Item number A53. 27.03.2024

TABLED BUDGET FOR 2024/2025

Report of the Director: Financial Services: Ms E. Wassermann

Department	Financial Services
Section	Financial Services
File number	5/1/1

Annexures
Annexure A – Annual Budget report and budget schedules.

PURPOSE OF REPORT

The purpose of the report is to present the tabled budget for the 2024/2025 MTREF to be submitted for public input.

FACTS AND BACKGROUND

The economic outlook has experienced the past few years weak economic growth and forecast a moderate improvement of 1.4 per cent over the medium term. The GDP has averaged only 0.8 per cent since 2012, resulting in high levels of unemployment and poverty.

According to the National Treasury, 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 a 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 constraints.

The broad-based slowdown of the global economy in South Africa has decelerated growth prospects for the Western Cape. The Province faces challenges such as weak consumer demand, higher inflation and rising interest rates while also being exposed to national challenges of labour unrest and power outages.

According to the National Treasury, 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.

National Treasury forecast that, over the 2024 MTEF, the local government equitable share and direct conditional grants will be reduced by a total of R15.5 billion, made up of R9.6 billion in the local government equitable share and R5.9 billion in direct conditional grants. Despite reduction, local government equitable share growth remains high with transfers to local government significantly increasing by 5.2 per cent annually, driven mainly by the strong growth of local government equitable share by 6.1 per cent.

National Treasury informs that the Government have a five-year programme of action to improve local governance, as endorsed by the Budget Forum, which includes efforts to improve the funding model for local government. The National Treasury is reviewing a draft report for regulating municipal surcharges on electricity and identifying alternative sources of revenue to replace these. The next step will be consultation with external stakeholders.

The local government equitable share formula is being updated in various ways, including improving its responsiveness to the different functions assigned to district and local municipalities. In addition, the formula will be refined with reforms such as exploring the feasibility of introducing a cost differential model, community services components for health services and firefighting functions, and objective criteria for benchmarking municipalities in relation to their administrative functions.

The Department of Cooperative Governance, the National Treasury, the South African Local Government Association, the Financial and Fiscal Commission and Statistics South Africa are identifying areas for refinement over the 2024 MTEF period.

The municipality has commenced with the implementation of a new 5 year IDP in 2023. This year is the second revision of the adopted IDP in 2022. The emphasis of the next term is infrastructure development and economic growth to achieve a "livable" Swellendam which is focused on the community.

The capital budget reflects consistent efforts to address the backlogs in basic services and the renewal of the infrastructure of existing network services.

DISCUSSIONS

<u>Capital Budget</u>

The capital budget is one of the core service delivery components and reflects proposed capital expenditures of R63,4 million, R29,2 million and R22,9 million over the next three years. Government capital grants from the National Government amount to R26,5 million whilst the Provincial Government grants amount to R20,2 million for the 2024/25 financial year.

The municipality anticipates taking up the last portion of borrowing to the amount of R3 million secured in 2022 and obtaining a new finance lease or short-term borrowings to the amount of R4,2 million to fund a refuse compactor and digger loader.

The cost of the new borrowing included in the operational budget amounts to R564 062 for six months and R1 125 965 for a full year financial year.

The main capital budget projects planned over the next MTREF are:

Description	Fund	2024/2025	2025/2026	2026/2027
Swellendam (Railton): Upgrade of Bakenskop and Railton Pumpstation, completion rising main to Railton reservoir	WSIG	R8 695 652		
Railton sanitation upgrade, street front sewers 2023-2026	CRR	R100 000		
Railton Upgrading of Gravel Roads and Stormwater Phase 3 (CF)	CRR	R1 673 913	R 1909 850	R1 909 693
Railton Upgrading of Gravel Roads and Stormwater Phase 3	MIG	R5 060 138	R4 521 739	R5 092 866
Swellendam Railton 950 erven - Elec Infrastructure	INEP	R4 326 087	R 2 869 565	R2 608 696
Upgrading of Railton Sports Grounds Phase 3	MIG	R3 583 391		
Upgrading of Railton Sports Grounds Phase 3	CRR	R677 478		
Guard hut with toilet for Barrydale and Suurbraak Landfill sites	CRR	R460 000		
21m2 Refuse compactor including lifter	Borrowing (Lease)	R3 200 000		
Railton Road Rehabilitation	CRR	R521 739	R521 739	R521 739
Railton Road Rehabilitation	MIG	R2 086 957	R2 086 957	R2 086 957
Replacement of street lights in Swellendam Municipal Area	EEDM	R2 608 696	R3 478 261	
Rehabilitation of Bronn Street	BOR	R1 000 000		
Digger loader	Borrowing (Lease)	R1 200 000		
Klipperivier Tractor 65kw 4x4	CRR	R650 000		
Design and installation of scum baffles on Klipperivier WWTW settlers	BOR	R600 000		
Upgrade of Buffeljags Sewer pump station	BOR	R1 000 000		
Service erven in Industrial area	CRR Land	R900 000		
Upgrade Barrydale sewer pump station	BOR	R400 000		
Raised intersection of Berg and Swellengrebel Street	CRR	R170 000		
New water, sewerage and road services to 32 Erven in Railton	Hum	R10 075 000		
Upgrading of Gravity Main from Grootkloof Dam	MWRG	R869 565		
Railton Informal Settlement upgrade (Water, Sewer and Roads)	ISUP	R8 638 000	R5 660 000	R2 000 000
Barrydale (Smitsville) Upgrade of WWTW	CRR		R1 011 043	R1 180 816
Barrydale (Smitsville) Upgrade of WWTW	MIG		R4 044 174	R4 723 265
New Sports project	MIG		R591 826	
Total		**R56 990 616**	**R26 695 154**	**R20 124 032**

Full description for the capital abbreviations are:

Description	Abbreviation
Borrowing	BOR
Borrowing / Lease	BORL

Description	Abbreviation
Emergency Municipal load shedding relief grant	ELRG
Energy Efficiency and Demand-Side Management Grant	EEDM
Human Settlement Development	HUM
Informal Settlement Upgrading Partnership Grant	ISUP
Integrated National Electrification Grant	INEP
Joint District and Metro Approach Grant	JDMA
Municipal Disaster Recovery Grant	MDRG
Municipal Infrastructure Grant	MIG
Municipal Intervention Grant	MITG
Municipal Replacement Fund	MRF
Municipal Service Delivery and Capacity Building Grant	MSDG
Municipal Water Resilience Grant	MWRG
Overberg District Safety Forum Grant	ODM
Provincial Contribution Towards The Acceleration of Housing Delivery	PAHD
Regional Socio Economic Project Programme	RSEP
Water Services Infrastructure Grant	WSIG
Transfer from Operational Revenue	CRR
Transfer from Operational Revenue (Land)	CRR LD

To promote local economic development all tenderers will have to comply with the following:

- Unskilled Labour – 100% Local Labour;
- Semi-skilled – 60% Targeted Local Labour and Capacity building;

It further proposed to amend the preference procurement policy to only allocate local points for procurement transactions below R30 000.

The capital budget by funding sources and function are reflected in the table below:

WC034 Swellendam - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding									
Vote Description	Ref	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Capital Expenditure - Functional									
Governance and administration		2 277	2 918	2 529	2 529	1 254	1 445	835	655
Executive and council		–	8	9	9	7	165	30	20
Finance and administration		2 277	2 910	2 520	2 520	1 247	1 280	805	635
Internal audit		–	–	–	–	–	–	–	–
Community and public safety		2 573	1 218	5 843	5 843	478	5 271	1 795	475
Community and social services		649	195	463	463	30	105	125	70
Sport and recreation		1 495	332	200	200	137	4 851	1 075	195
Public safety		429	641	687	687	264	315	545	160
Housing		–	50	4 494	4 494	47	–	50	50
Health		–	–	–	–	–	–	–	–
Economic and environmental services		27 250	7 418	9 069	9 069	456	18 614	9 335	10 246
Planning and development		1 765	783	918	918	29	609	–	–
Road transport		25 485	6 635	8 152	8 152	426	18 006	9 335	10 246
Environmental protection		–	–	–	–	–	–	–	–
Trading services		29 014	34 777	57 461	57 461	25 217	38 089	17 274	10 915
Energy sources		242	2 914	11 889	11 889	5 569	7 655	6 414	2 676
Water management		18 449	20 698	31 306	31 306	17 399	17 219	2 810	750
Waste water management		9 052	5 963	8 873	8 873	1 972	9 230	7 830	7 294
Waste management		1 271	5 202	5 393	5 393	278	3 985	220	195
Other		–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional	3,7	61 115	46 330	74 903	74 903	27 405	63 419	29 239	22 291
Funded by:									
National Government		16 769	16 183	23 846	23 846	16 502	26 522	17 593	14 512
Provincial Government		30 835	8 838	25 163	25 163	6 270	20 191	5 660	2 000
District Municipality		498	–	526	526	99	–	–	–
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		–	–	–	–	–	–	–	–
Transfers recognised - capital	4	48 102	25 021	49 535	49 535	22 872	46 713	23 253	16 512
Public contributions & donations	5	–	–	–	–	–	–	–	–
Borrowing	6	7 211	3 598	5 717	5 717	1 464	7 700	–	650
Internally generated funds		4 654	17 712	19 651	19 651	3 070	9 006	5 987	5 129
Total Capital Funding	7	59 967	46 330	74 903	74 903	27 405	63 419	29 239	22 291

Operating Budget

The finance department faces great challenges regarding the compilation of the operational budget, especially to balance the demand for increased expenditure and to keep the budget funded.

New Organisational Structure

A new ideal organisational structure was developed. The impact of the new structure is as follows:

Description	2023/2024	2024/2025	Percentage
Existing Structure Posts	R124 281 268	R134 566 370	8%
Existing Structure Unfunded Posts	R22 327 939	R10 357 322	
New Posts	R1 122 925	R6 682 516	
Total	**R124 281 268**	**R151 606 208**	**22%**

Because of the pressure on tariff increases it is proposed that the new organisational structure be re-visited and scaled down as the proposed structure is unaffordable. A balance needs to be found between critical new posts and vacant unfunded posts. It will not be financially viable to increase the salary budget with the proposed structure. It will further be difficult to even phase it in.

The municipal revenue base is just too small to absorb normal cost increases and for a huge number of new positions. For example:

- The baseline revenue from service charges for water is R26 880 350. If two posts at a total cost of R684 070 are added the tariff increase on the baseline is 2.5% without considering any other costs.

However, by not implementing the structure it will also impact the municipality, for example:

- The municipality is growing and with lesser personal service delivery will suffer in terms of response times, staff morale, delays etc;
- The municipality will never comply with the green and blue drop requirements;
- The municipality will not be in a position to meet all the legislation requirements;
- The standard of services will slowly deteriorate;

It is therefore critical that a balance be struck between implementing a new structure and the cost implications and higher tariff increases.

The new Micro Structure also resulted in some reporting line changes and to implement the new Microstructure, the internal budget votes also need to change.

Attached under Annexure D is the new vote structure proposed to implement the new Microstructure.

Electricity Tariffs and Cost of Supply

A separate item was submitted in this regard. The cost of supply study has serious challenges on the existing tariff structure.

In terms of the National Electricity Pricing Policy, the following should be noted:

- All tariffs should be set as close as possible to the cost of supply.
- Indigent customers as registered in terms of indigent policy.

- These customers are limited to 20 Amps with no fixed charges.
- The current IBT energy rates be retailed.
- Free Basic Electricity (FBE) of 50 kWh/m offset by equitable share.
- The cost of FBE is based on the second block price, the first block should be removed.

- Cross-subsidisation of low-usage domestic customers (poor but not indigent) customers should be done as follows:
  - Customers are limited to 20 Amps with no fixed charges.
  - The current IBT energy rates are retailed but the first block price is set equal to the second block.
  - No FBE is granted.

- All small customers (domestic / business) > 20 Amp should have a fully cost-reflective tariff:
  - A basic charge to reflect the fixed metering, billing, revenue collection, and customer services costs.
  - A capacity charge is based on the installed / limited capacity of the customer. In other words, the total network costs as calculated for that tariff before (using the relevant demand allocation method), are now divided by the customers' actual capacity.
  - An energy charge that covers the full energy cost, losses, and surplus markup.

- All large customers should be charged on a TOU tariff with structure and TOU slots as per the Eskom Megaflex tariff applicable to Swellendam including changes over time:
  - Basic charge.
  - Capacity charge based on the highest of the following:

- Notified demand or highest annual maximum demand to cover Eskom Access charge plus dedicated municipal network costs.
  - Maximum demand charge based on monthly highest maximum during Peak and Standard Periods only.
  - Energy charges for:
    - High Demand (June, July and August) and Low demand (all other months)
    - Peak, Standard, and Off-peak (See diagram below)Reactive energy charge based on vary more than 30% of kWh during all peak and Standard periods for both seasons.
    - Public holidays are treated as the day they fall on.
    - The tariffs should be different for small consumers (<100 kVA), LV and MV.

  This means that each customer will pay an average price depending on its own TOU ratios and load factor. This is the same as applied by Eskom on its TOU tariffs.

- Co-generation charges. (SSEG-tariff)
  - The standard Access / Capacity charges remain.
  - Energy purchased by the customer be charged at the relevant standard tariff charges.
  - An additional basic charge be levied to cover the additional metering/billing costs.
  - The energy purchased from the customer be credited on the TOU period based on 90% of Eskom TOU energy rates (excluding non-TOU energy charges such as levies). The municipality proposes to reduce this to 50% despite the fact that the current rate is very close to 80%)

Key findings on the existing tariff levels and structures are:

- Indigent customers are extremely subsidised. This is due to the lack of fixed charges, the low first 2 blocks energy rates and FBE.
- Household alternatives are also extremely subsidized due to the same reasons as for Indigent consumers.

- Other domestic consumers are close to cost or slightly overcharged on the highest blocks.
- Commercial customers without basic charges are overcharged when average consumption is high and undercharged when low.
- All other commercial tariffs are overcharged.
- Bulk consumers at LV and LV undercharged but municipal supplies overcharged due to bad load factors.
- TOU at MV and LV customers are slightly undercharged.
- Streetlight tariffs are too low and do not cover the fixed maintenance costs.

The cost of supply study proposed major changes to the current tariff structure to implement the findings of the cost of supply. It is proposed that it be phased in over three years.

The major tariff changes are:

- All residential accounts will be charged with a capacity charge as well as n basic charge.
- The block tariffs will be phased out over three years to a single rate per kWh used.
- All bulk consumers will be moved to time-of-use tariffs as follows:
  - The basic, capacity, and demand charges remain the same.
  - The energy charges are set with the same c/kWh markup on each Eskom TOU energy charge.

The purpose of the cost of supply is to ensure the revenue is distributed more fairly between the consumer groups. At all times the baseline revenue for electricity must be obtained.

It is therefore proposed that the impact of the cost of supply is workshopped with all stakeholders and that an application be made to NERSA to implement the new proposed tariff structure in phases from the 2025/26 financial year.

NERSA approach of using benchmarking and guidelines approach has been reviewed, set aside and declared unlawful by the High Court in the Nelson Mandela Bay Chamber of Business and Others. The judgement afforded NERSA an opportunity to revise the Municipal Tariff Guideline to make it compliant with section 15 of the Electricity Regulation Act.

Subsequently, NERSA has provided municipalities with a simplified tool that shows the link between required revenue and the cost associated with supplying electricity to each category of consumers.

This year NERSA will not provide a guideline increase as the price increase should be subject to the cost associated with the services. NERSA has provided the Bulk purchases increase and expenditure consumptions based on a 4.7% inflation increase.

Based on the NERSA template provided the proposed increase for Swellendam Municipality is 11.42%. It should be noted that the electricity price increases will from 1 July 2024 differ for each municipality based on the cost associated with the services.

The electricity budget is as follows:

Expenditure	ORGB 2023/2024	Febr ADJB 2023/2024	March Draft Budget 2024/2025	% of Budget
Bulk Purchases	R 95 136 541	R 97 689 501	R 112 368 281	91.5%
Contracted Services	R 1 177 378	R914 250	R894 064	0.7%

Net Departmental Cost	- R 1 788 903	- R3 202 998	- R5 806 426	-4.7%
Depreciation and Amortisation	R 1 384 022	R1 638 939	R1 688 107	1.4%
Employee Related Cost	R 8 710 945	R8 745 153	R8 878 697	7.2%
Interest, Dividends and Rent on Land	R 379 015	R379 015	R279 463	0.2%
Inventory Consumed	R 2 134 643	R2 020 931	R2 040 564	1.7%
Irrecoverable Debts Written Off	R 254 840	R110 000	R105 683	0.1%
Operating Leases	R 14 320	R23 880	R21 600	0.0%
Operational Cost	R 2 656 073	R16 276 895	R2 334 243	1.9%
Statutory Payments other than Income Taxes	R 66 083	R 31 000	R41 000	0.0%
Grand Total	**R 110 124 957**	**R124 626 566**	**R122 845 276**	**100%**

The baseline revenue before the tariff increase is R117 023 769. The proposed tariff increase of 11.42% is based on the Nersa guidelines and approval.

The cost of electricity for 500 units will increase by R25.36 on average.

The electricity surplus has remained around 5% to 6% and is projected to increase to 6.5%. The new proposed tariff structure will further contribute to the surplus on electricity services are maintained.

The projected electricity income from service charges is R129,4 million including transfers and subisides and is projected to increase to R141,7 million in 2024 and R157,7 million in 2026.

Water Tariffs

The estimated projected revenue loss of +-R2, 7 million for the 2023/2024 financial year affects the revenue projections for 2024/2025 and proposed tariff increases. The revenue baseline for 2024/2025 amounts to R26 880 345.

Just to recover the revenue loss the impact of the proposed tariff increase is 10% without increasing any other cost.

One of the challenges in the water services department is insufficient water process controllers and the outdated water and sanitation master plan. The estimated cost for the master plan amounts to R1,2 million and to appoint four additional process controllers at the waterworks amount to +-R1,3 million.

The impact of these costs on the tariff increase is an additional 10%. Should these costs with the normal operational cost and salary increases be sought the tariff water tariffs should increase with +-28,5 per cent.

It is therefore proposed that the additional posts not be filled at this stage and be phased in over a prolonged period based on the growth in the rates basis of the municipality. The master plan not be updated until grant funding is successfully secured.

The revenue loss however must be recovered from the new tariffs resulting in a tariff increase of 14.5%. The surplus on water services decreases with +-R1 million and will be cross-subsidized from other services.

The cost of water for 25kl will increase by R62.67 on average.

The projected water revenue from service charges is R26,5 million and is projected to increase to R28,8 million in 2025 and R31,4 million in 2026.

Sewerage Tariffs

The baseline revenue before the tariff increase is R20 785 361. This revenue is supplemented by the industrial effluent charges. This remains a risk for the municipality as the industrial effluent quality improves, the revenue will decrease. It is therefore imperative that the municipality does not rely on this revenue.

For the 2024/2025 financial year, the industrial effluent is fully utilized to fund the budget but decreases incrementally over the MTREF.

The proposed tariff increase for sewerage is 7,5%. This translates to an R25.58 increase for residential households.

Sewerage had similar challenges as water. The sanitation master plan must be updated and in addition, four additional process controllers at the wastewater treatment works will cost approximately R1,3 million per annum. The impact of the tariffs will be an additional increase of 6 per cent.

The same is proposed as in the case of water, that the additional posts not be filled at this stage and be phased in over a prolonged period based on the growth in the rates basis of the municipality. The master plan not be updated until grant funding is successfully secured.

The above inflation increase can be attributed to the following cost drivers:

- An additional amount of R200 000 for maintenance at the WWTW such as pumps, aerators, etc
- Increased interest cost on borrowings to the amount of R434 877.

The sewerage revenue from service charges is R21,5 million and is projected to increase to R23,0 million in 2025 and R25,0 million in 2026.

Refuse Tariffs

The municipality experienced huge challenges with the landfill site which is near the end of its lifespan. The remaining lifespan is projected to be 12 – 18 months. To prolong the landfill site lifespan to between 24 to 36 months, more intensive compacting at the site is required.

The impact of the closure of the landfill site will have serious financial implications for the municipality. The immediate alternative is to transport the refuse to Karwydeskraal at an estimated cost of between R7 million and R15 million per annum. This will result in an average tariff increase of between 20% to 35% in the next financial year.

In other words, should the council decide to reduce the impact of the refuse tariff to 9%, consumers must be aware of the envisaged tariff increase in the next financial years to transport the refuse to Karwydeskraal.

To increase the space at the landfill site, waste minimization strategies need to be implemented. The estimated proposed costs included for recycling are:

- R791 000 to pick up recycling items at residents;
- R250 000 additional for clear bags.

To improve the management at the Barrydale and Suurbraak dumping sites it is proposed that two new caretaker positions be funded on the salary budget at a cost of R429 000.

The refuse compactors are between 14 to 27 years old. A new refuse compactor is needed to relieve the pressure due to the breakdown of existing vehicles and to plan for the growth to serve a larger area more reliably. The estimated capital cost to obtain funding for a refuse compactor is +-R816 450 per annum. An amount of R309 500 was included in the budget for the first six months.

The baseline revenue for solid waste disposal is R19 797 141. To fund the increased expenditure to the amount of R1,7 million and operations a tariff increase of 18% is required.

This translates to an R38.88 increase for residential households.

The projected refuse removal revenue from services charges is R17,2 million and is projected to increase to R18,6 million in 2025 and R20 million in 2026.

Property tax

Property tax is the balancing factor when all the other tariffs are determined to balance the budget.

A new valuation roll was implemented for the 2023/2024 financial year. Based on the revenue projections for 2024/2025 a shortfall of R1,1 million will realised due to category changes and objections which must be recovered from the tariffs. This had a 2% impact on the tariffs.

Expenditure increases for rates services were carefully considered to limit the impact on property tax.

However, to balance the budget an increase of 9% is proposed. Considering a house with a value of R700 000, the proposed increase translates to R40,6 for a residential household.

Property Rates increase from R56,3 million to R63,2 in 2024/2025, R69,1 million in 2025 and R75,3 million in 2026.

Summary

The proposed increases in service charges generate additional revenues in the amount of R23,9 million. Considering other revenues and government grants, the proposed operating revenue for the 2025/2026 financial year amounts to R496,7 million and R472,6 and R473,7 million for the outer years.

Government operational grants increase from R117,8-million to R158,8-million which includes an amount of R97,9-million to build the houses in Railton.

Operating expenditure increased to R520,8 million, R495,2 million and R494,5 million for the 2025/2026 MTREF.

The operating expenditure is allocated as follows:

- Employee-related cost at R149,6 million (4.7%);
- Remuneration of councillors at R6,3 million (4%);
- Bulk electricity at R112,4 million (18%);
- Inventory consumed at R11,5 million (-39%);
- Debt impairment and write-offs at R43,5 million (1.3%);
- Depreciation at R21 million (30.4%);
- Financial cost at R8,1 million(29.4%);
- Contracted services at R136,1 million (42.9%);
- Other operational costs at R30,8 million(0,3%);

See Table A 4 for more details.

WC034 Swellendam - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Revenue									
Exchange Revenue									
Service charges - Electricity	2	97 473	113 936	113 655	113 655	74 233	127 465	141 695	157 728
Service charges - Water	2	22 509	25 388	22 415	22 415	15 691	26 492	28 876	31 475
Service charges - Waste Water Management	2	19 386	20 521	20 497	20 497	14 327	21 463	23 027	25 002
Service charges - Waste Management	2	12 749	14 707	14 639	14 639	9 849	17 224	18 602	20 090
Sale of Goods and Rendering of Services		2 900	2 736	2 889	2 889	2 246	3 010	3 148	3 293
Agency services		2 728	3 062	2 817	2 817	1 857	2 955	3 091	3 233
Interest		–	–	–	–	–	–	–	–
Interest earned from Receivables		1 855	1 880	1 709	1 709	1 146	1 802	1 910	2 025
Interest earned from Current and Non Current Assets		7 681	6 660	9 015	9 015	7 790	9 000	7 500	6 500
Dividends		2	2	2	2	–	2	2	2
Rent on Land		–	–	–	–	–	–	–	–
Rental from Fixed Assets		916	867	1 046	1 046	553	616	644	674
Licence and permits		1 300	1 410	1 230	1 230	932	1 187	1 241	1 299
Operational Revenue		4 166	415	2 698	2 698	932	1 412	1 415	1 418
Non-Exchange Revenue									
Property rates	2	50 116	57 462	56 353	56 353	38 757	63 336	69 045	75 269
Surcharges and Taxes		955	994	960	960	638	1 443	1 635	1 924
Fines, penalties and forfeits		42 514	47 744	47 278	47 278	24 227	49 067	51 227	53 483
Licences or permits		–	–	–	–	–	–	–	–
Transfer and subsidies - Operational		55 889	117 848	155 679	155 679	81 236	158 843	107 444	77 352
Interest		325	324	387	387	267	410	435	461
Fuel Levy		–	–	–	–	–	–	–	–
Operational Revenue		3 314	3 487	3 433	3 433	2 278	3 803	3 987	4 210
Gains on disposal of Assets		334	4 399	5	5	2 066	–	–	–
Other Gains		5 080	12 847	13 211	13 211	3 195	7 224	7 729	8 271
Discontinued Operations		–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contribut		**332 192**	**436 688**	**469 921**	**469 921**	**282 218**	**496 753**	**472 655**	**473 708**

WC034 Swellendam - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	Ref	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Expenditure									
Employee related costs	2	108 484	142 965	139 191	139 191	89 569	149 627	157 309	168 978
Remuneration of councillors		5 607	6 083	6 083	6 083	4 206	6 326	6 580	6 843
Bulk purchases - electricity	2	79 694	95 137	97 690	97 690	58 684	112 368	125 184	140 132
Inventory consumed	8	16 403	18 928	19 318	19 318	11 396	11 541	11 809	12 215
Debt impairment	3	8 629	29 302	18 996	18 996	12 050	16 021	16 967	17 826
Depreciation and amortisation		16 157	16 178	20 463	20 463	8 108	21 089	21 722	22 373
Interest		8 847	6 301	8 671	8 671	2 063	8 156	8 482	7 748
Contracted services		29 358	95 295	111 816	111 816	52 796	136 177	86 144	55 130
Transfers and subsidies		530	1 185	1 325	1 325	680	1 200	1 200	1 200
Irrecoverable debts written off		26 793	13 613	24 669	24 669	6 500	27 462	28 696	29 916
Operational costs		26 162	30 932	47 456	47 456	23 642	30 852	31 155	32 168
Losses on disposal of Assets		1 052	129	–	–	–	–	–	–
Other Losses		–	12	–	–	–	–	–	–
Total Expenditure		**327 716**	**456 060**	**495 677**	**495 677**	**269 694**	**520 817**	**495 246**	**494 528**
Surplus/(Deficit)		**4 476**	**(19 372)**	**(25 756)**	**(25 756)**	**12 524**	**(24 064)**	**(22 591)**	**(20 820)**
Transfers and subsidies - capital (monetary allocations)	6	47 883	20 240	44 689	44 689	16 917	46 713	25 593	16 512
Transfers and subsidies - capital (in-kind)	6	–	4 781	4 781	4 781	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		52 360	**5 649**	**23 714**	**23 714**	29 441	**22 649**	**3 001**	**(4 308)**
Income Tax		–	–	–	–	–	–	–	–
Surplus/(Deficit) after income tax		52 360	5 649	23 714	23 714	29 441	22 649	3 001	(4 308)
Share of Surplus/Deficit attributable to Joint Venture		–	–	–	–	–	–	–	–
Share of Surplus/Deficit attributable to Minorities		–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		52 360	5 649	23 714	23 714	29 441	22 649	3 001	(4 308)
Share of Surplus/Deficit attributable to Associate	7	–	–	–	–	–	–	–	–
Intercompany/Parent subsidiary transactions		–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	1	**52 360**	**5 649**	**23 714**	**23 714**	**29 441**	**22 649**	**3 001**	**(4 308)**

Impact on Households

The municipality revenue base is just not sufficient to increase expenditures to provide additional for repairs and maintenance to address the backlogs on infrastructure.

Therefore it is proposed that the infrastructure levy be increased to R15 per month per property owner. The revenue through this level increases from R959 750 to R1 442 700.

The benefit of this levy can be seen through improved road reseal programme and maintenance.

Following is an example of the impact on the consumer account. The average increase on the municipal account is between 11.6% to 11.9% pending on the utilities used.

During the public participation process, the affordability of the budget needs to be considered. The tariff increases proposed are what the municipality needs to provide for the current level of services.

DIENS	2023/2024	2024/2025	WAARDE VERSKIL	% VERSKIL
	R222.08	R247.44	-R25.36	-11.42%
	R432.18	R494.85	-R62.67	-14.5%
	R216.00	R254.88	-R38.88	-18.0%
	R341.00	R366.58	-R25.58	-7.5%
	R451.53	R492.17	-R40.64	-9.0%
	R10.00	R15.00	-R5.00	-50.0%
BTW	R183.19	R206.81	-R23.62	
TOTAAL	**R1 855.98**	**R2 077.72**	**-R221.74**	**-11.9%**

Aannames: Water 25Kl
Elektrisiteit 500 Kwh
Valuation R700 000

DIENS	2023/2024	2024/2025	WAARDE VERSKIL	% VERSKIL
	R222.08	R247.44	-R25.36	-11.42%
	R873.19	R999.80	-R126.61	-14.5%
	R216.00	R254.88	-R38.88	-18.0%
	R341.00	R366.58	-R25.58	-7.5%
	R1 308.45	R1 426.21	-R117.76	-9.0%
	R10.00	R15.00	-R5.00	-50.0%
BTW	R249.34	R283.05	-R33.71	-13.5%
TOTAAL	**R3 220.06**	**R3 592.96**	**-R372.90**	**-11.6%**

Aannames: Water 50Kl
Elektrisiteit 1200 Kwh
Valuation R2 000 000

Policies

The following budget-related policies have been reviewed and will be distributed electronically and be available on the municipality website:

- Asset Management Policy – No changes

- Bad Debt Write-Off Policy – No changes
- Cash Management and Investment Policy – No changes
- Restriction Policy (Previously Blacklisting Policy) – No changes
- Borrowing Policy – No changes;
- Budget Implementation and Monitoring Policy – Minor changes;
- Cost Containment Policy – No changes;
- Customer Care Credit Control and Debt Collection Policy – No changes;
- Financial Funding and Reserve Policy – No changes;
- Indigent Support Policy – Revised in total from cosmetic to implementation;
- Petty Cash Policy – No Changes;
- Rates Policy –No changes;
- SCM Policy – Minor and cosmetic changes. Changes are indicated by means of track changes.
- Preferential Procurement Policy – New policy to promote local economic development. .
- Tariff Policy – No changes;
- UIFW Expenditure Reduction Policy – No changes;
- Revenue by-law – No changes;
- Infrastructure Procurement Policy – New Policy which was previously included in the SCM policy.

The main policy change is the Indigent Policy. The whole policy was rewritten and included in the budget document. A separate meeting will be arranged with all councillors to discuss the changes in the above policies during public participation.

LEGAL IMPLICATIONS

Chapter 4 of the MFMA and MFMA Circulars No. 128 provide directives and guidelines for submitting municipal budgets to the Council for adoption. The report of the Director Financial Services will represent the documentation in compliance thereof.

In terms of Section 16 (2), the mayor must table the budget at least 90 days before the start of the budget year, and consider the views of the National and Provincial Treasury and the public before it is finally approved before the end of May 2023.

FINANCIAL IMPLICATIONS

As per the report of the Director of Financial Services.

PERSONNEL IMPLICATIONS

None

COMMUNICATION IMPLICATIONS

None

COMMENTS FROM DEPARTMENTS

Director: Corporate Services

None

Director: Community Services

None

Director: Financial Services

None

Director: Infrastructure Services

None

Municipal Manager

None

RECOMMENDED

1. that Council approves the tabled draft Budget for public participation.
2. that the tabled Budget be submitted to the National and Provincial Treasury.
3. that the public be invited to provide inputs to the Draft Budget for the 2024/205 financial year.
4. that Council notes the amended Budget-Related Policies for public participation and Input;
5. that the tabled Budget, Budget-Related Policies and By-laws be placed on the municipal website.
6. that the draft electricity tariffs be submitted to NERSA per the NERSA revenue template.