as unemployment, low economic growth, inflation, etc.

Grants

It is assumed that the National and Provincial grants as per Division of Revenue Act (DORA) which has been included in the budget will be received during the 2024/2025 financial year.

Indigents

It is assumed that the total number of indigents will remain stable during the budget year, ranging within the bandwidth of 3 000-3 500 indigent households. The municipality urges the communities of Prince Alfred Hamlet & Op-Die-Berg to apply for Indigency to enable the municipality to plan more effectively.

Efficiencies and cost containment measures

The municipality is committed through its applications and strengthening of its existing internal controls, policies and using technology to ensure that the resources at its disposal will be used to the best of its ability. Cost containment measures has been implemented and operational expenses such travelling cost, catering services and consultant services are managed within the parameters of the Cost containment measures.

12 Overview of Budget Funding

Summary

The operating budget for 2024/2025 will be financed as follows:

	2023/2024	2024/2025	Increase
	R'000	R'000	
Charged for electricity, water, refuse and sewerage	530,572	559,439	5%
Property Rates	107,061	122,510	14%
Provincial and National Operating Grants	185,336	195,169	5%
Sundry charges / Other	85,059	86,724	2%
Total Operating Revenue excl. Capital Transfers	908,029	963,842	6%

The capital budget for 2024/2025 to 2026/2027 will be financed as follows:

	2024/2025	2025/2026	2026/2027
	R'000	R'000	R'000
Own Funds (Capital Replacement Reserves)	20 485	21 720	18 685
Grants	39 880	34 177	22 850
Borrowing	25 000	-	-
Total Capital Budget	85 365	55 897	41 535

Reserves

All the reserves of the municipality are not cash funded. The process to accumulate sufficient funds is a long-term process as tariff increases must be kept to a minimum, and service delivery must be continued.

Sustainability of municipality

The way that the budget is funded will ensure that the municipality will be sustainable on the short term. The full effect of huge increases in electricity tariffs may on the long run impact negatively on the sustainability of the municipality. This is a huge concern for the municipality and the municipality has no control over the increases approved by NERSA. In addition, one of the greatest risks facing the municipality is the inability to promote local economic development due to Eskom's inability to increase the Notional Maximum Demand.

Impact on rates and tariffs

The way that the budget is funded will ensure that, except for electricity, refuse removal and water tariffs, service tariff increases will be $\pm 5\%$. Property rates revenue will increase with $\pm 8\%$. The municipality has no control over the increases of electricity tariffs and the proposed municipal tariff of 10.8% increase in electricity tariffs is subjected to NERSA approval.

Property valuations, rates, tariffs and other charges

The rates tariff as well as tariffs for electricity, water, refuse, sewage together with the sundry tariffs are listed in Section B – Tariffs. The tariff increases are also indicated.

Collection Rate

Income levels for service charges and rates for the budget year were based on the following revised collection rates:

Rates	91.0%
Electricity	98.0%
Water	65.0%
Sanitation	80.0%
Refuse	65.0%

Planned savings and efficiencies.

The following areas were identified for possible savings after the efficiency of the usage of the assets/services has been evaluated:

- Overtime
- Standby
- Operational Cost
- Contracted Services
- Materials & Supplies

Contributions and donations received.

There was not budgeted for any contributions and donations to be received.

Planned proceeds of sale of assets

The municipality envisage no sale of fixed property during the 2024/2025 financial year.

Planned use of previous year's cash backed accumulated surplus.

Where cash backed accumulated surplus is available, the municipality will utilize it to fund the budget.

Particulars of existing and any new borrowing proposed to be raised.

Borrowing of R25 million is proposed for funding of capital expenditure relating to electricity infrastructure.

13 Expenditure on allocations and grant programs

Particulars of budgeted allocations and grants

Please refer to Supporting Table SA19: Expenditure on transfers and grant programs.

14 Allocations or grants made by the Municipality.

Please refer to Supporting Table SA21 Transfers and grants made by the municipality.

15 Councillor allowances and employee benefits

Costs to Municipality:

Councillors' allowances including cell phone and data allowances – Budgeted amounts.

Position	2024/2025 R
Speaker (1)	856,485
Executive Mayor (1)	1,058,207
Deputy Executive Mayor (1)	856,485
Executive Committee (4)	3,224,230
Chairperson MPAC (1)	783,866
Other councillors (15)	5,531,886
TOTAL	12,311,159

Number of Councillors: 23

Senior Managers (Including performance bonus provision) (budgeted amount)

Position	2024/2025 R
Municipal Manager	2 028 276
Director: Corporate Services	1 801 743
Director: Community Services	1 704 747
Director: Technical Services	1 712 744
Chief Financial Officer	1 704 747
TOTAL Senior Management	8 952 258
All other staff	268 605 877

Number of Senior Managers budgeted for: 5

Details of employee numbers can be obtained on Supporting Table SA24: Summary of personnel numbers.

16 Monthly targets for revenue, expenditure and cash flow

The monthly targets for revenue and expenditure are provided in Supporting Table SA25 Budgeted monthly revenue and expenditure.

The monthly targets for cash flows are provided in Supporting Table SA30 Budgeted monthly cash flow.

17 Capital spending detail

Information/detail regarding capital projects by vote is provided in Supporting Table SA36: Detailed capital budget.

18 List of significant amendments from Tabled to Final Budget

The provision for the Upgrade Power Stations and the loan to finance the project has been adjusted from R 16.5 million to R 25 million.

The cost of supply study for electricity tariffs will not be implemented from 1 July 2024 but the tariffs will be increased by 10.8%.

19 Legislation compliance status

Witzenberg Municipality complies in general with legislation applicable with municipalities.

20 Municipal Manager's quality certification


Quality Certificate

I, Mr D Nasson, Municipal Manager of Witzenberg 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 budget and supporting documentations are consistent with the Integrated Development Plan of the municipality.

Print name Mr D NASSON

Municipal Manager of WITZENBERG MUNICIPALITY.

Signature:



Date: