

KOUGA LOCAL MUNICIPALITY



2019/20 – 2021/22

ANNUAL DRAFT BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

Local government is often said to be at the “coal face” of service delivery, an expression which underlines the impact municipalities have on the everyday lives of the communities we serve. Water, electricity, sanitation, roads and waste management are all core functions of local government and must be in place for communities to live quality lives.

The Integrated Development Plan (IDP) provides the framework for a municipality to fulfil its mandate and apply its budget.

It is a five-year document that is drawn up in partnership with communities and other spheres of government. Reviewed annually, it enables a municipality to do short, medium and long-term planning to meet communities' needs, with due consideration of those projects being implemented by district, provincial and national governments.

The challenges currently facing Kouga are prevalent across South Africa, but what sets our municipality apart is the proactive and innovative manner in which we have been dealing with these challenges.

Key challenges in basic service delivery include old and insufficient bulk infrastructure, the quest for water security for all our communities, the ongoing dependence of almost 4 000 households on the bucket system, the deteriorating condition of our road network, illegal electricity and the cleanliness of our towns.

The municipality has, over the past year, made visible progress in addressing each one of these challenges, but we need to step up our game even more if we are to deal with all backlogs decisively and achieve service excellence for all communities.

The economic growth of our region, coupled to job creation, will also remain a priority. Tourism, in particular, has the potential to be a game-changer and we are, therefore, in the process of positioning Kouga as the Events Capital of South Africa.

Through Tourism, we can create millions in revenue injection into our local community and provide impetus to our drive to create one job in every home in Kouga. Events, that will attract tens of thousands of patrons, will grow our local businesses and create employment and sustainable opportunities.

I trust that this IDP will stimulate the municipality's partnership with communities, the private sector and other spheres of government in order for us to achieve our goals.

Kouga has the potential to be the best. Together, we can go big and keep on going.

CLR H HENDRICKS
EXECUTIVE MAYOR

1.2 **COUNCIL RESOLUTIONS**

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

1. The annual draft budget of the Kouga Municipality for the financial year 2019/20 and the indicative allocations for the projected outer years 2020/21 and 2021/22; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 16 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 2019:

Property rates	7.5%
Water	7.5%
Sanitation	8%
Refuse	8%
Electricity (average increase in electricity income)	13.87%
Environmental Management Fee	5%

4. The indicative tariffs for 2019/20 and 2020/21 be increased as follows:

	<u>2020/21</u>	<u>2021/22</u>
Property rates	7.5%	7.5%
Water	7.5%	7.5%
Sanitation	8%	8%
Refuse	8%	8%
Electricity (average increase in electricity income)	13.87%	13.87%
Environmental Management Fee	5%	5%

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 and 94 (refer to Annexures "A" and "B") were used to guide the compilation of the 2019/20 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2019/20 MTREF:

- Maintaining an acceptable employee related costs 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 2019/20 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 2019/20 Medium-term Revenue and Expenditure Framework:

Table 1 (Overview of the 2019/20 MTREF)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	Budget Year 2019/20	% Increase	Budget Year 2020/21	% Increase	Budget Year 2021/22	% Increase
R thousands							
Total Operating Revenue	760 233	833 972	9.70%	914 242	9.63%	1 004 608	9.88%
Total Operating Expenditure	819 759	889 468	8.50%	967 786	8.81%	1 050 798	8.58%
Surplus/(Deficit)	(59 527)	(55 496)	-6.77%	(53 544)	-3.52%	(46 190)	-13.73%
Capital Expenditure	209 515	89 932	-57.08%	81 317	-9.58%	79 214	-2.59%

Total operating revenue has increased by 9.70% or R 73,739 million for the 2019/20 financial year, compared to the 2018/19 Adjustments Budget.

For the two outer years, operational revenue increases by 9.63% and 9.88% respectively, resulting in a total revenue growth of R 244,375 million over the MTREF, when compared to the 2018/19 financial year.

Total operating expenditure for the 2019/20 financial year amounts to R 889,468 million, resulting in a budgeted deficit of R 55,496 million. Compared to the 2018/19 Adjustments Budget, operational expenditure increased by 8.50% in the 2019/20 Budget.

For the two outer years, operational expenditure increases by 8.81% and 8.58% respectively. The 2020/21 and 2021/22 budgets reflect operating deficits of R 53,544 million and R 46,190 million respectively.

The major operating expenditure items for 2019/20 are employee related costs (32.71%), bulk electricity purchases (25.71%), other expenditure (10.82%) and depreciation (9.57%).

Funding for the 2019/20 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (54.75%), property rates (23.81%), grants and subsidies received from National and Provincial Governments (15.96%).

In order to fund the 2019/20 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2019:

Property rates	-	7.5%
Water	-	7.5%
Sanitation	-	8%
Refuse	-	8%
Electricity (average increase in income)	-	13.87%
Environmental Management Fee	-	5%

The capital budget of R 89,932 million for 2019/20 is R 119,583 million or -57.08% less than the 2018/19 Adjustments Budget. This is mainly due to the allocation to the Municipality of the Water Services Infrastructure Grant, during the 2018/19 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 94% annual collection rate for property rates and service charges.

The following table is a summary of the 2019/20 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Revenue By Source				
Property rates	184 711	198 564	213 456	229 466
Service charges - electricity revenue	245 041	278 881	317 394	361 227
Service charges - water revenue	70 795	76 105	81 813	87 949
Service charges - sanitation revenue	43 314	46 779	50 522	54 563
Service charges - refuse revenue	51 176	54 830	58 755	62 970
Rental of facilities and equipment	3 043	3 202	3 375	3 557
Interest earned - external investments	8 681	9 132	9 625	10 145
Interest earned - outstanding debtors	7 444	7 832	8 254	8 700
Fines, penalties and forfeits	4 230	4 450	4 690	4 943
Licences and permits	14 514	15 268	16 093	16 962
Transfers and subsidies	121 753	133 112	144 133	157 664
Other revenue	5 530	5 817	6 131	6 462
Total Revenue (excluding capital transfers and contributions)	760 233	833 972	914 242	1 004 608

The following table illustrates the mix of main revenue sources, supporting the 2019/20 MTREF:

Table 3 (Mix of main revenue sources)

Description	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2019/20	%	Budget Year 2020/21	%	Budget Year 2021/22	%
R thousands								
Revenue By Source								
Property rates	184 711	24.30%	198 564	23.81%	213 456	23.35%	229 466	22.84%
Service charges - electricity revenue	245 041	32.23%	278 881	33.44%	317 394	34.72%	361 227	35.96%
Service charges - water revenue	70 795	9.31%	76 105	9.13%	81 813	8.95%	87 949	8.75%
Service charges - sanitation revenue	43 314	5.70%	46 779	5.61%	50 522	5.53%	54 563	5.43%
Service charges - refuse revenue	51 176	6.73%	54 830	6.57%	58 755	6.43%	62 970	6.27%
Rental of facilities and equipment	3 043	0.40%	3 202	0.38%	3 375	0.37%	3 557	0.35%
Interest earned - external investments	8 681	1.14%	9 132	1.09%	9 625	1.05%	10 145	1.01%
Interest earned - outstanding debtors	7 444	0.98%	7 832	0.94%	8 254	0.90%	8 700	0.87%
Fines, penalties and forfeits	4 230	0.56%	4 450	0.53%	4 690	0.51%	4 943	0.49%
Licences and permits	14 514	1.91%	15 268	1.83%	16 093	1.76%	16 962	1.69%
Transfers and subsidies	121 753	16.02%	133 112	15.96%	144 133	15.77%	157 664	15.69%
Other revenue	5 530	0.73%	5 817	0.70%	6 131	0.67%	6 462	0.64%
Total Revenue (excluding capital transfers and contributions)	760 233	100.00%	833 972	100.00%	914 242	100.00%	1 004 608	100.00%
Total Revenue from Property Rates and Service Charges	595 038	78.27%	655 160	78.56%	721 940	78.97%	796 174	79.25%

In the 2018/19 financial year, rates and service charges amounted to R 595,038 million. This increases to R 655,160 million, R 721,940 million and R 796,174 million in the 2019/20, 2020/21 and 2021/22 financial years, respectively.

The major operating revenue sources for 2019/20 are electricity (33.44%), property rates (23.81%), operating grants & subsidies (15.96%), water (9.13%) and refuse (6.57%).

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 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	117 493	129 297	140 318	153 849
Local Government Equitable Share	113 151	124 938	136 879	150 293
Finance Management	1 770	1 770	1 770	1 770
EPWP Incentive	1 013	1 000	–	–
MIG-Administration Fee	1 559	1 589	1 669	1 786
Provincial Government:	2 050	2 050	2 050	2 050
Sport and Recreation	2 050	2 050	2 050	2 050
District Municipality:	2 210	1 765	1 765	1 765
Local Economic Development	445	–	–	–
Environmental Health Subsidy	1 765	1 765	1 765	1 765
Total Operating Transfers and Grants	121 753	133 112	144 133	157 664

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 7.5% is proposed as from 1 July 2019.

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

- Employee related costs increased by 6.7%
- 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 2019/20 MTREF.

A tariff increase of 7.5% is proposed as from 1 July 2019. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.7%;
- The cost of bulk water purchases increased by 7.5%;
- 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

NERSA has determined that the Eskom bulk electricity tariff to municipalities would increase by 13.87% as from 1 July 2019. Considering the Eskom tariff increase, the Municipality's consumer tariffs will be increased by 13.87% on average to offset the additional electricity bulk purchase costs as from 1 July 2019.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 6.7%;
- The cost of bulk electricity purchases increased by 13.87%;
- 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 2019/20 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 8% is proposed as from 1 July 2019. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.7%;
- 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 2018/19 MTREF.

A tariff increase of 8% is proposed for refuse collection, as from 1 July 2019.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.7%;
- Providing for debt impairment

1.4.6 Environmental Management Fees and Impact of Tariff increases

A tariff increase of 5% is proposed for the environmental management fee, as from 1 July 2019.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.7%;
- Providing for debt impairment.

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2019/20 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 2019/20 budget and MTREF (classified per main type of operating expenditure):

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

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Expenditure By Type				
Employee related costs	272 673	290 942	310 289	330 924
Remuneration of councillors	12 243	13 063	13 932	14 858
Debt impairment	36 150	39 779	43 812	48 292
Depreciation & asset impairment	75 357	85 101	94 935	103 046
Finance charges	3 021	2 201	1 238	672
Bulk purchases	237 476	267 966	302 494	341 605
Other materials	27 516	29 571	31 307	33 094
Contracted services	68 096	64 564	68 766	73 163
Other expenditure	87 229	96 281	101 013	105 144
Total Expenditure	819 759	889 468	967 786	1 050 798

The total operating expenditure increased by R 69,709 million (8.50%) from R 819,759 million in 2018/19 to R 889,468 million in 2019/20. Below is a discussion of the main expenditure components.

Employee related costs

The 2019/20 budget provides for a general increase of 6.7%, in the line with the approved Salary and Wage Collective Agreement.

The total budget provision of R 290,942 million represents an increase of 6.7% over the 2018/19 budget. Employee related costs in the 2019/20 Budget, represent 32.71% 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). The most recent proclamation in this regard has been taken into account in preparing the budget. As the budget provides for a 6.7% increase, Councillors' remuneration should be limited to the budget allocated for this purpose.

Debt Impairment

The provision for debt impairment was determined based on a targeted annual collection rate of 94%. For the 2019/20 financial year this amounted to R 39,779 million and increases to R 48,292 million in 2021/22. 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 85,101 million for the 2019/20 financial and equates to 9.57% 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 0.25% (R 2,201 million) of total operating expenditure for 2019/20.

Bulk Electricity Purchases

The bulk purchases of electricity increased by R 27,751 million (13.87%), from R 200,945 million in 2018/19 to R 228,696 million in 2019/20.

NERSA has approved a 13.87% increase in the Eskom bulk tariff for the 2019/20 financial year. The 2019/20 budget accordingly allows for a 13.87% increase for bulk electricity purchases from Eskom. Bulk electricity purchases constitute 25.71% of total operating expenditure for 2019/20.

Bulk Water Purchases

The bulk purchases of water increased by R 2,740 million (7.5%) from R 36,530 million in 2018/19 to R 39,270 million in 2019/20. Bulk water purchases constitute 4.42% of total operating expenditure for 2019/20.

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 2019/20 amounts to R 29,571 million and equates to 3.32% of the total operating expenditure (refer to Table A9 for full disclosure of repairs and maintenance).

Contracted Services

In the 2019/20 financial year, the budget provision amounts to R 64,564 million and equates to 7.26% of the total operating expenditure.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. In the 2019/20 financial year, the budget provision amounts to R 96,281 million and equates to 10.82% of the total operating expenditure.

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

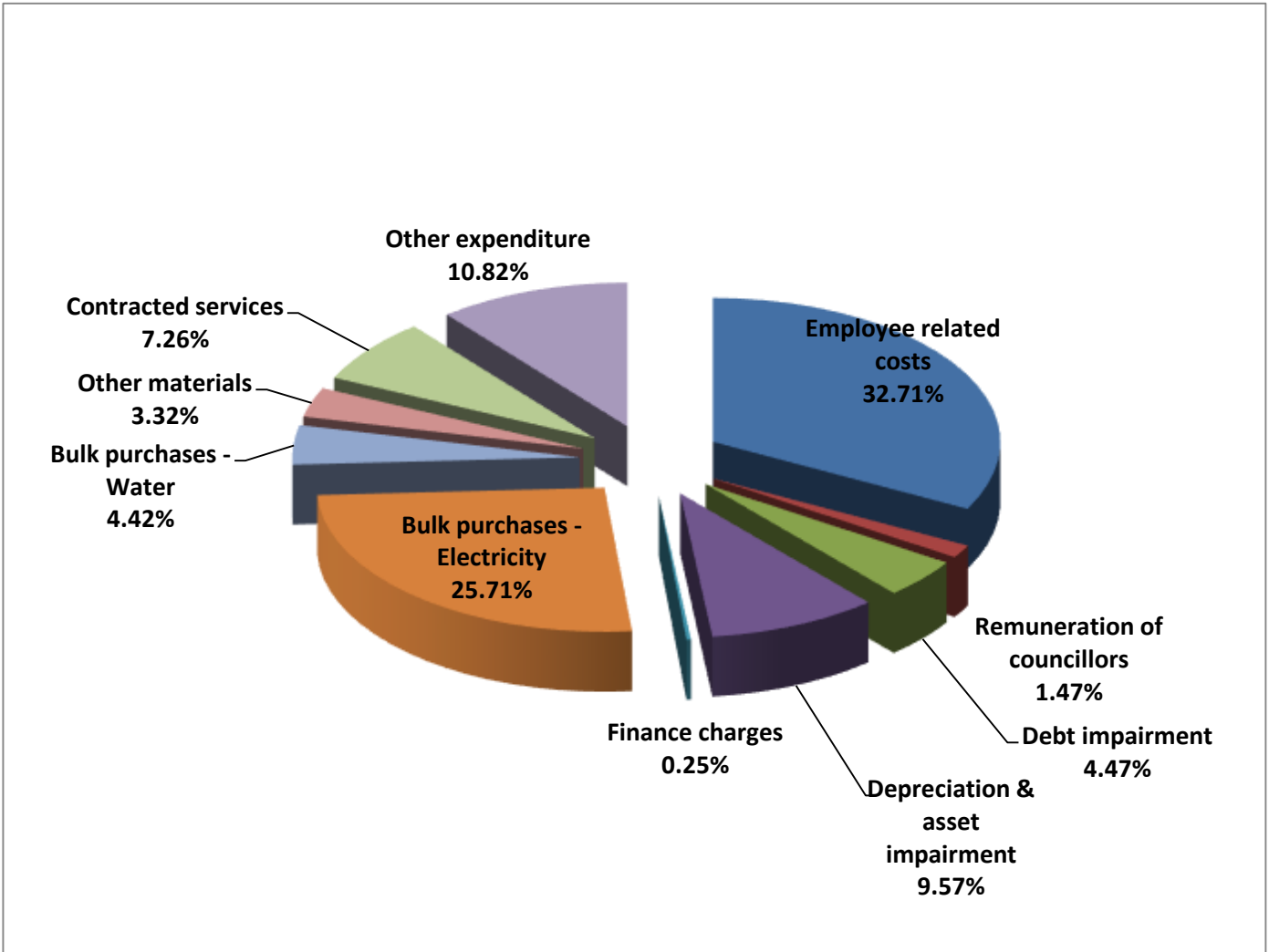


Figure 1 Main operational expenditure categories for the 2019/20 financial year

1.5.1 Priority relating to repairs and maintenance

The repairs and maintenance expenditure in the 2019/20 financial year, decreased by R 4,160 million or 9.71%, compared to the 2018/19 Adjustments Budget.

It is to be noted that repairs and maintenance, constitutes 4.35%, 4.22% and 4.13% of the total operating expenditure, for the 2019/20, 2020/21 and 2021/22 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 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Repairs and Maintenance by asset class	42 852	38 692	40 881	43 428
<i>Roads Infrastructure</i>	13 624	10 534	11 337	12 218
<i>Storm water Infrastructure</i>	817	908	962	1 020
<i>Electrical Infrastructure</i>	6 602	6 239	6 613	7 010
<i>Water Supply Infrastructure</i>	3 953	4 367	4 629	4 907
<i>Sanitation Infrastructure</i>	4 268	3 706	3 932	4 171
<i>Solid Waste Infrastructure</i>	250	200	211	222
Infrastructure	29 513	25 954	27 684	29 549
Community Facilities	1 726	1 402	1 272	1 228
Sport and Recreation Facilities	980	940	910	910
Community Assets	2 706	2 342	2 182	2 138
Investment properties	–			
Operational Buildings	1 996	2 360	2 486	2 647
Other Assets	1 996	2 360	2 486	2 647
Machinery and Equipment	478	535	560	587
Transport Assets	8 159	7 501	7 968	8 507
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	42 852	38 692	40 881	43 428

For the 2019/20 financial year an amount of R 25,954 million (67.08%) 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 (2019/20 Medium-term capital budget per vote)

Description	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2019/20	%	Budget Year 2020/21	%	Budget Year 2021/22	%
R thousands								
Multi-year expenditure to be adjusted								
Vote 1 - EXECUTIVE COUNCIL	1 776	0.85%	1 200	1.33%	1 155	1.42%	1 155	1.46%
Vote 2 - FINANCIAL SERVICES	2 593	1.24%	2 600	2.89%	50	0.06%	50	0.06%
Vote 3 - CORPORATE SERVICES	3 365	1.61%	3 069	3.41%	1 515	1.86%	1 515	1.91%
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	3 836	1.83%	4 881	5.43%	4 339	5.34%	4 535	5.73%
Vote 5 - INFRASTRUCTURE AND ENGINEERING	181 557	86.66%	56 368	62.68%	58 796	72.30%	56 493	71.32%
Vote 6 - COMMUNITY SERVICES	16 387	7.82%	21 815	24.26%	15 462	19.01%	15 465	19.52%
Total Capital Expenditure - Vote	209 515	100.00%	89 932	100.00%	81 317	100.00%	79 214	100.00%

Infrastructure and Engineering receives the highest allocation of R 56,368 million in 2019/20, which equates to 62.68%, followed by Community Services at R 21,815 million (24.26%), Planning, Development and Tourism at R 4,881 million (5.43%), Corporate Services at R 3,069 million (3.41%), Financial Services at R 2,600 million (2.89%) and Executive & Council at R 1,200 million (1.33%).

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.

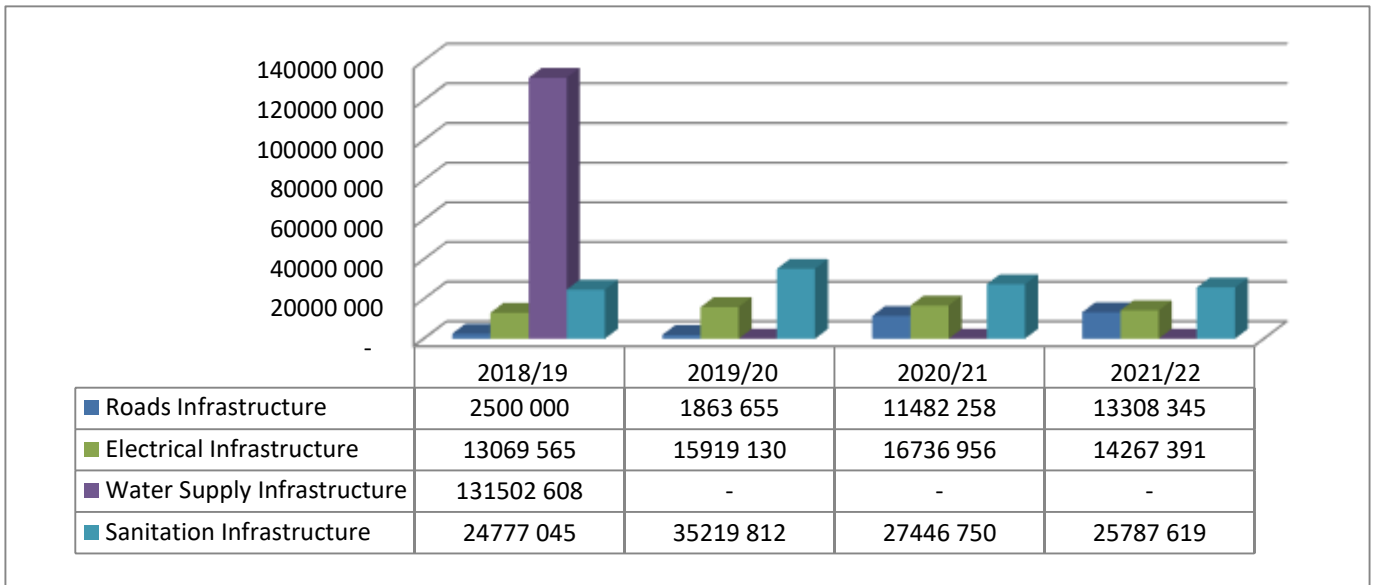


Figure 2 Capital Infrastructure Programme rounded to the nearest R1000

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 2019/20 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 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Financial Performance				
Property rates	184 711	198 564	213 456	229 466
Service charges	410 327	456 596	508 484	566 709
Investment revenue	8 681	9 132	9 625	10 145
Transfers recognised - operational	121 753	133 112	144 133	157 664
Other own revenue	34 761	36 569	38 543	40 625
Total Revenue (excluding capital transfers and contributions)	760 233	833 972	914 242	1 004 608
Employee costs	272 673	290 942	310 289	330 924
Remuneration of councillors	12 243	13 063	13 932	14 858
Depreciation & asset impairment	75 357	85 101	94 935	103 046
Finance charges	3 021	2 201	1 238	672
Materials and bulk purchases	264 992	297 537	333 801	374 699
Transfers and grants	–	–	–	–
Other expenditure	191 475	200 625	213 591	226 599
Total Expenditure	819 759	889 468	967 786	1 050 798
Surplus/(Deficit)	(59 527)	(55 496)	(53 544)	(46 190)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	193 020	54 063	51 682	51 891
Contributions recognised - capital & contributed assets	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	133 493	(1 432)	(1 862)	5 701
Share of surplus/ (deficit) of associate	–	–	–	–
Surplus/(Deficit) for the year	133 493	(1 432)	(1 862)	5 701
Capital expenditure & funds sources				
Capital expenditure	209 515	89 932	81 317	79 214
Transfers recognised - capital	168 859	47 639	45 197	45 379
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	40 656	34 409	28 540	26 255
Total sources of capital funds	209 515	82 047	73 737	71 634

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Financial position				
Total current assets	164 621	164 281	184 715	225 885
Total non current assets	2 474 873	2 405 522	2 391 905	2 368 072
Total current liabilities	175 201	175 225	182 327	186 937
Total non current liabilities	185 581	184 979	183 756	185 212
Community wealth/Equity	2 278 712	2 209 599	2 210 538	2 221 808
Cash flows				
Net cash from (used) operating	208 851	83 668	93 072	108 747
Net cash from (used) investing	(209 515)	(89 932)	(81 317)	(79 214)
Net cash from (used) financing	(8 944)	(7 999)	(8 962)	(6 128)
Cash/cash equivalents at the year end	84 707	70 445	73 238	96 643
Cash backing/surplus reconciliation				
Cash and investments available	84 707	70 445	73 238	96 643
Application of cash and investments	61 353	49 322	37 404	24 936
Balance - surplus (shortfall)	23 355	21 123	35 834	71 706
Asset management				
Asset register summary (WDV)	1 850 493	77 316	152 692	225 336
Depreciation	75 357	85 101	94 935	103 046
Renewal of Existing Assets	10 660	8 265	7 875	7 740
Repairs and Maintenance	42 887	38 692	40 881	43 428
Free services				
Cost of Free Basic Services provided	4 767	6 044	6 630	7 277
Revenue cost of free services provided	-	-	-	-
Households below minimum service level				
Water:	-	-	-	-
Sanitation/sewerage:	0	0	0	0
Energy:	-	-	-	-
Refuse:	-	-	-	-

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))

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Revenue - Functional				
<i>Municipal governance and administration</i>	312 182	337 287	364 769	394 876
Executive and council	26	27	29	30
Finance and administration	312 157	337 260	364 741	394 846
Internal audit				
<i>Community and public safety</i>	13 357	13 751	14 181	14 635
Community and social services	2 458	2 479	2 502	2 526
Sport and recreation	7 003	7 367	7 765	8 184
Public safety	1 969	1 969	1 969	1 970
Housing				
Health	1 927	1 936	1 945	1 955
<i>Economic and environmental services</i>	16 141	16 863	16 715	17 643
Planning and development	5 087	5 299	5 580	5 908
Road transport	10 005	10 459	9 970	10 508
Environmental protection	1 050	1 105	1 164	1 227
<i>Trading services</i>	611 127	520 134	570 259	629 343
Energy sources	260 285	291 404	331 293	374 525
Water management	223 782	87 929	94 710	99 921
Waste water management	74 017	84 008	83 432	89 747
Waste management	53 043	56 794	60 824	65 151
<i>Other</i>	445			
Total Revenue - Functional	953 252	888 035	965 924	1 056 498
Expenditure - Functional				
<i>Municipal governance and administration</i>	190 276	214 983	230 940	244 755
Executive and council	38 161	45 089	47 710	50 592
Finance and administration	152 115	169 894	183 230	194 163
Internal audit				

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	R thousands	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
	Adjusted Budget			
<i>Community and public safety</i>	76 851	82 890	86 503	91 193
Community and social services	10 055	10 612	11 088	11 772
Sport and recreation	39 650	42 086	43 316	45 203
Public safety	20 527	22 264	23 665	25 157
Housing	1 875	2 928	3 140	3 363
Health	4 746	4 999	5 294	5 698
<i>Economic and environmental services</i>	114 388	113 851	118 926	124 456
Planning and development	33 520	34 459	36 455	38 701
Road transport	77 414	77 642	80 623	83 803
Environmental protection	3 454	1 751	1 848	1 951
<i>Trading services</i>	434 819	473 257	526 389	584 825
Energy sources	254 148	287 017	324 640	366 821
Water management	78 117	82 420	87 804	93 573
Waste water management	48 988	53 534	60 151	67 002
Waste management	53 566	50 286	53 794	57 428
<i>Other</i>	3 426	4 486	5 028	5 569
Total Expenditure - Functional	819 759	889 468	967 786	1 050 798
Surplus/(Deficit)	133 493	(1 432)	(1 862)	5 701

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))

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Revenue by Vote				
Vote 1 - EXECUTIVE COUNCIL	-	-	-	-
Vote 2 - FINANCIAL SERVICES	307 483	333 531	360 811	390 704
Vote 3 - CORPORATE SERVICES	26	27	29	30
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	3 316	3 020	3 183	3 355
Vote 5 - INFRASTRUCTURE AND ENGINEERING	562 442	471 473	516 947	572 137
Vote 6 - COMMUNITY SERVICES	79 986	79 984	84 955	90 273
Total Revenue by Vote	953 252	888 035	965 924	1 056 498
Expenditure by Vote				
Vote 1 - EXECUTIVE COUNCIL	31 989	38 251	40 266	42 693
Vote 2 - FINANCIAL SERVICES	79 573	87 236	95 518	102 460
Vote 3 - CORPORATE SERVICES	48 915	54 560	57 733	59 735
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	19 984	22 112	23 828	25 611
Vote 5 - INFRASTRUCTURE AND ENGINEERING	476 197	522 043	575 714	634 963
Vote 6 - COMMUNITY SERVICES	163 102	165 265	174 728	185 335
Total Expenditure by Vote	819 760	889 468	967 786	1 050 798
Surplus/ (Deficit) for the year	133 493	(1 432)	(1 862)	5 701

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 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Revenue By Source				
Property rates	184 711	198 564	213 456	229 466
Service charges - electricity revenue	245 041	278 881	317 394	361 227
Service charges - water revenue	70 795	76 105	81 813	87 949
Service charges - sanitation revenue	43 314	46 779	50 522	54 563
Service charges - refuse revenue	51 176	54 830	58 755	62 970
Service charges - other	-	-	-	-
Rental of facilities and equipment	3 043	3 202	3 375	3 557
Interest earned - external investments	8 681	9 132	9 625	10 145
Interest earned - outstanding debtors	7 444	7 832	8 254	8 700
Dividends received	-	-	-	-
Fines, penalties and forfeits	4 230	4 450	4 690	4 943
Licences and permits	14 514	15 268	16 093	16 962
Agency services	-	-	-	-
Transfers and subsidies	121 753	133 112	144 133	157 664
Other revenue	5 530	5 817	6 131	6 462
Gains on disposal of PPE	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	760 233	833 972	914 242	1 004 608
Expenditure By Type				
Employee related costs	272 673	290 942	310 289	330 924
Remuneration of councillors	12 243	13 063	13 932	14 858
Debt impairment	36 150	39 779	43 812	48 292
Depreciation & asset impairment	75 357	85 101	94 935	103 046
Finance charges	3 021	2 201	1 238	672
Bulk purchases	237 476	267 966	302 494	341 605
Other materials	27 516	29 571	31 307	33 094
Contracted services	68 096	64 564	68 766	73 163
Transfers and subsidies	-	-	-	-
Other expenditure	87 229	96 281	101 013	105 144
Loss on disposal of PPE	-	-	-	-
Total Expenditure	819 759	889 468	967 786	1 050 798

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Surplus/(Deficit)	(59 527)	(55 496)	(53 544)	(46 190)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	193 020	54 063	51 682	51 891
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-
Transfers and subsidies - capital (in-kind - all)	-	-	-	-
Surplus/(Deficit) before taxation	133 493	(1 432)	(1 862)	5 701
Taxation	-	-	-	-
Surplus/(Deficit) after taxation	133 493	(1 432)	(1 862)	5 701
Attributable to minorities	-	-	-	-
Surplus/(Deficit) attributable to municipality	133 493	(1 432)	(1 862)	5 701
Share of surplus/ (deficit) of associate	-	-	-	-
Surplus/ (Deficit) for the year	133 493	(1 432)	(1 862)	5 701

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

Revenue

- 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.
- Total revenue amounts to R 833,972 million in 2019/20 and increases to R 1,005 billion in 2021/22. This represents a year-on-year increase of 9.70% for the 2019/20 financial year and increases of 9.63% for the 2020/21 financial year and 9.88% for the 2021/22 financial year, respectively.
- Revenue from property rates amounts to R 198,564 million in the 2019/20 financial year and increases to R 229,466 million in 2021/22, which amounts to 23.81% of the total operating revenue base of the Municipality.
- Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the biggest component of the total revenue base, amounting to R 456,596 million for the 2019/20 financial year and increasing to R 566,709 million in 2021/22. For the 2019/20 financial year services charges amount to 54.75% of the total revenue base.
- 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 9.33% for 2019/20, 8.28% for 2020/21 and increased by 9.39% for 2020/21, compared to the 2018/19 Adjustments Budget.

Below a breakdown of property rates and service charges for 2019/20:

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework	
	Adjusted Budget	Budget Year 2019/20	%
R thousands			
Revenue By Source			
Property rates	184 711	198 564	7.50%
Service charges - electricity revenue	245 041	278 881	13.81%
Service charges - water revenue	70 795	76 105	7.50%
Service charges - sanitation revenue	43 314	46 779	8.00%
Service charges - refuse revenue	36 505	39 426	8.00%
Service charges - environmental management fee revenue	14 671	15 405	5.00%

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

Vote Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
		R thousand	Budget Year 2019/20	Budget Year 2020/21
	Adjusted Budget			
Capital expenditure - Vote				
Multi-year expenditure to be appropriated				
Vote 1 - EXECUTIVE COUNCIL	1 851	1 155	1 155	–
Vote 2 - FINANCIAL SERVICES	2 593	50	50	–
Vote 3 - CORPORATE SERVICES	3 245	1 550	1 515	–
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	3 836	4 681	4 339	–
Vote 5 - INFRASTRUCTURE AND ENGINEERING	181 557	56 168	54 122	–
Vote 6 - COMMUNITY SERVICES	4 959	10 395	10 205	–
Vote 7 - COMMUNITY SERVICES (CONTINUED)	11 354	9 737	9 687	–
Capital multi-year expenditure sub-total	209 395	83 736	81 073	–
Single-year expenditure to be appropriated				
Vote 1 - EXECUTIVE COUNCIL	–	45	–	1 155
Vote 2 - FINANCIAL SERVICES	–	2 550	–	50
Vote 3 - CORPORATE SERVICES	120	1 769	–	1 515
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	–	200	–	4 535
Vote 5 - INFRASTRUCTURE AND ENGINEERING	–	(5 230)	244	51 913
Vote 6 - COMMUNITY SERVICES	–	1 450	–	10 120
Vote 7 - COMMUNITY SERVICES (CONTINUED)	–	5 413	–	9 925
Capital single-year expenditure sub-total	120	6 196	244	79 214
Total Capital Expenditure - Vote	209 515	89 932	81 317	79 214

Description	Adjusted Budget	2019/20 Medium Term Revenue & Expenditure Framework		
		Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Capital Expenditure - Functional				
<i>Municipal governance and administration</i>	10 184	8 169	3 820	3 820
Executive and council	2 590	1 065	1 020	1 020
Finance and administration	7 594	6 969	2 665	2 665
Internal audit		135	135	135
<i>Community and public safety</i>	10 203	20 515	13 762	13 865
Community and social services	199	950	350	250
Sport and recreation	4 789	13 600	8 137	8 225
Public safety	4 215	3 965	3 875	3 890
Housing	1 000	2 000	1 400	1 500
Health				
<i>Economic and environmental services</i>	5 739	5 325	14 771	16 693
Planning and development	3 113	3 331	3 189	3 285
Road transport	2 626	1 994	11 582	13 408
Environmental protection				
<i>Trading services</i>	183 324	55 924	48 964	44 835
Energy sources	13 885	15 954	16 767	14 297
Water management	135 628	11 446	12 315	11 446
Waste water management	29 077	26 524	17 882	17 092
Waste management	4 734	2 000	2 000	2 000
<i>Other</i>	65			
Total Capital Expenditure - Functional	209 515	89 932	81 317	79 214
Funded by				
National Government	166 829	45 573	43 232	43 413
Provincial Government	65			
District Municipality	1 965	2 065	1 965	1 965
Other transfers and grants				
Transfers recognised - capital	168 859	47 639	45 197	45 379
Borrowing				
Internally generated funds	40 656	42 294	36 120	33 835
Total Capital Funding	209 515	89 932	81 317	79 214

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 2019/20, capital transfers totals R 47,639 million (52.97%) and amounts to R 45,379 million for 2021/22 (57.29%). Internally generated funding amounts to R 42,294 million, R 36,120 million and R 33,835 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 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
ASSETS				
Current assets				
Cash	8 471	3 522	3 662	4 832
Call investment deposits	76 236	66 922	69 576	91 811
Consumer debtors	42 382	55 070	70 304	85 572
Other debtors	30 863	32 097	32 197	33 832
Current portion of long-term receivables	3	3	3	3
Inventory	6 666	6 666	8 973	9 835
Total current assets	164 621	164 281	184 715	225 885
Non current assets				
Long-term receivables	16	16	16	16
Investment property	284 612	283 612	283 612	283 612
Investment in Associate	–			
Property, plant and equipment	2 189 943	2 121 592	2 107 975	2 084 142
Intangible	302	302	302	302
Other non-current assets	–			
Total non current assets	2 474 873	2 405 522	2 391 905	2 368 072
TOTAL ASSETS	2 639 494	2 569 804	2 576 620	2 593 957
LIABILITIES				
Current liabilities				
Bank overdraft	–			
Borrowing	8 944	7 999	8 962	6 128
Consumer deposits	15 241	15 241	17 121	19 234
Trade and other payables	126 511	127 481	129 726	132 879
Provisions	24 505	24 505	26 518	28 696
Total current liabilities	175 201	175 225	182 327	186 937
Non current liabilities				
Borrowing	23 600	15 602	6 640	–
Provisions	161 981	169 378	177 116	185 212
Total non current liabilities	185 581	184 979	183 756	185 212
TOTAL LIABILITIES	360 782	360 204	366 082	372 149
NET ASSETS	2 278 712	2 209 599	2 210 538	2 221 808
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	2 278 712	2 209 599	2 210 538	2 221 808
Reserves	–	–	–	–
Minorities' interests	–			
TOTAL COMMUNITY WEALTH/EQUITY	2 278 712	2 209 599	2 210 538	2 221 808

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 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	173 628	186 650	200 649	215 698
Service charges	385 707	429 200	477 975	532 706
Other revenue	27 317	28 737	30 289	31 925
Government - operating	121 753	133 112	144 133	157 664
Government - capital	193 020	54 063	51 682	51 891
Interest	15 678	16 494	17 384	18 323
Dividends	–	–	–	–
Payments				
Suppliers and employees	(705 232)	(762 386)	(827 802)	(898 787)
Finance charges	(3 021)	(2 201)	(1 238)	(672)
Transfers and Grants	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	208 851	83 668	93 072	108 747
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(209 515)	(89 932)	(81 317)	(79 214)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(209 515)	(89 932)	(81 317)	(79 214)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments				
Repayment of borrowing	(8 944)	(7 999)	(8 962)	(6 128)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(8 944)	(7 999)	(8 962)	(6 128)
NET INCREASE/ (DECREASE) IN CASH HELD	(9 608)	(14 262)	2 793	23 405
Cash/cash equivalents at the year begin:	94 315	84 707	70 445	73 238
Cash/cash equivalents at the year-end:	84 707	70 445	73 238	96 643

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.
- 9
3. The cash position of the Municipality increases over the 2019/20 to 2021/22 period, from R 70,445 million to R 96,643 million.
4. Cash and cash equivalents amount to R 70,445 million as at the end of the 2019/20 financial year and increases to R 96,643 million in 2021/22.

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

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Cash and investments available				
Cash/cash equivalents at the year end	84 707	70 445	73 238	96 643
Other current investments > 90 days	-	-	-	-
Non-current assets - Investments	-	-	-	-
Cash and investments available:	84 707	70 445	73 238	96 643
Applications of cash and investments				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements	-			
Other working capital requirements	58 270	46 239	34 161	21 518
Other provisions	3 083	3 083	3 243	3 418
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments	-			
Total Application of cash and investments:	61 353	49 322	37 404	24 936
Surplus(shortfall)	23 354	21 123	35 834	71 706

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 2019/20 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 21,123 million in 2019/20 to a funding surplus of R 71,706 million in 2021/22.

Table 16 (Table A9 - Asset Management)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework			
	R thousands	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
CAPITAL EXPENDITURE					
Total New Assets	124 853	67 959	45 965	39 998	
<i>Electrical Infrastructure</i>	4 200	15 919	16 737	14 267	
<i>Water Supply Infrastructure</i>	78 459				
<i>Sanitation Infrastructure</i>	18 503	31 735	14 489	10 946	
<i>Information and Communication Infrastructure</i>		850			
Infrastructure	101 162	48 504	31 226	25 213	
Community Facilities	2 783	1 050	750	750	
Sport and Recreation Facilities	50	100	100	100	
Community Assets	2 833	1 150	850	850	
Revenue Generating	465	300	200	200	
Non-revenue Generating	1 000	2 000	1 400	1 500	
Investment properties	1 465	2 300	1 600	1 700	
Operational Buildings	181	1 150	1 000	1 000	
Housing					
Other Assets	181	1 150	1 000	1 000	
Biological or Cultivated Assets	1 221	1 221	1 379	1 475	
Licences and Rights	1 179	1 271	500	500	
Intangible Assets	1 179	1 271	500	500	
Computer Equipment	1 955	1 163	640	540	
Furniture and Office Equipment	1 725	2 220	1 070	1 020	
Machinery and Equipment	3 731	4 780	4 500	4 500	
Transport Assets	9 400	4 200	3 200	3 200	
Total Renewal of Existing Assets	10 660	8 265	7 875	7 740	
<i>Roads Infrastructure</i>	2 500	1 500	1 500	1 500	
<i>Sanitation Infrastructure</i>		750	750	750	
Infrastructure	2 500	2 250	2 250	2 250	
Community Facilities	200	200	210	225	
Sport and Recreation Facilities	500	1 450	1 000	1 000	
Community Assets	700	1 650	1 210	1 225	
Revenue Generating	3 550	4 365	4 415	4 265	
Non-revenue Generating	3 910				
Investment properties	7 460	4 365	4 415	4 265	
Total Upgrading of Existing Assets	74 002	13 708	27 477	31 475	
<i>Roads Infrastructure</i>		364	9 982	11 808	
<i>Electrical Infrastructure</i>	8 870				
<i>Water Supply Infrastructure</i>	53 043				
<i>Sanitation Infrastructure</i>	6 274	2 735	12 208	14 092	
<i>Information and Communication Infrastructure</i>		5 413			
Infrastructure	68 187	8 511	22 190	25 900	
Community Facilities	1 100				
Sport and Recreation Facilities	3 864	5 087	5 287	5 575	

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	R thousands	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21
Community Assets	4 964	5 087	5 287	5 575
Investment properties	-	-	-	-
Operational Buildings	850	110		
Housing				
Other Assets	850	110	-	-
Total Capital Expenditure	209 515	89 932	81 317	79 214
<i>Roads Infrastructure</i>	2 500	1 864	11 482	13 308
<i>Electrical Infrastructure</i>	13 070	15 919	16 737	14 267
<i>Water Supply Infrastructure</i>	131 503			
<i>Sanitation Infrastructure</i>	24 777	35 220	27 447	25 788
<i>Information and Communication Infrastructure</i>		6 263		
Infrastructure	171 849	59 266	55 666	53 363
Community Facilities	4 083	1 250	960	975
Sport and Recreation Facilities	4 414	6 637	6 387	6 675
Community Assets	8 497	7 887	7 347	7 650
Revenue Generating	4 015	4 665	4 615	4 465
Non-revenue Generating	4 910	2 000	1 400	1 500
Investment properties	8 925	6 665	6 015	5 965
Operational Buildings	1 032	1 260	1 000	1 000
Other Assets	1 032	1 260	1 000	1 000
Biological or Cultivated Assets	1 221	1 221	1 379	1 475
Licences and Rights	1 179	1 271	500	500
Intangible Assets	1 179	1 271	500	500
Computer Equipment	1 955	1 163	640	540
Furniture and Office Equipment	1 725	2 220	1 070	1 020
Machinery and Equipment	3 731	4 780	4 500	4 500
Transport Assets	9 400	4 200	3 200	3 200
TOTAL CAPITAL EXPENDITURE - Asset Class	209 515	89 932	81 317	79 214

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
R thousand				
ASSET REGISTER SUMMARY - PPE (WDV)				
<i>Roads Infrastructure</i>	697 328	1 500	3 000	4 500
<i>Storm water Infrastructure</i>	61 726	–	–	–
<i>Electrical Infrastructure</i>	177 017	15 919	32 656	46 923
<i>Water Supply Infrastructure</i>	406 281	–	–	–
<i>Sanitation Infrastructure</i>	438 446	35 220	62 667	88 454
<i>Solid Waste Infrastructure</i>	18 908	–	–	–
Infrastructure	1 799 707	52 639	98 323	139 878
Revenue Generating	284 612	2 000	3 400	4 900
Housing	289 316	1 800	3 000	4 200
Licences and Rights	1 481	1 371	1 871	2 371
Computer Equipment	2 610	2 543	3 348	4 073
Furniture and Office Equipment	10 456	2 545	3 505	4 415
Machinery and Equipment	6 830	5 394	20 276	36 834
Transport Assets	30 891	14 195	27 241	40 136
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1 850 493	77 316	152 692	225 336
EXPENDITURE OTHER ITEMS				
Depreciation	75 357	85 101	94 935	103 046
Repairs and Maintenance by Asset Class	42 887	38 692	40 881	43 428
<i>Roads Infrastructure</i>	13 624	10 534	11 337	12 218
<i>Storm water Infrastructure</i>	817	908	962	1 020
<i>Electrical Infrastructure</i>	6 602	6 239	6 613	7 010
<i>Water Supply Infrastructure</i>	3 953	4 367	4 629	4 907
<i>Sanitation Infrastructure</i>	4 268	3 706	3 932	4 171
<i>Solid Waste Infrastructure</i>	250	200	211	222
Infrastructure	29 513	25 954	27 684	29 549
Community Facilities	1 726	1 402	1 272	1 228
Sport and Recreation Facilities	980	940	910	910
Community Assets	2 706	2 342	2 182	2 138
Operational Buildings	2 096	2 360	2 486	2 647
Other Assets	2 096	2 360	2 486	2 647
Machinery and Equipment	445	535	560	587
Transport Assets	8 127	7 501	7 968	8 507
TOTAL EXPENDITURE OTHER ITEMS	118 244	123 792	135 816	146 474
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	38.7%	25.3%	42.6%	48.2%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>	107.7%	28.7%	39.3%	39.9%
<i>R&M as a % of PPE</i>	1.3%	1.8%	1.9%	2.1%

Explanatory notes to Table A9 - Asset Management

- 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.

- 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 25.3% of the capital budget, whilst repairs and maintenance constitute 1.8% of PPE.

Table 17 (Table A10 - Basic Service Delivery Measurement)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Household service targets				
<u>Water:</u>				
Piped water inside dwelling	21 440	21 440	21 440	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	21 440	21 440	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>	–	–	–	–
Total number of households	21 440	21 440	21 440	21 440
<u>Sanitation/sewerage:</u>				
Flush toilet (connected to sewerage)	17 201	18 406	18 406	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>	17 201	18 406	18 406	18 406
Bucket toilet	328	328	328	328
Other toilet provisions (< min.service level)	–	–	–	–
No toilet provisions	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	328	328	328	328
Total number of households	17 529	18 734	18 734	18 734

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<u>Energy:</u>				
Electricity (at least min.service level)	10 649	10 649	10 649	10 649
Electricity - prepaid (min.service level)	14 808	14 808	14 808	14 808
<i>Minimum Service Level and Above sub-total</i>	25 457	25 457	25 457	25 457
Electricity (< min.service level)	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-
Other energy sources	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
Total number of households	25 457	25 457	25 457	25 457
<u>Refuse:</u>				
Removed at least once a week	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-
Removed less frequently than once a week	27 948	27 948	27 948	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	27 948	27 948	27 948
Total number of households	27 948	27 948	27 948	27 948
<u>Households receiving Free Basic Service</u>				
Water (6 kilolitres per household per month)	5 683	6 700	6 700	6 700
Sanitation (free minimum level service)	5 683	6 700	6 700	6 700
Electricity/other energy (50kwh per household per month)	5 564	6 700	6 700	6 700
Refuse (removed at least once a week)	5 683	6 700	6 700	6 700
<u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u>				
Water (6 kilolitres per indigent household per month)	715	906	974	1 047
Sanitation (free sanitation service to indigent households)	1 838	2 147	2 319	2 505
Electricity/other energy (50kwh per indigent household per month)	1 306	1 834	2 088	2 376
Refuse (removed once a week for indigent households)	908	1 157	1 249	1 350
<u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u>	-	-	-	-
Total cost of FBS provided	4 767	6 044	6 630	7 277

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Highest level of free service provided per household				
Property rates (R value threshold)	663	713	766	824
Water (kilolitres per household per month)	12	12	12	12
Sanitation (kilolitres per household per month)	12	12	12	12
Sanitation (Rand per household per month)	313	349	377	407
Electricity (kwh per household per month)	50	50	60	50
Refuse (average litres per week)				
Revenue cost of subsidised services provided (R'000)				
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)	-	-	-	-
Water (in excess of 6 kilolitres per indigent household per month)	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)	-	-	-	-
Refuse (in excess of one removal a week for indigent households)	-	-	-	-
Municipal Housing - rental rebates				
Housing - top structure subsidies				
Other				
Total revenue cost of subsidised services provided	-	-	-	-

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 2018 after the approval of a timetable to guide the preparation of the 2019/20 to 2021/22 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 2019. The main aim of the timetable is to ensure that an IDP and a balanced Budget are tabled in March 2019. The draft Budget and IDP will be tabled by the Executive Mayor at a Council meeting scheduled for 29 March 2019. 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 30 May 2019.

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 2019/20 to 2021/22

The preparation of the 2019/20 to 2021/22 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 26 July 2018.

Activity	Date
IDP/Budget Schedule approved by Council	26 July 2018
Tabling of draft IDP and Budget in Council	29 March 2019
Public Participation	During April 2019
Final adoption of IDP and Budget by Council	30 May 2019
Approval of SDBIP by Executive Mayor	27 June 2019

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 2019/20 to 2021/22 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
R thousand							
2019/20 Budget							
Capital Expenditure	410	78 003	2 426	2 800	3 794	2 500	89 932
Operating Expenditure	10 318	676 915	10 146	91 532	78 599	21 958	889 468
Total	10 728	754 917	12 572	94 332	82 392	24 458	979 400
2020/21 Budget							
Capital Expenditure	15	73 658	2 439	50	2 655	2 500	81 317
Operating Expenditure	11 144	739 457	11 048	100 094	82 754	23 288	967 786
Total	11 159	813 115	13 487	100 144	85 409	25 788	1 049 103
2021/22 Budget							
Capital Expenditure	15	71 459	2 535	50	2 655	2 500	79 214
Operating Expenditure	11 837	808 623	11 969	107 337	86 244	24 788	1 050 798
Total	11 852	880 081	14 504	107 387	88 899	27 288	1 130 011

BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

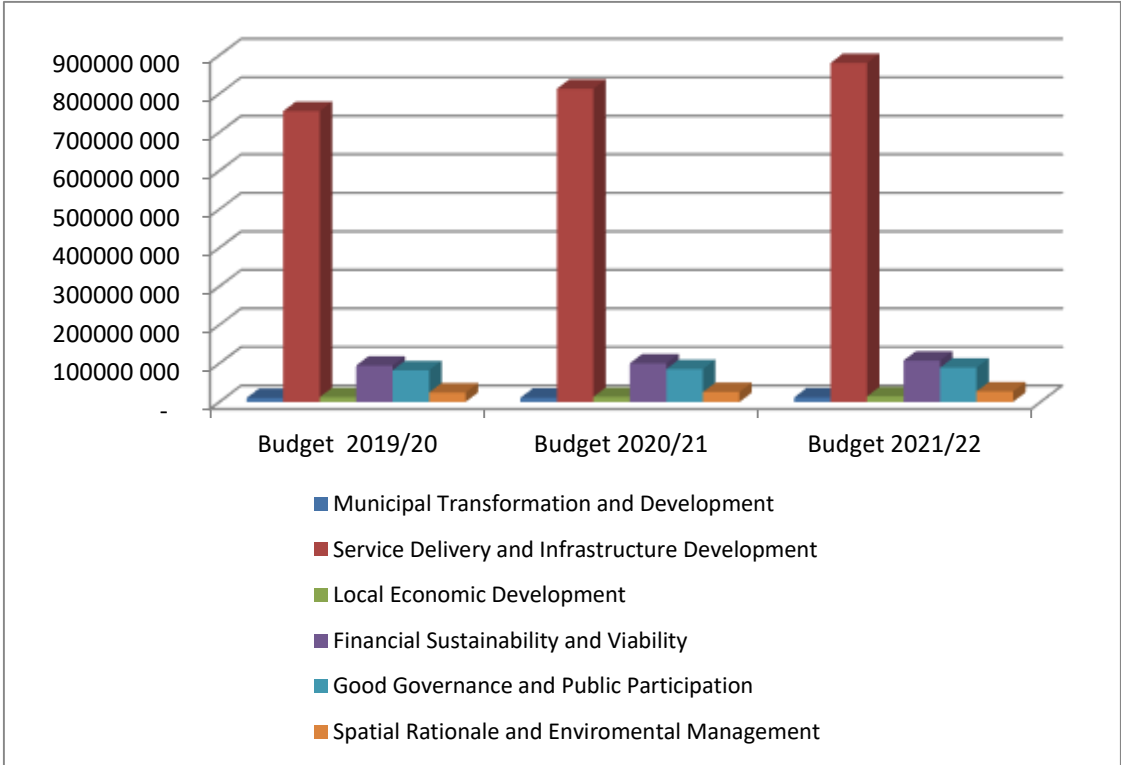


Figure 3 – 2019/20 Expenditure by IDP Priorities

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Borrowing Management					
Credit Rating					
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.5%	1.1%	1.1%	0.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.9%	1.5%	1.3%	0.8%
Liquidity					
Current Ratio	Current assets/current liabilities	0.9	0.9	1.0	1.2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.9	0.9	1.0	1.2
Liquidity Ratio	Monetary Assets/Current Liabilities	0.5	0.4	0.4	0.5
Revenue Management					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	94.0%	94.0%	94.0%	94.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		94.0%	94.0%	94.0%	94.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	9.6%	10.5%	11.2%	11.9%
Creditors to Cash and Investments		149.4%	181.0%	177.1%	137.5%

Description of financial indicator	Basis of calculation	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Other Indicators					
Employee costs	Employee costs/(Total Revenue - capital revenue)	35.9%	34.9%	33.9%	32.9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	37.5%	36.4%	35.4%	34.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.6%	4.6%	4.5%	4.3%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	10.3%	10.5%	10.5%	10.3%
IDP regulation financial viability indicators					
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	25.6	26.6	31.5	34.6
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	12.2%	13.2%	14.1%	14.9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.4	1.1	1.0	1.2

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 2019/20 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 2019/20 financial year and reduces to 0.6% 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 2019/20 MTREF, the current ratio is 0.9 in the 2019/20 financial year and increases to 1.2:1 over the MTREF period.
- 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 2019/20 MTREF, the liquidity ratio remained at 0.5:1. 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 Drinking Water Quality

The Municipality achieved a scoring of 51.83% (2014) in relation to its Blue Drop status for the supply of water, compared to the scoring of 60.69% (2012) achieved in the previous assessment. The decline is attributable to a lack of an annual process audit. In order to enhance its Blue Drop status in the next assessment cycle, the Municipality will have to focus specifically on the monitoring and recordkeeping of analyses results and the training and appointment of process controllers.

2.3.3 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 '000	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.	2,912	5,683
Water	The first 12kl of water per month provided free to indigent consumers	13,278	5,683
Electricity	The first 50kwh of electricity provided free to indigent consumers	5,575	5,564
Refuse removal	Full credit for the monthly charge.	10,636	5,683
Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 12kl per month)	6,742	5,683
EMF	Full credit for the monthly charge.	3,163	5,683
Total Operating Costs		42,306	

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 Credit Control and Debt Collection Policy was reviewed and approved by Council in May 2014.

The 2019/20 MTREF has been prepared on the basis of achieving an average revenue collection rate of 94% 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 2019/20 – 2021/20 Budget:

- Maintaining an acceptable employee related costs 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:

	2019/20	2020/21	2021/20
Income	%	%	%
Tariff Increases for water	7.5	7.5	7.5
Tariff Increases for sanitation	8	8	8
Tariff Increases for refuse	8	8	8
Property rates increase	7.5	7.5	7.5
Electricity tariff increase (on average)	13.87	13.87	13.87
Environmental Management Fee increase	5	5	5
Revenue collection rates	94	94	94
Expenditure increases allowed	5.2	5.2	5.2
Salary increase	6.7	6.7	6.7
Increase in bulk purchase of electricity costs	13.87	13.87	13.87
Increase in bulk purchase of water costs	7.5	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)

Description	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2019/20	%	Budget Year 2020/21	%	Budget Year 2021/22	%
R thousands								
Revenue By Source								
Property rates	184 711	24.30%	198 564	23.81%	213 456	23%	229 466	23%
Service charges	410 327	53.97%	456 596	54.75%	508 484	56%	566 709	56%
Transfers and subsidies	121 753	16.02%	133 112	15.96%	144 133	16%	157 664	16%
Other revenue	43 442	5.71%	45 701	5.48%	48 169	5%	50 770	5%
Total Revenue (excluding capital transfers and contributions)	760 233	100.00%	833 972	100.00%	914 242	100%	1 004 608	100%

The following graph is a breakdown of the operational revenue per main category for the 2019/20 financial year.

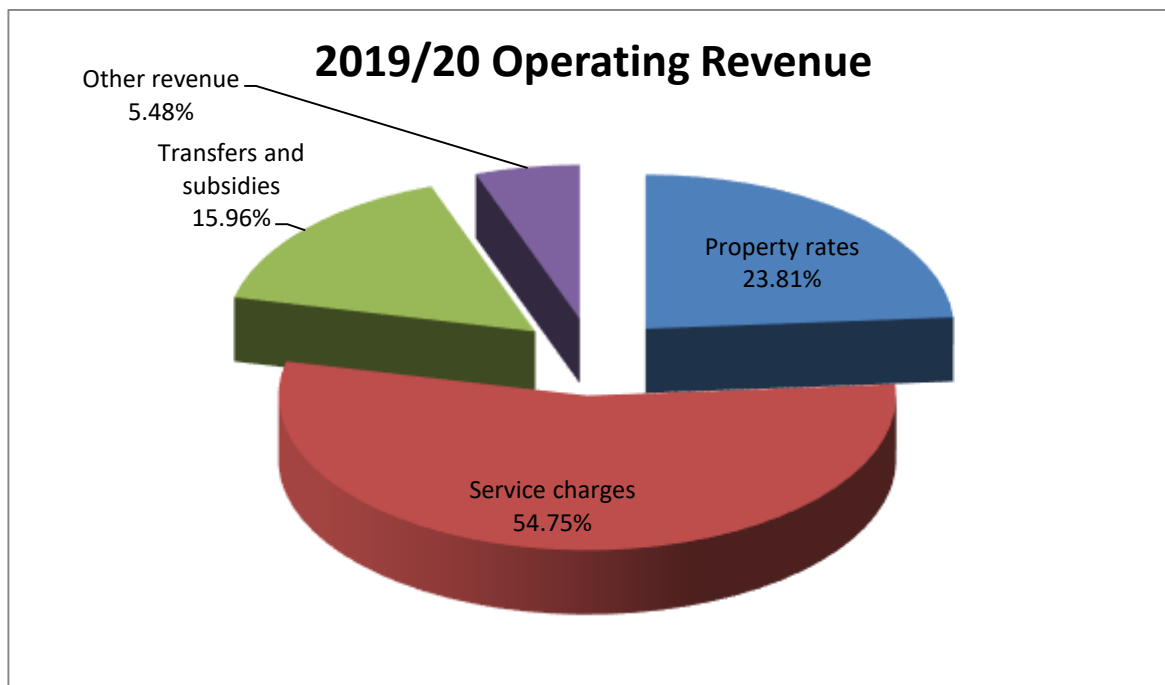


Figure 4 Breakdown of operating revenue over the 2019/20 MTREF

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 94% 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 198,564 million in the 2019/20 financial year and increases to R 229,466 million in 2021/22, representing 23.81% of the total operating revenue for the 2019/20 budget.

Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R 456,596 million in the 2019/20 financial year and increasing to R 566,709 million in 2021/22. For the 2019/20 financial year, services charges amount to 54.75% of the total revenue base.

Operational grants and subsidies amount to R 133,112 million, R 144,133 million and R 157,664 million for each of the respective financial years of the MTREF, or 15.96% of total operating revenue for 2019/20.

The table below provides investment particulars by type.

Table 19 (SA15 – Detail Investment Information)

Investment type	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousand				
Parent municipality				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	76 236	66 922	69 576	91 811
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				
Municipality sub-total	76 236	66 922	69 576	91 811
Entities				
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				
Entities sub-total	-	-	-	-
Consolidated total:	76 236	66 922	69 576	91 811

Investments are anticipated to increase from R 66,922 million in 2019/20 to R 91,811 million in 2021/22.

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2019/20 medium-term capital programme:

Table 20 (Sources of capital revenue over the MTREF)

Vote Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousand				
Funded by:				
National Government	166 829	45 573	43 231	43 413
Provincial Government	65			
District Municipality	1 965	2 065	1 965	1 965
Other transfers and grants	–			
Transfers recognised - capital	168 859	47 638	45 196	45 378
Public contributions & donations				
Borrowing				
Internally generated funds	40 656	42 294	36 120	33 835
Total Capital Funding	209 515	89 932	81 316	79 213

The above table is graphically represented as follows for the 2019/20 financial year.

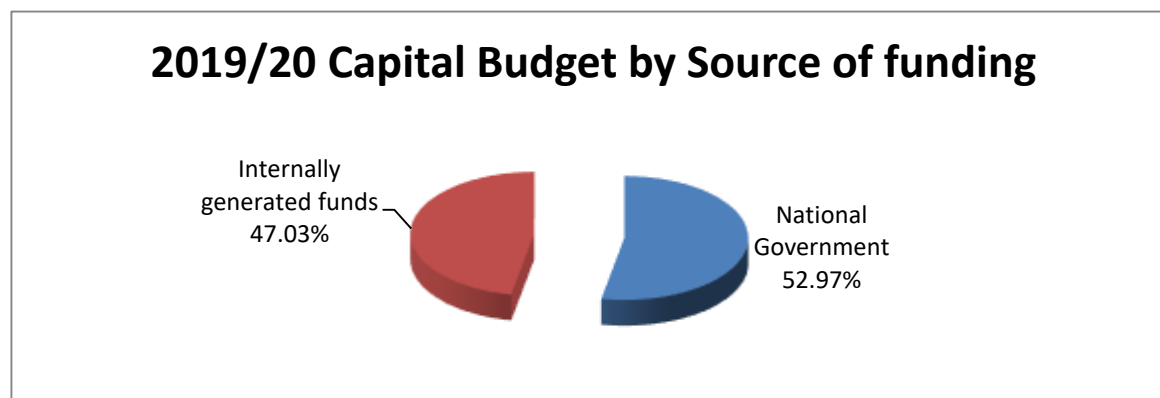


Figure 5 Sources of Capital Revenue for the 2018/19 financial year

Capital Grants constitute 52.97% of the total funding sources, amounting to R 47,638 million for the 2019/20 financial year and amounting to R 45,378 million or 57.29% in the 2021/22 financial year. It is to be noted that no borrowing is planned for the 2019/20 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)

Borrowing - Categorised by type	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	R thousand	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Parent municipality				
Annuity and Bullet Loans	23 600	15 602	6 640	–
Total Borrowing	23 600	15 602	6 640	–

The following graph illustrates the outstanding borrowing for the 2018/19 to 2020/21 period:

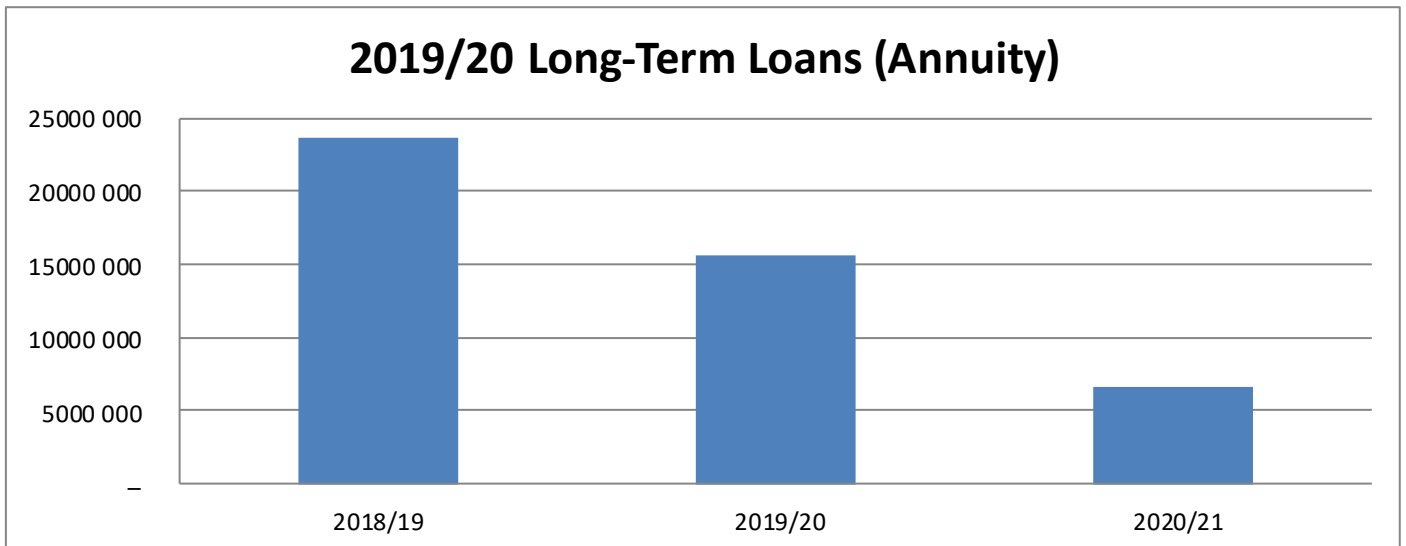


Figure 6 Growth in outstanding borrowing (long-term liabilities)

The following table indicates the capital transfers and grant receipts:

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

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	117 493	129 297	140 318	153 849
Local Government Equitable Share	113 151	124 938	136 879	150 293
Finance Management	1 770	1 770	1 770	1 770
EPWP Incentive	1 013	1 000	–	
MIG-Administration Fee	1 559	1 589	1 669	1 786
Provincial Government:	2 050	2 050	2 050	2 050
Sport and Recreation	2 050	2 050	2 050	2 050
District Municipality:	2 210	1 765	1 765	1 765
Local Economic Development	445	–	–	
Environmental Health Subsidy	1 765	1 765	1 765	1 765
Total Operating Transfers and Grants	121 753	133 112	144 133	157 664
Capital Transfers and Grants				
National Government:	191 055	52 098	49 717	49 925
Municipal Infrastructure Grant (MIG)	29 627	36 096	31 717	33 925
Integrated National Electrification Programme	10 200	6 002	7 000	6 000
Water Service Infrastructure Grant	151 228	10 000	11 000	10 000
District Municipality:	1 965	1 965	1 965	1 965
Fire Subsidy	1 965	1 965	1 965	1 965
Total Capital Transfers and Grants	193 020	54 063	51 682	51 891
TOTAL RECEIPTS OF TRANSFERS & GRANTS	314 773	187 175	195 815	209 554

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 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	173 628	186 650	200 649	215 698
Service charges	385 707	429 200	477 975	532 706
Other revenue	27 317	28 737	30 289	31 925
Government - operating	121 753	133 112	144 133	157 664
Government - capital	193 020	54 063	51 682	51 891
Interest	15 678	16 494	17 384	18 323
Dividends	-	-	-	-
Payments				
Suppliers and employees	(705 232)	(762 386)	(827 802)	(898 787)
Finance charges	(3 021)	(2 201)	(1 238)	(672)
Transfers and Grants	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	208 851	83 668	93 072	108 747
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-
Payments				
Capital assets	(209 515)	(89 932)	(81 317)	(79 214)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(209 515)	(89 932)	(81 317)	(79 214)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments				
Repayment of borrowing	(8 944)	(7 999)	(8 962)	(6 128)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(8 944)	(7 999)	(8 962)	(6 128)
NET INCREASE/ (DECREASE) IN CASH HELD	(9 608)	(14 262)	2 793	23 405
Cash/cash equivalents at the year begin:	94 315	84 707	70 445	73 238
Cash/cash equivalents at the year end:	84 707	70 445	73 238	96 643

For the 2019/20 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 70,445 million in 2019/20 million to R 96,643 million in 2021/22.

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

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Cash and investments available				
Cash/cash equivalents at the year end	84 707	70 445	73 238	96 643
Other current investments > 90 days	-	-	-	-
Non current assets - Investments	-	-	-	-
Cash and investments available:	84 707	70 445	73 238	96 643
Applications of cash and investments				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements	-			
Other working capital requirements	58 270	46 239	34 161	21 518
Other provisions	3 083	3 083	3 243	3 418
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments	-			
Total Application of cash and investments:	61 353	49 322	37 404	24 936
Surplus(shortfall)	23 354	21 123	35 834	71 706

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 70,445 million in the 2019/20 financial year and increases to R 96,643 million in 2021/22. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2019/20 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 21,123 million, R 35,834 million and R 71,706 million for the 2019/20, 2020/21 and 2021/22 financial years, respectively.

It is to be noted that the 2019/20 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 1.06 months, 1.02 months and 1.23 months for the 2019/20, 2020/21 and 2021/22 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	Ref	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
			Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Funding measures						
Cash/cash equivalents at the year end - R'000	18(1)b	1	84 707	70 445	73 238	96 643
Cash + investments at the yr end less applications - R'000	18(1)b	2	26 211	21 123	35 834	71 706
Cash year end/monthly employee/supplier payments	18(1)b	3	1.4	1.1	1.0	1.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	133 493	(1 432)	(1 862)	5 700
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	(2.8%)	4.1%	4.2%	4.3%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	93.1%	93.2%	93.2%	93.3%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	6.1%	6.1%	6.1%	6.1%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10		0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	0.0%	19.0%	17.6%	16.5%
Long term receivables % change - incr(decr)	18(1)a	12	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.0%	1.8%	1.9%	2.1%
Asset renewal % of capital budget	20(1)(vi)	14	5.1%	11.9%	12.1%	12.3%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2019/20 MTREF amounts to R 70,445 million, R 73,238 million and R 96,643 million for the respective financial years.

2.6.5.2 Cash plus investments less application of funds

For the 2019/20, 2020/21 and 2021/22 budgets, the available cash and investments exceed the application of funds by an amount of R 21,123 million, R 35,834 million and R 71,706 million respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

As part of the 2019/20 MTREF, the projected cash position causes the ratio to increase from 1.1 months to 1.2 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets

For the 2019/20 MTREF the indicative outcome is a deficit of R 1,432 million, R 1,862 million and surplus of R 5,701 million. This is made up as follows:

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Surplus/(Deficit)	(59 527)	(55 496)	(53 544)	(46 190)
Transfers and subsidies - capital	193 020	54 063	51 682	51 891
Total	133 493	(1 432)	(1 862)	5 701

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 5.2 %), so as to determine the real increase in revenue. The percentage growth totals 4.1%, 4.2% and 4.3% for the respective financial years of the 2019/20 MTREF.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

The outcome is approximately 93.2% for each of the respective financial years of the 2019/20 MTREF.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

The provision has been set at 6% 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 2019/20 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 1.8%, 1.9% and 2.1% of Property, Plant and Equipment respectively, over the 2019/20 MTREF, whilst National Treasury has suggested an 8% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	117 493	129 297	140 318	153 849
Local Government Equitable Share	113 151	124 938	136 879	150 293
Finance Management	1 770	1 770	1 770	1 770
EPWP Incentive	1 013	1 000	–	
MIG-Administration Fee	1 559	1 589	1 669	1 786
Provincial Government:	2 050	2 050	2 050	2 050
Sport and Recreation	2 050	2 050	2 050	2 050
District Municipality:	2 210	1 765	1 765	1 765
Local Economic Development	445	–	–	
Environmental Health Subsidy	1 765	1 765	1 765	1 765
Total Operating Transfers and Grants	121 753	133 112	144 133	157 664
Capital Transfers and Grants				
National Government:	191 055	52 098	49 717	49 925
Municipal Infrastructure Grant (MIG)	29 627	36 096	31 717	33 925
Integrated National Electrification Programme	10 200	6 002	7 000	6 000
Water Service Infrastructure Grant	151 228	10 000	11 000	10 000
District Municipality:	1 965	1 965	1 965	1 965
Fire Subsidy	1 965	1 965	1 965	1 965
Total Capital Transfers and Grants	193 020	54 063	51 682	51 891
TOTAL RECEIPTS OF TRANSFERS & GRANTS	314 773	187 175	195 815	209 554

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
EXPENDITURE:				
<u>Operating expenditure of Transfers and Grants</u>				
National Government:	117 493	129 297	140 318	153 849
Local Government Equitable Share	113 151	124 938	136 879	150 293
Finance Management	1 770	1 770	1 770	1 770
EPWP Incentive	1 013	1 000	–	
MIG-Administration Fee	1 559	1 589	1 669	1 786
Provincial Government:	2 050	2 050	2 050	2 050
Sport and Recreation	2 050	2 050	2 050	2 050
District Municipality:	2 210	1 765	1 765	1 765
Local Economic Development	445	–	–	
Environmental Health Subsidy	1 765	1 765	1 765	1 765
Total operating expenditure of Transfers and Grants:	121 753	133 112	144 133	157 664
<u>Capital expenditure of Transfers and Grants</u>				
National Government:	191 055	52 098	49 717	49 925
Municipal Infrastructure Grant (MIG)	29 627	36 096	31 717	33 925
Integrated National Electrification Programme	10 200	6 002	7 000	6 000
Water Service Infrastructure Grant	151 228	10 000	11 000	10 000
District Municipality:	1 965	1 965	1 965	1 965
Fire Subsidy	1 965	1 965	1 965	1 965
Total capital expenditure of Transfers and Grants	193 020	54 063	51 682	51 891
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	314 773	187 175	195 815	209 554

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 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousand				
<u>Cash Transfers to Entities/Other External Mechanisms</u>				
<i>Various Organisations</i>	2 999 407	4 000 000	4 500 000	5 000 000
Total Cash Transfers To Entities/Ems'	2 999 407	4 000 000	4 500 000	5 000 000
TOTAL CASH TRANSFERS AND GRANTS	2 999 407	4 000 000	4 500 000	5 000 000
TOTAL TRANSFERS AND GRANTS	2 999 407	4 000 000	4 500 000	5 000 000

2.9 COUNCILLORS AND EMPLOYEE BENEFITS

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework			
	R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year2020/21	Budget Year 2021/22
<u>Councillors (Political Office Bearers plus Other)</u>					
Basic Salaries and Wages	8 247	8 800	9 385	10 009	
Motor Vehicle Allowance	2 708	2 889	3 081	3 286	
Cell phone Allowance	1 288	1 374	1 465	1 563	
Sub Total - Councillors	12 243	13 063	13 932	14 858	
<u>Senior Managers of the Municipality</u>					
Basic Salaries and Wages	4 769	4 923	5 252	5 604	
Other benefits and allowances	3 179	3 282	3 502	3 736	
Sub Total - Senior Managers of Municipality	7 948	8 204	8 754	9 340	
<u>Other Municipal Staff</u>					
Basic Salaries and Wages	161 691	173 244	184 760	197 042	
Pension and UIF Contributions	28 152	29 339	31 290	33 370	
Medical Aid Contributions	14 279	15 119	16 125	17 197	
Overtime	27 829	32 833	35 016	37 345	
Motor Vehicle Allowance	8 085	7 551	8 053	8 589	
Housing Allowances	930	992	1 058	1 129	
Other benefits and allowances	20 704	22 256	23 736	25 315	
Payments in lieu of leave	1 481	–	–	–	
Long service awards	1 571	1 403	1 496	1 596	
Sub Total - Other Municipal Staff	264 725	282 737	301 535	321 583	
Total Parent Municipality	284 915	304 005	324 221	345 781	
TOTAL SALARY, ALLOWANCES & BENEFITS	284 915	304 005	324 221	345 781	
TOTAL MANAGERS AND STAFF	272 673	290 942	310 289	330 924	

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Disclosure of Salaries, Allowances & Benefits	Salary	Allowances	Total Package
Rand per annum			
Councillors			
Speaker	550 232	230 785	781 017
Chief Whip			
Executive Mayor	687 792	276 638	964 430
Deputy Executive Mayor			
Executive Committee	2 579 218	1 096 613	3 675 831
Total for all other councillors	4 850 191	2,791,503	7,641,694
Total Councillors	8,667,433	4,395,539	13,062,972
Senior Managers of the Municipality			
Municipal Manager (MM)	941 494	627 663	1 569 157
Chief Finance Officer	888 968	592 645	1 481 614
Director Infrastructure and Engineering	773 016	515 344	1 288 360
Director Corporate Services	773 016	515 344	1 288 360
Director Community Services	773 016	515 344	1 288 360
Director Planning, Development and Tourism	773 016	515 344	1 288 360
Total Senior Managers of the Municipality	4 922 526	3 281 684	8 204 210
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	13 589 959	7 677 223	21 267 182

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2019/20													
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20
Cash Receipts By Source														
Property rates	10 355	40 872	25 932	17 549	12 848	12 771	12 363	11 216	11 216	10 466	10 117	10 945	186 650	
Service charges - electricity revenue	21 489	23 186	24 790	24 614	18 236	21 947	21 688	22 085	22 085	20 958	20 150	20 919	262 148	
Service charges - water revenue	5 330	5 450	6 083	6 789	5 920	6 281	6 085	7 331	7 331	2 978	5 713	6 246	71 539	
Service charges - sanitation revenue	3 736	3 719	3 884	3 816	3 488	3 603	3 780	3 730	3 730	3 510	3 428	3 548	43 973	
Service charges - refuse revenue	3 944	3 304	3 818	4 031	3 766	3 937	4 128	4 109	4 109	8 418	3 810	4 167	51 541	
Service charges - other													-	
Rental of facilities and equipment	234	295	294	296	269	296	293	246	264	265	228	222	3 202	
Interest earned - external investments	668	842	840	843	767	843	836	703	752	755	650	633	9 132	
Interest earned - outstanding debtors	666	-	321	815	783	767	766	714	392	705	726	708	7 362	
Dividends received													-	
Fines, penalties and forfeits	228	688	214	246	504	289	409	369	345	232	564	362	4 450	
Licences and permits	783	2 360	734	842	1 729	992	1 404	1 266	1 184	795	1 936	1 243	15 268	
Agency services													-	
Transfer receipts - operational	53 829	303	-	-	1 424	44 099	712	363	32 381	-	-	0	133 112	
Other revenue	298	899	280	321	659	378	535	482	451	303	738	474	5 817	
Cash Receipts by Source	101 560	81 917	67 189	60 163	50 394	96 206	52 998	52 615	84 240	49 384	48 060	49 467	794 193	
Other Cash Flows by Source														
Transfer receipts - capital	33 210	-	-	3 457	-	3 457	-	-	13 938				54 063	
Total Cash Receipts by Source	134 770	81 917	67 189	63 620	50 394	99 663	52 998	52 615	98 179	49 384	48 060	49 467	848 256	

MONTHLY CASH FLOWS	Budget Year 2019/20													
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20
Cash Payments by Type														
Employee related costs	22 649	22 579	22 467	22 855	35 910	23 500	25 306	24 172	22 706	23 559	23 351	21 888	290 942	
Remuneration of councillors	873	873	931	839	839	839	1 563	1 255	1 255	1 251	1 281	1 266	13 063	
Finance charges	203	163	184	200	184	175	196	167	167	181	220	159	2 201	
Bulk purchases - Electricity	98	29 394	28 393	22 667	17 739	18 420	19 189	19 919	19 919	16 839	18 453	17 665	228 696	
Bulk purchases - Water & Sewer	2 423	3 128	3 227	2 787	3 519	3 380	2 931	4 867	4 867	2 549	1 748	3 844	39 270	
Other materials	3 884	1 000	2 774	2 751	2 089	3 383	992	2 380	2 817	338	3 416	3 747	29 571	
Contracted services	8 481	2 183	6 056	6 005	4 561	7 387	2 167	5 197	6 149	739	7 458	8 181	64 564	
Transfers and grants - other municipalities												-		
Transfers and grants - other												-		
Other expenditure	12 647	3 255	9 031	8 956	6 801	11 016	3 231	7 750	9 170	1 102	11 122	12 200	96 281	
Cash Payments by Type	51 258	62 576	73 063	67 059	71 642	68 101	55 576	65 706	67 050	46 559	67 049	68 950	764 587	
Other Cash Flows/Payments by Type														
Capital assets	-	63	611	1 560	18 735	2 510	5 245	8 565	1 854	17 478	15 615	17 697	89 932	
Repayment of borrowing	624	706	663	629	661	680	635	698	698	668	584	752	7 999	
Other Cash Flows/Payments												-		
Total Cash Payments by Type	51 882	63 344	74 337	69 247	91 039	71 290	61 456	74 969	69 602	64 705	83 248	87 399	862 518	
NET INCREASE/(DECREASE) IN CASH HELD	82 888	18 573	(7 148)	(5 627)	(40 645)	28 373	(8 458)	(22 354)	28 576	(15 320)	(35 188)	(37 932)	(14 262)	
Cash/cash equivalents at the month/year begin:	84 707	167 595	186 168	179 021	173 394	132 749	161 121	152 663	130 309	158 885	143 565	108 377	84 707	
Cash/cash equivalents at the month/year end:	167 595	186 168	179 021	173 394	132 749	161 121	152 663	130 309	158 885	143 565	108 377	70 445	70 445	

MONTHLY CASH FLOWS	Budget Year 2019/20			
	R thousand	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Cash Receipts By Source				
Property rates		186 650	200 649	215 698
Service charges - electricity revenue		262 148	298 351	339 553
Service charges - water revenue		71 539	76 904	82 672
Service charges - sanitation revenue		43 973	47 490	51 290
Service charges - refuse revenue		51 541	55 229	59 192
Service charges - other				
Rental of facilities and equipment		3 202	3 375	3 557
Interest earned - external investments		9 132	9 625	10 145
Interest earned - outstanding debtors		7 362	7 759	8 178
Dividends received				
Fines, penalties and forfeits		4 450	4 690	4 943
Licences and permits		15 268	16 093	16 962
Agency services				
Transfer receipts - operational		133 112	144 133	157 664
Other revenue		5 817	6 131	6 462
Cash Receipts by Source		794 193	870 430	956 315
Other Cash Flows by Source				
Transfer receipts - capital		54 063	51 682	51 891
Total Cash Receipts by Source		848 256	922 112	1 008 206

MONTHLY CASH FLOWS	Budget Year 2019/20		
	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousand			
Cash Payments by Type			
Employee related costs	290 942	310 289	330 924
Remuneration of councillors	13 063	13 932	14 858
Finance charges	2 201	1 238	672
Bulk purchases - Electricity	228 696	260 279	296 223
Bulk purchases - Water & Sewer	39 270	42 216	45 382
Other materials	29 571	31 307	33 094
Contracted services	64 564	68 766	73 163
Transfers and grants - other municipalities			
Transfers and grants - other			
Other expenditure	96 281	101 013	105 144
Cash Payments by Type	764 587	829 040	899 459
Other Cash Flows/Payments by Type			
Capital assets	89 932	81 317	79 214
Repayment of borrowing	7 999	8 962	6 128
Other Cash Flows/Payments			
Total Cash Payments by Type	862 518	919 319	984 801
NET INCREASE/(DECREASE) IN CASH HELD	(14 262)	2 793	23 405
Cash/cash equivalents at the month/year begin:	84 707	70 445	73 238
Cash/cash equivalents at the month/year end:	70 445	73 238	96 643

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 2019/20 financial year will be approved by the Executive Mayor during June 2019, 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 2019/20 IDP has been developed, which will be considered at a Council meeting to be held on 29 March 2019. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP. The final version of the revised 2019/20 IDP will be considered at a Council meeting scheduled for 30 May 2019.

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 2017/18 Annual Report was tabled in January 2019.

Oversight Report

The Municipal Public Accounts Committee has considered the 2017/18 Annual report. Its Oversight Report will be considered at a Council meeting scheduled for 29 March 2019.

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 2019/20 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 eight Interns on the Municipal Financial Management Internship programme, as approved by National Treasury.

Municipal Standard Chart of Accounts (mSCOA)

The Municipality has approved a Project Plan for the implementation of mSCOA. The governance structures are in place in terms of a Project Steering Committee and a Project Implementation Team. A term of reference has been developed, outlining the roles and responsibilities of each committee, in order to hold the members accountable for the implementation thereof.

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 annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name : Charl Du Plessis

Municipal Manager of Kouga Municipality (EC108)

Signature : 

Date : 24/03/2019
