



CENTLEC (SOC) Ltd.

BUSINESS PLAN

2025 - 2028

OFFICIAL SIGN-OFF

It is hereby certified that this 2025/ 2026 Business Plan:

- Was developed by CENTLEC's management in consultation with Mangaung Metropolitan Municipality as the sole parent municipality.
- Considers all the relevant policies, legislations, and other mandates for the Company which CENTLEC (SOC) Ltd is responsible for.
- Accurately, reflects the strategic outcome-oriented goals and objectives which the Company will endeavour to achieve over the period of this plan.



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Date:

09/05/2025

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LIST OF ACRONYMS

BEE	Black Economic Empowerment
CEO	Chief Executive Officer
DER	Distributed Energy Resources
DSM	Demand Side Management
EDI	Electricity Distribution Industry
ERP	Enterprise Resource Planning
EXCO	Executive Committee
FS	Free State
ICT	Information, Communication and Technology
MGDS	Mangaung Growth & Development Strategy
kV	Kilo Volt
LV	Low Voltage
MFMA	Municipal Finance Management Act
MMM	Mangaung Metro Municipality
MV	Medium Voltage
MW	Mega Watt
MWh	Mega Watt hour
NRS	National Rationalisation Specifications
PV	Photo Voltaic
R&D	Research & Development
RE	Renewable Energy
SCADA	Supervisory Control and Data Acquisition
SOB	Sale of Business
SOPA	State of the Province Address
SUPE	System Utilisation & Process Engineering
SWOT	Strengths, Weaknesses, Opportunities and Threats
V	Volt
FBE	Free Basic Electricity
MTREF	Medium-term Revenue and Expenditure Framework
IDP	Integrated Development Plan
TID	Token identification

1. EXECUTIVE SUMMARY

CENTLEC (SOC) LTD undertook a comprehensive review of its business strategy in late 2023, following directives from the Board of Directors. This initiative was driven by the recognition of the need to recalibrate the organization's trajectory in response to evolving factors within the electricity distribution sector. The strategic review was designed to not only gain insights into current industry trends but also to proactively position CENTLEC for long-term success. Following this analysis, a strategic document outlining the organization's vision for 2024-2027 was developed, from which an annual Business Plan for 2025/26 has now been derived.

In undertaking this review, CENTLEC sought to establish a robust framework for a dynamic and responsive future. The process involved a detailed examination of internal performance metrics alongside an assessment of external market trends and regulatory developments. By fostering cross-departmental collaboration and leveraging specialized expertise in supply chain management, revenue optimization, infrastructure resilience, and workforce management, the organization has been able to identify both immediate challenges and long-term opportunities. This meticulous evaluation has provided the necessary tools to refine strategic priorities and adapt swiftly to the evolving industry landscape.

Furthermore, the development of the annual Business Plan for 2025/26 serves as a tangible roadmap for operational success and strategic growth. Emphasizing the optimization of resource allocation, the plan outlines targeted initiatives aimed at enhancing operational efficiency and mitigating emerging risks. This proactive, forward-looking approach underscores the organization's dedication to not only meeting current industry demands but also anticipating future developments to ensure enduring success.

2. SUPPLY DYNAMICS AND DEPENDENCY ON ESKOM

A key component of CENTLEC's strategic review centred on addressing the vulnerabilities within its supply value chain, particularly its dependence on Eskom. Recognizing this reliance as a significant business risk, the organization has prioritized mitigating potential disruptions linked to external factors impacting Eskom's operations—such as load shedding, tariff fluctuations, and infrastructural challenges. This focused approach is intended to reinforce CENTLEC's resilience and safeguard its operational stability.

In parallel, the declining performance of Eskom's coal fleet, coupled with the national momentum towards renewable energy solutions, has introduced additional complexities. The urgent imperative to replace ageing coal assets necessitates strategic interventions and innovative solutions, ensuring that CENTLEC can adeptly navigate the evolving energy landscape. Through these forward-thinking measures, the organization is committed to maintaining operational continuity while effectively adapting to emerging industry trends.

REVENUE GENERATION CHALLENGES

Another significant focus area of CENTLEC's strategic assessment was the decline in sales volume, attributed to various factors impacting revenue generation. This decline posed a considerable challenge to the organisation's financial sustainability, warranting strategic efforts to mitigate its impact. The consistent rise in tariffs, mandated by the National Energy Regulator of South Africa (NERSA), further exacerbated financial pressures, affecting both operational costs and customer affordability.

The discrepancy in tariff increases between Eskom and municipalities/CENTLEC, coupled with the resultant impact on consumption patterns, necessitated a nuanced approach to revenue management. CENTLEC recognized the importance of addressing these complexities to ensure financial sustainability and uphold customer satisfaction, emphasizing the need for proactive measures and innovative solutions.

INFRASTRUCTURE INTEGRITY AND OPERATIONAL RESILIENCE

CENTLEC's strategic assessment also highlighted the significant threats posed by infrastructure vandalism and load shedding to the organisation's operational resilience. Incidents of vandalism not only caused immediate operational disruptions, but CENTLEC also incurred substantial financial implications for asset repair and replacement. Moreover, the consequences of load shedding impacted not only the reliability and stability of power supply but also introduced complexities in managing customer expectations and contractual commitments.

Recognizing the imperative of proactive measures, CENTLEC emphasized the importance of addressing and mitigating the impacts of load shedding to ensure operational resilience and maintain customer satisfaction.

This involved a multifaceted approach, encompassing infrastructure upgrades, maintenance, and robust contingency planning to minimize the impact of operational disruptions.

INVESTMENT IN DIGITIZATION AND WORKFORCE DEVELOPMENT

CENTLEC's strategic framework is built on the dual pillars of significant investment in digitization and robust workforce development. The organization recognized early on that embracing a full-scale digital transformation across every facet of its operations was essential to keep pace with the rapid evolution of the modern business environment. This transformation is designed to drive greater operational agility, enhance efficiency, and stimulate innovation—thereby enabling CENTLEC to swiftly adapt to changing industry trends and evolving customer expectations.

In parallel, CENTLEC is committed to a proactive approach in addressing skills and training needs across the organization. With the anticipated retirement of several key personnel—individuals who hold critical operational knowledge—the need to cultivate new talent has become even more pronounced. The organization is dedicated to fostering a culture of continuous learning and development, ensuring that the next generation of leaders is well-equipped to sustain long-term growth and resilience. This strategic focus on human capital is integral to maintaining competitive advantage and operational continuity.

Furthermore, CENTLEC's overall strategy is closely aligned with the developmental and strategic agenda of the Mangaung Metropolitan Municipality (MMM). This alignment reinforces the organization's commitment to both local autonomy and the broader community vision, ensuring that its initiatives resonate with the municipality's priorities while remaining true to CENTLEC's own vision, mission, and values.

ALIGNMENT WITH MMM DEVELOPMENTAL AGENDA

The strategy emphasizes the importance of CENTLEC's alignment with the developmental agenda set forth by MMM. This alignment ensures that CENTLEC's initiatives and activities support the broader objectives outlined in MMM's Integrated Development Plan (IDP) and Service Delivery & Budget Implementation Plan (SDBIP). By aligning with national and provincial developmental goals such as the National Development Plan (NDP), Medium Term Strategic Framework (MTSF), and Free State Growth & Development Plan (FSGDP), CENTLEC contributes to the overall socio-economic development of the municipality and the area in which it operates.

3. CRITICAL ROLE OF CENTLEC

As a municipal-owned Company, CENTLEC plays a crucial role in assisting MMM in achieving its developmental goals. CENTLEC's responsibilities extend beyond merely providing energy services; it also contributes to various areas such as improving access to basic services, job creation, skills development, efficient administration, infrastructure investment, financial capability enhancement, innovation promotion, and environmental sustainability.

SUPPORT AREAS FOR DEVELOPMENT PLANS

The strategy identifies eight distinct areas where CENTLEC's proposed initiatives align with the broader development plans of MMM. These areas include improving access to basic services, ensuring a reliable and affordable energy supply, fostering job creation and skills development, promoting efficient administration and good governance, investing in infrastructure, enhancing financial capability and revenue generation, encouraging innovation, and contributing to environmental sustainability by reducing greenhouse gas emissions and improving energy efficiency.

4. LEGISLATIVE AND POLICY MANDATES

Table 1: Legislative And Policy Mandates

Legislation	Policy Mandates
Chapter 10 Municipal Finance Management Act, 56 of 2003.	<ul style="list-style-type: none"> Legislative duties and responsibilities of CENTLEC (SOC) Ltd
Section 86D (2) of Local Government: Municipal Systems Amendment Act 32 of 2000 as amended.	<ul style="list-style-type: none"> States that a private company which is a municipal Entity must restrict its activities to the purpose for which it is used by its parent municipality in terms of section 86E (1)(a); and b) has no competence to perform any activity which falls outside the functions and powers of its parent municipality contemplated by section 8.
Service Delivery Agreement (SDA) entered by and between Mangaung Metropolitan Municipality and Centlec (SOC) Ltd	<ul style="list-style-type: none"> The Entity is responsible for electricity distribution, which shall include the following obligations: Development of an integrated detailed service plan within the framework of Mangaung Metropolitan Municipality's Integrated Development Plan. Operational planning and management of electricity distribution services in line with NRS047, NRS048 and NRS097. Undertaking social and economic development that is directly related to the provision of electricity distribution services. Developing a customer management plan. Managing its own accounting, financial management, budgeting, and investment activities within a framework of transparency, accountability, reporting, and financial control determined in terms of the SDA and applicable municipal finance management legislation. Levying service delivery fee to customers in accordance with the NERSA approved tariffs.

Legislation	Policy Mandates
	<ul style="list-style-type: none"> • Provide its own Safety, Health, Environment, Risk and Quality (SHERQ) services; and • Provide street and area lighting on behalf of Mangaung Metropolitan Municipality.

5. BACKGROUND

CENTLEC (SOC) Ltd (hereinafter referred to as “CENTLEC”) was established as a Municipal Company wholly owned by Mangaung Metropolitan Municipality (hereinafter referred to as “MMM”). The Company was established both in terms of the Municipal Systems Act 32 of 2000 (hereinafter referred to as the “Systems Act”) and the Companies Act 71 of 2008 (hereinafter referred to as the “Companies Act”) and by virtue of being a Municipal Company, it is obliged to comply with the provisions of the Municipal Finance Management Act 56 of 2003 (hereinafter referred to as the “MFMA”).

The Company is governed by the Board of Directors, duly appointed by MMM from time to time and its day-to-day business is conducted under the leadership of the Chief Executive Officer (CEO) and the Executive Committee (hereinafter referred to as the EXCO). The Board has an approved Charter which regulates the parameters within which it should operate and ensure the application of principles of good corporate governance in all its dealings on behalf of the Company.

CENTLEC (SOC) Ltd is one of the few municipal distributors that have embedded generation capacity. The Company is intending to resuscitate the use of the Power Station to generate alternatives energy supply such as the solar PV.

This is intended to be done through private partnership where options will be tabled on the best energy supply in terms of sustainability and cost efficiency to be carried forward. This is supported by the RFI on renewable energy models that was advertised by the Company.

6. OVERVIEW OF CENTLEC (SOC) LTD STATISTICS

The below picture depicts the Company's current customers, assets, revenue, infrastructure, and employee profile.

Table 2: CENTLEC statistics customer, asset, revenue, infrastructure, and employee profile

REVENUE	ASSETS	EMPLOYEES	CUSTOMERS	INFRASTRUCTURE
R3.1 billion	R6.2 billion	804	192 710	<ul style="list-style-type: none"> • 246 KM – 132kV over headlines • 106 KM -33KV overhead lines • 117 KM – 33KV underground cables • 157 KM of 11KV lines and cables • 4 722 KM of low voltage lines and cables • 46 distribution Centres • 1 653 High mast lights • 35 373 public lighting

7. STRATEGIC OVERVIEW

Vision

To be a reliable energy utility of choice that enables social and economic upliftment.

Figure 1: Centlec's Vision

Mission

Mission

To provide optimal service delivery as mandated by the Mangaung Metropolitan Council.	To strategically manage our operations in an effective, efficient, and financially prudent manner, as measured against relevant indicators.	To seek the most cost-effective and innovative energy solutions in partnership with relevant stakeholders in order to maximise shareholder value.	To achieve and maintain our operational autonomy as specified in the relevant legislation.	To train, develop, attract, and retain a highly skilled workforce and to promote sound relations with organised labour	To ensure a safe and healthy environment for our workforce and the community	To be a socially responsible corporate citizen that is concerned with improving the lives of the community and the environment in which we operate.
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Figure 2: Mission

8. VALUES

In working towards the achievement of its vision and mission, CENTLEC (SOC) Ltd subscribes to the following internal values which are in line with the Company's strategy. The Company believes in providing excellent, efficient, and effective service to all customers and stakeholders. In terms of the values, an acronym was used to make it easier for the employees to remember and be able to identify with them. The acronym decided on was "CENTLEC", as this would assist in entrenching the values into the Company. The values are as follows:



Figure 3: Centlec's Values

9. CORPORATE GOVERNANCE

To ensure that accountability and governance arrangements are in place, Section 121(2) (c) of the MFMA supports the requirements of Section 18(1) (d) of the MSA: information on matters of governance should be communicated to communities. This should according to Sections 65(1) (a) of the MFMA and Section 46 of the MSA be undertaken through the compilation and publication of the Annual Report. The purpose of such an annual report is to show accountability to communities for decisions taken by the Board and matters relating to administrative structures, throughout a budget year.

CENTLEC (SOC) Ltd Board of Directors serve as the primary direct stakeholder influencing corporate governance. The Company's Board of Directors are appointed by the shareholder which is Mangaung Metropolitan Municipality. The Board is tasked with ensuring that high standards of corporate governance through the Company are upheld for the delivery of the Company's strategic objectives whilst ensuring shareholder value and long-term protection of stakeholder interest.

To stabilize corporate governance in the Company, the Shareholder has completed a process of appointing the Board of Directors, and the Company has had a functional Board for the 2024/25 Financial year.

10. PESTEL ANALYSIS

The PESTEL analysis was used as a framework for the identification of external influences that affects the Company's competitive position and sustainability in the context of continuous change in the external environment. Pertinent areas that were discussed included aspects such as the effect of new digital technologies, distributed energy options, changes in customer expectation, changes in work environment, regulatory impact and the role of innovation were considered.

The aspects covered within a PESTEL analysis include the impact of politics, economics, social, technology, legal and environmental develops on the Company. Table 3 below depicts the aspects of external analysis.

Table 3: PESTEL Analysis (External View)

POLITICAL LANDSCAPE	The political landscape will always have a bearing on CENTLEC. It is an ever-changing environment, with frequent changes. administrations, and requires robust plans for service delivery. The contested energy transition creates a challenge for policy development, particularly in the slowed progress of gas-to-power initiatives due to NGO pressure. Additionally, there is a heightened risk of political instability post the 2024 elections.
MACRO-ECONOMIC FACTORS	South African competitiveness and international and national economic factors have a bearing on electricity demand, pricing of feedstock, and the cost of electricity. These factors influence CENTLEC's cost and revenue base. Eskom's above-inflation tariff increases are contributing to a significant rise in electricity costs, resulting in a larger share of South African household income being allocated to electricity expenses.
SOCIAL FACTORS	Aligning with Sustainable Development Goals in providing Free Basic Electricity (FBE) is crucial. However, challenging economic conditions contribute to a surge in Free Basic Electricity (FBE) demand, leading to escalated issues such as illegal connections, theft, and vandalism of critical electrical infrastructure. Additionally, the growing trend of urbanization further intensifies the demand for new electricity connections.
ENVIRONMENTAL LANDSCAPE	Shifting supply and demand patterns within the electricity and energy generation space have the potential to significantly alter the landscape, which would have an influence on CENTLEC's revenue base. The escalating concern about climate change is steering a significant shift towards renewable energy sources. This shift is further emphasized by the increasing recognition of

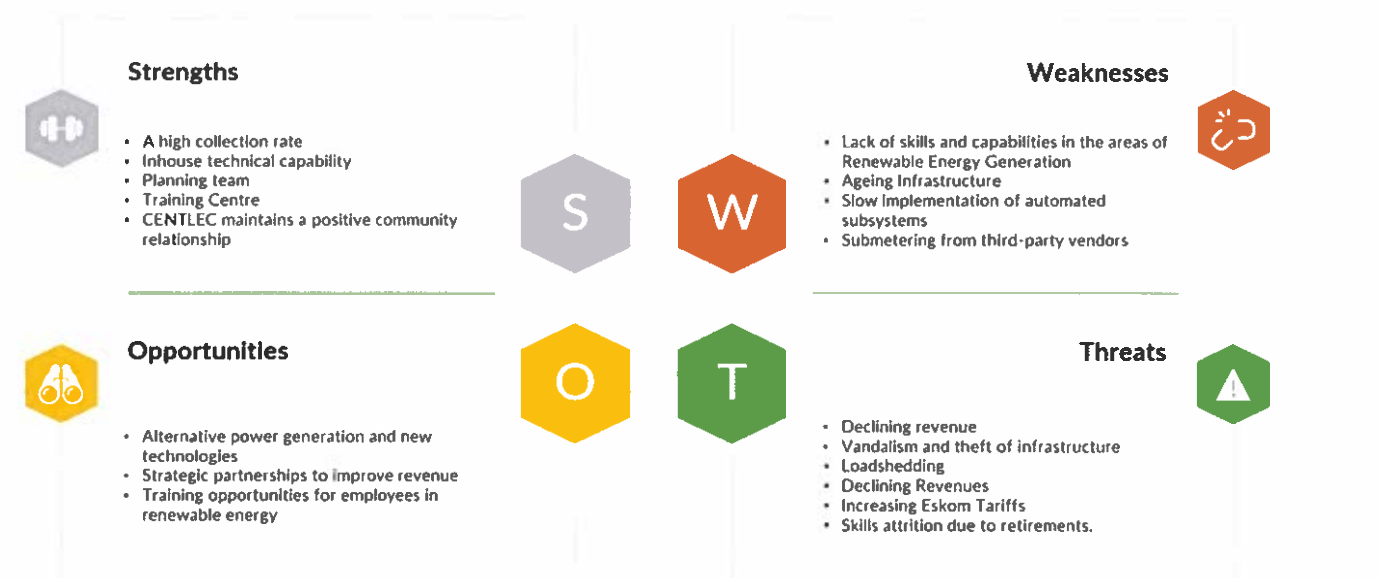
	greenhouse gas (GHG) footprints as a trade issue. South Africa has formally committed to a net-zero target in alignment with global environmental goals. This transition is also influenced by the active engagement of the environmental NGOs and various special interest groups advocating for sustainable practices and policies.
Technology Landscape	The rapid decline in the cost of renewable energy has fundamentally altered the electricity generation landscape. In addition, by leveraging technological advances such as smart grids, smart meters, and robotics for enhanced employee productivity, CENTLEC can achieve effective and efficient service delivery. The digitalization of processes across all aspects of CENTLEC's business further contributes to streamlined operations.
Legislative and Landscape Landscape and Regulatory	The legislative landscape is consistently changing both locally and internationally. The Renewable Independent Power Producer Program (REIPPP) aims to boost the national electricity grid capacity through private sector investments in wind, biomass, and small hydro projects. Internationally, COP26 and the Paris Agreement, focused on reducing greenhouse gas emissions and enhancing climate resilience, have profound implications for nations heavily dependent on coal plants. The Department of Mineral Resources and Energy has formally released amendments, lifting restrictions on embedded generation for private entities, thereby encouraging greater participation in the energy sector. It's notable that the National Energy Regulator of South Africa (NERSA) operates as a regulatory authority. NERSA's primary mandate encompasses the regulation of electricity, piped gas, and petroleum pipeline industries, guided

	<p>by the Electricity Regulation Act 4 of 2006, Gas Act 48 of 2001, and Petroleum Pipelines Act 60 of 2003. A critical observation emphasizes that NERSA-mandated tariff increases for municipalities do not align with Eskom's tariff adjustments. This incongruity prompts a comprehensive examination in the strategic plan, considering both regulatory and operational aspects for resolution.</p>
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11. SWOT ANALYSIS

After a thorough institutional review, the Company was able to identify its strengths, weaknesses, opportunities, and threats as detailed on the table below.

TABLE 4: SWOT ANALYSIS



12. SERVICES RENDERED

CENTLEC as a Company provides the following services in its area of supply:

- **Electricity Distribution/Energy Services:** CENTLEC procures its energy from Eskom at 20 supply points in 18 towns in the Southern Free State and Mangaung Metropolitan Municipality (MMM).
- **Construction of Electrical Networks:** All new electrification networks, upgrading of existing networks is handled by the Company's design and construction sections and where additional capacity is required it is done through the tender process and appointment of private service providers.
- **Operation, Maintenance and Extension of Networks:** The maintenance of electricity distribution networks forms a large part of CENTLEC operations. A 24-hour standby service ensures that customers are not inconvenienced by long power outages. Ongoing evaluation is performed on existing networks to detect any overloading or failure, and this is addressed with upgrading and/ or extension of the network.
- **Metering, Pre-payment Vending and Billing Services:** Modern metering systems are employed to meter the various categories of customers. Prepayment and credit metering systems are in use. Extensive pre-payment vending facilities are available to customers to always ensure convenience and availability.

13. MARKET OVERVIEW

Background

The Company distributes electricity to Mangaung Metropolitan Municipality. Ordinance 8 of 1962 was assigned to the Free State in 1994 and is the enabling regulatory framework which allows the provision of electricity distribution services.

CENTLEC (SOC) Ltd is currently the license holder and distributes electricity to 191 662 customers in Mangaung Metropolitan Municipality as depicted in Table 5. CENTLEC's customer base consists of 97% domestic customers and 3% of both commercial and business users in Mangaung Metropolitan Municipality.

The majority of customers (76%) are on the Inclining Block tariff structure, with 145,993 connections. Indigent customers form the second largest group with 40,786 connections (21%), receiving subsidized services as part of the municipality's social responsibility initiatives.

The residential segment includes specialized tariffs for multi-unit dwellings, with Bulk Resell 2 and 3 tariffs serving 212 connections for flats, townhouse complexes, and large residential estates. Additionally, Homeflex tariffs cater to 215 smaller residential complexes with both single-phase and three-phase connection options.

Commercial and industrial customers utilize various specialized tariff structures, including COMFLEX, ELECFLEX, and Flat Rate Business options, which together account for approximately 3% of connections but represent a significant portion of electricity consumption and revenue.

Through a 24-hour Call Centre and WhatsApp line, the Company has succeeded in maintaining a stable electricity network with far below national average power failure statistics and a quick response time according to NRS 048-2019 requirements. Tariffs have been kept comparatively low with many domestic customers, approximately 80% having been converted to pre-paid meters with customer access to an online vending system.

An automated metering system has been installed to service the top 1900 customers with readings taken every 24 hours and published on the Company's website to assist customers to manage their energy costs. All these customers are charged on a Time-of-Use Tariff system to promote efficient energy consumption and management of Large Power Users (LPU).

With a diversified customer base, CENTLEC continues to tailor its service offerings to meet the specific needs of different customer segments while maintaining operational efficiency.

Map area of operation

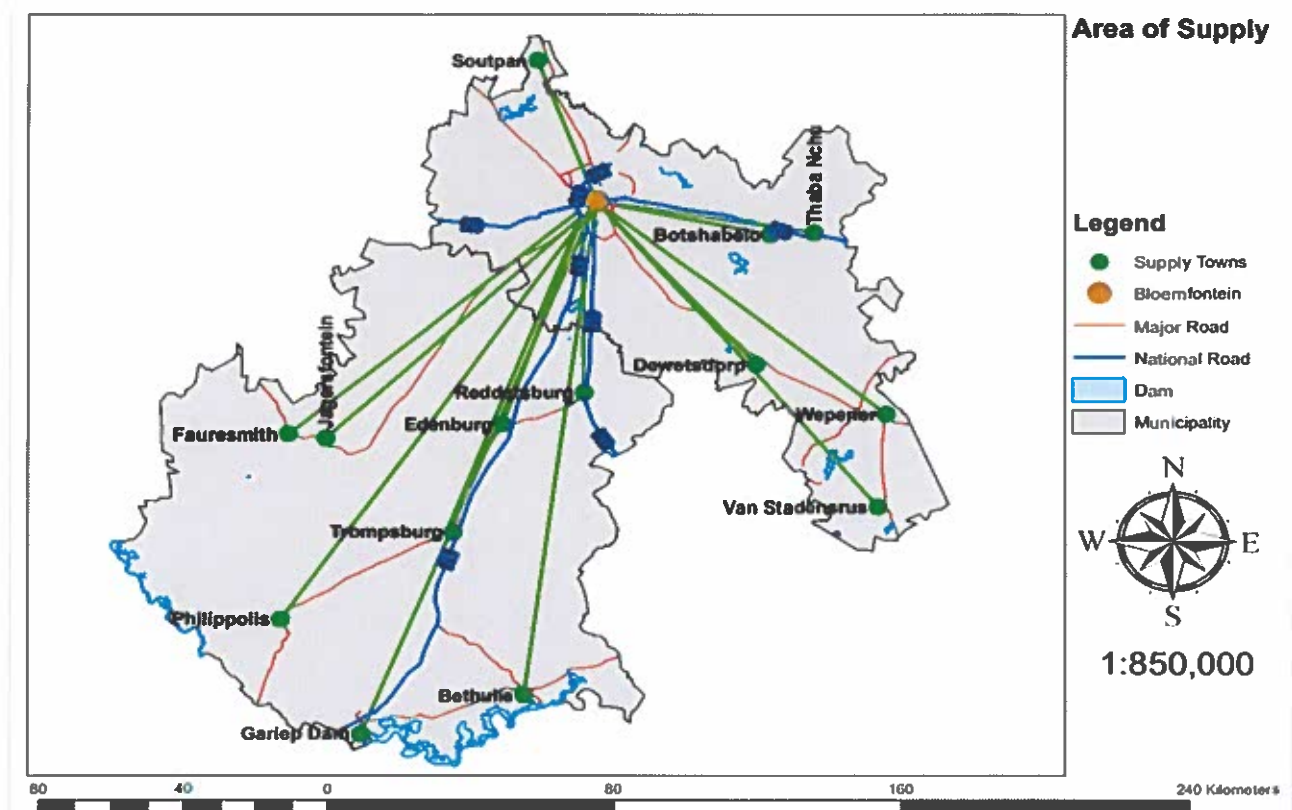


Figure 4: Area of operation

CUSTOMER CLASSIFICATION PER CATEGORY

Table 5: Customer Tariff Group

TARIFF GROUP	MANGAUNG
Indigent	40907
Inclining Block	146881
Flat Rate Business	3011
Bulk Resell 2	32
Bulk Resell 3	180
Centlec departmental ToU	7
Comflex - Single Phase	77
Comflex - Three Phase	665
Elecflex 1	3
Elecflex 2	166
Elecflex 3	551
Homeflex - Single Phase	29
Homeflex - Three Phase	193
Sport Stadiums	8
Total Connections	192710

14. DEMAND ANALYSIS

The Company currently has an agreed Notified Maximum Demand (NMD) of 323 MVA with Eskom, with constant monitoring of demand values to ensure that demand does not surpass the NMD. As evidenced by the records and values outlined in Table 6 below, there has been fluctuating demand growth over recent years, with an overall trend of declining demand. The contributing factors associated with this decline include customer migration from the grid and the implementation of energy efficient initiatives.

Analysis of the past four financial years shows that the average maximum demand decreased from 211 MVA in 2021/22 to 208 MVA in both 2022/23 and 2023/24. The data for the first ten months of 2024/25 indicates an average of 203 MVA, continuing this downward trend despite some monthly variations. While some months show positive growth compared to the previous year, the overall pattern confirms reduced demand requirements.

The data also reveals clear seasonal trends, with higher demand in winter months (May-August) and summer peaks in February-March. June consistently shows the highest demand, with 259 MVA recorded in 2020/21, the peak value over the five-year period. These peaks, however, remain well below the NMD of 323 MVA.

In response to this sustained reduction in demand, the Notified Maximum Demand (NMD) of 323 MVA was reduced to 260. This adjustment better aligns our contracted capacity with actual operational needs while maintaining sufficient headroom for seasonal peaks and potential future developments.

Table 6: Maximum demand

Table 6: Maximum demand

Financial Year:	2020/21	2021/22	% Growth	2022/23	% Growth	2023/24	% Growth	2024/25	% Growth
Jul	258	250	-2,96%	241	-3,65%	245	1,72%	257	4,94%
Aug	255	256	0,70%	238	-7,09%	232	-2,75%	225	-2,81%
Sep	247	235	-4,79%	210	10,70%	208	-0,91%	207	-0,65%
Oct	209	209	0,11%	196	-6,41%	196	0,19%	204	4,30%
Nov	200	197	-1,62%	188	-4,88%	187	-0,51%	185	-0,72%
Dec	200	199	-0,95%	179	-9,60%	181	0,88%	182	0,42%
Jan	191	186	-2,67%	190	1,78%	177	-6,57%	186	5,20%
Feb	203	195	-3,54%	181	-7,15%	200	10,05%	191	-4,42%
Mar	194	196	1,40%	188	-4,04%	204	8,57%	189	-7,70%
Apr	206	219	6,44%	204	-7,21%	204	0,28%	205	0,47%
May	223	217	-2,37%	239	9,98%	208	-12,85%		
Jun	259	254	-1,94%	247	-2,88%	252	2,26%		
Average	220	218	-1,02%	208	-4,32%	208	0,26%	203	-0,10%

15. HUMAN RESOURCE OVERVIEW

Organisational Structure

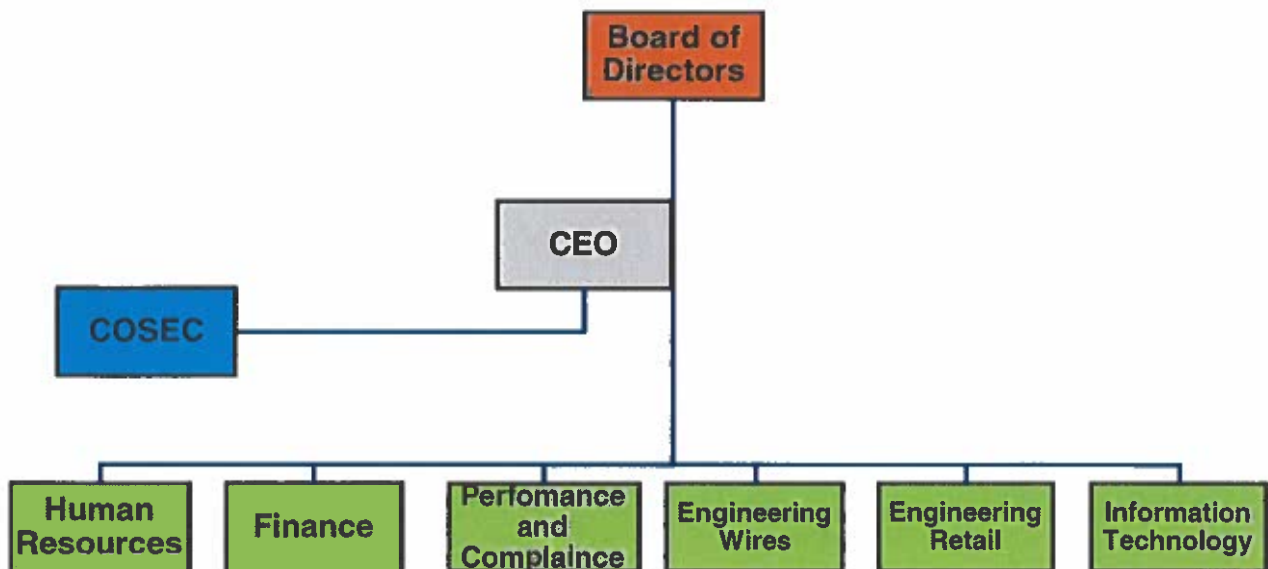


Figure 5: Organisational Structure

HUMAN RESOURCES

The purpose of Human Resource Directorate is to ensure that the Company makes optimum use of its human resources. The Directorate ensures that the Company's employees are suitably skilled and competent to add value to the strategic goals and objectives of the Company. The functional areas of Human Resource Directorate are divided into Human Resources Management and Human Resources Development.

The Human Resource Management Directorate serves to support the implementation of the Company's strategies through human resources activities such as HR planning, attraction, recruitment, rewards, recognition, performance management, retention, succession, wellness, training, and development.

STAFF COMPLIMENT

The current staff complement is eight hundred (804) employees, of which seven hundred and seventy-one (770) are permanent employees and twenty-seven (27) are contract employees, and seven (7) board members.

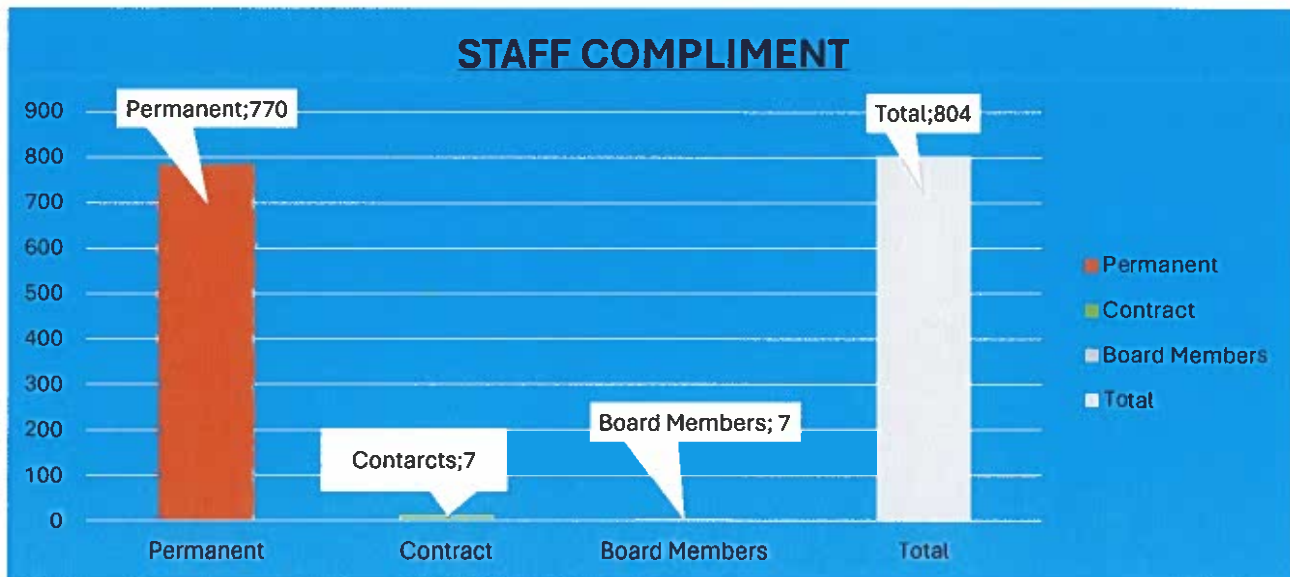


Figure 6: Analysis of Staff Compliment

WORKFORCE AGE ANALYSIS

The workforce age analysis:

- Eight (8) employees are within the age group (19-23)
- Two hundred and forty- six (246) employees are within the age group (24 -39)
- Two hundred and ninety-six (296) employees are within the age group (40-49)
- One hundred and eighty-five (185) employees are within the age group (50-59)
- Thirty- five (35) employees are within the age group (60 and above)

HUMAN RESOURCES STRATEGY



Figure 7: Human Resource Strategy Source (Ulrich 2003)

BUY: The Company, through the revisiting and the approval of the organogram, must embark in the process of recruitment and selection. Adverts must be drafted to ensure that the best candidate with the necessary skills and experience is attracted. It is advisable that the Company source external talent as far as possible to complement the internal skills that the employees already possess.

BUILD: The Company must ensure that opportunities are created to ensure that employees are skilled through formal training, on the job training, job rotations, and on the job training. The Training Centre must be utilised to provide theoretical and practical training to employees within the technical divisions to ensure that they are on par with their day-to-day functions. Divisions should ensure that technical employees are rotated within the Retail and Wires Directorate to ensure that employees know the Company's network to be able to perform their functions optimally.

Through personal development plans, the human resource development division together with the Finance Directorate should ensure that training providers are procured to facilitate training that cannot be performed in the Training Centre.

BORROW: In cases where the Training Officers lacks knowledge in a specific field, the Company will partner with other external stakeholders who have the know-how to enable the employees to be trained and capacitated effectively.

BOOST: As a way of motivating employees, the Company must ensure that deserving employees are promoted to higher positions whenever positions are advertised. This must be followed through normal recruitment and selection processes. This will improve and boost employees' morale within the Company.

BIND: The Company should develop retaining strategies to be able to retain skilled personnel with critical competencies to sustain institutional memory within the Company. This will assist in ensuring that there is business continuity.

BOOST: The Company through the performance management system should ensure that poor performance is addressed, and plans put in place to address non-performance. The Company should also have programmes to address the re-skilling of employees with old skills sets. Human Resource together with other Directorates within the Company should ensure that they work together to address this initiative.

RETENTION STRATEGY

The Company will strive to ensure that the retention plan is drafted and implemented. The Company should strive to ensure that there are extra benefits and incentives as a way of retaining its employees. There should be recognition of hard work by employees to motivate them to perform to the best of their ability. The Company should create a culture where there is respect amongst line managers and their subordinate to build on employees' self-esteem. Strides should be made to work towards maintaining a good working relationship between employees and management to ensure that the involved parties work towards achieving the Company's mandate.



Figure 8: Retention Strategy

16. SKILLS DEVELOPMENT

The Company intends to capacitate employees to be able to perform their functions effectively and be able to achieve its overall mandate.

The Human Resource Development Sub-Directorate will ensure legislative compliance in terms of the skills development function by:

- Paying the skills development levy to SARS;
- Functional Training Committee and scheduling of regular meetings
- Identifying skills needs of employees;
- Developing a Workplace Skills Plan (WSP) and submission of WSP to LGSETA
- Implementing of planned training and learning interventions as approved.

The Company is anticipating to obtain discretionary grant funding from Energy and Water Sector Education and Training Authority (EWSETA) to enable employees to obtain a formal qualification in Renewable Energy technologies. The qualification is a twelve-month programme that fits to the energy plan initiative within the Company's strategy. CENTLEC (SOC) Ltd is further anticipating to obtain discretionary grant funding for two programmes from the Local Government Sector Education and Training Authority (LGSETA) to provide Adult and Education Training (AET) as well as Artisan Recognition of Prior Learning (ARPL).

CENTLEC constantly engage with stakeholders to enhance institutional capacity through partnerships with Higher Learning Institutions for knowledge exchange, through active membership in industry forums to stay updated with regulatory compliance, through filling of vacant positions for training facilitators and quality assurers and through collaboration with industry service providers for specialized training.

The company has entered into a memorandum of understanding with Central University of Technology (CUT) with a specific aim of providing work integrated learning for their students, this is to fulfil its Corporate Social Responsibility (CSR).

The company will identify schools within Mangaung area of supply to provide career guidance to learners, further to this there was a need for the Company to adopt technical schools for educational purposes. The Company anticipates broadening its partnerships with external stakeholders to explore other avenues in relation to training and development of its human capital..

17. STRATEGIC OBJECTIVES AND TIMELINES

Table 7: Strategic objective (CENTLEC Strategy)

CENTLEC STRATEGY IMPLEMENTATION PLAN 2024-2027													
Ref.	National KPA	Sustainable Development Goal (SDG)	Mangaung Strategic IDP Development Objective	CENTLEC Strategic Objective	Desired Outcome	Responsible Person	FY 2023/2024	Strategy Implementation Plan FY 2024/2025				Strategy Implementation Plan FY 2025/2027	
							Quarter 4 - Initiative	Phase 1/Quarter 1 - Initiative	Phase 2/Quarter 2- Initiative	Phase 3/Quarter 3 - Initiative	Phase 4/Quarter 4 - Initiative	FY 2025/26	FY 2026/2027
9.2.1	Secure Supply	SDG 11 – Make Cities and Human Settlements Inclusive, Safe, Resilient and Sustainable	Financial Health Improvements	Secure Supply	CENTLEC to have reliable Supply by 2027	EM: Retail, Wires GM: Strategic Support, EM:HR	Develop scenarios of what the gap will be and model the ideal energy mix (Renewables, storage)	Develop Business case, Feasibility study, Grid Study and Cost of Supply	Engage NERSA, Engage Funders, Engage DMRE, Engage Minister	Engage shareholder, Engage Customers	Engage Customers, Engage Labour	RFP, Repurposing of power station, New Generation and standardise offering for SSEG feed in	offering for SSEG feed in
9.2.2	Financial Viability	SDG 11 – Make Cities and Human Settlements Inclusive, Safe, Resilient and Sustainable	Financial Health Improvements	Reduce Non-technical Losses	CENTLEC has fully deployed technology options to significantly reduce losses	EM: Retail, Wires GM: Strategic Support, EM: HR,CFO	Research technology options	Develop feasibility studies and business case	Conduct engagement with Shareholders, CPF, SAPS and Labour	Engage Communities	Roll-out community Initiatives and roll-out technology		

CENTLEC STRATEGY IMPLEMENTATION PLAN 2024-2027													
Ref.	National KPA	Sustainable Development Goal (SDG)	Mangaung Strategic IDP Development Objective	CENTLEC Strategic Objective	Desired Outcome	Responsible Person	FY 2023/2024 Initiative	Strategy Implementation Plan FY 2024/2025				Strategy Implementation Plan FY 2025/2027	
							Quarter 4 - Initiative	Phase 1/Quarter 1 - Initiative	Phase 2/Quarter 2- Initiative	Phase 3/Quarter 3 - Initiative	Phase 4/Quarter 4 - Initiative	FY 2025/26	FY 2026/2027
9.2.1	Financial Viability	SDG 11 – Make Cities and Human Settlements Inclusive, Safe, Resilient and Sustainable	Financial Health Improvements	Broaden Offering	To have secured financial sustainability by 30 June 2025	EM Retail/EM: Performance and Compliance GM Strategic Support,CF O	Revenue loss study, alternative Models, and tariff structure	Develop Business case, Grid Study, SSEG Policy and Wheeling Framework	Engage NERSA and Customers	Engage NERSA, Customers, and Shareholders	SSEG Policy	Wheeling Framework	SSEG Business
9.2.3	Basic Service Delivery	SDG 7 – Ensure Access to Affordable, Reliable, Sustainable and Modern Energy for all.	Service Delivery Improvement	Upgrade the Grid:	Ensure that there is a functional and secure grid that is fit for purpose	CEO/EM: Wires/EM Retail, EM Performance and Compliance	Research current grid Requirements, Vandalism tech options and Future Grid requirements	Develop business cases for Grid and Vandalism	Engage Funders, Customers, shareholders, Labour and Infrastructure S. A	Engage Financial Institutions	Execution of plan		
9.2.4	Financial Viability	SDG 11 – Make Cities and Human Settlements Inclusive, Safe,	Financial Health Improvements	Secure Funding	Secured funding for modernisation by June 30 2025	CEO/GM Strategic Support,CF O	Understand the Funding landscape and funding requirements	Understand Funding Landscape	Develop business case for funding model	Stakeholder engagement: Engage other Financial Institutions	Roll out of projects		

CENTLEC STRATEGY IMPLEMENTATION PLAN 2024-2027

Ref.	National KPA	Sustainable Development Goal (SDG)	Mangaung Strategic IDP Development Objective	CENTLEC Strategic Objective	Desired Outcome	Responsible Person	FY 2023/2024	Strategy Implementation Plan FY 2024/2025				Strategy Implementation Plan FY 2025/2027	
							Quarter 4 - Initiative	Phase 1/Quarter 1 - Initiative	Phase 2/Quarter 2 - Initiative	Phase 3/Quarter 3 - Initiative	Phase 4/Quarter 4 - Initiative	FY 2025/26	FY 2026/2027
		Resilient and Sustainable											
9.2.5	Local Economic Development, Municipal Institutional Development and Transformation	SDG 8 – Promote sustained, inclusive, and Sustainable Economic Growth, Full and Productive Employment, and Decent Work for all.	Service Delivery Improvement	Digitize the Business	Table a full ERP proposal to council by 30 June 2025 and pilot as from December 2025	EM HR, EM Retail	Develop needs analysis	Develop Business case	Engage Shareholder and Labour	Stakeholder engagement: the Local Labour Forum (LLF), are included in the planning and analysis of the requirements of any digital technology that will be implemented as part of this initiative.	Pilot and roll out		

CENTLEC STRATEGY IMPLEMENTATION PLAN 2024-2027

Ref.	National KPA	Sustainable Development Goal (SDG)	Mangaung Strategic IDP Development Objective	CENTLEC Strategic Objective	Desired Outcome	Responsible Person	FY 2023/2024	Strategy Implementation Plan FY 2024/2025				Strategy Implementation Plan FY 2025/2027	
							Quarter 4 - Initiative	Phase 1/Quarter 1 - Initiative	Phase 2/Quarter 2- Initiative	Phase 3/Quarter 3 - Initiative	Phase 4/Quarter 4 - Initiative	FY 2025/26	FY 2026/2027
9.2.5.1	Local Economic Development, Municipal Institutional Development and Transformation	SDG 8 – Promote sustained, Inclusive, and Sustainable Economic Growth, Full and Productive Employment, and Decent Work for all.	Service Delivery Improvement	Skills Transfer	Ensure the Skills transfer plan is approved by the board	EM HR	Identify critical skills that are at risk and develop a succession plan	Stakeholder engagement: Engagement with internal stakeholders (e, g Labour, senior leadership and line management)	Develop a Workskills plan for critical skills to be shadowed	Execute Plan			
9.2.5.2	Local Economic Development, Municipal Institutional Development	SDG 8 – Promote sustained, Inclusive, and Sustainable Economic Growth, Full and Productive	Service Delivery Improvement	Organisational Structure	Table organisational structure to Board and LLF by 30 June 2024	EM HR	Developing a strategic roadmap is complete and approved – this is before finalising draft requirements and designs for the new	Stakeholder engagement: Engagement with internal stakeholders (e, g Labour, senior leadership, line management and LLF)	Tabling: Agreed structure to be tabled and Board, LLF and Council	Recruiting: Development of recruitment plan			

CENTLEC STRATEGY IMPLEMENTATION PLAN 2024-2027													
Ref.	National KPA	Sustainable Development Goal (SDG)	Mangaung Strategic IDP Development Objective	CENTLEC Strategic Objective	Desired Outcome	Responsible Person	FY 2023/2024	Strategy Implementation Plan FY 2024/2025				Strategy Implementation Plan FY 2025/2027	
							Quarter 4 - Initiative	Phase 1/Quarter 1 - Initiative	Phase 2/Quarter 2 - Initiative	Phase 3/Quarter 3 - Initiative	Phase 4/Quarter 4 - Initiative	FY 2025/26	FY 2026/2027
	ment and Transformation	Employment, and Decent Work for all.					structure. This is to ensure that the new organisational design is aligned to the strategy and roadmap.						

18. RISK MANAGEMENT

The Company has established and maintained a system of Enterprise-Wide Risk Management Framework in accordance with the provisions of the Municipal Finance Management Act no 56 of 2003, the King IV report on Corporate Governance and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework. Oversight over risk governance in CENTLEC (SOC) Ltd is carried out by the Board of Directors through the Audit and Risk Committee.

The Audit and Risk Committee meets on a quarterly basis and operates in accordance with approved Audit and Risk Charter. An annual risk assessment is conducted for strategic, ICT and Fraud risks, these risks inform the annual audit plan where risk controls are then tested. The risks are documented accordingly and monitored on an ongoing basis in relation to risk treatment strategies, relevance of existing risks and the identification of additional and new/emerging risks. Risk treatment plans are developed and implemented to ensure that strategic objectives and budgets are met. Each of the strategic risks is allocated to risk owners to ensure accountability and ownership.

Monitoring and review is done on quarterly basis and presented to EXCO and the Audit and Risk Committee exercising oversight as mandated by ARC Charter. The Company aims to be a risk intelligent organisation and, a maturity ranking tool has been developed to assess the current stage of Enterprise Risk Management culture within the Company. The current state of maturity indicates that foundational risk management elements are in place, but the Company needs to transition from risk management to management of risk.

Robust engagements with risk owners and increased accountability as well as, effective application of the framework as part of normal business will move the Company to systemic and risk intelligent stages.

19. TOP STRATEGIC RISKS

Table 8: Top Strategic Risks

Ref	Risk Description	CURRENT MITIGATION(S)	FURTHER MITIGATION(S)
EWSR14	Failure to adapt to changing market /customer needs and preferences	<ul style="list-style-type: none"> Appointment of service provider for the 30 MW solar plant. Development of strategic plans for the energy mix solutions. 	<ul style="list-style-type: none"> Planned maintenance of the network conducted quarterly. Appointment of service provider to refurbish power transformers. Monitoring of refurbishment projects.
PCSR34	Theft and vandalism of the Electrical Infrastructure.	<ul style="list-style-type: none"> Additional Security Service Providers were appointed to augment the current composition. Partnership with the Community Policing Forum. Installation of security door alarms at all Distribution centers. 	<ul style="list-style-type: none"> Management and safeguarding of installed security door alarms at distribution centers
ERSR09	Decline in Revenue	<ul style="list-style-type: none"> Draft Energy Plan. Follow up on whistle blowing reported cases. Routine monthly area visitation as per the schedule. Inspection of meters to uncover tampering. Disconnection of offenders. Monitoring and reporting energy losses within NERSA guidelines. Disconnection of all reported illegal cases. Quarterly testing of the Vending security Module for possible ghost vending. 	<ul style="list-style-type: none"> Reduction of tariffs through engagements with the Minister of Energy regarding the approval of ESKOM tariffs vs municipal approved tariffs. The outcomes of the Engagements will determine further mitigating actions. Embarking onto the Alternative sources of energy. Embark on Renewable Technology to reduce the Electricity Tariff. Appointment of service provider for Building, Extensions and Repairs of Electrical sub-station. Raise awareness on illegal connections and meter tampering through media and public outreach. Quarterly Reporting on illegal connections and meter tempering by EM (ER) to Executive and Governance structures.
CEOSR09	Misinformation and disinformation	<ul style="list-style-type: none"> Enhancing the Social Media policy. Non-disclosure agreements for employees handling sensitive information. 	<ul style="list-style-type: none"> Monitoring consistent implementation of the Social Media policy, Code of conduct

Ref	Risk Description	CURRENT MITIGATION(S)	FURTHER MITIGATION(S)
		<ul style="list-style-type: none"> Investigations probing into possible "sources" proving misinformation and disinformation. 	and the Information Security policy.
FINSR14	Revenue Forgone (Lost)	<ul style="list-style-type: none"> Installation of UPS and Batteries to mitigate Information System Downtime (Vending System). Implementation of corrective maintenance plan to minimize electrical outages (Unplanned). Implement as per obtained schedule and instruction for electrical outages (Loadshedding). 	<ul style="list-style-type: none"> Development of Revenue Enhancement Strategy.
FINSR20	Overtime claims beyond the norm	<ul style="list-style-type: none"> Establishment of an overtime working committee. Continuous communication of the financial impact on the Entity. The implementation of the consequence management. 	<ul style="list-style-type: none"> Continuous communication of the financial impact on the Entity and the implementation of the consequence management.
CEOSR04	Loss of critical business information (Personnel and Customer)	<ul style="list-style-type: none"> Backup Storage on a different location (Design and Planning); Installation of the UPS; and The development of an OFF-SITE Recovery Centre (Commissioned). Password used to restrict access to authorized personnel. 	<ul style="list-style-type: none"> Routine OFF-SITE Testing (Fail-over). Commission of the OFF-SITE Recovery Centre. The application of the File Encryption Software
PCSR35	Non-Compliance with established Standards and Regulations	<ul style="list-style-type: none"> Checklists are used to monitor and track compliance for Finance related legislation. MFMA Calendar Checklist used by Finance Unit monthly. Sending reminders to all directorates for statutory reports as required by the law. 	<ul style="list-style-type: none"> The establishment of the Compliance Universe Monitoring, evaluation and reporting on the extent of compliance on Quarterly basis on MFMA, MSA, NRS, WSP, EE, BCE, mSCOA, National Key Point (NKP) and OHS Regulation by the Compliance Unit.
CEOSR03	A collapse in Key Stakeholder Relations and desired Corporate Culture	<ul style="list-style-type: none"> The Board of Directors have been appointed and are meeting as per the Board's annual schedule Continuous engagements on the matter between the Parent Municipality and the Entity Council acting as the Governing Body General awareness of CENTLEC's Vision and Mission posters on the Corridor walls, wallpapers on workstation (Laptops and Desktops) and CENTLEC's intranet and website. A Draft Performance Management System Sporting Codes introduced to revive personal interactions amongst colleagues to cultivate understanding 	<ul style="list-style-type: none"> Stakeholder Engagement in accordance with the CENTLEC's Strategy Continuous engagements on the matter between the Parent Municipality and the Entity The Board was appointed by the MMM council Comprehensive Strategic Session that is inclusive of all key stakeholders Team building per Directorates
FINSR21	Inability to pay key Service Providers within the regulated timeframes	<ul style="list-style-type: none"> Implementation of the Disconnection and Connection policy Implementation of the Credit Control policy. 	<ul style="list-style-type: none"> Ensure that service charges are cost reflective

Ref	Risk Description	CURRENT MITIGATION(S)	FURTHER MITIGATION(S)
		<ul style="list-style-type: none"> Submission and subsequent management of the operational plans (including related projection) on monthly basis 	<ul style="list-style-type: none"> Prioritize revenue generating projects over non-revenue generating activities Demand Management Re-alignment of expenditure with cash collection instead of revenue collection Being resolute on the disconnection and follow up process

20. STAKEHOLDER MANAGEMENT, COMMUNICATION AND PUBLIC PERCEPTION POSITIONING

Relationship Management

The Company has developed a system that seeks to integrate different methods and approach towards the communication approach with specific focus to the Company's employees as well as the internal stakeholders such as labour and appointed service providers.

The strategy further caters to the aspirant needs of the Company's customers, key customers and the broader general communities it serves. This is done in various ways and interventions including all medium forms of communication such as regular and continues updating of the social age accounts, the use and partnering with local media houses, developing, printing of pamphlets and posters to keep employees and customers updated and informed.

Some of the internal methods of communication to be fully maintained by the Company relates to and not limited to:

- Monthly Newsletter to employees
- Wellness programmes
- Employee team building sessions.
- The use of online communications (emails, WhatsApp's, and Facebook)

COMMUNICATION AND PUBLIC PERCEPTION POSITIONING



Figure 9: Internal and external communication

21. INTEGRATED COMMUNICATION APPROACH

Engagements with various media houses have been one of the Company's key cornerstones, this relates to the kind of working relations we have built and the special working relationship we have with many of the local media houses. This has afforded the Company more opportunities to engage and reengage on various aspects of mutual interest such as marketing, advertising spaces, and coverage of the Company's programmes, projects, and the ability to communicate and give feedback to the Company's broader client base.

Media Relations

The Company has established a vibrant, interactive stakeholder management programme and has done this through the process of identifying amongst its key customers a contact sessions and information sessions, on various services it offers and the establishment of a forum that allows the key customers an opportunity to interact and directly engage with the senior management up to the level of the CEO.

The forum is shared and led in the main by the Company's Chief Financial Officer, Executive Managers, and middle managers, who are able to give and provide immediate responses on matters raised by external stakeholders.

The Company has had engagements with community-based stakeholders, such as anti-crime groups who have initiated programmes to work with the Company towards combating and fighting cable and cooper theft including meter tampering. The Company is in the process of reviewing and finalising the memorandum of understanding with these interest groups.

The Company has further established an active participatory partnership with one of its strategic stakeholders and a very important arm of its operations which is the Councillors WhatsApp groups.

Stakeholder Management

The Company has established a vibrant, interactive stakeholder management programme and has done through the process of identifying amongst its key customers a contact sessions and information sessions, on various services it offers and the establishment of a forum that allows our key customers and opportunity to interact and directly engage with the senior management up to the level of the CEO.

Internal Communication

The system of internal communication is mainly based on various engagement platforms that the Company has created internally which allows and gives more user-friendly employer and employee relations. The Company has in its internal processes given an open platform to sectoral-based structures internally such as the labour unions to fully engage with members. The Company's internal communications services such as email communications, which seek to inform and update employees from time to time, the use of employees' intranet services as well as staff notices on noticeboards etc.

The Company has an in-house newsletter bulletin which also assists in communication and disseminating information to the employees. Many of the directorates have now formalized their engagement as both departmental and inter departmental through means of official WhatsApp links.

22. FINANCIAL PLAN

LEGISLATION COMPLIANCE STATUS

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

In-Year Reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 87 reporting to the Executive Mayor (within 7 working days) has progressively improved and includes monthly published performance on the municipality's website.

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

BUDGET PROCESS OVERVIEW

In terms of section 87 of MFMA The board of directors of a municipal company must for each financial year submit a proposed budget for the company to its parent municipality not later than 150 days before the start of the company's financial year or earlier if requested by the parent municipality. This implies that the company's budget must be submitted to the Municipality on or before the end of 20 January each year. The parent municipality must then consider the proposed budget by the company, assess the entity's priorities and objectives and make recommendations.

The company must then consider these recommendations and, if necessary, submit a revised budget to the parent municipality not later than 100 days before the start of the financial year which is approximately on or before the 15th of March each year.

BUDGET APPROVAL OVERVIEW

Thereafter the following will lead to the approval of the budget:

The mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled.

The board of directors of a municipal entity must approve the budget of the municipal entity not later than 30 days before the start of the financial year, considering any hearings or recommendations of the council of the parent municipality.

The framework within which the budget must be compiled is as follows:

- a) It must be balanced, deficit budget is not allowed;
- b) It must be consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality;
- c) It must be within any limits determined by the entity's parent municipality, including any limits on tariffs, revenue, expenditure and borrowing;
- d) It must include a multi-year business plan for the entity that—sets key financial and non-financial performance objectives and measurement criteria as agreed with the parent municipality;
- e) is consistent with the budget and integrated development plan of the entity's parent municipality.
- f) is consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality; and
- g) reflects actual and potential liabilities and commitments, including particulars of any proposed borrowing of money during the period to which the plan relates;

The above prescripts are as per the MFMA and directly also relates to CENTLEC as a stated owned company.

BUDGET ASSESSMENT CRITERIA

The Budget Assessment Criteria as per the National Treasury Benchmarking Tool is used to ensure the Budget is compliant and funded

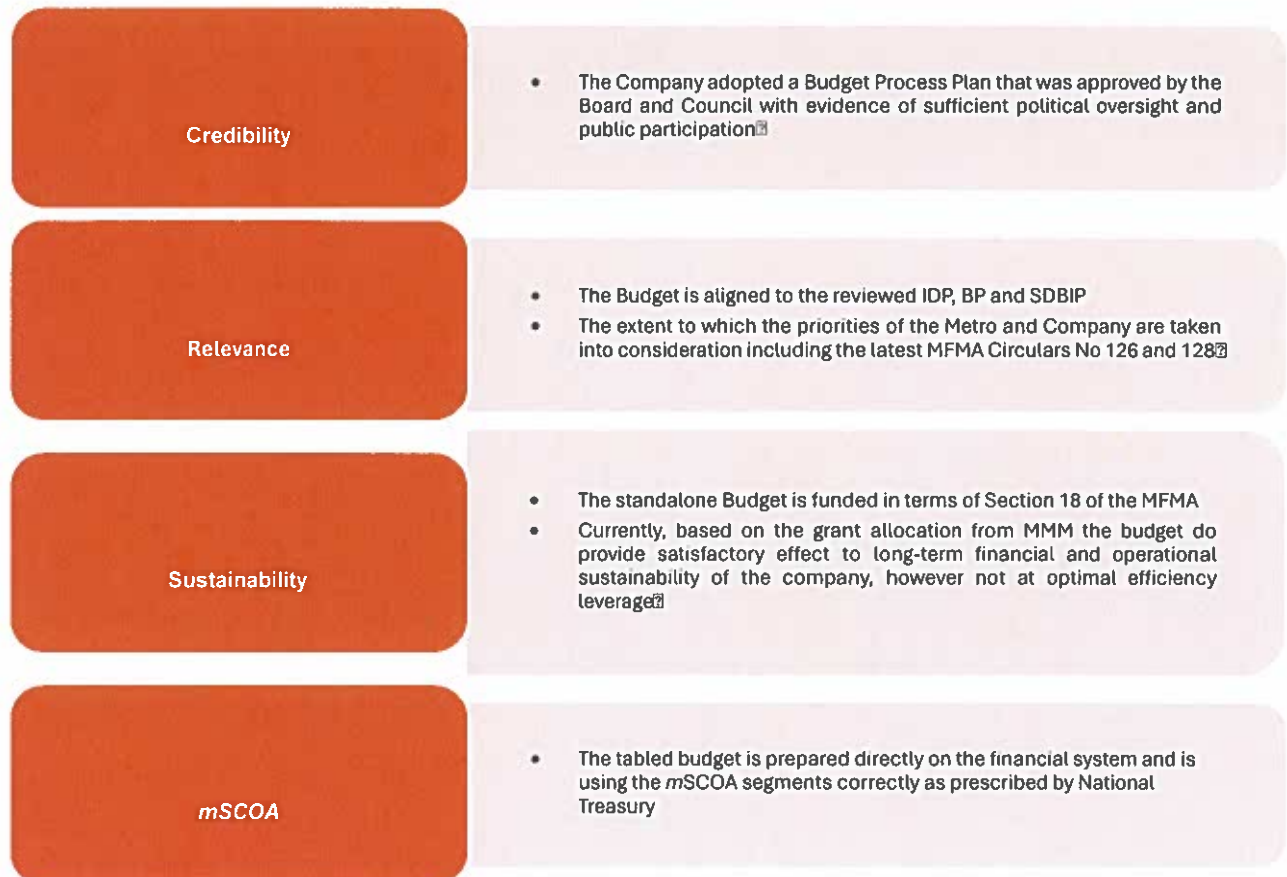


Figure 10: Budget Assessment Criteria

BUDGET PRINCIPLES:

The following budget principles shall apply:

The budget shall be prepared on the cashed backed funded and combination method.

- The budget shall only be approved if it has been properly balanced.
- All expenses shall be cash funded.
- At least 7% of the operating budget component shall be set aside for maintenance.
- The budget for salaries, allowances and salaries-related benefits shall be separately prepared and shall not exceed 30% of the aggregate operating budget component of the annual budget. For purposes of applying this principle, the remuneration of the Board of Directors shall be excluded from this limit.

OVERVIEW OF BUDGET FUNDING

(a) The overview of budget funding must explain how the annual budget is to be funded, which must include at least the following –

- i. the funding of operating and capital expenditure;
- ii. financial plans;
- iii. reserves;
- iv. the fiscal viability of the company;
- v. the overall impact on rates and tariffs; and
- vi. allocations from or distributions to the parent municipality;

The budget of the company will be funded from the revenue raised internally as well as conditional Grants from Department of Energy. It is important to note that the energy bulk purchases represent more than 70% of the company's operational budget. The revenue from the sale of electricity represents more than 96% of the operating revenue for the company.

(b) Particulars of funding measures used to determine whether operating and Capital expenditure is funded in accordance with section 18 of the Act;

- Details of the proposed tariffs on energy and Services are as per the NERSA approval.

(c) Particulars of tariffs and other charges;

- Details of the proposed service charges are cost reflective considering the economy outlook within the energy sector.

(d) The debtors' collection levels that have been estimated;

- Electricity debtors collection rate set at 98% factored in the revenue projection.

(e) Particulars of planned savings and efficiencies for the medium term as detailed in the multi-year business plan;

- Data Purification through big-data analytics as part of the AI-programs.
- Meter audits for maintenance.
- Conversion to pre-paid metering
- Effective implementation of Automated Meter Reading (AMR).
- Smart Streetlight Management (SSM).
- Seamless Integration of all standalone systems to a (ERP) reform.

(f) Particulars of contributions and donations in cash or in-kind received planned to be received, specifically listing donor assistance secured by formal agreement or contract;

- None

(g) Particulars of planned proceeds from the sale of assets;

- Retired fleet
- Obsolete and/or Redundant material
- Scrap

(h) Particulars of planned proceeds from the lease of assets, where the period of the lease is three years or more;

- None

(i) Particulars of the planned use of previous years' cash backed accumulated surplus including –

- any shortfall between liabilities or provisions and cash reserves set side for this purpose.
- details of board decisions to set aside funds including time schedules for progressively meeting funding of provisions.
- details of allowances made for working capital – defined as holding sufficient funds to meet any financial obligations as they fall due; and
- details of non-statutory reserves.
- None

(j) particulars of proposed future revenue sources;

- All futuristic revenue streams to secure revenue as a strategic pillar is within the Integrated Energy Plan.

(k) particulars of planned use of any bank overdrafts and reasons therefore;

- None

(l) particulars of any existing and any new borrowing proposed to be raised;

- None

(m) particulars of allocations from or distributions to from the parent municipality;

- Urban Settlement Developmental Grant (USDG)
- Informal Settlements Upgrading Partnership Grant (ISUPG)

(n) particulars of any other transfers and grants to the company.

- None

23. COMPLIANCE AND IMPLEMENTATION OF MFMA

This section provides disclosure regarding progress in implementing various related legislation including the MFMA and how this affects the budget and budget process.

MFMA Implementation and Monitoring

The Company complies with the implementation priorities as per the National Treasury implementation and monitoring checklist.

Budget Statements Reporting

All monthly, quarterly, and annual MFMA reports are submitted by the Company to the parent municipality (MMM) as required.

Implementation of Supply Chain Management

The supply chain management policy of the Company is reviewed annually and serves as the basis for all the procurement and disposal activities of the Company. All bid committees as required by the SCM regulations are in place, and the composition thereof is compliant with the Regulations. Supply Chain Management reporting is done on a monthly, quarterly, and monthly basis as prescribed by legislation.

Delegations

Financial delegations and sub-delegations are not in place and are still to be developed and presented to the Board for approval.

24. MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) 2024/25-2026/27

The MTREF 2024/25 – 2026/27 represents the operating and capital budget of the Company over the medium term. The budget was developed in line with the requirements of Municipal Financial Management Act and Municipal Budgeting and Reporting Regulations, 2009.

The MFMA provide for uniform norms and standards for ensuring transparency, accountability, and appropriate lines of responsibility in the budgeting and reporting process within the Company.

This guiding principle is clearly defined in relevant legislation, with the Municipal Systems Act stating the following:

73 (2) Municipal services must –

(b) be provided in a manner that is conducive to:

- (i) the prudent, economic, efficient, and effective use of available resources;*
- (ii) and the improvement of standards of quality over time.*

(c) be financially sustainable

25. BUDGET SUMMARY

A summary of the operating and capital budget proposals over the medium-term is provided in the schedules below. The tabled budget represents the projected financial proposal of this business plan over the medium term.

All the projects are derived from the parent municipality's integrated development plan and will be consolidated in the Municipal Budget. The company is positioned to continue to perform on its mandate of assisting the parent municipality achieve its goals of making energy accessible to all communities within the metro boundaries. Good governance and firm internal controls are maintained to ensure the retention of improved audit opinion from the Auditor General (AGSA) received in the previous year. The budget further takes cognizance of, and address issues raised by the AGSA in the previous financial years.

The 2024/25 MTREF is prepared within the parameters set by all applicable prescripts, legislation, assessment of parent municipality including the MTREF Budget MFMA Circulars No.126 & 128 Guidelines, the Recommendations on the Budget Benchmarking Assessment provided by National Treasury, the Assessment on the D-Forms by the National Energy Regulator of South Africa (NERSA) on energy tariffs to accelerate service delivery and strengthen the company's cash flow position are addressed in the proposed MTREF.

The purpose of the 2024/25 MTREF is to guide the company's allocated resources to achieve its service delivery objectives as required by the Act MFMA (No 56 of 2003). The MTREF is a financial plan to enable the company to achieve its vision and mission as articulated in the Strategic Business Plan.

The Budget serves to bring to light the current institutional priorities in align to the sustainable pillars as outline in the Financial Recovery Plan:

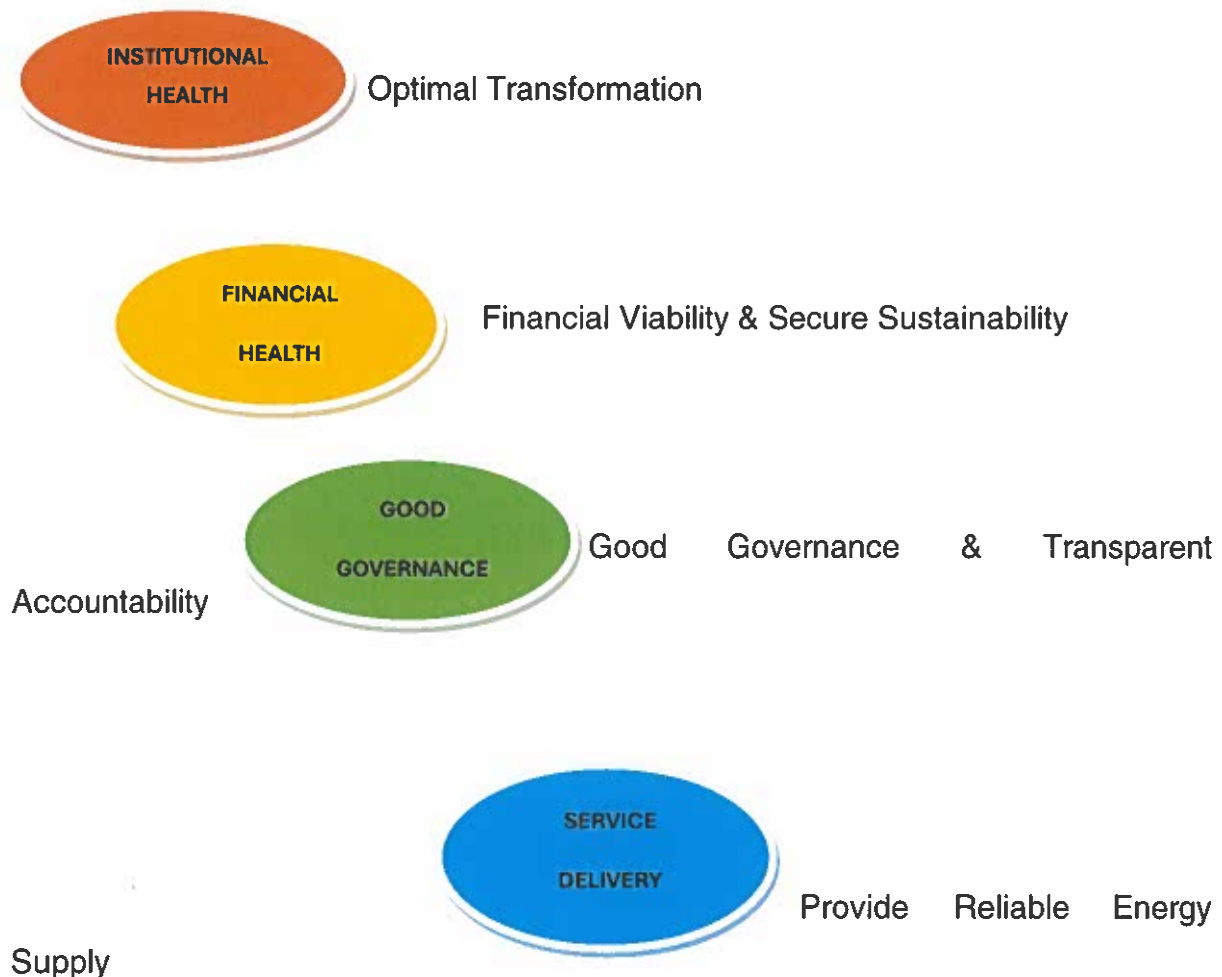


Figure 11: Financial Recovery Plan

We have fully deployed technology options to significantly reduce losses by 2025 and to have secured financial sustainability for CENTLEC by 2025.

The financial performance for the current period has experienced a decline when compared to the preceding period, for the entity. This downturn necessitates a thorough examination of the contributing factors and a strategic reassessment to

identify areas of improvement and implement effective measures to restore and enhance overall financial health.

The second strategic priority for CENTLEC involves the reduction of revenue losses and the exploration of new avenues for revenue generation. This imperative recognizes the significance of safeguarding existing revenue streams while proactively seeking innovative opportunities to bolster overall financial performance.

This strategic focus aligns with the broader goal of optimizing the organization's financial sustainability and fostering growth in a dynamic business environment.

The drop in sales volume at CENTLEC, attributed to various factors, poses a formidable challenge. The impact on revenue collection is substantial and is a critical focal point for our business sustainability. Without this revenue, we face limitations in investing in essential infrastructure to guarantee an uninterrupted power supply.

In recent years, CENTLEC's revenue base has faced several challenges, including:

- a) a reduction in sales volume,
- b) the potential threat of embedded generation,
- c) a decrease in real margins, and
- d) the loss of revenue attributed to load-shedding events.

The compounding effects of challenges such as load shedding, rising tariffs, cable theft, vandalism, and evolving consumer behaviour underscore the need for a meticulous business management approach. These factors collectively contribute to the compression of profit margins.

Effectively mitigating the impact on margins demands strategic interventions that encompass operational efficiencies, cost optimization, and innovative solutions to sustain financial viability in a dynamic and challenging business environment. Recognizing and addressing these factors is integral to formulating a strategic response that safeguards the revenue base and positions CENTLEC for sustainable financial resilience in the evolving energy landscape.

Consequently, several proposed solutions are being considered to address these challenges and fortify the organization's financial resilience.

Strategies aimed at implementing measures to mitigate non-technical losses, meter tampering, and vandalism. The strategic imperative involves transforming the current business model to facilitate a broader offering by exploring options such as implementing feed-in tariffs for Small Scale Embedded Generation (SSEG) and allowing Independent Power Producers (IPPs) to wheel power across CENTLEC's grid to their customers.

These strategies are essential for safeguarding the integrity of the infrastructure and ensuring the reliability of the energy supply system. Addressing these challenges involves a multifaceted approach, incorporating technological advancements, community engagement initiatives, and enhanced security measures. By proactively targeting cable non-technical losses, meter tampering, and vandalism, the organization aims to fortify its operational resilience and seeks to strengthen the revenue of the entity. This transformation aims to enhance flexibility, optimize resource utilization, and capitalize on emerging opportunities in the dynamic energy landscape. By diversifying its business through a wheeling framework and facilitating the feed-in from embedded generation, the organization seeks to align itself with evolving market trends and position for sustained growth and competitiveness.

CENTLEC encounters specific complications, particularly in relation to revenue generation opportunities. These challenges encompass:

- a) Navigating the legislative landscape, specifically concerning NERSA tariff approvals;
- b) Addressing grid and infrastructure investments; and
- c) Securing stakeholder engagement, buy-in, and adherence to considerations outlined in the MFMA and Municipal Systems Act. Tackling these complexities demands a strategic approach that aligns with regulatory frameworks,

infrastructure development, and effective stakeholder collaboration to optimize revenue-generation.

To actively secure revenue, there have been two opportunities formulated that are intended to be executed against in-parallel, namely Reducing Non-Technical Losses, and Broadening CENTLEC's Business Offering. Each opportunity has four primary phases which must be executed against programmatically.

Each phase consists of several high-level initiatives which will be executed against within the planned for timeframe, given that these timeframes will coincide with milestone events like Board and EXCO review sessions. Accountable roles for each phase and/or initiative will ensure that their teams execute against these phases and/or initiatives by employing best practice project management methodologies, ensuring that milestone and delivery dates are met successfully.

Projected Financial Performance

Projected Revenue sources and Expenditure levels.

- Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	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	1										
Exchange Revenue											
Service charges - Electricity		2,596,825	2,807,119	2,814,545	3,578,589	3,578,589	3,578,589		4,140,319	4,330,773	4,525,658
Sale of Goods and Rendering of Services		97,595	123,957	136,283	3,680	3,680	3,680		4,490	4,697	4,908
Agency services		6,444	5,942	6,228							
Interest earned from Receivables		638	784	2,347	4,727	4,727	4,727		5,688	5,950	6,217
Interest earned from Current and Non Current Assets		23,122	24,515	24,796	29,846	29,846	29,846		37,394	38,643	40,639
Non-Exchange Revenue											
Fines, penalties and forfeits					3,833	3,833	3,833		5,228	5,468	5,714
Operational Revenue		7,727	3,818	22,010	15,276	15,276	15,276		17,220	18,252	19,309
Gains on disposal of Assets					10,178	10,178	10,178		11,285	11,804	12,335
Discontinued Operations											
Total Revenue (excluding capital transfers and contributions)		2,732,351	2,968,136	3,006,208	3,646,128	3,646,128	3,646,128	-	4,221,624	4,415,588	4,614,781
Expenditure											
Employee related costs		396,685	412,994	450,649	450,588	475,296	475,296		503,860	527,037	550,754
Remuneration of councillors		826	-	-	827	450	450		1,277	1,336	1,396
Bulk purchases - electricity	2	1,780,067	2,061,863	2,140,676	2,199,932	2,199,932	2,199,932		2,569,190	2,687,373	2,808,305
Inventory consumed	5	14,709	23,597	29,064	56,291	64,872	64,872		74,340	77,760	81,259
Debt impairment	4	18,759	77,201	(56,752)	179,237	179,237	179,237		317,562	332,170	347,118
Depreciation and asset impairment		230,900	232,507	276,206	85,000	85,000	85,000		93,500	102,850	113,135
Finance charges		205,826	219,620	283,737	254	254	254		56	58	61
Contracted services		71,250	91,490	101,599	189,196	171,372	171,372		164,832	172,414	180,173
Transfers and subsidies					120,000	120,000	120,000		120,000	120,000	120,000
Operational costs	3	99,482	133,302	141,720	114,168	138,664	138,664		145,188	151,877	158,722
Losses on disposal of Assets		2,026	9,463	28,282							
Total Expenditure		2,820,531	3,262,037	3,395,181	3,395,493	3,435,077	3,435,077	-	3,989,806	4,172,876	4,360,923
Surplus/(Deficit)		(88,180)	(293,902)	(388,973)	250,636	211,052	211,052	-	231,818	242,712	253,859
Transfers and subsidies - capital (monetary allocations)		43,761	24,753	41,110	68,058	68,058	68,058		50,618	50,710	53,260
Transfers and subsidies - capital (in-kind)											
Surplus/(Deficit) after capital transfers & contributions		(44,419)	(271,149)	(347,863)	318,693	279,110	279,110	-	282,436	293,421	307,118
Income Tax		(22,361)	(79,727)	(96,817)							
Surplus/(Deficit) after income tax		(22,058)	(191,422)	(251,046)	318,693	279,110	279,110	-	282,436	293,421	307,118
Share of Surplus/Deficit attributable to Joint Venture											
Share of Surplus/Deficit attributable to Minorities											
Surplus/(Deficit) attributable to municipality		(22,058)	(191,422)	(251,046)	318,693	279,110	279,110	-	282,436	293,421	307,118
Share of Surplus/Deficit attributable to Associate											
Intercompany/Parent subsidiary transactions											
Surplus/ (Deficit) for the year		(22,058)	(191,422)	(251,046)	318,693	279,110	279,110	-	282,436	293,421	307,118

Projected Financial Position

- Table D4 Budgeted Financial Position

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	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
R thousands											
ASSETS											
Current assets											
Cash and cash equivalents		15,821	3,013	24,295	31,099	31,099	31,099		32,529	34,026	35,693
Trade and other receivables from exchange transactions	1	551,355	512,823	533,983	589,107	589,107	589,107		616,205	644,551	676,134
Receivables from non-exchange transactions	1	103,765	132,878	147,360	93,330	93,330	93,330		97,623	102,114	107,117
Inventory	2	96,587	125,051	127,054	103,306	103,306	103,306		108,058	113,029	118,567
Other current assets		275	274	191							
Total current assets		767,802	774,040	832,884	816,841	816,841	816,841	-	854,416	893,719	937,512
Non current assets											
Investments	3		300	108							
Property, plant and equipment		6,324,672	6,219,525	6,087,345	6,213,973	6,213,973	6,213,973		6,191,959	6,168,932	6,471,210
Intangible assets	1	95,231	95,574	98,177	85,169	85,169	85,169		74,254	62,838	65,917
Other non-current assets		1,289,477	1,342,778	1,414,854	1,279,967	1,279,967	1,279,967		1,338,640	1,400,104	1,468,709
Total non current assets		7,709,381	7,658,177	7,600,484	7,579,109	7,579,109	7,579,109	-	7,604,854	7,631,874	8,005,836
TOTAL ASSETS		8,477,183	8,432,217	8,433,368	8,395,950	8,395,950	8,395,950	-	8,459,270	8,525,594	8,943,348
LIABILITIES											
Current liabilities											
Financial liabilities		1,813	1,998	1,511	27,708	27,708	27,708		28,982	30,316	31,801
Consumer deposits		127,043	130,374	160,496	123,143	123,143	123,143		128,808	134,733	141,335
Trade and other payables from exchange transactions	4	523,017	655,760	602,132	886,159	886,159	886,159		926,922	969,561	1,017,069
Provision		1,831	2,489	613	39,823	39,823	39,823		41,654	43,571	45,706
VAT		169,842	217,130	247,523	-	-	-				
Other current liabilities		6,655	6,604	6,554	-	-	-				
Total current liabilities		830,201	1,014,345	1,018,830	1,076,833	1,076,833	1,076,833	-	1,126,367	1,178,180	1,235,911
Non current liabilities											
Financial liabilities	6	853,594	854,289	830,628							
Provision	7	2,214,852	2,188,379	2,446,141	1,465,600	1,465,600	1,465,600		1,532,185	1,603,631	1,682,209
Total non current liabilities		3,068,445	3,042,668	3,276,769	1,465,600	1,465,600	1,465,600	-	1,532,185	1,603,631	1,682,209
TOTAL LIABILITIES		3,898,647	4,057,013	4,295,599	2,542,433	2,542,433	2,542,433	-	2,658,553	2,781,811	2,918,120
NET ASSETS	2	4,578,537	4,375,204	4,137,769	5,853,517	5,853,517	5,853,517	-	5,800,717	5,743,783	6,025,228
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	8	484,626	213,373	(37,673)	1,381,440	1,381,440	1,381,440		1,353,940	1,326,069	1,391,047
Reserves and funds	9	4,093,911	4,161,831	4,175,442	4,472,077	4,472,077	4,472,077		4,446,777	4,417,714	4,634,181
TOTAL COMMUNITY WEALTH/EQUITY	2	4,578,537	4,375,204	4,137,769	5,853,517	5,853,517	5,853,517	-	5,800,717	5,743,783	6,025,228

Projected Cash Flow Statement

Budgeted cash flow

- Table D5 Budgeted Cash Flow

Statement of Budgetary Control											
Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	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
R thousands											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates											
Service charges		2,636,799	2,868,571	2,974,169	3,399,585	3,399,585	3,399,585		3,566,165	3,730,208	3,898,068
Other revenue					20,560	20,560	20,560		21,567	22,559	23,574
Transfers and Subsidies - Operational	1				67,300	67,300	67,300		70,598	73,845	77,168
Transfers and Subsidies - Capital	1	51,488	28,571	63,120					-	-	-
Interest		23,760	25,299	27,143	32,619	32,619	32,619		34,217	35,791	37,401
Payments											
Suppliers and employees	2	(2,529,383)	(2,774,842)	(2,834,697)	(3,171,657)	(3,147,362)	(3,147,362)		(3,325,971)	(3,486,062)	(3,642,853)
Finance charges		(11,863)	(9,675)	(49,144)	(229)	(229)	(229)		(240)	(251)	(262)
Transfers and Subsidies					(120,000)	(120,000)	(120,000)		(125,880)	(131,670)	(137,596)
NET CASH FROM/(USED) OPERATING ACTIVITIES		170,800	137,925	180,591	228,177	252,473	252,473	-	240,455	244,400	255,501
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		275	275	274	9,285	9,285	9,285		9,740	10,188	10,646
Payments											
Capital assets		(129,106)	(149,423)	(157,914)	(228,884)	(228,884)	(228,884)		(240,100)	(251,144)	(262,446)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(128,831)	(149,148)	(157,641)	(219,599)	(219,599)	(219,599)	-	(230,360)	(240,956)	(251,799)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Increase (decrease) in consumer deposits		(58,656)	(1,584)	(1,669)	(1,774)	(1,774)	(1,774)		(1,861)	(1,947)	(2,034)
Payments											
Repayment of borrowing											
NET CASH FROM/(USED) FINANCING ACTIVITIES		(58,656)	(1,584)	(1,669)	(1,774)	(1,774)	(1,774)	-	(1,861)	(1,947)	(2,034)
NET INCREASE/ (DECREASE) IN CASH HELD											
	1	(16,686)	(12,808)	21,282	6,804	31,099	31,099	-	8,234	1,496	1,667
Cash/cash equivalents at the year begin:	2	32,508	15,821	3,013	24,295	24,295	-	24,295	24,295	32,529	34,026
Cash/cash equivalents at the year end:	2	15,821	3,013	24,295	31,099	55,394	31,099	24,295	32,529	34,026	35,693

26. REFERENCES

- *CENTLEC Annual Report: 2020/2021*
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