

# KOUGA LOCAL MUNICIPALITY



**2020/21 – 2022/23**

**DRAFT**  
**ANNUAL BUDGET**

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## **PART 1 – ANNUAL BUDGET**

### **1.1 EXECUTIVE MAYOR'S REPORT**

It is my privilege to present to you the third review of Kouga's Integrated Development Plan for the cycle 2017 to 2022.

As announced in my State of the Municipality Address, the strategic focus areas of the municipality for 2020/2021 will be guided by six narratives. These narratives are:

- Keep Kouga Serviced
- Keep Kouga Clean
- Keep Kouga Green
- Keep Kouga Safe
- Keep Kouga Smart, and
- Keep Kouga Growing

Kouga Municipality has undergone a tremendous transformation since the inauguration of this Council in August 2016.

The municipality achieved its best-ever unqualified audit outcome for the 2018/2019 financial year. This included a clean bill of health for its finances and human resource management, with only performance management standing in the way of Kouga receiving its first clean audit. The IDP informs the municipality's Performance Management System (PMS). This review will, therefore, play a critical role in addressing the shortcomings identified by the Office of the Auditor-General in Kouga's PMS.

The Kouga Intergovernmental Relations Forum (IGR) has been meeting quarterly, strengthening cooperation between government stakeholders and improving the coordination of service delivery programmes. These stakeholders also form part of the IDP Representative Forum, allowing sector departments the opportunity to address service priorities raised by communities and which fall within their mandates.

Our plans to Keep Kouga Serviced in 2020/2021 include bringing new boreholes on line to achieve water security and installing container ablution facilities in areas where the bucket system is still in use. We will also be rolling out electricity to areas that never had access to power, including Stofwolk at Hankey, where Eskom has committed to powering up at least 300 households. Funding has further been allocated to start paving gravel roads in impoverished areas while Kouga's war on potholes and the resealing of tar roads will continue.

As part of our effort to keep Kouga clean, more wheelie bins are set to be distributed to households in 2020/2021. I would like to appreciate the role of our communities and business sector, for supporting our efforts. Keeping Kouga clean over the next two years needs to escalate from being action-driven to a new culture. In this endeavor, the municipality will initiate various education and awareness strategies, especially in our informal areas.

The Keep Kouga Green campaign was launched in February 2020, with the aim of raising awareness of climate change and how each one of us can help slow it down and minimise the impact on communities. Involving schools are key to the success of this programme. A Green School Competition and Ambassador Programme will, therefore, form part of the campaign and food gardens will be established at schools. Furthermore, opening the municipality for renewable energy projects will allow us to invest in a better Kouga for all of us.

The establishment of Community Safety Forums will be treated as a priority in 2020/2021 as we strive to Keep Kouga Safe. These forums will enable the municipality to dedicate funding and capacitate residents to work with law enforcement stakeholders to keep their communities safe. The catalyst to initiate the program will be the first Public Safety Summit in 2020/2021.

With the advent of the “Fourth Industrial Revolution”, we are also determined to Keep Kouga Smart and currently welcomes the roll-out of fibre optics within our borders. This furthermore opens the opportunity of harnessing a fifth utility to grow our revenue and do more for our communities. The aim is to enter into a public-private partnership, so that the municipality becomes part of the fibre revenue stream and our communities have easier access to the internet.

Our efforts to Keep Kouga Growing will be guided by two documents currently under review – the Local Economic Development Strategy and Spatial Development Framework. Our Good Governance strategy has also unlocked foreign direct investment to grow opportunities and creating jobs for all.

A precinct plan for the revival of the Jeffreys Bay Central Business District is also being compiled while we have secured the buy-in from Tourism role players to go big with our campaign to make Kouga the Events Capital of South Africa.

In closing, I would like to thank all councillors, officials, sector departments, stakeholder groups and residents who participated in the review of Kouga’s IDP. Input from all sectors is important for us to identify and implement projects which truly speak to the development needs of our communities.

Thank you for helping us drive Kouga’s transformation and for taking us another step closer to achieving our vision of “Good Governance through Service Excellence”.

CLR H HENDRICKS  
EXECUTIVE MAYOR

## 1.2 **COUNCIL RESOLUTIONS**

(a) The Executive Mayor recommends that the Council resolves that:

1. The annual budget of the Kouga Municipality for the financial year 2020/21 and the indicative allocations for the projected outer years 2021/22 and 2022/23; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 24 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, as set-out in the following tables:

- 1.1 Consolidated Budget Summary [Page 21];
- 1.2 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 23]
- 1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 25]
- 1.4 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 26]
- 1.5 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 29]

2. The budgeted financial position, budgeted cash flows, cash-backed reserves/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:

- 2.1 Budgeted Financial Position; [Page 31]
- 2.2 Budgeted Cash Flows; [Page 33]
- 2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 34]
- 2.4 Asset management; [Page 35]
- 2.5 Basic service delivery measurement. [Page 38]

3. The tariffs be increased as follows, with effect from 1 July 2020:

Property rates	6.5%
Water	8.1%
Sanitation	7%
Refuse	7%
Electricity (average increase in electricity income)	8.1%
Environmental Management Fee	0%

4. The indicative tariffs for 2021/22 and 2022/23 be increased as follows:

	<u>2021/22</u>	<u>2022/23</u>
Property rates	6.5%	6.5%
Water	8.1%	8.1%
Sanitation	8%	8%
Refuse	8%	8%
Electricity (average increase in electricity income)	5.2%	8.9%
Environmental Management Fee	0%	0%

### 1.3 **EXECUTIVE SUMMARY**

The key service delivery priorities, as reflected in the IDP, informed the development of the Budget, including the need to maintain and improve the Municipality's financial sustainability.

It is also to be noted, that cost containment measures are being implemented to curb costs and to improve operational efficiency.

National Treasury's MFMA Circulars No. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75, 78, 79, 85, 86, 88, 89, 91, 93, 94, 98 and 99 (refer to Annexures "A and B") was used to guide the compilation of the 2020/21 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2020/21 MTREF:

- Maintaining an acceptable employee related cost ratio.
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure.
- Maintaining electricity and water losses at acceptable levels.
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio.

The following budgeting principles and guidelines directly informed the compilation of the 2020/21 MTREF:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs.
- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- In accordance with Section 19 of the Municipal Finance Management Act, the relevant Directors must submit comprehensive reports in relation to new projects, inter alia; dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new projects.



In view of the aforementioned, the following table represents an overview of the proposed 2020/21 Medium-term Revenue and Expenditure Framework:

**Table 1 (Overview of the 2020/21 MTREF)**

Description	Current Year 2019/20	2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	Budget Year 2020/21	% Increase /(decrease)	Budget Year 2021/22	% Increase/ (decrease)	Budget Year 2022/23	% Increase/ (decrease)
<b>R thousands</b>							
Total Operating Revenue	846 322	919 196	8.61%	967 321	5.24%	1 041 753	7.69%
Total Operating Expenditure	925 477	968 946	4.70%	996 758	2.87%	1 054 675	5.81%
Surplus/(Deficit)	(79 155)	-49 750	-37.11%	-29 437	-40.83%	-12 922	-56.10%
Capital Expenditure	194 715	70 283	-63.90%	77 173	9.80%	78 179	1.30%

Total operating revenue has increased by 8.61% or R 72,874 million for the 2020/21 financial year, compared to the 2019/20 Adjustments Budget.

For the two outer years, operational revenue increases by 5.24% and 7.69% respectively, resulting in a total revenue growth of R 195,431 million over the MTREF, when compared to the 2019/20 financial year.

Total operating expenditure for the 2020/21 financial year amounts to R 968,946 million, resulting in a budgeted deficit of R 49,750 million. Compared to the 2019/20 Adjustments Budget, operational expenditure increased by 4.70% in the 2020/21 Budget.

For the two outer years, operational expenditure increases by 2.87% and 5.81% respectively. The 2021/22 and 2022/23 budgets reflect operating deficits of R 29,437 million and R 12,922 million respectively.

The major operating expenditure items for 2020/21 are employee related costs (34.13%), bulk electricity purchases (25.92%), other expenditure (11.16%) and depreciation (9.21%).

Funding for the 2020/21 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (52.96%), property rates (22.86%), grants and subsidies received from National and Provincial Governments (15.73%).

In order to fund the 2020/21 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2020:

Property rates	- 6.5%
Water	- 8.1%
Sanitation	- 7%
Refuse	- 7%
Electricity (average increase in income)	- 8.1%
Environmental Management Fee	- 0%

The capital budget of R 70,283 million for 2020/21 is R 124,431 million or 63.90% less than the 2019/20 Adjustments Budget. This is mainly due to the approved rollover of R 98,017 million for the Water Services Infrastructure Grant and rollover of R 17,432 million of internally funded projects, during the 2019/20 financial year.

The Capital Budget over the MTREF will be mainly funded from government grants and subsidies, as the municipality has reached its prudential borrowing limits, whilst limited internal funding is available.

#### **1.4 OPERATING REVENUE FRAMEWORK**

The continued provision and expansion of municipal services is largely dependent on the Municipality generating sufficient revenues. Efficient and effective revenue management is thus of vital importance in ensuring the ongoing financial sustainability of the Municipality. Furthermore, in accordance with the MFMA, expenditure has to be limited to the realistically anticipated revenues.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard.
- Tariff Policies.
- Property Rates Policy.
- Indigent Policy and provision of free basic services.
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account the maintenance and replacement of infrastructure, including the expansion of services.
- Determining fully cost reflective tariffs for trading services.
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality.
- Efficient revenue management, targeting a 96% annual collection rate for property rates and service charges.

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

**Table 2 (Summary of main revenue sources)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>R thousands</b>				
<b><u>Revenue By Source</u></b>				
Property rates	197 292	210 116	223 774	238 319
electricity revenue	274 470	296 702	312 131	339 911
water revenue	75 713	81 846	88 476	95 642
sanitation revenue	50 051	53 555	57 839	62 466
refuse revenue	52 072	54 690	57 891	61 349
Rental of facilities and equipment	4 037	4 083	4 270	4 467
Interest earned - external investments	15 375	13 013	13 612	14 238
Interest earned - outstanding debtors	10 892	11 655	12 471	13 343
Fines, penalties and forfeits	6 397	6 685	6 993	7 314
Licences and permits	19 822	20 714	21 667	22 663
Transfers and subsidies	133 112	144 597	157 310	170 790
Other revenue	7 088	21 540	10 887	11 250
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>846 322</b>	<b>919 196</b>	<b>967 321</b>	<b>1 041 753</b>

The following table illustrates the mix of main revenue sources, supporting the 2020/21 MTREF:

**Table 3 (Mix of main revenue sources)**

Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2020/21	%	Budget Year 2021/22	%	Budget Year 2022/23	%
<b>R thousands</b>								
<b>Revenue By Source</b>								
Property rates	197 292	23.31%	210 116	22.86%	223 774	23.13%	238 319	22.88%
electricity revenue	274 470	32.43%	296 702	32.28%	312 131	32.27%	339 911	32.63%
water revenue	75 713	8.95%	81 846	8.90%	88 476	9.15%	95 642	9.18%
sanitation revenue	50 051	5.91%	53 555	5.83%	57 839	5.98%	62 466	6.00%
refuse revenue	52 072	6.15%	54 690	5.95%	57 891	5.98%	61 349	5.89%
Rental of facilities and equipment	4 037	0.48%	4 083	0.44%	4 270	0.44%	4 467	0.43%
Interest earned - external investments	15 375	1.82%	13 013	1.42%	13 612	1.41%	14 238	1.37%
Interest earned - outstanding debtors	10 892	1.29%	11 655	1.27%	12 471	1.29%	13 343	1.28%
Fines, penalties and forfeits	6 397	0.76%	6 685	0.73%	6 993	0.72%	7 314	0.70%
Licences and permits	19 822	2.34%	20 714	2.25%	21 667	2.24%	22 663	2.18%
Transfers and subsidies	133 112	15.73%	144 597	15.73%	157 310	16.26%	170 790	16.39%
Other revenue	7 088	0.84%	21 540	2.34%	10 887	1.13%	11 250	1.08%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>846 322</b>	<b>100.00%</b>	<b>919 196</b>	<b>100.00%</b>	<b>967 321</b>	<b>100.00%</b>	<b>1 041 753</b>	<b>100.00%</b>
<b>Total Revenue from Property Rates and Service Charges</b>	<b>649 599</b>	<b>76.76%</b>	<b>696 909</b>	<b>75.82%</b>	<b>740 111</b>	<b>76.51%</b>	<b>797 687</b>	<b>76.57%</b>

In the 2019/20 financial year, rates and service charges amounted to R 649,599 million. This increases to R 696,909 million, R 740,111 million and R 797,687 million in the 2020/21, 2021/22 and 2022/23 financial years, respectively.

The major operating revenue sources for 2020/21 are electricity (32.28%), property rates (22.86%), operating grants & subsidies (15.73%), water (8.9%) and refuse (5.95%).

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

**Table 4 (Operating Transfers and Grant Receipts)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
R thousands				
<b>RECEIPTS:</b>				
<u>Operating Transfers and Grants</u>				
<b>National Government:</b>	129 297	140 782	153 495	166 975
Local Government Equitable Share	124 938	136 649	150 022	163 410
Expanded Public Works Programme	1 000	1 054		
Local Government Financial Management Grant	1 770	1 500	1 770	1 770
Municipal Infrastructure Grant	1 589	1 579	1 703	1 795
<b>Provincial Government:</b>	2 050	2 050	2 050	2 050
Sports and Recreation	2 050	2 050	2 050	2 050
<b>District Municipality:</b>	1 765	1 765	1 765	1 765
<i>Environment Health Subsidy</i>	1 765	1 765	1 765	1 765
<b>Total Operating Transfers and Grants</b>	<b>133 112</b>	<b>144 597</b>	<b>157 310</b>	<b>170 790</b>

The Municipality is faced with the significant challenge of providing services with its limited financial resources. Against this background, the Municipality has undertaken the tariff determination process relating to property rates and service charges as follows:

#### 1.4.1 Property Rates

Property rates fund the costs associated with the provision of general services, such as fire, library and roads and stormwater services.

The following provisions 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 rateable value (Section 17(h) of the MPRA).
- An additional R85 000 rebate will be granted to registered indigents in terms of the Indigent Policy.
- If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.

A property rates increase of 6.5% is proposed as from 1 July 2020.

The proposed property rates increase is mainly influenced by the following:

- Employee related costs increased by 6.25%.
- Providing for debt impairment.

### 1.4.2 Sale of Water and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89, 91, 93 and 94, Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- Fully cost reflective water tariffs – tariffs should include the costs associated with bulk water purchases, the maintenance and renewal of purification plants, water networks and water reticulation expansion.
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that water tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2020/21 MTREF.

A tariff increase of 8.1% is proposed as from 1 July 2020. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.25%.
- The cost of bulk water purchases increased by 8.1%.
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of water consumption are progressively charged at a higher rate.

### 1.4.3 Sale of Electricity and Impact of Tariff Increases

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

While the court case between NERSA and Eskom is still pending, National Treasury advised municipalities to use the tariff increases previously (March 2019) approved by the regulator of 8.1% for 2020/21.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 6.25%.
- The cost of bulk electricity purchases increased by 8.1%.
- Repairs and maintenance of electricity infrastructure.
- Costs of servicing existing external borrowing to fund electricity infrastructure.
- Providing for debt impairment.

The proposed electricity tariff increases still require approval by NERSA.

#### **1.4.4 Sanitation and Impact of Tariff Increases**

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89, 91, 93 and 94, Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion.
- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that sanitation tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2020/21 MTREF.

Sanitation charges are determined based on the volume of water consumed, which is appropriately reduced by the percentage of water discharged into the sewer system.

A tariff increase of 7% is proposed as from 1 July 2020. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.25%.
- Providing for debt impairment.

#### **1.4.5 Refuse Collection and Impact of Tariff Increases**

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective by 2015. The tariffs should take into account the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2020/21 MTREF.

A tariff increase of 7% is proposed for refuse collection, as from 1 July 2020.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.25%.
- Providing for debt impairment

#### **1.4.6 Environmental Management Fees and Impact of Tariff increases**

A tariff increase of 0% is proposed for the environmental management fee, as from 1 July 2020.

## 1.5 OPERATING EXPENDITURE FRAMEWORK

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

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA.
- A balanced budget approach by limiting operating expenditure to the operating revenue.

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

**Table 5 (Summary of operating expenditure by standard classification item)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>R thousands</b>				
<b>Expenditure By Type</b>				
Employee related costs	304 894	330 664	338 851	354 438
Remuneration of councillors	13 063	13 651	14 279	14 936
Debt impairment	26 420	28 343	30 103	32 441
Depreciation & asset impairment	85 101	89 271	93 556	98 046
Finance charges	2 201	1 388	716	–
Bulk purchases	271 623	290 444	306 450	333 133
Other materials	32 842	32 602	31 757	33 038
Contracted services	82 327	73 458	67 629	70 521
Transfers and subsidies	250	1 321	1 382	1 446
Other expenditure	106 757	107 805	112 036	116 676
<b>Total Expenditure</b>	<b>925 477</b>	<b>968 946</b>	<b>996 758</b>	<b>1 054 675</b>

The total operating expenditure increased by R 43,469 million (4.70%) from R 925,477 million in 2019/20 to R 968,946 million in 2020/21. Below is a discussion of the main expenditure components.

### **Employee related costs**

The 2020/21 budget provides for a general increase of 6.25%, in the line with the approved Salary and Wage Collective Agreement.

The total budget provision of R 330,664 million represents an increase of 8.45% over the 2019/20 budget. Employee related costs in the 2020/21 Budget, represent 34.13% of the total operating expenditure.



## **Remuneration of Councillors**

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). There is no proclamation in terms of Remuneration of Councillors yet, but a budget provision of 4.5% increase has been made in preparing the budget.

## **Debt Impairment**

The provision for debt impairment was determined based on a targeted annual collection rate of 96%. For the 2020/21 financial year this amounted to R 28,343 million and increases to R 32,441 million in 2022/23. While this expenditure represents a non-cash flow item, it is taken into account in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

## **Depreciation and Asset Impairment**

The provision for depreciation and asset impairment has been informed by the Municipality's Fixed Assets Register. The budget amounts to R 89,271 million for the 2020/21 financial and equates to 9.21% of the total operating expenditure.

## **Finance Charges**

Finance charges consist primarily of the repayment of interest on existing long-term borrowing (cost of capital). Finance charges constitute 0.14% (R 1,388 million) of total operating expenditure for 2020/21.

## **Bulk Electricity Purchases**

The bulk purchases of electricity increased by R 18,821 million (8.10%), from R 232,353 million in 2019/20 to R 251,173 million in 2020/21.

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

While the court case between NERSA and Eskom is still pending, National Treasury advised municipalities to use the tariff increases previously (March 2019) approved by the regulator of 8.1% for 2020/21.

## **Bulk Water Purchases**

The bulk purchases of water remain unchanged at R 39,270 million in 2020/21, compared to the 2019/20 Adjustments Budget. Bulk water purchases constitute 4.05% of total operating expenditure for 2020/21.

## **Other Materials**

Other materials relate to the inventory items, such as material and supplies, consumables, printing and stationery, fuel and oil etc., initially budgeted under general expenses, being transferred to other materials. This is in line with the mSCOA requirements. The budget for 2020/21 amounts to R 32,602 million and equates to 3.36% of the total operating expenditure (refer to Table A9 for full disclosure of repairs and maintenance).

### Contracted Services

In the 2020/21 financial year, the budget provision amounts to R 73,458 million and equates to 7.58% of the total operating expenditure.

### Transfers and subsidies

Transfers and subsidies relate to grant-in-aid given by the municipality to various non-profit organizations, in line with the Council approved grant-in-aid policy. In the 2020/21 financial year, the budget provision amounts to R 1,321 million and equates to 0.14% of the total operating expenditure.

### Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. In the 2020/21 financial year, the budget provision amounts to R 107,805 million and equates to 11.13% of the total operating expenditure.

The graph below reflects the expenditure components of the budgeted statement of financial performance.

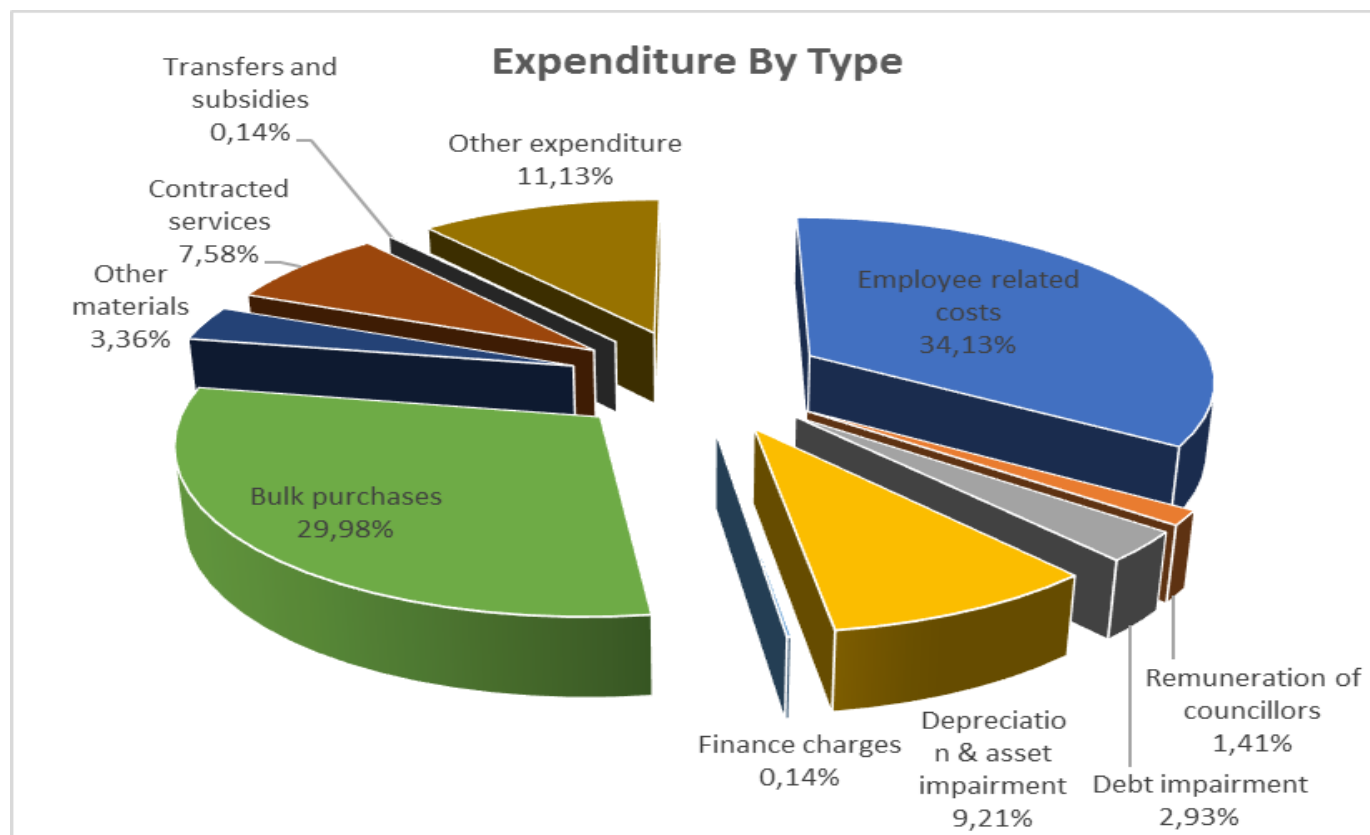


Figure 1 Main operational expenditure categories for the 2020/21 financial year

### 1.5.1 Priority relating to repairs and maintenance

The repairs and maintenance expenditure in the 2020/21 financial year, decreased by R 0,998 million or -1.74% compared to the 2019/20 Adjustments Budget.

It is to be noted that repairs and maintenance, constitutes 5.83%, 4.84% and 4.72% of the total operating expenditure, for the 2020/21, 2021/22 and 2022/23 financial years, respectively.

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

**Table 6 (Repairs and maintenance per asset class)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
R thousand				
<b>Repairs and Maintenance by Asset Class</b>	<b>57 460</b>	<b>56 462</b>	<b>48 282</b>	<b>49 799</b>
<i>Roads Infrastructure</i>	25 497	25 001	15 420	15 426
<i>Storm water Infrastructure</i>	748	949	993	1 038
<i>Electrical Infrastructure</i>	6 733	6 171	6 455	6 752
<i>Water Supply Infrastructure</i>	3 817	4 179	4 372	4 573
<i>Sanitation Infrastructure</i>	3 740	3 804	3 979	4 162
<i>Solid Waste Infrastructure</i>	200	209	219	229
<b>Infrastructure</b>	<b>40 735</b>	<b>40 314</b>	<b>31 437</b>	<b>32 179</b>
<i>Community Facilities</i>	1 559	1 566	1 638	1 714
<i>Sport and Recreation Facilities</i>	2 640	2 759	2 886	3 018
<b>Community Assets</b>	<b>4 199</b>	<b>4 325</b>	<b>4 524</b>	<b>4 732</b>
<i>Operational Buildings</i>	3 581	3 118	3 216	3 364
<b>Other Assets</b>	<b>3 581</b>	<b>3 118</b>	<b>3 216</b>	<b>3 364</b>
<i>Machinery and Equipment</i>	513	536	561	587
<i>Transport Assets</i>	8 432	8 168	8 544	8 937
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>57 460</b>	<b>56 462</b>	<b>48 282</b>	<b>49 799</b>

For the 2020/21 financial year an amount of R 40,314 million (71.40%) of total repairs and maintenance, will be spent on infrastructure assets.

### 1.5.1 Free Basic Services: Indigent Support

The indigent support assists indigent households that have limited financial ability to pay for municipal services. In order to qualify for free services, the households are required to register in terms of the Municipality's Indigent Policy, whilst the monthly household income may not exceed two state pensions. Detail relating to free services, cost of free basic services, as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the indigent support of the registered indigent households is largely financed by national government through the local government equitable share allocation, 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:

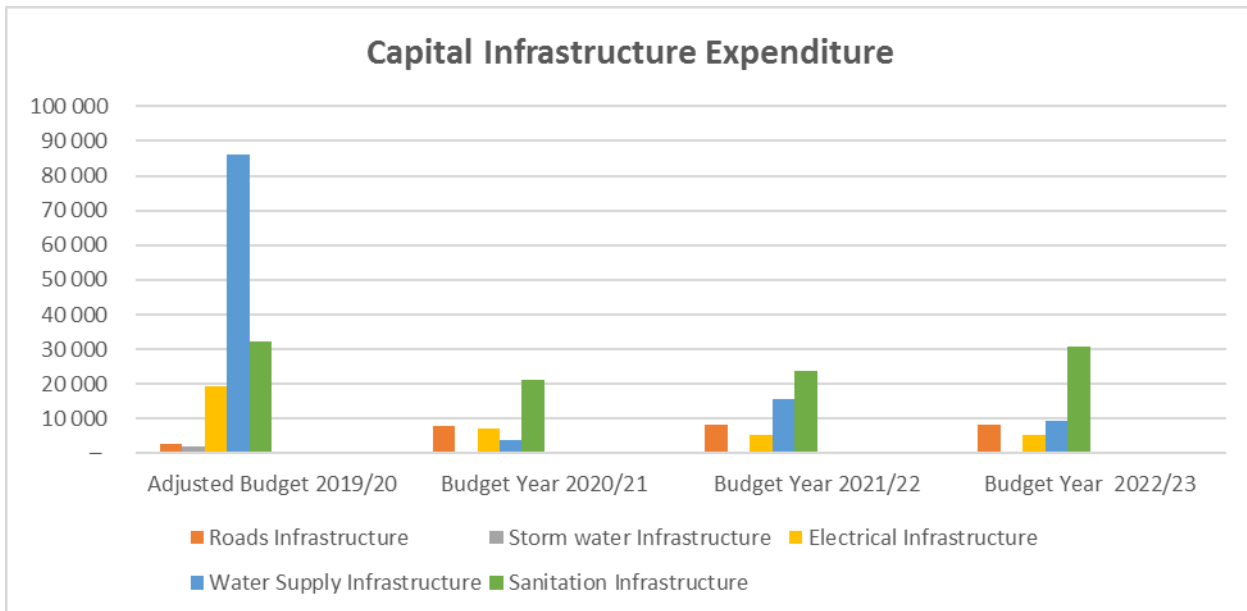
**Table 7 (2020/21 Medium-term capital budget per vote)**

Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2020/21	%	Budget Year 2021/22	%	Budget Year 2022/23	%
<b>R thousands</b>								
<b>Capital expenditure - Vote</b>								
Vote 1 - EXECUTIVE COUNCIL	2 229	1.14%	1 310	1.86%	850	1.10%	750	0.96%
Vote 2 - FINANCIAL SERVICES	7 291	3.74%	1 200	1.71%	600	0.78%	600	0.77%
Vote 3 - CORPORATE SERVICES	2 778	1.43%	1 355	1.93%	909	1.18%	419	0.54%
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	2 222	1.14%	1 528	2.17%	3 152	4.08%	3 273	4.19%
Vote 5 - INFRASTRUCTURE AND ENGINEERING	159 094	81.71%	52 238	74.32%	58 922	76.35%	59 993	76.74%
Vote 6 - COMMUNITY SERVICES	21 102	10.84%	12 652	18.00%	12 739	16.51%	13 145	16.81%
<b>Total Capital Expenditure - Vote</b>	<b>194 715</b>	<b>100.00%</b>	<b>70 283</b>	<b>100.00%</b>	<b>77 173</b>	<b>100.00%</b>	<b>78 179</b>	<b>100.00%</b>

Infrastructure and Engineering receives the highest allocation of R 52,238 million in 2020/21, which equates to 74.32%, followed by Community Services at R 12,652 million (18.00%), Planning, Development and Tourism at R 1,528 million (2.17%), Corporate Services at R 1,355 million (1.93%), Executive & Council at R 1,310 million (1.86%) and Financial Services at R 1,200 million (1.71%).

**Annexure “C”** provides a summary of the capital projects included in the Capital budget.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



**Figure 2 Capital Infrastructure Programme**

## 1.7 ANNUAL BUDGET TABLES

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2020/21 Budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.

**Table 8 (Table A1 - Budget Summary)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Financial Performance</b>				
Property rates	197 292	210 116	223 774	238 319
Service charges	452 307	486 793	516 337	559 368
Investment revenue	15 375	13 013	13 612	14 238
Transfers recognised - operational	133 112	144 597	157 310	170 790
Other own revenue	48 236	64 677	56 287	59 038
<b>Total Revenue (excluding capital transfers and contributions)</b>	846 322	919 196	967 321	1 041 753
Employee costs	304 894	330 664	338 851	354 438
Remuneration of councillors	13 063	13 651	14 279	14 936
Depreciation & asset impairment	85 101	89 271	93 556	98 046
Finance charges	2 201	1 388	716	–
Materials and bulk purchases	304 465	323 046	338 207	366 171
Transfers and grants	250	1 321	1 382	1 446
Other expenditure	215 504	209 606	209 768	219 638
<b>Total Expenditure</b>	925 477	968 946	996 758	1 054 675
<b>Surplus/(Deficit)</b>	(79 155)	(49 750)	(29 437)	(12 922)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	58 063	37 164	38 331	41 172
Contributions recognised - capital & contributed assets	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	(21 092)	(12 586)	8 893	28 250
Share of surplus/ (deficit) of associate	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	(21 092)	(12 586)	8 893	28 250
<b>Capital expenditure &amp; funds sources</b>				
<b>Capital expenditure</b>	194 715	70 283	77 173	78 179
Transfers recognised - capital	137 949	32 573	33 587	36 058
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	56 765	37 710	43 586	42 122
<b>Total sources of capital funds</b>	194 715	70 283	77 173	78 179

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b><u>Financial position</u></b>				
Total current assets	178 224	184 885	213 950	273 421
Total non current assets	2 371 220	2 242 619	2 245 223	2 241 739
Total current liabilities	188 504	200 649	209 861	216 059
Total non current liabilities	182 000	170 192	163 445	163 445
Community wealth/Equity	2 178 939	2 056 662	2 085 868	2 135 656
<b><u>Cash flows</u></b>				
Net cash from (used) operating	64 009	76 685	102 449	126 296
Net cash from (used) investing	(194 715)	(70 283)	(77 173)	(78 179)
Net cash from (used) financing	(9 067)	(9 608)	(6 747)	–
<b>Cash/cash equivalents at the year end</b>	74 455	71 249	89 779	137 895
<b><u>Cash backing/surplus reconciliation</u></b>				
Cash and investments available	74 508	71 249	89 779	137 895
Application of cash and investments	13 683	48 154	50 487	52 826
<b>Balance - surplus (shortfall)</b>	60 825	23 095	39 292	85 070
<b><u>Asset management</u></b>				
Asset register summary (WDV)	2 271 990	2 242 606	2 245 210	2 241 726
Depreciation	85 101	89 271	93 556	98 046
Renewal of Existing Assets	10 832	8 720	16 571	5 962
Repairs and Maintenance	57 460	56 462	48 282	49 799
<b><u>Free services</u></b>				
Cost of Free Basic Services provided	46 055	49 305	52 870	56 930
Revenue cost of free services provided	18 555	19 659	20 938	22 301
<b><u>Households below minimum service level</u></b>				
Water:	–	–	–	–
Sanitation/sewerage:	0	–	–	–
Energy:	–	–	–	–
Refuse:	28	–	–	–

### Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance, as well as the Municipality's commitment to eliminating basic service delivery backlogs.

**Table 9 (Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification))**

Functional Classification Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Revenue - Functional</b>				
<b><i>Governance and administration</i></b>	<b>345 158</b>	<b>337 399</b>	<b>351 423</b>	<b>376 659</b>
Executive and council	27	28	30	31
Finance and administration	345 130	337 371	351 393	376 628
Internal audit	–	–	–	–
<b><i>Community and public safety</i></b>	<b>14 354</b>	<b>14 605</b>	<b>15 011</b>	<b>15 435</b>
Community and social services	2 479	2 498	2 519	2 540
Sport and recreation	7 867	8 085	8 457	8 846
Public safety	1 984	1 985	1 986	1 987
Housing	–	–	–	–
Health	2 024	2 036	2 048	2 061
<b><i>Economic and environmental services</i></b>	<b>22 582</b>	<b>23 286</b>	<b>23 858</b>	<b>24 969</b>
Planning and development	6 667	7 173	7 555	7 915
Road transport	14 586	14 725	14 851	15 534
Environmental protection	1 329	1 389	1 453	1 519
<b><i>Trading services</i></b>	<b>522 291</b>	<b>581 070</b>	<b>615 359</b>	<b>665 861</b>
Energy sources	291 789	309 801	324 497	354 098
Water management	87 899	101 716	109 809	118 548
Waste water management	87 728	94 368	101 867	109 141
Waste management	54 875	75 184	79 185	84 073
<b><i>Other</i></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Revenue - Functional</b>	<b>904 385</b>	<b>956 360</b>	<b>1 005 651</b>	<b>1 082 924</b>
<b>Expenditure - Functional</b>				
<b><i>Governance and administration</i></b>	<b>220 472</b>	<b>223 940</b>	<b>237 851</b>	<b>243 665</b>
Executive and council	42 596	45 041	47 186	48 768
Finance and administration	177 856	178 878	190 644	194 874
Internal audit	20	21	22	23



Functional Classification Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b><i>Community and public safety</i></b>	<b>87 781</b>	<b>99 492</b>	<b>103 762</b>	<b>104 050</b>
Community and social services	10 929	11 454	11 786	11 919
Sport and recreation	45 356	54 490	57 009	56 886
Public safety	22 309	24 084	25 618	25 776
Housing	4 198	4 006	3 710	3 742
Health	4 989	5 457	5 639	5 727
<b><i>Economic and environmental services</i></b>	<b>132 903</b>	<b>138 346</b>	<b>130 761</b>	<b>141 964</b>
Planning and development	35 100	40 126	42 385	43 245
Road transport	95 832	96 166	86 227	96 472
Environmental protection	1 971	2 054	2 149	2 247
<b><i>Trading services</i></b>	<b>480 820</b>	<b>505 767</b>	<b>522 917</b>	<b>563 461</b>
Energy sources	285 673	307 053	323 051	349 158
Water management	78 344	83 448	90 374	94 032
Waste water management	56 874	53 341	55 978	57 534
Waste management	59 929	61 924	53 514	62 737
<b><i>Other</i></b>	<b>3 501</b>	<b>1 402</b>	<b>1 467</b>	<b>1 534</b>
<b>Total Expenditure - Functional</b>	<b>925 477</b>	<b>968 946</b>	<b>996 758</b>	<b>1 054 675</b>
<b>Surplus/(Deficit) for the year</b>	<b>(21 092)</b>	<b>(12 586)</b>	<b>8 893</b>	<b>28 250</b>

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

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities. It should be noted that the revenue by vote as reflected in this table, includes revenue attributable to capital grants.

**Table 10 (Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote))**

Vote Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year2022/23
<b>R thousand</b>				
<b>Revenue by Vote</b>				
Vote 1 - EXECUTIVE COUNCIL		–	–	–
Vote 2 - FINANCIAL SERVICES	339 273	331 250	344 991	369 931
Vote 3 - CORPORATE SERVICES	293	307	321	335
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	4 052	4 521	4 729	4 947
Vote 5 - INFRASTRUCTURE AND ENGINEERING	471 031	509 064	539 000	584 756
Vote 6 - COMMUNITY SERVICES	23 086	23 729	24 555	25 419
Vote 7 - COMMUNITY SERVICES (CONTINUED)	66 649	87 489	92 056	97 536
<b>Total Revenue by Vote</b>	<b>904 385</b>	<b>956 360</b>	<b>1 005 651</b>	<b>1 082 924</b>
<b>Expenditure by Vote to be appropriated</b>				
Vote 1 - EXECUTIVE COUNCIL	45 668	45 109	46 689	48 395
Vote 2 - FINANCIAL SERVICES	88 843	97 881	104 999	107 961
Vote 3 - CORPORATE SERVICES	55 943	49 554	52 268	53 166
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	23 299	24 480	25 353	25 755
Vote 5 - INFRASTRUCTURE AND ENGINEERING	531 663	554 924	571 871	613 953
Vote 6 - COMMUNITY SERVICES	55 008	66 717	70 680	71 248
Vote 7 - COMMUNITY SERVICES (CONTINUED)	125 052	130 282	124 898	134 196
<b>Total Expenditure by Vote</b>	<b>925 477</b>	<b>968 946</b>	<b>996 758</b>	<b>1 054 675</b>
<b>Surplus/(Deficit) for the year</b>	<b>(21 092)</b>	<b>(12 586)</b>	<b>8 893</b>	<b>28 250</b>

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

1. The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned. Operating revenue and expenditure are thus presented by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

**Table 11 (Table A4 - Budgeted Financial Performance (revenue and expenditure))**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>R thousands</b>				
<b><u>Revenue By Source</u></b>				
Property rates	197 292	210 116	223 774	238 319
electricity revenue	274 470	296 702	312 131	339 911
water revenue	75 713	81 846	88 476	95 642
sanitation revenue	50 051	53 555	57 839	62 466
refuse revenue	52 072	54 690	57 891	61 349
Rental of facilities and equipment	4 037	4 083	4 270	4 467
Interest earned - external investments	15 375	13 013	13 612	14 238
Interest earned - outstanding debtors	10 892	11 655	12 471	13 343
Fines, penalties and forfeits	6 397	6 685	6 993	7 314
Licences and permits	19 822	20 714	21 667	22 663
Transfers and subsidies	133 112	144 597	157 310	170 790
Other revenue	7 088	21 540	10 887	11 250
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>846 322</b>	<b>919 196</b>	<b>967 321</b>	<b>1 041 753</b>
<b><u>Expenditure By Type</u></b>				
Employee related costs	304 894	330 664	338 851	354 438
Remuneration of councillors	13 063	13 651	14 279	14 936
Debt impairment	26 420	28 343	30 103	32 441
Depreciation & asset impairment	85 101	89 271	93 556	98 046
Finance charges	2 201	1 388	716	–
Bulk purchases	271 623	290 444	306 450	333 133
Other materials	32 842	32 602	31 757	33 038
Contracted services	82 327	73 458	67 629	70 521
Transfers and subsidies	250	1 321	1 382	1 446
Other expenditure	106 757	107 805	112 036	116 676
<b>Total Expenditure</b>	<b>925 477</b>	<b>968 946</b>	<b>996 758</b>	<b>1 054 675</b>

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>R thousands</b>				
<b>Surplus/(Deficit)</b>	<b>(79 155)</b>	<b>(49 750)</b>	<b>(29 437)</b>	<b>(12 922)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	58 063	37 164	38 331	41 172
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	–	0	0	0
Transfers and subsidies - capital (in-kind - all)	–	–	–	–
<b>Surplus/(Deficit) before taxation</b>	<b>(21 092)</b>	<b>(12 586)</b>	<b>8 893</b>	<b>28 250</b>
Taxation	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>	<b>(21 092)</b>	<b>(12 586)</b>	<b>8 893</b>	<b>28 250</b>
Attributable to minorities	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(21 092)</b>	<b>(12 586)</b>	<b>8 893</b>	<b>28 250</b>
Share of surplus/ (deficit) of associate	–	–	–	–
<b>Surplus/ (Deficit) for the year</b>	<b>(21 092)</b>	<b>(12 586)</b>	<b>8 893</b>	<b>28 250</b>

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

#### Revenue

1. The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.
2. Total revenue amounts to R 919,196 million in 2020/21 and increases to R 1,041,753 billion in 2022/23. This represents a year-on-year increase of 8.61% for the 2020/21 financial year and increases of 5.24% for the 2021/22 financial year and 7.69% for the 2022/23 financial year, respectively.
3. Revenue from property rates amounts to R 210,116 million in the 2020/21 financial year and increases to R 238,319 million in 2022/23, which amounts to 22.86% of the total operating revenue base of the Municipality.
4. Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the biggest component of the total revenue base, amounting to R 486,793 million for the 2020/21 financial year and increasing to R 559,368 million in 2022/23. For the 2020/21 financial year services charges amount to 52.96% of the total revenue base.
5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 8.63% for 2020/21, 8.79% for 2021/22 and increased by 8.57% for 2022/23, compared to the 2019/20 Adjustments Budget.

Below a breakdown of property rates and service charges for 2020/21:

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework	
	Adjusted Budget	Budget Year 2020/21	%
<b>R thousands</b>			
<b><u>Revenue By Source</u></b>			
Property rates	197 292	210 116	6.5%
Service charges - electricity revenue	274 470	296 702	8.1%
Service charges - water revenue	75 713	81 846	8.1%
Service charges - sanitation revenue	50 051	53 555	7%
Service charges - refuse revenue	37 401	40 019	7%
Service charges - environmental management fee revenue	14 671	14 671	0%

**Table 12 (Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source)**

Vote Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Capital expenditure - Vote</b>				
<b><u>Multi-year expenditure to be appropriated</u></b>				
Vote 1 - EXECUTIVE COUNCIL		450	100	–
Vote 2 - FINANCIAL SERVICES		970	600	600
Vote 3 - CORPORATE SERVICES		850	700	200
Vote 4 - PLANNING, DEVELOPMENT & TOURISM		1 215	2 656	2 751
Vote 5 - INFRASTRUCTURE AND ENGINEERING		46 525	52 701	55 545
Vote 6 - COMMUNITY SERVICES		1 874	2 545	2 672
Vote 7 - COMMUNITY SERVICES (CONTINUED)		1 350	1 745	1 792
<b>Capital multi-year expenditure sub-total</b>		<b>53 234</b>	<b>61 046</b>	<b>63 560</b>
<b><u>Single-year expenditure to be appropriated</u></b>				
Vote 1 - EXECUTIVE COUNCIL	2 229	860	750	750
Vote 2 - FINANCIAL SERVICES	7 291	230	–	–
Vote 3 - CORPORATE SERVICES	2 778	505	209	219
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	2 222	313	497	521
Vote 5 - INFRASTRUCTURE AND ENGINEERING	159 094	5 713	6 222	4 447
Vote 6 - COMMUNITY SERVICES	8 152	5 119	5 276	5 442
Vote 7 - COMMUNITY SERVICES (CONTINUED)	12 950	4 310	3 173	3 239
<b>Capital single-year expenditure sub-total</b>	<b>194 715</b>	<b>17 050</b>	<b>16 127</b>	<b>14 619</b>
<b>Total Capital Expenditure - Vote</b>	<b>194 715</b>	<b>70 283</b>	<b>77 173</b>	<b>78 179</b>

Vote Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>R thousand</b>				
<b>Capital Expenditure - Functional</b>				
<b><i>Governance and administration</i></b>	<b>14 731</b>	<b>5 265</b>	<b>3 569</b>	<b>2 989</b>
Executive and council	2 243	1 400	1 060	971
Finance and administration	12 472	3 805	2 509	2 019
Internal audit	16	60	–	–
<b><i>Community and public safety</i></b>	<b>24 208</b>	<b>13 065</b>	<b>14 991</b>	<b>15 602</b>
Community and social services	876	900	1 733	1 819
Sport and recreation	15 720	6 823	7 627	8 006
Public safety	6 049	4 942	4 881	5 027
Housing	1 562	400	750	750
Health	–	–	–	–
<b><i>Economic and environmental services</i></b>	<b>5 425</b>	<b>8 969</b>	<b>10 463</b>	<b>10 468</b>
Planning and development	2 431	928	2 192	2 302
Road transport	2 994	8 041	8 270	8 166
Environmental protection	–	–	–	–
<b><i>Trading services</i></b>	<b>150 352</b>	<b>42 784</b>	<b>47 940</b>	<b>48 899</b>
Energy sources	19 455	8 672	6 278	5 243
Water management	98 424	3 880	16 500	9 450
Waste water management	25 473	27 733	23 652	32 686
Waste management	7 000	2 500	1 510	1 521
<b><i>Other</i></b>	<b>–</b>	<b>200</b>	<b>210</b>	<b>221</b>
<b>Total Capital Expenditure - Functional</b>	<b>194 715</b>	<b>70 283</b>	<b>77 173</b>	<b>78 179</b>
<b>Funded by:</b>				
National Government	134 284	30 608	31 622	34 093
Provincial Government	–	–	–	–
District Municipality	3 665	1 965	1 965	1 965
Other transfers and grants	–	–	–	–
<b>Transfers recognised - capital</b>	<b>137 949</b>	<b>32 573</b>	<b>33 587</b>	<b>36 058</b>
<b>Public contributions &amp; donations</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Borrowing</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Internally generated funds</b>	<b>56 765</b>	<b>37 710</b>	<b>43 586</b>	<b>42 122</b>
<b>Total Capital Funding</b>	<b>194 715</b>	<b>70 283</b>	<b>77 173</b>	<b>78 179</b>

### 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; 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. The capital programme is funded from national grants and internally generated funds. For 2020/21, capital transfers totals R 32,573 million (46.35%) and amounts to R 36,058 million for 2022/23 (46.12%). Internally generated funding amounts to R 37,710 million, R 43,586 million and R 42,122 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in Section 2.6 (Overview of Budget Funding).

Table 13 (Table A6 - Budgeted Financial Position)

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	5 051	7 125	8 978	13 790
Call investment deposits	69 457	64 124	80 801	124 106
Consumer debtors	60 578	67 556	74 960	82 978
Other debtors	33 885	36 827	39 959	43 296
Current portion of long-term receivables	3	3	3	3
Inventory	9 249	9 249	9 249	9 249
<b>Total current assets</b>	<b>178 224</b>	<b>184 885</b>	<b>213 950</b>	<b>273 421</b>
<b>Non current assets</b>				
Long-term receivables	13	13	13	13
Investments	–	–	–	–
Investment property	242 552	242 552	242 552	242 552
Investment in Associate	–	–	–	–
Property, plant and equipment	2 126 227	1 998 795	2 001 375	1 998 364
Agricultural	–	–	–	–
Biological	–	–	–	–
Intangible	2 428	1 259	1 284	810
Other non-current assets	–	–	–	–
<b>Total non current assets</b>	<b>2 371 220</b>	<b>2 242 619</b>	<b>2 245 223</b>	<b>2 241 739</b>
<b>TOTAL ASSETS</b>	<b>2 549 443</b>	<b>2 427 503</b>	<b>2 459 173</b>	<b>2 515 160</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Borrowing	9 067	9 608	6 747	–
Consumer deposits	17 378	17 378	17 378	17 378
Trade and other payables	132 411	144 015	156 087	169 032
Provisions	29 649	29 649	29 649	29 649
<b>Total current liabilities</b>	<b>188 504</b>	<b>200 649</b>	<b>209 861</b>	<b>216 059</b>
<b>Non current liabilities</b>				
Borrowing	18 556	6 747	–	–
Provisions	163 445	163 445	163 445	163 445
<b>Total non current liabilities</b>	<b>182 000</b>	<b>170 192</b>	<b>163 445</b>	<b>163 445</b>
<b>TOTAL LIABILITIES</b>	<b>370 505</b>	<b>370 841</b>	<b>373 306</b>	<b>379 504</b>
<b>NET ASSETS</b>	<b>2 178 939</b>	<b>2 056 662</b>	<b>2 085 868</b>	<b>2 135 656</b>
<b>COMMUNITY WEALTH/EQUITY</b>				
Accumulated Surplus/(Deficit)	2 178 939	2 056 662	2 085 868	2 135 656
Reserves	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>2 178 939</b>	<b>2 056 662</b>	<b>2 085 868</b>	<b>2 135 656</b>



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

1. The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.
2. Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. 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 directly informed by forecasting the statement of financial position

**Table 14 (Table A7 - Budgeted cash flow statement)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2020/21	Budget Year 2021/22	Budget Year2022/23
<b>R thousand</b>	<b>Adjusted Budget</b>			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Property rates	189 400	201 712	214 823	228 786
Service charges	434 214	467 322	495 684	536 993
Other revenue	37 344	53 022	43 817	45 694
Government - operating	133 112	144 597	157 310	170 790
Government - capital	58 063	37 164	38 331	41 172
Interest	25 832	24 202	25 583	27 048
Dividends	–	–	–	–
<b>Payments</b>				
Suppliers and employees	(811 506)	(848 624)	(871 001)	(922 741)
Finance charges	(2 201)	(1 388)	(716)	–
Transfers and Grants	(250)	(1 321)	(1 382)	(1 446)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>64 009</b>	<b>76 685</b>	<b>102 449</b>	<b>126 296</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
<b>Payments</b>				
Capital assets	(194 715)	(70 283)	(77 173)	(78 179)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(194 715)</b>	<b>(70 283)</b>	<b>(77 173)</b>	<b>(78 179)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
<b>Payments</b>				
Repayment of borrowing	(9 067)	(9 608)	(6 747)	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(9 067)</b>	<b>(9 608)</b>	<b>(6 747)</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(139 773)</b>	<b>(3 206)</b>	<b>18 529</b>	<b>48 117</b>
Cash/cash equivalents at the year begin:	214 228	74 455	71 249	89 779
Cash/cash equivalents at the year end:	74 455	71 249	89 779	137 895

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

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.
2. It reflects the expected cash in-flows versus cash outflows that are likely to result from the implementation of the budget.
3. The cash position of the Municipality increases over the 2020/21 to 2022/23 period, from R 71,249 million to R 137,895 million.
4. Cash and cash equivalents amount to R 71,249 million as at the end of the 2020/21 financial year and increases to R 137,895 million in 2022/23.

**Table 15 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Cash and investments available</b>				
Cash/cash equivalents at the year end	74 455	71 249	89 779	137 895
Other current investments > 90 days	53	–	–	–
Non current assets - Investments	–	–	–	–
<b>Cash and investments available:</b>	<b>74 508</b>	<b>71 249</b>	<b>89 779</b>	<b>137 895</b>
<b>Application of cash and investments</b>				
Unspent conditional transfers	–	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements	–	–	–	–
Other working capital requirements	42 927	45 038	47 227	49 416
Other provisions	2 982	3 116	3 260	3 410
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–
<b>Total Application of cash and investments:</b>	<b>45 910</b>	<b>48 154</b>	<b>50 487</b>	<b>52 826</b>
<b>Surplus(shortfall)</b>	<b>28 599</b>	<b>23 095</b>	<b>39 292</b>	<b>85 070</b>

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. The table assesses 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. 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 as required in accordance with section 18 of the MFMA.
4. It is to be noted that the budget moves from a funding surplus of R 23,095 million in 2020/21 to a funding surplus of R 85,070 million in 2022/23.

**Table 16 (Table A9 - Asset Management)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>CAPITAL EXPENDITURE</b>				
<b>Total New Assets</b>	<b>123 051</b>	<b>38 177</b>	<b>26 817</b>	<b>32 445</b>
Storm water Infrastructure	1 943	–	–	–
Electrical Infrastructure	15 916	7 322	5 278	5 243
Water Supply Infrastructure	47 591	–	–	–
Sanitation Infrastructure	29 332	11 180	8 000	13 650
Solid Waste Infrastructure	–	6 400	–	2 000
Coastal Infrastructure	–	350	368	386
Information and Communication Infrastructure	850	600	600	600
<b>Infrastructure</b>	<b>95 632</b>	<b>25 852</b>	<b>14 246</b>	<b>21 878</b>
Community Facilities	2 294	2 350	4 425	4 609
Sport and Recreation Facilities	96	300	315	331
<b>Community Assets</b>	<b>2 391</b>	<b>2 650</b>	<b>4 740</b>	<b>4 940</b>
Revenue Generating	126	179	187	197
Non-revenue Generating	1 562	–	750	750
<b>Investment properties</b>	<b>1 688</b>	<b>179</b>	<b>937</b>	<b>947</b>
Operational Buildings	172	1 000	1 700	1 000
<b>Other Assets</b>	<b>172</b>	<b>1 000</b>	<b>1 700</b>	<b>1 000</b>
Licences and Rights	1 908	665	540	566
<b>Intangible Assets</b>	<b>1 908</b>	<b>665</b>	<b>540</b>	<b>566</b>
Computer Equipment	3 413	898	566	69
Furniture and Office Equipment	2 293	1 160	741	673
Machinery and Equipment	7 562	5 100	3 060	2 071
<b>Transport Assets</b>	<b>7 993</b>	<b>674</b>	<b>287</b>	<b>302</b>
<b>Total Renewal of Existing Assets</b>	<b>10 832</b>	<b>8 720</b>	<b>16 571</b>	<b>5 962</b>
Roads Infrastructure	2 500	–	–	–
Water Supply Infrastructure	–	3 130	10 800	–
<b>Infrastructure</b>	<b>2 500</b>	<b>3 130</b>	<b>10 800</b>	<b>–</b>
Community Facilities	200	100	105	110
Sport and Recreation Facilities	1 963	1 200	1 260	1 323
<b>Community Assets</b>	<b>2 163</b>	<b>1 300</b>	<b>1 365</b>	<b>1 433</b>
Revenue Generating	6 169	4 290	4 406	4 528
<b>Investment properties</b>	<b>6 169</b>	<b>4 290</b>	<b>4 406</b>	<b>4 528</b>
<b>Total Upgrading of Existing Assets</b>	<b>60 832</b>	<b>23 386</b>	<b>33 784</b>	<b>39 772</b>
Roads Infrastructure	364	7 891	8 270	8 166
Electrical Infrastructure	3 478	–	–	–
Water Supply Infrastructure	38 452	600	5 000	9 450
Sanitation Infrastructure	2 893	10 003	15 652	17 036
Information and Communication Infrastructure	5 413	–	–	–
<b>Infrastructure</b>	<b>50 600</b>	<b>18 493</b>	<b>28 922</b>	<b>34 652</b>
Community Facilities	12	–	–	–
Sport and Recreation Facilities	6 715	4 313	4 642	4 888
<b>Community Assets</b>	<b>6 726</b>	<b>4 313</b>	<b>4 642</b>	<b>4 888</b>
Operational Buildings	155	580	221	232
<b>Other Assets</b>	<b>155</b>	<b>580</b>	<b>221</b>	<b>232</b>
Computer Equipment	3 350	–	–	–

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>R thousand</b>	<b>Adjusted Budget</b>			
<b>Total Capital Expenditure</b>		<b>70 283</b>	<b>77 173</b>	<b>78 179</b>
<i>Roads Infrastructure</i>	2 864	7 891	8 270	8 166
<i>Storm water Infrastructure</i>	1 943	–	–	–
<i>Electrical Infrastructure</i>	19 395	7 322	5 278	5 243
<i>Water Supply Infrastructure</i>	86 042	3 730	15 800	9 450
<i>Sanitation Infrastructure</i>	32 226	21 183	23 652	30 686
<i>Solid Waste Infrastructure</i>	–	6 400	–	2 000
<i>Coastal Infrastructure</i>	–	350	368	386
<i>Information and Communication Infrastructure</i>	6 263	600	600	600
<b>Infrastructure</b>	<b>148 732</b>	<b>47 475</b>	<b>53 968</b>	<b>56 531</b>
Community Facilities	2 506	2 450	4 530	4 719
Sport and Recreation Facilities	8 773	5 813	6 217	6 542
<b>Community Assets</b>	<b>11 280</b>	<b>8 263</b>	<b>10 747</b>	<b>11 261</b>
Revenue Generating	6 295	4 469	4 594	4 725
Non-revenue Generating	1 562	–	750	750
<b>Investment properties</b>	<b>7 857</b>	<b>4 469</b>	<b>5 344</b>	<b>5 475</b>
Operational Buildings	327	1 580	1 921	1 232
<b>Other Assets</b>	<b>327</b>	<b>1 580</b>	<b>1 921</b>	<b>1 232</b>
Licences and Rights	1 908	665	540	566
<b>Intangible Assets</b>	<b>1 908</b>	<b>665</b>	<b>540</b>	<b>566</b>
Computer Equipment	6 763	898	566	69
Furniture and Office Equipment	2 293	1 160	741	673
Machinery and Equipment	7 562	5 100	3 060	2 071
Transport Assets	7 993	674	287	302
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>194 715</b>	<b>70 283</b>	<b>77 173</b>	<b>78 179</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	2 271 990	2 242 606	2 245 210	2 241 726
<i>Roads Infrastructure</i>	630 390	626 105	624 270	622 347
<i>Storm water Infrastructure</i>	46 991	44 621	43 873	43 090
<i>Electrical Infrastructure</i>	180 014	167 777	166 160	164 733
<i>Water Supply Infrastructure</i>	343 028	260 674	273 426	265 991
<i>Sanitation Infrastructure</i>	441 541	430 198	432 668	439 702
<i>Solid Waste Infrastructure</i>	16 009	16 009	16 009	16 009
<i>Information and Communication Infrastructure</i>	3 350	–	–	–
<b>Infrastructure</b>	<b>1 661 324</b>	<b>1 545 384</b>	<b>1 556 407</b>	<b>1 551 873</b>
<b>Community Assets</b>	31 998	24 950	27 030	27 488
<b>Investment properties</b>	242 552	242 552	242 552	242 552
<b>Other Assets</b>	44 390	143 143	141 959	141 558
<b>Intangible Assets</b>	2 428	1 259	1 284	810
<b>Computer Equipment</b>	3 908	7 919	887	2 902
<b>Furniture and Office Equipment</b>	13 744	11 901	11 571	11 503
<b>Machinery and Equipment</b>	11 030	15 938	14 002	13 933
<b>Transport Assets</b>	19 111	9 789	8 997	8 587
<b>Land</b>	241 506	239 771	240 521	240 521
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>2 271 990</b>	<b>2 242 606</b>	<b>2 245 210</b>	<b>2 241 726</b>

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>EXPENDITURE OTHER ITEMS</b>				
<b>Depreciation</b>	85 101	89 271	93 556	98 046
<b>Repairs and Maintenance by Asset Class</b>	<b>57 460</b>	<b>56 462</b>	<b>48 282</b>	<b>49 799</b>
<i>Roads Infrastructure</i>	25 497	25 001	15 420	15 426
<i>Storm water Infrastructure</i>	748	949	993	1 038
<i>Electrical Infrastructure</i>	6 733	6 171	6 455	6 752
<i>Water Supply Infrastructure</i>	3 817	4 179	4 372	4 573
<i>Sanitation Infrastructure</i>	3 740	3 804	3 979	4 162
<i>Solid Waste Infrastructure</i>	200	209	219	229
<b>Infrastructure</b>	<b>40 735</b>	<b>40 314</b>	<b>31 437</b>	<b>32 179</b>
<i>Community Facilities</i>	1 559	1 566	1 638	1 714
<i>Sport and Recreation Facilities</i>	2 640	2 759	2 886	3 018
<b>Community Assets</b>	<b>4 199</b>	<b>4 325</b>	<b>4 524</b>	<b>4 732</b>
<i>Operational Buildings</i>	3 581	3 118	3 216	3 364
<b>Other Assets</b>	<b>3 581</b>	<b>3 118</b>	<b>3 216</b>	<b>3 364</b>
<b>Machinery and Equipment</b>	<b>513</b>	<b>536</b>	<b>561</b>	<b>587</b>
<b>Transport Assets</b>	<b>8 432</b>	<b>8 168</b>	<b>8 544</b>	<b>8 937</b>
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>142 560</b>	<b>145 732</b>	<b>141 838</b>	<b>147 845</b>
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	36.8%	45.7%	65.3%	58.5%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>	84.2%	36.0%	53.8%	46.6%
<i>R&amp;M as a % of PPE</i>	2.5%	2.8%	2.4%	2.5%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>	5.7%	4.0%	4.0%	4.0%

### Explanatory notes to Table A9 - Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation are also reflected.

It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

2. National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE. In this regard the expenditure relating to the renewal/rehabilitation of existing assets amounts to 45.7% of the capital budget, whilst repairs and maintenance constitute 2.8% of PPE.

**Table 17 (Table A10 - Basic Service Delivery Measurement)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year2022/23
<b><u>Household service targets</u></b>				
<b><u>Water:</u></b>				
Piped water inside dwelling	21 440	–	–	–
Piped water inside yard (but not in dwelling)	–	–	–	–
Using public tap (at least min.service level)	–	–	–	–
Other water supply (at least min.service level)	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	21 440	–	–	–
Using public tap (< min.service level)	–	–	–	–
Other water supply (< min.service level)	–	–	–	–
No water supply	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	–	–	–	–
<b>Total number of households</b>	<b>21 440</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b><u>Sanitation/sewerage:</u></b>				
Flush toilet (connected to sewerage)	18 406	–	–	–
Flush toilet (with septic tank)	–	–	–	–
Chemical toilet	–	–	–	–
Pit toilet (ventilated)	–	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	18 406	–	–	–
Bucket toilet	328	–	–	–
Other toilet provisions (< min.service level)	–	–	–	–
No toilet provisions	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	328	–	–	–
<b>Total number of households</b>	<b>18 734</b>	<b>–</b>	<b>–</b>	<b>–</b>

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year2022/23
<b><u>Energy:</u></b>				
Electricity (at least min.service level)	10 649	–	–	–
Electricity - prepaid (min.service level)	14 808	–	–	–
<i>Minimum Service Level and Above sub-total</i>	25 457	–	–	–
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	–	–	–	–
<b>Total number of households</b>	<b>25 457</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b><u>Refuse:</u></b>				
Removed at least once a week	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	–	–	–	–
Removed less frequently than once a week	27 948	–	–	–
Using communal refuse dump	–	–	–	–
Using own refuse dump	–	–	–	–
Other rubbish disposal	–	–	–	–
No rubbish disposal	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	27 948	–	–	–
<b>Total number of households</b>	<b>27 948</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b><u>Households receiving Free Basic Service</u></b>				
Water (6 kilolitres per household per month)	6 700	17 641 920	19 070 916	20 615 660
Sanitation (free minimum level service)	6 700	9 123 753	9 853 653	10 641 946
Electricity/other energy (50kwh per household per month)	6 700	5 570 276	5 859 931	6 381 465
Refuse (removed at least once a week)	6 700	16 968 661	18 085 130	19 290 917
<b><u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u></b>				
Water (6 kilolitres per <b>indigent</b> household per month)	16 320	17 642	19 071	20 616
Sanitation (free sanitation service to <b>indigent households</b> )	8 527	9 124	9 854	10 642
Electricity/other energy (50kwh per <b>indigent</b> household per month)	5 153	5 570	5 860	6 381
Refuse (removed once a week <b>for indigent households</b> )	16 056	16 969	18 085	19 291
<b><u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u></b>		–	–	–
<b>Total cost of FBS provided</b>	<b>46 055</b>	<b>49 305</b>	<b>52 870</b>	<b>56 930</b>



Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Highest level of free service provided per household</b>				
Property rates (R value threshold)	713	–	–	–
Water (kilolitres per household per month)	12	–	–	–
Sanitation (kilolitres per household per month)	12	–	–	–
Sanitation (Rand per household per month)	349	–	–	–
Electricity (kwh per household per month)	50	–	–	–
Refuse (average litres per week)		–	–	–
<b>Revenue cost of subsidised services provided (R'000)</b>	–			
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		–	–	–
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	18 555	19 659	20 938	22 301
Water (in excess of 6 kilolitres per indigent household per month)	–	–	–	–
Sanitation (in excess of free sanitation service to indigent households)	–	–	–	–
Electricity/other energy (in excess of 50 kwh per indigent household per month)	–	–	–	–
Refuse (in excess of one removal a week for indigent households)	–	–	–	–
Municipal Housing - rental rebates	–	–	–	–
Housing - top structure subsidies	–	–	–	–
Other	–	–	–	–
<b>Total revenue cost of subsidised services provided</b>	<b>18 555</b>	<b>19 659</b>	<b>20 938</b>	<b>22 301</b>

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

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

## PART 2 – SUPPORTING DOCUMENTATION

### 2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget process started in September 2019 after the approval of a timetable to guide the preparation of the 2020/21 to 2022/23 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business and labour, during April 2020. The main aim of the timetable is to ensure that an IDP and a balanced Budget are tabled in March 2020. The draft Budget and IDP will be tabled by the Executive Mayor at a Council meeting scheduled for 31 March 2020. After this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation process will take the form of a series of public meetings in the various wards under the direction and leadership of the Executive Mayor and his Mayoral Committee. The inputs of the aforementioned consultations will be taken into account, whilst the Executive Mayor will table the final IDP and Budget for consideration and approval at a Council meeting to be held on 31 May 2020.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

### 2.1.1 IDP & Budget Timetable 2020/21 to 2022/23

The preparation of the 2020/21 to 2022/23 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 30 July 2019.

Activity	Date
IDP/Budget Schedule approved by Council	30 July 2019
Tabling of draft IDP and Budget in Council	31 March 2020
Public Participation	During April and May 2020
Final adoption of IDP and Budget by Council	29 May 2020
Approval of SDBIP by Executive Mayor	26 June 2020

## 2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP, in accordance with the Municipal Systems Act, was guided and informed by the following principles:

- Achievement of the five strategic priorities of the municipality.
- Focusing on service delivery backlogs and the maintenance of infrastructure.
- Addressing community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2020/21 to 2022/23 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

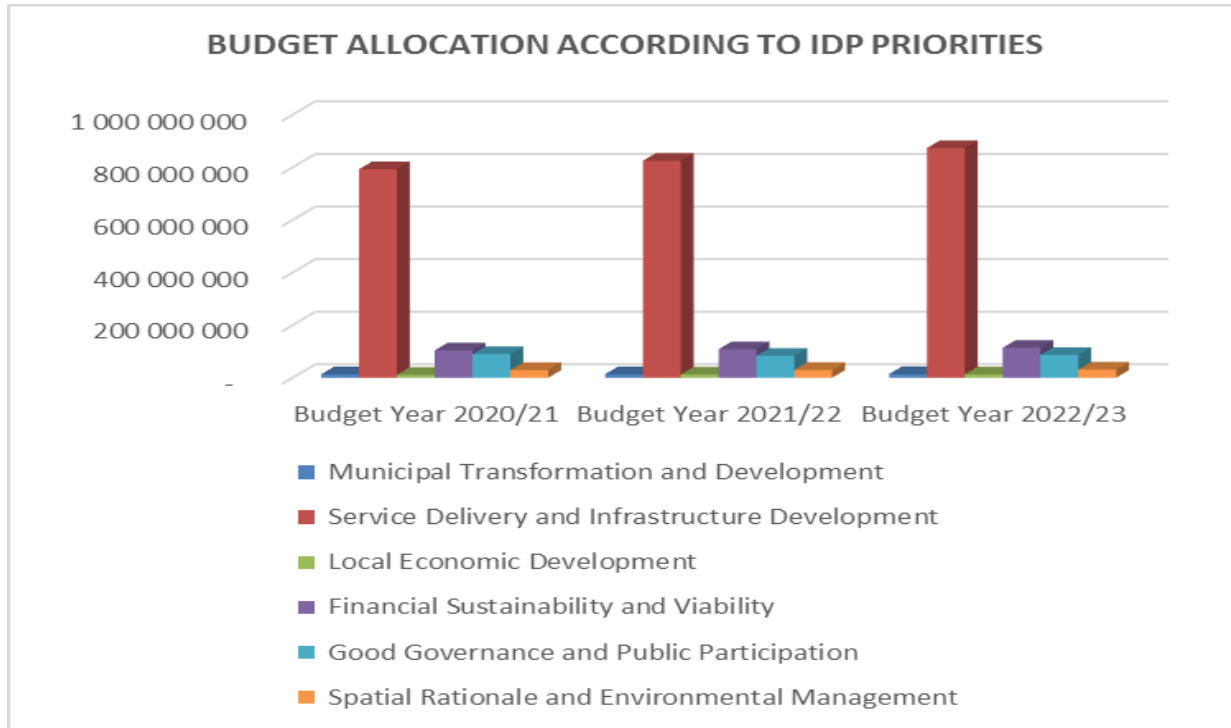
The budget consultation process will take the form of a series of meetings to be held throughout the municipal area with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

Below is a table, which illustrates the link between the Budget and the IDP.

### BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Spatial Rationale and Environmental Management	Total
<b>R thousand</b>							
<b>2020/21 Budget</b>							
Capital Expenditure	355	62 790	563	1 200	2 310	3 065	<b>70 283</b>
Operating Expenditure	12 684	736 331	10 149	103 681	79 690	26 410	<b>968 946</b>
<b>Total</b>	<b>13 039</b>	<b>799 121</b>	<b>10 712</b>	<b>104 881</b>	<b>82 000</b>	<b>29 475</b>	<b>1 039 229</b>
<b>2021/22 Budget</b>							
Capital Expenditure	–	70 901	1 641	600	1 759	2 271	<b>77 173</b>
Operating Expenditure	13 268	756 280	10 615	107 768	81 681	27 146	<b>996 758</b>
<b>Total</b>	<b>13 268</b>	<b>827 181</b>	<b>12 257</b>	<b>108 368</b>	<b>83 440</b>	<b>29 417</b>	<b>1 073 931</b>
<b>2022/23 Budget</b>							
Capital Expenditure	–	72 367	1 723	600	1 169	2 320	<b>78 179</b>
Operating Expenditure	13 878	802 873	11 101	113 024	85 404	28 394	<b>1 054 675</b>
<b>Total</b>	<b>13 878</b>	<b>875 241</b>	<b>12 824</b>	<b>113 624</b>	<b>86 573</b>	<b>30 714</b>	<b>1 132 854</b>

## BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES



**Figure 3 – 2020/21 Expenditure by IDP Priorities**

## 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b><u>Borrowing Management</u></b>				
Credit Rating				
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.1%	0.7%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.4%	0.9%	0.0%
<b><u>Liquidity</u></b>				
Current Ratio	Current assets/current liabilities	0.9	1.0	1.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.9	1.0	1.3
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	0.4	0.6
<b><u>Revenue Management</u></b>				
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	96.0%	96.0%	96.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		96.0%	96.0%	96.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	11.4%	11.9%	12.1%
Creditors to Cash and Investments		202.1%	173.9%	122.6%

Description of financial indicator	Basis of calculation	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Other Indicators</b>				
Employee costs	Employee costs/(Total Revenue - capital revenue)	36.0%	35.0%	34.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	37.4%	36.5%	35.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	6.1%	5.0%	4.8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	9.9%	9.7%	9.4%
<b>IDP regulation financial viability indicators</b>				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	24.0	29.9	32.2
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	14.9%	15.4%	15.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.1	1.3	1.9

## 2.3.1 Performance indicators and benchmarks

### 2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2020/21 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing amounts to 1.1% of total operating expenditure in the 2020/21 financial year and reduces to 0.7% in 2021/22.

### 2.3.1.2 Liquidity

- The *current ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2020/21 MTREF, the current ratio is 0.9 in the 2020/21, 1.0 in the 2021/22 and 1.3 in the 2022/23 financial years.
- The *liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. For the 2020/21 MTREF, the liquidity ratio is at 0.4:1. This represents a significant risk for the Municipality, as any under collection of revenue will result in financial challenges for the Municipality. As part of the medium-term financial planning objectives, this ratio must be maintained at a minimum of 1.

## 2.3.2 Basic social services package for indigent households

The Constitution stipulates that a municipality must structure and manage its administration, budgeting and planning so as to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, as a result of adverse social and economic conditions.

The initiatives carried out by the Municipality in this regard are detailed below.

Service	Social Package	Approximate Cost R	Current cost 2020/21	Est. No. of Households
Assessment Rates	All residential property owners are exempted from paying rates on the first R15 000 of their property values.			
	An additional R85 000 credit on property rates for indigent consumers.	410,551.17	62.67 pm	6 551
Water	The first 12kl of water per month provided free to indigent consumers	1,179,180	180 pm	6 551
Electricity	The first 50kwh of electricity provided free to indigent consumers	331,196.50	51.50 pm	6 431
Refuse removal	Full credit for the monthly charge.	1,198,833	183 pm	6 551
*Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 12kl per month)	1,482,556.81	226.31 pm	6 551
EMF	Full credit for the monthly charge.	262,040	40 pm	6 551
<b>Total Operating Costs</b>		<b>4,864,357.48</b>		

## 2.4 OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

### 2.4.1 Financial Management Policies

A number of policies have been adopted by the Council. The policies govern the financial management functions of the Municipality, such as supply chain management, budget virements, credit control and debt collection, etc.

### 2.4.2 Review of credit control and debt collection policies

The Customer Care, Credit Control and Debt Collection Policy was reviewed and approved by Council on 30 October 2019.

The 2020/21 MTREF has been prepared on the basis of achieving an average revenue collection rate of 96% of current billings.

### 2.4.3 Supply Chain Management Policy

A revised Supply Chain Management Policy was adopted by Council in April 2018.



#### **2.4.4 Property Rates Policy**

A revised Property Rates Policy was adopted by Council in February 2018.

#### **2.4.5 Funding and Reserves Policy**

The Funding and Reserves Policy was adopted by Council in May 2016.

#### **2.4.6 Cost Containment Policy**

The Cost Containment Policy was adopted by Council in May 2016.

#### **2.4.7 Cash Management and Investment Policy**

The Cash Management and Investment Policy was adopted by Council in May 2016.

#### **2.4.8 Borrowing Policy**

The Borrowing Policy was adopted by Council in May 2016.

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

- Indigent Policy.
- Budget virement Policy.

### **2.5 OVERVIEW OF BUDGET ASSUMPTIONS**

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.
- No growth in property rates income has been provided for, in view of the depressed property market.

The Municipality faced the following significant challenges in preparing the 2020/21 – 2022/23 Budget:

- Maintaining an acceptable employee related cost ratio.
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure.
- Maintaining electricity and water losses at acceptable levels.
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio.

The multi-year budget is therefore underpinned by the following assumptions:

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Income</b>	<b>%</b>	<b>%</b>	<b>%</b>
Tariff Increases for water	8.1	8.1	8.1
Tariff Increases for sanitation	7	8	8
Tariff Increases for refuse	7	8	8
Property rates increase	6.5	6.5	6.5
Electricity tariff increase (on average)	14.26	13.07	13.07
Environmental Management Fee increase	0	0	0
Revenue collection rates	96	96	96
<b>Expenditure increases allowed</b>	<b>4.5</b>	<b>4.6</b>	<b>4.6</b>
Salary increase	6.25	4.6	4.6
Increase in bulk purchase of electricity costs	8.1	5.2	8.9
Increase in bulk purchase of water costs	0	7.5	7.5

## 2.6 OVERVIEW OF BUDGET FUNDING

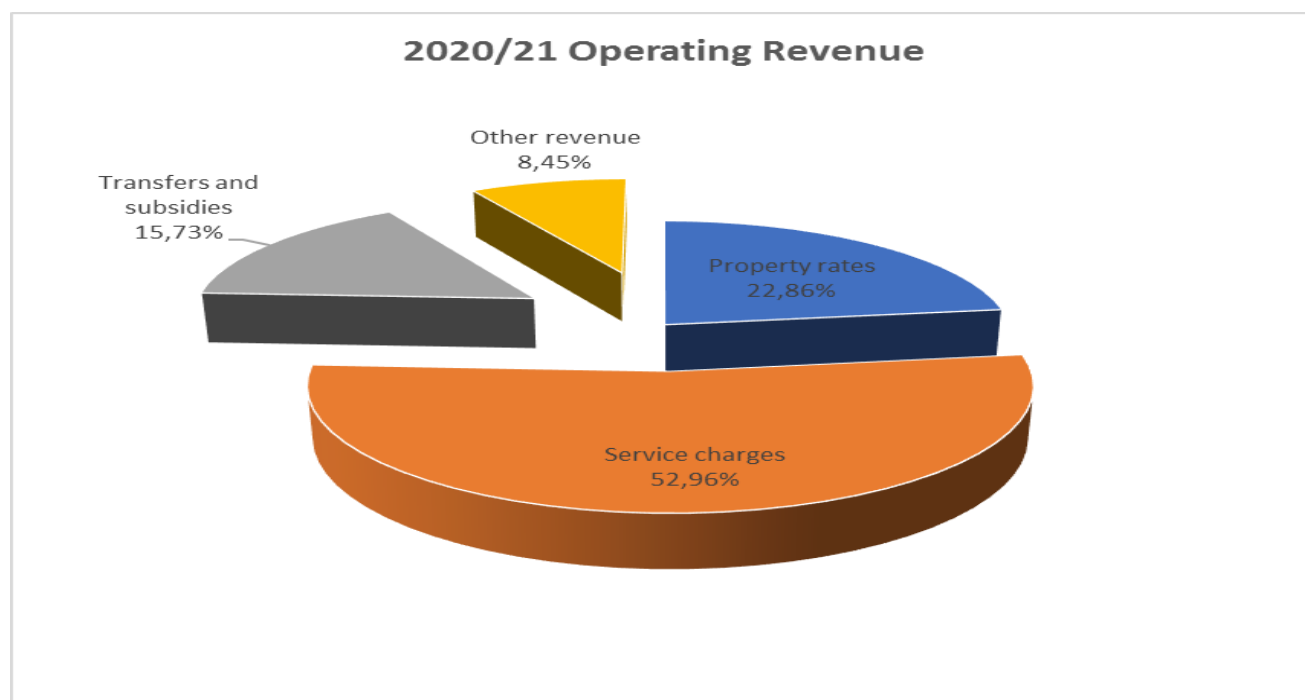
### 2.6.1 Medium-term outlook: operating revenue

The following table provides a breakdown of operating revenue over the medium-term:

**Table 18 (Breakdown of the operating revenue over the medium-term)**

The following graph is a breakdown of the operational revenue per main category for the 2020/21 financial year.

Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2020/21	%	Budget Year 2021/22	%	Budget Year 2022/23	%
R thousands								
<b>Revenue By Source</b>								
Property rates	197 292	23.31%	210 116	22.86%	223 774	23.13%	238 319	22.88%
Service charges	452 307	53.44%	486 793	52.96%	516 337	53.38%	559 368	53.69%
Transfers and subsidies	133 112	15.73%	144 597	15.73%	157 310	16.26%	170 790	16.39%
Other revenue	63 611	7.52%	77 690	8.45%	69 899	7.23%	73 276	7.03%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>846 322</b>	<b>100.00%</b>	<b>919 196</b>	<b>100.00%</b>	<b>967 321</b>	<b>100.00%</b>	<b>1 041 753</b>	<b>100.00%</b>



**Figure 4 Breakdown of operating revenue over the 2020/21 MTREF**

Tariff determination is important in ensuring appropriate levels of revenue, in order to achieve a credible and funded budget. Operating revenue is mainly derived from service charges, such as water, electricity, sanitation and refuse collection and disposal, property rates and operating grants.

The revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard.
- The Property Rates Policy.
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account maintenance and replacement of infrastructure, including the expansion of services.
- Determining fully cost reflective tariffs for trading services.
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality.
- Efficient revenue management, targeting a 96% annual collection rate for property rates and service charges.
- Growth in the revenue base.

The aforementioned principles guided the annual increases in property rates and tariffs, charged to the consumer.

Property rates amounts to R 210,116 million in the 2020/21 financial year and increases to R 238,319 million in 2022/23, representing 22.86% of the total operating revenue for the 2020/21 budget.

Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R 486,793 million in the 2020/21 financial year and increasing to R 559,368 million in 2022/23. For the 2020/21 financial year, services charges amount to 52.96% of the total revenue base.

Operational grants and subsidies amount to R 144,597 million, R 157,310 million and R 170,790 million for each of the respective financial years of the MTREF, or 15.73% of total operating revenue for 2020/21.

The table below provides investment particulars by type.

**Table 19 (SA15 – Detail Investment Information)**

Investment type	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>R thousand</b>				
<b>Parent municipality</b>				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	74 455	71 249	89 779	137 895
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Municipal Bonds				
	74 455	71 249	89 779	137 895
<b>Municipality sub-total</b>				
<b>Entities</b>				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank				
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
<b>Entities sub-total</b>	-	-	-	-
<b>Consolidated total:</b>	74 455	71 249	89 779	137 895

Investments are anticipated to increase from R 71,249 million in 2020/21 to R 137,895 million in 2022/23.

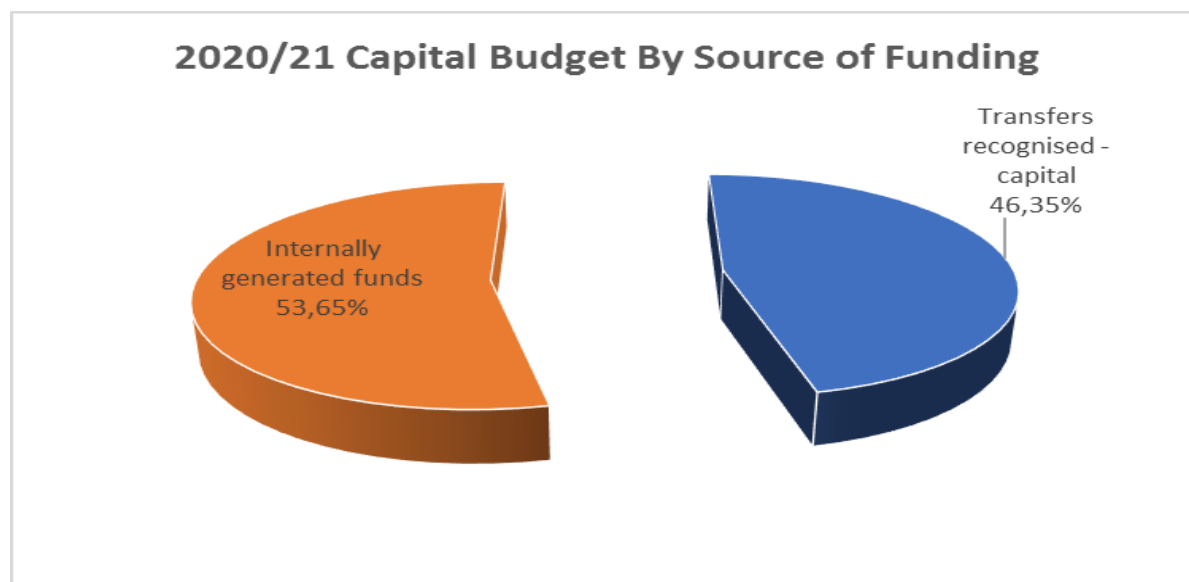
## 2.6.2 Medium-term outlook: capital revenue

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

**Table 20 (Sources of capital revenue over the MTREF)**

Vote Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Funded by:</b>				
National Government	134 284	30 608	31 622	34 093
Provincial Government				
District Municipality	3 665	1 965	1 965	1 965
Other transfers and grants				
<b>Transfers recognised - capital</b>	<b>137 949</b>	<b>32 573</b>	<b>33 587</b>	<b>36 058</b>
<b>Public contributions &amp; donations</b>				
<b>Borrowing</b>				
<b>Internally generated funds</b>	<b>56 765</b>	<b>37 710</b>	<b>43 586</b>	<b>42 122</b>
<b>Total Capital Funding</b>	<b>194 715</b>	<b>70 283</b>	<b>77 173</b>	<b>78 179</b>

The above table is graphically represented as follows for the 2020/21 financial year.



**Figure 5 Sources of Capital Revenue for the 2020/21 financial year**

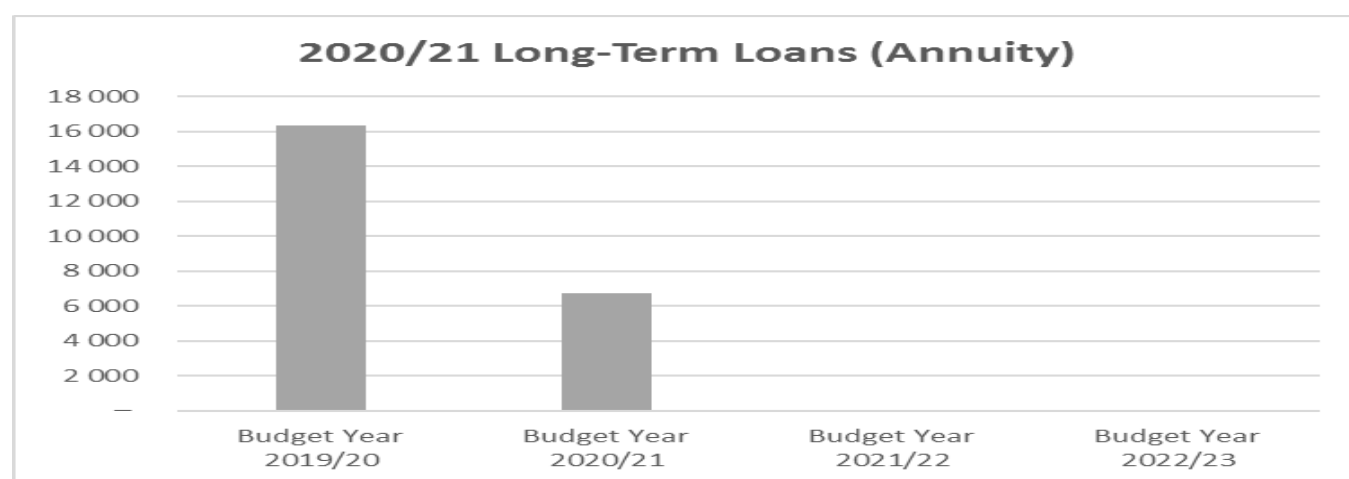
Capital Grants constitute 46.35% of the total funding sources, amounting to R 32,573 million for the 2020/21 financial year and amounting to R 36,058 million or 46.12% in the 2022/23 financial year. It is to be noted that no borrowing is planned for the 2020/21 MTREF, in view of financial affordability considerations.

The following table provides a detailed analysis of the Municipality's borrowings.

**Table 21 (Table SA 17 - Detail of borrowings)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
R thousands				
Parent municipality				
Annuity and Bullet Loans	16 354	6 747		
<b>Total Borrowing</b>	<b>16 354</b>	<b>6 747</b>	<b>-</b>	<b>-</b>

The following graph illustrates the outstanding borrowing for the 2020/21 to 2022/23 period:



**Figure 6 Growth in outstanding borrowing (long-term liabilities)**

The following table indicates the capital transfers and grant receipts:

**Table 22 (Table SA 18 - Transfers and grant receipts)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
R thousands				
<b>RECEIPTS:</b>				
<b>Operating Transfers and Grants</b>				
<b>National Government:</b>	129 297	140 782	153 495	166 975
Local Government Equitable Share	124 938	136 649	150 022	163 410
Expanded Public Works Programme	1 000	1 054		
Local Government Financial Management Grant	1 770	1 500	1 770	1 770
Municipal Infrastructure Grant	1 589	1 579	1 703	1 795
<b>Provincial Government:</b>	2 050	2 050	2 050	2 050
Sports and Recreation	2 050	2 050	2 050	2 050
<b>District Municipality:</b>	1 765	1 765	1 765	1 765
<i>Environment Health Subsidy</i>	1 765	1 765	1 765	1 765
<b>Total Operating Transfers and Grants</b>	133 112	144 597	157 310	170 790
<b>Capital Transfers and Grants</b>				
<b>National Government:</b>	56 098	35 199	36 366	39 206
Integrated National Electrification Programme (Municipal Grant)	10 002	5 200	4 000	5 109
Municipal Infrastructure Grant	36 096	29 999	32 366	34 097
Water Services Infrastructure Grant	10 000			
<b>District Municipality:</b>	1 965	1 965	1 965	1 965
Fire Services Subsidy	1 965	1 965	1 965	1 965
<b>Total Capital Transfers and Grants</b>	58 063	37 164	38 331	41 172
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	191 175	181 761	195 641	211 961



### **2.6.3 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining whether the budget is funded over the medium-term. The table includes some specific features:

- Clear separation of receipts and payments within each cash flow category.
- Clear separation of capital and operating receipts from government; and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

**Table 23 (Table A7 - Budgeted cash flow statement)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year2022/23
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Property rates	189 400	201 712	214 823	228 786
Service charges	434 214	467 322	495 684	536 993
Other revenue	37 344	53 022	43 817	45 694
Government - operating	133 112	144 597	157 310	170 790
Government - capital	58 063	37 164	38 331	41 172
Interest	25 832	24 202	25 583	27 048
Dividends	–	–	–	–
<b>Payments</b>				
Suppliers and employees	(811 506)	(848 624)	(871 001)	(922 741)
Finance charges	(2 201)	(1 388)	(716)	–
Transfers and Grants	(250)	(1 321)	(1 382)	(1 446)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>64 009</b>	<b>76 685</b>	<b>102 449</b>	<b>126 296</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
<b>Payments</b>				
Capital assets	(194 715)	(70 283)	(77 173)	(78 179)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(194 715)</b>	<b>(70 283)</b>	<b>(77 173)</b>	<b>(78 179)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
<b>Payments</b>				
Repayment of borrowing	(9 067)	(9 608)	(6 747)	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(9 067)</b>	<b>(9 608)</b>	<b>(6 747)</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(139 773)</b>	<b>(3 206)</b>	<b>18 529</b>	<b>48 117</b>
Cash/cash equivalents at the year begin:	214 228	74 455	71 249	89 779
Cash/cash equivalents at the year end:	74 455	71 249	89 779	137 895

For the 2020/21 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 71,249 million in 2020/21 million to R 137,895 million in 2022/23.

**Table 24 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Cash and investments available</b>				
Cash/cash equivalents at the year end	74 455	71 249	89 779	137 895
Other current investments > 90 days	53	–	–	–
Non current assets - Investments	–	–	–	–
<b>Cash and investments available:</b>	<b>74 508</b>	<b>71 249</b>	<b>89 779</b>	<b>137 895</b>
<b>Application of cash and investments</b>				
Unspent conditional transfers	–	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements	–	–	–	–
Other working capital requirements	42 927	45 038	47 227	49 416
Other provisions	2 982	3 116	3 260	3 410
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–
<b>Total Application of cash and investments:</b>	<b>45 910</b>	<b>48 154</b>	<b>50 487</b>	<b>52 826</b>
<b>Surplus(shortfall)</b>	<b>28 599</b>	<b>23 095</b>	<b>39 292</b>	<b>85 070</b>

The underlying purpose of Table A8 is to reflect the predicted cash and investments that are available at the end of a particular budget year and how these funds were used. A surplus would indicate that sufficient cash and investments were available to meet commitments, whilst a shortfall would indicate inadequate cash and investments were available to meet commitments.

The available cash and investments amount to R 71,249 million in the 2020/21 financial year and increases to R 137,895 million in 2022/23. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2020/21 MTREF.
- There is no unspent borrowing from previous financial years.
- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.
- Current provisions relating to environmental clean-ups and rehabilitation of landfill sites have been provided for.

It is concluded that the Municipality's cash backed, and accumulated surpluses reconciliation reflects surpluses of R 23,095 million, R 39,292 million and R 85,070 million for the 2020/21, 2021/22 and 2022/23 financial years, respectively.

It is to be noted that the 2020/21 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 1.1 months, 1.3 months and 1.9 months for the 2020/21, 2021/22 and 2022/23 financial years, respectively.

## 2.6.5 Funding Compliance Measurement

National Treasury requires the Municipality to assess its financial sustainability against the different measures outlined below.

Description	MFMA section	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Funding measures</b>				
Cash/cash equivalents at the year end - R'000	18(1)b	71 249	89 779	137 895
Cash + investments at the yr end less applications - R'000	18(1)b	23 095	39 292	85 070
Cash year end/monthly employee/supplier payments	18(1)b	1.1	1.3	1.9
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	(12 586)	8 893	28 250
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	1.3%	0.2%	1.8%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	96%	96%	96%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	4.1%	4.1%	4.1%
Capital payments % of capital expenditure	18(1)c;19	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	110.7%	110.7%	110.6%
Current consumer debtors % change - incr(decr)	18(1)a	10.6%	10.1%	9.9%
Long term receivables % change - incr(decr)	18(1)a	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	2.8%	2.4%	2.5%
Asset renewal % of capital budget	20(1)(vi)	12.4%	21.5%	7.6%

Below is a discussion of the different measures.

#### **2.6.5.1 Cash/cash equivalent position**

The forecasted cash and cash equivalents for the 2020/21 MTREF amounts to R 71,249 million, R 89,779 million and R 137,895 million for the respective financial years.

#### **2.6.5.2 Cash plus investments less application of funds**

For the 2020/21, 2021/22 and 2022/23 budgets, the available cash and investments exceed the application of funds by an amount of R 23,095 million, R 39,292 million and R 85,070 million respectively.

#### **2.6.5.3 Monthly average payments covered by cash or cash equivalents**

As part of the 2020/21 MTREF, the projected cash position causes the ratio to increase from 1.1 months to 1.9 months.

#### **2.6.5.4 Surplus/deficit excluding depreciation offsets**

For the 2020/21 MTREF the indicative outcome is a deficit of R 12,092 million, surplus of R 8,893 million and R 28,250 million respectively. This is made up as follows:

Description	Current Year 2019/20	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
R thousands				
Surplus/(Deficit)	(79 155)	(49 750)	(29 437)	(12 922)
Transfers and subsidies - capital	58 063	37 164	38 331	41 172
Total	(21 092)	(12 586)	8 893	28 250

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective, and therefore the first two measures in the table are critical.

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

This is calculated by deducting the maximum macro-economic inflation target (which is currently 4.5 %), so as to determine the real increase in revenue. The percentage growth totals 1.3%, 0.2% and 1.8% for the respective financial years of the 2020/21 MTREF.

#### **2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue**

The outcome is approximately 96.0% for each of the respective financial years of the 2020/21 MTREF.

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

The provision has been set at 4% over the MTREF, in line with the revenue collection trends.

**2.6.5.8 Capital payments percentage of capital expenditure**

The purpose of this measure is to determine whether the timing of payments has been taken into account in forecasting the cash position.

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

No borrowing has been planned for the 2020/21 MTREF.

**2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available**

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. All transfers are included in the budget.

**2.6.5.11 Repairs and maintenance expenditure level**

The expenditure constitutes 2.8%, 2.4% and 2.5% of Property, Plant and Equipment respectively, over the 2020/21 MTREF, whilst National Treasury has suggested an 8% level.

## 2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

### GRANTS RECEIVED

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>R thousands</b>				
<b>RECEIPTS:</b>				
<b><u>Operating Transfers and Grants</u></b>				
<b>National Government:</b>	<b>129 297</b>	<b>140 782</b>	<b>153 495</b>	<b>166 975</b>
Local Government Equitable Share	124 938	136 649	150 022	163 410
Expanded Public Works Programme	1 000	1 054		
Local Government Financial Management Grant	1 770	1 500	1 770	1 770
Municipal Infrastructure Grant	1 589	1 579	1 703	1 795
<b>Provincial Government:</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>
Sports and Recreation	2 050	2 050	2 050	2 050
<b>District Municipality:</b>	<b>1 765</b>	<b>1 765</b>	<b>1 765</b>	<b>1 765</b>
<i>Environment Health Subsidy</i>	1 765	1 765	1 765	1 765
<b>Total Operating Transfers and Grants</b>	<b>133 112</b>	<b>144 597</b>	<b>157 310</b>	<b>170 790</b>
<b><u>Capital Transfers and Grants</u></b>				
<b>National Government:</b>	<b>56 098</b>	<b>35 199</b>	<b>36 366</b>	<b>39 206</b>
Integrated National Electrification Programme (Municipal Grant)	10 002	5 200	4 000	5 109
Municipal Infrastructure Grant	36 096	29 999	32 366	34 097
Water Services Infrastructure Grant	10 000			
<b>District Municipality:</b>	<b>1 965</b>	<b>1 965</b>	<b>1 965</b>	<b>1 965</b>
Fire Services Subsidy	1 965	1 965	1 965	1 965
<b>Total Capital Transfers and Grants</b>	<b>58 063</b>	<b>37 164</b>	<b>38 331</b>	<b>41 172</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>191 175</b>	<b>181 761</b>	<b>195 641</b>	<b>211 961</b>

## GRANTS EXPENDITURE

## GRANTS RECONCILIATION

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
R thousands				
<b>EXPENDITURE:</b>				
<b><u>Operating expenditure of Transfers and Grants</u></b>				
<b>National Government:</b>	<b>129 297</b>	<b>140 782</b>	<b>153 495</b>	<b>166 975</b>
Local Government Equitable Share	124 938	136 649	150 022	163 410
Expanded Public Works Programme	1 000	1 054		
Local Government Financial Management Grant	1 770	1 500	1 770	1 770
Municipal Infrastructure Grant	1 589	1 579	1 703	1 795
<b>Provincial Government:</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>
Sports and Recreation	2 050	2 050	2 050	2 050
<b>District Municipality:</b>	<b>1 765</b>	<b>1 765</b>	<b>1 765</b>	<b>1 765</b>
<i>Environment Health Subsidy</i>	1 765	1 765	1 765	1 765
<b>Total operating expenditure of Transfers and Grants:</b>	<b>133 112</b>	<b>144 597</b>	<b>157 310</b>	<b>170 790</b>
<b><u>Capital expenditure of Transfers and Grants</u></b>				
<b>National Government:</b>	<b>56 098</b>	<b>35 199</b>	<b>36 366</b>	<b>39 206</b>
Integrated National Electrification Programme (Municipal Grant)	10 002	5 200	4 000	5 109
Municipal Infrastructure Grant	36 096	29 999	32 366	34 097
Water Services Infrastructure Grant	10 000			
<b>District Municipality:</b>	<b>1 965</b>	<b>1 965</b>	<b>1 965</b>	<b>1 965</b>
Fire Services Subsidy	1 965	1 965	1 965	1 965
<b>Total capital expenditure of Transfers and Grants</b>	<b>58 063</b>	<b>37 164</b>	<b>38 331</b>	<b>41 172</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>191 175</b>	<b>181 761</b>	<b>195 641</b>	<b>211 961</b>



## 2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The table below reflects the grants and allocations made by the Municipality. It includes grants-in-aid made in accordance with the Municipality's grants-in-aid policy and transfers to entities and other organisations to primarily support their operational expenditure.

### ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
R thousand				
<u>Cash Transfers to Entities/Other External Mechanisms</u>				
<i>Various Organisations</i>	250	1 321	1 382	1 446
<b>Total Cash Transfers To Entities/Ems'</b>	250	1 321	1 382	1 446
<b>TOTAL CASH TRANSFERS AND GRANTS</b>	250	1 321	1 382	1 446
<b>TOTAL TRANSFERS AND GRANTS</b>	250	1 321	1 382	1 446

## 2.9 COUNCILLORS AND EMPLOYEE BENEFITS

### DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2020/21	Budget Year2021/22	Budget Year 2022/23
<b><u>Councillors (Political Office Bearers plus Other)</u></b>				
Basic Salaries and Wages	8 403	8 781	9 185	9 607
Other benefits and allowances	4 660	4 870	5 094	5 328
<b>Sub Total - Councillors</b>	<b>13 063</b>	<b>13 651</b>	<b>14 279</b>	<b>14 936</b>
<b><u>Senior Managers of the Municipality</u></b>				
Basic Salaries and Wages	6 764	7 187	7 517	7 863
Other benefits and allowances	827	879	920	962
<b>Sub Total - Senior Managers of Municipality</b>	<b>7 591</b>	<b>8 066</b>	<b>8 437</b>	<b>8 825</b>
<b><u>Other Municipal Staff</u></b>				
Basic Salaries and Wages	193 421	208 080	210 000	225 259
Pension and UIF Contributions	29 339	31 286	33 362	33 362
Medical Aid Contributions	15 119	16 124	17 195	17 195
Overtime	27 259	25 000	25 000	25 000
Performance Bonus	–	–	–	–
Motor Vehicle Allowance	7 551	8 053	8 588	8 588
Cellphone Allowance	–	–	–	–
Housing Allowances	992	1 058	1 128	1 128
Other benefits and allowances	22 199	31 481	33 524	33 465
Payments in lieu of leave	18	19	20	20
Long service awards	1 403	1 496	1 595	1 595
Post-retirement benefit obligations	–	–	–	–
<b>Sub Total - Other Municipal Staff</b>	<b>297 302</b>	<b>322 598</b>	<b>330 414</b>	<b>345 613</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>304 894</b>	<b>330 664</b>	<b>338 851</b>	<b>354 438</b>
<b>TOTAL MANAGERS AND STAFF</b>	<b>304 894</b>	<b>330 664</b>	<b>338 851</b>	<b>354 438</b>

# DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Disclosure of Salaries, Allowances & Benefits			
Rand per annum	Salary	Allowances	Total Package
<b>Councillors</b>			
Speaker	538 887	233 104	771 990
Chief Whip	505 207	221 451	726 658
Executive Mayor	673 610	280 314	953 924
Deputy Executive Mayor			–
Executive Committee	2 526 036	1 107 395	3 633 432
Total for all other councillors	4 537 025	3 027 795	7 564 820
<b>Total Councillors</b>	<b>8 780 765</b>	<b>4 870 059</b>	<b>13 650 824</b>
<b>Senior Managers of the Municipality</b>			
Municipal Manager (MM)	1 460 539	119 436	1 579 975
Chief Finance Officer	1 180 926	116 640	1 297 566
Director Infrastructure and Engineering	1 180 926	116 640	1 297 566
Director Corporate Services	1 180 926	116 640	1 297 566
Director Community Services	1 091 676	204 872	1 296 548
Director Planning, Development and Tourism	1 091 676	204 872	1 296 548
<b>Total Senior Managers of the Municipality</b>	<b>7 186 670</b>	<b>879 101</b>	<b>8 065 771</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>15 967 435</b>	<b>5 749 160</b>	<b>21 716 594</b>

## 2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21
<b>Cash Receipts By Source</b>													
Property rates	11 190	44 170	28 025	18 965	13 885	13 802	13 361	12 121	12 121	11 311	10 933	11 828	201 712
Service charges - electricity revenue	15 801	62 371	39 573	26 781	19 607	19 490	18 867	17 116	17 116	15 972	15 439	16 703	284 834
Service charges - water revenue	4 359	17 205	10 916	7 388	5 409	5 376	5 204	4 721	4 721	4 406	4 259	4 608	78 572
Service charges - sanitation revenue	2 852	11 258	7 143	4 834	3 539	3 518	3 405	3 089	3 089	2 883	2 787	3 015	51 413
Service charges - refuse revenue	2 913	11 497	7 294	4 936	3 614	3 592	3 478	3 155	3 155	2 944	2 846	3 079	52 502
Service charges - other	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	226	894	567	384	281	279	270	245	245	229	221	239	4 083
Interest earned - external investments	722	2 850	1 808	1 224	896	890	862	782	782	730	705	763	13 013
Interest earned - outstanding debtors	621	2 450	1 554	1 052	770	766	741	672	672	627	606	656	11 189
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits	371	1 464	929	629	460	457	443	402	402	375	362	392	6 685
Licences and permits	1 149	4 536	2 878	1 948	1 426	1 417	1 372	1 245	1 245	1 161	1 123	1 215	20 714
Agency services	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer receipts - operational		48 199			48 199				48 199			–	144 597
Other revenue	1 195	4 717	2 993	2 025	1 483	1 474	1 427	1 294	1 294	1 208	1 168	1 263	21 540
<b>Cash Receipts by Source</b>	<b>41 399</b>	<b>211 610</b>	<b>103 681</b>	<b>70 165</b>	<b>99 568</b>	<b>51 062</b>	<b>49 430</b>	<b>44 842</b>	<b>93 041</b>	<b>41 845</b>	<b>40 450</b>	<b>43 761</b>	<b>890 853</b>
<b>Other Cash Flows by Source</b>													
Transfer receipts - capital		12 388			12 388				12 388			–	37 164
<b>Total Cash Receipts by Source</b>	<b>41 399</b>	<b>223 998</b>	<b>103 681</b>	<b>70 165</b>	<b>111 956</b>	<b>51 062</b>	<b>49 430</b>	<b>44 842</b>	<b>105 429</b>	<b>41 845</b>	<b>40 450</b>	<b>43 761</b>	<b>928 018</b>

MONTHLY CASH FLOWS	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21
<b>Cash Payments by Type</b>													
Employee related costs	26 472	26 472	26 472	26 472	39 472	26 472	26 472	26 472	26 472	26 472	26 472	26 472	330 664
Remuneration of councillors	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	13 651
Finance charges	77	304	193	130	96	95	92	83	83	78	75	81	1 388
Bulk purchases - Electricity	13 934	55 001	34 897	23 616	17 290	17 186	16 637	15 093	15 093	14 084	13 614	14 729	251 173
Bulk purchases - Water & Sewer	2 179	8 599	5 456	3 692	2 703	2 687	2 601	2 360	2 360	2 202	2 129	2 303	39 270
Other materials	1 809	7 139	4 530	3 065	2 244	2 231	2 159	1 959	1 959	1 828	1 767	1 912	32 602
Contracted services	4 075	16 086	10 206	6 907	5 057	5 026	4 866	4 414	4 414	4 119	3 982	4 308	73 458
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other	73	289	184	124	91	90	88	79	79	74	72	77	1 321
Other expenditure	5 981	23 606	14 978	10 136	7 421	7 377	7 141	6 478	6 478	6 045	5 843	6 322	107 805
<b>Cash Payments by Type</b>	<b>55 737</b>	<b>138 634</b>	<b>98 052</b>	<b>75 280</b>	<b>75 510</b>	<b>62 302</b>	<b>61 193</b>	<b>58 076</b>	<b>58 076</b>	<b>56 040</b>	<b>55 092</b>	<b>57 341</b>	<b>851 333</b>
<b>Other Cash Flows/Payments by Type</b>													
Capital assets	3 899	15 390	9 765	6 608	4 838	4 809	4 655	4 223	4 223	3 941	3 810	4 121	70 283
Repayment of borrowing	533	2 104	1 335	903	661	657	636	577	577	539	521	563	9 608
Other Cash Flows/Payments	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total Cash Payments by Type</b>	<b>60 169</b>	<b>156 128</b>	<b>109 151</b>	<b>82 792</b>	<b>81 010</b>	<b>67 769</b>	<b>66 485</b>	<b>62 877</b>	<b>62 877</b>	<b>60 519</b>	<b>59 422</b>	<b>62 026</b>	<b>931 224</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(18 770)</b>	<b>67 871</b>	<b>(5 471)</b>	<b>(12 627)</b>	<b>30 946</b>	<b>(16 706)</b>	<b>(17 055)</b>	<b>(18 034)</b>	<b>42 553</b>	<b>(18 674)</b>	<b>(18 972)</b>	<b>(18 265)</b>	<b>(3 206)</b>
Cash/cash equivalents at the month/year begin:	74 455	55 686	123 556	118 086	105 458	136 404	119 698	102 643	84 609	127 162	108 487	89 515	74 455
Cash/cash equivalents at the month/year end:	55 686	123 556	118 086	105 458	136 404	119 698	102 643	84 609	127 162	108 487	89 515	71 249	71 249

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework		
R thousand	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>Cash Receipts By Source</b>			
Property rates	201 712	214 823	228 786
Service charges - electricity revenue	284 834	299 646	326 314
Service charges - water revenue	78 572	84 937	91 816
Service charges - sanitation revenue	51 413	55 526	59 968
Service charges - refuse revenue	52 502	55 576	58 895
Service charges - other			
Rental of facilities and equipment	4 083	4 270	4 467
Interest earned - external investments	13 013	13 612	14 238
Interest earned - outstanding debtors	11 189	11 972	12 810
Dividends received			
Fines, penalties and forfeits	6 685	6 993	7 314
Licences and permits	20 714	21 667	22 663
Agency services			
Transfer receipts - operational	144 597	157 310	170 790
Other revenue	21 540	10 887	11 250
<b>Cash Receipts by Source</b>	<b>890 853</b>	<b>937 217</b>	<b>1 009 311</b>
<b>Other Cash Flows by Source</b>			
Transfer receipts - capital	37 164	38 331	41 172
<b>Total Cash Receipts by Source</b>	<b>928 018</b>	<b>975 548</b>	<b>1 050 483</b>

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework		
	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
R thousand			
<b>Cash Payments by Type</b>			
Employee related costs	330 664	338 851	354 438
Remuneration of councillors	13 651	14 279	14 936
Finance charges	1 388	716	–
Bulk purchases - Electricity	251 173	264 234	287 751
Bulk purchases - Water & Sewer	39 270	42 216	45 382
Other materials	32 602	31 757	33 038
Contracted services	73 458	67 629	70 521
Transfers and grants - other municipalities	–	–	–
Transfers and grants - other	1 321	1 382	1 446
Other expenditure	107 805	112 036	116 676
<b>Cash Payments by Type</b>	<b>851 333</b>	<b>873 099</b>	<b>924 187</b>
<b>Other Cash Flows/Payments by Type</b>			
Capital assets	70 283	77 173	78 179
Repayment of borrowing	9 608	6 747	–
Other Cash Flows/Payments	–	–	–
<b>Total Cash Payments by Type</b>	<b>931 224</b>	<b>957 019</b>	<b>1 002 366</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(3 206)</b>	<b>18 529</b>	<b>48 117</b>
Cash/cash equivalents at the month/year begin:	74 455	71 249	89 779
Cash/cash equivalents at the month/year end:	71 249	89 779	137 895

## **2.11 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS –DIRECTORATES**

In terms of section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) constitutes a detailed plan for implementing the Municipality's delivery of services and its annual budget, which must include the following:

- (a) Monthly projections of
  - Revenue to be collected, by source; and
  - Operational and capital expenditure, by vote.
- (b) Service delivery targets and performance indicators for each quarter.

In accordance with Section 53 of the MFMA, the Executive Mayor is required to approve the SDBIP within 28 days after the approval of the budget. Furthermore, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators, as set out in the SDBIP, are made public within 14 days after the approval of the SDBIP.

The SDBIP gives effect to the IDP and Budget of the Municipality. It includes the service delivery targets and performance indicators for each quarter, which forms the basis for the performance agreements of the Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the Directors, the Executive Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2020/21 financial year will be approved by the Executive Mayor during June 2020, following the approval of the Budget.

## **2.12 LEGISLATION COMPLIANCE STATUS**

The following reflects the status of implementation of some of the key MFMA areas:

### **IDP**

A revised 2020/21 IDP has been developed, which will be considered at a Council meeting to be held on 31 March 2020. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP. The final version of the revised 2020/21 IDP will be considered at a Council meeting scheduled for 29 May 2020.

### **Budget**

The draft annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

### **Annual Report**

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2018/19 Annual Report was tabled in January 2020.



### Oversight Report

The Municipal Public Accounts Committee has considered the 2018/19 Annual report. Its Oversight Report will be considered at a Council meeting scheduled for 31 March 2020.

### In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

### Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

### Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

### Audit Committee

An Audit Committee has been established and meets on a quarterly basis.

### Internal Audit Function

The Municipality's Internal Audit Function reports to the Municipal Manager and is operating in accordance with an audit plan.

In relation to the 2020/21 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Maintaining its unqualified audit status.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

### Internship Programme

The municipality has a total of five Interns on the Municipal Financial Management Internship programme, as approved by National Treasury.

### Municipal Standard Chart of Accounts (mSCOA)

In accordance with the Municipal Regulations relating to mSCOA, municipalities were required to be compliant with the mSCOA classification framework by 1 July 2017. It is to be noted that the Municipality has been transacting on the mSCOA compliant financial system since July 2017.

## **2.13 CAPITAL EXPENDITURE DETAILS**

A summary of the budgeted capital expenditure is reflected in **Annexure "C"**.

## **2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

### **Quality Certificate**

I, Mr. C Du Plessis, Municipal Manager of Kouga Municipality, hereby certify that the Draft 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 Draft Annual Budget and supporting documents are consistent with the Draft Integrated Development Plan of the Municipality.

Print Name : Charl Du Plessis

Municipal Manager of Kouga Municipality (EC108)

Signature :



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Date :

20/03/2020