

# **MERAFONG LOCAL MUNICIPALITY**



## **FINAL BUDGET**

**2025/2026**

### **Medium Term Revenue and Expenditure Framework**

<b>ABBREVIATIONS</b>	
<b>MFMA</b>	<b>Municipal Finance Management Act</b>
<b>WSIG</b>	<b>Municipal Water Infrastructure Grant</b>
<b>INEP</b>	<b>Integrated National Electrification Programme</b>
<b>EPWP</b>	<b>Expanded Public Works Programme</b>
<b>FMG</b>	<b>Financial Management Grant</b>
<b>DoRA</b>	<b>Division of Revenue Act</b>
<b>mSCOA</b>	<b>Municipal Standard Chart of Accounts</b>
<b>MTREF</b>	<b>Medium Term Revenue and Expenditure Framework</b>
<b>MMC</b>	<b>Member of Mayoral Committee</b>
<b>CPIX</b>	<b>Consumer Price Inflation Index</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>FFC</b>	<b>Financial and Fiscal Commission</b>
<b>IDP</b>	<b>Integrated Development Plan</b>
<b>SDBIP</b>	<b>Service Delivery Budget Implementation Plan</b>
<b>MFRS</b>	<b>Municipal Financial Recovery Services</b>
<b>FRP</b>	<b>Financial Recovery Plan</b>
<b>MEC</b>	<b>Member of Executive Council</b>
<b>GRAP 17</b>	<b>General Reporting Accounting Practices</b>
<b>YTD</b>	<b>Year to date</b>
<b>SERO</b>	<b>Socio Economic Review and Outlook</b>

## **Mayors Report**

Speech will circulate under separate Cover.

### **ANNUAL BUDGETS MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF): 2025/2026 TO 2027/2028 AS REQUIRED BY SECTION 24 OF THE MFMA**

#### **1. PURPOSE**

To submit the Annual Medium-Term Revenue and Expenditure Framework for the 2025/2026 to 2027/2028 financial period in terms of Section 24 of the Municipal Finance Management Act.

#### **2. BACKGROUND**

In terms of the legislative process, the municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget.

The Mayoral Imbizo on stakeholder and public participation have been concluded in the month of May 2025.

##### **2.1. Section 24 (2) of the MFMA dealing with the approval of annual budgets, inter alia, reads as follows:**

An annual budget must-

- a) Must be approved before the start of the budget year;
- b) Is approved by the adoption by the Council of resolution referred to in section 17 (3) (a)(i); 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 revenue 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.

The Accounting Officer of the municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

#### **3. Process Followed**

The key deadlines for the compilation of the IDP and Medium-Term Revenue and Expenditure Framework (MTREF, or Budget) was submitted to Council for approval during the month of August 2024.

The timelines that were set to attain the milestones of the budget process were as follows:

- 14 May 2025 (Submission to the Section Finance Committee. This timeline was not met as the meeting did not quorate and had to be postponed to the 16 May 2025)
- The budget will be presented to the Budget Steering Committee for inputs on the 20<sup>th</sup> of May 2025.
- The budget will be presented to the Mayoral Committee on the 24<sup>th</sup> of May 2025.
- The final budget for adoption will then be submitted to the Council for adoption before the end of May 2025.

## **ECONOMIC OUTLOOK**

### **2025/26 National budget**

Honourable Minister of Finance, Enoch Godongwana delivered the budget speech on the 12<sup>th</sup> of March 2025 and the following are the key highlights:

In 2024, the economy grew by only 0.6 per cent. Over the medium term, GDP growth is projected to average 1.8 per cent.

The Budget remains committed to a balanced fiscal strategy. As projected in the 2024 Medium Term Budget Policy Statement (MTBPS), a budget primary surplus of 0.5 per cent of GDP will be achieved in 2024/25, and this will grow to 0.9 per cent in 2025/26.

The Eskom debt relief arrangements are also effective and contribute to the improved fiscal position. Eskom is now in a much better financial position than in 2023 when the debt relief was originally announced. As a result of these improvements, we have decided to simplify the final phase of the debt relief package.

## **FOSTERING FASTER INCLUSIVE GROWTH**

Our strategy to achieve faster growth remains anchored on the following four pillars:

- Maintaining macroeconomic stability,
- Implementing structural reforms,
- Improving state capability, and
- Accelerating infrastructure investment

Provincial roads departments will reseal over 16,000 lane-kilometres of roads in their areas of authority.

In the energy sector, the Independent Transmission Programme will be launched later this year.

## **CUSHIONING HOUSEHOLDS**

The government is very aware of the cost-of-living pressures faced by households, including high food and fuel prices and rising electricity and transportation costs.

This is why we are taking concrete steps to protect vulnerable households. This is done through:

- Providing social grant increases that are above inflation.
- Expanding the basket of VAT zero-rated food items to include canned vegetables, dairy liquid blends, and organ meats from sheep, poultry and other animals.
- We are also not increasing the fuel levy for another year, saving consumers around R4 billion.

The local government equitable share will increase from R99.5 billion in 2024/25 to R115.7 billion in 2027/28. This is to fund increases in the cost of bulk water and electricity costs provided for free to needy households.

In 2025/26, 83 per cent of the local government equitable share provides a free basic services package of R610 per month to 11.2 million poor households.

The following **macro-economic forecasts** must be considered when preparing the 2025/26 MTREF municipal budgets:

<b>Table 1: Macroeconomic performance and projections 2023 – 2028</b>					
<b>Fiscal year</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	Actual	Estimate	Forecast		
<b>CPI Inflation</b>	6.0%	4.4%	4.3%	4.6%	4.4%
<i>Source: National Treasury Budget Review 2025.</i>					

Key Focus areas for the **2025/2026 budget process** as provided by National Treasury in Circular No. 130:

1. Direct transfers to local government grow in line with inflation, increasing at an annual average of 4.4 per cent over the MTEF, with the local government equitable share growing at a slightly higher rate (5.2 per cent).
2. **Review of the Municipal Capacity Building Programme:** The programme will align with the National Treasury's Capability Development Framework and adopt a differentiated approach tailored to the unique needs and maturity levels of municipalities.
3. **Update on the conditional grant for smart prepaid meters:** As indicated in the 2024/25 financial year, the National Treasury now oversees the smart meters grant as an indirect grant through a transversal contract to regulate distribution quality and costs. This grant aims to enhance energy efficiency and support the integration of renewable energy to better meet consumer needs.
4. **Improving regulatory levers and reforms:** By enhancing the usage of regulatory frameworks in the conditional grants system, the government is taking steps to ensure that municipalities prioritise critical projects and utilise resources effectively. The use of results from the Department of Water and Sanitation's Watch Reports in the prioritisation of water and sanitation projects funded from general-purpose grants such as the integrated urban development grant (IUDG), municipal infrastructure grant (MIG) and the urban settlements development grant (USDG) will improve the quality and impact of these projects.
5. Further, requiring municipalities to use the results of **green drop, blue drop and no drop assessments** in planning and prioritising projects will drive greater accountability and transparency in the use of grant funds, promoting sustainable and effective service delivery.
6. Discontinuing the municipal systems improvement grant (MSIG). Its baseline will be redirected to the Department of Cooperative Governance and earmarked for national government to support municipalities.
7. **Review of the local government fiscal framework:** This will be achieved by conducting an in-depth examination of existing policies, practices, and mechanisms governing the allocation, management, and utilisation of fiscal resources at the local government level.
8. **Funding for Local Economic Development (LED) Programmes:** National Treasury is mindful of the essential role played by municipalities in driving economic development and job creation to mitigate inequality and attract private investment. In addition to the infrastructure grants, municipalities also receive about 66 per cent

of their allocations in unconditional grants, which can be utilised to fund operational parts of the LED initiatives.

- 9. Criteria for the release of the Equitable Share:** Failure to comply with the criteria will result in National Treasury invoking Section 38 of the MFMA which empowers National Treasury to withhold a municipality's equitable share if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(2) of the Constitution which includes reporting obligations set out in the MFMA and National Treasury requests for information in terms of Section 74 of the MFMA.
- 10. Prioritise funding the Electricity Revenue Protection Program-** Municipalities are advised to prioritise the following Revenue Protection measures in the 2025/26 and future MTREFs.
  11. A dedicated Revenue Protection Unit for Electricity administered by the senior manager responsible for the municipal Electricity Infrastructure Directorate taking into consideration the recommendations and standards the recommendations and standards set-out in NRS055 (Code of Practice for Revenue Protection).
  12. The municipality to demonstrate in its MTREF submission that a percentage of the revenue from the Energy function is ring-fenced to fund the municipal Revenue Protection Program operational need(s) towards developing the program to fruition
- 13. Management of Water Tankers:** As such, municipalities are encouraged to protect their revenue through avoiding protracted long contracts of water tankers. Where possible the municipality should use its internal water tankers as a temporary measure with a clear intention to restore the service.
14. If the municipality provides a long-term service, such as water for informal settlements, it is advised that tanks should be purchased and refilled with municipal water tankers. The aim should always be to strike a balance between the provision of service and protecting municipal revenue.

#### **4.b GAUTENG PROVINCIAL GOVERNMENT SOCIO-ECONOMIC REVIEW AND OUTLOOK 2025**

The Gauteng economy faced numerous challenges and opportunities in 2024. The province grew by 0.3% in the third quarter, outpacing the national economy which experienced a contraction of 0.3%. Growth in the province was mainly attributed to the consistent increase in the finance sector. Gauteng constitutes the largest share of the national GDP.

#### **4. State of the Municipality**

Merafong's economy is dependent on mining sector. In 2026 financial year the mining sector in South Africa is projected to experience a slight decrease in production, with a focus on unlocking the full potential of the sector to boost government revenue and address infrastructure challenges which can have an impact on the municipality.

The ongoing mining dispute with some of the mining houses has also added to this situation.

The dolomite and sinkholes have put a strain on our aging infrastructure stretching our limited financial resources. The Municipality has made a request to have Merafong declared as a Disaster Area, and this would enable the National Government to allocate necessary resources to address the situation rapidly and effectively. This status will enable access to emergency relief and support mechanisms, ensuring the safety of residents.

The Municipality has consulted all relevant community members and stakeholders in preparation of the 2025/26 original budget.

The redemption date for the long-term debt that the municipality undertook with Nedbank Limited is June 2025, which means that a saving of the capital and interest repayments of approximately R8.1m is anticipated in the 2025/26 financial year.

The cashflow constraints of the municipality are affecting the ability to service obligations within 30 days as prescribed by the legislation, especially bulk suppliers, i.e. Rand Water and Eskom.

The Municipality's credit control is being implemented as the Municipal Systems Act urges the collection of all money due to them and to implement a credit control and debt collection policy.

The policy is consistent with rates and tariffs and comply with the MSA's provisions. Section 96 of the MSA specifically requires municipalities to adopt, maintain, and implement a credit control and debt collection policy to ensure revenue collection.

#### **Debt Relief compliance**

Eskom Approved the municipality's Debt relief application in December 2023. As it stands now in the fourth quarter of 2024/25 financial year, the municipality is still within the Debt Relief and reports monthly pertaining the progress on the 14 conditions of the programme. The Municipality has therefore budgeted conservatively and realistically



for the related benefit as reflected in the Operational Budget at an amount of R209m and the related interest is approximately R37m.

### **Revenue Management:**

In light of the Municipality being unable to meet its payment obligations to Eskom, water boards and other creditors, it is imperative that the municipality must maximise revenue generating potential and collect what is due to it and concurrently, eliminate wasteful and non-core spending. Provision **of R25m** has been made in the 2025/26 budget for installation of Smart Meters, alongside a public procurement process currently in place to obtain proposals from the public to cover :

- Infrastructure financing for the acquisition and installation of water and electricity prepaid meters.
- Infrastructure financing development and expansion of bulk infrastructure for water, and electricity.
- Capital raising to service outstanding accounts with Rand Water and Eskom to ensure uninterrupted utility services.

Indigent Management remains a critical component as it has a direct impact on the Local Government Equitable Share (LGES) and the Municipality must ensure that a credible indigent register is established and maintained. The Political Management Team (PMT) is committed to actively partake in making compatriots aware of the Indigent Subsidy initiative through community engagements.

### **Financial Recovery plan**

Merafong City Local Municipality is under Section 139 of the MFMA and the Financial Recovery Plan was developed and approved by Council in June 2024. The section further requires the Municipality to report monthly to the MEC for Finance on the progress made. Financial Recovery Plan (FRP) Technical Committee has been established ensuring full execution and that proper accountability is attained.

The Municipality considered some of the budgeting parameters as stipulated in the approved Financial Recovery Plan to prepare the 2025/26 MTREF budget.

The Municipality must ensure that expenditure is limited to the maximum revenue collected.

#### 4.1. Budget Summary

The operating revenue for 2025/2026 financial year is budgeted at **R2 861 416 985 (R2.8 Billion)** which is an increase of 21.88% from the **R2 347 723 120 (R2.3 Billion)** 2024/2025 adjusted budget.

The significant increase in the projected revenue for 2025/26 financial year is due to the following:

- Provision of the Municipal Debt Relief
- Installation of Smart electricity and water metres expected to reduce losses
- A portion relates to the inclusion of the basic charge in water services

The debt impairment provision has been calculated at 25%. The municipality anticipates collection rate of 75% in the 2025/26 financial year and this will be achievable based on the implementation of the Smart Metering System. Continued effort will be put to urge sector department to consider the municipality's Smart Meter grant application made during 2024/25 financial year.

These imperatives affect the estimates for the 2025/2026 and the MTREF period.

The proposed 2025/26 budget estimates are as follows:

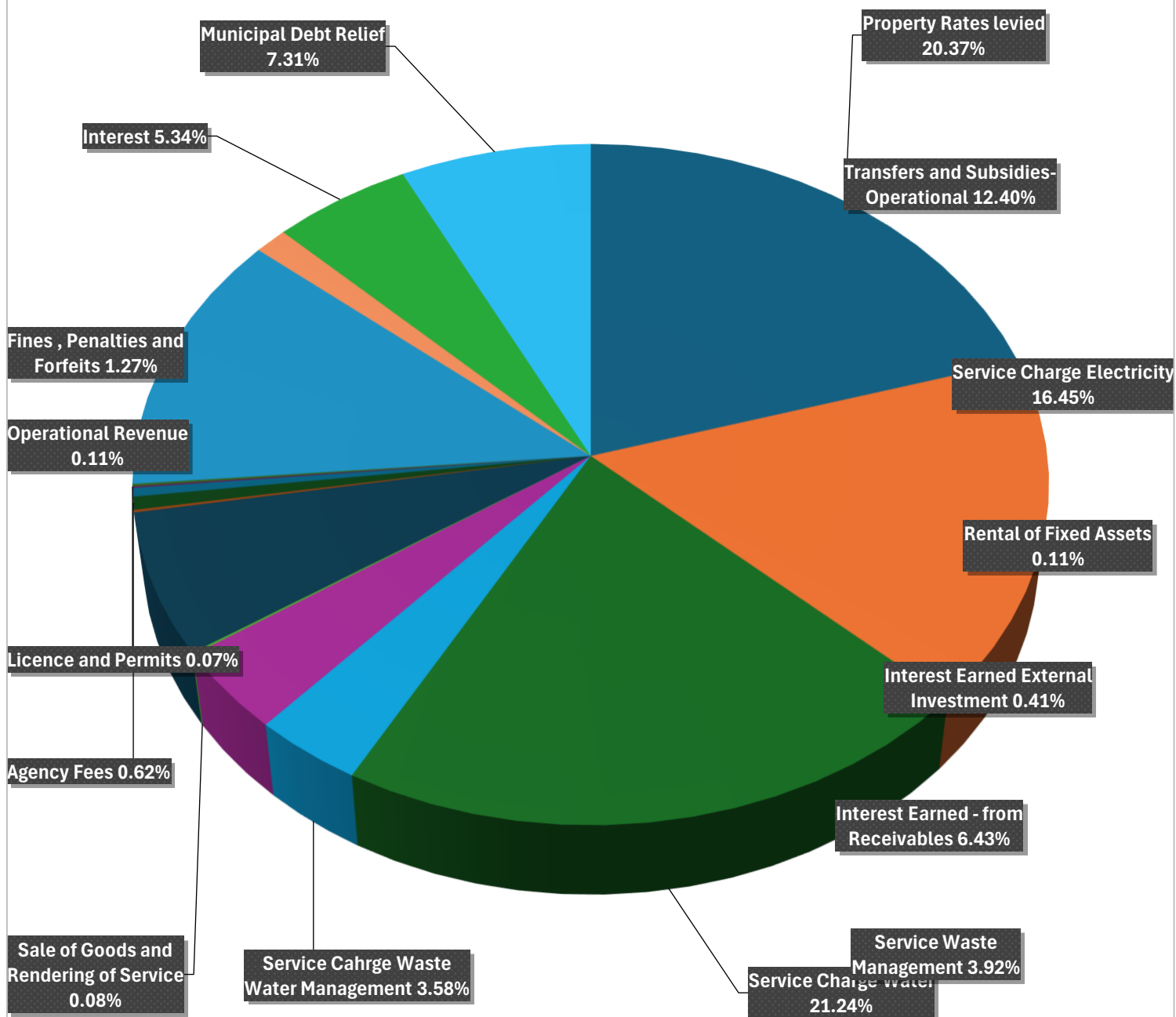
<u>Details</u>	<b>2024/25</b>	<b>2024/25 Adjustment</b>	<b>2025/26</b>
Revenue	2 639 887 893	2 347 723 120	2 861 416 985
Expenditure	2 598 895 124	2 336 443 119	2 828 541 985
<b>Surplus</b>	<b>40 992 769</b>	<b>11 200 00.47</b>	<b>32 875 000</b>
<b>Capital Budget</b>	<b>191 640 000</b>	<b>160 293 884</b>	<b>R160 431 999</b>

#### 4.2. The 2025/2026 budgeted revenue by source:

<b>OPERATING REVENUE</b>	<b>R</b>
Service Charges- Electricity	(470 566 779.97)
Service Charges-Water	(607 766 599.45)
Service Charges- Waste Water Management	(102 354 863.95)
Service Charges – Waste Management	(112 285 270.74)
Sale of Goods and Rendering of Services	(2 362 094.00)
Interest Earned from receivables	(192 598 560.00)
Rental of Fixed Assets	(3 163 700.00)
Agency services	(17 694 530.00)
Interest Earned - External Investments	(11 743 821.60)
Licence and permits	(2 068 953.44)
Operational Revenue	(3 201 066.00)

Transfers and Subsidies- Operational	(354 691 000.00)
Fines, penalties and forfeits	(36 426 417.70)
Property Rates	(582 735 312.54)
Interest	(152 698 527.00)
Municipal Debt Relief	(209 059 488.77)
<b>Total Revenue (Excl. of Capital transfers)</b>	<b>(2 861 416 984.72)</b>

# OPERATING REVENUE



## **Analysis**

The operating Revenue for 2025/26 is budgeted at R2 861 416 985 (**R2.6 billion**) (an increase of 21.88% from R2 347 723 120 (**R2.3 billion**) of the 2024/25 Adjusted budget).

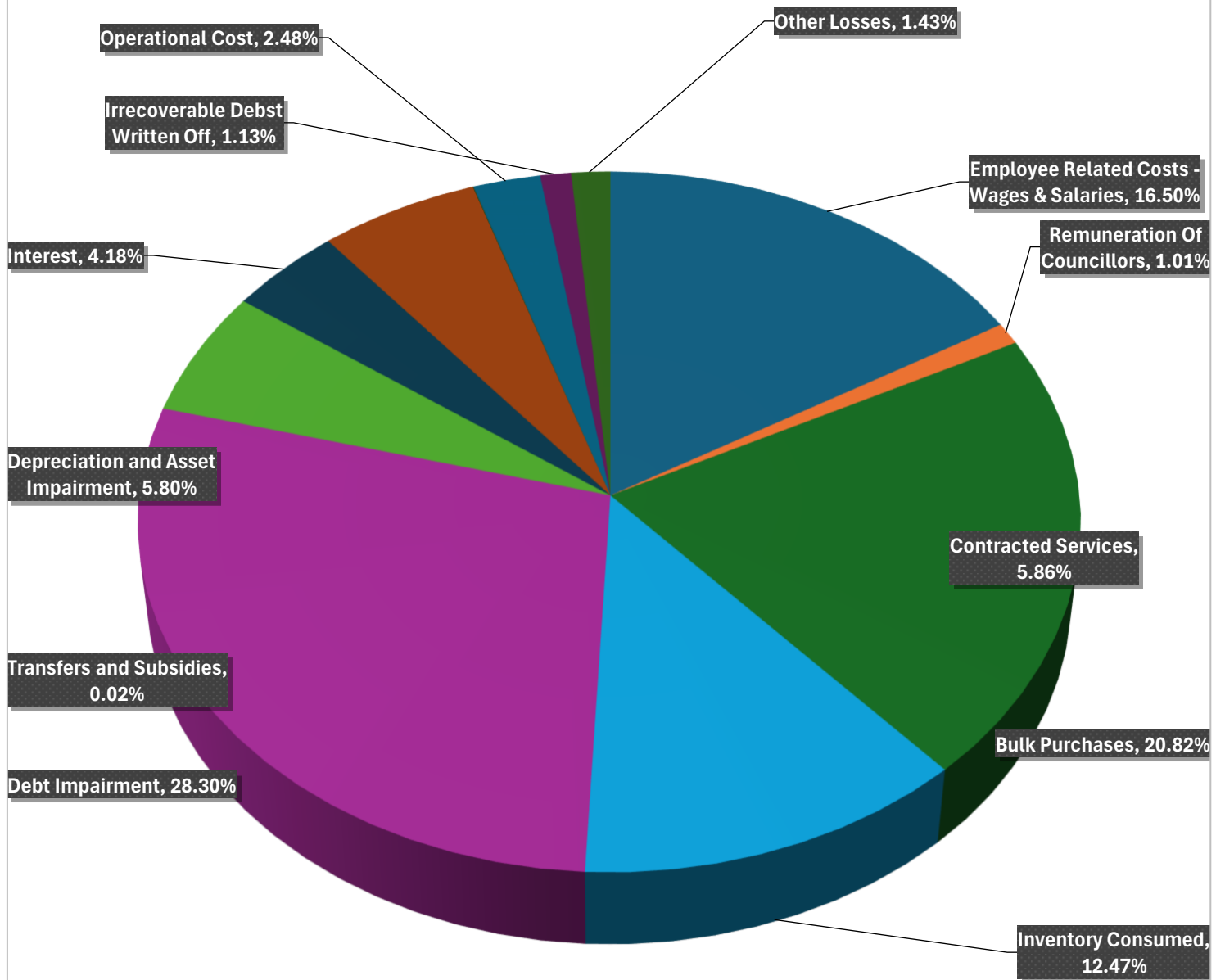
The above shows that the sale of Water and levying of Property rates are the municipality's two main revenue contributors at R607 766 599 and R582 735 313 respectively.

The municipality has made a revenue projection for Municipal Debt Relief for R209 million.

### **4.3. The 2025/26 budgeted expenditure by source:**

<b>Operating expenditure</b>	<b>R</b>
Employee Related Costs	466 720 835.03
Remuneration Of Councillors	28 459 741.78
Bulk Purchases	589 037 307.00
Inventory Consumed	352 611 374.00
Debt Impairment	800 362 773.95
Depreciation and Amortisation	163 984 102.00
Interest	118 201 820.96
Contracted Services	165 858 925.00
Transfers and Subsidies	596 446.00
Irrecoverable debts written off	32 078 782.00
Operational Costs	70 070 792.00
Other Losses	40 559 085.00
<b>Total Operating Expenditure</b>	<b>2 828 541 984.72</b>

## OPERATIONAL EXPENDITURE



## **Analysis**

The operating expenditure for 2025/26 is budgeted at **R2 861 541 985 (R2.8 Billion)** reflecting an increase of 21.06% from **R2 336 443 199 (R2.3 Billion)** of the 2024/25 Adjusted budget).

The provision for debt impairment (non-cash item) and Bulk purchases have a great contribution in the overall operating expenditure.

### **5. Tariffs**

The tariff setting was informed by:

- Circular 130 that includes Macro-economic performance projections – CPI (4.3%)
- NERSA tariff
- Randwater Board approved tariff
- Merafong City Local Municipality's Policies

The tariff increases are above the projected inflation targets. Tariffs could not be contained within the targeted inflation limits due to increased cost of the provision of services.

Projected revenue collection to be at 75% of levied service with implementation of all revenue recover and protection strategies.

- An increase of 5% for some of the Property Rates categories and 4.4% for mines is being proposed. During 2025/26 financial year, revenue from this component is anticipated to increase post the implementation of the Land Audit.
- The increase in the provision of water and electricity services is affected by the increases that are approved by National Energy Regulator of South Africa (NERSA) for Eskom and Rand Water Board at **14.30%**.
- The municipality made use the National Treasury Cost Reflective Tariff Tool, but has also considered the Cost of Supply Study as prescribed by NERSA into determination of the tariff for electricity.
- The approved electricity tariff for Merafong is below the NERSA/Eskom approved tariff of 11.32% and this reflects a slight loss.
- In order to fund the operational budget, the following average tariffs per category are proposed:

<b>Service Type</b>	<b>%</b>
Property Rates	5%
Agriculture and PSI	3%
Mine Property Rates	4.4%
Water Services	14.30%
Refuse Removal	6%
Sewerage	9.5%
Electricity*	8%-11.14%
Sundry Tariffs	6%

<b>MERAFONG CITY LOCAL MUNICIPALITY</b>		
	<b>CAPITAL PROJECTS 2025/26</b>	
<b>Project No.</b>	<b>Project Description</b>	<b>Budget 2025/2026</b>
	<b>MUNICIPAL INFRASTRUCTURE GRANT (MIG)</b>	
P620	PMU Operational Expenses	4 541 100.00
P(New)	Merafong Solar Highmast Lights & Solar Streetlights (Khutsong Proper, Kokosi Ext 6)+C17:C19	2 047 850.00
P(New)	Khutsong Roads and Stormwater (Phase 8B)	12 000 000.00
P(new	Khutsong Roads and Stormwater (Phase 1)	1 500 000.00
P(new)	Khutsong Roads and Stormwater (Phase 1)	5 000 000.00
P770	Kokosi Roads and Stormwater phase 4	8 000 000.00
P(New)	Kokosi Roads and Stormwater phase 8b	4 000 000.00
P(New)	Khutsong North Water & Sewer Reticulation (Stage 4b)	12 700 000.00
P784	Merafong Water and Sanitation Maintenance	4 500 000.00
P(New)	Merafong Roads and StormWater Maintanance	6 033 050.00
P(New)	Carletonville Cemetry Road Phase 2	10 000 000.00
P(New)	Upgrading of Kokosi Stadium	2 000 000.00
P(New)	Upgrading of Wedela Recreation Club	2 000 000.00
P(New)	Bulk supply line from Khutsong Reservoir	8 000 000.00
P(New)	Expansion of Carletonville Landfill Site	8 500 000.00
	<b>TOTAL MIG ALLOCATION</b>	<b>90 822 000.00</b>
	<b>INTEGRATED NATIONAL ELECTRIFICATION PROGRAM (INEP)</b>	
P(New)	Khutsong Electrification	10 000 000.00
P765	Plover Sub station	7 533 000.00
	<b>TOTAL INEP</b>	<b>17 533 000.00</b>
	<b>WATER SERVICES INFRASTRUCTURE GRANT (WSIG)</b>	
P777	Foundation stabilization of addata reservoir	7 280 281.00
P773	Refurbishment of Khutsong WWTWs	9 000 000.00
	Refurbishment of Welverdiend WWTWs	3 996 718.00
	<b>TOTAL WSIG</b>	<b>20 276 999.00</b>
	<b>TOTAL CAPITAL PROJECTS</b>	<b>128 631 999.00</b>
	<b>OWN FUNDED PROJECTS</b>	
	Smart Meters (Water and Electrical)	25 000 000.00
	Land Audit	1 500 000.00



	GIS implementation	<b>3 800 000.00</b>
	Re-Imagine Merafong Vision 2035 projects	<b>1 500 000.00</b>
<b>TOTAL OWN FUNDED</b>		<b>31 800 000.00</b>
<b>GRAND TOTAL</b>		<b>160 431 999.00</b>

\* Electricity tariff increases as approved by the National Energy Regulator of South Africa (NERSA) range between 8% and 11.14% based on consumer group classification.

## 6.

- The capital grants allocations are essential for the betterment of the Municipality's infrastructure. Merafong City mainly spends its capital expenditure on Municipal Infrastructure Grant (MIG), Integrated National Electrification Program (INEP) and Water Services Infrastructure Grant (WSIG).
- Own-funded projects will be funded using the Surplus of the 2025/26 Operational Budget.
- The requirement is that at least 40% of the CAPEX budget is for upgrading of existing assets and in terms of maintenance spending thereof, 8% of the total assets should be allocated.

## 7. Budget related policies

The following budget related policies have been annually reviewed and are presented to Council for approval.

1. That the property rates policy as attached in annexures be approved and submitted with the final budget for approval.
2. That the Tariff policy as attached in annexures be approved and submitted with the final budget for approval.
3. That the Sundry tariff as attached in annexures be approved and submitted with the final budget for approval.
4. That the Credit control and debt collection policy as attached in annexures be approved and submitted with the final budget for approval.
5. That the Cash management policy as attached in annexures be approved and submitted with the final budget for approval.
6. That the Investment policy as attached in annexures be approved and submitted with the final budget for approval.
7. That the Borrowing policy as attached in annexures be approved and submitted with the final budget for approval.
8. That the Budget funding and Reserves policy as attached in annexures be approved and submitted with the final budget for approval.
9. That the Supply Chain Management policy as attached in annexures be approved and submitted with the final budget for approval.

10. That the Asset Management policy as attached in annexures be approved and submitted with the final budget for approval.
11. That the indigent policy as attached in annexures be approved and submitted with the final budget for approval.
12. That the Long-term financial planning policy as attached in annexures be approved and submitted with the final budget for approval.
13. That the Unauthorized Irregular, Fruitless and Wasteful Expenditure policy as attached in annexure 18 be approved and submitted with the final budget for approval.
14. That the Cost containment policy as attached in annexures be approved and submitted with the final budget for approval.
15. That the Debt write off policy as attached in annexure be approved and submitted with the final budget for approval.
16. That the Virement policy as attached in annexures be approved and submitted with the final budget for approval.
17. That the Budget management policy as attached in annexures be approved and submitted with the final budget for approval.
18. That the Adjustment budget policy as attached in annexures be approved and submitted with the final budget for approval.

#### **8. Municipal Regulations on a Standard Chart of Accounts (mSCOA)**

The municipality has prepared its budget and A schedules on the version 6.9 of the mSCOA classification framework. A high-level summary of the 2025/26 MTREF budget is provided in the table below:

<b><u>Details</u></b>	<b><u>2025/26</u></b>
Revenue	R2 861 416 985.00
Expenditure	R2 828 541 985.00
<b><u>Surplus</u></b>	<b><u>R 32 875 000.00</u></b>
<b><u>Capital Budget</u></b>	<b><u>R160 431 999.00</u></b>

Currently the Municipality is compliant with the MSCOA framework, and an mSCOA Steering Committee has been established comprising of the Executive Managers as well as Managers and monthly meetings are taking place and this process ensures full implementation of mSCOA's latest version 6.9 and it's key changes. The municipality also has an updated mSCOA roadmap.

#### **Conclusion**

Currently there are economic uncertainties affecting the municipality. Many households and businesses are in distress. The municipality is also operating the financial recovery mode without generating sufficient own revenue to meet its current obligations. It is important to note that expenditure is required to address the challenges facing the municipality and our communities will always exceed the available funding, hence the implementation of the financial strategies to achieve the balance to expenditure against realistically anticipated revenue as stipulated in Section 18 of the MFMA.

The litigation between the municipality and the mines for property rates is finalized, and this aggravates the unfunded position of the municipality's budget. The Budget Funding Plan has been developed with a water and electricity loss mitigation strategy.

### **Annual Budget tables**

The following budget tables will be completed and be attached on the final budget to be tabled.

- Table A1 – Budget Summary;
- Table A2 – Budgeted Financial Performance (Revenue and Expenditure by standard classification);
- Table A3 – Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote);
- Table A4 – Budgeted Financial Performance (Revenue by Source and Expenditure by type);
- Table A5 – Budgeted Capital Expenditure by Vote, standard classification and funding.
- Table A6 – Budgeted Financial Position;
- Table A7 – Budgeted Cash Flows.
- Table A8 – Cash Backed reserves / accumulated surplus reconciliation.
- Table A9 – Asset Management; and
- Table A10 - Basic service delivery measurement.

The supporting schedules SA1 to SA38 will submitted to National Treasury

### **RECOMMENDATIONS**

1. That the report regarding the Annual Budget Medium-Term Revenue and Expenditure Framework for the 2025/2026 to 2027/2028 financial period, be approved.
2. That the Annual Budget Medium-Term Revenue and Expenditure Framework for the 2025/2026 to 2027/2028 financial period, inclusive of tariffs, the budget related policies, be approved in terms of Section 16 of the Municipal Finance Management Act.
3. That the Annual Budget Medium-Term Revenue and Expenditure Framework for the 2025/2026 to 2027/2028 financial period, inclusive of tariffs, budget related Policies published on the municipal website.
4. That the Annual Budget Medium-Term Revenue and Expenditure Framework for the 2025/2026 financial period, inclusive of tariffs, budget related policies, Draft SDBIP be submitted to Council for final consideration on May 2024 as required by section 24 of the Municipal Finance Management Act.
5. That the Council of Merafong City Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:

The Annual Budget of the municipality for the financial year 2024/25 and the multi-year and single-year capital appropriations as set out below:

- a. That the proposed operational and capital budget estimates for the 2024/2025 financial year be approved as follows:

- b. Operational budget**

Revenue

R2 861 416 985

Expenditure	R2 828 541 985
Surplus	R 32 875 000

**Capital Budget** R 160 431 999

2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table of Annexure A;
3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table of Annexure A; and
4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table of Annexure A.
5. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved.
6. Budgeted Financial Position as contained in Table of Annexure A;
7. Budgeted Cash Flows as contained in Table of Annexure A;
8. Cash backed reserves and accumulated surplus reconciliation as contained in Table of Annexure A.
9. Asset management as contained in Table of Annexure A; and
10. Basic service delivery measurement as contained in Table of Annexure A.
11. That the Medium-Term Budget estimates for 2025/26; 2026/2027 as per the attached annexure A schedule be approved.

That the Council of Merafong City Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) APPROVES with effect from 1 July 2025 the tariffs as contained in Annexures:

2.1. the tariffs, rebates, and exemptions for property rates

2.2. the tariffs for electricity

2.3. the tariffs for the supply of water

2.4. the tariffs for sanitation services

2.5. the tariffs for solid waste services

That the Council of Merafong Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) with effect from 1 July 2025 the tariffs for other services.

2.6 That the tariffs for Property rates be approved as follows:

<b>RATES TARIFFS</b>	<b>Approved</b>	<b>Increase</b>	<b>Ratios</b>	<b>Proposed</b>
	<b>2024/25</b>			<b>2025/26</b>
<b>Category</b>				
Residential	0,0194	5.00%	1:1	0.0204
Industrial	0,0466	5.00%	1:2.40	0.0489
Business and Commercial	0,0466	5.00%	1:2.40	0.0489
Farms – Agriculture	0,0050	3.00%	1:0.25	0.0052
Mines	0.0588	4.40%	1:2.98	0.0614
PSI/80	0,0049	5.00%	1:0.25	0.0050

Place of Worship (100% exempt)	0,0194	5.00%	1:1	0.0204
Properties owned by an Organ of State and used for public service purposes	0,0466	5.00%	1:2.40	0.0489
Vacant Land	0,0194	5.00%	1:1	0.0204
*Multiple purpose will be all of the above				
<b>Rebate</b>				
Municipal properties	100%			100%
Residential Rebate	100 000			100 000
Pensioners Discount	0-100%			0-100%
Residential discount	0%			0%
Agricultural rebate	80 000			80 000
PBO rebate	100%			100%
PSI rebate	30%			30%
Government rebate	20%			20%

2.7 That the tariffs for water be increased as following:

#### WATER

		<u>Approved 2023- 2024</u>	<u>Approved 2024-2025</u>	<u>Proposed 2025-2026</u>	<u>Percentage increase</u>
		-	14.30%	14.30%	-
Basic charge (R/Month)		-		65.00	-
Prepaid water 0 – 6 kiloliters		15,89	17,40	19.89	14.30%
Prepaid water 7-15 kiloliters		19,25	21,08	24.09	14.30%
Prepaid water 16 – 35 kiloliters		25,58	28,01	32.02	14.30%
Prepaid water 36 – 50 kiloliters		42,09	46,09	52.68	14.30%
Prepaid water > 50kiloliters		54,34	59,50	68.01	14.30%
Residential 0 – 6 kiloliters		15,89	17,40	19.89	14.30%
Residential 7 – 15 kiloliters		19,25	21,08	24.09	14.30%
Residential 16-35 kiloliters		25,58	28,01	32.02	14.30%

Residential 36-50 kiloliters		42,09	46,09	52.68	14.30%
Residential 50 kiloliters and above		54,34	59,50	68.01	14.30%
Basic Charge : Business (R/Month)				150.00	
Business and Industrial	200 Kiloliters and below	42,54	46,58	53.24	14.30%
	Above 200 Kiloliters	54,34	59,50	68.01	14.30%
Special Consumers (Schools, Churches and welfare organisations)	200 Kiloliters and below	31,82	34,84	39.82	14.30%
	Above 200 Kiloliters	54,34	59,50	68.01	14.30%
Old Age Homes and Services Centre for the age		21,42	23,45	26.80	14.30%
Departmental		28,12	30,79	35.19	14.30%
Mines Domestic		28,79	31,53	36.04	14.30%
Mines Operations		28,79	31,53	36.04	14.30%
Availability Charge	Vacant Stands – Residential	108,89	119,23	136.28	14.30%
Availability Charge	Vacant stands-business	108,89	119,23	136.28	14.30%

## 2.8 That the tariffs for Refuse removal be increased as follows:

**6.0%**

		<u>Approved</u> <u>2023/2024</u>	<u>Approved</u> <u>2024/2025</u>	<u>Proposed</u> <u>2025-2026</u>	<u>% Increase</u>
Residential and Business	1 bin/week	226.02	239.58	253.95	6.00%
Business	Bin/3 x week	590.59	626.02	663.58	6.00%
Business	Bin/5 x week	991.6	1051.1	1114.17	6.00%
REFUSE DEPT MMH 3 X P.W.		6999.56	7419.54	7864.71	6.00%
REFUSE DEPT OTHER 1 X P.W. NO VAT		226.03	239.59	253.97	6.00%
Refuse 3 x P.W. Departmental		590.59	626.02	663.58	6.00%
MMH (1.75M <sup>3</sup> ) 1x per week		2843.57	3014.19	3195.04	6.00%
MMH (1.75M <sup>3</sup> ) 2x per week		4928.86	5224.59	5538.07	6.00%
MMH (1.75M <sup>3</sup> ) 3x per week		6999.56	7419.54	7864.71	6.00%
MMH (1.75M <sup>3</sup> ) 5x per week		12686.71	13447.91	14254.78	6.00%
Bulk container (30M <sup>3</sup> ) 1x per week		40101.66	42507.76	45058.23	6.00%
Bulk container (30M <sup>3</sup> ) 2x per week		61246.17	64920.94	68816.20	6.00%
Bulk container (30M <sup>3</sup> ) 3x per week		110097.28	116703.12	123705.31	6.00%
Bulk container (30M <sup>3</sup> ) 5x per week		180822.02	191671.34	203171.62	6.00%
Temporary service	Per Bin	107.03	113.45	120.26	6.00%
Bulky waste	Per m <sup>3</sup>	495.8	525.55	557.08	6.00%

Special Exemption	Per m <sup>3</sup>	247.9	262.78	278.55	6.00%
Garden services waste	LDV/Trailer	72.91	77.29	81.93	6.00%
Small Animal Carcasses		192.65	204.21	216.46	6.00%
Bulky garden waste	per 6m <sup>3</sup>	1051.69	1114.79	1181.68	6.00%
Building rubble	per m <sup>3</sup>	499.01	528.95	560.69	6.00%



2.8 That the tariffs for Sewerage be increased as follows:

PROPOSED SEWERAGE TARIFFS 2025/26				
				<b>9,50%</b>
	Tariff code	Descriptions	Proposed 2024- 2025	Proposed 2025-2026
Residential 0 – 6 kiloliters	0400/'0470/' 0471		7,09	7,76
Residential 7 – 15 kiloliters			7,27	7,96
Residential 16-35 kiloliters			7,49	8,20
Residential 36-50 kiloliters			7,77	8,51
Max 50KL				
Pre Paid Water Consumers	0490		180,60	197,76
Business and Industrial	0402/'0472	200 Kilolitres and below	7,70	8,43
		Above 200 Kilolitres	8,59	9,41
Departmental	0403/'0474	200 Kilolitres and below	7,70	8,43
		Above 200 Kilolitres	8,59	9,41
Special Consumers (Schools, Churches Welfare organisations; Old Age home)	0473	200 Kilolitres and below	7,29	7,98
		Above 200 Kilolitres	7,77	8,51
Basic Charge Pre-Paid Water Consumers	0490		184,54	202,07
Basic Charge (Payable by property owner)	0470		77,39	84,74
Basic Charge - Vacant Stands (Availability charge	0475		95,25	104,30

2.9 That the tariffs for electricity be increased as follows:

Proposed Tariff Structure - Merafong City Local Municipality				
Tariff Category		Current	Proposed	% change
<b>1. Domestic</b>				
Basic Charge (R/ month)		144,65	162,50	10,98%
Energy Charge	Block 1 (0 - 50kWh)	173,60	195,35	11,14%
	Block 2 (51 - 350kWh)	222,24	250.10	11.14%
	Block 3 (351 - 600kWh)	312,79	352.00	11.14%
	Block 4 (above 600kWh)	368,35	405.00	9.05%
<b>2. Commercial</b>				
Basic Charge		1615,53	1798,00	10,48%
Energy Charge		273,32	306,57	10,85%
*Pre-Paid		338,51	371,80	8,95%
<b>3. Industrial</b>				
Basic Charge		2344,95	2568,95	8,72%
Energy Charge		194,56	218,94	11,14%
Demand Charge		401,28	439,91	8,78%
<b>3. Industrial -3%</b>				
Basic Charge		2344,95	2549,00	8,00%
Energy Charge - 3 %		194,56	218,94	11,14%
Demand Charge -3%		401,28	436,18	8,00%

<b>Temporary Power</b>		316,88	344,42	8,00%
<b>Streetlights</b>		190,84	207,42	8,00%
<b>Council kWh</b>		190,84	207,42	8,00%

4. Indigent Tariffs be increased as follows

## **Provision of Free Basic Services to Indigent Households**

### **Formal Settlements**

The critical responsibility entrusted with local government in ensuring the effective functioning of the local economy is notable. This is expressed in Section 152 (1) [c] of the Constitution in terms of which local government is required to strive, 'within its financial and administrative capacity' to promote social and economic development.

The Municipality will be offering the following Free Basic Services

Free Basic Water	6kl per month
Free basic Electricity	50 kWh per month
Free Basic waste removal	100% subsidy on tariff
Rebates on Property rates	Rebates ranging from 25% to 100% and first R100 000.00 market value being 100% exempted from rates.
Free Basic sanitation	6kl per month

The Municipality has an indigent register compiled in line with the approved indigent policy. The cost of free basic services for the deprived people households within the municipal area is reflected below. The latest indigent harvesting program reflected that the Municipality has 4788 indigent households. The income threshold to qualify for an indigent support will be a total household income equivalent to or less than two times Government old age grant (from the 01<sup>st</sup> July 2024, (R2190X 2 = R4, 380)

The Municipality will be offering the following free basic services:

### **2025/2026**

<b>Service</b>	<b>Units</b>	<b>Tariff</b>	<b>Amount</b>	<b>Vat</b>	<b>Total</b>
50 Kw/h of Electricity	50	1.7780	R88.9022	R13.34	R102.24
Electricity Basic	1	148.8017	R148.8017	R22.32	R171.12
6 Kl of water	6	18.4435	R110.66082	R16.60	R127.26
6 Kl of sewage	6	8.2293	R49.37586	R7.41	R56.78
Sewage Basic	1	89.8265	R89.82652	R13.47	R103.30
Refuse	1	253.9561	R253.95607	R38.09	R292.05
					<b>R852.75</b>

**2024/2025**

Service	Units	Tariff	Amount	Vat	Total
50 Kw/h of Electricity	50	1.6774	R83.87	R12.5805	R96.4505
Electricity Basic	1	140.379	R140.379	R21.0568	R161.4358
6 Kl of water	6	17.3995	R104.3973	R15.6595	R120.0568
6 Kl of sewage	6	7.76355	R46.5813	R6.9871	R53.5689
Sewage Basic	1	84.742	R84.742	R12.7113	R97.4533
Refuse	1	239.5812	R239.5812	R35.93718	R275.52
					<b>R804.09</b>

6. That cognizance be taken that ESKOM has increased their tariffs from 1 July 2025 by **11.32%**.
7. That the tariff increase allowed by NERSA for the Municipality in the 2025/2026 financial year be implemented subject to their approval.
8. The sundry tariffs with an average increase of 6%.
9. That the capital budget for an amount of **R160 664 999** be approved.
10. Cognizance be taken that the capital budget is going to be funded as follows:

Item description	R
Municipal Infrastructure Grant (MIG)	R86 820 000.00
5% MIG Allocation (Operational)	R4 541 100.00
Integrated National Electrification Program (INEP)	R17 533 00.00
Water Services Infrastructure Grant (WSIG)	R20 276 999.00
Sub –Total	<b>R128 631 999.00</b>
Own funded capital projects	R31 800 000.00
<b>Total</b>	<b>R160 431 999.00</b>

11. That the property rates policy as attached in annexure be approved and submitted with the final budget for approval.
12. That the Tariff policy as attached in annexure B be approved and submitted with the final budget for approval.
13. That the Sundry tariff policy as attached in annexure B be approved and submitted with the final budget for approval.
14. That the Credit control and debt collection policy as attached in annexure B be approved and submitted with the final budget for approval.
15. That the Cash management policy as attached in annexure B be approved and submitted with the final budget for approval.
16. That the Investment policy as attached in annexure B be approved and submitted with the final budget for approval.

17. That the Borrowing policy as attached in annexure B be approved and submitted with the final budget for approval.
18. That the Budget funding and Reserves policy as attached in annexure B be approved and submitted with the final budget for approval.
19. That the Supply Chain Management policy as attached in annexure B be approved and submitted with the final budget for approval.
20. That the Asset Management policy as attached in annexure B be approved and submitted with the final budget for approval.
21. That the indigent policy as attached in annexure B be approved and submitted with the final budget for approval.
22. That the Long-term financial planning policy as attached in annexure B be approved and submitted with the final budget for approval.
23. That the Unauthorized Irregular, Fruitless and Wasteful Expenditure policy as attached In annexure B be approved and submitted with the final budget for approval.
24. That the Cost containment policy as attached in annexure B be approved and submitted with the final budget for approval.
25. That the Debt write off policy as attached in annexure B be approved and submitted with the final budget for approval.
26. That the Virement policy as attached in annexure B be approved and submitted with the final budget for approval.
27. That the Budget management policy as attached in annexure B be approved and submitted with the final budget for approval.
28. That the Adjustment budget policy as attached in annexure B be approved and submitted with the final budget for approval.
29. That the Budget Funding Plan as attached in Annexure E be approved and submitted with the final budget for approval.

