



# **DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL YEAR**

**2020/2021**

## Acronyms and abbreviations

BSC	Budget Steering Committee
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DoRA	Division of Revenue Act
EXCO	Executive Committee
FBS	Free basic services
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IBT	Inclining Block Tariff
IDP	Integrated Development Plan
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act (56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
mSCOA	Municipal Standard Charts of Account
MTBPS	Medium Term Budget Policy Statement
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator of South Africa
NDP	National Development Plan, 2030
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

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## Part 1 – Annual Budget

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### **1.1 Mayor's Report (Budget speech)**

Mayoral speech will be tabled separately by the Mayor on May 2020 when approving final budget.

## 1.2 Council Resolutions

Year 2021 will be the last council term since previously sworn in council during 2016 election. In terms of the Municipal Systems Act, new council will be expected to draft through prescribed consultation with all stakeholder a 5-year Municipality Integrated Development Plan which will prioritise all government spending and be aligned to the National Development Planning programs during 2021. Therefore, the current budget for financial period 2020/21 will be the final council budget to conclude on all planning as formulated during the council seating in 2016.

The strategic direction that the Municipality will undertake is set out in its five-year Integrated Development Plan (IDP).

The Medium-Term Revenue and Expenditure Framework (MTREF) allows for a three-year planning and spending framework. The MTREF planning horizon allows Municipality to improve planning and to project the impact of policy choices on future budgets.

Since current council was sworn in during 2016, the 2019/2020 MTREF will mark as the fifth terms for the councillors to implement the annual budget which seek to improve the service delivery of Bela-Bela Local Community.

Circular 99 was issued during 9<sup>th</sup> March 2020. Among the objectives of this Circular, is to support municipalities with giving effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR) within the current economic climate.

As a result of the stipulated requirement in the budget circular, the 2020/2021 Medium Term Revenue and Expenditure will seek to address any service delivery in the community of Bela-Bela and unable the council to further implement any proposed project emulating from previous financial year together with the newly identified service delivery projects.

In terms of Section 16(2) of the Municipal Finance Management Act (56 of 2003), "the mayor of the municipality must table the annual budget at a council meeting *at least 90 days before the start of the budget year*. This budget is usually referred to as the "draft budget". Paragraph 9 and Schedule A of the Municipal Budget and Reporting Regulations prescribe the format and contents of the budgets of municipalities and municipal entities.

The Mayor of Bela-Bela Local Municipality is expected to table the draft budget, in terms of section 16(2) of the MFMA during March before public consultation begin. At the meeting the, the following resolutions will be approved:

1. The Council of Bela-Bela Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2020/2021 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 17;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 18;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 19; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 20.

- 1.2. The cash flow budget, cash-backed reserve/accumulated surplus and asset management are approved as set out in the following tables:
  - 1.2.1. Budgeted Cash Flows as contained in Table 22;
  - 1.2.2. Asset management as contained in Table 24.
2. The Council of Bela-Bela Local Municipality approved the following 2020/2021 revised budget related policies and By-Laws as set out in Annexure 1:
  - 2.1. Credit Control and Debt Collection Policy
  - 2.2. property Rates Policy
  - 2.3. Assets Management Policy
  - 2.4. Indigent Policy
  - 2.5. Borrowing framework policy
  - 2.6. Budget Implementation and Monitoring Policy
  - 2.7. Cash Management and Investment Policy
  - 2.8. Funding Reserves Policy
  - 2.9. Prioritisation Model for Capital Assets Investment
  - 2.10. Policy on Infrastructure Investment and Capital Projects
  - 2.11. Policy on Long Term Financial Planning
  - 2.12. Policy on Provision for doubtful debts and writing off of irrecoverable debts
  - 2.13. Principles and Policy on Tariffs
  - 2.14. Petty Cash Policy
  - 2.15. Supply Chain Management Policy
  - 2.16. Property Rates By-Law
  - 2.17. Indigents support By-Law
  - 2.18. Tariffs By-Law
  - 2.19. Credit control and debt collection By-Laws.

All other budget related policies and By-Laws remain unchanged from the previous year.

3. The Council of Bela-Bela Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2020 the rates and tariffs as set out in Annexure 2;
  - 3.1. the tariffs for property rates;
  - 3.2. the tariffs for electricity;
  - 3.3. the tariffs for the supply of water;
  - 3.4. the tariffs for sanitation services;
  - 3.5. the tariffs for solid waste services;
  - 3.6. the tariffs for all sundry services;
4. To give proper effect to the municipality's annual budget, the Council of Bela-Bela Local Municipality approves:
  - 4.1. That the municipality is not budgeting to raise long-term loans to fund the capital budget.
5. That the Accounting Officer adheres to all prescribed requirements in terms of legislation regarding the submission of the budget document to the various institutions.

### 1.3 Executive Summary

National Treasury has in the past, published budget review notes where spending plans were outlined and commitment to support government's commitment to broadening service delivery and expanding investment in infrastructure, while taking account of the constrained fiscal environment. It provides the foundation for structural reforms and is focused on the transformation essentials which will ultimately accelerate growth, create work opportunities and build an equal society. The emphasis of the National Budget is placed on ensuring that expenditure is allocated in an efficient manner, that management is enhanced and that cutting of waste occur. It is therefore imperative that we follow the tone at the top and ensure that our own local budget exhibits the same potential for being a developmental local government and implement cost containing measures to eliminate non-priority spending

The Service Delivery and Budget Implementation Plan (SDBIP) give effect to the IDP and the budget of the municipality. It is an expression of the objectives of the Municipality in quantifiable outcomes that will be implemented by the administration for the financial period from 1 July 2020 to 30 June 2021 (Municipality's financial year). It includes the service delivery targets and performance indicators for each quarter which is linked to the performance agreements of senior management. It therefore facilitates oversight over financial and non-financial performance of the municipality and allows the Municipal Manager to monitor the performance of the Senior Managers, the Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality as a whole.

The process of developing the municipality's annual budget is mostly guided by the strategic thrust and operational priorities of Bela-Bela's Integrated Development Plan (IDP) as well as the MTREF that sets out the expected annual revenue and projected expenditure for the budget year under consideration, plus the outer years.

The municipality has been subjected to statutory audit from the beginning of August 2019 to the end of November 2019; The Office of the Auditor General is responsible for all the statutory audit function of the Municipality.

Despite the collective effort in driving municipality performance agreement by all departments, municipality received qualified audit opinion on the 2018/19 financial year. The audit finding which led to qualification was as result of understated irregular expenditure in the disclosure notes.

Audit finding which led to qualification are well known and quantified by the Municipality and this form part of the developed AGSA action plan. Extra effort has been put in place through the established AGSA action plan committee which seek to address any issues raised. To ensure the committee is effectively discharge; the accounting officer oversee the committee as the chairperson. Municipality plan to improve audit outcome in the 2020/2021 financial year and will use 2019/2020 financial year as the learning curve to any shortcoming experienced

Bela-Bela Local Municipality will strive on each financial reporting years to recognises the application of sound financial management principles for the compilation of the municipality's financial plan as essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality also embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. A critical review was also undertaken of expenditures on noncore and 'nice to have' items and which led to implementation of cost

containment measures. Fixed term service providers contracts are continually reviewed with a view to reduce the monthly fixed costs.

### **m-SCOA Implementation**

Bela-Bela Local Municipality has successfully migrated into m-SCOA as from 1st of July 2017. Municipality had for the 2018/2019 and 2019/2020 financial period manage to compile its annual financial statement based on the m-SCOA chart of account.

Challenges were however experienced during the compilation of the 2018/2019 annual financial statement relating to segment not being properly set to allow proper budgeting. Municipality had embarked on project to correct this starting from 10th January 2020 and was completed during the finalization of 2019/2020 budget adjustment.

Municipality had established a committee which oversee the implementation of the plan to resolve the challenges as outlined above. The committee consist among others National Treasury and Provincial Treasury delegate and the System vendor representative.

Bela-Bela Local Municipality had also played a vital role on specific strategies and interventions required by local government in achieving economic stability and higher levels of growth as outlined in the Medium-Term Budget Policy Statement and include, among others:

- Intervention in expanding public sector investment in infrastructure through ensuring the budgets and MTREF's acknowledge that capital programmes need a balanced funding structure addressing not only backlogs in services, but also investment in new infrastructure as well as renewing current infrastructure which also sustain the Bela-Bela Local Municipality as an eco-tourism hub;
- The Municipality continue to create a joint planning with its community and business sectors. This means that all economic forces in the local situation have to be brought on board to identify resources, understand needs and work out plans to find the best ways of making the local economy fully functional, investor friendly and competitively productive; and

Before compilation of the 2020/2021 to 2022/2023 planning and budget process, a review to the municipality's service delivery prioritises were done. Strategic planning sessions where planning of the 2020/2021 budget was held during February 2020. The compilation of the 2020/2021 budget was further guided by prescribed budget legislative, policy frameworks and budget circulars.

The following budget principles and assumptions directly informed the compilation of the 2020/2021 MTREF;

- National Treasury's MFMA Circular No. 48, 51, 55, 58, 59, 66, 67, 70, 72, 74, 75, 78, 79, 80, 86, 89, 91, 93, 94 and 99 were used to guide the compilation of the 2020/2021 MTREF.
- Headline inflation predictions;
- National outcomes and priorities as contained in the NDP, MTBPS, the President's State of the Nation Address and the 2020 national budget;
- NERSA guidelines;
- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;



- The 2019/2020 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baseline for the 2020/2021 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs. In this vein, the municipality appointed specialists to remodel the water, electricity and sanitation tariffs to be cost reflective;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An assessment of the relative human resources capacity to implement the Budget;
- The need to enhance the municipality's revenue base;
- All conditional grants should always be cash backed;
- Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations;
- Operational cost will be maintained at current levels or reduced as cost containment measures will continue to be implemented; and
- Expenditure will be strictly monitored and be limited to the "absolutely necessary" items. Expenditure on the "nice to have" will be stopped forthwith.

During the compilation of 2020/2021 MTREF Municipality determined few challenges which will have an impact on the revenue and expenditure projections as follows:

- The on-going difficulties in the national and local economy;
- The modestly increasing debt as a result of non-payment;
- Aging and insufficiently funded maintenance for water, roads and electricity infrastructure;
- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the Budget, taking the Municipality's cash position into account;
- The increased cost of bulk water and electricity (due to tariff increases from Magalies Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Insufficient Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources; and

During the 2020/2021 budget no re-modelling on tariff will be done other than applying normal tariff rate increase linked to Consumer Price Inflation (CPI) of 4.6% as recommended in circular 99 issued by National Treasury during month of March 2020.

Tariffs on sundry services, service charges and property rates have increased by 4.6% in the 2020/2021 financial year in line with the relevant guidance provided. Circular 99 provide that any increase in tariff rates above 4.6% will require justification to be narrated on each increase above such rates. The justification on each tariff are details on the tariff summary sections on this budget book.

On the expenditure side, the percentage increases were as follows:

- Provision on Councillor's allowances were increased in accordance to SALGA prescribed rates of 5% (estimated for new financial year).
- Bulk purchases increased by 7.8% from the adjusted budget.

- Employee costs are increased by 6.5% from 2019/20 adjusted budget.
- Overall expenditure was increased by 1% from the adjusted budget.

Municipality intend to hold public participation sessions with the communities after the budget have been tabled to council at the end of March 2020 in terms of the relevant legislation. The sessions are due be conducted during the month of April 2020 in line with the prescribed budget regulations dealing with consultation requirement. The issues raised in the previous budget year of 2019/2020 were mostly around complaints about accounts, implementation of credit control policy, housing, security, use of drugs and lack of recreational facilities for the youth. These issues will continue to be considered when drafting 2020/2021 budget and allow the issues to be taken through the governance structures for further processing.

The budget benchmarking exercise with relevant treasury will also form part of the 2020/2021 budget compilation process to allow them to perform assessment for credibility, relevance and sustainability. The inputs from the session will be incorporated in this budget. In terms of compliance assessment, this budget will be considered if it is compliant by the Provincial Treasury. Where necessary few budget tables (A Schedule) have been adjusted to obtain full compliance and to align to mSCOA requirement.

Council has in the past resolved to build up a Capital Reserve Fund over the medium-term in terms of the long-term financial plan/policy. This resolution was not successfully implemented during 2019/2020 budget year. Over the MTREF outer years Council expects to have built up enough cash reserve in order to fund own source projects. Municipality plan to have surplus of R15 million in the 2020/21 budget year and the reserve will be kept which will assist Municipality to fund any internal capital projects. Municipality projected to have few own funded projects after through consultation with relevant stakeholders.

With regards to grant funding, MIG is allocated around R25.7 million, INEP R11.5 million and with water infrastructure (WSIG) having received higher allocation of R37.4 million in the 2020/2021 budget year.

The credit and debt collection drive that Council embarked on in the past financial year resulted in the payment level improved. In this regard, the administration is continuing to implement the following;

- Efficient revenue management, which aims to ensure a minimum of 95% annual collection rate for property rates and other key service charges.
- Consistent and sustainable implementation of credit control action to all households and other consumers that can afford payment of services, including reminder letters, telephone, sms and other means of reminding consumers of the obligation with regard to their municipal accounts;
- Compilation of indigent register;
- Resolution of the current non-payment by the farmers;
- Accurate and predictable monthly billing of municipal services, which requires that accounts are send regularly and on time can enable consumers to plan or arrange for payment of services;
- Conduct electricity and water meter audit in order to address the losses; and
- A continuance campaign that is led by the respective ward Councillor to promote payment of services within each ward. This campaign should include all stakeholders and the ward committees.

### **1.3.1. Budget Overview for the 2020/2021 MTREF**

This section provides an overview of Bela-Bela Local Municipality's 2020/2021 to 2022/2023 MTREF. It focuses on the billing and revenue environment of the Municipality; the expenditure framework includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of the municipality. As mentioned in the preceding paragraph, this budget continues to be assessed by both National and Provincial Treasuries during consultation and thereafter for:

- Credibility – revenue and expenditure estimates are realistic;
- Relevance – to the legislation (compliance), IDP and national government priorities; and
- Sustainability – the revenue, expenditure and cash flow estimates are achievable over the short to medium term.

#### **1.3.1.1. Budget related By-Laws**

Constitution of the republic gives Local Councils powers to pass laws in a form of By-Laws. By-Laws are local laws that are only applicable in the Jurisdiction of the Local Municipality.

##### **Tariffs By-Law**

The tariff By-Law give the Municipality powers to levy tariffs as outlined on the Municipal Systems Act. Tariffs that are levied by the Municipality includes the following services:

- Electricity services
- Water services
- Sanitation services
- Waste removal
- Cemetery services
- Other sundry tariffs as listed on the tariff book.

There are no major changes in the 2020/2021 financial year other than a normal increase in tariff at rate equivalent to CPI.

##### **Property Rates By-Law**

Property By-Law is adopted in terms of Local Government: Municipal Property Rates Act, 2004 in order to give effect to the implementation of its property rates policy; the by-laws may differentiate between the different categories of properties and different categories of owners of properties liable for the payment of rates.

##### **Indigent's By-Law**

The main objective of the Indigent By-Law is to ensure that the poor households within the Municipal jurisdiction get access to basic services. The by law also paves a way for the council to draft the Indigent policy which outlines the qualification criteria's and the quantity of free services that the approved consumers will receive on a monthly basis.

##### **Credit control and debt collection By-Law**

The credit control and debt collection by-law give the Municipal Council to draft a Credit Control and Debt collection policy which guides the municipality on the frequency of billing for the services rendered, closing dates of accounts payments. The By-Laws also gives the Municipality powers to disconnect services in the event of misuse or non-payment.

#### **1.3.1.2. Budget related policies**

Council has a role to draft policies that are used on the running of the Municipality. Policies are used for the smooth running of administration. The Municipal budget related policies are as follows:

- Credit Control and Debt Collection Policy
- Property Rates Policy
- Assets Management Policy
- Indigent Policy
- Borrowing framework policy
- Budget Implementation and Monitoring Policy
- Cash Management and Investment Policy
- Funding Reserves Policy
- Prioritisation Model for Capital Assets Investment
- Policy on Infrastructure Investment and Capital Projects
- Policy on Long Term Financial Planning
- Policy on Provision for doubtful debts and writing off of irrecoverable debts
- Principles and Policy on Tariffs
- Petty Cash Policy
- Supply Chain Management Policy
- Tariff policy

There few were changes made on the following policies:

##### *Supply Chain Management Policy*

The policy was reviewed in order to align it with the Supply Chain Management regulations. Special emphasis was also taken into consideration in order to address shortcoming in supporting local small business.

One other consideration taken into the policy was the review in order to provide transparency in the procurement process and eliminate any non-compliance raised by AG in the past.

#### **1.3.1.3. Operating Revenue Framework**

Despite financial challenges experienced by Bela-Bela Local Municipality, the council will continue improving the quality of services provided to its citizens and generate the required revenue levels without creating heavy burden to the community. In these tough economic times, strong revenue management is fundamental to the financial sustainability of the

municipality. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices and trade-off have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The Municipality's revenue strategy is built around the following key components:

- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality
- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure at least 95% annual collection rate for property rates and other key service charges;
- Continuous engagements with key stakeholders, particularly farmers and business, to collect outstanding debt and improve current collection levels;

The following table is a summary of the 2020/2021 MTREF (classified by main revenue source):

**Table 1 Summary of revenue classified by main revenue source**

Description	Ref	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	<b>1</b>							
<b>Revenue By Source</b>								
Property rates	2	90 845	90 845	90 845	(11 373)	94 479	98 258	102 189
Service charges - electricity revenue	2	141 362	141 362	141 362	87 807	147 928	153 845	159 998
Service charges - water revenue	2	31 200	31 200	31 200	11 291	32 060	33 342	34 676
Service charges - sanitation revenue	2	17 383	17 383	17 383	13 380	17 905	18 621	19 366
Service charges - refuse revenue	2	12 739	12 739	12 739	9 366	8 765	9 116	9 481
Rental of facilities and equipment		1 462	1 662	1 662	1 094	1 728	1 798	1 870
Interest earned - external investments		4 272	2 272	2 272	1 151	2 363	2 458	2 556
Interest earned - outstanding debtors		11 252	13 252	13 252	8 985	13 730	14 279	14 850
Dividends received		—	—	—	—	—	—	—
Fines, penalties and forfeits		17 526	10 000	10 000	406	10 200	10 608	11 032
Licences and permits		4 926	4 926	4 926	18 826	5 172	5 379	5 594
Agency services		—	—	—	—	—	—	—
Transfers and subsidies		93 655	93 655	93 655	94 227	103 274	111 756	121 115
Other revenue	2	8 263	8 263	8 263	2 619	8 593	8 937	9 295
Gains		—	—	—	—	—	—	—
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>434 886</b>	<b>427 560</b>	<b>427 560</b>	<b>237 778</b>	<b>446 198</b>	<b>468 397</b>	<b>492 021</b>

Bela-Bela Local Municipal budget is financed through realistically anticipated revenue streams.

Bela-Bela Local Municipality anticipate collecting operating revenue (total operating revenue less revenue forgone) during the 2020/2021 financial year of an estimated R446 million or R 4% more than the 2020/2020 adjustments budget revenue of R427 million. Detail increases on each revenue sources were increased within the CPI rate and where the increase was above CPI rates, reason was provided as required by Circular 99.

Operating grants which are guided by Division of Revenue Act (DoRa) was increased from R93 Million to R103 million which represent 9%. Grant to fund capital spending decreased from R76 million to R78 million in the 2020/2021 financial year.

Overall services charges revenue increased by 2% from the 2020/2021 adjusted budget. The increase was further driven by the increase in certain revenue stream such as water, electricity and sanitation which had been increased in line with Consumer Price Inflation (CPI) of 4.6% as recommended in circular 99 issued by National Treasury during month of March 2020.

### **Details analysis of revenue sources**

#### ***Property Rates***

Property rates tariff was increased by 4.6% for the 2020/2021 budget year. However, the total property rates revenue increase was projected to be more by 4% from the adjusted budget. The resulted 4% was to take into account any outcome of objections.

The following stipulations in the reviewed Property Rates Policy are highlighted:

#### **Municipal properties**

Municipal properties are exempted from paying property rates.

#### **Residential properties**

Residential properties with improvements shall be granted R50 000 exemption on the market value and further rebate of 10%. Indigents households shall be granted 100% rebate on property rates i.t.o Indigent Policy.

Farms used for residential purposes shall be granted a R50 000 exemption on the market value and further rebate of 30%.

Bona Fide Farmers shall be granted rebate of 55%

The council shall grant additional rebate of 30% to pensioners/disabled persons i.t.o Property Rates Policy

### Public Service Infrastructure

Public Services Infrastructure is exempted from paying rates as it provides essential services to the community.

### Public Benefit Organisations

Public Benefit Organisation Property means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.

The abovementioned exemptions will automatically apply and no application is thus required by the owners of such property. Property rates tariffs are depicted in table 4 below:

### Cash management and investment policy

Money deposited into the Municipality's bank account by unknown persons for unknown reasons without traceable reference that cannot be allocated for a period of 24 month will be classified as Municipality's other revenue after public advertisement for 14 days as prescribed in the Municipal policy.

**Table 4: Property rates tariffs**

Rating Category	2019/2020	2020/2021
	R/c	R/c
BUSINESS & COMMERCIAL	0.0157	0.0164
AGRICULTURAL	0.0031	0.0032
FARMS OTHER	0.0166	0.0164
FARMS RESIDENTIAL	0.0125	0.0131
VACANT LAND	0.0166	0.0164
INDUSTRIAL	0.0157	0.0164
MUNICIPAL PROPERTY	0.0157	0.0164
PRIVATE OPEN SPACE	0.0125	0.0131
PROPERTIES USED FOR PUBLIC BENEFIT ACTIVITIES	0.0031	0.0032
RESIDENTIAL	0.0125	0.0131
STATE-OWNED PROPERTY	0.0157	0.0164

### ***Service charge: Electricity***

The total cost of distributing electricity in the 2020/2021 financial year will be R118 million, the Municipality will only raise revenue to the value of R147 million. It is clear that the Municipality will be selling electricity at a surplus in the 2020/2021 financial year. However the resulted surpluses didn't take into account the electricity losses which Municipality experienced from the past financial year due to illegal connection.

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. However, there has not been any determination by NERSA since the impasse around Eskom's application.

While the court case between NERSA and Eskom is still pending, municipalities was instructed to use the tariff increases previously (March 2019) approved by the regulator of 8.1% for 2020/21, 5.2% 2021/22 and 8.9% for 2022/23.

As result, Municipality has proposed the following tariff for 2020/2021 financial year:

## **Water**

Water tariffs for 2020/2021 will increase in line with Magalies Water tariffs. The proposed increase for 2020/2021 is 12% as per Municipality tariff book.

Therefore, the resulted increase is not within the recommended CPI of 2020/2021 budget year. Magalies continues to increase its bulk tariffs on each financial period which is always above the increased tariff rates.

**Table 6: Water tariffs (Variable cost)**

	2019/2020		2020/2021	
	Rand		Rand	
Range	Residential, Churches, School, PBO, Hospitals - State	Commercial, Government, hotels, Resorts and Other	Residential, Churches, School, PBO, Hospitals – State	Commercial, Government, hotels, Resorts and Other
	Rate (R/kl)	Rate (R/kl)	Rate (R/kl)	Rate (R/kl)
0 kl - 30 kl	13.90	20.86	15.57	23.36
31 kl - 50 kl	16.67	25.02	18.67	28.02
51 kl - 80 kl	20.00	30.02	22.40	33.62
81kl – 100kl	22.00	33.02	24.64	36.98
101kl – 130kl	22.00	33.02	24.64	36.98
131kl – 210kl	22.00	33.02	24.64	36.98
211kl – more	22.00	33.02	24.64	36.98

The variable cost components are as follows:

**Table 7: Water tariffs (Fixed costs)**

2019/2020		2020/2021	
Rand		Rand	
Residential, Churches, School, PBO, Hospitals - State	Commercial, Government, hotels, Resorts and Other	Residential, Churches, School, PBO, Hospitals - State	Commercial, Government, hotels, Resorts and Other
Rate per meter	Rate per meter	Rate per meter	Rate per meter
73.22	114.15	82.01	127.85



2019/2020				2020/2021			
	Basic charge	Capacity charge	Energy charge		Basic Charge	Capacity Charge	Energy Charge
	Rand/ Month	R/ Amp/m	c/kWh		Rand/ Month	R/ Amp/m	c/kWh
Domestic Prepaid ( Indigents)	0	0	168.97	Domestic Prepaid ( Indigents)	0	0	182.66
Domestic Prepaid	0	0	168.97	Domestic Prepaid	0	0	182.66
Domestic Conventional	0	0	168.97	Domestic Conventional	0	0	182.66
<b>General Tariffs</b>							
	Basic charge	Capacity charge	Energy charge		Basic Charge	Capacity Charge	Energy Charge
General Tariffs: Government, Business	Rand/ Month	R/ Amp/m	c/kWh	General Tariffs: Government, Business	Rand/ Month	R/ Amp/m	c/kWh
General Tariffs Prepaid 30 Amp			217.2	General Tariffs Prepaid 30 Amp			234.79
General Tariffs Prepaid > 20Amp 1 Phase	61.53	16.88	146.17	General Tariffs Prepaid > 20Amp 1 Phase	66.51	18.24	158.01
General Tariffs Conventional Business and Government				General Tariffs Conventional Business and Government			
Single Phase:	61.53	16.88	146.17	Single Phase:	66.51	18.25	158.01
Three Phase:	92.31	16.88	146.17	Three Phase:	99.79	18.25	158.01
<b>Industrial Tariffs</b>							
	Basic charge	Demand charge	Energy charge		Basic charge	Demand charge	Energy charge
Industrial Tariffs	Rand/ Month	R/ Amp/m	c/kWh	Industrial Tariffs	Rand/ Month	R/ Amp/m	c/kWh
Low Voltage	1426.39	175.37	128.56	Low Voltage	1541.93	189.58	138.97
Medium Voltage	3379.61	175.97	125.98	Medium Voltage	3379.61	175.97	125.98
<b>Agricultural Tariffs</b>							
	Basic charge	Capacity charge	Energy charge		Basic charge	Capacity charge	Energy charge

Agricultural Tariffs ( Prepaid and Conventional )	Rand/ Month	R/ Amp/m	c/kWh	Agricultural Tariffs ( Prepaid and Conventional )			c/kWh
Low Voltage	184.61	16.88	146.17	Low Voltage	199.56	18.25	158.01

### ***Sewerage (Sanitation)***

The proposed increase in sanitation tariff for 2020/2021 MTREF is 4.6%

**Table 8: Sanitation tariffs**

Description	2019/2020	2020/2021
	Rand	Rand
a) Residential/Flats/ Security Villages	208	218
b) Commercial/Government/Resorts/Hotels and Other	418	437
c) Churches/Schools/PBO	208	218
d) Hospitals – State	208	218
e) Hospitals – Private	418	437

### ***Refuse (Solid Waste)***

The proposed increase on refuse for 2020/2021 financial year is 4.6%.

**Table 9: Refuse tariffs**

Description	2019/2020	2020/2021
	Rand	Rand
a) Residential		
Smaller than 800m <sup>2</sup>	78	82
Larger than 800m <sup>2</sup>	183	191
b) Commercial	365	382
c) Security Villages (per container)	3577	3742
d) Churches	183	191
e) Schools – State	365	382
f) Hospitals – State	365	382
g) Hospitals – Private	2953	3089

### ***Sundry Services***

Tariffs for sundry services have been increased with a rate that is in line with National Treasury guideline which is set at 4.6%.

### ***Cemetery***

Description	2019/2021		2020/2021	
Item	Adults ( per grave)	Children ( per grave)	Adults ( per grave)	Children ( per grave)
a) Cemetery A	1326	1249	1387	1306
b) Cemetery B	1326	1249	1387	1306
c) Cemetery C	1326	1249	1387	1306
d) Cemetery D (Muslim Section)	1407	1249	1472	1306
e) Cemetery E	593	484	620	506
f) Cemetery F (Masakhane)	593	484	620	506
g) Non-Residents	2477	2299	2591	2405
h) To open grave for second burial		645		675
i) Booking on Friday for same weekend		824		862
j) Exhumation		824		862
k) Burial of Ashes		645		675
l) Tombstones (permission)		331		346
m) Enlarging of graves (double graves compulsory)	Double applicable tariff per section		Double applicable tariff per section	
n) Use of TLB for burial purposes		188		197

### ***Conclusion remarks on tariffs***

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of CPI. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment and community unrest.

The percentage increases of Magalies Water bulk tariffs are above the mentioned inflation target. Material purchases were set to increase by 12%. These tariff increases are determined by external agencies, the impact they have is largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals,

cement, etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

### **Grants**

Bela-Bela Local Municipality had in the past financial period met all condition as per the allocated grant, with exception to 2019/20 where roll over on project was applied. Bela-Bela Local Municipality further anticipate implementing proposed 2020/2021 projects within the time frame as stipulated in the grant conditions.

The following table provides a breakdown of the various capital and operating grants and subsidies allocated to the municipality over the medium term:

**Table 2 Transfers and Grant Receipts (2020/2021)**

GRANT	FINANCIAL YEAR		
	2020/21	2021/22	2022/23
MIG	24 472 008	26 320 688	27 673 500
WSIG	37 475 000	40 086 000	32 010 000
INEP	11 548 000	12 000 000	7 000 000
EEDSM	4 000 000	6 000 000	-
<b>Total</b>	<b>77 495 008</b>	<b>84 406 688</b>	<b>66 683 500</b>

Operating Grant	2020/21	2021/22	2022/23
Equitable share	99 226 000	108 671 000	117 958 000
FMG	1 700 000	1 700 000	1 700 000
EPWP	1 060 000	-	-
PMU cost	1 288 000		
<b>Total</b>	<b>103 274 000</b>	<b>110 371 000</b>	<b>119 658 000</b>

### **Operating grant dependence**

Grant dependence ratio is sitting at 23% of total revenue of R446 million. The ratio measures the extent to which the municipality's total operating expenditure is funded through internally generated funds or borrowings. The rate of 23% indicates that municipality is not significantly grant dependent regarding funding of operations. Municipality does not as well relied on borrowings.

### **Debt Management**

Bela-Bela Local Municipality debtors book have in the past financial year slight increased. Majority of Municipality debtor's book relate to debt over 120 days. Further reason for steady

collection to reduce old debts which have become difficult to collect, relate to difficulties in locating or tracing some of the debtors.

The set collection rate during 2020/2021 was 95% of the billed revenue. Municipality had enforced the issue of credit control by making sure the credit control policy is fully implemented.

The Municipality has also promulgated the Credit Control and Debt Collection policy to strengthen the internal credit control and debt collection procedures through handing over of all debt over 60 days to the appointed debt collector. The debt collector is employed on a basis of performance and certain targets been agreed to between the service provider and the municipality. If these performance targets are not met, the municipality will have to enforce all penalty clauses to debt collectors.

For the 2018/19, Municipality credit control official had engage legal section in order to help find a legal backing to help issue legal summon to the defaulters. This will further strengthen Municipality credit control.

#### ***Further plans to reduce debt***

- ✓ Write-off debt and interest on irrecoverable accounts upon council approval.
- ✓ Implementation of revenue enhancement strategy with the assistance of National Treasury.
- ✓ Municipality is in the process of negotiating with ESKOM to implement credit control measures in Pienaarsrivier and Masakhane by way of Electricity disconnections with the aim to recover R33.8 Million debt pertaining to Pienaars and Masakhane

There are approved indigents who are failing to settle their accounts due to lack of income or low income. We are therefore unable to recover the debt from this group of customers. The debt was taken to council to request approval for write-off during 2020/2021 financial year, however, it was deferred pending verification of the data and budget availability.

Communications will be sent out through stating that interest will be written off when the account is settled in full (as per Doubtful and Irrecoverable Debt Policy). The aim is to encourage more consumers to settle their accounts in full.

We are also in the process of correcting the billing data in Spa Park to ensure completeness and accuracy of revenue. There are about 151 stands that we are currently verifying physically as most of these stands were opened incorrectly on the system due to encroachments of the stands in this area. Most of their bills are incorrect.

Decision during 2019/20 was made to ensure the top 100 businesses will be prioritised for immediate collection throughout the financial year.

All consumers who failed to make full payment on the due date will result in their electricity being disconnected excluding consumers who honoured their agreements.

#### **1.3.1.4. Operating Expenditure Framework**

The following table is a high-level summary of the 2020/2021 budget and MTREF (classified per type of expenditure):

**Table 10 Summary of operating expenditure by type**

Description	Ref	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Expenditure By Type</b>								
Employee related costs	2	132 355	135 355	135 355	71 994	144 153	153 523	163 502
Remuneration of councillors		7 843	7 843	7 843	3 708	8 235	8 647	9 079
Debt impairment	3	9 000	9 000	9 000	17	10 350	11 385	12 523
Depreciation & asset impairment	2	50 880	30 880	30 880	216	33 968	37 365	41 101
Finance charges		7 000	12 000	12 000	3 066	12 600	13 293	14 024
Bulk purchases	2	114 241	122 000	122 000	82 150	131 510	138 449	150 384
Other materials	8	21 950	10 806	10 806	6 458	10 806	11 887	13 075
Contracted services		32 142	40 161	40 161	26 650	36 960	39 993	43 351
Transfers and subsidies		–	–	–	–	–	–	–
Other expenditure	4, 5	48 706	50 179	50 179	26 347	35 644	35 087	37 960
Losses		–	–	–	–	–	–	–
<b>Total Expenditure</b>		<b>424 117</b>	<b>418 223</b>	<b>418 223</b>	<b>220 606</b>	<b>424 227</b>	<b>449 628</b>	<b>485 001</b>

The anticipated operating expenditure for 2020/2021 financial year is increased to R424 million which represent at least 1% increase from adjusted budget. Realistically when looking at historic result, operating expense has been decreasing when comparing audited result. This is as result of Municipal response to unfunded budget as raised in past financial year by National Treasury.

Some of the key features of the expenditure framework are:

- Overall expenditure increased by at least 1% from adjusted budget of R418 million to R424 million.
- Debt impairment and depreciation was increased by 15% and 10 % respectively from the adjusted budget.
- Major decrease relates to other expenses with 29% decrease which is largely affected by fleet contract which was decreased by 35% as result of contract coming to an end in Sep 2020
- Material and bulk purchases increase by 7.8% despite the linked tariff hike by regulators. This increase relates to total spending measured against the expected volumes to be consumed.
- Personnel cost increases informed by the decisions of the SALGA Bargaining Council and the Remuneration of Public Office Bearers Act. Overall, there is an increase in the total employee costs by 6.5% from the adjusted budget.
- Balanced budget constraint (operating expenditure should not exceed operating revenue except for non-cash provisions) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Municipality has undergone an exercise to cut expenditure without compromising expenditure which relate to service delivery.

### **Employee costs**

The budgeted allocation for employee related costs for the 2020/2021 financial year totals R144 million, which equals 34% of the total operating expenditure. MFMA circular 71 sets the norm to be between 25% and 40%. Bela-Bela is seating 34%, which is favourable to the municipality. The proportion of personnel expenditure to total operating expenditure for the municipality is favourable at an average of 34% over the medium term. This leaves around

66% of operating expenditure available for other major service delivery expenditure items such as bulk water and electricity purchases, contracted services and finance charges.

Municipality has made provision of at least 6.5% increase from 2019/2020 adjusted result. We will further allow budget adjustment process to take the outcome of Salary and Wage Collective Agreement should the need arise.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). In this regard, the most recent proclamation of an increase of 5% has been considered in compiling the municipality's budget.

### ***Bulk Purchases***

Bulk purchases increase by 7.8% despite the linked tariff hike by regulators. This increase relates to total spending measured against the expected volumes to be consumed

### ***Repairs and maintenance***

The National Treasury Municipal Budget Circular number 66 for the 2011/2012 MTREF stated that municipalities must "secure the health of their asset base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance. The municipality has, over the last two financial years, struggled to increase the investment in repairs and maintenance due to cash flow challenges. Municipality to be able to be within the norm, this means will need to budget at least R90 million in single year which will therefore represent huge spending to be incurred in a single year. The municipality will not be able to achieve the 8% norm in one year, but will gradually improve to achieve that norm over the medium term.

### ***Finance charges***

Finance charges entails cost associated with the finance lease contract as prescribed in General Recognised Accounting Practice General (GRAP). Municipality finance lease entailed leases over fleet vehicles, the finance charges on the actuarial gains and employment benefit.

### ***Contracted Services***

<b>Segment Desc</b>	<b>Final Budget</b>	<b>Total Actuals</b>	<b>Budget 2020/21</b>
Audit committee	250 000.00	140 052.34	250 000.00
Business and Financial Management	6 280 004.00	4 066 284.39	5 338 003.40
Valuer and Assessors	600 000.00	275 233.47	600 000.00
Legal consulting	15 173 360.00	8 917 945.16	12 897 356.00
Contractors- Catering	30 000.00	15 247.79	30 000.00
Contractors: Catering Services	220 000.00	101 248.99	220 000.00
Contracted services - Server infrastructure support	800 000.00	191 915.00	1 200 000.00
Contracted services - EPWP	1 920 000.00	391 994.55	
Contracted services - LED Support (Contract)	40 000.00	-	40 000.00
LANDFILL SITE (DUMPING SITE)	2 300 000.00	999 295.44	2 530 000.00

Maintenance of Municipal Vehicles	500 000.00	404 485.56	500 000.00
Prepaid Electricity Vending	100 000.00	-	100 000.00
Credit Control & Debt Collection	-	-	-
Credit Control & Debt Collection	-	323 690.07	-
Outsourced Services- Catering Services	-	17 508.70	-
Credit Control & Debt Collection	3 750 000.00	2 413 693.65	3 000 000.00
Contracted services - Security services	7 397 200.00	3 714 927.97	8 136 920.00
Outsourced Services- Traffic Fines Management	800 000.00	84 108.96	880 000.00
	<b>40 160 564.00</b>	<b>22 057 632.04</b>	<b>35 722 279.40</b>

The municipality anticipates to utilise contracted services in the 2020/2021 with spending of R35 million of the total operating expenditure of R423 million.

The budgeted spending is above the norm of 5% as advised by National Treasury. Despite effort by Municipality to reduce this spending to an acceptable norm of 5%. Certain cost drivers are non-avoidable fees which were included in the contracted fees, such as security services, legal cost and traffic fines management.

In a long run, municipality intends not to solely rely on the contracted services to avoid reliance on the consultant. The municipality constantly monitors the consultants and ensures skills transfer is being done to the internal staff.

### ***Free Basic Services: Basic Social Services Package***

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The number of households budgeted during the 2020/2021 MTREF is approximately 5000. The total cost of free basic services amounts to R74 million for the 2020/2021 financial year.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

*The Municipality will provide free basic services as follows:*

- Electricity – 50 kWh per month
- Water – 6 Kl per month
- Sanitation – 100% rebate
- Property rates – 100% Rebate
- Waste collection – 100% Rebate (four collections per month or once a week)

### ***Depreciation***

Depreciation for 2020/2021 is increased to R33 million from adjusted budget of R30 million. The increase was to ensure realistic estimate being achieved and avoid any unauthorised expenditure as experienced in the past financial years.



## Other expenditure

Other expenditure was reduced from R50 million of the 2019/20 adjusted budget to R35 million in 2020/21 budget year. The reduction is part of the plans to improve on Municipality funding model without impacting on services delivery.

Segment Desc	Final Budget	Total Actuals	2020/21
External Audit Fees	6 200 000.00	3 165 007.14	5 890 000.00
Computer license and contracts	4 500 000.00	3 087 767.08	4 500 000.00
Lease of vehicles	17 000 000.00	8 579 670.18	3 000 000.00
Fuel and oil cost	3 000 000.00	2 062 098.77	3 000 000.00
Affiliation cost	2 500 000.00	19 990.85	2 750 000.00
INSURANCE PREMIUMS	1 500 000.00	648 752.51	1 650 000.00
Uniform and clothing	1 500 000.00	992 797.96	1 500 000.00
Bank Charges and Fees	1 200 000.00	663 419.26	1 260 000.00
Expenditure: Operating Leases: Machinery and Equipment (2020)	1 200 004.00	697 906.96	1 200 004.00
COMMISSION EXPENSE-ELECTRICITY	1 000 000.00	-	1 000 000.00
Communication: Telephone Fax Telegraph and Telex(2020)	960 000.00	429 130.38	960 000.00
Capacity building	600 000.00	200 000.00	600 000.00
LED strategy	1 000 000.00	-	500 000.00
Printing and stationery	500 000.00	142 375.99	500 000.00
Uniform and clothing	500 000.00	333 520.00	500 000.00
Postage and Courier service	450 000.00	-	450 000.00
Professional fees	600 000.00	-	402 000.00
Uniform and clothing	390 000.00	41 180.80	390 000.00
Uniform and clothing	350 000.00	-	350 000.00
Uniform and clothing	350 000.00	-	350 000.00
Uniform and clothing	350 000.00	78 832.52	350 000.00
Chemicals	1 000 000.00	92 997.48	200 000.00
IDP Programme	200 000.00	-	200 000.00
Capacity building	200 000.00	185 443.00	200 000.00
Delegation cost - Accommodation	175 000.00	22 526.08	190 750.00
Analysis- Samples	200 000.00	36 673.90	160 000.00
Advertising - Tenders	150 000.00	11 809.06	150 000.00
Employee wellness	150 000.00	70 821.60	150 000.00
LED	-	-	150 000.00
Strategic planning	350 000.00	195 000.00	147 000.00

### 1.3.1.5. Operating Surplus / Deficit

Municipality anticipate incurring surplus of R6.5 million by the end of the 2019/2020 budget year.

The below table which depict the surplus include operational income and operational expenditure, together with non-cash item relating to depreciation and debt impairment.

**Table 11: Operating cash surplus/ deficit**

Description	Budget Year 2019/20		Budget Year +1 2020/21	Budget Year +2 2021/22	Budget Year 2022/23
	Original Budget	Adjusted Budget	Draft Budget	Draft Budget	Draft Budget
		10			
R thousands	A	H			
Total Revenue (excluding capital transfers and contributions)	430 575 000	423 249 000	446 197 956	468 397 284	492 021 216
Total Expenditure	424 117 000	418 223 000	424 226 920	449 627 816	485 000 748
Surplus/(Deficit)	6 458 000	5 026 000	21 971 036	18 769 468	7 020 468
Capex -own sources	–	–	-7 920 000	0	0
Surplus/(Deficit)	6 458 000	5 026 000	14 051 036	18 769 468	7 020 468

## 1.4 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 12 - 2020/2021 Medium-term capital budget per vote**

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Vote 1: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Vote 4: Mayor		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5: Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 6 - Vote 6: Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7: Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 8 - Vote 8: Social and Community Services		-	-	-	-	-	-	-	-	-	-
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 11 - Vote 11: Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 12 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 13 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Vote 1: Chief Financial Officer		-	46 262	105 636	-	-	-	106 612	5 000	-	-
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		-	646	646	-	-	-	646	500	250	250
Vote 4 - Vote 4: Mayor		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5: Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 6 - Vote 6: Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7: Planning and Economic Development		-	-	-	-	-	-	-	320	-	-
Vote 8 - Vote 8: Social and Community Services		-	298 064	267 834	4 000	5 119	5 119	268 823	11 678	9 805	19 345
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	745 045	680 213	71 615	79 197	79 197	719 781	67 917	74 601	44 791
Vote 11 - Vote 11: Technical Services		-	-	(215)	-	-	-	-	-	-	-
Vote 12 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 13 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
<b>Total Capital Expenditure - Vote</b>		-	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	46 907	106 281	-	-	-	107 258	5 500	250	250
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	46 907	106 281	-	-	-	107 258	5 500	250	250
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	20 155	1 315	4 000	5 119	5 119	2 304	11 178	6 739	7 411
Community and social services		-	20 155	1 315	4 000	5 119	5 119	2 304	11 178	6 739	7 411
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	368 881	354 189	20 615	19 497	19 497	362 497	14 514	16 515	8 329
Planning and development		-	-	-	-	-	-	-	320	-	-
Road transport		-	368 881	354 189	20 615	19 497	19 497	362 497	14 194	16 515	8 329
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	654 072	592 327	51 000	59 700	59 700	623 802	54 223	61 153	48 395
Energy sources		-	104 191	104 748	6 000	14 700	14 700	110 718	16 248	18 000	4 452
Water management		-	260 208	239 142	20 870	22 291	22 291	242 612	27 675	15 294	10 602
Waste water management		-	263 268	221 475	24 130	22 709	22 709	243 510	9 800	24 792	21 408
Waste management		-	26 405	26 962	-	-	-	26 962	500	3 067	11 933
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	-	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
<b>Funded by:</b>											
National Government		-	955 426	946 973	75 615	84 315	84 315	986 362	77 495	84 407	64 136
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	-	955 426	946 973	75 615	84 315	84 315	986 362	77 495	84 407	64 136
<b>Borrowing</b>	<b>6</b>	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	-	-	-	-	-	-	7 920	250	250
<b>Total Capital Funding</b>	<b>7</b>	-	955 426	946 973	75 615	84 315	84 315	986 362	85 415	84 657	64 386

Total capital expenditure was allocated to the tune of R 78 million for 2020/2021 financial year including PMU cost. This allocation is mainly for MIG, MWIG, INEP of R25 million, R37 million R11 million respectively. There is also an additional grant relating to EEDSM of R4 million allocated for the 2020/21 budget year.

Tables 13 below detail the municipality's three-year consolidated MIG infrastructure investment program for 2020/2021 to 2022/2023.

Municipal Infrastructure Grant (MIG) allocation of R25 including PMU cost for 2020/2021 will be allocated as follows:

**Table 13: Capital programme****MIG**

Item No.	Project Name	Status	Total Proposed Budget	Proposed Budget per FY		
				2020/21	2021/22	2022/23
1	Bela Bela: Stormwater Spa Park (Ward 9)	Construction Stage	8500000	6046932.3	-	-
2	Bela Bela: Road paving & storm water X5 & Hostel view (Ward 2,3)	Construction Stage	5700000	2 700 000.00	-	-
3	Bela Bela: Extension of existing grave yard (Ward 2)	Design Stage	6200000	5778100	-	-
4	Bela Bela: Development of sports facilities - Masakhane (Ward 9)	Design Stage	4500000	4150000	-	-
5	Bela Bela: Development of sports facilities - Leseding (Ward 6)	Design Stage	4500000	R350 000.00	R 4 150 000,00	-
6	Bela Bela: Road paving & Storm water X6 Phase 1 (Ward 7)	Design Stage	R 2 679 000,00	2679000	-	-
7	Bela Bela: Road paving & Storm water X7 Phase 1 (Ward 4,7)	Design Stage	R 6 410 800,00	2 106 316.90	R 4 304 483,10	-
8	Bela Bela: Ext 6 Intersection	Design Stage	R 8 000 000,00	661650.8	R 7 338 349,20	-
9	Bela Bela: Road paving & Storm water X8 Phase 1 (Ward 4)	Planning Stage	R 2 910 200,00	-	R 2 910 200,00	-
10	Bela Bela: Road paving & storm water X5 Phase 1 (ward 3)		R 4 300 000,00	-	R 1 962 175,80	R2 337 824,20
11	Bela Bela: Develop new Cemetery - Pienaarsrivier (Ward 8)	Planning Stage	R 10 000 000,00		R 2 588 800,00	R7 411 200,00
12	Bela Bela Upgrade of Municipal landfill site (Ward 2)	Planning Stage	R 15 000 000,00		R 3 066 691,90	R11 933 308,10
13	Road Paving and Storm water X6 Phase 2		R 9 500 000,00			R5 991 167,70
PMU Operational Costs				1 288 000.00	R 1 385 300,00	R 1 456 500,00
TOTALS				R 25 760 000,00	R 27 706 000,00	R29 130 000,00

Municipality is allocated R25 million on Municipal Infrastructure Grant (MIG) after considering PMU cost of R1.2 million.

**MWIG**

Item No.	Project Name	Status	Total Proposed Budget	Proposed Budget per FY		
				2020/21	2021/22	2022/23
1	Supply and install new and faulty water meters (±7500HH in All Wards)	Construction Stage	R 11 562 000,00	R7 031 278,34	-	-
2	WCDM: Installation of Bulk Zonal Meters in Bela Bela Town & Township (Wards 1 to Ward 7) and Installation of Counter Bulk Meters on all Magalies Draw Points	Planning Stage (BP submitted to DWS for approval and funding)	R 4 000 000,00	R4 000 000,00	-	-
3	2ML WTW in Masakhane	Design Stage	R 13 000 000,00	R11 143 721,66	R 1 856 278,34	-
4	Refurbishment of the Bela Bela Waste Water Treatment Works	Design Stage	R 56 000 000,00	R9 800 000,00	R24 791 721,66	R21 408 278,34
5	Refurbishment of the Warmbad Dam	Planning Stage	R 10 000 000,00	R5 500 000,00	R4 500 000,00	-
6	Construction of 10Ml Reservoir in Bela-Bela (Town, Ext 25 and 26)	Planning Stage	R 15 000 000,00	-	R 8 938 000,00	R6 062 000,00
7	Upgrading of the Water Treatment Works	Planning Stage	R 10 000 000,00	-	-	R4 539 721,66
TOTALS				R 37 475 000,00	R 40 086 000,00	R32 010 000,00

The combined capital expenditure is depicted as follows. The grant allocation as per below is in line with the Division of Revenue Act issued for 2020/2021 MTREF.

## INEP

Item No.	Project Name	Status	Total Proposed Budget	Proposed Budget per FY		
				2020/21	2021/22	2022/23
1	Electrification Bela Bela X9 (900HH)	Planning	R 15 300 000,00	R 9 300 000,00		
2	Electrification X 25 (Koppewaai)(1100 HH)	Planning	R 18 700 000,00	R 2 248 000,00	R 12 000 000,00	R 4 452 000,00
TOTALS				R 11 548 000,00	R 12 000 000,00	R 4 452 000,00

## EEDSM – New Grant allocation

Item No.	Project Name	Status	Total Proposed Budget	Proposed Budget per FY		
				2020/21	2021/22	2022/23
1	Bela Bela Town: Replacement of 250W HPS Street lights with 100W LED Luminaires	Planning Stage	R -	R 4 000 000,00	R 6 000 000,00	-
TOTALS				R 4 000 000,00	R 6 000 000,00	R -

**Table 14: Sources of funding capital programme**

GRANT	FINANCIAL YEAR		
	2020/21	2021/22	2022/23
MIG	25 760 000	27 706 000	29 130 000
WSIG	37 475 000	40 086 000	32 010 000
INEP	11 548 000	12 000 000	7 000 000
EEDSM	4 000 000	6 000 000	-
Total	<b>78 783 000</b>	<b>85 792 000</b>	<b>68 140 000</b>

Total capital allocation is seating R78 million with majority of the allocation being channelled to water infrastructure.

## 1.5 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2020/2021 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes*.

**Table 16 MBRR TableA1 - Budget Summary**

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	–	62 003	68 761	90 845	90 845	90 845	(11 373)	94 479	98 258	102 189
Service charges	–	151 269	159 776	202 685	202 685	202 685	121 844	206 658	214 924	223 521
Investment revenue	–	742	1 764	4 272	2 272	2 272	1 151	2 363	2 458	2 556
Transfers recognised - operational	–	77 639	84 840	93 655	93 655	93 655	94 227	103 274	111 756	121 115
Other own revenue	–	37 382	33 090	43 429	38 102	38 102	31 930	39 424	41 001	42 641
<b>Total Revenue (excluding capital transfers and contributions)</b>	–	329 035	348 231	434 886	427 560	427 560	237 778	446 198	468 397	492 021
Employee costs	–	119 572	119 514	132 355	135 355	135 355	71 994	144 153	153 523	163 502
Remuneration of councillors	–	6 869	7 364	7 843	7 843	7 843	3 708	8 235	8 647	9 079
Depreciation & asset impairment	–	34 532	29 951	50 880	30 880	30 880	216	33 968	37 365	41 101
Finance charges	–	15 443	7 368	7 000	12 000	12 000	3 066	12 600	13 293	14 024
Materials and bulk purchases	–	94 302	113 656	136 191	132 806	132 806	88 608	142 316	150 336	163 459
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	–	163 816	107 120	89 849	99 339	99 339	53 014	82 955	86 464	93 835
<b>Total Expenditure</b>	–	434 534	384 972	424 117	418 223	418 223	220 606	424 227	449 628	485 001
<b>Surplus/(Deficit)</b>	–	(105 500)	(36 741)	10 769	9 337	9 337	17 172	21 971	18 769	7 020
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	–	51 232	87 320	76 911	85 611	85 611	19 352	77 495	84 407	66 683
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	–	(54 268)	50 580	87 680	94 948	94 948	36 525	99 466	103 176	73 704
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	–	(54 268)	50 580	87 680	94 948	94 948	36 525	99 466	103 176	73 704
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	–	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
Transfers recognised - capital	–	955 426	946 973	75 615	84 315	84 315	986 362	77 495	84 407	64 136
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	7 920	250	250
<b>Total sources of capital funds</b>	–	955 426	946 973	75 615	84 315	84 315	986 362	85 415	84 657	64 386
<b>Financial position</b>										
Total current assets	61 771	222 743	114 161	77 834	56 401	56 401	141 859	108 618	552 087	1 019 859
Total non current assets	936 886	921 641	969 632	1 099 188	1 127 888	1 127 888	2 772 448	1 093 683	1 140 975	1 164 259
Total current liabilities	227 102	23 152	247 811	204 298	204 298	204 298	60 768	289 094	676 679	1 094 031
Total non current liabilities	18 530	(0)	25 540	90 000	90 000	90 000	(64 460)	55 000	55 000	55 000
Community wealth/Equity	753 026	751 643	790 794	887 035	894 302	894 302	25 013	858 207	961 383	1 035 087
<b>Cash flows</b>										
Net cash from (used) operating	–	(45 387)	98 319	198 618	186 186	186 186	738 267	92 700	185 328	176 330
Net cash from (used) investing	524 869	556 929	(609 171)	(75 615)	(84 315)	(84 315)	(437 693)	(85 415)	(84 657)	(64 386)
Net cash from (used) financing	–	(7 669)	(6 618)	–	–	–	6 450	–	–	–
<b>Cash/cash equivalents at the year end</b>	556 247	505 170	(513 295)	35 917	14 785	14 785	282 755	21 634	122 305	234 249
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	31 382	4 171	13 087	35 917	14 785	14 785	–	21 634	122 305	234 249
Application of cash and investments	178 225	(204 999)	100 313	137 053	137 512	137 512	(101 422)	84 607	548 662	953 119
<b>Balance - surplus (shortfall)</b>	(146 843)	209 170	(87 226)	(101 137)	(122 728)	(122 728)	101 422	(62 973)	(426 357)	(718 869)
<b>Asset management</b>										
Asset register summary (WDV)	887 013	906 896	916 577	1 048 437	1 077 137	1 077 137	1 077 137	1 034 458	1 137 908	1 147 786
Depreciation	–	9 755	29 951	50 880	30 880	30 880	30 880	33 968	37 365	41 101
Renewal and Upgrading of Existing Assets	–	68 866	7 423	–	–	–	–	12 178	7 567	16 473
Repairs and Maintenance	–	2 154	2 838	21 950	10 706	10 706	10 706	10 706	11 777	12 954

## Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. The operating surplus/deficit (after total expenditure and before capital spending) is positive over the MTREF.
4. The MTREF for 2020/2021 depicts a surplus of R21 million after taking non-cash (depreciation) item into consideration.

**Table 17 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Functional Classification Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		–	171 006	172 474	213 236	205 910	205 910	219 619	232 709	246 890
Executive and council		–	–	–	–	–	–	–	–	–
Finance and administration		–	171 006	172 474	213 236	205 910	205 910	219 619	232 709	246 890
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		–	3 021	10 535	6 672	6 672	6 672	5 900	6 136	6 382
Community and social services		–	2 949	6 528	1 634	1 634	1 634	612	636	662
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	73	4 006	5 038	5 038	5 038	5 289	5 500	5 720
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		–	26 782	37 959	26 873	26 873	26 873	26 761	28 747	30 212
Planning and development		–	390	429	962	962	962	2 289	2 426	2 539
Road transport		–	26 392	37 530	25 911	25 911	25 911	24 472	26 321	27 674
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		–	179 458	214 584	260 705	269 405	269 405	271 413	285 212	275 221
Energy sources		–	129 400	117 047	149 150	157 850	157 850	165 334	173 778	169 009
Water management		–	26 389	71 785	81 394	81 394	81 394	74 884	78 992	72 472
Waste water management		–	15 966	16 523	20 385	20 385	20 385	21 027	21 868	22 743
Waste management		–	7 703	9 229	9 776	9 776	9 776	10 167	10 574	10 997
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>	2	–	380 267	435 552	507 486	508 860	508 860	523 693	552 804	558 705
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		–	180 021	138 749	164 001	163 427	163 427	153 380	161 346	173 463
Executive and council		–	(333)	10 646	10 392	10 418	10 418	10 871	11 477	12 118
Finance and administration		–	181 950	123 338	151 372	150 558	150 558	139 917	147 099	158 382
Internal audit		–	(1 596)	4 764	2 237	2 452	2 452	2 592	2 771	2 963
<i>Community and public safety</i>		–	150 317	36 321	29 197	31 534	31 534	33 454	35 762	38 233
Community and social services		–	(772)	20 665	16 751	15 489	15 489	16 433	17 597	18 846
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	151 089	15 656	12 445	16 045	16 045	17 021	18 165	19 387
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		–	7 224	33 299	66 833	46 379	46 379	50 062	54 130	58 510
Planning and development		–	2 533	12 059	16 517	13 599	13 599	14 691	15 707	16 762
Road transport		–	4 691	21 240	50 317	32 780	32 780	35 372	38 423	41 748
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		–	96 972	172 497	164 086	176 883	176 883	187 331	198 389	214 794
Energy sources		–	88 211	108 921	119 145	126 324	126 324	135 923	143 426	155 986
Water management		–	(6 054)	30 324	13 498	18 333	18 333	19 261	20 476	21 802
Waste water management		–	6 694	18 841	14 857	13 993	13 993	14 711	15 799	16 971
Waste management		–	8 121	14 412	16 585	18 233	18 233	17 436	18 689	20 035
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
<b>Total Expenditure - Functional</b>	3	–	434 534	380 866	424 117	418 223	418 223	424 227	449 628	485 001
<b>Surplus/(Deficit) for the year</b>		–	(54 268)	54 686	83 369	90 637	90 637	99 466	103 176	73 704



## Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable the National Treasury to compile 'whole of government' reports.
2. Table A2 was one of the budget tables which are re-aligned to comply with mSCOA.

## Table 18 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue by Vote</b>	1									
Vote 1 - Vote 1: Chief Financial Officer		-	332	2 530	211 774	204 248	204 248	217 890	230 912	245 020
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		-	1 117	3 014	1 462	1 662	1 662	1 728	1 798	1 870
Vote 4 - Vote 4: Mayor		-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5: Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 6 - Vote 6: Internal Audit		-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7: Planning and Economic Development		-	390	429	962	962	962	1 001	1 041	1 082
Vote 8 - Vote 8: Social and Community Services		-	26 690	36 286	36 833	36 833	36 833	37 095	38 578	40 122
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	182 181	226 362	256 455	265 155	265 155	264 691	279 090	269 154
Vote 11 - Vote 11: Technical Services		-	-	-	-	-	-	1 288	1 385	1 457
Vote 12 - NULL		-	-	-	-	-	-	-	-	-
Vote 13 - NULL		-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	-	210 709	268 622	507 486	508 860	508 860	523 693	552 804	558 705
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Vote 1: Chief Financial Officer		-	25 855	20 963	80 046	76 846	76 846	79 759	85 398	91 568
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		-	43 339	37 376	67 764	69 997	69 997	56 201	57 486	62 325
Vote 4 - Vote 4: Mayor		-	458	4 470	5 185	7 444	7 444	7 781	8 183	8 606
Vote 5 - Vote 5: Municipal Manager		-	2 055	6 998	5 492	5 720	5 720	6 030	6 426	6 850
Vote 6 - Vote 6: Internal Audit		-	(1 596)	4 764	2 237	2 452	2 452	2 592	2 771	2 963
Vote 7 - Vote 7: Planning and Economic Development		-	3 086	10 845	14 844	11 610	11 610	11 285	12 066	12 904
Vote 8 - Vote 8: Social and Community Services		-	161 613	52 461	46 382	50 417	50 417	51 584	55 215	59 110
Vote 9 - Vote 9: Speaker		-	(2 011)	3 450	3 278	969	969	1 018	1 082	1 151
Vote 10 - Vote 10: Technical Services		-	88 245	172 998	183 773	187 271	187 271	201 029	213 478	231 415
Vote 11 - Vote 11: Technical Services		-	1 569	5 813	15 117	5 498	5 498	6 949	7 522	8 110
Vote 12 - NULL		-	-	-	-	-	-	-	-	-
Vote 13 - NULL		-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	-	322 613	320 138	424 117	418 223	418 223	424 227	449 628	485 001
<b>Surplus/(Deficit) for the year</b>	2	-	(111 903)	(51 516)	83 369	90 637	90 637	99 466	103 176	73 704

## Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating

performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote; and

2. The table shows that technical services is the largest generator of revenue. This is due to the size of the department as well as its responsibility over service delivery projects such as water, electricity and sanitation.

**Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure) by type**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	–	62 003	68 761	90 845	90 845	90 845	(11 373)	94 479	98 258	102 189
Service charges - electricity revenue	2	–	103 786	109 446	141 362	141 362	141 362	87 807	147 928	153 845	159 998
Service charges - water revenue	2	–	25 122	27 255	31 200	31 200	31 200	11 291	32 060	33 342	34 676
Service charges - sanitation revenue	2	–	15 101	15 479	17 383	17 383	17 383	13 380	17 905	18 621	19 366
Service charges - refuse revenue	2	–	7 260	7 596	12 739	12 739	12 739	9 366	8 765	9 116	9 481
Rental of facilities and equipment		–	1 216	1 376	1 462	1 662	1 662	1 094	1 728	1 798	1 870
Interest earned - external investments		–	742	1 764	4 272	2 272	2 272	1 151	2 363	2 458	2 556
Interest earned - outstanding debtors		–	9 103	11 024	11 252	13 252	13 252	8 985	13 730	14 279	14 850
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		–	15 611	6 224	17 526	10 000	10 000	406	10 200	10 608	11 032
Licences and permits		–	–	1 241	4 926	4 926	4 926	18 826	5 172	5 379	5 594
Agency services		–	–	2 497	–	–	–	–	–	–	–
Transfers and subsidies		–	77 639	84 840	93 655	93 655	93 655	94 227	103 274	111 756	121 115
Other revenue	2	–	7 859	7 909	8 263	8 263	8 263	2 619	8 593	8 937	9 295
<b>Gains</b>		–	3 592	2 820	–	–	–	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		–	329 035	348 231	434 886	427 560	427 560	237 778	446 198	468 397	492 021
<b>Expenditure By Type</b>											
Employee related costs	2	–	119 572	119 514	132 355	135 355	135 355	71 994	144 153	153 523	163 502
Remuneration of councillors		–	6 869	7 364	7 843	7 843	7 843	3 708	8 235	8 647	9 079
Debt impairment	3	–	33 484	36 880	9 000	9 000	9 000	17	10 350	11 385	12 523
Depreciation & asset impairment	2	–	34 532	29 951	50 880	30 880	30 880	216	33 968	37 365	41 101
Finance charges		–	15 443	7 368	7 000	12 000	12 000	3 066	12 600	13 293	14 024
Bulk purchases	2	–	88 088	97 199	114 241	122 000	122 000	82 150	131 510	138 449	150 384
Other materials	8	–	6 215	16 457	21 950	10 806	10 806	6 458	10 806	11 887	13 075
Contracted services		–	36 308	22 463	32 142	40 161	40 161	26 650	36 960	39 993	43 351
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	–	43 625	43 594	48 706	50 179	50 179	26 347	35 644	35 087	37 960
<b>Losses</b>		–	50 399	4 183	–	–	–	–	–	–	–
<b>Total Expenditure</b>		–	434 534	384 972	424 117	418 223	418 223	220 606	424 227	449 628	485 001
<b>Surplus/(Deficit)</b>		–	(105 500)	(36 741)	10 769	9 337	9 337	17 172	21 971	18 769	7 020
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		–	51 232	87 320	76 911	85 611	85 611	19 352	77 495	84 407	66 683
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		–	(54 268)	50 580	87 680	94 948	94 948	36 525	99 466	103 176	73 704
Taxation		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>		–	(54 268)	50 580	87 680	94 948	94 948	36 525	99 466	103 176	73 704
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>		–	(54 268)	50 580	87 680	94 948	94 948	36 525	99 466	103 176	73 704
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>		–	(54 268)	50 580	87 680	94 948	94 948	36 525	99 466	103 176	73 704

## **Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Municipality anticipate receiving revenue of R446 million in 2020/2021 as compared to the 2019/2020 adjusted budget revenue of R423 million. This represents the percentage increase of 4% against adjusted budget. Municipality major tariff were increased by 4.6% which is in linked to Consumer Price Index (CIP) as recommended by National Treasury under circular 99 and are summarised on the tariff book;
2. Revenue to be generated from property rates is projected to be R94 million in the 2020/2021 financial year (before taking into account revenue forgone) which was increased from R90 million of the 2019/2020 adjusted budgets. The slight increase is to give provision of the implementation of objection on the latest valuation roll.;
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R206 million for the 2020/2021 which increased from R198 million of 2019/2020 adjusted budget. Services charges constitute 46% of the total revenue (excluding grants) base and grow by an average of 4% per annum;
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government; and
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure, to be appropriated</b>	<b>2</b>										
Vote 1 - Vote 1: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Vote 4: Mayor		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5: Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 6 - Vote 6: Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7: Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 8 - Vote 8: Social and Community Services		-	-	-	-	-	-	-	-	-	-
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 11 - Vote 11: Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 12 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 13 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure, to be appropriated</b>	<b>2</b>										
Vote 1 - Vote 1: Chief Financial Officer		-	46 262	105 636	-	-	-	106 612	5 000	-	-
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		-	646	646	-	-	-	646	500	250	250
Vote 4 - Vote 4: Mayor		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5: Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 6 - Vote 6: Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7: Planning and Economic Development		-	-	-	-	-	-	-	320	-	-
Vote 8 - Vote 8: Social and Community Services		-	298 064	267 834	4 000	5 119	5 119	268 823	11 678	9 805	19 345
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	745 045	680 213	71 615	79 197	79 197	719 781	67 917	74 601	44 791
Vote 11 - Vote 11: Technical Services		-	-	(215)	-	-	-	-	-	-	-
Vote 12 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 13 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
<b>Total Capital Expenditure - Vote</b>		-	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	46 907	106 281	-	-	-	107 258	5 500	250	250
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	46 907	106 281	-	-	-	107 258	5 500	250	250
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	20 155	1 315	4 000	5 119	5 119	2 304	11 178	6 739	7 411
Community and social services		-	20 155	1 315	4 000	5 119	5 119	2 304	11 178	6 739	7 411
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	368 881	354 189	20 615	19 497	19 497	362 497	14 514	16 515	8 329
Planning and development		-	-	-	-	-	-	-	320	-	-
Road transport		-	368 881	354 189	20 615	19 497	19 497	362 497	14 194	16 515	8 329
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	654 072	592 327	51 000	59 700	59 700	623 802	54 223	61 153	48 395
Energy sources		-	104 191	104 748	6 000	14 700	14 700	110 718	16 248	18 000	4 452
Water management		-	260 208	239 142	20 870	22 291	22 291	242 612	27 675	15 294	10 602
Waste water management		-	263 268	221 475	24 130	22 709	22 709	243 510	9 800	24 792	21 408
Waste management		-	26 405	26 962	-	-	-	26 962	500	3 067	11 933
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	-	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
<b>Funded by:</b>											
National Government		-	955 426	946 973	75 615	84 315	84 315	986 362	77 495	84 407	64 136
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	-	955 426	946 973	75 615	84 315	84 315	986 362	77 495	84 407	64 136
<b>Borrowing</b>	<b>6</b>	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	-	-	-	-	-	-	7 920	250	250
<b>Total Capital Funding</b>	<b>7</b>	-	955 426	946 973	75 615	84 315	84 315	986 362	85 415	84 657	64 386

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single - year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial department;
2. Single-year capital expenditure has been appropriated at R78 million for the 2020/2021 after taking into consideration PMU cost of R1.2 Million;
3. Various internal funded project has been proposed for 2020/2021 to the tune of R7.9 million pending available capital reserve; and
4. The municipality has not budgeted for any long term borrowing to fund the capital programme.

**Table 21 MBRR Table A6 -Budgeted Financial Position**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
ASSETS											
Current assets											
Cash		25 530	(1 465)	12 031	30 805	9 673	9 673	–	18 547	119 219	231 163
Call investment deposits	1	5 852	5 636	1 056	5 112	5 112	5 112	–	3 086	3 086	3 086
Consumer debtors	1	129 993	27 795	22 631	18 198	17 898	17 898	141 859	61 478	388 290	727 490
Other debtors		(100 344)	142 299	22 574	23 319	23 319	23 319	–	25 106	41 493	58 119
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	741	48 478	55 868	400	400	400	–	400	–	–
Total current assets		61 771	222 743	114 161	77 834	56 401	56 401	141 859	108 618	552 087	1 019 859
Non current assets											
Long-term receivables		–	–	182	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		343 301	282 015	284 836	284 836	284 836	284 836	–	287 684	287 684	287 684
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	629 925	677 026	681 897	811 257	839 957	839 957	2 772 448	803 776	851 987	876 283
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		2 017	2 495	2 178	2 495	2 495	2 495	–	1 684	765	(247)
Other non-current assets		(38 357)	(39 896)	539	600	600	600	–	539	539	539
Total non current assets		936 886	921 641	969 632	1 099 188	1 127 888	1 127 888	2 772 448	1 093 683	1 140 975	1 164 259
TOTAL ASSETS		998 658	1 144 384	1 083 793	1 177 021	1 184 289	1 184 289	2 914 307	1 202 301	1 693 062	2 184 118
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	10 003	–	14 834	–	–	–	14 834	–	–	–
Consumer deposits		5 351	–	6 196	5 779	5 779	5 779	–	5 836	5 836	5 836
Trade and other payables	4	171 284	(38 966)	167 776	197 519	197 519	197 519	45 934	174 891	562 477	979 829
Provisions		40 464	62 118	59 004	1 000	1 000	1 000	–	108 366	108 366	108 366
Total current liabilities		227 102	23 152	247 811	204 298	204 298	204 298	60 768	289 094	676 679	1 094 031
Non current liabilities											
Borrowing		18 530	(0)	(14 834)	–	–	–	(14 834)	–	–	–
Provisions		–	–	40 374	90 000	90 000	90 000	(49 626)	55 000	55 000	55 000
Total non current liabilities		18 530	(0)	25 540	90 000	90 000	90 000	(64 460)	55 000	55 000	55 000
TOTAL LIABILITIES		245 632	23 152	273 351	294 298	294 298	294 298	(3 692)	344 094	731 679	1 149 031
NET ASSETS	5	753 026	1 121 232	810 442	882 724	889 991	889 991	2 917 999	858 207	961 383	1 035 087
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		753 026	751 643	790 794	887 035	894 302	894 302	25 013	858 207	961 383	1 035 087
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	753 026	751 643	790 794	887 035	894 302	894 302	25 013	858 207	961 383	1 035 087

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first
2. Table A6 is aligned with Municipal Standard Chart Of Account (mSCOA).
3. Table A6 is also consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet);
4. Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current liabilities;
  - Changes in net assets; and

- Reserves.
5. The Municipal's equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community; and
  6. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.
  7. The Municipal total assets value is seating at just over R1.2 billion for the 2020/2021 financial period and expected to grow to over R1.6 billion during 2021/2022 budget year.

**Table 22 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		–	59 878	78 833	127 393	127 693	127 693	41 892	92 425	11 385	12 523
Service charges		–	16 066	159 695	226 195	226 195	226 195	(24 161)	185 561	–	–
Other revenue		–	165 220	68 918	32 177	24 851	24 851	108 744	21 840	–	–
Transfers and Subsidies - Operational	1	–	77 639	84 840	93 655	93 655	93 655	94 227	103 274	111 756	121 115
Transfers and Subsidies - Capital	1	–	51 232	87 320	76 911	85 611	85 611	19 352	77 495	84 407	66 683
Interest		–	573	(39 257)	15 524	15 524	15 524	(2 742)	2 363	2 458	2 556
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		–	(376 051)	(345 164)	(366 237)	(375 343)	(375 343)	419 732	(377 659)	(11 385)	(12 523)
Finance charges		–	(15 443)	(7 368)	(7 000)	(12 000)	(12 000)	(3 066)	(12 600)	(13 293)	(14 024)
Transfers and Grants	1	–	(24 501)	10 501	–	–	–	84 290	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	(45 387)	98 319	198 618	186 186	186 186	738 267	92 700	185 328	176 330
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		–	(46 807)	(1 363)	–	–	–	–	–	–	–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	95 322	(2 820)	–	–	–	(284 836)	–	–	–
Payments											
Capital assets		524 869	508 414	(604 988)	(75 615)	(84 315)	(84 315)	(152 857)	(85 415)	(84 657)	(64 386)
NET CASH FROM/(USED) INVESTING ACTIVITIES		524 869	556 929	(609 171)	(75 615)	(84 315)	(84 315)	(437 693)	(85 415)	(84 657)	(64 386)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	7 669	–	–	–	14 834	–	–	–
Borrowing long term/refinancing		–	(7 669)	(14 834)	–	–	–	(14 834)	–	–	–
Increase (decrease) in consumer deposits		–	–	547	–	–	–	6 450	–	–	–
Payments											
Repayment of borrowing		–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	(7 669)	(6 618)	–	–	–	6 450	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		524 869	503 873	(517 470)	123 002	101 870	101 870	307 024	7 285	100 671	111 945
Cash/cash equivalents at the year begin:	2	31 378	1 297	4 175	(87 086)	(87 086)	(87 086)	(24 269)	14 349	21 634	122 305
Cash/cash equivalents at the year end:	2	556 247	505 170	(513 295)	35 917	14 785	14 785	282 755	21 634	122 305	234 249

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded;
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget;
3. The municipality shows positive net cash inflows of R21.6 million in 2020/2021; and
4. The cash position will continue to be managed by strict implementation of the credit control policy and cost containment measures.



**Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	556 247	505 170	(513 295)	35 917	14 785	14 785	282 755	21 634	122 305	234 249
Other current investments > 90 days		(524 865)	(500 999)	526 382	-	0	0	(282 755)	(0)	(0)	(0)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>31 382</b>	<b>4 171</b>	<b>13 087</b>	<b>35 917</b>	<b>14 785</b>	<b>14 785</b>	<b>-</b>	<b>21 634</b>	<b>122 305</b>	<b>234 249</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		34 434	1 002	11 503	12 505	12 505	12 505	57 141	12 579	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	143 791	(206 001)	88 810	124 548	125 007	125 007	(158 563)	72 028	548 662	953 119
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>178 225</b>	<b>(204 999)</b>	<b>100 313</b>	<b>137 053</b>	<b>137 512</b>	<b>137 512</b>	<b>(101 422)</b>	<b>84 607</b>	<b>548 662</b>	<b>953 119</b>
<b>Surplus(shortfall)</b>		<b>(146 843)</b>	<b>209 170</b>	<b>(87 226)</b>	<b>(101 137)</b>	<b>(122 728)</b>	<b>(122 728)</b>	<b>101 422</b>	<b>(62 973)</b>	<b>(426 357)</b>	<b>(718 869)</b>

### Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2020/2021 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
6. The table shows that the budget is funded over the medium term, taking into account the working capital requirements.

**Table 24 MBRR Table A9 - Asset Management**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CAPITAL EXPENDITURE										
Total New Assets	1	–	1 021 150	1 046 689	75 615	84 315	84 315	73 237	77 090	47 912
Roads Infrastructure		–	244 133	233 827	18 181	17 497	17 497	8 147	16 515	8 329
Storm water Infrastructure		–	122 143	122 183	3 435	2 453	2 453	6 047	–	–
Electrical Infrastructure		–	104 191	104 748	6 000	14 700	14 700	15 548	18 000	4 452
Water Supply Infrastructure		–	260 208	240 108	20 870	22 291	22 291	22 175	10 794	6 062
Sanitation Infrastructure		–	176 728	239 542	24 130	22 709	22 709	9 800	24 792	21 408
Solid Waste Infrastructure		–	26 405	–	–	–	–	500	–	–
Infrastructure		–	933 808	940 408	72 615	79 650	79 650	62 217	70 101	40 251
Community Facilities		–	–	–	–	–	–	–	2 589	7 411
Sport and Recreation Facilities		–	(19 755)	–	3 000	4 665	4 665	4 500	4 150	–
Community Assets		–	(19 755)	–	3 000	4 665	4 665	4 500	6 739	7 411
Licences and Rights		–	646	646	–	–	–	–	–	–
Intangible Assets		–	646	646	–	–	–	–	–	–
Computer Equipment		–	–	(815)	–	–	–	320	–	–
Furniture and Office Equipment		–	1 695	1 695	–	–	–	500	250	250
Machinery and Equipment		–	1 070	1 070	–	–	–	700	–	–
Transport Assets		–	–	–	–	–	–	5 000	–	–
Land		–	103 686	103 686	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets										
Water Supply Infrastructure	2	–	19 755	26 962	–	–	–	5 500	4 500	–
Sanitation Infrastructure		–	–	–	–	–	–	5 500	4 500	–
Solid Waste Infrastructure		–	–	26 962	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	26 962	–	–	–	5 500	4 500	–
Community Facilities		–	19 755	–	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		–	19 755	–	–	–	–	–	–	–
Total Upgrading of Existing Assets										
Roads Infrastructure	6	–	49 112	(19 539)	–	–	–	6 678	3 067	16 473
Storm water Infrastructure		–	2 606	(2 036)	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	–	–	–	–	–	–
Water Supply Infrastructure		–	71 548	(207)	–	–	–	–	–	4 540
Sanitation Infrastructure		–	14 992	(18 611)	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	3 067	11 933
Infrastructure		–	89 146	(20 854)	–	–	–	–	3 067	16 473
Community Facilities		–	–	–	–	–	–	5 778	–	–
Sport and Recreation Facilities		–	(40 034)	1 315	–	–	–	900	–	–
Community Assets		–	(40 034)	1 315	–	–	–	6 678	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Total Capital Expenditure										
Roads Infrastructure	4	–	1 090 016	1 054 112	75 615	84 315	84 315	85 415	84 657	64 386
Storm water Infrastructure		–	246 738	231 791	18 181	17 497	17 497	8 147	16 515	8 329
Electrical Infrastructure		–	122 143	122 183	3 435	2 453	2 453	6 047	–	–
Water Supply Infrastructure		–	104 191	104 748	6 000	14 700	14 700	15 548	18 000	4 452
Sanitation Infrastructure		–	331 756	239 901	20 870	22 291	22 291	27 675	15 294	10 602
Solid Waste Infrastructure		–	191 720	220 931	24 130	22 709	22 709	9 800	24 792	21 408
Infrastructure		–	26 405	26 962	–	–	–	500	3 067	11 933
Community Facilities		–	1 022 953	946 516	72 615	79 650	79 650	67 717	77 668	56 724
Sport and Recreation Facilities		–	19 755	–	–	–	–	5 778	2 589	7 411
Community Assets		–	(59 789)	1 315	3 000	4 665	4 665	5 400	4 150	–
Licences and Rights		–	(40 034)	1 315	3 000	4 665	4 665	11 178	6 739	7 411
Intangible Assets		–	646	646	–	–	–	–	–	–
Computer Equipment		–	646	646	–	–	–	–	–	–
Furniture and Office Equipment		–	–	(815)	–	–	–	320	–	–
Machinery and Equipment		–	1 695	1 695	–	–	–	500	250	250
Transport Assets		–	1 070	1 070	–	–	–	700	–	–
Land		–	–	–	–	–	–	5 000	–	–
Zoo's, Marine and Non-biological Animals		–	103 686	103 686	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class										
		–	1 090 016	1 054 112	75 615	84 315	84 315	85 415	84 657	64 386
ASSET REGISTER SUMMARY - PPE (WDV)										
Roads Infrastructure	5	887 013	906 896	916 577	1 048 437	1 077 137	1 077 137	1 034 458	1 137 908	1 147 786
Storm water Infrastructure		(450)	131 785	118 911	156 536	166 399	166 399	110 845	197 001	198 822
Electrical Infrastructure		–	56 259	53 830	59 693	58 712	58 712	62 868	–	–
Water Supply Infrastructure		–	42 755	45 062	48 762	58 462	58 462	61 530	216 406	214 657
Sanitation Infrastructure		(524 869)	1 507	(18 055)	33 419	37 840	37 840	38 571	212 879	215 363
Solid Waste Infrastructure		–	191 720	240 991	220 736	222 315	222 315	226 160	21 041	17 282
Infrastructure		–	20 179	19 835	17 406	17 406	17 406	18 990	–	–
Community Assets		(525 319)	444 204	460 575	536 551	561 133	561 133	518 965	647 326	646 124
Heritage Assets		44 498	63 119	59 179	65 694	67 813	67 813	79 078	206 296	218 882
Investment properties		(38 357)	(39 896)	539	600	600	600	539	539	539
Other Assets		343 301	282 015	284 836	284 836	284 836	284 836	287 684	287 684	287 684
Biological or Cultivated Assets		1 032 980	66 384	24 411	69 101	69 101	69 101	19 219	(1 297)	(1 427)
Intangible Assets		–	–	–	–	–	–	–	–	–
Computer Equipment		2 017	2 495	2 178	2 495	2 495	2 495	1 684	765	(247)
Furniture and Office Equipment		–	–	–	(348)	1 652	1 652	(1 355)	(2 912)	(3 204)
Machinery and Equipment		5 179	3 770	2 217	6 213	6 213	6 213	2 051	(233)	(281)
Transport Assets		760	1 022	408	1 059	1 059	1 059	1 105	(259)	(285)
Land		21 954	4 872	3 326	3 326	3 326	3 326	45 790	–	–
Zoo's, Marine and Non-biological Animals		–	78 909	78 909	78 909	78 909	78 909	79 698	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)										
	5	887 013	906 896	916 577	1 048 437	1 077 137	1 077 137	1 034 458	1 137 908	1 147 786
EXPENDITURE OTHER ITEMS										
Depreciation	7	–	11 909	32 789	72 830	41 586	41 586	44 674	49 142	54 056
Repairs and Maintenance by Asset Class		–	9 755	29 951	50 880	30 880	30 880	33 968	37 365	41 101
Roads Infrastructure	3	–	2 154	2 838	21 950	10 706	10 706	10 706	11 777	12 954
Storm water Infrastructure		–	226	(148)	600	450	450	450	495	545
Electrical Infrastructure		–	185	2 544	7 800	1 400	1 400	1 400	1 540	1 694
Water Supply Infrastructure		–	1 375	(2 272)	5 400	4 380	4 380	4 380	4 818	5 300
Sanitation Infrastructure		–	0	(0)	850	300	300	300	330	363
Solid Waste Infrastructure		–	341	1 716	2 200	2 200	2 200	2 200	2 420	2 662
Coastal Infrastructure		–	26	–	300	30	30	30	33	36
Information and Communication Infrastructure		–	–	(14)	400	66	66	66	73	80
Infrastructure		–	17	(49)	100	100	100	100	110	121
Community Facilities		–	2 171	1 776	17 650	8 926	8 926	8 926	9 819	10 801
Sport and Recreation Facilities		–	(10)	638	1 800	850	850	850	935	1 028
Community Assets		–	(54)	467	2 400	900	900	900	990	1 089
Furniture and Office Equipment		–	(64)	1 105	4 200	1 750	1 750	1 750	1 925	2 117
TOTAL EXPENDITURE OTHER ITEMS										
		–	11 909	32 789	72 830	41 586	41 586	44 674	49 142	54 056

### **Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. The table shows that all the capital allocations are for new assets.
3. National Treasury has recommended that municipalities should allocate at least 40% of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 10% of PPE or 8.6% of the total value of PPE of R1.2 billion for the 2020/2021 financial year.
4. As noted in the previous reporting financial year, the Council has noted with concern the current level of allocation for renewal of assets and maintenance. For this reason, the Technical Services Department has developed an Assets Renewal Strategy and a repairs and maintenance plan that will inform all future allocation decisions on repairs and maintenance.

### **Table 25 MBRR Table A10 - Basic Service Delivery Measurement**

#### **Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

## Part 2 – Supporting Documentation

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### 2.1 Overview of the annual budget process

#### 2.1.1 Overview of the annual IDP/ budget process

In terms of the MFMA (Act no 56 of 2003), 16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year

This Medium-Term Revenue and Expenditure Framework (MTREF) Report for the 2020/2021 to 2022/2023 financial years deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposals to ensure that Bela-Bela Local Municipality renders services to its local community in a sustainable manner.

The MTREF Report starts with a discussion of the legislative requirements to which the Municipality must adhere to, the MFMA budget circulars with directives issued by National Treasury, the budget related policies of Council and budget assumptions for next three financial years based on these documents and assumed economic trends. A high-level summary of the operating and capital budget followed with appropriate recommendations. Supporting information in the form of appendices, annexures and tables will form part of this report.

Circular 99 as issued by National Treasury highlighted one key area which require serious consideration by all Municipality which relate to institutional challenges and mismanagement that result in service delivery failures, bad debt accumulation, limited cash flows and consequent non-payment of creditors.

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

#### 2.1.2. Budget Process Overview

The preparation of a reviewed IDP/ Budget is based on a Process Plan, which Bela-Bela Local Municipality adopted in terms of the MFMA. The Plan establishes a firm foundation for the alignment of the IDP and budget preparation processes. This plan included the following: -

- a programme specifying the time frames for the different planning steps;
- appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities, and other role players in the IDP finalizing process;
- an indication of the organisational arrangements for the IDP process;
- binding plans and planning requirements, i.e. policy and legislation;

The objectives of the Process Plan are as follows:

- to guide decision making in respect of service delivery and public sector investment;
- to inform budgets and Service delivery programs of various government departments and service agencies; and
- to coordinate the activities of various service delivery agencies within Bela-Bela Local Municipality.

There were no deviations from the key dates set out on circular 86.

## **2.2. IDP and Service Delivery and Budget Implementation Plan**

Municipality IDP for 2020/2021 is on its fifth-year term since the council was sworn in during 2016. The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the revision cycle included the following key IDP processes and deliverables:

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

The new IDP has been considered for deliberation with all other stakeholders, such as community, provincial treasury and national treasury.

With the compilation of the 2020/2021 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2020/2021 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.2.1. Service Level Standards**

MFMA circular No. 72 indicated that all municipalities must formulate service level standards which must form part of each tabled MTREF budget documentation. The services level standard will be able to monitor the level in which service delivery is achieved by each department.

Service level standard details the expectation which each department need to achieve in order to successfully attain service delivery to the community.

Bela-Bela Local Municipal will continue to implement service level standard in the 2020/2021 budget year. Bellow table summarise only key services delivery standard (For a full services delivery standard can be provided on a separate document)

**Table 26: Service level standards**

Standard	Key Service level
<b>Solid Waste Removal</b>	Street Cleaning Frequency in CBD (Once a week)
	How soon are public areas cleaned after events (24hours)
	Clearing of illegal dumping (24hours)
<b>Water Service</b>	Water Quality rating (Blue Drop 71%)
	Is free water available to all? (All/only to the indigent consumers)
	Frequency of meter reading? (Once per month,)
<b>Electricity Service</b>	Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)
	How long does it take to replace faulty meters? (seven days)
	How effective is the action plan in curbing line losses? (Good/Bad)
<b>Sewerage Service</b>	How long does it take to restore sewerage breakages on average
	Severe overflow? (hours)
	Sewer blocked pipes: Large pipes? (Hours)
	Sewer blocked pipes: Small pipes? (Hours)
	Spillage clean-up? (hours)
	Replacement of manhole covers? (Hours)
<b>Road Infrastructure Services</b>	Time taken to repair a single pothole on a major road? (Hours)
<b>Property valuations</b>	How long does it take on average from completion to the first account being issued? (one month/three months or longer)
<b>Financial Management</b>	Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease)
	How long does it take to finalise a tender after closing date (5 working days)
<b>Administration</b>	Reaction time on enquiries and requests?
	Time to respond to a verbal customer enquiry or request? (immediately / one working days)
	Time to respond to a written customer enquiry or request? (7 working days)
	Time to resolve a customer enquiry or request? (2 working days)
	What percentage of calls are not answered? (5%)
<b>Community safety and licensing services</b>	How long does it take to register a vehicle? (minutes)
<b>Economic development</b>	How many economic development projects does the municipality drive?
<b>Other Service delivery and communication</b>	Does the municipality have training or information sessions to inform the community? (Yes)

## 2.3 Community Consultation

The draft 2020/2021 MTREF as tabled before Council on 25 March 2020 for community consultation was planned for publication on the municipality's website till when The President of the country placed the country under lockdown due to COVID-19 pandemic which discourages grouping of more than 100 people at same venue.

Circular 100 and 99 as issued by National Treasury provide guidelines on the mitigation plan to comply with budget regulation and MFMA regarding public consultation which give allowance of at least 30 days to comply with the regulation from the day the lockdown is lifted by The President.

## 2.4 Overview of alignment of annual budget with IDP

Bellow table provide overview alignment of the 2020/2021 budget to IDP.

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by the municipality correlate with National Development Plan as well as National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent manner to improve the quality of life for all the people living in that area. Applied to the Bela-Bela Local municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIS);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the final IDP's five strategic objectives for the 2020/2021 MTREF and further planning refinements that have directly inform this plan.



**Table 27: IDP Strategic Objectives**

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
<b>PREPARATION PHASE</b>	Alignment with WDM framework IDP, Budget and PMS process plan	WDM	<ul style="list-style-type: none"> <li>Approved 2020/2021 IDP, Budget and PMS process plan</li> </ul>	July 2019
	MECs Assessment of 2018- 2019 IDP	IDP Manager /Municipal Manager		July 2018 – August 2019
	Council Sitting	Mayor/ Municipal Manager		July 2019
	Develop Draft 2020/2021 IDP, Budget and PMS process plan	IDP Manager		August 2019
	Tabling of 2020/2021 IDP, Budget and PMS process Plan to Planning Sub-committee	IDP Manager		August 2019
	1 <sup>st</sup> Waterberg District Forum Representative Forum	IDP Manager		August 2019
	Tabling Draft 2020/2021 IDP, Budget and PMS process plan for EC /Council approval	Mayor & Municipal Manager		August 2019
	Publication of IDP 2020/2021 IDP, Budget and PMS Process Plan	IDP Manager		August 2019
	Submission of 2018/ 2019 Annual Performance Report to the Auditor – General and MEC	IDP Manager /Municipal Manager		August 2019
	First IDP Steering Committee Meeting	IDP Manager /Municipal Manager		September 2019
	First IDP Representative Forum	Municipal Manager/ Mayor		September 2019

ANALYSIS PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
	Identification of Gaps, Stakeholder Registration, and Information Gathering.	IDP Manager	<ul style="list-style-type: none"> <li>• Priority issues/problems</li> <li>• Understanding of causes of priority issues/problems</li> </ul>	September 2019
	Community Based Planning (CBP) Ward Consultative Meetings	IDP Manager		September 2019
	1 <sup>st</sup> Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		September 2019
	Community Consultation Forums on Tariffs, Indigent Credit, Credit Control, and Free Basic Electricity Revisit Community Needs, Consult, and Assess Community Based Planning (CBP) Wards Consultative Meetings	Budget & Treasury and IDP Manager		October 2019
	Submission of Draft Annual Report to the Mayor	IDP Manager / Municipal Manage		October 2019
	Council Sitting	Mayor & Municipal Manage		October 2019
	Second 2020/2021 IDP Steering Committee Meeting	IDP Manager/ Municipal Manage		November 2019
	Second 2020/2021 IDP Representatives Forum	Mayor/ Municipal Manager		November 2019
	Draft 2020/2021 IDP Analysis Phase Completed	IDP Manager		November 2019
	2 <sup>nd</sup> WDM Representative Forum	WDM		November 2019

	2 <sup>nd</sup> Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		November 2019
	Proposed IDP/Budget and Tariff Policies	Dept Financial Services & IDP Manager		Week 1 December 2019
	Consultative Forum on Vision, Mission, Objectives, and Localized Strategic Guidelines	IDP Manager		Week 2 December 2019
<b>STRATEGIES PHASE</b>			<ul style="list-style-type: none"> <li>• Vision(For Municipality)</li> <li>• Objectives(For each priority issue)</li> <li>• Strategic options and choice of strategy</li> <li>• Tentative financial framework for projects</li> <li>• Identification of projects</li> </ul>	
	WDM Strategic Planning Session	WDM		January 2020
	Review Financial Strategies, Adjustment Budget & SDBIP and Review of Organizational Structure	All Departments/Municipal Manager		January 2020
	Draft 2020/2021 Mid – Year Report and Draft 2019/ 2020 Annual Report	All Departments/Municipal Manager		January 2020
	3 <sup>rd</sup> Provincial IDP Consultative Form	COGHSTA, OTP and WDM		February 2020
	Strategic Planning Session	IDP Manager /Municipal Manager		February 2020
	Third IDP Steering Committee Meeting	IDP Manager/ Municipal Manager		March 2020
	Third IDP Representative Forum	Mayor & Municipal Manager		March 2020
<b>PROJECTS PHASE</b>	Review and Rationalization of Projects, Redesigning and Upgrading Project Designs	IDP Manager	<ul style="list-style-type: none"> <li>• Project output, targets, and location</li> </ul>	Week 2 March 2020
	3 <sup>RD</sup> WDM IDP Representatives Forum	WDM		March 2020

	Submission of 2019/ 2020 Annual Report to council for Approval	IDP Manager & Municipal Manager	<ul style="list-style-type: none"> <li>• Project related activities and time schedule</li> <li>• Cost and budget estimates</li> <li>• Performance Indicators</li> </ul>	March 2020
	Tabling of Draft IDP/Budget and SDBIP for Council Approval	Mayor & Municipal Manager		Week 3 March 2020
	Submission of Draft IDP/Budget to National Treasury and Dept. Local Government & Housing	Municipal Manager		March 2020
<b>INTEGRATION PHASE</b>	Alignment with Waterberg District Municipality, Provincial, and National Programs	COGHSTA, OTP and WDM	<ul style="list-style-type: none"> <li>• 5 Year Financial Plan</li> <li>• 5 Year Capital Investment Plan</li> <li>• Institutional Plan</li> <li>• Reference to Sector Plans</li> <li>• Integrated Sectoral Plans</li> </ul>	April 2020
	2020/2021 IDP - Budget Mayoral Road show	All Departments/Municipal Manager		April 2020
	4 <sup>th</sup> IDP Steering Committee Meeting	IDP Manager/Municipal Manager		May 2020
	4 <sup>th</sup> IDP Representative forum	Mayor & Municipal Manager		May 2020
	4 <sup>TH</sup> WDM Representative Forum	WDM		May 2020
	Screening of Draft IDP Projects Integration of Sector Plans and Institutional Programs	IDP Manager & All Departments		May 2020

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

## **2.5 Free Basic Services: basic social services package for households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Indigent households receive free basic water of 6kl and 50 kwh of electricity per month. For the 2020/2021 financial year 5,000 registered indigents have been provided for in the budget. The figure was depicted based on baseline of actually registered indigent 4838 during 2019/2020 financial period. The threshold for qualification as an indigent is the pension of two people in a household, i.e. R3,700 per month. Indigent households must approach the municipality and provide the required documentation.

## **2.6 Providing clean water and managing waste water**

Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and Magalies Water is the water services provider.

Approximately 50% of the Municipality's bulk water needs are provided by Magalies Water in the form of purified water. The remaining 50% is generated from the Municipality's own water sources, such as boreholes and the dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Bela-Bela Local Municipality has in past achieved an acceptable score of 71.07% during Blue Drop Certification Programme for its only Water Treatment Plant in the 2013/14 financial year. Municipality is currently under review to assess the level of its Blue Drop.

The following is briefly the main challenges facing the Municipality as indicated as route course on the blue drop outcome:

- Shortage of skilled personnel makes proper operations and maintenance difficult; and
- Aging infrastructure.

## **2.7 Measurable performance objectives and indicators**

The table below shows the key measurable financial indicators of the Bela-Bela Local Municipality. With time permitting and availability of information, these indicators will be benchmarked against the indicators of other municipalities of similar type, size and functions.

**Table 28 MBRR Table SA8 - Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	3.6%	1.9%	1.7%	2.9%	2.9%	1.4%	3.0%	3.0%	2.9%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	6.1%	2.8%	2.1%	3.6%	3.6%	2.1%	3.7%	3.7%	3.8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	-5.7%	-6.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	0.3	9.6	0.5	0.4	0.3	0.3	2.3	0.4	0.8	0.9
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.3	9.6	0.5	0.4	0.3	0.3	2.3	0.4	0.8	0.9
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.2	0.1	0.2	0.1	0.1	–	0.1	0.2	0.2
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0.0%	35.6%	104.4%	120.5%	120.6%	120.6%	16.0%	92.3%	3.6%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	35.6%	104.4%	120.5%	120.6%	120.6%	16.0%	92.3%	3.6%	3.8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0.0%	51.7%	13.0%	9.5%	9.6%	9.6%	59.7%	19.4%	91.8%	159.7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		25.9%	-7.9%	-27.8%	479.1%	1163.9%	1163.9%	-11.5%	685.3%	459.9%	418.3%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	0.0%	36.3%	34.3%	30.4%	31.7%	31.7%	30.3%	32.3%	32.8%	33.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	38.4%	36.4%	32.2%	33.5%	33.5%		34.2%	34.6%	35.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.7%	0.8%	5.0%	2.5%	2.5%		2.4%	2.5%	2.6%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	15.2%	10.7%	13.3%	10.0%	10.0%	1.4%	10.4%	10.8%	11.2%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	–	(6.4)	17.0	22.0	22.0	22.0	60.7	139.5	139.5	145.1
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.0%	79.3%	19.7%	14.1%	14.0%	14.0%	127.2%	28.6%	136.4%	239.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	–	19.0	(19.6)	1.3	0.5	0.5	16.9	0.7	3.8	6.8

## 2.8 Overview of budget related policies

In Table 29 below, the relevant budget related policies are set out.

ADOPTED POLICIES				
No	Policy Description	Date Reviewed/ Developed	Status	Comment
1	Credit Control and Debt Collection Policy	Feb 2020	In use	With effect from 01/07/2020
2	Property Rates Policy	Feb 2020	In use	With effect from 01/07/2020
3	Assets Management Policy	Feb 2020	In use	With effect from 01/07/2020
4	Indigent Policy	Feb 2020	In use	With effect from 01/07/2020
5	Borrowing framework policy	Feb 2020	In use	With effect from 01/07/2020
6	Budget Implementation and Monitoring Policy	Feb 2020	In use	With effect from 01/07/2020
7	Cash Management and Investment Policy	Feb 2020	In use	With effect from 01/07/2020
8	Funding Reserves Policy	Feb 2020	In use	With effect from 01/07/2020
9	Prioritisation Model for Capital Assets Investment	Feb 2020	In use	With effect from 01/07/2020
10	Policy on Infrastructure Investment and Capital Projects	Feb 2020	In use	With effect from 01/07/2020
11	Policy on Long Term Financial Planning policy	Feb 2020	In use	With effect from 01/07/2020
12	Policy on Provision for doubtful debts and writing off of irrecoverable debts	Feb 2020	In use	With effect from 01/07/2020
13	Principles and Policy on Tariffs	Feb 2020	In use	With effect from 01/07/2020
14	Petty Cash Policy	Feb 2020	In use	With effect from 01/07/2020
15	Supply Chain Management Policy	Feb 2020	In use	With effect from 01/07/2020
16	Expenditure Management Policy	Feb 2020	In use	With effect from 01/07/2020

### Amendments in Supply Chain management policy

- The main amendments to the Supply Chain Management Policy include the alignment with the Supply Chain Management regulations.

### Indigent policy

Reviewed to align it to current circumstance of the indigent such as qualifying criteria.

## Tariff Policy

There are no major changes in the tariff policy other than the annual increment as recommended by National Treasury, NERSA and Magalies Water.

### **2.9 Overview of budget assumptions**

Table below provide the budget assumptions issues which depict the next two years assumed percentage increases.

Council's wage bill, bulk purchases and capital charges constitutes majority on our operating budget expenditure. Council have very little control over them since the cost of living salary increases are determined at a higher authority (Bargaining Council level); bulk electricity purchases by NERSA; bulk water purchase by Magalies; and, interest on loans to be set by borrowing authorities (Financial Institutions).

The cost of living and notch increases on the wage bill amounted to an average of 7%.

The MFMA Budget Circular 94, dated 08th March 2019, advises of the following CPI increases:

**Table 30: CPI Inflation**

Fiscal year	2020/21	2021/22
CPI Inflation	4.6%	4.6%

This means that any increases above the 4.6% (inflation target) should be motivated in the budget, considering cost reflective tariffs, affordability and indigents.

The estimated operating revenue stream increases are projected to fund the operating budget expenditure. It must be emphasised that to balance the operating budget, senior management had to cut material amount worth of operating expenditure requests that exceeded the affordable and sustainable revenue streams.

The revenue streams increases/decreases for 2020/2021 compared to adjusted budget are as follows:

**Table 31: 2020/2021 revenue increases vs 2019/2020 adjusted budget**



Description	Ref	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue By Source</b>								
Property rates	2	90 845	90 845	90 845	(11 373)	94 479	98 258	102 189
Service charges - electricity revenue	2	141 362	141 362	141 362	87 807	147 928	153 845	159 998
Service charges - water revenue	2	31 200	31 200	31 200	11 291	32 060	33 342	34 676
Service charges - sanitation revenue	2	17 383	17 383	17 383	13 380	17 905	18 621	19 366
Service charges - refuse revenue	2	12 739	12 739	12 739	9 366	8 765	9 116	9 481
Rental of facilities and equipment		1 462	1 662	1 662	1 094	1 728	1 798	1 870
Interest earned - external investments		4 272	2 272	2 272	1 151	2 363	2 458	2 556
Interest earned - outstanding debtors		11 252	13 252	13 252	8 985	13 730	14 279	14 850
Dividends received		-	-	-	-	-	-	-
Fines, penalties and forfeits		17 526	10 000	10 000	406	10 200	10 608	11 032
Licences and permits		4 926	4 926	4 926	18 826	5 172	5 379	5 594
Agency services		-	-	-	-	-	-	-
Transfers and subsidies		93 655	93 655	93 655	94 227	103 274	111 756	121 115
Other revenue	2	8 263	8 263	8 263	2 619	8 593	8 937	9 295
Gains		-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>434 886</b>	<b>427 560</b>	<b>427 560</b>	<b>237 778</b>	<b>446 198</b>	<b>468 397</b>	<b>492 021</b>

Council is sensitive to the affordability and sustainability of the tariffs to be imposed. We carefully monitor the payment and collection rates and are thankful that the customer base of Bela-Bela Local Municipality pays more than 85% of their billed accounts. Through the financial support and incentives envisaged through our new budget related policies developed we are hopeful that the payment rate will increase to over 95% over the next 12 months.

### 2.9.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2020/2021 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Bela-Bela's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee and Councillor related costs comprise 34% of total operating expenditure in the 2020/2021 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

### 2.9.2. Employee cost

Table 32 below depicts the break-down of employee related costs.

#### Table 32 MBRR Table SA22 - Summary of Employees and Councillors remuneration

Total salary cost for all municipality employees excluding councillor is budgeted at R144 million from R135 million of the 2019/2020 audited result. Council salaries for 2020/2021 budget year were reviewed against adjusted budget to align the budget to be reasonable.

Section 17(3)(k) of the MFMA determines that as part of the budget resolutions the proposed cost to the municipality for the budget year of the salary, allowances and benefits of each political office bearer, Municipal Manager, Chief Financial Officer and senior manager reporting to the Municipal Manager must be disclosed.

**Table 33: Remuneration of political and administrative leadership**

NO.	Position	NEW PACKAGE
1	Mayor	840 313.00
2	Speaker	681 131.00
3	Chief Whip	641 336.00
4	EC Member (Full time)	641 336.00
5	EC Member (Part time)	377 418.00
5	S79 Chairperson	367 642.00
6	Other ordinary councilor	296 277.00
7	Municipal Manager	1 497 314.00
8	Other S56 Managers	1 102 590.00

### **2.9.3 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality did not budget to raise any long-term loans due to the squeezed cash position and low payment levels.

### **2.9.4 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (90%) of annual billings. Cash flow is assumed to be 95% of billings excluding collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **2.9.5 Growth or decline in tax base of the municipality**

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

## **2.9.6 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities, as articulated by the President of the country in his State of the Nation Address (SoNA) early this year, form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives. However, it is also important to take cognisance of the fact that some of these priorities are not directly linked to the powers and functions assigned to the municipality. Nevertheless, efforts will be made to contribute to these priorities.

## **2.9.7. Cash Backed Reserves/Accumulated Surplus Reconciliation**

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (application > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 34 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	556 247	505 170	(513 295)	35 917	14 785	14 785	282 755	21 634	122 305	234 249
Other current investments > 90 days		(524 865)	(500 999)	526 382	–	0	0	(282 755)	(0)	(0)	(0)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		<b>31 382</b>	<b>4 171</b>	<b>13 087</b>	<b>35 917</b>	<b>14 785</b>	<b>14 785</b>	<b>–</b>	<b>21 634</b>	<b>122 305</b>	<b>234 249</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		34 434	1 002	11 503	12 505	12 505	12 505	57 141	12 579	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3	143 791	(206 001)	88 810	124 548	125 007	125 007	(158 563)	72 028	548 662	953 119
Other provisions		–	–	–	–	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
<b>Total Application of cash and investments:</b>		<b>178 225</b>	<b>(204 999)</b>	<b>100 313</b>	<b>137 053</b>	<b>137 512</b>	<b>137 512</b>	<b>(101 422)</b>	<b>84 607</b>	<b>548 662</b>	<b>953 119</b>
<b>Surplus(shortfall)</b>		<b>(146 843)</b>	<b>209 170</b>	<b>(87 226)</b>	<b>(101 137)</b>	<b>(122 728)</b>	<b>(122 728)</b>	<b>101 422</b>	<b>(62 973)</b>	<b>(426 357)</b>	<b>(718 869)</b>

The following breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is, obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year, unless the funds are committed to identifiable programmes and/ or projects;
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites. The municipality has indicated its intention to build up cash-backed reserve in terms of its reserve policy; and
- It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. From a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

## 2.9.8 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 35 MBRR Table SA10 – Funding compliance measurement**

Description	MFMA section	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	556 247	505 170	(513 295)	35 917	14 785	14 785	282 755	21 634	122 305	234 249
Cash + investments at the yr end less applications - R'000	18(1)b	2	(146 843)	209 170	(87 226)	(101 137)	(122 728)	(122 728)	101 422	(62 973)	(426 357)	(718 869)
Cash year end/monthly employee/supplier payments	18(1)b	3	–	19.0	(19.6)	1.3	0.5	0.5	16.9	0.7	3.8	6.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	–	(54 268)	50 580	87 680	94 948	94 948	36 525	99 466	103 176	73 704
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(6.0%)	1.2%	22.4%	(6.0%)	(6.0%)	(68.4%)	(3.4%)	(2.0%)	(2.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	0.0%	97.6%	118.8%	114.5%	114.2%	114.2%	88.8%	88.0%	3.2%	3.4%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	15.7%	16.1%	3.1%	3.1%	3.1%	0.0%	3.4%	3.6%	3.8%
Capital payments % of capital expenditure	18(1)c;19	8	0.0%	(46.6%)	57.4%	100.0%	100.0%	100.0%	13.9%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (ex cl. transfers)	18(1)c	9	0.0%	(5.7%)	(13.8%)	0.0%	0.0%	0.0%	(13.5%)	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	473.7%	(73.4%)	(8.2%)	(0.7%)	0.0%	244.2%	110.1%	396.4%	82.8%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.3%	0.4%	2.7%	1.3%	1.3%	0.4%	1.3%	1.4%	1.5%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	1.8%	2.6%	0.0%	0.0%	0.0%	0.0%	6.4%	5.3%	0.0%

### Cash/cash equivalent position

The municipality's forecast position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements. If the municipality's forecast cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year.

### Cash plus investment less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is on Table 33 above. The reconciliation is intended to be relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

### Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

#### **Debt impairment expense as a percentage of billable revenue**

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

#### **Capital payments percentage of capital expenditure**

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 0 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### **Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)**

The purpose of this measurement is to determine the proportion of a municipality's 'own funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. For 2020/2021 financial year the municipality has not budgeted for any borrowing to finance capital expenditure.

#### **Transfers/grants revenue as a percentage of Government transfers/grants Available**

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The municipality has budgeted to spend for all transfers within the financial year.

#### **Consumer debtors change (Current and Non-current)**

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a deficit trend in line with the municipality's policy of settling debtor's accounts within 30 days.

#### **Repairs and maintenance expenditure level**

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. The municipality has budgeted to spend 3% of the operating budget on repairs and maintenance for the 2020/2021 financial year.

### **Asset renewal/rehabilitation expenditure level**

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

In summary, the funding compliance measurement above shows that serious attempts were made to make the budget funded. This is in line with the recommendations made by the National and Provincial Treasuries.

### **2.9.9. Allocations and grant made by the municipality**

The municipality has not budgeted to make any allocations or grants to individuals or external parties.

### **2.11 Expenditure on allocation and grant programme**

The table below shows the projected expenditure against the grants receipts.

**Table 36 MBRR Table A5 – Expenditure on transfer and grant programmes**

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Vote 1: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Vote 4: Mayor		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5: Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 6 - Vote 6: Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7: Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 8 - Vote 8: Social and Community Services		-	-	-	-	-	-	-	-	-	-
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 11 - Vote 11: Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 12 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 13 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Vote 1: Chief Financial Officer		-	46 262	105 636	-	-	-	106 612	5 000	-	-
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		-	646	646	-	-	-	646	500	250	250
Vote 4 - Vote 4: Mayor		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5: Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 6 - Vote 6: Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7: Planning and Economic Development		-	-	-	-	-	-	320	-	-	-
Vote 8 - Vote 8: Social and Community Services		-	298 064	267 834	4 000	5 119	5 119	268 823	11 678	9 805	19 345
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	745 045	680 213	71 615	79 197	79 197	719 781	67 917	74 601	44 791
Vote 11 - Vote 11: Technical Services		-	-	(215)	-	-	-	-	-	-	-
Vote 12 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 13 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
<b>Total Capital Expenditure - Vote</b>		-	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	46 907	106 281	-	-	-	107 258	5 500	250	250
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	46 907	106 281	-	-	-	107 258	5 500	250	250
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	20 155	1 315	4 000	5 119	5 119	2 304	11 178	6 739	7 411
Community and social services		-	20 155	1 315	4 000	5 119	5 119	2 304	11 178	6 739	7 411
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	368 881	354 189	20 615	19 497	19 497	362 497	14 514	16 515	8 329
Planning and development		-	-	-	-	-	-	320	-	-	-
Road transport		-	368 881	354 189	20 615	19 497	19 497	362 497	14 194	16 515	8 329
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	654 072	592 327	51 000	59 700	59 700	623 802	54 223	61 153	48 395
Energy sources		-	104 191	104 748	6 000	14 700	14 700	110 718	16 248	18 000	4 452
Water management		-	260 208	239 142	20 870	22 291	22 291	242 612	27 675	15 294	10 602
Waste water management		-	263 268	221 475	24 130	22 709	22 709	243 510	9 800	24 792	21 408
Waste management		-	26 405	26 962	-	-	-	26 962	500	3 067	11 933
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	-	1 090 016	1 054 112	75 615	84 315	84 315	1 095 861	85 415	84 657	64 386
<b>Funded by:</b>											
National Government		-	955 426	946 973	75 615	84 315	84 315	986 362	77 495	84 407	64 136
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial)		-	-	-	-	-	-	-	-	-	-
Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	-	955 426	946 973	75 615	84 315	84 315	986 362	77 495	84 407	64 136
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	-	-	-	-	-	-	7 920	250	250
<b>Total Capital Funding</b>	7	-	955 426	946 973	75 615	84 315	84 315	986 362	85 415	84 657	64 386



## **2.12 Annual budget and SDBIP – Internal departments**

The municipality provides major infrastructure projects internally, though some technical work is contracted to professional service providers such as designs. The key service delivery departments are Technical Services and Social and Community Services. The Planning and IDP Department also does some work related to job creation and Local Economic Development, including Town Planning and establishment.

Each of the above departments is headed by a Senior Manager directly accountable to the Municipal Manager. Majority of the capital budget is allocated to Technical Services followed by Social and Community Services department.

The Senior Managers submit their departmental Service Delivery and Budget Implementation Plans to the Municipal Manager and then compiles the municipal SDBIP which is submitted to the Mayor and tabled with the budget. These SDBIP form the basis of performance agreements.

## **2.13 Contracts having future budgetary implications**

The municipality does not have expenditure contracts that go beyond the three years except revenue contract.

## **2.14 Monthly target for revenue, expenditure and cash flow**

The following tables depict the monthly target for revenue, expenditure and cash flow.

**Table 37 MBRR Table SA25 – Budgeted monthly revenue and expenditure**

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand																
Revenue By Source																
Property rates		7 570	7 570	7 570	7 570	7 570	7 570	7 570	7 570	7 570	7 570	7 570	7 570	90 845	96 296	102 074
Service charges - electricity revenue		18 377	10 602	9 189	8 482	11 026	12 723	8 482	9 895	9 754	9 471	15 550	17 812	141 362	149 844	158 835
Service charges - water revenue		4 056	2 340	2 028	1 872	2 434	2 808	1 872	2 184	2 153	2 090	3 432	3 931	31 200	33 072	35 057
Service charges - sanitation revenue		1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	17 383	18 426	19 532
Service charges - refuse revenue		—	—	—	—	—	—	—	—	—	—	—	8 428	8 428	8 934	9 470
Rental of facilities and equipment		122	122	122	122	122	122	122	122	122	122	122	122	1 462	1 535	1 612
Interest earned - external investments		214	342	385	406	414	299	427	481	491	342	54	418	4 272	5 000	5 250
Interest earned - outstanding debtors		1 463	844	731	675	878	1 013	675	788	776	754	1 238	1 418	11 252	9 001	5 401
Dividends received		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		1 461	1 461	1 461	1 461	1 461	1 461	1 461	1 461	1 461	1 461	1 461	1 461	17 526	18 578	19 692
Licences and permits		410	410	410	410	410	410	410	410	410	410	410	410	4 926	5 221	5 535
Agency services		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers and subsidies		34 652	843	937	1 826	1 405	26 223	1 639	1 171	20 604	1 873	1 180	1 302	93 655	101 025	110 487
Other revenue		2 476	74	83	161	124	2 311	144	103	1 815	165	104	692	8 252	8 722	9 220
Gains on disposal of PPE		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		72 249	26 057	24 363	24 434	27 292	56 388	24 251	25 633	46 606	25 707	32 569	45 013	430 564	455 655	482 163
Expenditure By Type																
Employee related costs		11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	132 355	138 973	145 921
Remuneration of councillors		654	654	654	654	654	654	654	654	654	654	654	654	7 843	8 235	8 647
Debt impairment		450	720	810	855	873	630	900	1 012	1 035	720	113	881	9 000	9 450	9 923
Depreciation & asset impairment		4 240	4 240	4 240	4 240	4 240	4 240	4 240	4 240	4 240	4 240	4 240	4 240	50 880	53 933	57 169
Finance charges		583	583	583	583	583	583	583	583	583	583	583	583	7 000	7 350	7 718
Bulk purchases		13 709	9 139	9 139	9 139	7 997	10 282	8 568	7 997	7 426	8 454	11 196	11 196	114 241	120 398	126 924
Other materials		1 829	1 829	1 829	1 829	1 829	1 829	1 829	1 829	1 829	1 829	1 829	1 829	21 950	23 042	24 188
Contracted services		1 605	2 567	2 888	3 049	3 113	2 246	3 209	3 610	3 691	2 567	404	3 142	32 092	33 645	35 452
Transfers and subsidies		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenditure		2 434	3 895	4 382	4 625	4 723	3 408	4 869	5 477	5 599	3 895	613	4 766	48 686	51 116	54 132
Loss on disposal of PPE		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Expenditure		36 533	34 657	35 555	36 004	35 041	34 902	35 882	36 433	36 086	33 972	30 662	38 321	424 047	446 141	470 072
Surplus/(Deficit)		35 716	(8 600)	(11 192)	(11 570)	(7 749)	21 486	(11 630)	(10 799)	10 520	(8 264)	1 907	6 693	6 517	9 514	12 091
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		3 846	6 153	6 922	7 307	7 460	5 384	7 691	8 652	8 845	6 153	969	7 530	76 911	76 848	87 835
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (in-kind - all)		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		39 561	(2 447)	(4 270)	(4 264)	(288)	26 870	(3 939)	(2 147)	19 365	(2 112)	2 876	14 222	83 428	86 362	99 926
Taxation		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Attributable to minorities		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share of surplus/ (deficit) of associate		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit)	1	39 561	(2 447)	(4 270)	(4 264)	(288)	26 870	(3 939)	(2 147)	19 365	(2 112)	2 876	14 222	83 428	86 362	99 926

**Table 38 MBRR Table SA30 – Budgeted monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Cash Receipts By Source</b>															
Property rates	5 044	8 070	9 079	9 583	9 785	7 061	10 087	11 348	11 600	8 070	1 271	9 875	100 873	106 926	113 341
Service charges - electricity revenue	6 884	11 014	12 391	13 079	13 354	9 637	13 767	15 488	15 833	11 014	1 735	13 478	137 674	145 935	154 691
Service charges - water revenue	1 560	2 496	2 808	2 964	3 026	2 184	3 120	3 510	3 588	2 496	393	3 055	31 200	33 072	35 057
Service charges - sanitation revenue	869	1 391	1 564	1 651	1 686	1 217	1 738	1 956	1 999	1 391	219	1 702	17 383	18 426	19 532
Service charges - refuse revenue	421	674	759	801	818	590	843	948	969	674	106	825	8 428	8 934	9 470
Rental of facilities and equipment	73	117	132	139	142	102	146	164	168	117	18	143	1 462	1 535	1 612
Interest earned - external investments	214	342	385	406	414	299	427	481	491	342	54	418	4 272	5 000	5 250
Interest earned - outstanding debtors	563	900	1 013	1 069	1 091	788	1 125	1 266	1 294	900	142	1 102	11 252	9 001	5 401
Dividends received	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits	876	1 402	1 577	1 665	1 700	1 227	1 753	1 972	2 016	1 402	221	1 716	17 526	18 578	19 692
Licences and permits	246	394	443	468	478	345	493	554	566	394	62	482	4 926	5 221	5 535
Agency services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer receipts - operational	38 161	2 222	—	—	580	29 410	—	387	22 896	—	—	—	93 655	101 025	110 487
Other revenue	413	660	743	784	800	578	825	928	949	660	104	808	8 252	8 722	9 220
<b>Cash Receipts by Source</b>	<b>55 324</b>	<b>29 682</b>	<b>30 892</b>	<b>32 609</b>	<b>33 875</b>	<b>53 437</b>	<b>34 325</b>	<b>39 002</b>	<b>62 370</b>	<b>27 460</b>	<b>4 325</b>	<b>33 604</b>	<b>436 904</b>	<b>462 376</b>	<b>489 287</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	37 495	—	—	4 609	—	14 392	—	—	20 415	—	—	—	76 911	76 848	87 835
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Proceeds on disposal of PPE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Short term loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Borrowing long term/refinancing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease (Increase) in non-current debtors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease (increase) other non-current receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease (increase) in non-current investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total Cash Receipts by Source</b>	<b>92 818</b>	<b>29 682</b>	<b>30 892</b>	<b>37 218</b>	<b>33 875</b>	<b>67 829</b>	<b>34 325</b>	<b>39 002</b>	<b>82 785</b>	<b>27 460</b>	<b>4 325</b>	<b>33 604</b>	<b>513 815</b>	<b>539 224</b>	<b>577 122</b>
<b>Cash Payments by Type</b>															
Employee related costs	11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	11 030	132 355	138 973	145 921
Remuneration of councillors	654	654	654	654	654	654	654	654	654	654	654	654	7 843	8 235	8 647
Finance charges	1 750	280	245	357	322	1 330	336	343	1 260	308	301	168	7 000	7 350	7 718
Bulk purchases - Electricity	12 314	8 209	8 209	8 209	7 183	9 235	7 696	7 183	6 670	7 594	10 056	10 056	102 615	108 772	115 299
Bulk purchases - Water & Sewer	1 395	930	930	930	814	1 046	872	814	756	860	1 139	1 139	11 625	11 625	11 625
Other materials	2 634	1 756	1 756	1 756	1 537	1 976	1 646	1 537	1 427	1 624	2 151	2 151	21 950	23 042	24 188
Contracted services	3 005	2 003	2 003	2 003	1 753	2 254	1 878	1 753	1 628	1 853	2 454	2 454	25 041	26 276	27 771
Transfers and grants - other municipalities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers and grants - other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenditure	6 688	4 459	4 459	4 459	3 902	5 016	4 180	3 902	3 623	4 125	5 462	5 462	55 737	58 485	61 813
<b>Cash Payments by Type</b>	<b>39 469</b>	<b>29 321</b>	<b>29 286</b>	<b>29 398</b>	<b>27 193</b>	<b>32 540</b>	<b>28 292</b>	<b>27 214</b>	<b>27 046</b>	<b>28 047</b>	<b>33 247</b>	<b>33 114</b>	<b>364 167</b>	<b>382 758</b>	<b>402 981</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	3 781	6 049	6 805	7 183	7 335	5 293	7 562	8 507	8 696	6 049	953	7 403	75 615	75 489	86 386
Repayment of borrowing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other Cash Flows/Payments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total Cash Payments by Type</b>	<b>43 250</b>	<b>35 370</b>	<b>36 091</b>	<b>36 581</b>	<b>34 528</b>	<b>37 833</b>	<b>35 853</b>	<b>35 721</b>	<b>35 742</b>	<b>34 096</b>	<b>34 200</b>	<b>40 517</b>	<b>439 783</b>	<b>458 248</b>	<b>489 366</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>49 568</b>	<b>(5 688)</b>	<b>(5 199)</b>	<b>637</b>	<b>(653)</b>	<b>29 996</b>	<b>(1 528)</b>	<b>3 281</b>	<b>47 043</b>	<b>(6 636)</b>	<b>(29 875)</b>	<b>(6 913)</b>	<b>74 033</b>	<b>80 976</b>	<b>87 756</b>
Cash/cash equivalents at the month/year begin:	49 242	98 810	93 122	87 923	88 560	87 907	117 903	116 374	119 655	166 698	160 062	130 187	49 242	123 274	204 250
Cash/cash equivalents at the month/year end:	98 810	93 122	87 923	88 560	87 907	117 903	116 374	119 655	166 698	160 062	130 187	123 274	123 274	204 250	292 006

## 2.15 Legislation compliance status

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

- **In-year reporting**

Reporting to National Treasury in electronic format was fully complied with monthly. Section 71 reporting to the Mayor (within 10 working days) has progressively improved. However, changes in the new financial system are expected to improve the quality of the reports.

- **Internship programme**

The municipality is participating in the Municipal Financial Management Internship programme and has hired 5 local graduates in the internship program during October 2019.

- **Budget and Treasury Office**

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

- **Audit Committee**

New Audit Committee has been appointed with effect from 1 June 2019.

- **Service Delivery and Implementation Plan**

The detail SDBIP document is at a final stage and will be finalised after approval of the 2020/2021 MTREF directly aligned and informed by the 2019/2020 MTREF.

- **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

- **MFMA Training**

The relevant managers are attending the MFMA accredited training.

- **Policies**

The following policies have been reviewed in the light of this new budget;

- Credit control and debt collection;
- Rates;
- Indigent;
- Irrecoverable debt; and
- Tariffs.

## 2.16 Quality certification

I, ....., in my capacity as accounting officer of the municipality, hereby certify that:

- This budget complies with the legislative framework;
- The budget, once approved by Council, will be taken through the required consultation processes to obtain the stakeholders' inputs;
- The relevant budget return forms have been submitted to the local government database.

Print Name \_\_\_\_\_

Municipal manager of \_\_\_\_\_

(name and demarcation code of municipality)

Signature \_\_\_\_\_

Date \_\_\_\_\_

Annexure 1: Budget tables

Annexure 2: Tariff book

Annexure 3: Amended budget related policies and By-Laws

Annexure 4: Organizational Structure

Annexure 5: Service standards

Annexure 6: Strategic Risk Register