

ANNUAL BUDGET OF
Mhlontlo Local
Municipality



2020/21 TO 2021/23
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

| | | | |
|--------|--|-------|---|
| ASGISA | Accelerated and Shared Growth Initiative | MFMA | Municipal Financial Management Act Programme |
| BPC | Budget Planning Committee | MIG | Municipal Infrastructure Grant |
| CBD | Central Business District | MMC | Member of Mayoral Committee |
| CFO | Chief Financial Officer | MPRA | Municipal Properties Rates Act |
| CM | Municipality Manager | MSA | Municipal Systems Act |
| CPI | Consumer Price Index | MTEF | Medium-term Expenditure Framework |
| CRRF | Capital Replacement Reserve Fund | MTREF | Medium-term Revenue and Expenditure Framework |
| DBSA | Development Bank of South Africa | NERSA | National Electricity Regulator South Africa |
| DoRA | Division of Revenue Act | NGO | Non-Governmental organisations |
| DWA | Department of Water Affairs | NKPIs | National Key Performance Indicators |
| EE | Employment Equity | OHS | Occupational Health and Safety |
| EEDSM | Energy Efficiency Demand Side Management | OP | Operational Plan |
| EM | Executive Mayor | PBO | Public Benefit Organisations |
| FBS | Free basic services | PHC | Provincial Health Care |
| GDP | Gross domestic product | PMS | Performance Management System |
| GRAP | General Recognised Accounting Practice | PPE | Property Plant and Equipment |
| HR | Human Resources | PPP | Public Private Partnership |
| HSRC | Human Science Research Council | PTIS | Public Transport Infrastructure System |
| IDP | Integrated Development Strategy | RG | Restructuring Grant |
| IT | Information Technology | RSC | Regional Services Council |
| kℓ | kilolitre | SALGA | South African Local Government Association |
| km | kilometre | SAPS | South African Police Service |
| KPA | Key Performance Area | SDBIP | Service Delivery Budget Implementation Plan |
| KPI | Key Performance Indicator | SMME | Small Micro and Medium Enterprises |
| kWh | kilowatt | | |
| ℓ | litre | | |
| LED | Local Economic Development | | |
| MEC | Member of the Executive Committee | | |

Part 1 – Annual Budget

1.1 Mayor's Report

Mhlontlo Municipality is again preparing for the 2020/2021 Annual budget. The task is to provide sustainable and economically viable local governance to our communities. The provision of affordable and sustainable, quality services to all our communities remain high on the agenda. We find ourselves in a position where we must continuously adapt our strategies to suit prevailing economic circumstances as we cannot isolate ourselves from the global economy.

According to the National treasury the CPI is forecasted at 4.5% in 2020, 4,6 in 2021 and 4.6% in 2022. South Africa's economic outlook showed an unexpected improvement in December 2018 because of growth in agriculture and mining.

Over the past year, economic growth has been weaker than forecasted and is only expected to reach 0.9 per cent in 2020. The 2020 budget highlights the difficult economic and fiscal choices confronting government over the next several years.

Local government continue to receive the least share of the division of nationally raised revenue because it is assumed that all municipalities have extensive powers to raise its own revenue. This is not the case for Mhlontlo as the municipality's revenue base is very limited.

It has been echoed time and time again that in the present current economic climate, municipalities cannot afford to provide municipal services without recovering the cost of providing these services, however as Mhlontlo we find ourselves providing services like refuse removal, and law enforcement service at a loss.

The equitable share allocation remains far too little for the proper administration and service delivery in the area, and the municipality therefore needs to rely on savings and critical cut-backs to ensure financial sustainability.

The annual budget I am tabling here today was prepared in accordance with the prescripts of the Municipal Finance Management Act, (Act 56 of 2003) and complies with Generally Recognized Accounting Practice as applicable to Local Government.

The annual budget was compiled, taking into account the Macro-economic growth parameters and also addresses the following National Policy frameworks and Provincial priorities including the following:

- Incremental channeling of funds towards infrastructure development, poverty alleviation and job creation;
- Participation in expanded public works programs and labour intensive projects;
- Focus on **core** service delivery activities of local government;

- The building of an efficient developmental municipality through increasing the levels of delivery by ensuring improvements to policy formulation, procurement, management systems, developing mechanisms for sharing skilled personnel in critical delivery areas

The following underlying factors were also taken into consideration with the compilation of the 2020/2021 Annual budget:

- The current socio-economic circumstances of our communities and especially the high rate of unemployment;
- External factors having a direct impact on the budget such as the consumer inflation, the wage agreement concluded with organized labour as well as other cost factors influencing service delivery.

FOCUS OF THE 2020/2021 ANNUAL BUDGET

With the 2020/2021 budget, emphasis is placed on: -

- the **core** service delivery obligations assigned to the municipality in the constitution.
- Maintenance of existing infrastructure does not enjoy preference once again as the municipality is concentrating on rehabilitating the existing infrastructure.
- Provision of basic services, improvement of the quality of housing, infrastructure as well as sustainable service delivery.

The capital budget flows from the IDP process and contains information obtained from relevant stakeholders and communities through a public participation process as well as ward committee processes where applicable.

The annual capital budget for the 2020/2021 financial year amounts to R92 million from R103 million in the 2019-2020.

We cannot expect to do the same old things and expect different results.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Mhlontlo Local Municipality.

Budgeting is primarily about the choices that the municipality must make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that Mhlontlo remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

1.2 Council Resolutions

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the Annual Budget of Mhlontlo Municipality for the financial year 2020/2021; and indicative allocations for the two projected outer years 2021/2022 and 2022/23; and the multi-year and single year capital appropriations are approved as set-out in the following tables:
 - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the Annual Financial Position, Cash Flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:
 - 2.1. Budgeted Financial Position;
 - 2.2. Budgeted Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.
3. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA4 to SA7 are approved.
4. That the final documents be available for inspection and comments at the following places: Qumbu Municipal office and Tsolo Municipal Office

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Mhlontlo's financial plan is essential and critical to ensure that the Mhlontlo remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's adjustment budget process. Where appropriate, funds were transferred from low- to high-priority programs so as to maintain sound financial stewardship.

A critical review was also undertaken of expenditures on noncore and '**nice to have**' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, accommodation, and contracted services.

Treasury's guide and deliberations on unfunded budgets was used to guide the compilation of the 2020/2021 adjustment budget.

The main challenges experienced during the compilation of the 2020/2021 Adjustment Budget can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure especially on rural roads;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

The following budget principles and guidelines directly informed the compilation of the 2020/2021 Annual Budget:

- Implementation of the supplementary valuation roll;
- No increase on employee related costs;
- Reduction on operation projects.

The following table is a consolidated overview of the Annual 2020/21 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2020/2021 MTREF

| R thousand | Adjustment Budget 2019/20 | Budget Year 2020/21 | Budget Year +1 2020/21 | Budget Year +2 2020/21 |
|--------------------------------|--------------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Total Operating Revenue | 217 656 065 | 230 873 346 | 241 493 521 | 252 602 223 |
| Total Operating Expenditure | 314 185 318 | 319 377 115 | 334 068 463 | 349 435 610 |
| (Surplus/Deficit for the year) | (96 529 253) | (88 503 769) | (92 574 942) | (96 833 387) |
| Total Capital Expenditure | 103 861 064 | 92 289 689 | 59 066 207 | 61 783 251 |

Total operating revenue has grown by 6 per cent or R13 million for the 2020/2021 financial year when compared to the 2019/2020 Adjustments Budget. For the two outer years, operational revenue will increase by 4 and 4 per cent respectively, equating to a total revenue growth of R34 million over the MTREF when compared to the 2019/20 financial year.

Total operating expenditure for the 2020/21 financial year has been appropriated at R319 million and translates into a budgeted deficit of R91 million. When compared to the 2019/20 Adjustments Budget, operational expenditure has grown by 2 per cent in the 2020/21 budget and by 4 and 4 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily increases to R97 million and R104 million.

The capital budget of R92 million for 2020/21 is R11 million less when compared to the 2019/20 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. The capital programme decreases to R59 million in the 2021/22 financial year and then evens out in 2022/23 to R61 million. A substantial portion of the capital budget will be funded from internally generated funds in the 2020/21 financial year.

1.4 Operating Revenue Framework

For the municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices 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:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a per cent annual collection rate for property rates and service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services remains a challenge;
- The municipality's Indigent Policy and rendering of free basic services; and

The following table is a summary of the 2020/21 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Revenue By Source | | | | | | | | | | | |
| Property rates | 2 | 17 115 | 8 883 | 15 190 | 16 601 | 16 621 | 16 621 | - | 17 268 | 18 063 | 18 894 |
| Service charges - refuse revenue | 2 | 1 278 | 1 360 | 1 436 | 1 449 | 1 743 | - | - | 1 748 | 1 828 | 1 912 |
| Rental of facilities and equipment | | 49 | 47 | 34 | 38 | 69 | - | - | 68 | 71 | 75 |
| Interest earned - external investments | | 4 498 | 5 187 | 6 772 | 6 300 | 8 176 | - | - | 8 176 | 8 552 | 8 945 |
| Interest earned - outstanding debtors | | - | 931 | 1 279 | 402 | 267 | - | - | - | - | - |
| Fines, penalties and forfeits | | 182 | 384 | 366 | 1 260 | 1 132 | - | - | 261 | 273 | 286 |
| Licences and permits | | 1 430 | 1 273 | 1 391 | 1 597 | 1 591 | - | - | 1 659 | 1 735 | 1 815 |
| Agency services | | 1 034 | 1 099 | 1 268 | 1 296 | 1 296 | - | - | 1 355 | 1 417 | 1 482 |
| Transfers and subsidies | | 174 541 | 162 450 | 171 107 | 188 888 | 186 610 | - | - | 199 462 | 208 638 | 218 235 |
| Other revenue | 2 | 1 691 | 1 401 | 1 736 | 114 | 151 | - | - | 150 | 157 | 164 |
| Gains | | 558 | - | 19 740 | - | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | | 202 375 | 183 014 | 220 320 | 217 945 | 217 656 | 16 621 | - | 230 147 | 240 734 | 251 808 |

Table 3 Operating Transfers and Grant Receipts

| Operational Transfers | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Equitable Share | 159 379 000 | 165 930 000 | 184 192 000 | 194 849 000 | 206 519 000 | 215 544 000 |
| Municipal Finance Management Grant | 2 345 000 | 2 415 000 | 2 415 000 | 2 415 000 | 2 415 000 | 2 400 000 |
| EPWP | 1 417 000 | 1 821 000 | 1 781 000 | 1 787 000 | - | - |
| Municipal Systems Improvement Grant | - | - | - | 1 848 000 | 2 000 000 | 2 000 000 |
| | 163 141 000 | 170 166 000 | 188 388 000 | 200 899 000 | 210 934 000 | 219 944 000 |

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 the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

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, and electricity, petrol, diesel, repairs and maintenance 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.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R15 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2020/21 financial year based on a 4.5 per cent increase from 1 July 2020 is contained below:

Table 4 Comparison of proposed rates to levied for the 2020/2021 financial year

| | WITHOUT VAT | Old Tariff | Proposed Tariff Vat Excluded | Proposed Tariff Vat Excluded | Proposed Tariff Vat Excluded |
|----------|--|------------------------|------------------------------------|------------------------------------|------------------------------------|
| 2 | ASSESMENT RATES | | | | |
| 7.1 | <u>Residential</u> First R30 000 discount | R 0.00781 | R 0.0081623 | R 0.00824 | R 0.00861 |
| 7.2 | <u>Vacant Land</u> | R 0.00781 | R 0.0081623 | R 0.00824 | R 0.00861 |
| 7.3 | <u>Commercial</u> | R 0.01722 | R 0.0179962 | R 0.01817 | R 0.01899 |
| 7.4 | <u>Government</u> Public service infrastructure State owned properties | R 0.00195 R 0.01635 | R 0.0020406 R 0.0170904 | R 0.00206 R 0.01724 | R 0.00215 R 0.01801 |
| 7.5 | <u>Farms</u> Apply for R30 000 residential discount. | R 0.00195 | R 0.0020406 | R 0.00206 | R 0.00215 |

1.4.2 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 4.5% per cent increase in the waste removal tariff is proposed from 1 July 2020. Any increase higher than 4.5 per cent will not be viable in 2020/21 and would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2020:

Table 5 Comparison between current waste removal fees and increases

| | WITHOUT VAT | Old Tariff | Old Tariff | Proposed Tariff Vat Excluded | Proposed Tariff Vat Excluded | Proposed Tariff Vat Excluded |
|-----|--|------------|------------|------------------------------------|------------------------------------|------------------------------------|
| 1 | REFUSE REMOVAL CHARGES | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
| 1.1 | <i>Government</i> | | | | | |
| (a) | Each property shall be charged a basic service charge per month. | R 241.52 | R 292.19 | R 305.34 | R 308.26 | R 322.13 |
| (b) | <i>Hospitals</i> | R 350.85 | R 424.45 | R 443.55 | R 447.79 | R 467.95 |
| 1.2 | <i>Domestic Removals</i> | | | | | |
| (a) | Every owner or occupier of premises from which refuse is removed twice weekly shall pay the Council a fee per month. | R 57.55 | R 69.63 | R 72.76 | R 73.46 | R 76.77 |
| 1.3 | <i>Commercial Removals</i> | | | | | |
| (a) | Each individual/separate business shall be charged a basic service charge per month. | R 358.30 | R 433.47 | R 452.98 | R 457.31 | R 477.89 |
| 1.4 | <i>Availability Charge</i> | | | | | |
| | A availability fee , is charged to any vacant commercial erven located in the town areas of Tsolo and Qumbu | R 143.32 | R 292.19 | R 305.34 | R 308.26 | R 322.13 |

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2020/21 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) 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;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2020/21 budget and MTREF (classified per main type of operating expenditure):

Table 6 Summary of operating expenditure by standard classification item

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Expenditure By Type | - | | | | | | | | | | |
| Employee related costs | 2 | 78 813 | 81 097 | 89 134 | 116 101 | 99 993 | - | - | 104 835 | 111 544 | 118 683 |
| Remuneration of councillors | | 16 364 | 20 968 | 18 183 | 22 176 | 21 827 | - | - | 19 634 | 20 891 | 22 228 |
| Debt impairment | 3 | - | - | - | - | 14 259 | - | - | 6 812 | 7 248 | 7 712 |
| Depreciation & asset impairment | 2 | 114 388 | 102 271 | 97 654 | 115 763 | 94 467 | - | - | 92 095 | 97 989 | 104 261 |
| Finance charges | | - | 341 | 413 | - | - | - | - | - | - | - |
| Other materials | 8 | - | 3 542 | 9 241 | 5 729 | 5 472 | - | - | 7 798 | 8 297 | 8 828 |
| Contracted services | | 4 768 | 4 400 | 5 076 | 34 933 | 24 214 | - | - | 30 191 | 32 123 | 34 179 |
| Transfers and subsidies | | - | 133 | 119 | 2 283 | 3 013 | - | - | 1 436 | 1 528 | 1 625 |
| Other expenditure | 4, 5 | 100 944 | 75 057 | 87 503 | 44 410 | 50 941 | - | - | 56 577 | 60 197 | 64 050 |
| Total Expenditure | | 315 277 | 287 809 | 307 324 | 341 394 | 314 185 | - | - | 319 377 | 339 817 | 361 566 |

The budgeted allocation for employee related costs for the 2020/21 financial year totals to R104 million, which equals 46 per cent of the total operating expenditure excluding non-cash items. The job evaluation exercise is taking longer than anticipated, and the municipality does not have any salary scales. A benchmarking exercise was conducted by Corporate Services department and became evident after this exercise that no increment will be effected in the 2020/21 financial year.

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). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 47 per cent of the Municipality. For the 2020/21 financial year this amount equates to R6 million and escalates to R7 million by 2022/23. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R92 million for the 2020/21 financial and equates to 29 per cent of the total operating expenditure.

Repairs and maintenance expenditure has not been prioritised to ensure sustainability of the Municipality's infrastructure. For 2020/21 the appropriation against this group of expenditure is only R5 million has grown to R5,7 million in the outer years.

Other expenditure comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and electricity.

The following table gives a breakdown of the main expenditure categories for the 2020/21 financial year.

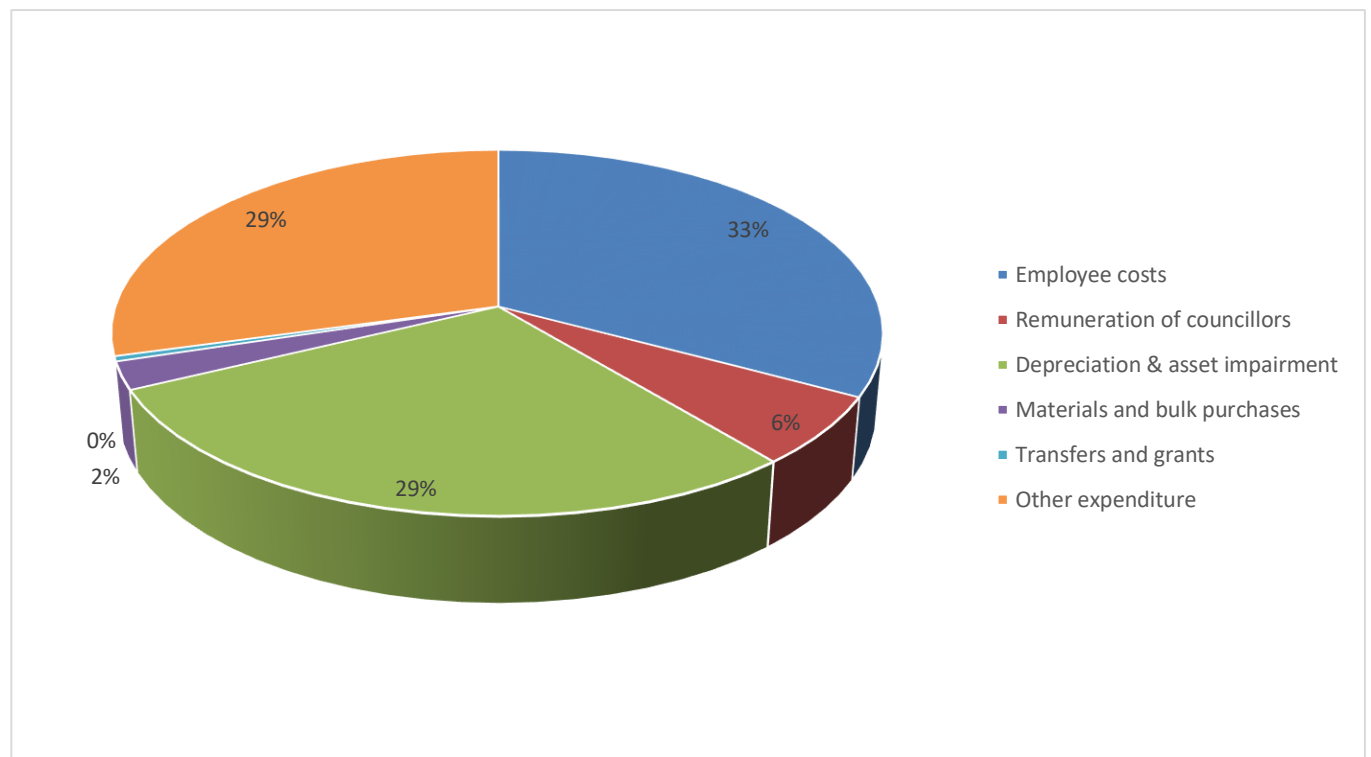


Figure 1 Main operational expenditure categories for the 2020/21 financial year

1.5.1 Repairs and maintenance

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 7 Repairs and maintenance per asset class

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|----------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | 1 | | | | | | | | | |
| Repairs and maintenance expenditure by Asset Class/Sub-class | | | | | | | | | | |
| - | | | | | | | | | | |
| Infrastructure | | - | 3 197 | 3 452 | 5 702 | 4 402 | - | 2 391 | 2 544 | 2 707 |
| Roads Infrastructure | | - | 3 197 | 3 452 | 5 702 | 4 402 | - | 2 391 | 2 544 | 2 707 |
| Roads | | - | 3 197 | 3 452 | 5 702 | 4 402 | - | 2 391 | 2 544 | 2 707 |
| Other assets | | - | 1 368 | 24 | 73 | 73 | - | 2 060 | 2 192 | 2 332 |
| Operational Buildings | | - | 1 368 | 24 | 73 | 73 | - | 2 060 | 2 192 | 2 332 |
| Municipal Offices | | - | 1 368 | 24 | 73 | 73 | - | 1 460 | 1 553 | 1 653 |
| Yards | | - | - | - | - | - | - | 600 | 638 | 679 |
| Computer Equipment | | - | - | - | - | - | - | 84 | 89 | 95 |
| Computer Equipment | | - | - | - | - | - | - | 84 | 89 | 95 |
| Transport Assets | | - | 136 | 585 | 127 | 99 | - | 557 | 593 | 630 |
| Transport Assets | | - | 136 | 585 | 127 | 99 | - | 557 | 593 | 630 |
| Total Repairs and Maintenance Expenditure | 1 | - | 4 700 | 4 060 | 5 902 | 4 574 | - | 5 092 | 5 418 | 5 765 |
| R&M as a % of PPE | | 0.0% | 0.8% | 0.8% | 1.1% | 0.9% | 0.0% | 0.0% | 1.1% | 1.3% |
| R&M as % Operating Expenditure | | 0.0% | 1.6% | 1.3% | 1.7% | 1.5% | 0.0% | 0.0% | 1.7% | 1.7% |

1.5.2 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 target is to register more indigent households during the 2020/21 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 33.

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.

1.6 Capital expenditure

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

Table 8 2020/21 Medium-term capital budget per vote

| Vote Description R thousand | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Single-year expenditure to be appropriated | 2 | | | | | | | | | | |
| Vote 11 - EXECUTIVE AND COUNCIL (31: CS) | | - | - | - | - | - | - | - | - | - | - |
| Vote 12 - FINANCE AND ADMIN (32: CS) | | - | - | - | 2 000 | 4 140 | - | - | 8 890 | - | - |
| Vote 13 - PLANNING AND DEVELOPMENT (33: CS) | | - | - | 2 444 | 9 814 | 5 266 | - | - | 552 | - | - |
| Vote 14 - PUBLIC SAFETY (37: CS) | | - | - | - | 1 700 | 200 | - | - | 858 | 898 | 939 |
| Vote 15 - WASTE MANAGEMENT (40: CS) | | - | - | - | 1 000 | 3 700 | - | - | 3 000 | - | - |
| Vote 16 - ROAD TRANSPORT (42: CS) | | - | 120 877 | 108 752 | 53 684 | 90 555 | - | - | 78 990 | 58 169 | 60 844 |
| Capital single-year expenditure sub-total | | - | 120 877 | 111 196 | 68 198 | 103 861 | - | - | 92 290 | 59 066 | 61 783 |
| Total Capital Expenditure - Vote | | - | 120 877 | 111 196 | 68 198 | 103 861 | - | - | 92 290 | 59 066 | 61 783 |

For 2020/2021 an amount of R92,2 million has been appropriated for the development of infrastructure which represents 23 per cent of the total budget.

Total new assets represent 70 per cent or R65,2 million of the total capital budget while asset renewal equates to 30 per cent or R27,4 million. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page 36. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90). Below is a list of all capital projects to be undertaken over the medium term.

| Rehabilitation of rural roads | Amount | Ward |
|--|---------------------|------|
| Rehabilitation of Kwamgongo access road 6,1 km | 202 988.69 | 10 |
| Rehabilitation of Mdyobe Clinic Mpindweni Access Road 9,8 km | 227 104.38 | 12 |
| Rehabilitation of Ngxakolo access road 7,8km | 190 878.84 | 13 |
| Rehabilitation of Ngxakolo Access Road (Phase 2) | 360 000.00 | 13 |
| Rehabilitation of Nyanisweni access road 7.3km | 247 435.57 | 19 |
| Construction of 500m slab at Khalankomo | 300 000.00 | 19 |
| Rehabilitation of Zimbengwini access road 5,2km | 284 226.55 | 20 |
| Rehabilitation of T101 to Lower Lwandlana Access Road 8,6km | 8 000 000.00 | 18 |
| | 9 812 634.03 | |

| | | |
|--|----------------------|-----|
| Buildings | | |
| Qumbu Community Hall | 11 926 405.44 | 15 |
| Building improvements | 450 000.00 | |
| Vehicle Testing Centre | 858 179.06 | |
| Completion of Toleni CDC | 87 000.00 | |
| Construction of a steel warehouse for brick making incubator | 65 000.00 | |
| Construction of a Borehole at Toleni CDC | 400 000.00 | |
| | 13 786 584.50 | |
| | | |
| Plant and Machinery | 4 000 000.00 | |
| | | |
| Rehabilitation of sports fields | | |
| Rehabilitation of sports field - Tsolo sport field | 3 000 000.00 | 6 |
| Rehabilitation of sports field -Mvumelwano sport field | 2 500 000.00 | 14 |
| Rehabilitation of sports field -Mvumelwano sport field (phase 2) | 3 000 000.00 | 14 |
| Rehabilitation of sports field -Qumbu sport field | 9 100 000.00 | 15 |
| | 17 600 000.00 | |
| | | |
| Construction of access roads | | |
| Gravel Access Road of Mthonyameni to Mqobiso 10.8km | 7 238 492.36 | 2 |
| Gravel Access Road of Gungululu 11.02km | 3 103 571.00 | 4 |
| Dumba to Tina Falls Access Road 10,5km | 386 825.48 | 10 |
| Gravel Access Road of 5.39 km - T 162 Via Stopiyini to Hlabathi | 164 695.49 | 11 |
| Gravel Access Road of Debeza 6.1km | 571 347.00 | 16 |
| Gravel Access Road of Mhlangala 11km | 3 751 298.00 | 17 |
| Gravel Access Road of Machibini to Dumaneni 8,3km | 600 000.00 | 22 |
| Gravel Access Road of Nxothwe to Konkabi 11km | 390 000.00 | 23 |
| Gravel Access Road of Mdeni Access Road 8.39km | 305 241.61 | 26 |
| | 16 511 470.94 | |
| | | |
| Tsolo Storm water drainage | 6 199 000.00 | 6 |
| | | |
| Electrification | | |
| Electrification of Makhothi (372) | 8 370 000.00 | 11 |
| Electrification of Ndakana (145 households) | 3 262 500.00 | 11 |
| Electrification of village Extensions (90 households) | 3 667 500.00 | All |
| | 15 300 000.00 | |
| | | |
| Upgrade of IT infrastructure | 2 700 000.00 | |
| Computer equipment | 4 440 000.00 | |
| Generator | 1 200 000.00 | |
| Furniture and fittings | 100 000.00 | |

| | | |
|----------------------------------|----------------------|--|
| | 8 440 000.00 | |
| Transfer Station | 1 000 000.00 | |
| Total Capital Expenditure | 92 289 689.47 | |

1.7 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2020/21 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 9 MBRR Table A1 - Budget Summary

| Description | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|------------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Financial Performance | | | | | | | | | | |
| Property rates | 33 561 | 8 883 | 15 190 | 16 601 | 16 621 | – | – | 17 268 | 18 063 | 18 894 |
| Service charges | 1 278 | 1 360 | 1 436 | 1 449 | 1 743 | – | – | 1 748 | 1 860 | 1 979 |
| Investment revenue | 3 918 | 5 187 | 6 772 | 6 300 | 8 176 | – | – | 8 176 | 8 699 | 9 256 |
| Transfers recognised - operational | 174 541 | 161 792 | 176 101 | 188 888 | 186 610 | – | – | 197 264 | 209 889 | 223 322 |
| Other own revenue | 3 544 | 3 379 | 24 273 | 4 707 | 4 506 | – | – | 3 493 | 3 716 | 3 954 |
| Total Revenue (excluding capital transfers and contributions) | 216 843 | 180 601 | 223 772 | 217 945 | 217 656 | – | – | 227 949 | 242 227 | 257 404 |
| Employee costs | 78 813 | 81 097 | 89 134 | 116 101 | 99 993 | – | – | 104 835 | 111 544 | 118 683 |
| Remuneration of councillors | 16 364 | 20 968 | 18 183 | 22 176 | 21 827 | – | – | 19 634 | 20 891 | 22 228 |
| Depreciation & asset impairment | 114 388 | 102 271 | 97 654 | 115 763 | 94 467 | – | – | 92 095 | 97 989 | 104 261 |
| Finance charges | – | 341 | 413 | – | – | – | – | – | – | – |
| Materials and bulk purchases | – | 3 542 | 9 241 | 5 729 | 5 472 | – | – | 7 798 | 8 297 | 8 828 |
| Transfers and grants | – | 133 | 119 | 2 283 | 3 013 | – | – | 1 436 | 1 528 | 1 625 |
| Other expenditure | 105 712 | 79 457 | 92 580 | 79 343 | 89 413 | – | – | 93 579 | 99 568 | 105 941 |
| Total Expenditure | 315 277 | 287 809 | 307 324 | 341 394 | 314 185 | – | – | 319 377 | 339 817 | 361 566 |
| Surplus/(Deficit) | (98 434) | (107 208) | (83 553) | (123 448) | (96 529) | – | – | (91 428) | (97 590) | (104 161) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | – | 72 600 | 51 102 | 66 758 | 67 323 | – | – | 59 267 | 63 060 | 67 096 |
| 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 | (98 434) | (34 608) | (32 451) | (56 690) | (29 206) | - | - | (32 161) | (34 530) | (37 065) |
| Share of surplus/ (deficit) of associate | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) for the year | (98 434) | (34 608) | (32 451) | (56 690) | (29 206) | - | - | (32 161) | (34 530) | (37 065) |
| Capital expenditure & funds sources | | | | | | | | | | |
| Capital expenditure | 55 985 | 572 766 | (834 934) | 68 198 | 103 861 | - | - | 90 290 | 59 066 | 61 783 |
| Transfers recognised - capital | 55 985 | 105 999 | 43 680 | 48 684 | 63 996 | - | - | 56 469 | 59 066 | 61 783 |
| Borrowing | - | - | - | - | - | - | - | - | - | - |
| Internally generated funds | - | - | - | 14 764 | 39 566 | - | - | 33 821 | - | - |
| Total sources of capital funds | 55 985 | 105 999 | 43 680 | 63 448 | 103 561 | - | - | 90 290 | 59 066 | 61 783 |
| Financial position | | | | | | | | | | |
| Total current assets | - | 158 748 | 140 113 | 129 554 | 93 276 | - | - | 68 459 | 73 157 | 78 070 |
| Total non current assets | - | 572 766 | 546 996 | 578 726 | 522 375 | - | - | 522 570 | 485 304 | 446 324 |
| Total current liabilities | - | 8 031 | 64 490 | 72 477 | 59 736 | - | - | 60 265 | 60 265 | 60 265 |
| Total non current liabilities | - | 695 | - | 3 120 | 4 313 | - | - | 4 313 | 4 313 | 4 313 |
| Community wealth/Equity | - | - | - | 617 822 | 512 688 | - | - | 480 526 | 446 722 | 411 306 |
| Cash flows | | | | | | | | | | |
| Net cash from (used) operating | - | (172 689) | (139 323) | 51 116 | 73 705 | - | - | 54 635 | 53 202 | 51 450 |
| Net cash from (used) investing | - | - | (913) | (68 198) | (103 861) | - | - | (92 290) | (59 066) | (61 783) |
| Net cash from (used) financing | - | - | - | - | - | - | - | - | - | - |
| Cash/cash equivalents at the year end | - | (34 960) | 18 306 | 77 938 | 66 119 | - | - | 40 283 | 34 419 | 24 086 |
| Cash backing/surplus reconciliation | | | | | | | | | | |
| Cash and investments available | - | 137 729 | 96 275 | 75 805 | 43 575 | - | - | 7 109 | 6 435 | 5 730 |
| Application of cash and investments | - | (21 458) | 24 364 | 9 091 | (17 335) | - | - | (15 550) | (18 178) | (20 909) |
| Balance - surplus (shortfall) | - | 159 187 | 71 912 | 66 713 | 60 910 | - | - | 22 659 | 24 613 | 26 640 |
| Asset management | | | | | | | | | | |
| Asset register summary (WDV) | - | 431 258 | 422 085 | 519 735 | 466 998 | - | - | 419 757 | 301 700 | 202 001 |
| Depreciation | - | 111 | 96 350 | 115 763 | 94 467 | - | - | 92 095 | 97 989 | 104 261 |
| Renewal and Upgrading of Existing Assets | - | 47 312 | 47 745 | 6 000 | 38 318 | - | - | 8 103 | 5 753 | 6 018 |
| Repairs and Maintenance | - | 4 700 | 4 060 | 5 902 | 4 574 | - | - | 5 092 | 5 418 | 5 765 |
| Free services | | | | | | | | | | |
| Cost of Free Basic Services provided | - | - | - | - | - | - | - | - | - | - |
| Revenue cost of free services provided | - | - | - | - | - | - | 1 776 | 1 776 | 1 857 | 1 943 |
| Households below minimum service level | | | | | | | | | | |
| Water: | - | - | - | - | - | - | - | - | - | - |
| Sanitation/sewerage: | - | - | - | - | - | - | - | - | - | - |
| Energy: | - | - | - | - | - | - | - | - | - | - |
| Refuse: | - | - | - | - | - | - | - | - | - | - |

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. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality has always had a positive cash balance.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

| Functional Classification Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Revenue - Functional | | | | | | | | | | |
| Governance and administration | | 124 878 | 110 220 | 135 643 | 117 917 | 116 724 | - | 28 585 | 30 415 | 32 361 |
| Executive and council | | 45 949 | 47 796 | 39 548 | 46 998 | 52 182 | - | - | - | - |
| Finance and administration | | 47 195 | 62 424 | 96 094 | 70 919 | 64 542 | - | 28 585 | 30 415 | 32 361 |
| Internal audit | | 31 734 | - | - | - | - | - | - | - | - |
| Community and public safety | | 17 466 | 4 772 | 6 061 | 30 315 | 30 245 | - | 3 221 | 3 427 | 3 646 |
| Community and social services | | 1 016 | 350 | 500 | 502 | 552 | - | - | - | - |
| Sport and recreation | | - | - | - | - | - | - | - | - | - |
| Public safety | | 16 450 | 4 422 | 5 561 | 29 813 | 29 692 | - | 3 221 | 3 427 | 3 646 |

| | | | | | | | | | | |
|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|---|-----------------|-----------------|-----------------|
| Housing | | - | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - |
| Economic and environmental services | | 105 720 | 92 858 | 70 764 | 116 763 | 99 859 | - | 59 507 | 63 316 | 67 368 |
| Planning and development | | 30 207 | 91 631 | 68 450 | 114 982 | 83 329 | - | 44 207 | 47 036 | 50 047 |
| Road transport | | 75 513 | 1 227 | 2 313 | 1 781 | 16 530 | - | 15 300 | 16 279 | 17 321 |
| Environmental protection | | - | - | - | - | - | - | - | - | - |
| Trading services | | 24 701 | 33 507 | 31 472 | 19 708 | 38 152 | - | 196 628 | 209 213 | 222 602 |
| Energy sources | | - | 12 623 | 5 696 | 11 508 | 11 508 | - | - | - | - |
| Water management | | - | - | - | - | - | - | - | - | - |
| Waste water management | | - | - | - | - | - | - | - | - | - |
| Waste management | | 24 701 | 20 884 | 25 776 | 8 200 | 26 644 | - | 196 628 | 209 213 | 222 602 |
| Other | 4 | - | - | - | - | - | - | - | - | - |
| Total Revenue - Functional | 2 | 272 765 | 241 356 | 243 939 | 284 703 | 284 979 | - | 287 942 | 306 370 | 325 978 |
| Expenditure - Functional | - | | | | | | | | | |
| Governance and administration | | 122 247 | 108 364 | 111 379 | 134 862 | 126 969 | - | 132 210 | 140 671 | 149 674 |
| Executive and council | | 47 441 | 45 805 | 54 880 | 58 066 | 49 353 | - | 44 750 | 47 613 | 50 661 |
| Finance and administration | | 46 171 | 62 559 | 56 500 | 76 796 | 77 617 | - | 87 460 | 93 058 | 99 013 |
| Internal audit | | 28 635 | - | - | - | - | - | - | - | - |
| Community and public safety | | 19 341 | 4 996 | 7 391 | 28 529 | 30 067 | - | 26 482 | 28 177 | 29 981 |
| Community and social services | | 3 515 | 1 637 | 1 625 | 21 | 2 393 | - | 21 | 23 | 24 |
| Sport and recreation | | - | 18 | 1 608 | - | - | - | - | - | - |
| Public safety | | 15 826 | 3 342 | 4 159 | 28 507 | 27 674 | - | 26 461 | 28 155 | 29 957 |
| Housing | | - | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - |
| Economic and environmental services | | 161 456 | 129 014 | 121 688 | 155 360 | 135 208 | - | 135 206 | 143 859 | 153 066 |
| Planning and development | | 19 473 | 21 472 | 21 083 | 23 921 | 30 737 | - | 30 947 | 32 927 | 35 035 |
| Road transport | | 141 982 | 107 542 | 100 605 | 131 439 | 104 471 | - | 104 259 | 110 932 | 118 031 |
| Environmental protection | | - | - | - | - | - | - | - | - | - |
| Trading services | | 15 390 | 18 467 | 18 770 | 22 643 | 21 940 | - | 25 479 | 27 110 | 28 845 |
| Energy sources | | - | 610 | 56 | 762 | 354 | - | - | - | - |
| Water management | | - | - | - | - | - | - | - | - | - |
| Waste water management | | - | - | - | - | - | - | - | - | - |
| Waste management | | 15 390 | 17 858 | 18 714 | 21 881 | 21 586 | - | 25 479 | 27 110 | 28 845 |
| Other | 4 | - | - | - | - | - | - | - | - | - |
| Total Expenditure - Functional | 3 | 318 433 | 260 842 | 259 228 | 341 394 | 314 185 | - | 319 377 | 339 817 | 361 566 |
| Surplus/(Deficit) for the year | | (45 669) | (19 486) | (15 289) | (56 690) | (29 206) | - | (31 435) | (33 447) | (35 588) |

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 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 enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. This is not the case with Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

| Vote Description R thousand | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Revenue by Vote | 1 | | | | | | | | | |
| Vote 1 - EXECUTIVE AND COUNCIL (11: IE) | | – | 55 691 | 47 762 | 55 524 | 60 709 | – | – | – | – |
| Vote 2 - FINANCE AND ADMIN (12: IE) | | – | 61 845 | 93 457 | 70 921 | 63 979 | – | 28 585 | 30 415 | 32 361 |
| Vote 3 - PLANNING AND DEVELOPMENT (13: IE) | | – | 17 377 | 12 872 | 11 806 | 18 290 | – | 240 | 256 | 272 |
| Vote 4 - COMMUNITY AND SOCIAL SERVICES (15: IE) | | – | 10 | 21 | 23 | 32 | – | 32 | 34 | 36 |
| Vote 5 - PUBLIC SAFETY (17: IE) | | – | 21 475 | 30 050 | 30 313 | 30 242 | – | 3 221 | 3 427 | 3 646 |
| Vote 6 - SPORT AND RECREATION (18: IE) | | – | – | – | – | – | – | – | – | – |
| Vote 7 - WASTE MANAGEMENT (20: IE) | | – | 20 923 | 24 345 | 8 177 | 26 612 | – | 196 597 | 209 179 | 222 566 |
| Vote 8 - WASTE WATER MANAGEMENT (21: IE) | | – | – | – | – | – | – | – | – | – |
| Vote 9 - ROAD MANAGEMENT (22: IE) | | – | 80 399 | 52 923 | 107 939 | 85 115 | – | 59 267 | 63 060 | 67 096 |
| Vote 10 - OTHER (25: IE) | | – | – | – | – | – | – | – | – | – |
| Total Revenue by Vote | 2 | – | 257 720 | 261 429 | 284 703 | 284 979 | – | 287 942 | 306 370 | 325 978 |
| Expenditure by Vote to be appropriated | 1 | | | | | | | | | |
| Vote 1 - EXECUTIVE AND COUNCIL (11: IE) | | – | 46 250 | 56 319 | 59 907 | 56 944 | – | 55 541 | 59 096 | 62 878 |
| Vote 2 - FINANCE AND ADMIN (12: IE) | | – | 62 808 | 58 782 | 69 293 | 74 076 | – | 81 874 | 87 114 | 92 689 |
| Vote 3 - PLANNING AND DEVELOPMENT (13: IE) | | – | 14 237 | 12 199 | 20 265 | 18 228 | – | 19 333 | 20 571 | 21 887 |
| Vote 4 - COMMUNITY AND SOCIAL SERVICES (15: IE) | | – | 1 589 | 1 601 | 627 | 2 639 | – | 520 | 553 | 589 |
| Vote 5 - PUBLIC SAFETY (17: IE) | | – | 17 317 | 21 554 | 28 547 | 24 363 | – | 25 144 | 26 754 | 28 466 |
| Vote 6 - SPORT AND RECREATION (18: IE) | | – | – | – | – | – | – | – | – | – |
| Vote 7 - WASTE MANAGEMENT (20: IE) | | – | 19 460 | 20 699 | 21 372 | 24 887 | – | 26 632 | 28 336 | 30 150 |
| Vote 8 - WASTE WATER MANAGEMENT (21: IE) | | – | – | – | – | – | – | – | – | – |
| Vote 9 - ROAD MANAGEMENT (22: IE) | | – | 113 051 | 105 629 | 141 294 | 113 048 | – | 110 333 | 117 394 | 124 907 |
| Vote 10 - OTHER (25: IE) | | – | – | 74 | 88 | – | – | – | – | – |
| Total Expenditure by Vote | 2 | – | 274 712 | 276 857 | 341 394 | 314 185 | – | 319 377 | 339 817 | 361 566 |
| Surplus/(Deficit) for the year | 2 | – | (16 992) | (15 428) | (56 690) | (29 206) | – | (31 435) | (33 447) | (35 588) |

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. The following table is an analysis of the surplus or deficit for the Municipality.

Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|------|-----------------|------------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Revenue By Source | | | | | | | | | | | |
| Property rates | 2 | 33 561 | 8 883 | 15 190 | 16 601 | 16 621 | - | - | 17 268 | 18 063 | 18 894 |
| Service charges - refuse revenue | 2 | 1 278 | 1 360 | 1 436 | 1 449 | 1 743 | - | - | 1 748 | 1 860 | 1 979 |
| Rental of facilities and equipment | | 49 | 47 | 34 | 38 | 69 | - | - | 68 | 72 | 77 |
| Interest earned - external investments | | 3 918 | 5 187 | 6 772 | 6 300 | 8 176 | - | - | 8 176 | 8 699 | 9 256 |
| Interest earned - outstanding debtors | | 776 | 920 | 1 268 | 402 | 267 | - | - | - | - | - |
| Dividends received | | - | - | - | - | - | - | - | - | - | - |
| Fines, penalties and forfeits | | 256 | 1 254 | 1 584 | 1 260 | 1 132 | - | - | 261 | 278 | 296 |
| Licences and permits | | 1 430 | 1 782 | 1 508 | 1 597 | 1 591 | - | - | 1 659 | 1 765 | 1 878 |
| Agency services | | 1 034 | 648 | 1 268 | 1 296 | 1 296 | - | - | 1 355 | 1 441 | 1 533 |
| Transfers and subsidies | | 174 541 | 161 792 | 176 101 | 188 888 | 186 610 | - | - | 197 264 | 209 889 | 223 322 |
| Other revenue | 2 | - | - | - | 114 | 151 | - | - | 150 | 160 | 170 |
| Gains | | - | (1 273) | 18 611 | - | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | | 216 843 | 180 601 | 223 772 | 217 945 | 217 656 | - | - | 227 949 | 242 227 | 257 404 |
| Expenditure By Type | | | | | | | | | | | |
| Employee related costs | 2 | 78 813 | 81 097 | 89 134 | 116 101 | 99 993 | - | - | 104 835 | 111 544 | 118 683 |
| Remuneration of councillors | | 16 364 | 20 968 | 18 183 | 22 176 | 21 827 | - | - | 19 634 | 20 891 | 22 228 |
| Debt impairment | 3 | - | - | - | - | 14 259 | - | - | 6 812 | 7 248 | 7 712 |
| Depreciation & asset impairment | 2 | 114 388 | 102 271 | 97 654 | 115 763 | 94 467 | - | - | 92 095 | 97 989 | 104 261 |
| Finance charges | | - | 341 | 413 | - | - | - | - | - | - | - |
| Bulk purchases | 2 | - | - | - | - | - | - | - | - | - | - |
| Other materials | 8 | - | 3 542 | 9 241 | 5 729 | 5 472 | - | - | 7 798 | 8 297 | 8 828 |
| Contracted services | | 4 768 | 4 400 | 5 076 | 34 933 | 24 214 | - | - | 30 191 | 32 123 | 34 179 |
| Transfers and subsidies | | - | 133 | 119 | 2 283 | 3 013 | - | - | 1 436 | 1 528 | 1 625 |
| Other expenditure | 4, 5 | 100 944 | 75 057 | 87 503 | 44 410 | 50 941 | - | - | 56 577 | 60 197 | 64 050 |
| Losses | | - | - | - | - | - | - | - | - | - | - |
| Total Expenditure | | 315 277 | 287 809 | 307 324 | 341 394 | 314 185 | - | - | 319 377 | 339 817 | 361 566 |
| Surplus/(Deficit) | | (98 434) | (107 208) | (83 553) | (123 448) | (96 529) | - | - | (91 428) | (97 590) | (104 161) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | - | 72 600 | 51 102 | 66 758 | 67 323 | - | - | 59 267 | 63 060 | 67 096 |
| Surplus/(Deficit) after capital transfers & contributions | | (98 434) | (34 608) | (32 451) | (56 690) | (29 206) | - | - | (32 161) | (34 530) | (37 065) |
| Taxation | | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after taxation | | (98 434) | (34 608) | (32 451) | (56 690) | (29 206) | - | - | (32 161) | (34 530) | (37 065) |
| Attributable to minorities | | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) attributable to municipality | | (98 434) | (34 608) | (32 451) | (56 690) | (29 206) | - | - | (32 161) | (34 530) | (37 065) |
| Share of surplus/ (deficit) of associate | 7 | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) for the year | | (98 434) | (34 608) | (32 451) | (56 690) | (29 206) | - | - | (32 161) | (34 530) | (37 065) |

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

1. Total revenue is R227 million in 2020/21 and escalates to R257 million by 2022/23.
2. Revenue to be generated from property rates is R17 million in the 2020/21 financial year and increases to R18 million by 2022/23 which represents 7,5 per cent of the operating revenue base of the Municipality and therefore remains a limited funding source for the municipality.
3. Services charges relating to refuse removal constitutes the smallest component of the revenue basket of the Municipality totaling to only R1,7 million for the 2020/21 financial year and increasing to R1,9 million by 2022/23.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.

Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

| Vote Description R thousand | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|------------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Single-year expenditure to be appropriated | 2 | | | | | | | | | | |
| Vote 11 - EXECUTIVE AND COUNCIL (31: CS) | | - | - | - | - | - | - | - | - | - | - |
| Vote 12 - FINANCE AND ADMIN (32: CS) | | - | - | - | 2 000 | 4 140 | - | - | 8 890 | - | - |
| Vote 13 - PLANNING AND DEVELOPMENT (33: CS) | | - | - | 2 444 | 9 814 | 5 266 | - | - | 552 | - | - |
| Vote 14 - PUBLIC SAFETY (37: CS) | | - | - | - | 1 700 | 200 | - | - | 858 | 898 | 939 |
| Vote 15 - WASTE MANAGEMENT (40: CS) | | - | - | - | 1 000 | 3 700 | - | - | 3 000 | - | - |
| Vote 16 - ROAD TRANSPORT (42: CS) | | - | 120 877 | 108 752 | 53 684 | 90 555 | - | - | 78 990 | 58 169 | 60 844 |
| Capital single-year expenditure sub-total | | - | 120 877 | 111 196 | 68 198 | 103 861 | - | - | 92 290 | 59 066 | 61 783 |
| Total Capital Expenditure - Vote | | - | 120 877 | 111 196 | 68 198 | 103 861 | - | - | 92 290 | 59 066 | 61 783 |
| Capital Expenditure - Functional | | | | | | | | | | | |
| Governance and administration | | 3 050 | 431 258 | (976 047) | 2 000 | 3 840 | - | - | 8 890 | - | - |
| Executive and council | | 240 | 61 | - | - | - | - | - | - | - | - |
| Finance and administration | | 2 581 | 431 197 | (976 047) | 2 000 | 3 840 | - | - | 8 890 | - | - |
| Internal audit | | 229 | - | - | - | - | - | - | - | - | - |
| Community and public safety | | 185 | - | - | 1 700 | 200 | - | - | 858 | 898 | 939 |
| Community and social services | | - | - | - | 1 500 | - | - | - | - | - | - |
| Sport and recreation | | - | - | - | - | - | - | - | - | - | - |
| Public safety | | 185 | - | - | 200 | 200 | - | - | 858 | 898 | 939 |
| Housing | | - | - | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - | - |
| Economic and environmental services | | 52 651 | 114 774 | 138 000 | 63 498 | 84 613 | - | - | 64 242 | 42 165 | 44 104 |
| Planning and development | | 2 310 | 86 367 | 91 881 | 58 498 | 58 054 | - | - | 34 273 | 35 273 | 36 895 |
| Road transport | | 50 340 | 28 407 | 46 119 | 5 000 | 26 559 | - | - | 29 968 | 6 892 | 7 209 |
| Environmental protection | | - | - | - | - | - | - | - | - | - | - |
| Trading services | | 99 | 26 734 | 3 113 | 1 000 | 15 208 | - | - | 16 300 | 16 004 | 16 740 |
| Energy sources | | - | 26 708 | 3 113 | - | 11 508 | - | - | 15 300 | 16 004 | 16 740 |
| Water management | | - | - | - | - | - | - | - | - | - | - |
| Waste water management | | - | - | - | - | - | - | - | - | - | - |
| Waste management | | 99 | 26 | - | 1 000 | 3 700 | - | - | 1 000 | - | - |
| Other | | - | - | - | - | - | - | - | - | - | - |
| Total Capital Expenditure - Functional | 3 | 55 985 | 572 766 | (834 934) | 68 198 | 103 861 | - | - | 90 290 | 59 066 | 61 783 |
| Funded by: | | | | | | | | | | | |
| National Government | | 55 985 | 105 999 | 43 680 | 48 684 | 63 996 | - | - | 56 469 | 59 066 | 61 783 |
| Provincial Government | | - | - | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | 4 | 55 985 | 105 999 | 43 680 | 48 684 | 63 996 | - | - | 56 469 | 59 066 | 61 783 |
| Borrowing | 6 | - | - | - | - | - | - | - | - | - | - |
| Internally generated funds | | - | - | - | 14 764 | 39 566 | - | - | 33 821 | - | - |
| Total Capital Funding | 7 | 55 985 | 105 999 | 43 680 | 63 448 | 103 561 | - | - | 90 290 | 59 066 | 61 783 |

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 (multi-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 departments.
2. Single-year capital expenditure has been appropriated at R92.2 million for the 2020/21 financial year and remains relatively constant over the MTREF at levels of R59 million and R61 million respectively for the two outer years.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital programme is funded from capital and provincial grants and transfers, and internally generated funds. For 2020/21, capital transfers totals R59.2 million (64 per cent) and escalates to R60.6 Million by 2021/22.
5. Internally generated funding totaling R33.3 million R0 million and R0 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 14 MBRR Table A6 - Budgeted Financial Position

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| ASSETS | | | | | | | | | | | |
| Current assets | | | | | | | | | | | |
| Cash | | - | 137 729 | 96 275 | 75 805 | 43 575 | - | - | 7 109 | 6 435 | 5 730 |
| Call investment deposits | 1 | - | - | (0) | - | - | - | - | - | - | - |
| Consumer debtors | 1 | - | 22 049 | 30 249 | 47 563 | 39 065 | - | - | 50 713 | 56 084 | 61 703 |
| Other debtors | | - | (1 030) | 13 588 | - | 10 637 | - | - | 10 637 | 10 637 | 10 637 |
| Current portion of long-term receivables | | - | - | - | - | - | - | - | - | - | - |
| Inventory | 2 | - | - | 0 | 6 186 | - | - | - | - | - | - |
| Total current assets | | - | 158 748 | 140 113 | 129 554 | 93 276 | - | - | 68 459 | 73 157 | 78 070 |
| Non current assets | | | | | | | | | | | |
| Long-term receivables | | - | - | - | - | - | - | - | - | - | - |
| Investments | | - | - | - | - | - | - | - | - | - | - |
| Investment property | | - | 12 032 | 32 263 | 23 290 | 31 772 | - | - | 31 772 | 31 772 | 31 772 |
| Investment in Associate | | - | - | - | - | - | - | - | - | - | - |
| Property, plant and equipment | 3 | - | 562 349 | 516 309 | 553 372 | 488 825 | - | - | 489 019 | 451 754 | 412 774 |
| Biological | | - | - | - | - | - | - | - | - | - | - |
| Intangible | | - | (1 615) | (1 786) | 1 854 | 1 568 | - | - | 1 568 | 1 568 | 1 568 |
| Other non-current assets | | - | - | 211 | 211 | 211 | - | - | 211 | 211 | 211 |
| Total non current assets | | - | 572 766 | 546 996 | 578 726 | 522 375 | - | - | 522 570 | 485 304 | 446 324 |
| TOTAL ASSETS | | - | 731 514 | 687 109 | 708 280 | 615 652 | - | - | 591 029 | 558 461 | 524 395 |
| LIABILITIES | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | |
| Bank over | 1 | - | - | - | - | - | - | - | - | - | - |
| Borrowing | 4 | - | - | - | - | - | - | - | - | - | - |
| Consumer deposits | | - | - | - | - | - | - | - | - | - | - |
| Trade and other payables | 4 | - | (21 458) | 25 052 | 34 726 | 16 440 | - | - | 16 969 | 16 969 | 16 969 |
| Provisions | | - | 29 489 | 39 438 | 37 751 | 43 296 | - | - | 43 296 | 43 296 | 43 296 |
| Total current liabilities | | - | 8 031 | 64 490 | 72 477 | 59 736 | - | - | 60 265 | 60 265 | 60 265 |
| Non current liabilities | | | | | | | | | | | |
| Borrowing | | - | 695 | - | - | 758 | - | - | 758 | 758 | 758 |
| Provisions | | - | - | - | 3 120 | 3 555 | - | - | 3 555 | 3 555 | 3 555 |
| Total non current liabilities | | - | 695 | - | 3 120 | 4 313 | - | - | 4 313 | 4 313 | 4 313 |
| TOTAL LIABILITIES | | - | 8 726 | 64 490 | 75 597 | 64 049 | - | - | 64 578 | 64 578 | 64 578 |
| NET ASSETS | 5 | - | 722 788 | 622 618 | 632 683 | 551 603 | - | - | 526 451 | 493 883 | 459 817 |
| COMMUNITY WEALTH/EQUITY | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | | - | - | - | 554 242 | 512 688 | - | - | 480 526 | 446 722 | 411 306 |
| Reserves | 4 | - | - | - | 63 580 | - | - | - | - | - | - |
| TOTAL COMMUNITY WEALTH/EQUITY | 5 | - | - | - | 617 822 | 512 688 | - | - | 480 526 | 446 722 | 411 306 |

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. 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.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) 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;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. 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.

Table 15 MBRR Table A7 - Budgeted Cash Flow Statement

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Property rates | | - | - | (133) | 6 601 | 8 610 | - | - | 7 378 | 7 717 | 8 072 |
| Service charges | | - | - | 1 | 1 359 | 1 394 | - | - | 717 | 750 | 784 |
| Other revenue | | - | - | 6 | 4 305 | 5 106 | - | - | 3 493 | 3 654 | 3 822 |
| Transfers and Subsidies - Operational | 1 | - | - | 41 739 | 188 888 | 186 277 | - | - | 194 849 | 203 812 | 213 187 |
| Transfers and Subsidies - Capital | 1 | - | - | - | 66 758 | 66 758 | - | - | 59 267 | 61 993 | 64 845 |
| Interest | | - | - | 6 | 6 702 | 8 176 | - | - | 8 176 | 8 552 | 8 945 |
| Dividends | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | - | (172 216) | (180 410) | (223 348) | (202 446) | - | - | (219 034) | (233 052) | (247 967) |
| Finance charges | | - | (341) | (413) | - | - | - | - | - | - | - |
| Transfers and Grants | 1 | - | (133) | (119) | (150) | (170) | - | - | (210) | (223) | (238) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | - | (172 689) | (139 323) | 51 116 | 73 705 | - | - | 54 635 | 53 202 | 51 450 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current receivables | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current investments | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Capital assets | | - | - | (913) | (68 198) | (103 861) | - | - | (92 290) | (59 066) | (61 783) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | - | - | (913) | (68 198) | (103 861) | - | - | (92 290) | (59 066) | (61 783) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | | - | - | - | - | - | - | - | - | - | - |
| Increase (decrease) in consumer deposits | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | - | - | - | - | - | - | - | - | - | - |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | - | - | - | - | - | - | - | - | - | - |
| NET INCREASE/ (DECREASE) IN CASH HELD | | - | (172 689) | (140 236) | (17 083) | (30 156) | - | - | (37 655) | (5 864) | (10 333) |
| Cash/cash equivalents at the year begin: | 2 | - | 137 729 | 158 542 | 95 020 | 96 275 | - | - | 77 938 | 40 283 | 34 419 |
| Cash/cash equivalents at the year end: | 2 | - | (34 960) | 18 306 | 77 938 | 66 119 | - | - | 40 283 | 34 419 | 24 086 |

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. It can be seen that the cash levels of the Municipality fell are looking good over the 2020/21 to 2022/23 period owing directly to a net increase in cash for the 2019/20 financial year of R96 million.
4. Cash and cash equivalents totals R40 million as at the end of the 2020/21 financial year and total to R24 million by 2022/23.

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Cash and investments available | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | - | (34 960) | 18 306 | 77 938 | 66 119 | - | - | 40 283 | 34 419 | 24 086 |
| Other current investments > 90 days | | - | 172 689 | 77 969 | (2 133) | (22 545) | - | - | (33 174) | (27 984) | (18 355) |
| Non current assets - Investments | 1 | - | - | - | - | - | - | - | - | - | - |
| Cash and investments available: | | - | 137 729 | 96 275 | 75 805 | 43 575 | - | - | 7 109 | 6 435 | 5 730 |
| Application of cash and investments | | | | | | | | | | | |
| Unspent conditional transfers | | - | (21 458) | 2 651 | 2 101 | 7 591 | - | - | 8 120 | 8 120 | 8 120 |
| Unspent borrowing | | - | - | - | - | - | - | - | - | - | - |
| Statutory requirements | 2 | | | | | | | | | | |
| Other working capital requirements | 3 | - | - | 21 712 | 6 990 | (24 926) | - | - | (23 670) | (26 298) | (29 029) |
| Other provisions | | | | | | | | | | | |
| Long term investments committed | 4 | - | - | - | - | - | - | - | - | - | - |
| Reserves to be backed by cash/investments | 5 | | | | | | | | | | |
| Total Application of cash and investments: | | - | (21 458) | 24 364 | 9 091 | (17 335) | - | - | (15 550) | (18 178) | (20 909) |
| Surplus(shortfall) | | - | 159 187 | 71 912 | 66 713 | 60 910 | - | - | 22 659 | 24 613 | 26 640 |

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. From the table it can be seen that for the period 2020/21 to 2022/23 the surplus is slightly increasing from R22 million to R26 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2020/21 MTREF is funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2020/21 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 17 MBRR Table A9 - Asset Management

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| CAPITAL EXPENDITURE | | | | | | | | | | |
| <u>Total New Assets</u> | 1 | - | 525 454 | (882 679) | 62 198 | 65 543 | - | 84 187 | 53 313 | 55 766 |
| <i>Roads Infrastructure</i> | | - | 388 766 | (927 054) | 20 827 | 32 252 | - | 24 811 | 17 271 | 18 065 |
| <i>Storm water Infrastructure</i> | | - | - | - | - | - | - | 6 199 | 6 484 | 6 782 |
| <i>Electrical Infrastructure</i> | | - | (0) | (0) | - | - | - | 15 300 | 16 004 | 16 740 |
| <i>Solid Waste Infrastructure</i> | | - | 5 229 | (3 050) | - | - | - | - | - | - |
| Infrastructure | | - | 393 995 | (930 104) | 20 827 | 32 252 | - | 46 310 | 39 759 | 41 588 |
| Community Facilities | | - | 64 904 | 3 647 | 7 807 | 8 586 | - | 13 337 | 898 | 939 |
| Sport and Recreation Facilities | | - | 19 349 | 46 981 | 27 858 | 14 858 | - | 12 100 | 12 657 | 13 239 |
| Community Assets | | - | 84 253 | 50 628 | 35 665 | 23 444 | - | 25 437 | 13 554 | 14 178 |
| Heritage Assets | | - | - | - | - | - | - | - | - | - |
| Revenue Generating | | - | 12 032 | - | - | - | - | - | - | - |
| Investment properties | | - | 12 032 | - | - | - | - | - | - | - |
| Operational Buildings | | - | 18 761 | - | 1 700 | 200 | - | - | - | - |
| Housing | | - | - | - | - | - | - | - | - | - |
| Other Assets | | - | 18 761 | - | 1 700 | 200 | - | - | - | - |
| Licences and Rights | | - | (1 615) | (1 786) | 2 000 | 1 500 | - | 2 700 | - | - |
| Intangible Assets | | - | (1 615) | (1 786) | 2 000 | 1 500 | - | 2 700 | - | - |
| Computer Equipment | | - | (0) | - | - | 2 340 | - | 4 440 | - | - |
| Furniture and Office Equipment | | - | (4 367) | 99 | - | - | - | 100 | - | - |
| Machinery and Equipment | | - | 293 | - | - | 2 600 | - | 3 200 | - | - |
| Transport Assets | | - | 22 103 | (1 516) | 2 007 | 3 207 | - | 2 000 | - | - |
| Land | | - | - | - | - | - | - | - | - | - |
| Zoo's, Marine and Non-biological Animals | | - | - | - | - | - | - | - | - | - |
| <u>Total Renewal of Existing Assets</u> | 2 | - | 47 312 | 47 745 | 5 000 | 37 018 | - | 1 153 | - | - |
| <i>Roads Infrastructure</i> | | - | - | 14 714 | 5 000 | 25 510 | - | 1 153 | - | - |
| <i>Storm water Infrastructure</i> | | - | - | - | - | - | - | - | - | - |
| <i>Electrical Infrastructure</i> | | - | 47 312 | 33 031 | - | 11 508 | - | - | - | - |
| Infrastructure | | - | 47 312 | 47 745 | 5 000 | 37 018 | - | 1 153 | - | - |
| <u>Total Upgrading of Existing Assets</u> | 6 | - | (0) | - | 1 000 | 1 300 | - | 6 950 | 5 753 | 6 018 |
| Sport and Recreation Facilities | | - | - | - | - | - | - | 5 500 | 5 753 | 6 018 |
| Community Assets | | - | - | - | - | - | - | 5 500 | 5 753 | 6 018 |
| Investment properties | | - | - | - | - | - | - | - | - | - |
| Operational Buildings | | - | (0) | - | 1 000 | 1 300 | - | 1 450 | - | - |
| Housing | | - | - | - | - | - | - | - | - | - |
| Other Assets | | - | (0) | - | 1 000 | 1 300 | - | 1 450 | - | - |
| Zoo's, Marine and Non-biological Animals | | - | - | - | - | - | - | - | - | - |
| <u>Total Capital Expenditure</u> | 4 | - | 572 766 | (834 934) | 68 198 | 103 861 | - | 92 290 | 59 066 | 61 783 |
| <i>Roads Infrastructure</i> | | - | 388 766 | (912 340) | 25 827 | 57 762 | - | 25 964 | 17 271 | 18 065 |
| <i>Storm water Infrastructure</i> | | - | - | - | - | - | - | 6 199 | 6 484 | 6 782 |
| <i>Electrical Infrastructure</i> | | - | 47 312 | 33 031 | - | 11 508 | - | 15 300 | 16 004 | 16 740 |
| <i>Solid Waste Infrastructure</i> | | - | 5 229 | (3 050) | - | - | - | - | - | - |
| Infrastructure | | - | 441 307 | (882 359) | 25 827 | 69 270 | - | 47 463 | 39 759 | 41 588 |
| Community Facilities | | - | 64 904 | 3 647 | 7 807 | 8 586 | - | 13 337 | 898 | 939 |
| Sport and Recreation Facilities | | - | 19 349 | 46 981 | 27 858 | 14 858 | - | 17 600 | 18 410 | 19 256 |
| Community Assets | | - | 84 253 | 50 628 | 35 665 | 23 444 | - | 30 937 | 19 307 | 20 195 |

| | | | | | | | | | | |
|---|---|------|----------------|------------------|----------------|----------------|------|----------------|----------------|----------------|
| Revenue Generating | | - | 12 032 | - | - | - | - | - | - | - |
| Investment properties | | - | 12 032 | - | - | - | - | - | - | - |
| Operational Buildings | | - | 18 761 | - | 2 700 | 1 500 | - | 1 450 | - | - |
| Other Assets | | - | 18 761 | - | 2 700 | 1 500 | - | 1 450 | - | - |
| Licences and Rights | | - | (1 615) | (1 786) | 2 000 | 1 500 | - | 2 700 | - | - |
| Intangible Assets | | - | (1 615) | (1 786) | 2 000 | 1 500 | - | 2 700 | - | - |
| Computer Equipment | | - | (0) | - | - | 2 340 | - | 4 440 | - | - |
| Furniture and Office Equipment | | - | (4 367) | 99 | - | - | - | 100 | - | - |
| Machinery and Equipment | | - | 293 | - | - | 2 600 | - | 3 200 | - | - |
| Transport Assets | | - | 22 103 | (1 516) | 2 007 | 3 207 | - | 2 000 | - | - |
| TOTAL CAPITAL EXPENDITURE - Asset class | | - | 572 766 | (834 934) | 68 198 | 103 861 | - | 92 290 | 59 066 | 61 783 |
| ASSET REGISTER SUMMARY - PPE (WDV) | 5 | - | 431 258 | 422 085 | 519 735 | 466 998 | - | 419 757 | 301 700 | 202 001 |
| <i>Roads Infrastructure</i> | | - | 341 624 | 301 309 | 381 504 | 337 794 | - | 276 405 | 171 598 | 71 858 |
| <i>Solid Waste Infrastructure</i> | | - | 5 203 | 4 999 | 5 203 | 4 999 | - | 4 999 | 4 999 | 4 999 |
| Infrastructure | | - | 346 827 | 306 308 | 386 707 | 342 793 | - | 281 404 | 176 597 | 76 856 |
| Community Assets | | - | 37 224 | 34 016 | 125 916 | 34 016 | - | 35 274 | 34 913 | 34 955 |
| Heritage Assets | | - | - | 211 | 211 | 211 | - | 211 | 211 | 211 |
| Investment properties | | - | 12 032 | 32 263 | 23 290 | 31 772 | - | 31 772 | 31 772 | 31 772 |
| Other Assets | | - | 6 600 | 6 078 | (96 097) | 14 993 | - | 18 143 | 14 993 | 14 993 |
| Biological or Cultivated Assets | | - | - | - | - | - | - | - | - | - |
| Intangible Assets | | - | (1 615) | (1 786) | 1 854 | 1 568 | - | 1 568 | 1 568 | 1 568 |
| Computer Equipment | | - | (0) | 1 854 | - | 2 340 | - | 6 780 | 2 340 | 2 340 |
| Furniture and Office Equipment | | - | 7 794 | 8 259 | 7 508 | 20 685 | - | 20 785 | 20 685 | 20 685 |
| Machinery and Equipment | | - | 293 | 313 | 30 030 | 4 007 | - | 7 207 | 4 007 | 4 007 |
| Transport Assets | | - | 22 103 | 21 756 | 24 501 | 1 800 | - | 3 800 | 1 800 | 1 800 |
| Land | | - | - | 12 814 | 15 814 | 12 814 | - | 12 814 | 12 814 | 12 814 |
| Zoo's, Marine and Non-biological Animals | | - | - | - | - | - | - | - | - | - |
| TOTAL ASSET REGISTER SUMMARY - PPE (WDV) | 5 | - | 431 258 | 422 085 | 519 735 | 466 998 | - | 419 757 | 301 700 | 202 001 |
| EXPENDITURE OTHER ITEMS | | - | 4 811 | 100 410 | 121 665 | 99 041 | - | 97 187 | 103 407 | 110 026 |
| <u>Depreciation</u> | 7 | - | 111 | 96 350 | 115 763 | 94 467 | - | 92 095 | 97 989 | 104 261 |
| <u>Repairs and Maintenance by Asset Class</u> | 3 | - | 4 700 | 4 060 | 5 902 | 4 574 | - | 5 092 | 5 418 | 5 765 |
| <i>Roads Infrastructure</i> | | - | 3 197 | 3 452 | 5 702 | 4 402 | - | 2 391 | 2 544 | 2 707 |
| Infrastructure | | - | 3 197 | 3 452 | 5 702 | 4 402 | - | 2 391 | 2 544 | 2 707 |
| Investment properties | | - | - | - | - | - | - | - | - | - |
| Operational Buildings | | - | 1 368 | 24 | 73 | 73 | - | 2 060 | 2 192 | 2 332 |
| Housing | | - | - | - | - | - | - | - | - | - |
| Other Assets | | - | 1 368 | 24 | 73 | 73 | - | 2 060 | 2 192 | 2 332 |
| Transport Assets | | - | 136 | 585 | 127 | 99 | - | 557 | 593 | 630 |
| TOTAL EXPENDITURE OTHER ITEMS | | - | 4 811 | 100 410 | 121 665 | 99 041 | - | 97 187 | 103 407 | 110 026 |
| <i>Renewal and upgrading of Existing Assets as % of total capex</i> | | 0.0% | 8.3% | -5.7% | 8.8% | 36.9% | 0.0% | 8.8% | 9.7% | 9.7% |
| <i>Renewal and upgrading of Existing Assets as % of deprecn</i> | | 0.0% | 42681.9% | 49.6% | 5.2% | 40.6% | 0.0% | 8.8% | 5.9% | 5.8% |
| <i>R&M as a % of PPE</i> | | 0.0% | 0.8% | 0.8% | 1.1% | 0.9% | 0.0% | 1.0% | 1.2% | 1.4% |
| <i>Renewal and upgrading and R&M as a % of PPE</i> | | 0.0% | 12.0% | 12.0% | 2.0% | 9.0% | 0.0% | 3.0% | 4.0% | 6.0% |

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. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both of these recommendations because of limited resources.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA 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.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Chairperson for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2019) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2019. Key dates applicable to the process were:

- **August 2019** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2020/21 MTREF;
- **November 2019** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2020** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2020** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2020** - Council considers the 2019/20 Mid-year Review and Adjustments Budget;

- **February 2020** - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments. The annual 2019/20 MTREF is revised accordingly;
- **25 March 2020** - Tabling in Council of the 2020/21 IDP and 2020/21 MTREF for public consultation;
- **April 2020** – Public consultation;
- **6 May 2020** - Closing date for written comments;
- **6 to 21 May 2020** – finalisation of the 2020/21 IDP and 2020/21 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **23 May 2020** - Tabling of the 2020/21 MTREF before Council for consideration and approval.

There were deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2016. It started in September 2019 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2020/21 MTREF in August.

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 fourth 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;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2020/21 MTREF, based on the approved 2019/20 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2020/21 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 2019/20 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.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2020/21 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2020/21 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2019/20 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2020/21 MTREF was tabled before Council on the 08th of May 2020 for community consultation was be published on the municipality's website, no hard copies were made available at reception, municipal notice boards and various libraries because of the corona challenge.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Social media and radio was utilised to facilitate the community consultation process on the 19th of May 2020. The applicable dates and venues were published in social media and radio.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2020/21 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and

- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

2.2 Overview of alignment of annual budget with 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 municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the 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 (GGDS);
- 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 IDP's five strategic objectives for the 2020/21 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 18 IDP Strategic Objectives

| 2019/20 Financial Year | 2020/21 MTREF |
|---|--|
| 1. Provision of quality basic services and infrastructure | 1. Provision of quality basic services and infrastructure |
| 2. Economic growth and development that leads to sustainable job creation | 2. Economic growth and development that leads to sustainable job creation |
| 3. Fight poverty and build clean, healthy, safe and sustainable communities Integrated Social Services for empowered and sustainable communities | 3.1 Fight poverty and build clean, healthy, safe and sustainable communities |
| | 3.2 Integrated Social Services for empowered and sustainable communities |
| 4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service | 4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service |
| 5. Promote sound governance | 5.1 Promote sound governance |
| | 5.2 Ensure financial sustainability |
| | 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives |

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.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide waste removal;
 - Provide roads and storm water;
 - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning;
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
 - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;

- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2020/21 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 19 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Table 20 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Table 21 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's

performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

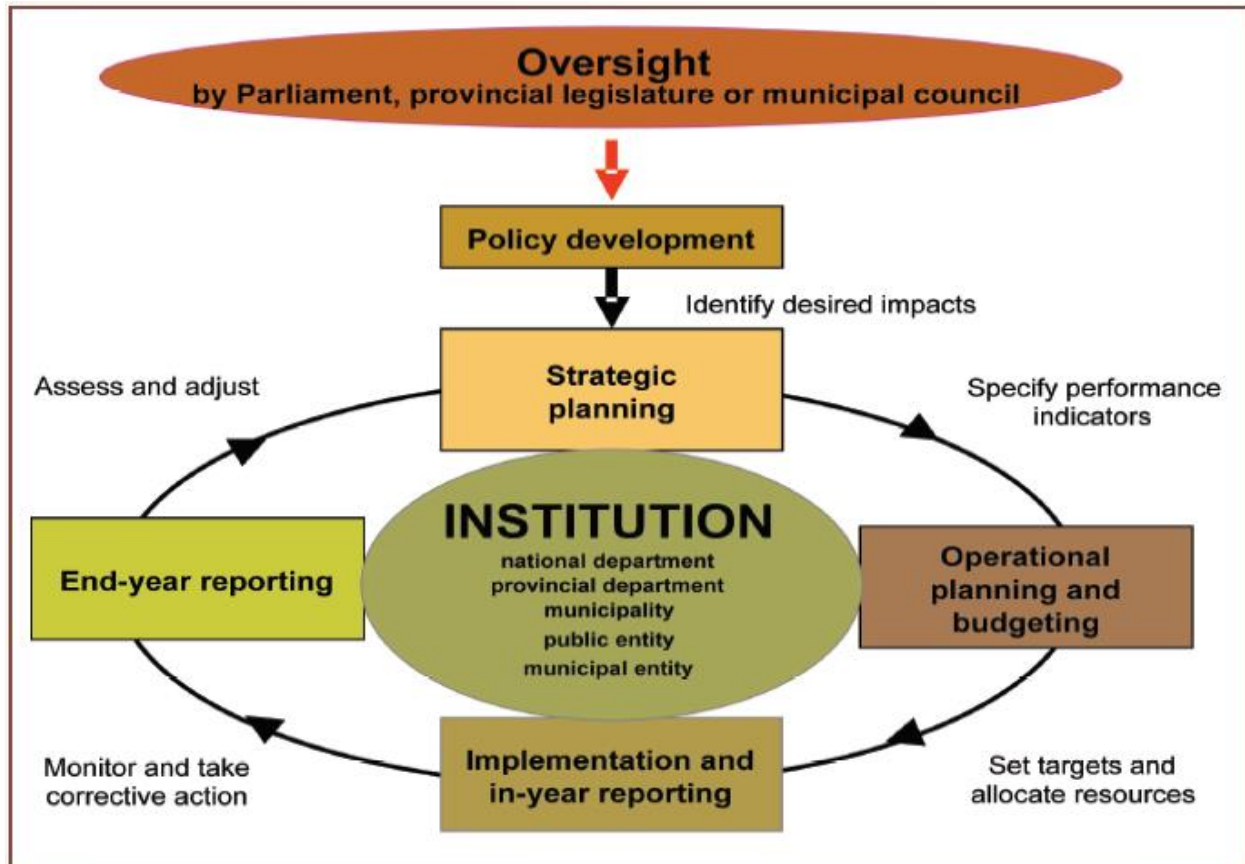


Figure 2 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

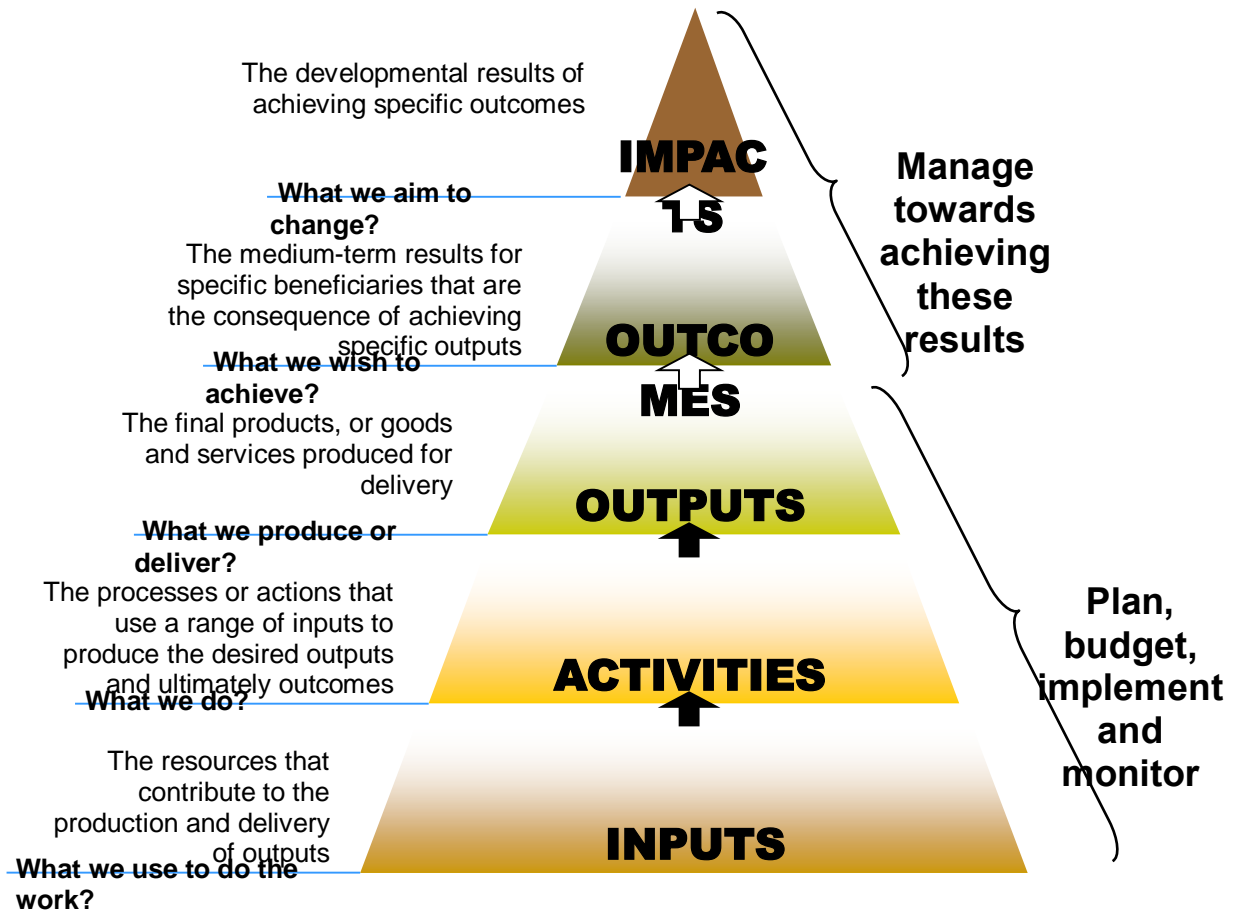


Figure 3 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

The following table sets out the municipalities main performance objectives and benchmarks for the 2020/21 MTREF.

Table 22 MBRR Table SA8 - Performance indicators and benchmarks

| Description of financial indicator | Basis of calculation | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|--|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| <u>Borrowing Management</u> | | | | | | | | | | | |
| Credit Rating | | | | | | | | | | | |
| Capital Charges to Operating Expenditure | Interest & Principal Paid /Operating Expenditure | 0.1% | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Capital Charges to Own Revenue | Finance charges & Repayment of borrowing /Own Revenue | 1.3% | 1.7% | 0.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Borrowed funding of 'own' capital expenditure | Borrowing/Capital expenditure excl. transfers and grants and contributions | 0.0% | 0.0% | 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 | 2.0 | 1.2 | 1.2 | 1.6 | 0.9 | - | - | 0.8 | 0.8 | 0.9 |
| Current Ratio adjusted for aged debtors | Current assets less debtors > 90 days/current liabilities | 2.0 | 1.2 | 1.2 | 1.6 | 0.9 | - | - | 0.8 | 0.8 | 0.9 |
| Liquidity Ratio | Monetary Assets/Current Liabilities | 1.3 | 1.1 | 1.0 | 1.0 | 0.7 | - | - | 0.5 | 0.5 | 0.5 |
| <u>Revenue Management</u> | | | | | | | | | | | |
| Annual Debtors Collection Rate (Payment Level %) | Last 12 Mths Receipts/Last 12 Mths Billing | | 15.1% | 232.2% | -1.3% | 44.1% | 54.5% | 0.0% | 0.0% | 49.3% | 42.6% |
| Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue) | | 15.1% | 232.2% | -1.3% | 44.1% | 54.5% | 0.0% | 0.0% | 49.3% | 42.6% | 42.6% |
| Outstanding Debtors to Revenue | Total Outstanding Debtors to Annual Revenue | 5.9% | 3.3% | 9.6% | 15.0% | 5.2% | 0.0% | 0.0% | 6.5% | 8.3% | 10.0% |
| 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 | | 15.1% | 22.5% | 30.8% | 41.9% | 9.9% | 0.0% | 0.0% | 22.0% | 23.5% | 25.3% |
| <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) | 39.0% | 44.3% | 34.6% | 53.3% | 45.9% | 0.0% | 0.0% | 45.6% | 45.6% | 45.6% | |
| Remuneration | Total remuneration/(Total Revenue - capital revenue) | 0.0% | 55.1% | 45.3% | 63.4% | 56.0% | 0.0% | 0.0% | 54.1% | 54.1% | 54.1% | |
| Repairs & Maintenance | R&M/(Total Revenue excluding capital revenue) | 1.6% | 2.6% | 1.8% | 2.7% | 2.1% | 0.0% | 0.0% | 2.2% | 2.2% | 2.2% | |
| Finance charges & Depreciation | FC&D/(Total Revenue - capital revenue) | 56.7% | 56.1% | 42.7% | 53.1% | 43.4% | 0.0% | 0.0% | 40.0% | 40.0% | 40.0% | |
| IDP regulation financial viability indicators | - | | | | | | | | | | | |
| i. Debt coverage | (Total Operating Revenue - Operating Grants)/Debt service payments due within financial year) | 4.5 | 2.6 | 7.3 | 3.6 | 3.6 | 3.6 | - | 3.6 | 3.6 | 3.8 | |
| ii. O/S Service Debtors to Revenue | Total outstanding service debtors/annual revenue received for services | 65.1% | 59.4% | 127.1% | 180.8% | 61.4% | 0.0% | 0.0% | 77.9% | 99.8% | 120.8% | |
| iii. Cost coverage | (Available cash + Investments)/monthly fixed operational expenditure | 2.9 | 6.2 | 7.2 | 4.8 | 4.3 | - | - | 1.9 | 1.7 | 1.5 | |

2.3.1 Performance indicators and benchmarks

2.3.1.1 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2020/21 MTREF the current ratio is 0.8 in the 2020/21 financial year and 0.8 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current

liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2020/21 financial year the ratio was 0.5 and as part of the financial planning strategy it has been increased to 0.3 in the 2020/21 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.3.1.2 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.3 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 95 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.4 Other Indicators

- Employee costs as a percentage of operating revenue continues to remain unchanged over the MTREF. This is primarily owing to the high increase on salaries that was implemented in the 2019 financial year.

2.3.2 Free Basic Services: basic social services package for indigent 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. With the exception of water, only registered indigents qualify for the free basic services.

For the 2020/21 financial year 90 000 registered indigents have been provided for in the budget with this figured increasing to 105 000 by 2022/23. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity or 20 liters of paraffin, free refuse removal on indigent households as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 33.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council in May 2019 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition, emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2020/21 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 47 per cent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition, the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2019. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council in May 2019 in respect of both Operating and Capital Budget Fund Transfers.

2.4.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was amended by Council in May 2019. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 External factors

According to the National treasury the CPI is forecasted at 4.5% in 2020, 4,6 in 2021 and 4.6% in 2022. South Africa's economic outlook showed an unexpected improvement in December 2018 because of growth in agriculture and mining.

Over the past year, economic growth has been weaker than forecasted and is only expected to reach 0.9 per cent in 2020. The 2020 budget highlights the difficult economic and fiscal choices confronting government over the next several years.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 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 (95 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings, plus an increased 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.

2.5.3 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtor's 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.

2.5.4 Salary increases

The municipality's assumption is that all permanent employees' salaries will remain unchanged for the MTREF.

2.5.5 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 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.

2.6 Overview of budget funding

The Municipality is still in a process of further data verification and validation relating to the valuation roll. In addition, there are still outstanding objections, although significant progress was made in dealing with these objections in the 2020/21 financial year. It is anticipated that the process will be concluded by the end of 2020. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the first quarter of the 2020/21 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to refuse removal constitutes the lowest component of the revenue basket of the Municipality totaling to only R1.7 million for the 2020/21 financial year and increasing to R1.8 million by 2021/22.

Operational grants and subsidies amount to R199 million, R208 million and R218 million for each of the respective financial years of the MTREF, or 4.6, 7 and 4.6 per cent of operating revenue.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R8.1 million, R8.5 million and R8.9 million for the respective three financial years of the 2020/21 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 23 MBRR SA15 – Detail Investment Information

| Investment type | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|----------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | |
| Parent municipality | | | | | | | | | | |
| Deposits - Bank | | | | 103 986 | 93 066 | | | 79 063 | - | - |

Table 24 MBRR SA16 – Investment particulars by maturity

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus of R526 million, R628 million and R643 million in each of the financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.1 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2020/21 medium-term capital programme:

Table 25 Sources of capital revenue over the MTREF

| Vote Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | | |
| Funded by: | | | | | | | | | | | |
| National Government | 1 | 55 985 | 105 999 | 43 680 | 48 684 | 63 996 | - | - | 56 469 | 59 066 | 61 783 |
| Borrowing | 6 | - | - | - | - | - | - | - | - | - | - |
| Internally generated funds | | - | - | - | 14 764 | 39 566 | - | - | 35 821 | - | - |
| Total Capital Funding | 7 | 55 985 | 105 999 | 43 680 | 63 448 | 103 561 | - | - | 92 290 | 59 066 | 61 783 |

Table 26 MBRR Table SA 18 - Capital transfers and grant receipts

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| RECEIPTS: | 1, 2 | | | | | | | | | |
| Operating Transfers and Grants | | | | | | | | | | |
| National Government: | | - | 163 141 | 170 166 | 188 388 | 188 388 | - | 200 899 | 210 934 | 219 944 |
| Local Government Equitable Share | | | 159 379 | 165 930 | 184 192 | 184 192 | | 194 849 | 206 519 | 215 544 |
| Municipal Systems Improvement | | | - | - | | | | 1 848 | 2 000 | 2 000 |
| Finance Management | | | 2 345 | 2 415 | 2 415 | 2 415 | | 2 415 | 2 415 | 2 400 |
| EPWP Incentive | | | 1 417 | 1 821 | 1 781 | 1 781 | | 1 787 | - | - |
| Provincial Government: | | - | 350 | 500 | 500 | 500 | - | 500 | 500 | 500 |
| Library & Subsidies | | | 350 | 500 | 500 | 500 | | 500 | 500 | 500 |
| Total Operating Transfers and Grants | 5 | - | 163 491 | 170 666 | 188 888 | 188 888 | - | 201 399 | 211 434 | 220 444 |
| Capital Transfers and Grants | | | | | | | | | | |
| National Government: | | - | 58 989 | 43 394 | 66 758 | 66 758 | - | 59 267 | 60 629 | 64 092 |
| Municipal Infrastructure Grant (MIG) | | | 44 989 | 43 394 | 55 250 | 55 250 | | 43 967 | 47 620 | 50 292 |
| Integrated National Electrification Programme | | | 14 000 | | 11 508 | 11 508 | | 15 300 | 13 009 | 13 800 |
| Total Capital Transfers and Grants | 5 | - | 58 989 | 43 394 | 66 758 | 66 758 | - | 59 267 | 60 629 | 64 092 |
| TOTAL RECEIPTS OF TRANSFERS & GRANTS | | - | 222 480 | 214 060 | 255 646 | 255 646 | - | 260 666 | 272 063 | 284 536 |

Table 27 MBRR SA10 – Funding compliance measurement

| Description | MFMA section | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | | |
|--|--------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|----|
| | | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 | |
| Funding measures | | | | | | | | | | | | | |
| Cash/cash equivalents at the year end - R'000 | 18(1)b | 1 | 37 006 | 71 400 | 89 953 | 77 938 | 66 119 | - | - | 29 748 | 27 830 | 824 | 25 |
| Cash + investments at the yr end less applications - R'000 | 18(1)b | 2 | 13 373 | 45 504 | 38 753 | 58 703 | 35 548 | - | - | 23 407 | 24 490 | 508 | 26 |
| Cash year end/monthly employee/supplier payments | 18(1)b | 3 | 2.9 | 6.2 | 7.2 | 4.8 | 4.3 | - | - | 1.9 | 1.7 | 1.5 | |
| Surplus/(Deficit) excluding depreciation offsets: R'000 | 18(1) | 4 | (62 479) | (37 966) | (45 780) | (56 690) | (29 206) | 16 621 | - | (32 161) | (33 641) | (35 188) | |
| Service charge rev % change - macro CPIX target exclusive | 18(1)a,(2) | 5 | N.A. | (50.3%) | 56.3% | 2.6% | (4.3%) | (15.5%) | (106.0%) | (2.5%) | (1.4%) | (1.4%) | |
| Cash receipts % of Ratepayer & Other revenue | 18(1)a,(2) | 6 | 33.9% | 181.2% | 14.8% | 53.9% | 66.1% | 0.0% | 0.0% | 57.2% | 51.5% | 51.5% | |
| Debt impairment expense as a % of total billable revenue | 18(1)a,(2) | 7 | 105.2% | (7.1%) | 0.0% | 0.0% | 77.6% | 0.0% | 0.0% | 35.8% | 35.8% | 35.8% | |
| Capital payments % of capital expenditure | 18(1)c;19 | 8 | 0.0% | 59.0% | 48.6% | 100.0% | 100.0% | 0.0% | 0.0% | 100.0% | 100.0% | 100.0% | |

| | | | | | | | | | | | | |
|---|-----------|----|------|---------|--------|-------|---------|----------|------|-------|-------|-------|
| Borrowing receipts % of capital expenditure (excl. transfers) | 18(1)c | 9 | 0.0% | 0.0% | 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 | | | | | | | | 0.0% | 0.0% | 0.0% |
| Current consumer debtors % change - incr(decr) | 18(1)a | 11 | N.A. | (49.0%) | 246.3% | 54.4% | (65.4%) | (100.0%) | 0.0% | 31.4% | 34.0% | 26.6% |
| 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 | 0.6% | 0.8% | 0.8% | 1.1% | 0.9% | 0.0% | 0.0% | 1.0% | 1.2% | 1.3% |
| Asset renewal % of capital budget | 20(1)(vi) | 14 | 0.0% | 39.1% | 42.9% | 7.3% | 35.6% | 0.0% | 0.0% | 1.2% | 0.0% | 0.0% |

2.7 Councilors and employee benefits

Table 28 MBRR SA22 - Summary of councilor and staff benefits

| Summary of Employee and Councilor remuneration | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | A | B | C | D | E | F | G | H | I |
| <u>Councillors (Political Office Bearers plus Other)</u> | 1 | | | | | | | | | |
| Basic Salaries and Wages | | – | 15 507 | 12 728 | 17 969 | 14 647 | – | 14 367 | 15 028 | 15 719 |
| Cellphone Allowance | | – | 2 555 | 2 261 | 2 220 | 2 674 | – | 2 076 | 2 171 | 2 271 |
| Other benefits and allowances | | – | 2 906 | 3 194 | 1 986 | 4 506 | – | 3 192 | 3 338 | 3 492 |
| Sub Total - Councillors | | – | 20 968 | 18 183 | 22 176 | 21 827 | – | 19 634 | 20 537 | 21 482 |
| % increase | 4 | | – | (13.3%) | 22.0% | (1.6%) | (100.0%) | – | 4.6% | 4.6% |
| <u>Senior Managers of the Municipality</u> | 2 | | | | | | | | | |
| Basic Salaries and Wages | | – | 6 427 | 4 730 | 6 248 | 8 308 | – | 9 306 | 9 734 | 10 182 |
| Pension and UIF Contributions | | – | 311 | 645 | – | 792 | – | 700 | 732 | 765 |
| Medical Aid Contributions | | – | 110 | 220 | – | 225 | – | 169 | 176 | 184 |
| Performance Bonus | | – | 225 | 71 | – | 514 | – | 600 | 628 | 657 |
| Motor Vehicle Allowance | 3 | – | 1 703 | 2 074 | – | 2 759 | – | 2 929 | 3 064 | 3 205 |
| Cellphone Allowance | 3 | – | 228 | 112 | 1 168 | 219 | – | 85 | 89 | 93 |
| Housing Allowances | 3 | – | 247 | 417 | – | 163 | – | 657 | 688 | 719 |
| Other benefits and allowances | 3 | – | 61 | (310) | – | 1 | – | 1 | 1 | 1 |
| Sub Total - Senior Managers of Municipality | | – | 9 311 | 7 959 | 7 417 | 12 981 | – | 14 447 | 15 111 | 15 806 |
| % increase | 4 | | – | (14.5%) | (6.8%) | 75.0% | (100.0%) | – | 4.6% | 4.6% |
| <u>Other Municipal Staff</u> | | | | | | | | | | |
| Basic Salaries and Wages | | – | 40 560 | 48 301 | 70 648 | 56 008 | – | 60 990 | 63 796 | 66 731 |
| Pension and UIF Contributions | | – | 5 924 | 6 278 | 10 723 | 7 491 | – | 7 998 | 8 366 | 8 751 |
| Medical Aid Contributions | | – | 4 694 | 4 726 | 5 801 | 5 313 | – | 4 619 | 4 832 | 5 054 |
| Overtime | | – | 1 704 | 1 822 | 2 440 | 2 357 | – | 1 553 | 1 624 | 1 699 |
| Performance Bonus | | – | 2 728 | 3 602 | 3 359 | 3 319 | – | 3 528 | 3 691 | 3 860 |
| Motor Vehicle Allowance | 3 | – | 7 291 | 7 270 | 10 867 | 8 831 | – | 8 465 | 8 854 | 9 262 |
| Cellphone Allowance | 3 | – | 712 | 592 | 803 | 653 | – | 478 | 500 | 523 |
| Housing Allowances | 3 | – | 2 346 | 2 515 | 3 320 | 2 900 | – | 2 330 | 2 437 | 2 549 |
| Other benefits and allowances | 3 | – | 312 | 60 | 53 | 35 | – | 112 | 117 | 123 |
| Payments in lieu of leave | | – | 4 066 | (1 914) | – | – | – | – | – | – |

| | | | | | | | | | | |
|--|-----|---|---------|--------|---------|---------|----------|---------|---------|---------|
| Long service awards | | - | 301 | 406 | 671 | 105 | - | 314 | 328 | 344 |
| Sub Total - Other Municipal Staff | | - | 70 637 | 73 657 | 108 684 | 87 012 | - | 90 388 | 94 546 | 98 895 |
| % increase | 4 | - | - | 4.3% | 47.6% | (19.9%) | (100.0%) | - | 4.6% | 4.6% |
| Total Parent Municipality | | - | 100 917 | 99 799 | 138 277 | 121 820 | - | 124 469 | 130 195 | 136 184 |
| | | | - | (1.1%) | 38.6% | (11.9%) | (100.0%) | - | 4.6% | 4.6% |
| TOTAL SALARY, ALLOWANCES & BENEFITS | | - | 100 917 | 99 799 | 138 277 | 121 820 | - | 124 469 | 130 195 | 136 184 |
| % increase | 4 | - | - | (1.1%) | 38.6% | (11.9%) | (100.0%) | - | 4.6% | 4.6% |
| TOTAL MANAGERS AND STAFF | 5,7 | - | 79 948 | 81 616 | 116 101 | 99 993 | - | 104 835 | 109 657 | 114 702 |

2.8 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.9 Legislation compliance status

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

1. In year reporting
Reporting to National Treasury in electronic format was not fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a stage and will be finalised after approval of the 2020/21 MTREF directly aligned and informed by the 2020/21 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training

The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.10 Other supporting documents

Table 29 MBRR Table SA1 - Supporting detail to budgeted financial performance

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | | |
| REVENUE ITEMS: | | | | | | | | | | | |
| Property rates | | | | | | | | | | | |
| Total Property Rates | 6 | 17 115 | 8 883 | 15 190 | 21 015 | 21 015 | 21 015 | | 19 044 | 19 920 | 20 837 |
| less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA) | | - | - | - | 4 414 | 4 394 | 4 394 | | 1 776 | 1 857 | 1 943 |
| Net Property Rates | | 17 115 | 8 883 | 15 190 | 16 601 | 16 621 | 16 621 | - | 17 268 | 18 063 | 18 894 |
| Net Service charges - sanitation revenue | | - | - | - | - | - | - | - | - | - | - |
| Service charges - refuse revenue | | | | | | | | | | | |
| Total refuse removal revenue | 6 | 1 278 | 1 360 | 1 436 | 1 449 | 1 743 | - | - | 1 748 | 1 828 | 1 912 |
| Net Service charges - refuse revenue | | 1 278 | 1 360 | 1 436 | 1 449 | 1 743 | - | - | 1 748 | 1 828 | 1 912 |
| Other Revenue by source | | | | | | | | | | | |
| Fuel Levy | | - | - | - | - | - | - | - | - | - | - |
| Other Revenue | | 1 691 | 1 401 | 1 736 | 114 | 151 | - | - | 150 | 157 | 164 |
| Total 'Other' Revenue | 1 | 1 691 | 1 401 | 1 736 | 114 | 151 | - | - | 150 | 157 | 164 |
| EXPENDITURE ITEMS: | | | | | | | | | | | |
| Employee related costs | | | | | | | | | | | |
| Basic Salaries and Wages | 2 | 78 876 | 81 097 | 76 187 | 76 897 | 64 331 | - | - | 70 391 | 73 629 | 77 016 |
| Pension and UIF Contributions | | - | - | - | 10 723 | 8 282 | - | - | 8 698 | 9 098 | 9 517 |
| Medical Aid Contributions | | - | - | - | 5 801 | 5 538 | - | - | 4 788 | 5 008 | 5 238 |
| Overtime | | - | - | - | - | - | - | - | - | - | - |
| Performance Bonus | | - | - | - | 3 359 | 3 833 | - | - | 4 128 | 4 318 | 4 517 |
| Motor Vehicle Allowance | | - | - | - | 10 867 | 11 590 | - | - | 11 394 | 11 918 | 12 466 |
| Cellphone Allowance | | - | - | - | 1 971 | 873 | - | - | 564 | 589 | 617 |
| Housing Allowances | | - | - | - | 3 320 | 3 063 | - | - | 2 987 | 3 124 | 3 268 |
| Other benefits and allowances | | - | - | - | 2 493 | 2 378 | - | - | 1 571 | 1 644 | 1 719 |
| Payments in lieu of leave | | - | - | - | - | - | - | - | - | - | - |
| Long service awards | | - | - | - | 671 | 105 | - | - | 314 | 328 | 344 |
| Post-retirement benefit obligations | 4 | - | - | - | - | - | - | - | - | - | - |
| sub-total | 5 | 78 876 | 81 097 | 76 187 | 116 101 | 99 993 | - | - | 104 835 | 109 657 | 114 702 |
| Less: Employees costs capitalised to PPE | | - | - | - | - | - | - | - | - | - | - |
| Total Employee related costs | 1 | 78 876 | 81 097 | 76 187 | 116 101 | 99 993 | - | - | 104 835 | 109 657 | 114 702 |
| Depreciation & asset impairment | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|---|----------------|----------------|----------------|----------------|---------------|----------|----------|---------------|---------------|----------------|
| Depreciation of Property, Plant & Equipment | | 114 388 | 102 271 | 93 608 | 115 763 | 94 467 | - | - | 92 095 | 96 332 | 100 763 |
| Lease amortisation | | - | - | - | - | - | - | - | - | - | - |
| Capital asset impairment | | - | - | - | - | - | - | - | - | - | - |
| Total Depreciation & asset impairment | 1 | 114 388 | 102 271 | 93 608 | 115 763 | 94 467 | - | - | 92 095 | 96 332 | 100 763 |
| Bulk purchases | | | | | | | | | | | |
| Electricity Bulk Purchases | | - | - | - | - | - | - | - | - | - | - |
| Water Bulk Purchases | | - | - | - | - | - | - | - | - | - | - |
| Total bulk purchases | 1 | - | - | - | - | - | - | - | - | - | - |
| Transfers and grants | | | | | | | | | | | |
| Cash transfers and grants | | - | 133 | 119 | 150 | 170 | - | - | 210 | 220 | 230 |
| Non-cash transfers and grants | | - | - | - | 2 133 | 2 843 | - | - | 1 226 | 1 282 | 1 341 |
| Total transfers and grants | 1 | - | 133 | 119 | 2 283 | 3 013 | - | - | 1 436 | 1 502 | 1 571 |
| Contracted services | | | | | | | | | | | |
| <i>Outsourced Services</i> | | 4 768 | 4 400 | 5 076 | 6 228 | 7 211 | - | - | 6 679 | 6 986 | 7 307 |
| <i>Consultants and Professional Services</i> | | - | - | - | 21 134 | 10 998 | - | - | 16 536 | 17 297 | 18 092 |
| <i>Contractors</i> | | - | - | - | 7 571 | 6 004 | - | - | 6 976 | 7 297 | 7 632 |
| Total contracted services | | 4 768 | 4 400 | 5 076 | 34 933 | 24 214 | - | - | 30 191 | 31 579 | 33 032 |
| Other Expenditure By Type | - | | | | | | | | | | |
| Collection costs | | - | - | - | - | - | - | - | - | - | - |
| Contributions to 'other' provisions | | - | - | - | - | - | - | - | - | - | - |
| Audit fees | | - | - | - | 4 895 | 4 233 | - | - | 4 233 | 4 428 | 4 632 |
| General expenses | | 82 434 | 87 120 | 114 375 | 39 514 | 46 708 | - | - | 52 343 | 54 751 | 57 270 |
| Total 'Other' Expenditure | 1 | 82 434 | 87 120 | 114 375 | 44 410 | 50 941 | - | - | 56 577 | 59 179 | 61 901 |
| Repairs and Maintenance by Expenditure Item | 8 | | | | | | | | | | |
| Employee related costs | | - | - | - | - | - | - | - | - | - | - |
| Other materials | | - | - | - | 1 140 | 40 | - | - | - | - | - |
| Contracted Services | | - | - | - | 200 | 172 | - | - | 2 701 | 2 825 | 2 955 |
| Other Expenditure | | 3 320 | 3 954 | 2 343 | 4 562 | 4 362 | - | - | 2 391 | 2 501 | 2 616 |
| Total Repairs and Maintenance Expenditure | 9 | 3 320 | 3 954 | 2 343 | 5 902 | 4 574 | - | - | 5 092 | 5 326 | 5 571 |

2.11 Municipal manager’s quality certificate

I, Thando Mase, Acting Municipal Manager of Mhlontlo Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Name: _____

Acting Municipal Manager of Mhlontlo Local Municipality (EC156)

Signature: _____

Date: _____

APPROVED TARIFF STRUCTURE

| | WITHOUT VAT | Old Tariff | Old Tariff | Proposed Tariff Vat Excluded | Proposed Tariff Vat Excluded | Proposed Tariff Vat Excluded |
|----------|--|-------------------|-------------------|---|---|---|
| 1 | REFUSE REMOVAL CHARGES | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
| 1.1 | <i>Government</i> | | | | | |
| (a) | Each property shall be charged a basic service charge per month. | R 241.52 | R 292.19 | R 305.34 | R 308.26 | R 322.13 |
| (b) | <i>Hospitals</i> | R 350.85 | R 424.45 | R 443.55 | R 447.79 | R 467.95 |
| 1.2 | <i>Domestic Removals</i> | | | | | |
| (a) | Every owner or occupier of premises from which refuse is removed twice weekly shall pay the Council a fee per month. | R 57.55 | R 69.63 | R 72.76 | R 73.46 | R 76.77 |
| 1.3 | <i>Commercial Removals</i> | | | | | |
| (a) | Each individual/separate business shall be charged a basic service charge per month. | R 358.30 | R 433.47 | R 452.98 | R 457.31 | R 477.89 |
| 1.4 | <i>Availability Charge</i> | | | | | |
| | A availability fee , is charged to any vacant commercial erven located in the town areas of Tsolo and Qumbu | R 143.32 | R 292.19 | R 305.34 | R 308.26 | R 322.13 |
| 2 | ASSESMENT RATES | | | | | |
| 7.1 | <i>Residential</i> | R 0.00742 | R 0.00781 | R 0.0081623 | R 0.00824 | R 0.00861 |
| | First R30 000 discount | | | | | |
| 7.2 | <i>Vacant Land</i> | R 0.00742 | R 0.00781 | R 0.0081623 | R 0.00824 | R 0.00861 |
| 7.3 | <i>Commercial</i> | R 0.01637 | R 0.01722 | R 0.0179962 | R 0.01817 | R 0.01899 |
| 7.4 | <i>Government</i> | | | | | |
| | Public service infrastructure | R 0.00186 | R 0.00195 | R 0.0020406 | R 0.00206 | R 0.00215 |

| | | | | | | |
|----------|--|------------|------------|-------------|------------|------------|
| | State owned properties | | R 0.01635 | R 0.0170904 | R 0.01724 | R 0.01801 |
| 7.5 | <i>Farms</i> Apply for R30 000 residential discount. | R 0.00186 | R 0.00195 | R 0.0020406 | R 0.00206 | R 0.00215 |
| 3 | POUND FEES | | | | | |
| | <u>Description of animal</u> | | | | | |
| | Donkeys, Horses, Cattle, per head per day | R 83.60 | R 87.95 | R 91.91 | R 92.79 | R 96.96 |
| | Pigs | R 358.30 | R 376.93 | R 393.90 | R 397.66 | R 415.56 |
| | Sheep and Goats, per head per day | R 59.72 | R 62.82 | R 65.65 | R 66.28 | R 69.26 |
| 4 | CEMETERY CHARGES | | | | | |
| | The following fees shall be payable to the Council in respect of burials and other services in the public cemetery. | | | | | |
| 3.2 | <i>Burial Fees</i> | | | | | |
| (a) | Adult - single | R 633.00 | R 665.92 | R 695.88 | R 702.54 | R 734.15 |
| | Adult - double | R 1 078.13 | R 1 134.19 | R 1 185.23 | R 1 196.57 | R 1 250.42 |
| (b) | Child | R 298.58 | R 314.11 | R 328.25 | R 331.39 | R 346.30 |
| | | R 0.00 | R 0.00 | R 0.00 | R 0.00 | 0 |
| 3.3 | <i>Miscellaneous Charges</i> | R 0.00 | R 0.00 | R 0.00 | R 0.00 | 0 |
| | | R 0.00 | R 0.00 | R 0.00 | R 0.00 | 0 |
| (a) | Exhumation of body | R 3 583.01 | R 3 769.33 | R 3 938.95 | R 3 976.64 | R 4 155.59 |
| | | R 0.00 | R 0.00 | R 0.00 | R 0.00 | R 0.00 |
| (b) | Widening or deepening of grave | R 298.58 | R 314.11 | R 328.25 | R 331.39 | R 346.30 |
| | | R 0.00 | R 0.00 | R 0.00 | R 0.00 | R 0.00 |
| (c) | Permit to erect a memorial | R 836.04 | R 879.51 | R 919.09 | R 927.88 | R 969.64 |
| 3.4 | Fees for non-residents of the municipal area shall be the prescribed fees in (6.1) and (6.2) above, plus 50% | R 0.00 | R 0.00 | R 0.00 | R 0.00 | 0 |
| 3.5 | After hours burial request as in (6.1) plus 100% At least 16 working hours' notice must be given of a burial | R 1 791.51 | R 1 884.67 | R 1 969.48 | R 1 988.32 | R 2 077.80 |

| 5 | PUBLIC HALLS TARIFF | | | | | |
|------|---|------------|------------|------------|------------|------------|
| 4.1 | <i>Community hall</i> | | | | | |
| (a) | Main hall and kitchen per 12-hour period per day. | | | | | |
| | Church Function | R 380.52 | R 400.31 | R 418.32 | R 422.32 | R 441.33 |
| | Wedding Function | R 1 902.58 | R 2 001.52 | R 2 091.59 | R 2 111.60 | R 2 206.62 |
| | Business Function | R 1 902.58 | R 2 001.52 | R 2 091.59 | R 2 111.60 | R 2 206.62 |
| 4.2 | Where the hall is hired there shall first be deposited with the Chief Financial Officer the following amounts which amounts shall be refunded when the premises is handed over in satisfactory condition. | R 1 194.34 | R 1 256.44 | R 1 312.98 | R 1 325.55 | R 1 385.20 |
| 6 | MISCELLANEOUS SERVICES | | | | | |
| | <i>Sundry Charges</i> | 0 | | R 0.00 | R 0.00 | 0 |
| 5.1 | Search Fees | 0 | | R 0.00 | R 0.00 | 0 |
| | | 0 | | R 0.00 | R 0.00 | 0 |
| (a) | Other than from the Minutes of proceedings of the Council, for any document or information required dated back: | R 35.52 | R 37.36 | R 39.04 | R 39.42 | R 41.19 |
| | | | | R 0.00 | | |
| 5.2 | Copy of valuation roll | | | R 0.00 | | |
| 5.3 | Copy of voters roll (per ward) | | | R 0.00 | | |
| 5.4 | Rates clearance certificates as laid down in Section 175(2) of Ordinance No. 25 of 1974 | R 36.14 | R 38.02 | R 39.73 | R 40.11 | R 41.92 |
| 5.11 | <i>Rezoning applications</i> | | | | | |
| | Fees payable shall not exceed the following maximum amounts: | | | | | |
| | Areas of land being rezoned | | | | | |
| (a) | Area of land to be rezoned 0-2500m2 | R 1 899.00 | R 1 997.75 | R 2 087.64 | R 2 107.62 | R 2 202.46 |
| 5.12 | Vehicle pound fees on all impounded vehicles per vehicle per day plus tow-in costs | | | | | |

| | | | | | | |
|----------|---|------------|------------|------------|------------|------------|
| | Impounded vehicles not released within 90 (ninety) days will be sold. | | | | | |
| 6 | BUSINESS LICENSES | | | | | |
| 6.1 | Food Vendors in caravans & carts or similar vessel | R 358.30 | R 376.93 | R 393.90 | R 397.66 | R 415.56 |
| 6.2 | General Dealers | R 1 194.34 | R 1 256.44 | R 1 312.98 | R 1 325.55 | R 1 385.20 |
| 6.3 | Supermarkets, Wholesalers & Butcheries | R 1 433.21 | R 1 507.73 | R 1 575.58 | R 1 590.66 | R 1 662.24 |
| 6.4 | Restaurants, B&B's, Hotels, Guest Houses, Lodges | R 1 194.34 | R 1 256.44 | R 1 312.98 | R 1 325.55 | R 1 385.20 |
| 6.5 | Spaza Shops | R 358.30 | R 376.93 | R 393.90 | R 397.66 | R 415.56 |
| 6.6 | Funeral Parlours | R 1 194.34 | R 1 256.44 | R 1 312.98 | R 1 325.55 | R 1 385.20 |
| 6.7 | Hawker License: Trucks & Bakkies | R 238.87 | R 251.29 | R 262.60 | R 265.11 | R 277.04 |
| 6.8 | Hawker License: Street Vendors | R 95.55 | R 100.52 | R 105.04 | R 106.04 | R 110.82 |
| 6.9 | Hawker License: (Special Application – Events) | R 119.43 | R 125.64 | R 131.30 | R 132.55 | R 138.52 |
| 6.1 | Clothing Shops | R 358.30 | R 376.93 | R 393.90 | R 397.66 | R 415.56 |
| 6.11 | Hardware | R 1 194.34 | R 1 256.44 | R 1 312.98 | R 1 325.55 | R 1 385.20 |
| 6.12 | Garages | R 1 194.34 | R 1 256.44 | R 1 312.98 | R 1 325.55 | R 1 385.20 |
| 6.13 | Livestock Sales | R 597.17 | R 628.22 | R 656.49 | R 662.77 | R 692.60 |
| 6.14 | Car wash | R 358.30 | R 376.93 | R 393.90 | R 397.66 | R 415.56 |
| 6.15 | Laundromat/Dry Cleaning | R 358.30 | R 376.93 | R 393.90 | R 397.66 | R 415.56 |
| 6.16 | Financial Institution | R 2 388.68 | R 2 512.89 | R 2 625.97 | R 2 651.10 | R 2 770.39 |
| 6.17 | Beauty Parlour: Hair Salons, Barber Shops etc | R 358.30 | R 376.93 | R 393.90 | R 397.66 | R 415.56 |
| 6.18 | Furniture Shops | R 1 194.34 | R 1 256.44 | R 1 312.98 | R 1 325.55 | R 1 385.20 |
| 6.19 | Legal Practice | R 597.17 | R 628.22 | R 656.49 | R 662.77 | R 692.60 |
| 6.2 | Surgeries | R 597.17 | R 628.22 | R 656.49 | R 662.77 | R 692.60 |
| 6.21 | Transport Industry | R 238.87 | R 251.29 | R 262.60 | R 265.11 | R 277.04 |
| 6.22 | Liquor: Bottle Stores, Taverns | R 1 194.34 | R 1 256.44 | R 1 312.98 | R 1 325.55 | R 1 385.20 |
| 6.23 | Book Shops | R 776.32 | R 816.69 | R 853.44 | R 861.61 | R 900.38 |
| 6.24 | Brokers: Insurance, Estate agents etc | R 597.17 | R 628.22 | R 656.49 | R 662.77 | R 692.60 |
| 8 | NATURE RESERVE | | | | | |
| 8.1 | Accommodation | | | | | |
| | 1 bed chalet per day | R 119.43 | R 125.64 | R 131.30 | R 132.55 | R 138.52 |
| | Camping fee | R 71.66 | R 75.39 | R 78.78 | R 79.53 | R 83.11 |
| | non-refundable application fee per board/sign (annually) | R 0.00 | R 0.00 | 0 | 0 | 0 |
| | + Approval fee per applicant | R 179.15 | R 188.47 | R 196.95 | R 198.83 | R 207.78 |
| 9.1 | Ground Signs | R 0.00 | R 0.00 | 0 | 0 | 0 |

| | | | | | | |
|-----|---|-------------------------------|-------------------------------|--------------------------|--------------------------|--------------------------|
| 9.2 | non-refundable application fee per board/sign (annually) + Approval fee per applicant Wall Sign - Flat non-refundable application fee per board/sign (annually) | R 0.00 R 358.30 R 59.72 | R 0.00 R 376.93 R 62.82 | 0 R 393.90 R 65.65 | 0 R 397.66 R 66.28 | 0 R 415.56 R 69.26 |
|-----|---|-------------------------------|-------------------------------|--------------------------|--------------------------|--------------------------|



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Imibuzo / Enquiries: *M. Stemela*
Date: 29 May 2020

Ifax/Fax: 047-5530452

EXTRACT RESOLUTION SPECIAL MEETING OF COUNCIL HELD ON 29 MAY 2020

Office of the Speaker

Notice: Is hereby given in terms of Section 29(1) of the Local Government; Municipal Structures Act, (Act 117 of 1998) in conjunction with section 19&20 of the Local Government Municipal Systems Act (32 of 2000 as amended) that, the Speaker hereby convenes a Special Council Meeting of Mhlontlo Municipality Council to be convened virtually on Friday the 29th May 2020, at 10H00 to discuss the Agenda underneath:

1. Adoption of IDP, and Annual Budget 2020/2021.

Resolution: No-03-2020/2021

1.1 Council Resolutions

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the Annual budget of Mhlontlo Municipality for the financial year 2020/21; and indicative allocations for the two projected outer years 2021/22 and 2022/23; and the multi-year and single year capital appropriations are approved as set-out in the following tables:
 - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:

- 2.1. Budgeted Financial Position;
 - 2.2. Budgeted Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.
3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for property rates and refuse removal as set out in annexure A, that were used to prepare the estimates of revenue by source, are approved with effect from 1 July 2020.
 4. That in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) the tariffs for other services, as set out in Annexure A, that were used in compiling the final budget, are approved with effect from 1 July 2020.
 5. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 are approved.
 6. That free basic services be provided to all registered indigent consumers **only** as follows:
 - The first 50 units of electricity free of charge
 - Refuse removal - full subsidy of single residential monthly levy and town cleaning levy
 - Property rates 100% subsidy
 - Alternative Energy 20 litres of paraffin
 -
 7. That interest be charged on all debtor's accounts outstanding for a period of more than 30 days at the interest rate of 5%.
 8. That in terms of the provisions of **Section 75A** of the Municipal Systems Act, 32 of 2000, the notice of the tariff amendments be displayed on notice boards at all municipal offices, libraries, and be advertised on municipal website.
 9. That in terms of the provisions of the Municipal Property Rates Act, (Act 6 of 2004) the remissions be granted to property owners in terms of the provisions of the municipal rates policy subject to the conditions contained in said policy
 10. That the amount due in respect of monthly Assessment rates and other service, basic and consumption charges, fees and penalties be due and payable on or before the following dates: 15 July 2020, 15 August 2020, 15 September 2020, 15 October 2020, 14 November 2020, 15 December 2020, 15 January 2021, 13 February 2021, 13 March 2021, 15 April 2021, 15 May 2021, 15 June 2021.
 11. That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the amendments to the rates policy as indicated are approved with effect 1 July 2020

- 12. That in terms of the municipal budget and reporting regulations, paragraph 7, the amendments to the budget policies, as indicated, are approved with effect 1 July 2020
- 13. That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the final IDP for 2020/21 – 2022/23 be approved.
- 14. That the final documents be available for inspection and comments at the following places: Qumbu Municipal office and Tsolo Municipal Office

Signature: 
Cllr. M.G. Jara
Council Speaker
Mhlontlo L.M



