



# national treasury

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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Ref No: MAN/7

Ms Ngaka Dumalisile  
The Acting City Manager  
Mangaung Metropolitan Municipality  
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Email: [ngaka.dumalisile@dhs.gov.za](mailto:ngaka.dumalisile@dhs.gov.za)

Dear Ms. Dumalisile

## OUTCOME OF THE FUNDING ASSESSMENT OF THE PROPOSED BUDGET FOR THE 2023/24 MTREF

The National Treasury conducted the funding assessment of the budget for the 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) and below is the outcome of the analysis, for your consideration and implementation of the recommendation.

Based on the latest submitted *m*SCOA data strings, the proposed budget is **funded** and can be implemented on a sustainable basis over the coming financial year as reflected in the table below. Therefore, the City is strongly advised not to make further adjustments or additions to the proposed version of the proposed budget that is uploaded to the National Treasury's GoMuni portal on 07 June 2023.

Description	CURRENT YEAR			MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK					
	2022/23 Original Budget	2022/23 Adjusted Budget	2022/23 Treasury Calculation	2023/24 Budget Year +0	2023/24 Treasury Calculation	2024/25 Budget Year +1	2024/25 Treasury Calculation	2025/26 Budget Year +2	2025/26 Treasury Calculation
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	3 400 058	3 487 924	471 287	1 562 145	761 800	2 455 121	1 374 736	3 621 225	1 801 383
Other current investments > 90 days	(2 574 041)	(2 661 908)	0	0	0	–	0	–	–
Non current assets - Investments	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>	<b>826 016</b>	<b>826 016</b>	<b>471 287</b>	<b>1 562 145</b>	<b>761 800</b>	<b>2 455 121</b>	<b>1 374 736</b>	<b>3 621 225</b>	<b>1 801 383</b>
<b>Application of cash and investments</b>									
Unspent conditional transfers	–	–	86 602	–	86 602	–	86 602	–	86 602
Unspent borrowing	–	–	–	–	–	–	–	–	–
Statutory requirements	(120 407)	(120 407)	164 250	56 364	347 339	50 727	540 333	45 655	809 039
Other working capital requirements	(823 375)	(893 990)	296 566	(124 132)	127 527	(781 960)	484 247	(1 614 750)	383 741
Other provisions	8 000	8 000	133 244	139 906	139 906	142 705	142 705	145 559	145 559
Long term investments committed	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	30 890	30 890	30 890	30 890	30 890	30 890	30 890	30 890	30 890
<b>Total Application of cash and investments:</b>	<b>(904 892)</b>	<b>(975 507)</b>	<b>711 551</b>	<b>103 029</b>	<b>732 264</b>	<b>(557 638)</b>	<b>1 284 777</b>	<b>(1 392 647)</b>	<b>1 455 830</b>
<b>Surplus(shortfall)</b>	<b>1 730 908</b>	<b>1 801 523</b>	<b>(240 264)</b>	<b>1 459 117</b>	<b>29 536</b>	<b>3 012 759</b>	<b>89 959</b>	<b>5 013 872</b>	<b>345 553</b>



The following budget assumptions were applied by the National Treasury:

1. The electricity collection rate at 91.5 per cent and this was based on an average actual collection over the past 3 financial years;
2. The National Treasury applied 55 per cent for average collection rate for the following trading services: water, waste water and waste management; and
3. Property rates collection rate of 94 per cent based on the audited actuals.

The above budget assumptions are based on a conservative approach on a worst-case scenario. Furthermore, the City is strongly advised to aggressively implement the credit control and debt collection policies without fear or favour. This should include all the customers – households, business and government. The City needs to double the efforts by doing more than what was attempted in the past as it is clear that the City is struggling to collect the outstanding debt for water, waste water and waste management.

The following adjustments that were made are noted:

- Recognition of Free State Province's conditional grants of R66 million that reduced the liability on Table A8 – there is no requirement for cash backing as Free State Provincial Treasury never requested the repayment of unspent conditional grants;
- A correction was made on the Retention and Accrual of staff leave provision which reduced the trade payables and further reduced other working capital requirements on Table A8; and
- The City reduced the operating expenditure by R69.6 million, however increased capital expenditure by R59.5 million.

The Mayor and political leadership should consider encouraging communities to pay for municipal services through various communication platforms such as community radio stations, ward council structures, etc. Also, the City should reciprocate that by delivering uninterrupted and quality basic services to the customers and communities. Furthermore, CENTLEC as the municipal entity needs to assist in debt collection and the municipal Council must prioritise issuing consolidated municipal account to assist with revenue collection.

I hope you will find the above in order and please do not hesitate to contact us should there be a need for further clarity regarding this matter.

Regards

**JAN HATTINGH**  
**CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS**  
**DATE: 12 June 2023**

CC: National Cabinet Representative (NCR)  
Acting Chief Financial Officer (ACFO)