



MSUKALIGWA LOCAL MUNICIPALITY (MP302)
2024/25– 2026/27
DRAFT BUDGET



Msukaligwa Local Municipality

2024/25-2026/27

DRAFT ANNUAL BUDGET REPORT (MTREF)



ITEM:

REPORT BY THE EXECUTIVE MAYOR DRAFT BUDGET 2024/25-2026/27

1 PURPOSE OF THE REPORT

The purpose of the report is to table the Draft 2024/25 to 2026/27 Medium-Term Revenue and Expenditure Framework in terms of Section 16(2) of the Local Government Finance Management Act (MFMA) to Council for approval.

2 BACKGROUND

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

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

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

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

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

- a) To respond to the submissions; and

- b) If necessary, to revise the budget and table amendments for consideration by the Council”.

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

In terms of Section 24 of the MFMA;

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

3 BUDGET GUIDELINCES AND PRINCIPLES

The draft 2023/24 MTREF is prepared amidst economic contraction and the evolution of power interruptions still poses the risk to the economic recovery. According to the MLM Budget Process Plan approved by Council, the annual 2023/24 MTREF budget must be tabled to Council 90 days before the start of the new budget year, and it is thus tabled to Council on 30 March 2023.

After the approval by Council of the tabled 2024/25 budget, the budget will be made public and submitted to National and Provincial Treasury in line with MFMA. The municipality will embark on

public participation for the Budget & IDP between March and April 2024 in terms of the 2024/25 IDP/Budget Process Plan approved by Council in August 2023.

Msukaligwa Local Municipality due to funding challenges as well as limited opportunities for revenue had to adjust expenditure projections downwards considering the decline in the cash position available to fund budget shortfall. The budget is divided into a capital and operating budget.

The South African economy and inflation targets

Over the next three years, South Africa's economy is forecast to grow at an average of 1.6 per cent, a moderate improvement on the 1.4 per cent average expected at the time of the 2023 MTBPS. The outlook is supported by an expected recovery in household spending as inflation declines, and an increase in energy-related fixed investments.

Power cuts and operational problems in freight rail and ports continue to disrupt economic activity and limit the country's export potential. Comprehensive reforms are underway in these sectors, although it will take time to see recovery in growth. Household consumption is under pressure from high living costs, and investment remains low due to weak confidence and challenging business conditions linked to structural constraint

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. New energy projects will improve fixed investments and business sentiment.

The following macro-economic forecasts must be considered when preparing the 2024/25 MTREF municipal budgets

Table 1: Macroeconomic performance and projections, 2022 – 2027

| Fiscal year | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---------------|---------|----------|----------|---------|---------|
| | Actual | Estimate | Forecast | | |
| CPI Inflation | 6.9% | 6.0% | 4.9% | 4.6% | 4.6% |

Source: 2024 budget review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

Headline inflation is projected to moderate from 6 per cent in 2023 to 4.9 per cent in 2024 and 4.6 per cent in 2025 and 2026 as food and fuel inflation continue to decline. In 2023 food inflation slowed less than expected due to power cuts and rand depreciation, keeping imported food costs high. An avian influenza outbreak also increased the costs for poultry and eggs. These factors are expected to dissipate over the medium term.

The current economic challenges in the country place pressure on households' ability to pay municipal accounts, therefore municipal own revenue generation gets affected. It is noted that variations in regional specifics are possible, however, any variation of assumptions must be explicitly set out and well explained in the budget narratives, in the absence of which the Treasuries will refer the budget back to council for alignment to the macroeconomic performance projections.

Debt relief reporting requirements

Municipalities approved for debt Relief (in terms of their National Treasury approvals), must ensure that their MFMA s.71 statements, over-and-above the normal MFMA s.71 requirements, include the following as a minimum:

- The municipality's self-assessment in the format of the compliance certificate issued in MFMA Circular No. 124: Annexure A2 (signed by the Municipal Manager) – municipalities should use the latest format of the compliance certificate issued during February 2024 available under MFMA Circular No. 124 and included as Annexure B to this circular;
- The municipality's progress towards restricting free basic services to the national policy limits (condition 6.6) and in the format included as Annexure C to this circular;
- The municipality's progress towards achieving a minimum average quarterly collection of 80 per cent (condition 6.7) and in the format included as Annexure D to this circular;
- If the municipality's 2023/24 and/ or 2024/25 MTREF is not funded, the MFMA Section 71 statement must monthly include the municipality's progress against its approved Budget Funding Plan – if the municipality has an approved the Financial Recovery Plan (FRP), the monthly FRP progress report

must include the municipality's progress against the components of the FRP aimed to achieve a funded budget and revenue enhancement initiatives;

- The high-level summary of its monthly property rates reconciliation (in the National Treasury template format already shared with the municipality during the application process); and
- The municipality's progress in addressing any variances evident from its monthly property rates reconciliation; etc.

Employee related costs

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 has come to an end and a new agreement is under consultation, which is anticipated to consider the current fiscal constraints faced by government. Therefore, in the absence of any information in this regard from the South African Local Government Bargaining Council (SALGBC), municipalities are advised to consider their financial sustainability when considering salary increases.

It has been observed over the previous years that salary increases were above inflation and this has posed challenges to most municipalities' sustainability. In addition, municipalities that could not afford such increases did not apply for exemption as provided by SALGBC. Therefore, municipalities are urged to consider projecting salary and wage increases that would reflect their affordability given the current economic challenges. The 2022 State of Local Government Finance Report revealed that 157 municipalities are in financial distress. These municipalities need to ensure that they seek an early exemption from this dispensation of this salary agreement. Municipalities should also avoid paying out leave in cash while having major financial challenges.

Remuneration of Councillors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also consider the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process. Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from the councillor(s) concerned.

The Municipality is faced the following significant challenges during the compilation of the 2024/25 MTREF:

- Impact of the Loadshedding
- Approval of Unfunded Budget
- Mandatory S139 intervention
- Ensuring that electricity and water losses are reduced to acceptable levels;
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure.
- The vandalism to the municipal Infrastructure.
- Culture of non-payment of municipal services
- Ageing infrastructure.
- Prolonged unresolved dispute with DWS

4. EXECUTIVE MAYOR'S FOREWORD – TABLING OF THE 2024/25 TO 2026/27 DRAFT BUDGET FOR NOTING

Section 16(2) of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) stipulates that the Mayor must table the budget to Council, at least 90 days before the start of a budget year.

Total operating revenue is R 1 276 037 571 (Billion), For the two outer years, operational revenue increases by 4,6% and 4,6% respectively, resulting in a total revenue growth of R4 007 billion over the MTREF resulting in a budgeted deficit of R85 400 874 million. The major operating expenditure items for 2024/25 are employee related costs (23%), bulk electricity purchases (28%), Contracted Services (11%), Depreciation and Asset Impairment (11%) and Debt Impairment (9%). No budget has been provided for top structures revenue nor expenditure. Funding for the 2023/24 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation and refuse collection and disposal (45.%), property rates (24%), grants and subsidies received from National and Provincial Governments (22%).

The proposed tariff increase will be as follows.

Property rates- 4,9%

Electricity – 12,74%

(Water, Sanitation, refuse)- 4,6%

And all other service – 4,6%

Below is the table indicating Capital and operational Grants as per the DoRA Allocation

| Grant description | Draft Budget 2024/25 | Draft Budget 2025/26 | Draft Budget 2026/27 |
|---------------------------|-----------------------|-----------------------|-----------------------|
| ENERGY EFF & DEMAND GRANT | 4 000 000.00 | 4 000 000.00 | 4 000 000.00 |
| INEP GRANT | 2 116 000.00 | 7 205 000.00 | 6 509 000.00 |
| MIG GRANT | 57 812 250.00 | 60 587 200.00 | 65 752 350.00 |
| WSIG GRANT | 30 000 000.00 | 45 000 000.00 | 49 850 000.00 |
| RBIG GRANT | 90 000 000.00 | 116 598 000.00 | 130 000 000.00 |
| | 183 928 250.00 | 233 390 200.00 | 256 111 350.00 |
| | - | - | - |
| EPWP GRANT | 1 285 000.00 | - | - |
| FINANCE MNG GRANT | 3 800 000.00 | 3 800 000.00 | 3 800 000.00 |
| EQUITABLE SHARE | 270 341 000.00 | 286 331 000.00 | 302 260 000.00 |
| PMU MIG GRANT | 3 042 750.00 | 3 188 800.00 | 3 460 650.00 |
| | 278 468 750.00 | 293 319 800.00 | 309 520 650.00 |
| TOTAL GRANTS | 462 397 000.00 | 526 710 000.00 | 565 632 000.00 |

The key service delivery priorities, as reflected in the Integrated Development Plan (IDP), informed the development of the Budget, including the need to maintain the Municipality's financial sustainability.

Specific revenue collection strategies to improve the collection of outstanding consumer debt are being implemented by the Municipality, albeit during the tough conditions as imposed by high unemployment rate resulting to the low average Collection Rates. Cost containment Regulations and Policy are also being implemented to further curb costs and to improve operational efficiency, in line with the requirements of the Cost Containment Regulations (Number 42514 dated 7 June 2019), as well as the recently approved Cost Containment Policy of Council.

All National Treasury's MFMA Circulars were used to guide the compilation of the 2024/25 MTREF, including the latest MFMA Circulars 128 and 123. These two MFMA Circulars is tabled to the meetings of the Budget Steering Committee, as well as the EXCO meetings for their awareness.

5. DISCUSSION OF THE 2023/24 MTREF

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

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

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

The following key components are central to the Municipality revenue

- National Treasury's guidelines and macroeconomic policy.
- Growth in the municipal economic development.
- Determination of cost reflective tariff escalation rate.

- The MLM revenue enhancement strategy; and
- The Implementation of the financial recovery plan

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

5.1. Operating Revenue Framework

The table below provides high-level summary of the Draft 2023/24 Medium-term Expenditure Framework

| Description | Ref | 2019/20 | 2020/21 | 2021/22 | Current year 2023/24 | | | | 2024/25 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|------------------|--------------------|-------------------|---|---------------------|---------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit Outcome | Budget Year 2024/25 | Budget Year 2025/26 | Budget Year 2026/27 |
| Revenue | | | | | | | | | | | |
| Exchange Revenue | | | | | | | | | | | |
| Service charges - Electricity | 2 | 224 517 | 217 317 | 240 824 | 300 969 | 311 792 | 311 792 | 311 792 | 351 451 | 367 618 | 384 529 |
| Service charges - Water | 2 | 71 020 | 73 615 | 64 326 | 79 532 | 82 824 | 82 824 | 82 824 | 89 791 | 93 921 | 98 241 |
| Service charges - Waste Water Management | 2 | 39 906 | 46 957 | 48 774 | 61 650 | 62 061 | 62 061 | 62 061 | 72 250 | 75 574 | 79 050 |
| Service charges - Waste Management | 2 | 32 383 | 38 971 | 40 181 | 52 800 | 53 638 | 53 638 | 53 638 | 64 070 | 67 017 | 70 100 |
| Sale of Goods and Rendering of Services | | 5 175 | 4 438 | 5 120 | 6 931 | - | - | - | - | - | - |
| Agency services | | - | 9 276 | 8 001 | 8 940 | - | - | - | - | - | - |
| Interest | | - | - | - | - | 5 000 | 5 000 | 5 000 | 5 245 | 5 486 | 5 739 |
| Interest earned from Receivables | | 28 028 | 32 593 | 23 277 | 28 111 | - | - | - | 36 561 | 38 243 | 40 002 |
| Interest earned from Current and Non Current Assets | | 1 853 | 949 | 1 098 | 1 500 | - | - | - | - | - | - |
| Dividends | | - | - | - | - | - | - | - | - | - | - |
| Rent on Land | | 2 | 2 | 2 | 2 | - | - | - | - | - | - |
| Rental from Fixed Assets | | 2 891 | 2 500 | 2 720 | 2 741 | 3 155 | 3 155 | 3 155 | 3 310 | 3 462 | 3 622 |
| Licence and permits | | 5 524 | 3 432 | 3 666 | 3 829 | - | - | - | - | - | - |
| Operational Revenue | | 8 305 | 1 131 | 991 | 5 963 | 45 316 | 45 316 | 45 316 | 51 059 | 50 104 | 52 409 |
| Non-Exchange Revenue | | | | | | | | | | | |
| Property rates | 2 | 115 906 | 126 006 | 181 646 | 242 332 | 206 332 | 206 332 | 206 332 | 306 328 | 320 419 | 335 159 |
| Surcharges and Taxes | | - | - | - | - | - | - | - | - | - | - |
| Fines, penalties and forfeits | | 5 751 | 5 971 | 4 771 | 5 448 | 5 457 | 5 457 | 5 457 | 5 724 | 5 987 | 6 263 |
| Licences or permits | | - | - | - | - | 89 | 89 | 89 | 94 | 98 | 103 |
| Transfer and subsidies - Operational | | 180 256 | 226 918 | 207 661 | 260 523 | 273 535 | 273 535 | 273 535 | 278 469 | 293 320 | 309 521 |
| Interest | | 7 783 | 8 852 | 6 431 | 8 807 | 45 665 | 45 665 | 45 665 | 11 952 | 12 502 | 13 077 |
| Fuel Levy | | - | - | - | - | - | - | - | - | - | - |
| Operational Revenue | | - | - | - | - | - | - | - | - | - | - |
| Gains on disposal of Assets | | 1 379 | (593) | 66 966 | - | - | - | - | - | - | - |
| Other Gains | | 6 529 | 2 876 | 123 | - | - | - | - | - | - | - |
| Discontinued Operations | | - | - | - | - | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | | 737 210 | 801 211 | 906 577 | 1 070 078 | 1 094 863 | 1 094 863 | 1 094 863 | 1 276 305 | 1 333 752 | 1 397 813 |

The Municipality is expected to generate R 1 276 billion rand. This amount is inclusive of the operational grants such as equitable share, EPWP , MIG, and 5% of the MIG amounting to R278 469 Million

5.2. Operating Expenditure Framework

Due to funding constraints no capital expenditure has been provided for in the draft 2023/24 Medium-term Revenue Expenditure Framework.

| Mpumalanga: Msukaligwa (MP302) - Table A4 Budgeted Financial Performance r ended 30 June 2025 | | | | | | | | | | | |
|---|-----|-----------------|------------------|------------------|----------------------|------------------|--------------------|-------------------|---|---------------------|---------------------|
| Description | Ref | 2019/20 | 2020/21 | 2021/22 | Current year 2023/24 | | | | 2024/25 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit Outcome | Budget Year 2024/25 | Budget Year 2025/26 | Budget Year 2026/27 |
| Expenditure | | | | | | | | | | | |
| Employee related costs | 2 | 230 898 | 244 257 | 248 969 | 301 679 | 301 680 | 301 680 | 301 680 | 318 613 | 333 269 | 348 600 |
| Remuneration of councillors | | 15 651 | 16 058 | 15 489 | 19 494 | 19 494 | 19 494 | 19 494 | 18 298 | 19 140 | 20 020 |
| Bulk purchases - electricity | 2 | 249 020 | 264 680 | 321 544 | 336 039 | 336 039 | 336 039 | 336 039 | 378 783 | 396 208 | 414 433 |
| Inventory consumed | 8 | 70 901 | 97 951 | 93 946 | 87 812 | 152 957 | 152 957 | 152 957 | 120 452 | 125 992 | 131 788 |
| Debt impairment | 3 | 66 522 | 49 764 | 121 120 | 113 517 | 114 044 | 114 044 | 114 044 | 119 080 | 124 557 | 130 287 |
| Depreciation and amortisation | | 129 549 | 137 048 | 141 732 | 138 589 | 138 589 | 138 589 | 138 589 | 145 379 | 152 067 | 159 062 |
| Interest | | 28 834 | 103 372 | 87 000 | 8 484 | 27 684 | 27 684 | 27 684 | 29 041 | 30 376 | 31 774 |
| Contracted services | | 80 400 | 63 101 | 54 762 | 84 368 | 103 818 | 103 818 | 103 818 | 88 905 | 92 995 | 97 273 |
| Transfers and subsidies | | 21 | - | - | - | 12 450 | 12 450 | 12 450 | - | - | - |
| Irrecoverable debts written off | | - | - | - | 527 | - | - | - | - | - | - |
| Operational costs | | 44 757 | 50 120 | 41 752 | 70 538 | 79 015 | 79 015 | 79 015 | 82 887 | 86 700 | 90 688 |
| Losses on disposal of Assets | | 11 887 | 6 754 | 18 049 | - | - | - | - | - | - | - |
| Other Losses | | 3 939 | 3 005 | 16 318 | - | - | - | - | - | - | - |
| Total Expenditure | | 932 379 | 1 036 108 | 1 160 681 | 1 161 047 | 1 285 770 | 1 285 770 | 1 285 770 | 1 301 438 | 1 361 305 | 1 423 925 |

The Municipality is expected to incur R1 302 438 billion rand, included in the amount is R R119 080 million for debt impairment (provision for non-payment by consumers) and depreciation R R145 379 million. It should be noted that the employee related cost is 25% of the total operational expenditure and 31% of the estimated cash to be collected as per cashflow projection.

5.3. Capital Expenditure Framework

| Capital Expenditure - Functional | | Draft Budget 2024/25 | Draft Budget 2025/26 | Draft Budget 2026/27 |
|---|----------|---------------------------------|---------------------------------|---------------------------------|
| <i>Governance and administration</i> | | – | – | – |
| Executive and council | | | | |
| Finance and administration | | | | |
| Internal audit | | | | |
| <i>Community and public safety</i> | | – | – | – |
| Community and social services | | | | |
| Sport and recreation | | | | |
| Public safety | | | | |
| Housing | | | | |
| Health | | | | |
| <i>Economic and environmental services</i> | | 57 812 | 60 587 | 65 752 |
| Planning and development | | | | |
| Road transport | | 57 812 | 60 587 | 65 752 |
| Environmental protection | | | | |
| <i>Trading services</i> | | 126 116 | 172 803 | 190 359 |
| Energy sources | | 6 116 | 11 205 | 10 509 |
| Water management | | 30 000 | 45 000 | 49 850 |
| Waste water management | | 90 000 | 116 598 | 130 000 |
| Waste management | | | | |
| <i>Other</i> | | | | |
| Total Capital Expenditure - Functional | 3 | 183 928 | 233 390 | 256 111 |
| Funded by: | | | | |
| National Government | | 183 928 | 233 390 | 256 111 |
| Provincial Government | | | | |
| District Municipality | | | | |
| Transfers recognised - capital | 4 | 183 928 | 233 390 | 256 111 |
| Borrowing | 6 | | | |
| Internally generated funds | | 15 700 | 16 422 | 17 178 |
| Total Capital Funding | 7 | 199 628 | 249 812 | 273 289 |

The Municipality has been allocated grants as per DORA amounting to R183 928 million and over and above the on its own allocation the Municipality has allocated R16 422 million to attend to road resurfacing and Municipal tools of trade.

5.4. Operating cashflow Framework

| Mpumalanga: Msukaligwa (MP302) - Table A7 Budgeted Cash Flows ended 30 June 2025 | | | | | | | | | | | |
|--|-----|-------------------------------|-------------------------------|-------------------------------|----------------------|--------------------|-----------------------|----------------------|--|------------------------|------------------------|
| Description | Ref | 2019/20 Audited Outcome | 2020/21 Audited Outcome | 2021/22 Audited Outcome | Current year 2023/24 | | | | 2024/25 Medium Term Revenue & Expenditure Framework | | |
| | | | | | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit Outcome | Budget Year 2024/25 | Budget Year 2025/26 | Budget Year 2026/27 |
| R thousands | | | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Property rates | | - | 118 519 | 207 796 | 181 749 | 150 571 | 150 571 | 124 825 | 257 015 | 268 837 | 281 204 |
| Service charges | | - | 601 825 | 360 887 | 394 529 | 400 211 | 400 211 | 252 579 | 462 050 | 483 304 | 505 536 |
| Other revenue | | - | 243 671 | 206 751 | 75 140 | 46 622 | 46 622 | 514 274 | 59 920 | 59 389 | 62 121 |
| Transfers and Subsidies - Operational | 1 | - | - | 289 167 | 260 523 | 240 692 | 240 692 | 241 707 | 278 469 | 293 320 | 309 521 |
| Transfers and Subsidies - Capital | 1 | - | - | 82 913 | 146 349 | 299 055 | 299 055 | 123 055 | 183 928 | 233 390 | 256 111 |
| Interest | | - | - | 33 | 20 305 | 3 133 | 3 133 | - | 32 666 | 34 168 | 35 740 |
| Dividends | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | - | (713 218) | (220 481) | (900 447) | (313 713) | (313 713) | (14 957) | (1 007 939) | (1 057 064) | (1 108 449) |
| Finance charges | | - | - | - | (8 484) | (28 000) | (28 000) | - | (29 041) | (30 376) | (31 774) |
| Transfers and Subsidies | 1 | - | - | - | - | - | - | - | - | - | - |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | - | 250 798 | 927 066 | 169 663 | 798 571 | 798 571 | 1 241 483 | 237 068 | 284 968 | 310 010 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | - | (1 824) | 399 | - | - | - | 380 | - | - | - |
| Decrease (Increase) in non-current debtors (not used) | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current receivables | | (162) | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current investments | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Capital assets | | - | (3 442) | (5 383) | (166 448) | (299 055) | (299 055) | (171 909) | (183 928) | (233 390) | (256 111) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | (162) | (5 266) | (4 984) | (166 448) | (299 055) | (299 055) | (171 529) | (183 928) | (233 390) | (256 111) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | | - | 20 | - | - | - | - | - | - | - | - |
| Increase (decrease) in consumer deposits | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | - | - | - | - | - | - | - | - | - | - |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | - | 20 | - | - | - | - | - | - | - | - |
| NET INCREASE/ (DECREASE) IN CASH HELD | | (162) | 245 552 | 922 082 | 3 215 | 499 516 | 499 516 | 1 069 953 | 53 140 | 51 578 | 53 899 |
| Cash/cash equivalents at the year begin: | 2 | 24 780 | 22 016 | 6 175 | 1 020 | 9 662 | 9 662 | (12 048) | 1 200 | 1 259 | 1 318 |
| Cash/cash equivalents at the year end: | 2 | 24 618 | 267 567 | 928 257 | 4 235 | 509 178 | 509 178 | 1 057 905 | 54 340 | 52 837 | 55 217 |

The 2024/25 budget year will be cash back by R53 346 million if all the Municipality improve its revenue collection strategies and strengthen control to curb overspending.

5.5. Cash backed reserve (Budget funding analysis)

| MP302 Msukaligwa - Table A8 Cash backed reserves/accumulated surplus reconciliation | | | | | | | | | | | |
|---|-----|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|---|------------------------|------------------------|
| Description | Ref | 2019/20 | 2020/21 | 2022/23 | Budget Year 2023/24 | | | | 2023/24 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year +1 2024/25 | Budget Year +2 2025/26 | Budget Year +2 2026/27 |
| Cash and investments available | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 24 780 | 268 516 | 928 257 | 3 000 | 509 178 | 509 178 | 1 079 243 | 53 140 | 5 351 | 5 545 |
| Other current investments > 90 days | | (2 755) | (262 313) | (927 885) | 249 685 | (360 131) | (360 131) | (931 982) | - | 84 890 | 118 643 |
| Non current investments | 1 | - | - | - | - | - | - | - | - | - | - |
| Cash and investments available: | | 22 025 | 6 203 | 371 | 252 685 | 149 047 | 149 047 | 147 261 | 53 140 | 90 241 | 124 188 |
| Application of cash and investments | | | | | | | | | | | |
| Unspent conditional transfers | | 16 697 | 1 741 | 1 338 | 700 | 1 400 | 1 400 | 304 159 | 700 | - | 100 000 |
| Unspent borrowing | | | | | | | | | | | |
| Statutory requirements | 2 | | | | | | | | | | |
| Other working capital requirements | 3 | 1 215 157 | 1 428 122 | 1 494 568 | 1 534 622 | 1 954 753 | 1 954 753 | 1 167 397 | 153 208 | 160 256 | 167 628 |
| Other provisions | | | | | | | | | | | |
| Long term investments committed | 4 | - | - | - | - | - | - | - | - | - | - |
| Reserves to be backed by cash/investments | 5 | | | | | | | | | | |
| Total Application of cash and investments: | | 1 231 854 | 1 429 863 | 1 495 906 | 1 535 322 | 1 956 153 | 1 956 153 | 1 471 556 | 153 908 | 160 256 | 267 628 |
| Surplus(shortfall) | | (1 209 829) | (1 423 660) | (1 495 534) | (1 282 637) | (1 807 106) | (1 807 106) | (1 324 295) | (100 769) | (70 015) | (143 440) |

This table indicate that the budget is unfunded by R100 769 million, this is due to taken into consideration of the working capital where the outstanding collectible debt is R223 618 million against the debt owed by the Municipality to especially the main creditors DWS and Eskom R376 827 million.

6. FINANCIAL IMPLICATIONS

Funding of the budget

7. OTHER PARTIES CONSULTED

All ward
National-Provincial Treasury
COGTA

8. ANNEXURES

- Annexure 1 - 2024/25 MTREF A Schedule
- Annexure 2 - 2024/25 Municipal general Tariffs
- Annexure 3 - 2024/25 Community Services Tariffs
- Annexure 4 - 2024/25 Planning and Economic development Tariffs
- Annexure 5 - 2024/25 Budget related policies
- Annexure 6 - Draft 2024/25 MTREF IDP capital and operating projects
- Annexure 9 - Circulars 128 of 04 March 2024

9. AUTHORITY

- Municipal Finance Management Act, No 56 of 2003
- Municipal Systems Act, No 32 of 2000
- Municipal Budget and Reporting Regulations, notice 393 of 2009, Government Gazette no 32141 dated 17 April 2009
- The Division of Revenue Bill 2019/20
- MFMA Budget Circulars, most recently is 94 for the 2019/20 Budget Year