



MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL YEAR

2019/2020

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

1 Table of Contents

PART 1 – ANNUAL BUDGET	4
1.1 MAYOR’S REPORT	4
1.2 COUNCIL RESOLUTIONS	11
1.3 EXECUTIVE SUMMARY	12
1.4 CAPITAL EXPENDITURE	33
1.5 ANNUAL BUDGET TABLES	37
PART 2 – SUPPORTING DOCUMENTATION	54
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS	54
2.2 IDP AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN	55
2.3 COMMUNITY CONSULTATION	56
2.4 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	57
2.5 FREE BASIC SERVICES: BASIC SOCIAL SERVICES PACKAGE FOR HOUSEHOLDS	63
2.6 PROVIDING CLEAN WATER AND MANAGING WASTE WATER	63
2.7 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS	63
2.8 OVERVIEW OF BUDGET RELATED-POLICIES	65
2.9 OVERVIEW OF BUDGET ASSUMPTIONS	66
2.11 EXPENDITURE ON ALLOCATION AND GRANT PROGRAMME	73
2.12 ANNUAL BUDGET AND SDBIP – INTERNAL DEPARTMENTS	75
2.13 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS	75
2.14 MONTHLY TARGET FOR REVENUE, EXPENDITURE AND CASH FLOW	75
2.15 LEGISLATION COMPLIANCE STATUS	78
2.16 QUALITY CERTIFICATION	79
ANNEXURE 1: BUDGET TABLES	80
ANNEXURE 2: TARIFF BOOK	80
ANNEXURE 3: AMENDED BUDGET RELATED POLICIES AND BY-LAWS	80
ANNEXURE 4: ORGANIZATIONAL STRUCTURE	80
ANNEXURE 5: SERVICE STANDARDS	80
ANNEXURE 6: STRATEGIC RISK REGISTER	80

Part 1 – Annual Budget

1.1 Mayor's Report (Budget speech)

Speaker of Council: Comrade Zachariah Moeletsi

Members of the Executive Committee

Chief Whip of the ruling party

All Councillors

The Municipal Manager

HOD's and Acting HOD's

CDW's and Ward Committees

Local Media

Ladies and Gentlemen

Good Morning,

It is in this year that General elections were held in South Africa on 8 May to elect a new National Assembly and provincial legislatures in each province. These were the sixth elections held since the end of apartheid in 1994 and determined who will become the next President of the Republic of South Africa.

We appreciate effort of men and women who participated in the elections by voting for political parties of their choice. We have an obligation as responsible citizens to exercise the right that our struggle stalwarts and the country in unison fought for post 1994.

We should not forget the lives of many unsung heroes that have been sacrificed for us to attain our freedom and the right to vote.

I am reliably informed that 30 745 residents of Bela- Bela registered to vote and 19 928 casted their national votes and 18 873 casted provincial votes. Our municipal voter turnout is at 64,82% for National votes and 61,39% for Provincial votes.

There is a significant drop in voter turnout as compared to 2014. The phenomena is experienced nation-wide.

I would like to applaud all political parties that participated in the elections particularly within the Bela- Bela Local Municipal jurisdiction for demonstrating political tolerance and allowing each other to campaign fairly without intimidation.

The people of South Africa have given the African National Congress of Seloape Thema, Alfred Bitini Xuma, John Langalibale Dube, Zacharias Richard Mahabane, Albert Lutuli, Sefako Makgatho, James Moroka and Nelson Mandela a mandate to govern the country for the next five years.

The African National Congress remains the only hope for the people of South Africa to attain true freedom at its totality.

Speaker

Allow me to congratulate Comrade Matamela Cyril Ramaphosa who since the 25th May has been inaugurated as the sixth President of the Republic of South Africa in the democratic dispensation.

I also wish to take this moment, Speaker to wish well new Members of Parliament. We feel particularly blessed that Me Pinky Kekana the Bela- Bela native has been sworn in as Members of Parliament.

In his State of the Nation Address during his previous term of Office, the President encouraged us public representatives to serve the community with accountability, diligence and efficiency to better the lives of the citizens. In setting the tone on how government in all spheres should go about handling its business he quoted the phrase “Thuma Mina” meaning Send Me.

We are sent to accelerate service delivery in our space to uplift the living standards of the people who elected us in to power. We are reminded to serve our people selflessly and take on the enormous task ahead of us vigorously.

I wish to call upon my fellow councillors to recommit our collective efforts in a cohesive manner to ensure that the municipality carries out its constitutional mandate to the community. It is through your valuable input that we have been able to fill critical managerial positions that have been vacant for a long time.

We welcome the newly appointed Manager Technical Services Mrs Hlekani Maswanganyi and Mr Temba Mnisi Manager Planning and Economic Development. We are in the process of finalizing the appointment of Manager Social and Community Services.

We are committed to effective and accountable governance. It is therefore imperative that we run an institution with a complete contingent of council and management.

The municipality has been subjected to statutory audit from the beginning of August 2018 to the end of November 2018; 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 had regressed in its 2017/2018 audit opinion. The audit finding which led to qualification was as result of migrated balance from old chart to mSCOA which was done by the system with an error and only discovered later during the audit.

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 will continue to be put in place through the established AGSA action plan committee which will seek to address any issues raised. To ensure the committee is effectively discharge; the Accounting

Officer will oversee the committee as the chairperson. Municipality plan to archive clean audit in the 2019/2020 financial year and will use 2018/2019 financial year as the learning curve to any shortcoming experienced

Bela-Bela Local Municipality will strive on each financial reporting year to recognise 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.

Speaker

In my previous budget speech as I was bidding farewell to the former Councillor Kobus van der Merwe who was representing the Democratic Alliance I have mentioned that his resignation presented the opportunity to the ruling party to reclaim ward 9.

My prophecy has come to light, residents of ward 9 mandated the African National Congress to govern them.

The community elected Cllr Buti Maname to represent them in Council.

It gives me great pleasure Speaker, to bring to attention of the house that, there are individuals who are flying the municipal flag high nationally and internationally in their respective field of expertise. Allow me to pay special tribute to the following individuals and groups who are from Bela- Bela for their outstanding achievements:

- Mr. Jack Maluleka who has been re-elected to serve in the National Executive Committee of SAFA.
- Miss. Grace Lechaba for being part of the Limpopo Baobabs Netball Team for the second year participating in the professional National Netball League.
- Dithakga Setswana Dance Cultural group for winning the Showville Talent Show which was televised on SABC 2.
- Donovan Alberts who is a prominent feature in the Beach Soccer National Team and a resident of Spa Park.
- Semakaleng Mothapo for being delegated to represent South Africa at the Young African Leaders Initiative program in Business Category in USA for three months.
- Diesel and Dust Netball Team for winning the provincial Championship.
- Bela- Bela Football Academy for winning the provincial Coca Cola school championships and representing the province at National Championships.
- KAMPLITS Volleyball Clubs men and ladies teams that represented South Africa at the SADAC Championships held in Zimbabwe and a number of players who participates in the National League.

We are very proud of their stunning performance that distinguishes them as the best amongst their peers.

They deserve a round of applause.

Honourable Members

Today marks 25 years of democracy. Our people are becoming impatient with the rate at which service delivery and efforts of redressing skewed development of the past regime is addressed.

I would however wish to indicate that we have been able to address most issues and concerns that have been brought to our attention since the introduction of the Customer Care Unit.

Yes we acknowledge that a lot needs to be done to improve our customer care service.

In strengthening the unit, we will bring into effect the customer care system that will allow our ratepayers to easily trace the queries and be able to get feedback on how far their queries will be resolved and thus ensuring value for money. We urge our community to follow the Bela-Bela Local Municipality Facebook page for updates on service delivery interruptions.

There have been lots of issues raised during the public participation roadshow mainly roads infrastructure, dysfunctional street lights and none availability of middle income stands amongst others.

We have noted all concerns and we ensured that they find place in our IDP.

We are also looking in to how best we can place our Customer Care Unit to ensure that walk-in queries are attended to in an environment which allows for confidentiality.

Conducting Customer Satisfaction Survey is amongst other priority programmes that we intend to embark on to rate customer satisfaction levels as that will surely assist us to improve on where and how to render services to our community.

We will continuously conduct joint operations which includes raiding of business owned by foreign nationals with relevant stakeholders, cleaning all streets, parks, patching potholes, fixing street lights and water leakages is a priority project that we have embarked on recently.

This activity is meant to ensure that we keep our town as clean as possible and to ensure a healthy and safe environment to our residents and tourists.

We currently have suggestion boxes at the municipal main building for the community to utilize on rating our service including services standards rendered by our front office personnel and all service delivery point.

We are in the process of extending services to the new office space at the Multipurpose Centre in extension six (6) which will be convenient to ratepayers.

We urge members of the public to work together with members of the Ward Committees and CDW's to report service delivery issues.

It's a fact that we are able to easily provide proper sanitation, water, electricity, collect waste and alienate development that should not be taken lightly. However there are challenges with the work rate of some of our staff, professionalism, efficiency and effectiveness of our institution, which we must attend to urgently.

We are a clientele based business. Maintaining high client satisfaction level is our top priority.

Honourable Members

We have over the years been able to utilize various infrastructure grants to complete capital projects that in one way or the other improve living standards of our community.

We have been able to construct and complete the widening of Miles Street Bridge and refurbishment of raw water pump station at Lapa.

Construction of Moloto Street Stadium is under way.

We have consistently being able to update our Indigent's Register annually for the benefit of our community.

Coghsta has completed construction of 900 RDP houses in extension 9, Extension 25 (Koppevaai) construction of services for the forthcoming 250 RDP houses is underway and Vingerkraal township establishment of 1000 houses is currently underway.

We appreciate efforts of our provincial government particularly Coghsta for construction of RDP units and addressing housing needs of our residents. This gesture complements our vision of formalizing all squatter camps within the municipality.

As part of the Revenue enhancement, we will engage with Eskom to transfer the function of electricity supply and infrastructure maintenance in Maskhane, Pienaarsrivier, Rapotokwane, Tsakane and Vingerkraal to the municipality.

We are aware of water supply interruptions experienced at Rapotokwane village. We are working tirelessly to resolve the problem.

Our community is not immune to the socio-economic challenges such as unemployment, poverty, substance abuse, crime, HIV/AIDS amongst others that are experienced throughout the country.

We are willing to partner with all relevant stakeholders to come up with multi sectoral intervention strategies to curb the social ills proving to be a nuisance in our community.

We also need to come up with innovative programmes and projects that will enhance Local Economic Development. Programs with short, medium and long term results that will ensure that most part of our marginalized members of the society that includes youth, women and people with disabilities find expression and benefit in key economic drivers contributing to the towns Growth Development Product being Tourism, Agriculture and resented Mining activities to mention a few.

High unemployment rate remains to be a major frustration to our community particularly amongst young people. We will continue to foster partnerships with skills development entities, private and public sector institutions to roll out EPWP and other developmental initiatives on the government agenda.

Staging education support programs such as the annual career exhibition day, grade 12 winter enrichment camps, sport activities such as Mayor's cup and matric awards ceremony are amongst other strategic interventions key for youth development. We believe that this initiatives will empower young people placing them in an advantage to participate in the mainstream economy.

Honourable members

We are at the point where we must teach our communities that a municipality is a business that requires to collect revenue for it to be self-reliant and sustainable. We encourage our residents to pay what's due to the municipality for us to be able to provide improved services considering value for money.

To date we are able to honour our financial commitments but with improved revenue collection we will be able to implement capital projects from our own source that will accelerate service delivery to the community.

We have a constitutional obligation to move this municipality forward.

Speaker

We have conducted public participation process consulting with our residents and ratepayers in all nine wards of the municipality during which a proposed budget and IDP for the forthcoming financial year were presented.

There were many issue raised during the consultation

It was a tedious process which required patience and full commitment from officials and councillors throughout. Once again our municipality indicated diversity and community members contributed valuable inputs.

We believe that thorough consultation has been done with our communities and that this budget proposal tabled today reflects the inputs of our residents and ratepayers.

This Medium Term Revenue and Expenditure Framework Report for the 2019/20 financial year Speaker, 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 sustainable manner.

When compiling an annual budget in terms of legislation the budget circulars from National Treasury must also be taken into consideration.

I would therefore wish to present to Council the 2019/20 budget, Reviewed IDP, Reviewed Performance Management System Framework and Reviewed Organisational Structure for Bela- Bela Local Municipality for approval as tabled in the council agenda presented here today.

This are public documents which will be made available on our municipal website which is www.belabela.gov.za

Speaker,

We commit to implement the budget table in today's Council with due diligence ensuring that service delivery is the order of the day.

I thank you.

1.2 Council Resolutions

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 fourth terms for the councillors to implement the annual budget which seek to improve the service delivery of Bela-Bela Local Community.

Circular 94 was issued during 8th March 2019. 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 2019/2020 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 2019/2020 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 2019/2020 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 2019 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

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 2019 to 30 June 2020 (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.

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 municipality has been subjected to statutory audit from the beginning of August 2018 to the end of November 2018; 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 had regressed in its 2017/2018 audit opinion. The audit finding which led to qualification was as result of migrated balance from old chart to mSCOA which was done by the system with an error and only discovered later during the audit.

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 will continue to be put in place through the established AGSA action plan committee which will seek to address any issues raised. To ensure the committee is effectively discharge; the accounting officer will oversee the committee as the chairperson. Municipality plan to archive clean audit in the 2019/2020 financial year and will use 2018/2019 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. This can be evidence by reduction in expenditure from audited 2017/2018 against the projected budget of 2019/2020.

m-SCOA Implementation

In terms of m-SCOA regulation of 2014, all municipalities were expected to implement the standard Charts of Accounts by 1 July 2017. In order to comply with regulation, there were various processes that needed to be undertaken by municipality to ensure full compliance on

1st July 2017 which include amongst other, implementation plan indicating the project milestones.

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

Challenges were however experienced during the compilation of the annual financial statement relating to misclassification of accounts and certain balance which were not properly migrated to new chart accurately by the system.

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 2019/2020 to 2021/2022 planning and budget process, a review to the municipality's service delivery prioritises were done. Strategic planning sessions where planning of the 2019/2020 budget was discussed were held during February 2019. The compilation of the 2019/2020 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 2019/2020 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 and 94 were used to guide the compilation of the 2019/2020 MTREF.
- Headline inflation predictions;
- National outcomes and priorities as contained in the NDP, MTBPS, the President's State of the Nation Address and the 2019 national budget;
- NERSA guidelines;
- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- The 2018/2019 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 2019/2020 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 2019/2020 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 2019/2020 budget no re-modelling on tariff will be done other than applying normal tariff rate increase linked to Consumer Price Inflation (CPI) of 5.2% as recommended in circular 94 issued by National Treasury during month of March 2019.

Tariffs on sundry services, service charges and property rates have increased by 5.2% in the 2019/2020 financial year in line with the relevant guidance provided. Circular 94 provide that any increase in tariff rates above 5.2% 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 6.5% (estimated for new financial year).
- Bulk purchases increased by 5.3% from the adjusted budget.
- Employee costs are increased by 5.9% from the audited financial statement of 2017/2018.
- Overall expenditure was increased by 4% 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 2019 in terms of the relevant legislation. The sessions are due be conducted during the month of April 2019 in line with the prescribed budget regulations dealing with consultation requirement. The issues raised in the previous

budget year of 2018/2019 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 2019/2020 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 2019/2020 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 2018/2019 budget year. Over the MTREF outer years Council expects to have built up enough cash reserve in order to fund own source projects. During 2019/2020 budget year, 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 R25.9 million, INEP R6 million and with water infrastructure (WSIG) having received higher allocation of R45.00 million in the 2019/2020 budget year.

The credit and debt collection drive that Council embarked on in the past financial year resulted in the payment level improving but modestly. 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 sent 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 2019/2020 MTREF

This section provides an overview of Bela-Bela Local Municipality's 2019/2020 to 2021/2022 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 2019/2020 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 (Eg, where its impractically impossible to obtain 3 quotation such as advertisement to local newspaper).

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 per cent 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 2019/2020 MTREF (classified by main revenue source):

Table 1 Summary of revenue classified by main revenue source

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	54 229	62 468	62 003	84 996	84 996	84 996	–	90 845	96 296	102 074
Service charges - electricity revenue	2	84 980	102 848	103 166	133 286	133 286	133 286	–	141 362	149 844	158 835
Service charges - water revenue	2	17 523	23 259	25 122	29 540	29 540	29 540	–	31 200	33 072	35 057
Service charges - sanitation revenue	2	6 366	14 862	15 101	17 332	17 332	17 332	–	17 383	18 426	19 532
Service charges - refuse revenue	2	5 469	6 074	7 259	10 666	10 666	10 666	–	8 428	8 934	9 470
Rental of facilities and equipment		1 114	1 099	1 216	1 939	1 939	1 939	–	1 462	1 535	1 612
Interest earned - external investments		2 268	2 583	742	4 069	4 069	4 069	–	4 272	5 000	5 250
Interest earned - outstanding debtors		6 049	7 896	9 103	10 604	10 604	10 604	–	11 252	9 001	5 401
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		4 451	12 756	15 526	19 598	19 598	19 598	–	17 526	18 578	19 692
Licences and permits		2 742	3 256	3 926	7 259	7 259	7 259	–	4 926	5 221	5 535
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		59 137	71 426	77 791	84 840	84 840	84 840	–	93 655	101 025	110 487
Other revenue	2	6 915	8 795	10 934	9 779	9 779	9 779	–	8 252	8 722	9 220
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		251 243	317 324	331 890	413 908	413 908	413 908	–	430 564	455 655	482 163

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 2019/2020 financial year of an estimated R430 million or R 4% more than the 2018/2019 adjustments budget revenue of R413 million. This increment is within the recommended CPI rate. 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 94.

Operating grants which are guided by Division of Revenue Act (DoRa) was increased from R84 Million to R93 million which represent 10% increased. Grant to fund capital spending decreased from R107 million to R76 million in the 2019/2020 financial year.

Overall services charges revenue increased by 4% from the 2018/2019 adjusted budget. The increase was further driven by the increase in certain revenue stream such as water, electricity and sanitation which had been increased increase in line with Consumer Price Inflation (CPI) of 5.2% as recommended in circular 94 issued by National Treasury during month of March 2019.

Details analysis of revenue sources

Property Rates

Property rates tariff was increased by 5.2% for the 2019/2020 budget year. However, the total property rates revenue increase was projected to be more by 7% from the adjusted budget. The resulted 7% 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

All residential properties 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 purpose shall be granted a R50 000 exemption on 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	2018/2019	2019/2020
	R/c	R/c
ACCOMMODATION ESTABLISHMENT	0.0158	0.0166
BUSINESS & COMMERCIAL	0.0150	0.0157
FARMS AGRICULTURAL (Bona Fide)	0.0029	0.0031
FARMS AGRICULTURAL	0.0074	0.0078
FARMS BUSINESS & COMMERCIAL	0.0150	0.0157
FARMS OTHER	0.0158	0.0166
FARMS RESIDENTIAL	0.0119	0.0125
FARMS VACANT LAND	0.0158	0.0166
INDUSTRIAL	0.0150	0.0157
MUNICIPAL PROPERTY	0.0150	0.0158
PRIVATE OPEN SPACE	0.0119	0.0125
PROPERTIES USED FOR PUBLIC BENEFIT ACTIVITIES	0.0029	0.0031
PSI	0.0029	0.0031
RESIDENTIAL	0.0119	0.0125
SMALLHOLDING AGRICULTURAL	0.0029	0.0031
SMALLHOLDING BUSINESS & COMMERCIAL	0.0150	0.0157
SMALLHOLDING OTHER	0.0158	0.0166
SMALLHOLDING RESIDENTIAL	0.0119	0.0125
	R/c	R/c
SMALLHOLDING VACANT LAND	0.0158	0.0166
STATE-OWNED PROPERTY	0.0150	0.0157
VACANT BUSINESS & COMMERCIAL/INDUSTRIAL LAND	0.0150	0.0157
VACANT RESIDENTIAL LAND	0.0150	0.0157

Service charge: Electricity

The total cost of distributing electricity in the 2019/2020 financial year will be R102 million, the Municipality will only raise revenue to the value of R141 million. It is clear that the Municipality will be selling electricity at a surplus in the 2019/2020 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) publishes their "Municipal Tariff Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2019/2020 Financial Year" is expected to be published during month of April 2019.

The NERSA document proposes a 13.07% guideline increase for municipal electricity tariffs for 2019/2020. Bulk purchases will increase for municipalities by 15.63% as indicated in the Eskom standard tariff submissions for 2019/2020 financial year. Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability.

As result, Municipality has proposed the following tariff for 2019/2020 financial year:

2018/2019				2019/2020			
	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	149.44	Domestic Prepaid (Indigents)	0	0	168.97
Domestic Prepaid	0	0	149.44	Domestic Prepaid	0	0	168.97
Domestic Conventional	0	0	149.44	Domestic Conventional	0	0	168.97
General Tariffs							
	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			191.93	General Tariffs Prepaid 30 Amp			217.2
General Tariffs Prepaid > 20Amp 1 Phase	54.42	14.93	129.27	General Tariffs Prepaid > 20Amp 1 Phase	61.53	16.88	146.17
General Tariffs Conventional Business and Government				General Tariffs Conventional Business and Government			
Single Phase:	54.42	14.93	129.27	Single Phase:	61.53	16.88	146.17
Three Phase:	81.64	14.93	129.27	Three Phase:	92.31	16.88	146.17
Industrial Tariffs							
	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	1261.51	155.10	113.70	Low Voltage	1426.39	175.37	128.56
Medium Voltage	2988.95	155.63	111.34	Medium Voltage	3379.61	175.97	125.98
Agricultural Tariffs							
	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	163.27	14.93	129.27	Low Voltage	184.61	16.88	146.17

Water

Water tariffs for 2019/2020 will increase in line with Magalies Water tariffs. The proposed increase for 2019/2020 is 5.2% as per Municipality tariff book.

Therefore, the resulted increase is within the recommended CPI of 2019/2020 budget year. Magalies continues to increase its bulk tariffs on each financial period which is always above the increased tariff rates proposed by Municipality to the community.

Table 6: Water tariffs (fixed costs)

2018/2019		2019/2020	
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
69.47	104.21	73.22	114.15

The variable cost components are as follows:

Table 7: Water tariffs (variable costs)

	2018/2019	2019/2020
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	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	12.69	19.04	13.90	20.86
31 kl - 50 kl	15.22	22.84	16.67	25.02
51 kl - 80 kl	18.26	27.41	20.00	30.02
81kl – 100kl	20.09	30.14	22.00	33.02
101kl – 130kl	20.09	30.14	22.00	33.02
131kl – 210kl	20.09	30.14	22.00	33.02
211kl – more	20.09	30.14	22.00	33.02

Sewerage (Sanitation)

The proposed increase in sanitation tariff for 2019/2020 MTREF is 5.2%

Table 8: Sanitation tariffs

Description	2018/2019	2019/2020
	Rand	Rand
a) Residential/Flats/ Security Villages	198	208
b) Commercial/Government/Resorts/Hotels and Other	397	418
c) Churches/Schools/PBO	198	208
d) Hospitals – State	198	208
e) Hospitals – Private	397	418

Refuse (Solid Waste)

The proposed tariff restructuring on refuse for 2019/2020 financial year is depicted in the table below. The proposed increase on refuse for 2019/2020 financial year is 5.2%.

Table 9: Refuse tariffs

Description	2018/2019	2019/2020
	Rand	Rand
a) Residential		
Smaller than 800m ²	74	78
Larger than 800m ²	174	183
b) Commercial	347	365
c) Security Villages (per container)	3400	3577
d) Churches	174	183
e) Schools – State	347	365
f) Hospitals – State	347	365
g) Hospitals – Private	2807	2953

Sundry Services

Tariffs for sundry services have been increased with a rate that is in line with National Treasury guideline which is set at 5.2%.

Rental of facilities

Tariff for rental of facilities were decreased by 25% for 2019/2020 financial year. A non-refundable deposit of R984.00 shall be paid for usage of community halls and for concerts and other special events hosted at soccer fields. The Municipality has opened newly built multipurpose hall in the 2017/2018 financial year which was considered for rentals. The rental rates was changed since the newly built hall has more facilities as compared to other Municipality halls.

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 11.6%. 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. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows

Grants

Bela-Bela Local Municipality had in the past financial period utilised all conditional grant accordingly, except during 2017/18. Bela-Bela Local Municipality further anticipate implementing proposed 2019/2020 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 (2019/2020)

Conditional Grant	2019/20	2020/21	2021/22
MIG	25 911 000	27 173 000	28 989 000
WSIG	45 000 000	37 475 000	40 086 000
INEP	6 000 000	12 200 000	18 760 000
Total	76 911 000	76 848 000	87 835 000

Operating Grant	2019/20	2020/21	2021/22
Equitable share	90 909	99 325	108 787
FMG	1,700	1,700	1,700
EPWP	1046	-	-
Total	93 655	101 025	110 487

Operating grant dependence

Grant dependence ratio is sitting at 21% of total revenue of R430 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 21% 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 2018/2019 was 95% of the billed revenue. The target was achieved during the year. Municipality had enforced the issue of credit control by making sure the credit control policy is fully implemented.

Municipality control measure are able to collect current debts due by implementing internal procedures which include the disconnection of services, where there are services that can be disconnected, the issuing of final notices, the conclusion of reasonable agreements where the settlement of the accounts are not possible and also the follow up on defaulting debtors not honoring arrangements. Municipality has in the previous period introduced a real time follow up process, such as SMS which constantly alert consumer on the accounts which are in arrears

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

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 2018/2019 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.

Top 100 businesses will be prioritised for immediate collection thought 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 2019/2020 budget and MTREF (classified per type of expenditure):

Table 10 Summary of operating expenditure by type

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type											
Employee related costs	2	89 903	109 989	125 469	128 936	128 936	128 936	–	132 355	138 973	145 921
Remuneration of councillors		5 969	6 618	6 869	7 364	7 364	7 364	–	7 843	8 235	8 647
Debt impairment	3	30 310	32 309	33 484	17 000	9 500	9 500	–	9 000	9 450	9 923
Depreciation & asset impairment	2	27 730	49 274	59 079	48 000	48 000	48 000	–	50 880	53 933	57 169
Finance charges		6 957	10 317	12 295	7 317	7 317	7 317	–	7 000	7 350	7 718
Bulk purchases	2	72 298	86 266	88 088	103 393	108 493	108 493	–	114 241	120 398	126 924
Other materials	8	14 445	7 806	6 214	29 797	22 997	22 997	–	21 950	23 042	24 188
Contracted services		14 441	7 276	12 694	24 926	17 959	17 959	–	32 092	33 645	35 452
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	53 808	31 477	64 046	39 893	57 519	57 519	–	48 686	51 116	54 132
Loss on disposal of PPE		998	3 514	50 399	–	–	–	–	–	–	–
Total Expenditure		316 857	344 847	458 638	406 627	408 085	408 085	–	424 047	446 141	470 072
Surplus/(Deficit)		(65 614)	(27 523)	(126 747)	7 281	5 823	5 823	–	6 517	9 514	12 091

The anticipated operating expenditure for 2019/2020 financial year is increased to R424 million which represent at least 4% increase from adjusted budget. Realistically when looking at historic result, operating expense has been decreasing when comparing audited result of 2017/2018. This is as result of implementation of cost containment measure.

Some of the key features of the expenditure framework are:

- Material and bulk purchases increase by 5% 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% based on audited result of 2017/2018.
- 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;
- Other expenditure and contracted services were verified during budget adjustment and misclassification on budget segment was identified and corrected with few other items being considered to reclassified during the budget process of 2019/2020.
- 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 2019/2020 financial year totals R132 million, which equals 31% of the total operating expenditure. MFMA circular 71 sets the norm to be between 25% and 40%. Bela-Bela is almost seating 31%, which is favourable to the municipality. The proportion of personnel expenditure to total operating expenditure for the municipality is favourable at an average of 31% over the medium term. This leaves around 70% of operating expenditure available for other major service delivery expenditure items such as bulk water and electricity purchases, contracted services and finance charges.

In the absence of other information from the South African Local Government Bargaining Council communication will be provided at a later stage. Municipality has made provision of at least 6% increase from 2017/2018 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 6% has been considered in compiling the municipality's budget.

Bulk Purchases

Directive/decision issued by NERSA setting the bulk purchase increase at 15.63% for electricity, whilst the increase on water was projected at 11.6% as the bulk purchase charge

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 R80 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 which expired in the month of January 2019.

Contracted Services

Description	Ref	2019/20 Medium Term Revenue & Expenditure Framework		
		Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand				
Contracted services				
Financial consulting		5 555	5 859	6 133
Valuers and Assessors		800	840	882
Legal consulting		5 000	5 200	5 408

Contractors: Catering Services		280	294	309
Contracted services - LED Support (Contract)		40	42	44
Contracted services - EPWP		1 920	2 016	2 117
Contracted services - Server infrastructure support		5 000	5 500	6 000
Landfill Site Maintenance		2 300	2 461	2 633
Prepaid Electricity Vending		100	–	–
Indigent Vetting		350	–	–
Indigent registrations		50	–	–
Credit Control & Debt Collection		2 500	2 625	2 756
Contracted services - Security services		7 397	7 969	8 287
Outsourced Services- Traffic Fines Management		800	840	882
sub-total	1	32 092	33 645	35 452

The municipality anticipates to utilise contracted services in the 2019/2020 with spending of R32 million of the total operating expenditure of R424 million.

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.

Further increase in contracted services was as result of re-alignment of certain votes to be in accordance with the mSCOA. Some of this item was previous accounted under risk and management services and classified under other expenditure.

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, traffic fines management, contractors for EPWP and valuation roll.

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 2019/2020 MTREF is approximately 5000. The total cost of free basic services amounts to R74 million for the 2019/2020 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 2019/2020 is increased to R50 million from adjusted budget of R48 million. The increase was to ensure realistic estimate being achieved and avoid any unauthorised expenditure as experienced during the 2018 financial year end.

Other expenditure

Other expenditure was reduced from R66 million of the 2017/18 adjusted budget to R48 million in 2019/20 budget year. The reduction is part of the plans to implement cost containment measures by the Municipality. Further reason for reduction was the realignment of certain item to ensure the alignment is in accordance with mSCOA.

Bellow table indicate other expenditure of R48 million:

Description	Ref	2019/20 Medium Term Revenue & Expenditure Framework		
		Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand				
Other Expenditure By Type	-			
Consultant fees		1 050	1 103	1 158
Audit fees		3 000	3 150	3 308
General expenses	3	-	-	-
Advertising		540	567	592
Cleaning materials		265	280	224
Delegation costs		2 017	2 087	2 186
Printing and stationery		725	698	730
Uniform & Protective Clothing		1 990	1 869	1 962
Affiliation cost		1 500	1 575	1 750
Bank Charges		1 180	1 260	1 323
Capacity building		1 352	1 392	1 623
Chemicals		1 400	1 470	1 544
Comm Outreached Programmes		237	249	261
Communication: Telephone Fax Telegraph and Telex		1 430	1 492	1 557
Computer licenses and contracts		3 000	3 500	4 000
Expenditure: Operating Leases: Machinery and Equipment		800	840	882
Fuel and oil cost		3 600	3 780	3 969
IDP Programme		500	525	551
Internal audit		200	210	221
Lease of vehicles		19 200	20 160	21 168
LED strategy		1 000	1 050	1 103
Postage and Courier services		400	420	441
Storage of Assets and Goods		200	210	221
Strategic planning		600	630	662
Workmen's Compensation Fund		2 500	2 600	2 700
Total 'Other' Expenditure	1	48 686	51 116	54 132

The resulted other expenditure includes among other provision of fleet expenditure of R19 million. Previous fleet contract expired during the month of January 2019.

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 impartment.

Table 11: Operating cash surplus/ deficit

Description	Ref	2019/20 Medium Term Revenue & Expenditure Framework		
		Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1			
Total Revenue (excluding capital transfers and contributions)		430 564	455 655	482 163
Total Expenditure		424 047	446 141	470 072
Surplus/(Deficit)		6 517	9 514	12 091

1.4 Capital expenditure

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

Table 12 - 2018/2019 Medium-term capital budget per vote

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	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		11 864	4 654	7 220	12 075	12 075	12 075	-	-	-	-
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		26 756	102 624	47 387	62 261	67 804	67 804	-	-	-	-
Vote 11 - Vote 11: Technical Services		-	-	29 421	17 030	17 030	17 030	-	-	-	-
Vote 12 - Vote 12: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	38 620	107 278	84 028	91 367	96 909	96 909	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Vote 1: Chief Financial Officer		416	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		250	600	-	-	-	-	-	-	-	-
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		721	-	-	3 000	3 000	3 000	-	-	-	-
Vote 8 - Vote 8: Social and Community Services		-	1 310	-	-	-	-	-	4 000	9 553	14 000
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	-	-	2 000	2 000	2 000	-	71 615	65 936	72 386
Vote 11 - Vote 11: Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 12 - Vote 12: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		1 387	1 910	-	5 000	5 000	5 000	-	75 615	75 489	86 386
Total Capital Expenditure - Vote		40 006	109 188	84 028	96 367	101 909	101 909	-	75 615	75 489	86 386
Capital Expenditure - Functional											
Governance and administration		666	600	-	-	-	-	-	-	-	-
Executive and council		250	600	-	-	-	-	-	-	-	-
Finance and administration		416	-	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		11 864	5 964	7 220	12 075	12 075	12 075	-	4 000	9 553	6 000
Community and social services		8 439	1 310	-	12 075	12 075	12 075	-	4 000	9 553	6 000
Sport and recreation		3 425	4 654	7 220	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		11 331	56 617	17 111	13 265	12 313	12 313	-	20 615	16 261	11 540
Planning and development		721	-	-	3 000	3 000	3 000	-	-	-	-
Road transport		10 610	56 617	17 111	10 265	9 313	9 313	-	20 615	16 261	11 540
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		16 146	46 007	59 698	71 027	77 521	77 521	-	51 000	49 675	68 846
Energy sources		2 000	16 007	24 928	15 580	15 580	15 580	-	6 000	12 200	20 760
Water management		10 000	30 000	15 024	32 497	37 997	37 997	-	20 870	28 261	24 300
Waste water management		4 146	-	19 746	22 950	23 944	23 944	-	24 130	9 214	15 786
Waste management		-	-	-	-	-	-	-	-	-	8 000
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	40 006	109 188	84 028	96 367	101 909	101 909	-	75 615	75 489	86 386
Funded by:											
National Government		39 555	104 502	84 028	91 367	96 867	96 867	-	75 615	75 489	86 386
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	39 555	104 502	84 028	91 367	96 867	96 867	-	75 615	75 489	86 386
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		451	4 685	-	5 000	5 042	5 042	-	-	-	-
Total Capital Funding	7	40 006	109 188	84 028	96 367	101 909	101 909	-	75 615	75 489	86 386

Total capital expenditure was allocated to the tune of R 75 million for 2019/2020 financial year excluding PMU cost. This allocation is mainly for MIG, MWIG and INEP of R25 million, R45 million and R6 million respectively.

Tables 13 below detail the municipality's three-year consolidated MIG infrastructure investment program for 2019/2020 to 2021/2022.

Municipal Infrastructure Grant (MIG) allocation of R25 including PMU cost for 2019/2020 will be allocated as follows:

Table 13: Capital programme**MIG**

PROJECT DESCRIPTION	WARDS	PROJECT VALUE	EXPENDITURE IN PAST FINANCIAL YEARS	BALANCE ON PROJECT	FINANCIAL YEARS		
					2019/ 2020	2020/ 2021	2021/ 2022
Bela Bela Ext 4, 6, 7 & 8: Road Paving and	2, 4, 7	R 22 750 000.00	R 8 569 113.75	R 14 180 886.25	R 14 180 886.25	-	-
Bela Bela Spa Park: Stormwa	9	R 8 500 000.00	-	R 8 500 000.00	R 3 434 563.75	R 5 065 436.25	-
Bela Bela Ext 5 & Hostel view: Road paving & storm water	2 & 3	R 3 000 000.00	-	R 3 000 000.00	R 3 000 000.00	-	-
Bela Bela Ext 6: Road paving & Storm water	7	R 12 000 000.00	-	R 12 000 000.00	-	R 8 495 489.35	R 3 504 510.65
Bela Bela: Road paving & Storm water 1	2 & 3	R 4 500 000.00	-	R 4 500 000.00	-	R 1 700 000.00	R 2 800 000.00
Bela Bela Ext 6: R101	7	R 6 235 039.35	-	R 6 235 039.35	-	R 1 000 000.00	R 5 235 039.35
Bela Bela Upgrade of Municipal landfill site	2	R 8 000 000.00	-	-	-	-	R 8 000 000.00
Bela Bela: Extention of existing grave yard	2	R 6 231 600.00	-	-	R 1 000 000.00	R 5 231 600.00	-
Pienaarsrivier: Develop new Cemetery	8	R 6 000 000.00	-	-	-	-	R 6 000 000.00
Bela Bela Spa Park: Development of sports	9	R 2 113 226.00	-	-	R 2 113 226.00	-	-
Masakhane: Development of sports facilities	9	R 2 639 972.20	-	-	R 886 774.00	R 1 753 198.20	-
Rapotokwane: Development of sports	8	R 2 568 626.20	-	-	-	R 2 568 626.20	-
Bela Bela: X9 - High mast lights	4	R 2 000 000.00	-	-	-	-	R 2 000 000.00
					R 24 615 450.00	R 25 814 350.00	R 27 539 550.00

Municipality is allocated R25.9 million on Municipal Infrastructure Grant (MIG) after considering PMU cost of R1.2 million.

MWIG

PROJECT DESCRIPTION	WARD	PROJECT VALUE	EXPENDITURE IN PAST FINANCIAL YEARS	BALANCE ON PROJECT	FINANCIAL YEAR		
					2019/ 2020	2020/ 2021	2021/ 2022
			(Until 30 June 2019)				
Bela Bela: Refurbishment of the old section of the Water Treatment Works (WTW)	1	R 4 500 000.00	R 371 250.00	R 4 128 750.00	R 4 128 750.00	-	R 4 000 000.00
Bela Bela: Upgrading of the Water Treatment Works	1	R 10 000 000.00	-	-	-	-	R 10 000 000.00
Bela Bela: New 10ML Reservoir (Town, Ext 25 and 26)	1	R 15 000 000.00	-	-	-	-	R 10 299 681.14
Bela Bela: Water Conservation and Demand Management (WCDM): Installation of Bulk Zonal	1, 2, 3, 4, 5, 6, 7	R 2 000 000.00	-	-	-	R 2 000 000.00	-
Rapotokwane: Water desalination plant	8	R 13 675 000.00	R 1 172 610.99	R 12 502 389.01	R 10 741 070.15	R 1 761 318.86	-
Rapotokwane: Water Augmentation and reticulation	8	R 9 000 000.00	-	-	-	R 9 000 000.00	-
Masakhane: New ZML WTW	9	R 13 000 000.00	-	-	-	R 13 000 000.00	-
Vingerkraal: Water Augmentation for the new 1000HH	9	R 1 500 000.00	-	-	-	R 1 500 000.00	-
Vingerkraal: Supply and install new water meters	9	R 1 000 000.00	-	-	-	R 1 000 000.00	-
Supply and install new and faulty water meters	All	R 6 000 000.00	-	-	R 6 000 000.00	-	-
Bela Bela: Waste Water Treatment Works (WWTW) recycling of treated effluent	2	R 5 800 000.00	R 478 570.15	R 5 321 429.85	R 5 321 429.85	-	-
Bela Bela: Refurbishment of the Waste Water	2	R 25 000 000.00	-	-	-	R 9 213 681.14	R 15 786 318.86
Bela Bela Ext 8 & Future: Bulk sewer Outfall	4	R 8 000 000.00	R 660 000.00	R 7 340 000.00	R 7 340 000.00	-	-
Bela Bela: Upgrading of the Aventura sewer Pump	1	R 12 500 000.00	R 1 031 250.00	R 11 468 750.00	R 11 468 750.00	-	-
TOTAL					R 45 000 000.00	R 37 475 000.00	R 40 086 000.00

The combined capital expenditure is depicted as follows. The grant allocation as per bellow is in line with the Division of Revenue Act issued for 2019/2020 MTREF.

INEP

PROJECT DESCRIPTION	WARD	PROJECT VALUE	EXPENDITURE IN PAST FINANCIAL YEARS	BALANCE ON PROJECT	FINANCIAL YEAR		
			(Until 30 June 2019)		2019/ 2020	2020/ 2021	2021/ 2022
Bela Bela: 132/ 11kVA 2 x 20MVA Sub-Station	2	R70 580 000.00	R 48 079 890.88	R 22 500 109.12	R -	R -	R -
Bela Bela Ext 9: Electrification of Households (900HH)	4	R 14 580 000.00	-	R -	R 6 000 000.00	R 8 580 000.00	R -
Bela Bela Ext 25 (Koppewaaai): Electrification of Households (1100HH)	9	R 17 820 000.00	-	R -	R -	R 3 620 000.00	R 14 200 000.00
Rapotokwane: Electrification of Households	8	-	-	R -	R -	R -	R 4 560 000.00
TOTAL					R 6 000 000.00	R 12 200 000.00	R 18 760 000.00

Table 14: Sources of funding capital programme

Conditional Grant	2019/20	2020/21	2021/22
MIG	25 911 000	27 173 000	28 989 000
WSIG	45 000 000	37 475 000	40 086 000
INEP	6 000 000	12 200 000	18 760 000
Total	76 911 000	76 848 000	87 835 000

Total capital allocation is seating R76 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 2019/2020 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes*.

Table 16 MBRR TableA1 - Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
<u>Financial Performance</u>										
Property rates	54 229	62 468	62 003	84 996	84 996	84 996	–	90 845	96 296	102 074
Service charges	114 337	147 043	150 648	190 824	190 824	190 824	–	198 374	210 276	222 893
Investment revenue	2 268	2 583	742	4 069	4 069	4 069	–	4 272	5 000	5 250
Transfers recognised - operational	59 137	71 426	77 791	84 840	84 840	84 840	–	93 655	101 025	110 487
Other own revenue	21 271	33 803	40 705	49 179	49 179	49 179	–	43 418	43 058	41 459
Total Revenue (excluding capital transfers and contributions)	251 243	317 324	331 890	413 908	413 908	413 908	–	430 564	455 655	482 163
Employee costs	89 903	109 989	125 469	128 936	128 936	128 936	–	132 355	138 973	145 921
Remuneration of councillors	5 969	6 618	6 869	7 364	7 364	7 364	–	7 843	8 235	8 647
Depreciation & asset impairment	27 730	49 274	59 079	48 000	48 000	48 000	–	50 880	53 933	57 169
Finance charges	6 957	10 317	12 295	7 317	7 317	7 317	–	7 000	7 350	7 718
Materials and bulk purchases	86 743	94 072	94 302	133 190	131 490	131 490	–	136 191	143 439	151 112
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	99 556	74 576	160 623	81 819	84 978	84 978	–	89 779	94 211	99 506
Total Expenditure	316 857	344 847	458 638	406 627	408 085	408 085	–	424 047	446 141	470 072
Surplus/(Deficit)	(65 614)	(27 523)	(126 747)	7 281	5 823	5 823	–	6 517	9 514	12 091
Transfers and subsidies - capital (monetary allocation)	39 555	104 502	85 302	93 110	98 610	98 610	–	76 911	76 848	87 835
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(26 059)	76 979	(41 446)	100 391	104 433	104 433	–	83 428	86 362	99 926
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(26 059)	76 979	(41 446)	100 391	104 433	104 433	–	83 428	86 362	99 926
<u>Capital expenditure & funds sources</u>										
Capital expenditure	40 006	109 188	84 028	96 367	101 909	101 909	–	75 615	75 489	86 386
Transfers recognised - capital	39 555	104 502	84 028	91 367	96 867	96 867	–	75 615	75 489	86 386
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	451	4 685	–	5 000	5 042	5 042	–	–	–	–
Total sources of capital funds	40 006	109 188	84 028	96 367	101 909	101 909	–	75 615	75 489	86 386
<u>Financial position</u>										
Total current assets	69 617	52 745	41 807	86 877	91 119	91 119	–	88 863	98 222	105 217
Total non current assets	769 967	1 015 599	975 416	860 758	860 758	860 758	–	1 058 642	1 133 815	1 190 383
Total current liabilities	191 681	177 445	171 703	79 407	85 107	85 107	–	78 128	71 077	64 070
Total non current liabilities	81 774	85 540	86 214	43 427	43 427	43 427	–	63 486	70 443	66 488
Community wealth/Equity	566 129	805 358	759 306	824 802	823 344	823 344	–	1 005 891	1 090 517	1 165 041
<u>Cash flows</u>										
Net cash from (used) operating	(32 643)	159 517	(11 761)	212 869	212 346	216 831	–	140 648	147 015	164 219
Net cash from (used) investing	(43 489)	(84 584)	121 842	(96 367)	(101 909)	(101 909)	–	(75 615)	(75 489)	(86 386)
Net cash from (used) financing	(1 432)	8 738	(23 972)	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	(46 911)	96 327	87 412	116 502	110 436	114 921	3 612	65 033	136 559	214 392
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	31 382	1 301	4 175	45 000	49 242	49 242	–	50 000	52 000	51 000
Application of cash and investments	127 049	92 442	123 640	19 990	19 057	19 057	–	21 937	6 313	(10 448)
Balance - surplus (shortfall)	(95 668)	(91 141)	(119 465)	25 010	30 184	30 184	–	28 063	45 687	61 448
<u>Asset management</u>										
Asset register summary (WDV)	1 015 880	975 230	861 297	861 364	861 364	860 859	860 859	1 059 247	1 134 420	1 190 988
Depreciation	27 730	49 274	59 079	48 000	48 000	365	365	50 880	53 933	57 169
Renewal and Upgrading of Existing Assets	–	–	27 155	29 215	29 705	29 705	29 705	–	–	8 000
Repairs and Maintenance	–	–	–	29 821	22 997	–	–	21 950	23 042	24 188
<u>Free services</u>										
Cost of Free Basic Services provided	7 893	19 914	21 009	40 996	40 996	40 996	40 996	40 996	40 996	40 996
Revenue cost of free services provided	25 838	28 274	29 829	33 876	33 876	33 876	33 876	33 876	33 876	33 876
<u>Households below minimum service level</u>										
Water:	10	10	10	8	8	8	7	7	5	5
Sanitation/sew erage:	12	12	12	11	11	11	10	10	10	10
Energy:	3	3	3	2	2	2	2	2	2	2
Refuse:	3	3	3	3	3	3	3	3	3	3

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 2019/2020 depicts a surplus of R6.5 million before taking non-cash (depreciation) item into consideration.
5. Anticipated surpluses after capital transfers of R76 million is seating at R83 Million. The high increase is as result of the allocation such as R45 million plus R25 millions of MWIG and MIG respectively. These grants are increased year on year as result of good performance by Municipality in meeting the condition attached to the grants.

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

Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue - Functional										
<i>Governance and administration</i>		117 251	131 762	225 980	285 213	285 273	285 273	213 225	229 315	246 389
Executive and council		–	–	27 520	39 469	39 469	39 469	–	–	–
Finance and administration		117 251	131 762	198 459	245 744	245 804	245 804	213 225	229 315	246 389
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		7 991	17 003	–	441	381	381	6 672	5 961	6 317
Community and social services		269	429	–	380	380	380	1 634	622	657
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		7 722	16 574	–	61	1	1	5 038	5 340	5 660
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		16 464	176	3 926	2 263	2 263	2 263	26 873	28 190	30 064
Planning and development		1 610	167	3 926	2 203	2 203	2 203	962	1 017	1 075
Road transport		14 854	9	–	60	60	60	25 911	27 173	28 989
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		149 092	272 886	187 286	219 101	224 601	224 601	260 705	269 037	287 229
Energy sources		68 547	99 412	102 972	119 746	119 746	119 746	149 150	163 474	178 453
Water management		17 523	23 259	25 122	29 540	35 040	35 040	81 394	74 703	77 636
Waste water management		55 256	141 535	49 692	59 124	59 124	59 124	20 385	20 828	20 973
Waste management		7 766	8 679	9 500	10 691	10 691	10 691	9 776	10 033	10 168
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	290 798	421 826	417 192	507 018	512 518	512 518	507 475	532 503	569 998
Expenditure - Functional										
<i>Governance and administration</i>		166 456	170 167	245 964	151 345	158 014	158 014	163 931	172 322	181 787
Executive and council		12 221	13 230	36 638	9 115	9 053	9 053	10 392	10 880	11 424
Finance and administration		152 794	155 161	209 327	136 823	143 554	143 554	151 302	159 093	167 896
Internal audit		1 440	1 776	–	5 407	5 407	5 407	2 237	2 349	2 467
<i>Community and public safety</i>		19 409	23 593	38 958	48 467	43 550	43 550	29 197	30 656	32 189
Community and social services		8 720	10 599	23 312	28 304	27 904	27 904	16 751	17 589	18 468
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		10 690	12 994	15 646	20 164	15 646	15 646	12 445	13 068	13 721
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		17 534	18 357	44 727	55 661	50 967	50 967	66 833	70 391	74 196
Planning and development		8 054	11 218	6 311	14 623	14 423	14 423	16 517	17 343	18 210
Road transport		9 480	7 139	38 416	41 038	36 545	36 545	50 317	53 049	55 987
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		113 457	132 730	128 988	151 154	155 554	155 554	164 086	172 771	181 899
Energy sources		71 731	91 985	86 045	108 593	106 093	106 093	119 145	126 129	133 490
Water management		6 385	5 141	6 500	18 790	23 890	23 890	13 498	13 592	13 690
Waste water management		25 303	24 302	26 607	12 903	12 803	12 803	14 857	15 600	16 380
Waste management		10 039	11 302	9 837	10 868	12 768	12 768	16 585	17 450	18 339
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	316 857	344 847	458 638	406 627	408 085	408 085	424 047	446 141	470 072
Surplus/(Deficit) for the year		(26 059)	76 979	(41 446)	100 391	104 433	104 433	83 428	86 362	99 926

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.

- 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	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
Revenue by Vote	1									
Vote 1 - Vote 1: Chief Financial Officer		116 014	130 432	166 997	204 257	204 257	204 257	211 763	227 780	244 777
Vote 2 - Vote 2: Chief Financial Officer		—	—	—	—	—	—	—	—	—
Vote 3 - Vote 3: Corporate Services		1 236	1 330	1 216	1 939	1 939	1 939	1 462	1 535	1 612
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		195	167	3 926	3 893	3 893	3 893	962	1 017	1 075
Vote 8 - Vote 8: Social and Community Services		17 173	25 682	16 362	22 930	22 930	22 930	16 448	15 994	37 457
Vote 9 - Vote 9: Speaker		—	—	—	—	—	—	—	—	—
Vote 10 - Vote 10: Technical Services		156 180	264 215	85 496	107 380	112 880	112 880	256 455	265 349	285 077
Vote 11 - Vote 11: Technical Services		—	—	143 195	166 618	166 618	166 618	20 385	20 828	—
Vote 12 - Vote 12: Balance Sheet		—	—	—	—	—	—	—	—	—
Vote 13 - Vote 13: Balance Sheet		—	—	—	—	—	—	—	—	—
Vote 14 - NULL		—	—	—	—	—	—	—	—	—
Vote 15 - NULL		—	—	—	—	—	—	—	—	—
Total Revenue by Vote	2	290 798	421 826	417 192	507 018	512 518	512 518	507 475	532 503	569 998
Expenditure by Vote to be appropriated	1									
Vote 1 - Vote 1: Chief Financial Officer		91 096	110 946	121 653	83 665	69 880	69 880	79 986	83 600	88 015
Vote 2 - Vote 2: Chief Financial Officer		—	—	—	—	—	—	—	—	—
Vote 3 - Vote 3: Corporate Services		61 698	44 215	71 220	56 678	74 031	74 031	67 754	71 752	75 954
Vote 4 - Vote 4: Mayor		1 609	695	904	880	1 246	1 246	1 243	1 305	5 716
Vote 5 - Vote 5: Municipal Manager		2 517	4 687	1 060	4 419	4 519	4 519	5 492	5 766	6 055
Vote 6 - Vote 6: Internal Audit		1 440	1 776	5 407	4 011	4 011	4 011	2 237	2 349	2 467
Vote 7 - Vote 7: Planning and Economic Development		6 899	10 227	11 858	14 545	14 345	14 345	14 844	15 587	16 366
Vote 8 - Vote 8: Social and Community Services		29 838	34 989	81 564	43 578	41 051	41 051	45 782	48 107	51 190
Vote 9 - Vote 9: Speaker		8 096	7 848	6 248	6 484	6 689	6 689	7 220	7 550	3 581
Vote 10 - Vote 10: Technical Services		113 665	129 464	69 443	68 884	65 034	65 034	183 773	193 623	204 063
Vote 11 - Vote 11: Technical Services		—	—	89 280	123 482	127 280	127 280	15 717	16 503	16 667
Vote 12 - Vote 12: Balance Sheet		—	—	—	—	—	—	—	—	—
Vote 13 - Vote 13: Balance Sheet		—	—	—	—	—	—	—	—	—
Vote 14 - NULL		—	—	—	—	—	—	—	—	—
Vote 15 - NULL		—	—	—	—	—	—	—	—	—
Total Expenditure by Vote	2	316 857	344 847	458 638	406 627	408 085	408 085	424 047	446 141	470 072
Surplus/(Deficit) for the year	2	(26 059)	76 979	(41 446)	100 391	104 433	104 433	83 428	86 362	99 926

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

- 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
- 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	54 229	62 468	62 003	84 996	84 996	84 996	–	90 845	96 296	102 074
Service charges - electricity revenue	2	84 980	102 848	103 166	133 286	133 286	133 286	–	141 362	149 844	158 835
Service charges - water revenue	2	17 523	23 259	25 122	29 540	29 540	29 540	–	31 200	33 072	35 057
Service charges - sanitation revenue	2	6 366	14 862	15 101	17 332	17 332	17 332	–	17 383	18 426	19 532
Service charges - refuse revenue	2	5 469	6 074	7 259	10 666	10 666	10 666	–	8 428	8 934	9 470
Rental of facilities and equipment		1 114	1 099	1 216	1 939	1 939	1 939	–	1 462	1 535	1 612
Interest earned - external investments		2 268	2 583	742	4 069	4 069	4 069	–	4 272	5 000	5 250
Interest earned - outstanding debtors		6 049	7 896	9 103	10 604	10 604	10 604	–	11 252	9 001	5 401
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		4 451	12 756	15 526	19 598	19 598	19 598	–	17 526	18 578	19 692
Licences and permits		2 742	3 256	3 926	7 259	7 259	7 259	–	4 926	5 221	5 535
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		59 137	71 426	77 791	84 840	84 840	84 840	–	93 655	101 025	110 487
Other revenue	2	6 915	8 795	10 934	9 779	9 779	9 779	–	8 252	8 722	9 220
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		251 243	317 324	331 890	413 908	413 908	413 908	–	430 564	455 655	482 163
Expenditure By Type											
Employee related costs	2	89 903	109 989	125 469	128 936	128 936	128 936	–	132 355	138 973	145 921
Remuneration of councillors		5 969	6 618	6 869	7 364	7 364	7 364	–	7 843	8 235	8 647
Debt impairment	3	30 310	32 309	33 484	17 000	9 500	9 500	–	9 000	9 450	9 923
Depreciation & asset impairment	2	27 730	49 274	59 079	48 000	48 000	48 000	–	50 880	53 933	57 169
Finance charges		6 957	10 317	12 295	7 317	7 317	7 317	–	7 000	7 350	7 718
Bulk purchases	2	72 298	86 266	88 088	103 393	108 493	108 493	–	114 241	120 398	126 924
Other materials	8	14 445	7 806	6 214	29 797	22 997	22 997	–	21 950	23 042	24 188
Contracted services		14 441	7 276	12 694	24 926	17 959	17 959	–	32 092	33 645	35 452
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	53 808	31 477	64 046	39 893	57 519	57 519	–	48 686	51 116	54 132
Loss on disposal of PPE		998	3 514	50 399	–	–	–	–	–	–	–
Total Expenditure		316 857	344 847	458 638	406 627	408 085	408 085	–	424 047	446 141	470 072
Surplus/(Deficit)											
		(65 614)	(27 523)	(126 747)	7 281	5 823	5 823	–	6 517	9 514	12 091
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		39 555	104 502	85 302	93 110	98 610	98 610	–	76 911	76 848	87 835
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatbns, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(26 059)	76 979	(41 446)	100 391	104 433	104 433	–	83 428	86 362	99 926
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		(26 059)	76 979	(41 446)	100 391	104 433	104 433	–	83 428	86 362	99 926
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		(26 059)	76 979	(41 446)	100 391	104 433	104 433	–	83 428	86 362	99 926
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		(26 059)	76 979	(41 446)	100 391	104 433	104 433	–	83 428	86 362	99 926

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

1. Municipality anticipate receiving revenue of R430 million in 2019/2020 as compared to the 2018/2019 adjusted budget revenue of R413 million. This represents the percentage increase of 4% against adjusted budget. Municipality major tariff were increased by 5.2% which is in linked to Consumer Price Index (CIP) as recommended by National Treasury under circular 94 and are summarised on the tariff book;
2. Revenue to be generated from property rates is projected to be R90 million in the 2019/2020 financial year (before taking into account revenue forgone) which was increased from R84 million of the 2018/2019 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 R198 million for the 2019/2020 which increased from R190 million of 2018/2019 adjusted budget.

Services charges constitute 46% of the total revenue (excluding grants) base and grow by an average of 6% 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	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		11 864	4 654	7 220	12 075	12 075	12 075	-	-	-	-
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		26 756	102 624	47 387	62 261	67 804	67 804	-	-	-	-
Vote 11 - Vote 11: Technical Services		-	-	29 421	17 030	17 030	17 030	-	-	-	-
Vote 12 - Vote 12: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	38 620	107 278	84 028	91 367	96 909	96 909	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Vote 1: Chief Financial Officer		416	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		250	600	-	-	-	-	-	-	-	-
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		721	-	-	3 000	3 000	3 000	-	-	-	-
Vote 8 - Vote 8: Social and Community Services		-	1 310	-	-	-	-	-	4 000	9 553	14 000
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	-	-	2 000	2 000	2 000	-	71 615	65 936	72 386
Vote 11 - Vote 11: Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 12 - Vote 12: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		1 387	1 910	-	5 000	5 000	5 000	-	75 615	75 489	86 386
Total Capital Expenditure - Vote		40 006	109 188	84 028	96 367	101 909	101 909	-	75 615	75 489	86 386
Capital Expenditure - Functional											
Governance and administration		666	600	-	-	-	-	-	-	-	-
Executive and council		250	600	-	-	-	-	-	-	-	-
Finance and administration		416	-	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		11 864	5 964	7 220	12 075	12 075	12 075	-	4 000	9 553	6 000
Community and social services		8 439	1 310	-	12 075	12 075	12 075	-	4 000	9 553	6 000
Sport and recreation		3 425	4 654	7 220	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		11 331	56 617	17 111	13 265	12 313	12 313	-	20 615	16 261	11 540
Planning and development		721	-	-	3 000	3 000	3 000	-	-	-	-
Road transport		10 610	56 617	17 111	10 265	9 313	9 313	-	20 615	16 261	11 540
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		16 146	46 007	59 698	71 027	77 521	77 521	-	51 000	49 675	68 846
Energy sources		2 000	16 007	24 928	15 580	15 580	15 580	-	6 000	12 200	20 760
Water management		10 000	30 000	15 024	32 497	37 997	37 997	-	20 870	28 261	24 300
Waste water management		4 146	-	19 746	22 950	23 944	23 944	-	24 130	9 214	15 786
Waste management		-	-	-	-	-	-	-	-	-	8 000
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	40 006	109 188	84 028	96 367	101 909	101 909	-	75 615	75 489	86 386
Funded by:											
National Government		39 555	104 502	84 028	91 367	96 867	96 867	-	75 615	75 489	86 386
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	39 555	104 502	84 028	91 367	96 867	96 867	-	75 615	75 489	86 386
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		451	4 685	-	5 000	5 042	5 042	-	-	-	-
Total Capital Funding	7	40 006	109 188	84 028	96 367	101 909	101 909	-	75 615	75 489	86 386

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 R76 million for the 2019/2020 after taking into consideration PMU cost of R1.2 Million;
3. Various internal funded project has been proposed for 2019/2020 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Current assets											
Cash		31 382	1 301	4 175	45 000	49 242	49 242	–	40 000	39 500	38 000
Call investment deposits	1	–	–	–	–	–	–	–	10 000	12 500	13 000
Consumer debtors	1	15 630	24 657	16 997	29 335	29 335	29 335	–	19 226	26 969	35 166
Other debtors		17 873	23 964	20 428	12 422	12 422	12 422	–	19 407	19 019	18 829
Current portion of long-term receivables		4 587	2 619	–	–	–	–	–	–	–	–
Inv entory	2	145	204	206	120	120	120	–	230	235	222
Total current assets		69 617	52 745	41 807	86 877	91 119	91 119	–	88 863	98 222	105 217
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Inv estments		–	–	–	–	–	–	–	–	–	–
Inv estment property		176 953	353 361	282 015	181 000	181 000	181 000	–	310 217	325 728	342 014
Inv estment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	589 207	659 302	690 180	676 758	676 758	676 758	–	745 395	805 026	845 278
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		2 603	2 679	2 495	3 000	3 000	3 000	–	3 030	3 060	3 091
Other non-current assets		1 205	258	725	–	–	–	–	–	–	–
Total non current assets		769 967	1 015 599	975 416	860 758	860 758	860 758	–	1 058 642	1 133 815	1 190 383
TOTAL ASSETS		839 585	1 068 344	1 017 223	947 635	951 877	951 877	–	1 147 505	1 232 037	1 295 599
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	10 003	10 861	–	–	–	–	–	–	–	–
Consumer deposits		5 465	5 439	5 650	–	5 700	5 700	–	6 000	6 100	6 125
Trade and other payables	4	159 235	140 859	159 721	67 856	67 856	67 856	–	60 000	52 000	43 800
Provisions		16 978	20 286	6 331	11 550	11 550	11 550	–	12 128	12 977	14 145
Total current liabilities		191 681	177 445	171 703	79 407	85 107	85 107	–	78 128	71 077	64 070
Non current liabilities											
Borrowing		18 530	7 669	–	–	–	–	–	–	–	–
Provisions		63 244	77 871	86 214	43 427	43 427	43 427	–	63 486	70 443	66 488
Total non current liabilities		81 774	85 540	86 214	43 427	43 427	43 427	–	63 486	70 443	66 488
TOTAL LIABILITIES		273 456	262 986	257 917	122 833	128 533	128 533	–	141 614	141 520	130 558
NET ASSETS	5	566 129	805 358	759 306	824 802	823 344	823 344	–	1 005 891	1 090 517	1 165 041
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		566 129	805 358	759 306	824 802	823 344	823 344	–	1 005 891	1 090 517	1 165 041
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	566 129	805 358	759 306	824 802	823 344	823 344	–	1 005 891	1 090 517	1 165 041

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 R1 billion for the 2019/2020 financial period and expected to grow to R1.1 billion during 2020/2021 budget year.

Table 22 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		54 229	62 468	62 003	118 872	118 872	118 872	–	100 873	106 926	113 341
Service charges		112 921	153 918	150 648	222 361	222 361	222 361	–	194 686	206 367	218 749
Other revenue		15 222	25 907	31 602	31 316	38 575	38 575	–	32 166	34 056	36 058
Government - operating	1	59 137	71 426	77 791	84 692	84 840	84 840	–	93 655	101 025	110 487
Government - capital	1	24 701	104 502	85 302	93 360	93 110	93 110	–	76 911	76 848	87 835
Interest		8 317	10 479	9 845	14 673	14 673	14 673	–	15 524	14 001	10 651
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(300 214)	(258 867)	(416 658)	(345 088)	(352 768)	(352 768)	–	(357 167)	(375 408)	(395 263)
Finance charges		(6 957)	(10 317)	(12 295)	(7 317)	(7 317)	(2 832)	–	(7 000)	(7 350)	(7 718)
Transfers and Grants	1	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		(32 643)	159 517	(11 761)	212 869	212 346	216 831	–	149 648	156 465	174 141
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		998	3 514	50 399	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		8 917	947	258	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–	–	–
Payments											
Capital assets		(53 403)	(89 045)	71 186	(96 367)	(101 909)	(101 909)	–	(75 615)	(75 489)	(86 386)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(43 489)	(84 584)	121 842	(96 367)	(101 909)	(101 909)	–	(75 615)	(75 489)	(86 386)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		2 903	12 040	0	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		(58)	(23)	(5 441)	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		(4 277)	(3 279)	(18 530)	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1 432)	8 738	(23 972)	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		(77 563)	83 671	86 109	116 502	110 436	114 921	–	74 033	80 976	87 756
Cash/cash equivalents at the year begin:	2	30 653	12 656	1 303	–	–	–	3 612	49 242	123 274	204 250
Cash/cash equivalents at the year end:	2	(46 911)	96 327	87 412	116 502	110 436	114 921	3 612	123 274	204 250	292 006

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 R37 million in 2019/2020; 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	(46 911)	96 327	87 412	116 502	110 436	114 921	3 612	123 274	204 250	292 006
Other current investments > 90 days		78 292	(95 026)	(83 237)	(71 502)	(61 195)	(65 680)	(3 612)	(73 274)	(152 250)	(241 006)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		31 382	1 301	4 175	45 000	49 242	49 242	-	50 000	52 000	51 000
Application of cash and investments											
Unspent conditional transfers		0	-	1 002	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	127 049	92 442	122 638	19 990	19 057	19 057	-	21 937	6 313	(10 448)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		127 049	92 442	123 640	19 990	19 057	19 057	-	21 937	6 313	(10 448)
Surplus(shortfall)		(95 668)	(91 141)	(119 465)	25 010	30 184	30 184	-	28 063	45 687	61 448

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 2019/2020 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	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CAPITAL EXPENDITURE										
Total New Assets	1	40 006	109 188	56 874	67 152	72 204	72 204	75 615	75 489	78 386
Roads Infrastructure		10 610	56 617	12 165	4 177	2 735	2 735	18 181	16 427	11 540
Storm water Infrastructure		—	—	4 493	1 450	1 450	1 450	3 435	5 065	—
Electrical Infrastructure		2 000	16 007	24 928	15 580	15 580	15 580	6 000	12 200	20 760
Water Supply Infrastructure		10 000	30 000	15 024	27 497	32 997	32 997	20 870	28 261	24 300
Sanitation Infrastructure		4 146	—	263	13 447	14 441	14 441	24 130	9 214	15 786
Infrastructure		26 756	102 624	56 874	62 152	67 204	67 204	72 615	71 168	72 386
Community Facilities		11 864	4 654	—	—	—	—	—	—	6 000
Sport and Recreation Facilities		—	—	—	2 000	2 000	2 000	3 000	4 322	—
Community Assets		11 864	4 654	—	2 000	2 000	2 000	3 000	4 322	6 000
Intangible Assets		—	—	—	—	—	—	—	—	—
Computer Equipment		—	—	—	3 000	3 000	3 000	—	—	—
Furniture and Office Equipment		1 387	1 910	—	—	—	—	—	—	—
Total Upgrading of Existing Assets	6	—	—	27 155	29 215	29 705	29 705	—	—	8 000
Roads Infrastructure		—	—	452	4 637	5 128	5 128	—	—	—
Storm water Infrastructure		—	—	—	—	—	—	—	—	—
Electrical Infrastructure		—	—	—	—	—	—	—	—	—
Water Supply Infrastructure		—	—	437	3 000	3 000	3 000	—	—	—
Sanitation Infrastructure		—	—	19 046	9 503	9 503	9 503	—	—	—
Solid Waste Infrastructure		—	—	—	—	—	—	—	—	8 000
Rail Infrastructure		—	—	—	—	—	—	—	—	—
Coastal Infrastructure		—	—	—	—	—	—	—	—	—
Information and Communication Infrastructure		—	—	—	—	—	—	—	—	—
Infrastructure		—	—	19 935	17 140	17 630	17 630	—	—	8 000
Community Facilities		—	—	—	—	—	—	—	—	—
Sport and Recreation Facilities		—	—	7 220	12 075	12 075	12 075	—	—	—
Community Assets		—	—	7 220	12 075	12 075	12 075	—	—	—
Total Capital Expenditure	4	40 006	109 188	84 028	96 367	101 909	101 909	75 615	75 489	86 386
Roads Infrastructure		10 610	56 617	12 618	8 814	7 863	7 863	18 181	16 427	11 540
Storm water Infrastructure		—	—	4 493	1 450	1 450	1 450	3 435	5 065	—
Electrical Infrastructure		2 000	16 007	24 928	15 580	15 580	15 580	6 000	12 200	20 760
Water Supply Infrastructure		10 000	30 000	15 461	30 497	35 997	35 997	20 870	28 261	24 300
Sanitation Infrastructure		4 146	—	19 309	22 950	23 944	23 944	24 130	9 214	15 786
Solid Waste Infrastructure		—	—	—	—	—	—	—	—	8 000
Rail Infrastructure		—	—	—	—	—	—	—	—	—
Coastal Infrastructure		—	—	—	—	—	—	—	—	—
Information and Communication Infrastructure		—	—	—	—	—	—	—	—	—
Infrastructure		26 756	102 624	76 809	79 292	84 834	84 834	72 615	71 168	80 386
Community Facilities		11 864	4 654	—	—	—	—	—	—	6 000
Sport and Recreation Facilities		—	—	7 220	14 075	14 075	14 075	3 000	4 322	—
Community Assets		11 864	4 654	7 220	14 075	14 075	14 075	3 000	4 322	6 000
Intangible Assets		—	—	—	—	—	—	—	—	—
Computer Equipment		—	—	—	3 000	3 000	3 000	—	—	—
Furniture and Office Equipment		1 387	1 910	—	—	—	—	—	—	—
TOTAL CAPITAL EXPENDITURE - Asset class		40 006	109 188	84 028	96 367	101 909	101 909	75 615	75 489	86 386
ASSET REGISTER SUMMARY - PPE (WDV)	5	1 015 880	975 230	861 297	861 364	861 364	860 859	1 059 247	1 134 420	1 190 988
Roads Infrastructure		176 937	173 283	199 893	225 113	225 113	225 113	236 819	249 134	262 089
Storm water Infrastructure		35 176	45 946	56 259	109 679	109 679	109 679	115 382	121 382	127 694
Electrical Infrastructure		46 046	43 044	40 836	169 006	169 006	169 006	177 795	187 040	196 766
Water Supply Infrastructure		112 381	128 983	92 651	69 831	69 831	69 831	73 463	77 283	81 301
Sanitation Infrastructure		62 642	64 718	61 370	39 529	39 529	39 529	41 584	43 747	46 021
Solid Waste Infrastructure		11 276	21 080	20 179	—	—	—	—	—	—
Rail Infrastructure		—	—	—	—	—	—	—	—	—
Coastal Infrastructure		—	—	—	—	—	—	—	—	—
Information and Communication Infrastructure		—	—	—	—	—	—	—	—	—
Infrastructure		444 458	477 053	471 187	613 158	613 158	613 158	645 043	678 585	713 871
Community Assets		31 159	47 966	77 195	50 188	50 188	50 188	52 797	55 543	58 431
Heritage Assets		539	539	539	606	606	606	606	606	606
Investment properties		343 027	355 306	282 015	181 000	181 000	181 000	310 217	325 728	342 014
Other Assets		194 682	93 720	29 715	13 012	13 012	12 508	47 555	70 899	72 975
Biological or Cultivated Assets		—	—	—	—	—	—	—	—	—
Intangible Assets		2 016	646	646	3 400	3 400	3 400	3 030	3 060	3 091
Computer Equipment		—	—	—	—	—	—	—	—	—
Furniture and Office Equipment		—	—	—	—	—	—	—	—	—
Machinery and Equipment		—	—	—	—	—	—	—	—	—
Transport Assets		—	—	—	—	—	—	—	—	—
Land		—	—	—	—	—	—	—	—	—
Zoo's, Marine and Non-biological Animals		—	—	—	—	—	—	—	—	—
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	1 015 880	975 230	861 297	861 364	861 364	860 859	1 059 247	1 134 420	1 190 988
EXPENDITURE OTHER ITEMS		27 730	49 274	59 079	77 821	70 997	365	72 830	76 974	81 356
Depreciation	7	27 730	49 274	59 079	48 000	48 000	365	50 880	53 933	57 169
Repairs and Maintenance by Asset Class	3	—	—	—	29 821	22 997	—	21 950	23 042	24 188
Roads Infrastructure		—	—	—	526	526	—	600	630	662
Storm water Infrastructure		—	—	—	9 573	5 050	—	7 800	8 190	8 600
Electrical Infrastructure		—	—	—	9 555	7 155	—	5 400	5 670	5 954
Water Supply Infrastructure		—	—	—	1 100	1 100	—	850	893	937
Sanitation Infrastructure		—	—	—	3 300	3 200	—	2 200	2 310	2 426
Solid Waste Infrastructure		—	—	—	368	368	—	300	315	331
Rail Infrastructure		—	—	—	—	—	—	—	—	—
Coastal Infrastructure		—	—	—	400	400	—	400	420	441
Information and Communication Infrastructure		—	—	—	24	224	—	100	100	100
Infrastructure		—	—	—	24 846	18 022	—	17 650	18 527	19 449
Community Facilities		—	—	—	2 355	2 355	—	1 800	1 890	1 985
Sport and Recreation Facilities		—	—	—	2 420	2 420	—	2 400	2 520	2 646
Community Assets		—	—	—	4 775	4 775	—	4 200	4 410	4 631
Furniture and Office Equipment		—	—	—	200	200	—	100	104	108
TOTAL EXPENDITURE OTHER ITEMS		27 730	49 274	59 079	77 821	70 997	365	72 830	76 974	81 356
Renewal and upgrading of Existing Assets as % of total capex		0.0%	0.0%	32.3%	30.3%	29.1%	29.1%	0.0%	0.0%	9.3%
Renewal and upgrading of Existing Assets as % of deprecn		0.0%	0.0%	46.0%	60.9%	61.9%	8133.2%	0.0%	0.0%	14.0%
R&M as a % of PPE		0.0%	0.0%	0.0%	4.4%	3.4%	0.0%	2.9%	2.9%	2.9%
Renewal and upgrading and R&M as a % of PPE		0.0%	0.0%	3.0%	7.0%	6.0%	3.0%	2.0%	2.0%	3.0%

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 billion for the 2019/2020 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

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Household service targets	1									
Water:										
Piped water inside dwelling		14 073	14 073	14 073	14 073	14 073	14 073	14 073	14 073	14 073
Piped water inside yard (but not in dwelling)		855	855	855	855	855	855	855	855	855
Using public tap (at least min.service level)	2	3 136	3 136	3 136	3 136	3 136	3 136	3 136	3 136	3 136
Other water supply (at least min.service level)	4	4	4	4	4	4	4	4	4	4
<i>Minimum Service Level and Above sub-total</i>		18 068	18 068	18 068	18 068	18 068	18 068	18 068	18 068	18 068
Using public tap (< min.service level)	3	—	—	—	—	—	—	—	—	—
Other water supply (< min.service level)	4	9 868	9 868	9 868	8 268	8 268	8 268	6 668	5 268	5 268
No water supply		—	—	—	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>		9 868	9 868	9 868	8 268	8 268	8 268	6 668	5 268	5 268
Total number of households	5	27 936	27 936	27 936	26 336	26 336	26 336	24 736	23 336	23 336
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		14 928	14 928	14 928	14 928	14 928	14 928	14 928	14 928	14 928
Flush toilet (with septic tank)		855	855	855	855	855	855	855	855	855
Chemical toilet		—	—	—	—	—	—	—	—	—
Pit toilet (ventilated)		951	951	951	951	951	951	951	951	951
Other toilet provisions (> min.service level)		1 334	1 334	1 334	1 334	1 334	1 334	1 334	1 334	1 334
<i>Minimum Service Level and Above sub-total</i>		18 068	18 068	18 068	18 068	18 068	18 068	18 068	18 068	18 068
Bucket toilet		—	—	—	—	—	—	—	—	—
Other toilet provisions (< min.service level)		12 068	12 068	12 068	11 000	11 000	11 000	10 200	9 800	9 800
No toilet provisions		—	—	—	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>		12 068	12 068	12 068	11 000	11 000	11 000	10 200	9 800	9 800
Total number of households	5	30 136	30 136	30 136	29 068	29 068	29 068	28 268	27 868	27 868
Energy:										
Electricity (at least min.service level)		577	577	577	577	577	577	577	577	577
Electricity - prepaid (min.service level)		14 556	14 766	14 766	15 126	15 126	15 126	15 426	15 845	15 845
<i>Minimum Service Level and Above sub-total</i>		15 133	15 343	15 343	15 703	15 703	15 703	16 003	16 422	16 422
Electricity (< min.service level)		—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)		—	—	—	—	—	—	—	—	—
Other energy sources		2 725	2 725	2 725	2 365	2 365	2 365	2 065	2 065	2 065
<i>Below Minimum Service Level sub-total</i>		2 725	2 725	2 725	2 365	2 365	2 365	2 065	2 065	2 065
Total number of households	5	17 858	18 068	18 068	18 068	18 068	18 068	18 068	18 487	18 487
Refuse:										
Removed at least once a week		16 300	16 300	16 300	16 450	16 450	16 450	16 600	16 600	16 600
<i>Minimum Service Level and Above sub-total</i>		16 300	16 300	16 300	16 450	16 450	16 450	16 600	16 600	16 600
Removed less frequently than once a week		—	—	—	—	—	—	—	—	—
Using communal refuse dump		2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350
Using own refuse dump		—	—	—	—	—	—	—	—	—
Other rubbish disposal		—	—	—	—	—	—	—	—	—
No rubbish disposal		1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095
<i>Below Minimum Service Level sub-total</i>		3 445	3 445	3 445	3 445	3 445	3 445	3 445	3 445	3 445
Total number of households	5	19 745	19 745	19 745	19 895	19 895	19 895	20 045	20 045	20 045
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		—	—	—	—	—	—	—	—	—
Sanitation (free minimum level service)		—	—	—	—	—	—	—	—	—
Electricity/other energy (50kwh per household per month)		—	—	—	—	—	—	—	—	—
Refuse (removed at least once a week)		—	—	—	—	—	—	—	—	—
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		3 528	5 251	9 038	6 627	6 627	6 627	6 627	6 627	6 627
Sanitation (free sanitation service to indigent households)		2 116	8 567	3 754	18 919	18 919	18 919	18 919	18 919	18 919
Electricity/other energy (50kwh per indigent household per month)		(4)	3 559	5 539	11 806	11 806	11 806	11 806	11 806	11 806
Refuse (removed once a week for indigent households)		2 254	2 538	2 678	3 644	3 644	3 644	3 644	3 644	3 644
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided		7 893	19 914	21 009	40 996	40 996	40 996	40 996	40 996	40 996
Highest level of free service provided per household										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		25 838	28 274	29 829	33 876	33 876	33 876	33 876	33 876	33 876
Water (in excess of 6 kilolitres per indigent household per month)		—	—	—	—	—	—	—	—	—
Sanitation (in excess of free sanitation service to indigent households)		—	—	—	—	—	—	—	—	—
Electricity/other energy (in excess of 50 kwh per indigent household per month)		—	—	—	—	—	—	—	—	—
Refuse (in excess of one removal a week for indigent households)		—	—	—	—	—	—	—	—	—
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of subsidised services provided	6	25 838	28 274	29 829	33 876	33 876	33 876	33 876	33 876	33 876

Explanatory notes to Table A10 - Basic Service Delivery Measurement

- 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

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 2019/2020 to 2021/2022 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 91 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 2019/2020 is on its fourth-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 2019/2020 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 2019/2020 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 2019/2020 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
Solid Waste Removal	Street Cleaning Frequency in CBD (Once a week)
	How soon are public areas cleaned after events (24hours)
	Clearing of illegal dumping (24hours)
Water Service	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,)
Electricity Service	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)
Sewerage Service	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)
Road Infrastructure Services	Time taken to repair a single pothole on a major road? (Hours)
Property valuations	How long does it take on average from completion to the first account being issued? (one month/three months or longer)
Financial Management	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)
Administration	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%)
Community safety and licensing services	How long does it take to register a vehicle? (minutes)
Economic development	How many economic development projects does the municipality drive?
Other Service delivery and communication	Does the municipality have training or information sessions to inform the community? (Yes)

2.3 Community Consultation

The draft 2019/2020 MTREF as tabled before Council on 27 March 2019 for community consultation has been published on the municipality's website, and hard copies have been made available at municipal offices and municipal library. Electronic and hard copies will be sent to National Treasury and the Limpopo Provincial Treasury within the prescribed time frame.

The Municipality held public participation sessions with the communities in eight (8) wards. A budget summary document, is issued and discussed at these sessions. Comments were also received from the local communities. The applicable dates and venues were published in all the local newspapers. The respond from the Municipality to all input are included on the budget for council to consider.

2.4 Overview of alignment of annual budget with IDP

Bellow table provide overview alignment of the 2019/2020 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 2019/2020 MTREF and further planning refinements that have directly inform this plan.

Table 27: IDP Strategic Objectives

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
PREPARATION PHASE	Alignment with WDM framework IDP, Budget and PMS process plan	WDM	<ul style="list-style-type: none"> Approved 2018/2019 IDP, Budget and PMS process plan 	July 2018
	MECs Assessment of 2017- 2018 IDP	IDP Manager /Municipal Manager		July 2017 – August 2018
	Council Sitting	Mayor/ Municipal Manager		July 2018
	Develop Draft 2019/2020 IDP, Budget and PMS process plan	IDP Manager		August 2018
	Tabling of 2019/2020 IDP, Budget and PMS process Plan to Planning Sub-committee	IDP Manager		August 2018
	1 st Waterberg District Forum Representative Forum	IDP Manager		August 2018
	Tabling Draft 2019/2020 IDP, Budget and PMS process plan for EC /Council approval	Mayor & Municipal Manager		August 2018
	Publication of IDP 2019/2020 IDP, Budget and PMS Process Plan	IDP Manager		August 2018
	Submission of 2017/ 2018 Annual Performance Report to the Auditor – General and MEC	IDP Manager /Municipal Manager		August 2018
	First IDP Steering Committee Meeting	IDP Manager /Municipal Manager		September 2018
	First IDP Representative Forum	Municipal Manager/ Mayor		September 2018

ANALYSIS PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
	Identification of Gaps, Stakeholder Registration, and Information Gathering.	IDP Manager	<ul style="list-style-type: none"> • Priority issues/problems • Understanding of causes of priority issues/problems 	September 2018
	Community Based Planning (CBP) Ward Consultative Meetings	IDP Manager		September 2018
	1 st Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		September 2018
	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 2018
	Submission of Draft Annual Report to the Mayor	IDP Manager / Municipal Manage		October 2018
	Council Sitting	Mayor & Municipal Manage		October 2018
	Second 2019/2020 IDP Steering Committee Meeting	IDP Manager/ Municipal Manage		November 2018
	Second 2019/2020 IDP Representatives Forum	Mayor/ Municipal Manager		November 2018
	Draft 2019/2020 IDP Analysis Phase Completed	IDP Manager		November 2018
	2 nd WDM Representative Forum	WDM		November 2018

	2 nd Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		November 2018
	Proposed IDP/Budget and Tariff Policies	Dept Financial Services & IDP Manager		Week 1 December 2018
	Consultative Forum on Vision, Mission, Objectives, and Localized Strategic Guidelines	IDP Manager		Week 2 December 2018
STRATEGIES PHASE			<ul style="list-style-type: none"> • Vision(For Municipality) • Objectives(For each priority issue) • Strategic options and choice of strategy • Tentative financial framework for projects • Identification of projects 	
	WDM Strategic Planning Session	WDM		January 2019
	Review Financial Strategies, Adjustment Budget & SDBIP and Review of Organizational Structure	All Departments/Municipal Manager		January 2019
	Draft 2019/2020 Mid – Year Report and Draft 2015/ 2016 Annual Report	All Departments/Municipal Manager		January 2019
	3 rd Provincial IDP Consultative Form	COGHSTA, OTP and WDM		February 2019
	Strategic Planning Session	IDP Manager /Municipal Manager		February 2019
	Third IDP Steering Committee Meeting	IDP Manager/ Municipal Manager		March 2019
	Third IDP Representative Forum	Mayor & Municipal Manager		March 2019
PROJECTS PHASE	Review and Rationalization of Projects, Redesigning and Upgrading Project Designs	IDP Manager	<ul style="list-style-type: none"> • Project output, targets, and location 	Week 2 March 2019
	3 RD WDM IDP Representatives Forum	WDM		March 2019

	Submission of 2018/ 2019 Annual Report to council for Approval	IDP Manager & Municipal Manager	<ul style="list-style-type: none"> • Project related activities and time schedule • Cost and budget estimates • Performance Indicators 	March 2019
	Tabling of Draft IDP/Budget and SDBIP for Council Approval	Mayor & Municipal Manager		Week 3 March 2019
	Submission of Draft IDP/Budget to National Treasury and Dept. Local Government & Housing	Municipal Manager		March 2019
INTEGRATION PHASE	Alignment with Waterberg District Municipality, Provincial, and National Programs	COGHSTA, OTP and WDM	<ul style="list-style-type: none"> • 5 Year Financial Plan • 5 Year Capital Investment Plan • Institutional Plan • Reference to Sector Plans • Integrated Sectoral Plans 	April 2019
	2019/2020 IDP - Budget Mayoral Road show	All Departments/Municipal Manager		April 2019
	4 th IDP Steering Committee Meeting	IDP Manager/Municipal Manager		May 2019
	4 th IDP Representative forum	Mayor & Municipal Manager		May 2019
	4 TH WDM Representative Forum	WDM		May 2019
	Screening of Draft IDP Projects Integration of Sector Plans and Institutional Programs	IDP Manager & All Departments		May 2019

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 2019/2020 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 2018/2019 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Borrowing Management</u>											
<u>Credit Rating</u>											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	3.5%	3.9%	6.7%	1.8%	1.8%	1.8%	0.0%	1.7%	1.6%	1.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	5.8%	5.5%	12.1%	2.2%	2.2%	2.2%	0.0%	2.1%	2.1%	2.1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	643.1%	257.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
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%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0.4	0.3	0.2	1.1	1.1	1.1	–	1.1	1.4	1.6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.4	0.3	0.2	1.1	1.1	1.1	–	1.1	1.4	1.6
Liquidity Ratio	Monetary Assets/Current Liabilities	0.2	0.0	0.0	0.6	0.6	0.6	–	0.6	0.7	0.8
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		104.4%	103.7%	100.1%	123.7%	123.7%	123.7%	0.0%	102.2%	102.2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		99.2%	103.3%	100.0%	123.7%	123.7%	123.7%	0.0%	102.2%	102.2%	102.2%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	15.2%	16.1%	11.3%	10.1%	10.1%	10.1%	0.0%	9.0%	10.1%	11.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))										
Creditors to Cash and Investments		-266.0%	119.8%	166.7%	58.2%	61.4%	59.0%	0.0%	44.6%	22.0%	12.7%
<u>Other Indicators</u>											
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)	35.8%	34.7%	37.8%	31.2%	31.2%	31.2%	0.0%	30.7%	30.5%	30.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	38.2%	36.7%	39.9%	33.1%	32.9%	33.8%		32.6%	32.3%	32.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	7.2%	5.6%	0.0%		5.1%	5.1%	5.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	13.8%	18.8%	21.5%	13.4%	13.4%	13.4%	0.0%	13.4%	13.4%	13.5%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	14.0	8.7	17.3	22.4	22.4	22.4	–	24.1	33.3	34.9
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	22.4%	24.3%	17.5%	15.0%	15.0%	15.0%	0.0%	13.3%	14.9%	16.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(2.3)	4.4	3.6	4.4	4.3	4.4	–	4.5	7.0	9.6

2.8 Overview of budget related-policies

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

Policies				
No	Policy Description	Date Reviewed/ Developed	Status	Comment
1	Credit Control and Debt Collection Policy	Feb 2019	In use	With effect from 01/07/2019
2	Property Rates Policy	Feb 2019	In use	With effect from 01/07/2019
3	Assets Management Policy	Feb 2019	In use	With effect from 01/07/2019
4	Indigent Policy	Feb 2019	In use	With effect from 01/07/2019
5	Borrowing framework policy	Feb 2019	In use	With effect from 01/07/2019
6	Budget Implementation and Monitoring Policy	Feb 2019	In use	With effect from 01/07/2019
7	Cash Management and Investment Policy	Feb 2019	In use	With effect from 01/07/2019
8	Funding Reserves Policy	Feb 2019	In use	With effect from 01/07/2019
9	Prioritisation Model for Capital Assets Investment	Feb 2019	In use	With effect from 01/07/2019
10	Policy on Infrastructure Investment and Capital Projects	Feb 2019	In use	With effect from 01/07/2019
11	Policy on Long Term Financial Planning	Feb 2019	In use	With effect from 01/07/2019
12	Policy on Provision for doubtful debts and writing off of irrecoverable debts	Feb 2019	In use	With effect from 01/07/2019
13	Principles and Policy on Tariffs	Feb 2019	In use	With effect from 01/07/2019
14	Petty Cash Policy	Feb 2019	In use	With effect from 01/07/2019
15	Supply Chain Management Policy	Feb 2019	In use	With effect from 01/07/2019
16	Expenditure management policy	Feb 2019	In use	With effect from 01/07/2019

Amendments in Supply Chain management policy

- The main amendments to the Supply Chain Management Policy include the alignment with the Supply Chain Management regulations.
- 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 (eg, where its impractical to obtain 3 quotation such as advertisement to local newspaper).

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	2019/20	2020/21	2021/22
CPI Inflation	5.2%	5.4%	5.4%

This means that any increases above the 5.2% (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 2019/2020 compared to adjusted budget are as follows:

Table 31: 2019/2020 revenue increases vs 2018/2019 adjusted budget

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	54 229	62 468	62 003	84 996	84 996	84 996	–	90 845	96 296	102 074
Service charges - electricity revenue	2	84 980	102 848	103 166	133 286	133 286	133 286	–	141 362	149 844	158 835
Service charges - water revenue	2	17 523	23 259	25 122	29 540	29 540	29 540	–	31 200	33 072	35 057
Service charges - sanitation revenue	2	6 366	14 862	15 101	17 332	17 332	17 332	–	17 383	18 426	19 532
Service charges - refuse revenue	2	5 469	6 074	7 259	10 666	10 666	10 666	–	8 428	8 934	9 470
Rental of facilities and equipment		1 114	1 099	1 216	1 939	1 939	1 939	–	1 462	1 535	1 612
Interest earned - external investments		2 268	2 583	742	4 069	4 069	4 069	–	4 272	5 000	5 250
Interest earned - outstanding debtors		6 049	7 896	9 103	10 604	10 604	10 604	–	11 252	9 001	5 401
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		4 451	12 756	15 526	19 598	19 598	19 598	–	17 526	18 578	19 692
Licences and permits		2 742	3 256	3 926	7 259	7 259	7 259	–	4 926	5 221	5 535
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		59 137	71 426	77 791	84 840	84 840	84 840	–	93 655	101 025	110 487
Other revenue	2	6 915	8 795	10 934	9 779	9 779	9 779	–	8 252	8 722	9 220
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		251 243	317 324	331 890	413 908	413 908	413 908	–	430 564	455 655	482 163

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 2019/2020 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 31% of total operating expenditure in the 2019/2020 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 R132 million from R125 million of the 2017/2018 audited result. Council salaries for 2019/2020 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	(46 911)	96 327	87 412	116 502	110 436	114 921	3 612	123 274	204 250	292 006
Other current investments > 90 days		78 292	(95 026)	(83 237)	(71 502)	(61 195)	(65 680)	(3 612)	(73 274)	(152 250)	(241 006)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		31 382	1 301	4 175	45 000	49 242	49 242	-	50 000	52 000	51 000
Application of cash and investments											
Unspent conditional transfers		0	-	1 002	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	127 049	92 442	122 638	19 990	19 057	19 057	-	21 937	6 313	(10 448)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		127 049	92 442	123 640	19 990	19 057	19 057	-	21 937	6 313	(10 448)
Surplus(shortfall)		(95 668)	(91 141)	(119 465)	25 010	30 184	30 184	-	28 063	45 687	61 448

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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	(46 911)	96 327	87 412	116 502	110 436	114 921	3 612	123 274	204 250	292 006
Cash + investments at the yr end less applications - R'000	18(1)b	2	(95 668)	(91 141)	(119 465)	25 010	30 184	30 184	–	28 063	45 687	61 448
Cash year end/monthly employee/supplier payments	18(1)b	3	(2.3)	4.4	3.6	4.4	4.3	4.4	–	4.5	7.0	9.6
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(26 059)	76 979	(41 446)	100 391	104 433	104 433	–	83 428	86 362	99 926
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	18.3%	(4.5%)	23.7%	(6.0%)	(6.0%)	(106.0%)	(1.1%)	0.0%	(0.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	96.1%	99.6%	96.4%	114.6%	116.9%	116.9%	0.0%	98.5%	99.3%	100.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	18.0%	15.4%	15.7%	6.2%	3.4%	3.4%	0.0%	3.1%	3.1%	3.1%
Capital payments % of capital expenditure	18(1)c;19	8	133.5%	81.6%	(84.7%)	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	643.1%	257.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	34.5%	(27.0%)	11.6%	0.0%	0.0%	(100.0%)	(7.5%)	19.0%	17.4%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	4.4%	3.4%	0.0%	0.0%	2.9%	2.9%	2.9%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	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 2019/2020 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 5% of the operating budget on repairs and maintenance for the 2019/2020 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	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		11 864	4 654	7 220	12 075	12 075	12 075	-	-	-	-
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		26 756	102 624	47 387	62 261	67 804	67 804	-	-	-	-
Vote 11 - Vote 11: Technical Services		-	-	29 421	17 030	17 030	17 030	-	-	-	-
Vote 12 - Vote 12: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	38 620	107 278	84 028	91 367	96 909	96 909	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Vote 1: Chief Financial Officer		416	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2: Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3: Corporate Services		250	600	-	-	-	-	-	-	-	-
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		721	-	-	3 000	3 000	3 000	-	-	-	-
Vote 8 - Vote 8: Social and Community Services		-	1 310	-	-	-	-	-	4 000	9 553	14 000
Vote 9 - Vote 9: Speaker		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10: Technical Services		-	-	-	2 000	2 000	2 000	-	71 615	65 936	72 386
Vote 11 - Vote 11: Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 12 - Vote 12: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13: Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		1 387	1 910	-	5 000	5 000	5 000	-	75 615	75 489	86 386
Total Capital Expenditure - Vote		40 006	109 188	84 028	96 367	101 909	101 909	-	75 615	75 489	86 386
Capital Expenditure - Functional											
Governance and administration		666	600	-	-	-	-	-	-	-	-
Executive and council		250	600	-	-	-	-	-	-	-	-
Finance and administration		416	-	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		11 864	5 964	7 220	12 075	12 075	12 075	-	4 000	9 553	6 000
Community and social services		8 439	1 310	-	12 075	12 075	12 075	-	4 000	9 553	6 000
Sport and recreation		3 425	4 654	7 220	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		11 331	56 617	17 111	13 265	12 313	12 313	-	20 615	16 261	11 540
Planning and development		721	-	-	3 000	3 000	3 000	-	-	-	-
Road transport		10 610	56 617	17 111	10 265	9 313	9 313	-	20 615	16 261	11 540
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		16 146	46 007	59 698	71 027	77 521	77 521	-	51 000	49 675	68 846
Energy sources		2 000	16 007	24 928	15 580	15 580	15 580	-	6 000	12 200	20 760
Water management		10 000	30 000	15 024	32 497	37 997	37 997	-	20 870	28 261	24 300
Waste water management		4 146	-	19 746	22 950	23 944	23 944	-	24 130	9 214	15 786
Waste management		-	-	-	-	-	-	-	-	-	8 000
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	40 006	109 188	84 028	96 367	101 909	101 909	-	75 615	75 489	86 386
Funded by:											
National Government		39 555	104 502	84 028	91 367	96 867	96 867	-	75 615	75 489	86 386
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	39 555	104 502	84 028	91 367	96 867	96 867	-	75 615	75 489	86 386
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		451	4 685	-	5 000	5 042	5 042	-	-	-	-
Total Capital Funding	7	40 006	109 188	84 028	96 367	101 909	101 909	-	75 615	75 489	86 386

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)																
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 Corporations, 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
Cash Receipts By Source															
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
Cash Receipts by Source	55 324	29 682	30 892	32 609	33 875	53 437	34 325	39 002	62 370	27 460	4 325	33 604	436 904	462 376	489 287
Other Cash Flows by Source															
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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Cash Receipts by Source	92 818	29 682	30 892	37 218	33 875	67 829	34 325	39 002	82 785	27 460	4 325	33 604	513 815	539 224	577 122
Cash Payments 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
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
Cash Payments by Type	39 469	29 321	29 286	29 398	27 193	32 540	28 292	27 214	27 046	28 047	33 247	33 114	364 167	382 758	402 981
Other Cash Flows/Payments by Type															
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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Cash Payments by Type	43 250	35 370	36 091	36 581	34 528	37 833	35 853	35 721	35 742	34 096	34 200	40 517	439 783	458 248	489 366
NET INCREASE/(DECREASE) IN CASH HELD	49 568	(5 688)	(5 199)	637	(653)	29 996	(1 528)	3 281	47 043	(6 636)	(29 875)	(6 913)	74 033	80 976	87 756
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 2018.

- **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 2018.

- **Service Delivery and Implementation Plan**

The detail SDBIP document is at a final stage and will be finalised after approval of the 2019/2020 MTREF directly aligned and informed by the 2018/2019 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