



**ADJUSTMENT BUDGET
2024-2025 MTREF
25 FEBRUARY 2025**

Table of Contents

PART 1 – ADJUSTMENT BUDGET

- 1.1 MAYOR'S REPORT
- 1.2 COUNCIL RESOLUTION
- 1.3 EXECUTIVE SUMMARY
- 1.4 OPERATING REVENUE FRAMEWORK
- 1.5 OPERATING EXPENDITURE FRAMEWORK
- 1.6 ADJUSTMENT BUDGET TABLES – MUNICIPAL

PART 2 – SUPPORTING DOCUMENTATION - Separate Annexure

- 2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS
- 2.2 OVERVIEW OF BUDGET ASSUMPTIONS
- 2.3 OVERVIEW OF BUDGET FUNDING.
- 2.4 LEGISLATION COMPLIANCE STATUS
- 2.5 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

ANNEXURES

- ANNEXURE A - MBRR MAIN AND SUPPORT SCHEDULES

PART 1 – ADJUSTMENT BUDGET

1.1 Mayor's Report

1.2 Council Resolution

- 1) That Council approves the **2024/25** Adjustment Budget based on proposed expenditure and revenue for the MTREF.
- 2) That Council of Makana Municipality, acting in terms of section 28(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - a) The adjustments budget of the municipality for the financial year 2024/25 and the multi-year and single-year capital appropriations as set out in the following tables:
 - i. Budgeted Financial Performance (revenue and expenditure by standard classification) – Table B2
 - ii. Budgeted Financial Performance (revenue and expenditure by municipal vote) – Table B3
 - iii. Budgeted Financial Performance (revenue by source and expenditure by type) – Table B4; and
 - iv. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source – Table B5.
 - a) The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - i. Budgeted Financial Position – Table B6
 - ii. Budgeted Cash Flows – Table B7
 - iii. Cash backed reserves and accumulated surplus reconciliation – Table B8
 - iv. Asset management – Table B9; and
 - v. Basic service delivery measurement – Table B10.
- 3) That the detailed capital program per project, department and funding source attached as Annexure “B” be approved.



CLLR. Y. VARA
EXECUTIVE MAYOR

Mr P.M KATE
MUNICIPAL MANAGER

1.3 Executive Summary

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has put some efforts to improve the financial health and implementation of strategic plans, such as decreasing the outstanding creditors book and increasing revenue through collection of outstanding debtors.

National Treasury's MFMA Circular No. 129 and other applicable previous budget circulars were used to guide the compilation of the 2024/25 MTREF.

The following table is a consolidated overview of the adjusted 2024/25 Medium-term Revenue and Expenditure Framework:

Table 1: Consolidated Overview of the Adjusted 2024/25 MTREF

| EC104 Makana - Table B1 Adjustments Budget Summary - 2025/02/24 | | | | | | |
|---|-----------------|------------|----------------|-----------------|---------------------|---------------------|
| Description | 2024/25 | | | | Budget Year 2025/26 | Budget Year 2026/27 |
| | Original Budget | YTD Actual | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| Financial Performance | | | | | | |
| Total Revenue (excluding capital transfers and contributions) | 878 175 | 533 008 | (16 158) | 862 016 | 904 255 | 945 851 |
| <i>Less: Total Expenditure</i> | 801 477 | (256 860) | (69 455) | 732 022 | 767 891 | 803 214 |
| Surplus/(Deficit) | 76 698 | 276 148 | (85 614) | 129 995 | 136 364 | 142 637 |

Operating Revenue

To continue improving the quality of life through the delivery of high-quality services, it is necessary to generate sufficient revenue from rates and services charges. It is also important to ensure that all billable revenue is correctly charged and adequately collected.

The revenue management unit has been capacitated to aid and ensure that all revenue is accurately and efficiently billed and collected. The adjusted budget revenue projections of **R862 million** have decreased from **R878.2 million** 2024/25 MTREF Original Budget. The basis for the decreased budget is informed by realistically anticipated revenues informed by mid-year performance reviews. The installation of smart electricity meters is assisting the municipality with data cleansing as well as providing actual readings which has led to an increase in electricity revenue. The refuse revenue has also shown slight as reflected in the Mid-Year Assessment,

though other services and revenue components have shown a decline like water and interest from outstanding debt.

Free basic services continue to be provided to the poor communities, unemployed and those receiving government old age/disability pension to ensure that basic services are extended to all communities. FBS is offered as an indigent subsidy to the communities.

The adjusted budget reflects a moderate surplus and this will enable the municipality to repay its creditors, build cash reserves to back statutory funds, provisions and build an operating as well as capital replacement reserve.

Operating Expenditure

Total operating expenditure for the 2024/25 financial year has been adjusted downwards to **R732 million**, from **R801,5 million** of the 2024/25 original budget and is informed by the following:

- Decrease in employee related costs and Councillor's Allowances
- Unbungling of operating expenditure line items
- Decrease in operating costs and increase in contracted services.
- Inclusion of programs previously omitted in ORGB.
- Correction of misalignment in the original budget
- Increase in Debt Impairment to avoid unauthorised expenditure at year end;
- Increase in Bulk Purchases for Water Inventory in line with Mid-Year performance.

Repayment of long outstanding debts continues to cripple financial muscle of the municipality especially Eskom Bulk Account and Department of Water & Sanitation. Service delivery cannot be properly addressed as the municipality is chasing its obligations from bulk suppliers.

Capital Expenditure

The capital adjustment budget increased from **R72,5 million**, to **R99,5 million** for 2024/25 MTREF represents an increase of **R27 million**. The capital programme increase is attributable to the additional conditional grant funding of OTP for small town revitalisation and MDRG and as well as disaster projects within Makana respectively. There is a decrease of **46%** towards projects funded by own funding, adjusted down to **R17,9 million**.

There is no borrowing in the Capital Budget due to the lack of cash resources to repay the annual instalments. The capital funding proposed from internal revenue amounts to **R17,9 million** and this is mostly for procurement of municipal fleet. The municipality is heavily grant dependent to fund its capital infrastructure.

Table 2: Tabled Adjusted Capital Budget MTREF 2024/25 to 2025/26

| EC104 MAKANA MUNICIPALITY CAPITAL ADJUSTMENT BUDGET 2024/2025 MTREF | | | | |
|--|-------------------|------------------|-------------------|-------------------|
| | MIG | | | |
| | 2024/25 Budget | Rollover | Increase/Decrease | Adjusted Budget |
| Upgrade of Ncame Street in Joza Kingsflats in Makhandla (Grahamstown) | | - | - | - |
| Replacement of Ageing Asbestos pipes in Makhandla Phase 4 | 2 701 183.00 | - | 3 209 630 | 5 910 813 |
| Upgrade of Sports Facilities in Oval Stadium, Lavendar Valley Makhandla. | 2 806 000.00 | - | - | 2 806 000 |
| Upgrade of Makana way Phase 1 | 20 157 918.50 | - | -3 209 630 | 16 948 289 |
| Fencing of Mayfield WWTW | - | - | - | - |
| Refurbishment Waainek Water Treatment Works | 800 000.00 | - | - | 800 000 |
| Fencing of Mayfield, Tanti, low level and intermediate reservoirs | - | - | - | - |
| | 26 465 102 | - | - | 26 465 102 |
| | | | | |
| | WSIG | | | |
| | 2024/25 Budget | Rollover | Increase/Decrease | Adjusted Budget |
| Makana Bulk Sewer Phase 1 | - | - | - | - |
| Makana Bulk Sewer Phase 2 | - | - | - | - |
| Installation of domestic smart water meters | - | - | - | - |
| Refurbishment of Belmont Valley | 14 600 000 | - | -4 121 321 | 10 478 679 |
| Water conservation and Demand | 5 200 000 | - | 4 121 321 | 9 321 321 |
| | 19 800 000 | - | - | 19 800 000 |
| | | | | |
| Internally Generated Funds | 2024/25 Budget | Rollover | Increase/Decrease | Adjusted Budget |
| | - | | | - |
| Equipment | 5 445 000 | - | 51 000 | 5 496 000 |
| Replacement of Fleet-Vehicles | 17 224 000 | - | -7 598 320 | 9 625 680 |
| Airconditioners | 605 000 | | -605 000 | - |
| Plotter/Printer | 150 000 | | - | 150 000 |
| Trolley | 70 000 | | 30 000 | 100 000 |
| Filling Cabinets | 432 000 | | -112 000 | 320 000 |
| Computer equipment | 1 296 000 | - | 366 000 | 1 662 000 |
| Office Furniture | 1 000 000 | - | - | 1 000 000 |
| | 26 222 000 | - | -7 868 320 | 18 353 680 |
| | | | | |
| Municipal Disaster Relief Grant | 2024/25 Budget | Rollover | Increase/Decrease | Adjusted Budget |
| | | 1 836 481 | 29 110 000 | 30 946 481 |
| | - | 1 836 481 | 29 110 000 | 30 946 481 |
| | | | | |
| OTP Grant | | | 4 000 000 | 4 000 000 |
| | - | - | 4 000 000 | 4 000 000 |
| | | | | |
| | | | | |
| Total Capital Budget / Expenditure | 72 487 102 | - | 25 241 680 | 99 565 262 |
| | | | | |

If the municipality can do well in revenue collection the above capital expenditure remains possible. The municipality has put an acceleration place to ensure that all conditional grants are spent and there are no monies that are withheld. With the appointment of contractors on site before the end of March this is possible though not all the current year grant might be spent.

1.4 Operating Revenue Framework

EC104 Makana - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 2025/02/24

| Description | Ref | 2024/25 | | | | | | | | | Budget Year 2025/26 | Budget Year 2026/27 |
|--|-----|-----------------|----------------|--------------|--------------------|------------------|--------------------|-----------------|-----------------|-----------------|---------------------|---------------------|
| | | Original Budget | Prior Adjusted | Accum. Funds | Multi-year capital | Unfore. Unavoid. | Nat. or Prov. Govt | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | | |
| R thousands | 1 | A | A1 | B | C | D | E | F | G | H | | |
| Revenue By Source | | | | | | | | | | | | |
| Exchange Revenue | | | | | | | | | | | | |
| Service charges - Electricity | 2 | 195,238 | - | - | - | - | - | 15,458 | 15,458 | 210,696 | 221,020 | 231,187 |
| Service charges - Water | 2 | 189,916 | - | - | - | - | - | (1,240) | (1,240) | 188,676 | 197,921 | 207,025 |
| Service charges - Waste Water Management | 2 | 46,088 | - | - | - | - | - | - | - | 46,088 | 48,346 | 50,570 |
| Service charges - Waste Management | 2 | 26,053 | - | - | - | - | - | 315 | 315 | 26,367 | 27,659 | 28,932 |
| Sale of Goods and Rendering of Services | | (54) | - | - | - | - | - | - | - | (54) | (57) | (59) |
| Agency services | | 3,932 | - | - | - | - | - | (2,238) | (2,238) | 1,694 | 1,777 | 1,858 |
| Interest | | - | - | - | - | - | - | - | - | - | - | - |
| Interest earned from Receivables | | 79,926 | - | - | - | - | - | (1,499) | (1,499) | 78,427 | 82,270 | 86,054 |
| Interest earned from Current and Non Current Assets | | 6,492 | - | - | - | - | - | (765) | (765) | 5,726 | 6,007 | 6,283 |
| Dividends | | - | - | - | - | - | - | - | - | - | - | - |
| Rent on Land | | - | - | - | - | - | - | - | - | - | - | - |
| Rental from Fixed Assets | | 229 | - | - | - | - | - | - | - | 229 | 240 | 252 |
| Licence and permits | | - | - | - | - | - | - | - | - | - | - | - |
| Operational Revenue | | - | - | - | - | - | - | - | - | - | - | - |
| Non-Exchange Revenue | | | | | | | | | | | | |
| Property rates | 2 | 137,736 | - | - | - | - | - | - | - | 137,736 | 144,485 | 151,132 |
| Surcharges and Taxes | | - | - | - | - | - | - | - | - | - | - | - |
| Fines, penalties and forfeits | | 3,989 | - | - | - | - | - | (2,189) | (2,189) | 1,800 | 1,888 | 1,975 |
| Licences or permits | | - | - | - | - | - | - | - | - | - | - | - |
| Transfer and subsidies - Operational | | 176,108 | - | - | - | - | - | (24,000) | (24,000) | 152,108 | 159,562 | 166,902 |
| Interest | | 12,522 | - | - | - | - | - | - | - | 12,522 | 13,136 | 13,740 |
| Fuel Levy | | - | - | - | - | - | - | - | - | - | - | - |
| Operational Revenue | | - | - | - | - | - | - | - | - | - | - | - |
| Gains on disposal of Assets | | - | - | - | - | - | - | - | - | - | - | - |
| Other Gains | | - | - | - | - | - | - | - | - | - | - | - |
| Discontinued Operations | | - | - | - | - | - | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | | 878,175 | - | - | - | - | - | (16,158) | (16,158) | 862,016 | 904,255 | 945,851 |

The above table reflects the revenue sources that have been adjusted in line with the mid-year review. The operating revenue decreased by **R16,2 million** or **2%** when compared to the original budget that was approved by Council in May 2024.

The following revenue sources necessitated a decrease and increase in operating revenue:

- ✓ Interest earned on investments decreased by 12%;
- ✓ Agency services decreased by 57%;
- ✓ Electricity increased by 8%.

The above changes were as a result of the mid-year review that occurred in January 2025.

1.5 Operating Expenditure Framework

EC104 Makana - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 2025/02/24

| Description | Ref | 2024/25 | | | | | | | | | Budget Year | Budget Year |
|---------------------------------|-----|----------------|----------|----------|------------|----------|---------------|-----------------|-----------------|----------------|----------------|----------------|
| | | Original | Prior | Accum. | Multi-year | Unfore. | Nat. or Prov. | Other | Total | Adjusted | Adjusted | Adjusted |
| | | Budget | Adjusted | Funds | capital | Unavoid. | Govt | Adjusts. | Adjusts. | Budget | Budget | Budget |
| | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | | |
| R thousands | 1 | A | A1 | B | C | D | E | F | G | H | | |
| Expenditure By Type | | | | | | | | | | | | |
| Employee related costs | | 255,408 | - | - | - | - | - | (34,219) | (34,219) | 221,189 | 232,028 | 242,701 |
| Remuneration of councillors | | 15,253 | - | - | - | - | - | (1,043) | (1,043) | 14,210 | 14,906 | 15,592 |
| Bulk purchases - electricity | | 204,160 | - | - | - | - | - | - | - | 204,160 | 214,164 | 224,015 |
| Inventory consumed | | 25,334 | - | - | - | - | - | (25,334) | (25,334) | - | - | - |
| Debt impairment | | 131,437 | - | - | - | - | - | 7,619 | 7,619 | 139,056 | 145,869 | 152,579 |
| Depreciation and amortisation | | 37,392 | - | - | - | - | - | - | - | 37,392 | 39,224 | 41,028 |
| Interest | | 6,969 | - | - | - | - | - | (1,299) | (1,299) | 5,670 | 5,948 | 6,221 |
| Contracted services | | 64,097 | - | - | - | - | - | 16,150 | 16,150 | 80,247 | 84,179 | 88,051 |
| Transfers and subsidies | | - | - | - | - | - | - | 11,600 | 11,600 | 11,600 | 12,168 | 12,728 |
| Irrecoverable debts written off | | - | - | - | - | - | - | - | - | - | - | - |
| Operational costs | | 61,428 | - | - | - | - | - | (42,930) | (42,930) | 18,498 | 19,405 | 20,297 |
| Losses on disposal of Assets | | - | - | - | - | - | - | - | - | - | - | - |
| Other Losses | | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditure | | 801,477 | - | - | - | - | - | (69,455) | (69,455) | 732,022 | 767,891 | 803,214 |
| Surplus/(Deficit) | | 76,698 | - | - | - | - | - | 53,297 | 53,297 | 129,995 | 136,364 | 142,637 |

The above table reflects the expenditure types that have been adjusted in line with the mid-year review. The operating expenditure decreased by **R69,455 million** or **9,5%** when compared to the original budget that was approved by Council in May 2024.

The following expenditure types necessitated a decrease in operating expenditure:

Cost of Employees at **13%**

Finance Charges **19%**;

Bulk Purchases **32%**; Inventory **90%**;

Contracted Services increased by **25%** and Other Expenditure decreased **70%**.

The above changes were as a result of the mid-year review that occurred in January 2025.

1.6 Capital Revenue and Expenditure Framework

EC104 Makana - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 2025/02/24

| Description | Ref | 2024/25 | | | | | | | | | Budget Year 2025/26 | Budget Year 2026/27 |
|---|-----|-----------------|----------------|--------------|--------------------|------------------|--------------------|----------------|----------------|-----------------|---------------------|---------------------|
| | | Original Budget | Prior Adjusted | Accum. Funds | Multi-year capital | Unfore. Unavoid. | Nat. or Prov. Govt | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | A | A1 | B | C | D | E | F | G | H | | |
| Capital Expenditure - Functional | | | | | | | | | | | | |
| Governance and administration | | 7,683 | - | - | - | - | - | (1,430) | (1,430) | 6,253 | 6,559 | 6,861 |
| Executive and council | | 853 | - | - | - | - | - | 295 | 295 | 1,148 | 1,204 | 1,260 |
| Finance and administration | | 4,185 | - | - | - | - | - | (1,515) | (1,515) | 2,670 | 2,801 | 2,930 |
| Corporate Services | | 2,402 | - | - | - | - | - | (230) | (230) | 2,172 | 2,278 | 2,383 |
| Municipal Manager | | 243 | - | - | - | - | - | 20 | 20 | 263 | 276 | 289 |
| Community and public safety | | 10,615 | - | - | - | - | - | (438) | (438) | 10,177 | 10,675 | 11,166 |
| Community and social services | | 10,615 | - | - | - | - | - | (438) | (438) | 10,177 | 10,675 | 11,166 |
| Sport and recreation | | - | - | - | - | - | - | - | - | - | - | - |
| Public safety | | - | - | - | - | - | - | - | - | - | - | - |
| Housing | | - | - | - | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - | - | - |
| Economic and environmental services | | 21,368 | - | - | - | - | - | 31,137 | 31,137 | 52,505 | 55,078 | 57,611 |
| Planning and development | | 1,210 | - | - | - | - | - | (600) | (600) | 610 | 640 | 669 |
| Road transport | | 20,158 | - | - | - | - | - | 31,737 | 31,737 | 51,895 | 54,438 | 56,942 |
| Environmental protection | | - | - | - | - | - | - | - | - | - | - | - |
| Trading services | | 32,821 | - | - | - | - | - | (2,190) | (2,190) | 30,631 | 32,132 | 33,610 |
| Energy sources | | 9,520 | - | - | - | - | - | (5,400) | (5,400) | 4,120 | 4,322 | 4,521 |
| Water management | | 8,701 | - | - | - | - | - | 7,331 | 7,331 | 16,032 | 16,818 | 17,591 |
| Waste water management | | 14,600 | - | - | - | - | - | (4,121) | (4,121) | 10,479 | 10,992 | 11,498 |
| Waste management | | - | - | - | - | - | - | - | - | - | - | - |
| Other | | - | - | - | - | - | - | - | - | - | - | - |
| Total Capital Expenditure - Functional | 3 | 72,487 | - | - | - | - | - | 27,078 | 27,078 | 99,565 | 104,444 | 109,248 |
| Funded by: | | | | | | | | | | | | |
| National Government | | 46,265 | - | - | - | - | - | 35,386 | 35,386 | 81,652 | 85,653 | 89,593 |
| Provincial Government | | - | - | - | - | - | - | - | - | - | - | - |
| District Municipality | | - | - | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies - capital (in-kind) | | - | - | - | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | 4 | 46,265 | - | - | - | - | - | 35,386 | 35,386 | 81,652 | 85,653 | 89,593 |
| Borrowing | | - | - | - | - | - | - | - | - | - | - | - |
| Internally generated funds | | 26,222 | - | - | - | - | - | (8,308) | (8,308) | 17,914 | 18,791 | 19,656 |
| Total Capital Funding | | 72,487 | - | - | - | - | - | 27,078 | 27,078 | 99,565 | 104,444 | 109,248 |

The above table reflects the capital expenditure and its funding sources. The capital expenditure reflects an increase or upward adjustment of **R27 million**. This is due to increased additional grant in allocation of **R30,5 million** from Disaster grant and **R4 million** from The Office of the Premier.

Adjusted Budget Tables

Please see attached PDF B Schedule Budget Document.

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of the Annual Budget Process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee are to ensure:

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

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2024) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule during August 2024

SCHEDULE OF KEY DEADLINES SUMMARY

| | |
|----------------------------------|---|
| AUGUST 2024 | Planning |
| SEPTEMBER 2024 | Public Participation (Inputs) |
| OCTOBER 2024 | Management Planning |
| NOVEMBER 2024 | Mayoral Committee / Council Planning |
| DECEMBER 2024– MARCH 2025 | Budget Process / IDP Development Draft IDP Review and Budget Approvals |
| APRIL 2025 | Public Participation (Report Back) |
| MAY 2025 | Final approval of IDP and Budget |
| JUNE 2025 | Performance System Development (SDBIP) |

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The draft Integrated Development Plan (IDP) for the 2024/25 – 2032/31 financial years is to be submitted to Council for approval in March 2025.

The Municipality's IDP is its principle strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into strategic goals, strategic objective, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the annual revisions of IDP included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental strategic plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2024/25 MTREF, based on the approved 2024/25 MTREF, Mid-year Review. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

The municipality needs to plan for cash-backed provisions and reserves and is barely able to do so over the MTREF. The current portion of long-term employee benefits consisting of medical aid contributions for retired personnel and for the payment of long service bonuses should be cash backed and included in table A8, but no funding is available on reserves to support these

provisions. Business planning links back to priority needs and master planning and informed the detail operating budget appropriations and three-year capital programme.

2.2 Overview of Budget Assumptions

2.2.1 External factors

The world economy is expected to grow by 4.4 per cent this year. This is lower than the 4.9 per cent that was anticipated when tabling the medium-term budget policy statement (MTBPS). The Omicron variant of the coronavirus caused many countries to impose restrictions to manage its spread. In addition, continued imbalances in global value chains have limited the pace of the world's economic recovery.

The South African economy has not been shielded from these global developments. National Treasury has revised South Africa's economic growth estimate for 2025 to 4.7 per cent, from 4.9 per cent at the time of the MTBPS

Makana municipality still finds itself in a position where economic growth is stagnant and the cash flow is under pressure resulting in limited financial resources being available for service delivery, this is also evident in the effort that needs to be made for the recovery of debt owed to the municipality. It is also therefore necessary to carefully evaluate spending decisions and to ensure value for money in all procurement processes.

2.2.2 General inflation outlook and its impact on the municipal activities

There are many factors that have been taken into consideration in the compilation of the 2023/2024 MTREF the list hereunder represents a few of these:

- National Government macro-economic targets.
- The general inflationary outlook and the impact on the municipality's residents and businesses.
- The impact of municipal cost drivers.
- The increase in prices for bulk electricity and water; and
- Employee related costs comprise 38% of total operating expenditure in the 2023/2024 MTREF and includes critical vacancies.

2.2.3 Credit rating outlook

The Municipality has not had a credit rating done and considering the current financial position it is not advisable to have it performed.

2.2.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate higher than CPI over the MTREF to aid in the financial recovery of the municipality. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the

forecasted term, however the interest rates have declined in the medium term providing some form of relief to cash strapped consumers.

The rate of revenue collection is currently expressed as a percentage of annual billings versus cash collected. Cash flow is assumed to be **60%** of billing, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Economic circumstances as well as past deficiencies in the application of the credit control and debt collection policy, a write-off of debt that has become irrecoverable will once again be inevitable during the 2024/25 financial year.

2.2.5 Salary increases

Employee-related costs have been decreased by 13% and this has been necessitated by the performance of these costs in the two previous financial years and the stance of the municipality to only fill critical positions due to cash flow challenges.

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

It is estimated that a spending rate of **70%** will be achieved on operating expenditure and **100%** on grant funded projects during 2024/2025 MTREF of which performance has been factored into the cash flow budget.

As the municipality needs to recover financially, austerity measures are still applied to ensure savings on all categories of expenditure. The spending on the operating budget will be dependent on the realising of the revenue as per the revenue and cash flow estimates for the MTREF.

2.3 Overview of budget funding

Funding of the Budget Section 18(1) of the MFMA determines that an annual budget can only be funded from:

- Realistically expected revenue to be collected.
- Cash-backed accumulated funds of preceding years' surpluses not earmarked for other purposes; and
- Borrowed funds, but only for the capital budget referred to in Section 17.

Long Term Financial Planning

The municipality is the process of updating the long-term financial plan with current financial and statistical information for the MTREF and perform analysis on Covid 19 Impact. Borrowing as a funding option is required because internally generated funds are insufficient to cover the cost of ailing infrastructure that needs to be replaced or repaired on an urgent basis.

The municipality needs to plan for cash-backed provisions and reserves and is barely able to do so over the MTREF. The current portion of long-term employee benefits consisting of medical aid contributions for retired personnel and for the payment of long service bonuses should be cash backed and was included in table A8, but no funding is available for reserves. The fact that salary related expenditure has reached the upper limits of the acceptable norm for this ratio is very concerning as there is virtually no room for growth in this category of expenditure over the MTREF and therefore a concerted effort will be made to rationalize and reduce this expenditure going forward.

2.4 Legislation Compliance Status

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

1) In-Year Reporting

On a monthly basis section 71 is reported by the Executive Mayor (within 10 working days) and publish financial performance

2) Internship Program

Makana Municipality is participating in the Municipal Financial Management Internship program. Position for Five interns will be advertised, and subsequently appointed, before the end of the financial year will be funded through the FMG. Vacancies that occur from time to time are filled once they are available in accordance with the grant conditions.

3) The Budget and Treasury Office

Has been established in accordance with the MFMA, the municipality is currently suffering with organizational structural issues that need to be approved and filled. The staffing of BTO is receiving priority and the necessary budgetary allocation has been made in the MTREF.

4) An Audit Committee has been established and is fully functional.

5) The detail SDBIP document is submitted as draft with the MTREF and will be approved in accordance with the legislative framework after the budget approval it is directly aligned and informed by the 2024/25 MTREF.

6) Annual report is compiled in terms of the MFMA and National Treasury requirements. The annual report was tabled in Council and is currently available for public comments before submission to the oversight committee and thereafter final adoption by Council.

7) Minimum competency training

Minimum competency training is underway and all required staff members are enrolled for the completion of the required training. Extension for the compliance has been granted by the National Treasury. Our participation in this program is in line with the assessment of current skills pool and capacity building to ensure less reliance on consulting services. The filling of

critical vacancies will also require compliance by candidates to the minimum competency requirements.

8) mSCOA Readiness

The municipality is compliant in respect of all mSCOA requirements yet certain modules of the core financial system such as asset management still needs to be implemented. All data strings submitted by the municipality have been validated and have been found to be in order and perfectly aligned with budget schedules. The exception was at mid-year M03 had not been uploaded onto the mSCOA portal and therefore YTD balances were outstanding with the balance of the said strings. The service provider has been contacted and the issue is now escalated in order to resolve.



Municipal Manager's Quality Certification

Quality Certificate

I, P.M. Kate, Municipal Manager of EC104 Makana Municipality, hereby certify that the 2024/25 MTREF adjusted budget and supporting documentation has been prepared in accordance with the Municipal Finance Management Act (No. 56 of 2003) and the regulations made under that Act, and that the budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

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P.M. KATE

MUNICIPAL MANAGER

Makana Municipality EC104

28 February 2025