

TSWELOPELE LOCAL MUNICIPALITY

FS 183

CIVIC CENTRE, BOSMAN STREET

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MTREF

2019/2020–2021/2022

PREPARED IN ACCORDANCE WITH BUDGET REGULATIONS, MFMA
CIRCULARS

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PART 1

1. Mayoral Report by Cllr. Matsholo

BUDGET SPEECH FOR 2017/2018 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

Madam Speaker, Councillors, Municipal Manager, Directors, stakeholders and community at large, Good Morning:

We have once more arrived at the time of the year where we must be prepared for the future, and indeed there is no better time to prepare for tomorrow than now.

Madam Speaker the course ahead of us will be somewhat tougher. As we present where we are now, we must tell Tswelopele Citizens and the people of Free State that our ship is stronger and we are better prepared than during previous episodes of global turmoil. We are all in this together, business and community organizations, labor and government, the employed, self-employed and the unemployed, the urban and the rural, men and women, we may not all be affected in the same way, but we face the same dead winds of uncertainties. None of us has the privilege of perfect foresight; none of us is isolated from the tides and turbulences of global markets.

We are highly committed in serving the community of Tswelopele Local Municipality with the service delivery of the standard they deserve, we can only achieve all our targets by working together as a united force and practicing the Batho-Pele principles as we are here due to the faith they entrusted to us.

Madam Speaker it is for this reason we had to take time to prepare this budget, and the following are factors we took into account when preparing the budget:

Alignment between National and Provincial priorities

Tswelopele Local Municipality development plan needs to align with National and Provincial initiatives to ensure optimal impact from the combined efforts of government.

Here are some of the National Government's framework to enhance the social, cultural and economic welfare of all South Africans:

- Enhancing quality of education
- Sustaining employment growth through increased public investment spending
- Improving provision of healthcare and broadening programs tackling HIV and Aids
- Reducing the levels of crime and enhancing citizen safety
- Increasing access to basic services

Provincial Priorities are:

- Fighting Poverty
- Reducing Crime
- Implementing a comprehensive response to HIV and AIDS

Local Priorities

- Improve municipal Infrastructure
- Improve Service delivery
- Fight poverty
- Improve skills development

This budget and many government programmes and plans contribute to the raising growth potential in the future. Our investment in physical infrastructure, education, skills research and development, fighting crime and contributing to regional peace are aimed at improving our growth prospects over broadening opportunity, we will grow even faster with equitable outcomes. In his recent book on social democratic policy challenges, Harvard academic Roberto Anger, speaks of the need to energize democracy by confronting the interplay of global and local forces and building the capacity to negotiate from position of strength by mobilizing resources of knowledge and national capabilities. Our high rate of unemployment remains our great challenge, but our response to the unemployment challenge needs to be better coordinated. This is the centre of our war against poverty. In particular, efforts to increase employment of young people have to be intensified and skills development better focused.

Tswelopele Local Municipality is confident that this budget is structured to give effect to the strategic priorities and support long term sustained growth and development, in line with National and Provincial objectives:

The following are some of the key project that impact positively in the lives of the residents of Tswelopele Local Municipality:

- Poverty Alleviation
- Pauper Funerals
- HIV/ AIDS Campaigns
- OR Tambo Games
- Free Basic Services (Water, Electricity, Refuse, Sewerage)
- Disaster Management
- Rehabilitation of Roads
- Maintenance of Infrastructure assets

Madam Speaker, 2017/2018 has been a very challenging year, and with the first introduction of Mscoa, Tswelopele Municipality received qualified audit opinion. The administrative team is working very hard to ensure to ensure that the situation is turned around in 2018/2019 and as council of the municipality we are very committed in providing as much possible support in this regard.

In conclusion Madam Speaker, each budget that we have presented to this council has been different. The important shift this year is that the global economy has changed; economic trends do not stop at the border post they come with no passports, and have the potential to wreak havoc, even when plans have been carefully laid.

Madam Speaker, to synthesis a budget that will stand up to scrutiny requires an ability to take advises from many quarters to analyze and test them.

Amongst the sources of ideas is the broader public consultation and engagement in the process and taking ownership of the budget. This year all stakeholders will share their ideas with us, and I can assure you their inputs will be taken into consideration.

After having considered all the proposals, I am privileged to present this budget as a statement of collective of Tswelopele Local Municipality responsibilities.

2. Budget resolution by Council

5 / 03 TABLING OF TSWELOPELE LOCAL MUNICIPALITY DRAFT ANNUAL BUDGET FOR THE 2019/2020 FINANCIAL YEAR

AGENDA : COUNCIL MEETING

DATE: 28 MARCH 2019

1. PURPOSE

This item is submitted to Council for consideration and tabling of the annual budget for the 2018/2019 financial year and two outer years (i.e. 2019/20 and 2020/21) as required by the Municipal Finance Management Act, 2003 [Act 56 of 2003].

2. BACKGROUND

In terms of the Municipal Finance Management Act, section 24(2) (a), the annual budget of the Municipality must be approved before the start of the new financial year, section 24 (2)(b), annual budget is approved by the adoption by the Council of a resolution referred to in section 17(3)(a)(i) and section 24 (2)(c) annual budget of the Municipality must be approved together with the adoption of resolutions as may be necessary.

It is crucial that the municipal council approves the annual budget before the start of the financial year.

In order to comply with the above requirements, the Mayor of the Municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year, latest being 31 March 2019.

3. STAKEHOLDERS CONSULTED

- None

4. LEGAL IMPLICATIONS

- Compliance to the Municipal Finance Management Act, 2003 [Act 56 of 2003]
- Compliance to the Municipal Budget and Reporting Regulations

5. STAFF IMPLICATIONS

- None

6. FINANCIAL IMPLICATIONS

- Approval of the item as submitted will constitute the tabled budget for the 2019/20 financial year, this budget will undergo community consultation processes, the final budget will be approved by Council on the latest 30 June 2019.
- The following are the proposed tariff increases for the 2019/2020 financial year:
 - Property Rates for all other properties : 6.50%
 - Property Rates for agricultural properties : 6.50%
 - Water : 6.50%
 - Refuse : 6.50%
 - Sanitation : 6.50%
 - Electricity : 8.50%
- All other tariff increase are per the Tariff List of the Municipality.
- The tariff for electricity will be further reviewed to ensure compliance with 'Paragraph 3.1: Eskom bulk tariff increases' of National Treasury's Municipal Budget Circular for the 2019 / 2020 MTREF dated 8 March 2019.

7. RISKS

- Failure to approve the “draft” budget by the Municipal Council may result in the deadline for the approval of the final budget not to be met, and the results thereof will lead to all expenditure items having to be approved by the Member of the Executive Council (MEC) responsible for local government in the province prior to being incurred.
- The municipality maybe unable to render services to the community due to none availability of financial resources if the budget is not approved.
- Section 139 of the Constitution may be imposed on the Council of the Municipality.

8. ANNEXURE

- Draft budget document
- Tariffs list

9. RECOMMENDATION

1. That the draft annual budget of the Municipality for the financial year 2019 / 2020 be adopted and public participation be undertaken on the budget.
2. That public comments be invited on the budget related policies.
3. That all stakeholders be consulted on the tabled draft annual budget.

[FOR RESOLUTION]

MINUTES OF THE COUNCIL MEETING – 28 MARCH 2019

1. Council herby resolved that the draft annual budget of the Municipality for the financial year 2019 / 2020 be adopted and public participation be undertaken on the budget.
2. Council herby resolved that public comments be invited on the budget related policies before the final approval in June 2019.
3. Council herby resolved that all stakeholders be consulted on the tabled draft annual budget.

3. Executive summary

Tswelopele local municipality budget process started in August 2018, when the council of the municipality approved budget timelines as required by legislation.

Tswelopele local municipality vastly depends on grants from national government as majority of its revenue is made up of equitable shares and some other grants, i.e. Financial Management Grant, Lejweleputswa district municipality grant, and a grant from Public works.

Table SA 18 on the municipality annual budget tables clearly distinguishes between all this different allocations, total operating grant allocated to Tswelopele local municipality amount to R 77 563 000

The municipality has 11 992 households (*Census 2011*) of which over 70% are poor, currently the outstanding debtors of the municipality are standing at more than R 40 million.

National Treasury MFMA circulars were used to guide in the compilation of the 2019/2020 Medium Term revenue and expenditure framework,

The following budget principles and guidelines informed the compilation of the 2019/2020 Medium Term revenue and expenditure framework:

- 2018/2019 MFMA Section 72 report – mid-term assessment report
- 2018/2019 Adjustment Budget
- Average CPI from 1 March 2018 to 28 February 2019.

Total revenue is anticipated to grow in the mid-term, the growth in the mid-term due to tariff increases,

The municipality aligned its budget to the national and provincial priorities, mentioned below are some of the National and Provincial priorities:

- ▣ National Priorities
 - Increase access to basic services
 - Sustainable employment growth through increased public investment spending
- ▣ Provincial priorities
 - Fighting Poverty
 - Reduce Crime

Tswelopele local Municipality prepared its budget with all this priorities in mind, e.g.

- Sustainable employment – Job creation through MIG and EPWP

- Provincial priority
 - Fighting Poverty

Currently the municipality has eradicated all the buckets in its jurisdiction except in new extension, this budget is catering for construction of toilets structures in new extensions. All households have access to water, mentioned below is the progress made to address any backlogs in the municipality:

- All households have access to water and sanitation
- All households are connected to public sewerage network

3.1. Operating revenue overview

Tswelopele Local Municipality has implemented revenue enhancement strategy.

The following key components were used in terms of budgeted revenue of the municipality:

- National Treasury MFMA Circulars
- Electricity Tariff increases as applied to National Electricity Regulator of South Africa
- Latest Valuation roll in terms of Municipal Property Rates Act, Act 6 of 2004 as amended
- Municipality's indigent policy
- Tariff Policy of the Municipality
- Tariff Increases for Water, Refuse and Sewerage
- Targeted revenue collection rate of 100% of the billed revenue

The table in the next page summarises the 2019/2020 revenue by source:

As it can be seen from the table below, the revenue of the Municipality will increase in the Medium term, the main contributor is revenue from National Transfers (Grants):

FS183 Tswelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	15 085	15 854	17 000	18 085	13 085	13 085	13 085	16 000	16 880	17 893
Service charges - electricity revenue	2	26 361	31 319	30 536	36 415	36 415	36 415	36 415	39 500	41 673	44 173
Service charges - water revenue	2	6 127	5 843	5 069	8 677	8 677	8 677	8 677	9 000	9 496	10 065
Service charges - sanitation revenue	2	6 427	6 831	3 587	7 055	7 055	7 055	7 055	6 700	7 069	7 493
Service charges - refuse revenue	2	4 284	4 526	2 084	4 467	4 467	4 467	6 583	4 500	4 748	5 032
Rental of facilities and equipment		748	758	500	647	647	647	647	512	540	573
Interest earned - external investments		1 133	620	1 000	600	690	690	690	700	739	783
Interest earned - outstanding debtors		1 604	702	50	1 000	200	200	200	500	528	559
Dividends received		49	20	40	50	40	40	40	43	45	48
Fines, penalties and forfeits		301	274	60	40	40	40	40	150	158	168
Licences and permits		66	28	-	80	80	80	80	10	11	11
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		67 994	62 528	62 602	69 989	70 935	70 935	70 935	77 563	81 144	86 838
Other revenue	2	1 051	1 135	2 668	3 114	2 757	2 757	2 757	959	1 012	1 072
Gains on disposal of PPE				4 250					-	-	-
Total Revenue (excluding capital transfers and contributions)		131 231	130 437	129 447	150 220	145 089	145 089	147 205	156 137	164 040	174 706

Table 2: Grants

FS183 Tswelopele - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	-	-	-	77 513	81 094	86 788
Local Government Equitable Share								74 224	79 124	84 554
Finance Management								1 970	1 970	2 234
EPWP Incentive								1 319	-	-
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	50	50	50
Lejweleputswa								50	50	50
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	-	-	-	-	-	-	77 563	81 144	86 838

Total grants received will increase in the MTREF due to increase in equitable share allocation.

Different components of revenue will be discussed in this page

3.1.1. Electricity

Tswelopele Local Municipality comprises of 2 townships (Phahameng and Tikwana) and 2 towns (Bultfontein and Hoopstad), and according to the latest census 2011 result, the municipality has 11992, out of this 11992 households, the Municipality only sells electricity to about 1350 households and the rest are serviced by Eskom. The Municipality buys bulk electricity from Eskom to sell to these households and businesses in Bultfontein and Hoopstad respectively.

National Energy regulator of South Africa (NERSA) approved an average increase of 8% for the municipality for the year 2019/2020.

Tswelopele Local Municipality target indigent households as per the approved indigent register for free basic electricity, all indigent households receive 50Kwh on a monthly basis.

3.1.2. Water

The intention of the Municipality is to bill Townships based on consumption and not flat rate as is currently the case. Municipality needs conducted the meter audit and the municipality will be able to bill Townships on consumption base after repairing the faulty meters.

The Municipality proposed an increase of 6.5% for water tariff.

There is currently no inclining block tariff structure implemented for water services, and for future, the Municipality will like to have this tariff structure in place. In terms of the free basic services policy of the Municipality, all households receive the free 6kl per month of water.

3.1.3. Sanitation (Sewerage)

A tariff increase of 6.5% for sanitation from 1 July 2019 is proposed.

The following factors contributed to the proposed tariff:

- Sanitation charges are charged at a flat rate, irrespective of the quantity of water used / consumed
- Free Sanitation is only provided to indigent households as per the council approved Indigent register
- There is no inclining tariff structure for sanitation consumption

3.1.4. Waste Removal

The proposed tariff increase for waste removal is 6.5%; the reason for this increase is due to the fact that this will only be the third financial year that these tariffs are increased. The following factors were considered for the proposed tariff increase:

- Waste removal charges are charged at a flat rate, irrespective of litres of waste removed
- The increment will also cover the wear and tear off all the trucks and vehicles used to provide this service
- Waste removal is provided for free to all the households who are indigent
- All 11992 households waste are removed once a week

3.1.5. Property rates

Property rates is a statutory tax charged on all property owners within the jurisdiction of the Municipality, it is imposed in accordance to section 229 of the Constitution of South Africa and Municipal Property rates act, act 6 of 2004 (MPRA).

In terms of MPRA the municipality must prepare a valuation roll after every 4 financial year, Tswelopele Local Municipality first implemented the valuation roll in accordance with MPRA prescripts on the 1st July 2009, and according to this act a new valuation roll should be implemented on the 1st July 2017.

The municipality is proposing an increase of the tariffs on Property rates by 6.5% for all the properties.

3.2. Operating Expenditure Framework

The municipality budgeted for an expenditure budget of R 188 669 000 (including non-cash items of R 32 900 000) and it was informed by the following:

- Balance budget constraints – the municipality must not budget for a deficit
- Funding of the budget as based on section 18 and section 19 of Municipal Finance Management act, act 54 of 2003
- National Treasury MFMA circulars
- South African Local Government Bargaining Council collective agreement on salaries
- Average CPI from 1 March 2019 to 28 February 2020

The table below show the total budgeted expenditure:

FS183 Tswelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type											
Employee related costs	2	57 697	58 385	59 122	63 594	63 877	63 877	63 877	66 044	69 677	73 857
Remuneration of councillors		4 663	4 783	6 135	6 563	6 563	6 563	6 563	6 710	7 079	7 504
Debt impairment	3	7 531	13 115	5 641	6 100	6 100	6 100	6 100	6 900	6 900	6 900
Depreciation & asset impairment	2	26 179	26 783	19 669	26 000	26 000	26 000	26 000	26 000	26 000	26 000
Finance charges		2 562	3 932	2 178	2 958	2 958	2 958	2 958	3 108	3 279	3 476
Bulk purchases	2	32 282	34 144	31 916	33 895	32 895	32 895	32 895	39 100	41 250	43 726
Other materials	8	6 460	7 782	8 324	8 340	7 310	7 310	7 310	7 448	7 857	8 326
Contracted services		27	38	1 000	-	-	-	-	2 000	2 110	2 237
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	28 587	33 070	32 640	33 333	33 630	33 630	33 630	31 359	31 584	33 479
Loss on disposal of PPE											
Total Expenditure		165 988	182 032	166 624	180 783	179 333	179 333	179 333	188 669	195 736	205 504

3.3. Analysis of Capital Budget

Tswelopele Local Municipality capital budget is funded through Municipal Infrastructure Grant,

The following are the major capital projects budgeted for:

- Construction of Toilet Structures & Sewer Reticulation and Connections
- Construction of sewerage network
- Upgrading of Sports fields
- Construction of Cricket Pitch
- Upgrading of Roads

4. Annual budget tables

The following tables will show the all ten (10) main annual budget tables and the analysis thereof:

FS183 Tswelopele - Table A1 Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Financial Performance										
Property rates	15 085	15 854	17 000	18 085	13 085	13 085	13 085	16 000	16 880	17 893
Service charges	43 199	48 519	41 277	56 615	56 615	56 615	58 730	59 700	62 985	66 762
Investment revenue	1 133	620	1 000	600	690	690	690	700	739	783
Transfers recognised - operational	67 994	62 528	62 602	69 989	70 935	70 935	70 935	77 563	81 144	86 838
Other own revenue	3 819	2 917	7 568	4 931	3 764	3 764	3 764	2 174	2 293	2 431
Total Revenue (excluding capital transfers and contributions)	131 231	130 437	129 447	150 220	145 089	145 089	147 205	156 137	164 040	174 706
Employee costs	57 697	58 385	59 122	63 594	63 877	63 877	63 877	66 044	69 677	73 857
Remuneration of councillors	4 663	4 783	6 135	6 563	6 563	6 563	6 563	6 710	7 079	7 504
Depreciation & asset impairment	26 179	26 783	19 669	26 000	26 000	26 000	26 000	26 000	26 000	26 000
Finance charges	2 562	3 932	2 178	2 958	2 958	2 958	2 958	3 108	3 279	3 476
Materials and bulk purchases	38 742	41 926	40 240	42 235	40 205	40 205	40 205	46 548	49 107	52 052
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	36 145	46 223	39 280	39 433	39 730	39 730	39 730	40 259	40 594	42 616
Total Expenditure	165 988	182 032	166 624	180 783	179 333	179 333	179 333	188 669	195 736	205 504
Surplus/(Deficit)	(34 757)	(51 595)	(37 177)	(30 563)	(34 244)	(34 244)	(32 128)	(32 533)	(31 696)	(30 798)
Transfers and subsidies - capital (monetary allocation)	33 794	33 835	51 704	23 837	23 837	23 837	23 837	16 488	17 181	18 179
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(963)	(17 760)	14 527	(6 726)	(10 407)	(10 407)	(8 291)	(16 045)	(14 515)	(12 619)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(963)	(17 760)	14 527	(6 726)	(10 407)	(10 407)	(8 291)	(16 045)	(14 515)	(12 619)
Capital expenditure & funds sources										
Capital expenditure	32 306	33 331	51 964	22 672	22 775	22 775	22 775	16 763	17 471	18 487
Transfers recognised - capital	30 405	30 771	51 704	22 645	22 645	22 645	22 645	16 488	17 181	18 179
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	1 901	2 560	260	27	130	130	130	275	290	308
Total sources of capital funds	32 306	33 331	51 964	22 672	22 775	22 775	22 775	16 763	17 471	18 487
Financial position										
Total current assets	22 467	28 447	7 550	38 550	38 550	38 550	38 550	43 200	43 700	43 900
Total non current assets	578 348	584 242	527 668	594 871	595 800	594 800	594 800	611 563	612 271	613 487
Total current liabilities	37 108	68 106	24 862	31 000	31 000	31 000	31 000	21 800	16 800	11 800
Total non current liabilities	27 052	25 820	20 280	25 560	25 560	25 560	25 560	19 437	18 569	17 701
Community wealth/Equity	539 829	519 635	488 702	576 790	576 790	576 790	576 790	613 526	620 602	627 885
Cash flows										
Net cash from (used) operating	24 435	32 354	44 152	15 738	18 761	18 761	18 761	16 805	18 335	20 231
Net cash from (used) investing	(26 719)	(32 789)	(47 714)	(23 837)	(23 837)	(23 837)	(23 837)	(16 763)	(17 471)	(18 487)
Net cash from (used) financing	149	(487)	(830)	(830)	(830)	(830)	(830)	(830)	(830)	(830)
Cash/cash equivalents at the year end	4 221	3 300	3 558	(1 013)	2 010	2 010	2 010	712	746	1 661
Cash backing/surplus reconciliation										
Cash and investments available	7 275	4 253	3 520	3 250	3 250	3 250	3 250	2 800	3 300	3 500
Application of cash and investments	18 548	45 831	(287)	(300)	(934)	(934)	(68)	(19 743)	(24 743)	(29 743)
Balance - surplus (shortfall)	(11 272)	(41 577)	3 807	3 550	4 184	4 184	3 318	22 543	28 043	33 243

FS183 Tswelopele - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue - Functional										
<i>Governance and administration</i>		88 187	89 567	27 341	36 854	32 074	32 074	33 071	33 472	35 738
Executive and council		1 079	6	5 880	4 828	4 828	4 828	4 742	3 611	3 828
Finance and administration		87 108	89 561	21 461	32 026	27 246	27 246	28 329	29 861	31 910
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		406	133	5 053	12 191	12 191	12 191	5 947	5 532	5 919
Community and social services		402	128	2 666	2 272	2 272	2 272	5 185	5 511	5 897
Sport and recreation		3	5	562	8 094	8 094	8 094	762	21	22
Public safety		1	–	1 825	1 825	1 825	1 825	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		16 433	576	7 388	4 920	4 920	4 920	8 466	17 234	18 235
Planning and development		–	–	–	–	–	–	–	–	–
Road transport		16 433	576	7 388	4 920	4 920	4 920	8 466	17 234	18 235
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		59 999	73 995	153 320	120 091	119 740	119 740	125 091	125 767	132 016
Energy sources		26 779	34 092	65 320	54 664	54 313	54 313	59 512	62 970	67 000
Water management		22 508	28 546	46 754	22 241	22 241	22 241	24 109	25 577	27 305
Waste water management		6 427	6 831	28 788	30 463	30 463	30 463	27 794	21 718	23 198
Waste management		4 284	4 526	12 458	12 723	12 723	12 723	13 676	15 502	14 514
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	165 025	164 271	193 102	174 056	168 925	168 925	172 574	182 005	191 909
Expenditure - Functional										
<i>Governance and administration</i>		50 804	40 702	46 328	82 427	82 730	82 730	80 478	82 428	83 588
Executive and council		13 481	14 300	14 955	18 043	17 783	17 783	40 696	40 945	40 030
Finance and administration		37 323	26 402	31 373	64 384	64 947	64 947	39 783	41 483	43 558
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		17 410	19 942	15 888	12 972	11 875	11 875	16 561	17 472	18 521
Community and social services		13 170	14 017	13 837	10 467	9 370	9 370	16 434	17 338	18 379
Sport and recreation		2 281	4 325	127	107	107	107	127	134	142
Public safety		1 959	1 600	1 924	2 398	2 398	2 398	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		20 257	24 127	20 682	14 066	14 396	14 396	15 311	16 153	17 122
Planning and development		–	–	–	–	–	–	–	–	–
Road transport		20 257	24 127	20 682	14 066	14 396	14 396	15 311	16 153	17 122
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		77 517	97 261	83 726	71 318	70 435	70 435	76 319	80 516	85 347
Energy sources		31 265	41 130	36 103	35 464	35 330	35 330	38 920	41 061	43 525
Water management		19 323	19 892	18 878	13 926	12 973	12 973	14 546	15 346	16 266
Waste water management		17 562	22 384	17 206	12 548	12 652	12 652	13 123	13 845	14 676
Waste management		9 368	13 855	11 540	9 380	9 480	9 480	9 729	10 264	10 880
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	165 988	182 032	166 624	180 783	179 436	179 436	188 669	196 570	204 578
19 Surplus/(Deficit) for the year		(964)	(17 761)	26 478	(6 727)	(10 511)	(10 511)	(16 095)	(14 565)	(12 669)

FS183 Tswelopele - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote	1									
Vote 1 - Executive and Council		1 079	6	5 880	4 828	4 828	4 828	4 742	3 611	3 828
Vote 2 - Budget and Treasury Office		87 108	89 561	21 461	31 414	26 634	26 634	28 219	29 745	31 787
Vote 3 - Community and Social Services		402	128	2 666	2 272	2 272	2 272	5 185	5 511	5 897
Vote 4 - Public Safety		1	-	1 825	1 825	1 825	1 825	-	-	-
Vote 5 - Sport and Recreation		3	5	562	8 094	8 094	8 094	762	21	22
Vote 6 - Waste Management		4 284	4 526	12 458	12 723	12 723	12 723	13 676	15 502	14 514
Vote 7 - Waste Water Management		6 427	6 831	28 788	30 463	30 463	30 463	27 794	21 718	23 198
Vote 8 - Road Transport		16 433	576	7 388	4 920	4 920	4 920	8 466	17 234	18 235
Vote 9 - Water		22 508	28 546	46 754	22 241	22 241	22 241	24 109	25 577	27 305
Vote 10 - Electricity		26 779	34 092	65 320	54 664	54 313	54 313	59 512	62 970	67 000
Vote 11 - Corporate Services		-	-	-	612	612	612	110	116	123
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	165 025	164 271	193 102	174 056	168 925	168 925	172 574	182 005	191 909
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive and Council		13 481	14 300	14 955	18 043	17 783	17 783	40 696	40 945	40 030
Vote 2 - Budget and Treasury Office		37 323	26 402	31 373	54 516	54 679	54 679	30 028	31 192	32 650
Vote 3 - Community and Social Services		13 170	14 017	13 837	10 467	9 370	9 370	16 434	17 338	18 379
Vote 4 - Public Safety		1 959	1 600	1 924	2 398	2 398	2 398	-	-	-
Vote 5 - Sport and Recreation		2 281	4 325	127	107	107	107	127	134	142
Vote 6 - Waste Management		9 368	13 855	11 540	9 380	9 480	9 480	9 729	10 264	10 880
Vote 7 - Waste Water Management		17 562	22 384	17 206	12 548	12 652	12 652	13 123	13 845	14 676
Vote 8 - Road Transport		20 257	24 127	20 682	14 066	14 396	14 396	15 311	16 153	17 122
Vote 9 - Water		19 323	19 892	18 878	13 926	12 973	12 973	14 546	15 346	16 266
Vote 10 - Electricity		31 265	41 130	36 103	35 464	35 330	35 330	38 920	41 061	43 525
Vote 11 - Corporate Services		-	-	-	9 868	10 268	10 268	9 754	10 291	10 908
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	165 988	182 032	166 624	180 783	179 436	179 436	188 669	196 570	204 578
Surplus/(Deficit) for the year	2	(964)	(17 761)	26 478	(6 727)	(10 511)	(10 511)	(16 095)	(14 565)	(12 669)

FS183 Tswelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	15 085	15 854	17 000	18 085	13 085	13 085	13 085	16 000	16 880	17 893
Service charges - electricity revenue	2	26 361	31 319	30 536	36 415	36 415	36 415	36 415	39 500	41 673	44 173
Service charges - water revenue	2	6 127	5 843	5 069	8 677	8 677	8 677	8 677	9 000	9 496	10 065
Service charges - sanitation revenue	2	6 427	6 831	3 587	7 055	7 055	7 055	7 055	6 700	7 069	7 493
Service charges - refuse revenue	2	4 284	4 526	2 084	4 467	4 467	4 467	6 583	4 500	4 748	5 032
Rental of facilities and equipment		748	758	500	647	647	647	647	512	540	573
Interest earned - external investments		1 133	620	1 000	600	690	690	690	700	739	783
Interest earned - outstanding debtors		1 604	702	50	1 000	200	200	200	500	528	559
Dividends received		49	20	40	50	40	40	40	43	45	48
Fines, penalties and forfeits		301	274	60	40	40	40	40	150	158	168
Licences and permits		66	28	-	80	80	80	80	10	11	11
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		67 994	62 528	62 602	69 989	70 935	70 935	70 935	77 563	81 144	86 838
Other revenue	2	1 051	1 135	2 668	3 114	2 757	2 757	2 757	959	1 012	1 072
Gains on disposal of PPE				4 250					-	-	-
Total Revenue (excluding capital transfers and contributions)		131 231	130 437	129 447	150 220	145 089	145 089	147 205	156 137	164 040	174 706
Expenditure By Type											
Employee related costs	2	57 697	58 385	59 122	63 594	63 877	63 877	63 877	66 044	69 677	73 857
Remuneration of councillors		4 663	4 783	6 135	6 563	6 563	6 563	6 563	6 710	7 079	7 504
Debt impairment	3	7 531	13 115	5 641	6 100	6 100	6 100	6 100	6 900	6 900	6 900
Depreciation & asset impairment	2	26 179	26 783	19 669	26 000	26 000	26 000	26 000	26 000	26 000	26 000
Finance charges		2 562	3 932	2 178	2 958	2 958	2 958	2 958	3 108	3 279	3 476
Bulk purchases	2	32 282	34 144	31 916	33 895	32 895	32 895	32 895	39 100	41 250	43 726
Other materials	8	6 460	7 782	8 324	8 340	7 310	7 310	7 310	7 448	7 857	8 326
Contracted services		27	38	1 000	-	-	-	-	2 000	2 110	2 237
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	28 587	33 070	32 640	33 333	33 630	33 630	33 630	31 359	31 584	33 479
Loss on disposal of PPE											
Total Expenditure		165 988	182 032	166 624	180 783	179 333	179 333	179 333	188 669	195 736	205 504
Surplus/(Deficit)		(34 757)	(51 595)	(37 177)	(30 563)	(34 244)	(34 244)	(32 128)	(32 533)	(31 696)	(30 798)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital Expenditure - Functional											
Governance and administration		20 120	2 389	140	5	108	108	108	150	158	168
Executive and council		20 120	1 794	90	5	108	108	108	85	90	95
Finance and administration			387	50					65	69	73
Internal audit			207								
Community and public safety		–	7 643	552	8 079	8 079	8 079	8 079	742	–	–
Community and social services			171	–							
Sport and recreation			7 472	552	8 079	8 079	8 079	8 079	742		
Public safety											
Housing											
Health											
Economic and environmental services		948	5 665	6 430	3 593	3 593	3 593	3 593	6 396	17 181	18 179
Planning and development											
Road transport		948	5 665	6 430	3 593	3 593	3 593	3 593	6 396	17 181	18 179
Environmental protection											
Trading services		11 238	17 634	44 842	10 995	10 995	10 995	10 995	9 475	132	140
Energy sources		1 434	1 918	10 000					2 020		
Water management		9 804	4 472	25 020	22	22	22	22	25	26	28
Waste water management			11 244	9 822	10 973	10 973	10 973	10 973	7 430	106	112
Waste management											
Other											
Total Capital Expenditure - Functional	3	32 306	33 331	51 964	22 672	22 775	22 775	22 775	16 763	17 471	18 487
Funded by:											
National Government		12 186	30 771	51 704	22 645	22 645	22 645	22 645	16 488	17 181	18 179
Provincial Government		–	–	–							
District Municipality		–	–	–							
Other transfers and grants		18 219	–	–							
Transfers recognised - capital	4	30 405	30 771	51 704	22 645	22 645	22 645	22 645	16 488	17 181	18 179
Borrowing	6										
Internally generated funds		1 901	2 560	260	27	130	130	130	275	290	308
Total Capital Funding	7	32 306	33 331	51 964	22 672	22 775	22 775	22 775	16 763	17 471	18 487

FS183 Tswelopele - Table A6 Budgeted Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Current assets											
Cash		4 650	1 215	1 500	1 500	1 500	1 500	1 500	1 000	1 500	1 500
Call investment deposits	1	1 678	2 085	1 750	1 750	1 750	1 750	1 750	1 800	1 800	2 000
Consumer debtors	1	14 928	18 758	4 000	35 000	35 000	35 000	35 000	40 000	40 000	40 000
Other debtors		5 917	5 759	-							
Current portion of long-term receivables											
Inventory	2	540	631	300	300	300	300	300	400	400	400
Total current assets		22 467	28 447	7 550	38 550	38 550	38 550	38 550	43 200	43 700	43 900
Non current assets											
Long-term receivables											
Investments		948	953	1 100							
Investment property		22 858	22 518	24 000	24 000	24 000	24 000	24 000	24 000	24 000	24 000
Investment in Associate											
Property, plant and equipment	3	554 542	560 771	499 394	570 000	570 000	570 000	570 000	586 763	587 471	588 487
Biological		3 174	871	1 800	800	800	800	800	1 000	1 100	1 500
Intangible											
Other non-current assets											
Total non current assets		578 348	584 242	527 668	594 871	595 800	594 800	594 800	611 563	612 271	613 487
TOTAL ASSETS		600 815	612 690	535 218	633 421	634 350	633 350	633 350	654 763	655 971	657 387
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	830							
Borrowing	4	1 390	2 446	-	-	-	-	-	800	800	800
Consumer deposits		933	1 051	-	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Trade and other payables	4	33 972	63 849	4 000	30 000	30 000	30 000	30 000	20 000	15 000	10 000
Provisions		814	760	20 032							
Total current liabilities		37 108	68 106	24 862	31 000	31 000	31 000	31 000	21 800	16 800	11 800
Non current liabilities											
Borrowing		10 344	8 914	9 480	15 060	15 060	15 060	15 060	8 937	8 069	7 201
Provisions		16 708	16 906	10 800	10 500	10 500	10 500	10 500	10 500	10 500	10 500
Total non current liabilities		27 052	25 820	20 280	25 560	25 560	25 560	25 560	19 437	18 569	17 701
TOTAL LIABILITIES		64 161	93 926	45 142	56 560	56 560	56 560	56 560	41 237	35 369	29 501
NET ASSETS	5	536 655	518 764	490 076	576 861	577 790	576 790	576 790	613 526	620 602	627 885
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		539 829	519 635	488 702	576 790	576 790	576 790	576 790	613 526	620 602	627 885
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	539 829	519 635	488 702	576 790	576 790	576 790	576 790	613 526	620 602	627 885

FS183 Tswelopele - Table A7 Budgeted Cash Flows

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		12 085	11 235	15 300	15 372	11 372	11 372	11 372	16 000	16 880	17 893
Service charges		40 344	35 974	47 905	49 641	49 641	49 641	49 641	59 700	62 985	66 762
Other revenue		2 063	2 231	2 767	3 881	3 881	3 881	3 881	1 631	1 721	1 824
Government - operating	1	71 291	73 024	62 602	70 039	70 985	70 985	70 985	77 513	81 094	86 788
Government - capital	1	28 425	22 704	51 704	23 837	23 837	23 837	23 837	16 488	17 181	18 179
Interest		2 736	1 322	1 500	1 600	1 600	1 600	1 600	1 200	1 266	1 342
Dividends		49	20	50	50	50	50	50	43	45	48
Payments											
Suppliers and employees		(130 103)	(110 133)	(136 636)	(148 682)	(142 605)	(142 605)	(142 605)	(152 661)	(159 557)	(169 128)
Finance charges		(2 456)	(4 023)	(1 040)					(3 108)	(3 279)	(3 476)
Transfers and Grants	1		-						-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		24 435	32 354	44 152	15 738	18 761	18 761	18 761	16 805	18 335	20 231
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		1 092	569	4 250					-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments		4 495	(26)						-	-	-
Payments											
Capital assets		(32 306)	(33 331)	(51 964)	(23 837)	(23 837)	(23 837)	(23 837)	(16 763)	(17 471)	(18 487)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(26 719)	(32 789)	(47 714)	(23 837)	(23 837)	(23 837)	(23 837)	(16 763)	(17 471)	(18 487)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		149	(487)	(830)	(830)	(830)	(830)	(830)	(830)	(830)	(830)
NET CASH FROM/(USED) FINANCING ACTIVITIES		149	(487)	(830)	(830)	(830)	(830)	(830)	(830)	(830)	(830)
NET INCREASE/ (DECREASE) IN CASH HELD		(2 134)	(922)	(4 392)	(8 929)	(5 906)	(5 906)	(5 906)	(788)	34	915
Cash/cash equivalents at the year begin:	2	6 355	4 222	7 950	7 916	7 916	7 916	7 916	1 500	712	746
Cash/cash equivalents at the year end:	2	4 221	3 300	3 558	(1 013)	2 010	2 010	2 010	712	746	1 661

FS183 Tswelopele - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	4 221	3 300	3 558	(1 013)	2 010	2 010	2 010	712	746	1 661
Other current investments > 90 days		2 106	(0)	(1 138)	4 263	1 240	1 240	1 240	2 088	2 554	1 839
Non current assets - Investments	1	948	953	1 100	-	-	-	-	-	-	-
Cash and investments available:		7 275	4 253	3 520	3 250	3 250	3 250	3 250	2 800	3 300	3 500
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	18 548	45 831	(287)	(300)	(934)	(934)	(68)	(19 743)	(24 743)	(29 743)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		18 548	45 831	(287)	(300)	(934)	(934)	(68)	(19 743)	(24 743)	(29 743)
Surplus(shortfall)		(11 272)	(41 577)	3 807	3 550	4 184	4 184	3 318	22 543	28 043	33 243

FS183 Tswelopele - Table A9 Asset Management							2019/20 Medium Term Revenue & Expenditure Framework			
Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			Budget Year	Budget Year	Budget Year
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	2019/20	+1 2020/21	+2 2021/22
CAPITAL EXPENDITURE										
Total New Assets	1	27 584	32 504	6 430	22 672	22 775	22 775	16 763	17 471	18 487
Roads Infrastructure		3 668	948	6 430	3 593	3 593	3 593	6 396	17 181	18 179
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		436	1 434	-	-	-	-	2 020	-	-
Water Supply Infrastructure		-	9 804	-	22	22	22	25	26	28
Sanitation Infrastructure		21 313	-	-	10 973	10 973	10 973	7 430	106	112
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		25 417	12 186	6 430	14 588	14 588	14 588	15 871	17 313	18 319
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	8 079	8 079	8 079	742	-	-
Community Assets		-	-	-	8 079	8 079	8 079	742	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		371	19 720	-	5	108	108	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		371	19 720	-	5	108	108	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		652	597	-	-	-	-	150	158	168
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		1 144	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-ferrous Assets		-	-	-	-	-	-	-	-	-

5. Explanatory notes to budget

Table A1 is a summary of the budget of Tswelopele Local Municipality that gives an overview of the of the budget, it includes, the following key aspects

Financial Performance: This is a summary of income statement of the Municipality

Capital Expenditure and funding sources: This gives a brief overview of the capital expenditure and its funding sources

Financial Position: This is the balance sheet of Tswelopele Local Municipality

Cash Flow: This gives a brief overview of the Cash flow of the Municipality

Asset Management: This is the overview of the total assets of the Municipality

Free Services: This section gives the total amount of free basic services as provided by the municipality.

This is the most important as it gives users of the budget a "snapshot" of what is going to follow in the next nine (9) main table

Explanatory Notes to Table A2

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification.
2. Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4 as Table A4 exclude capital transfers

Explanatory Note to Table A3

1. Table A3 is an overview of the budgeted financial performance in relation to the revenue and expenditure per municipal vote.
2. From the above it can be seen that all trading services are making surpluses, and this is attributable to the following
 - a. Council proposes a 8.5% on electricity tariffs
 - b. An increase of 6.5% on refuse, 6.5% on sewerage and 6.5% on water tariffs and 6.5% on Property rates
 - c. Cut on non-priority spending
3. Profits made on this services are used to subsidise non-trading services

Explanatory note on table A4

1. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the budgeted revenue of Tswelopele Local Municipality
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Major component of expenditure relates to employee costs.
4. Transfers recognised – capital is decreasing over the mid-term and this is due to the decrease in the population of the community of Tswelopele Local Municipality according to Census 2011 data.

Explanatory note on Table A5

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

Explanatory Notes to Table A6

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Explanation to Table A7

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Explanatory note to table A8

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. Considering the requirements of section 18 of the MFMA, it can be concluded that the draft budget for 2019/20 MTREF is funded because Municipality anticipates making a profit over the MTREF.

Explanatory Note for Table A9

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

Explanatory notes to Table A10

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

PART 2

1. Municipal budget process

Municipal Financial Management Act (MFMA) mentions six (6) steps (i.e. Planning, Strategizing, Preparing, Tabling, Consulting and Finalising/ Adopting) that the municipality must follow in order to prepare the annual budget that is credible. The planning and strategizing processes started with the preparation of budget timelines as required by MFMA and IDP review process plan. Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the annual budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

Due to the size of the municipality, the functions of the Budget Steering Committee are performed by the Finance Committee and much still needs to be done to ensure that the committee is effective throughout the financial year and exercises oversight not only on the budget but the overall financial management at the municipality and advice / recommend to Council accordingly. Furthermore, there is a need for resuscitation of the MSA section 79 committee to assist Council in playing its oversight role on the administration matters of the municipality.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2018) a time schedule that sets out the process to revise the IDP and prepare the annual budget. The Mayor tabled the required IDP process plan and budget timeline schedule in line with the applicable legislation. The IDP process plan and budget timeline schedule were tabled to Council during August 2018.

As per the budget timelines all the department heads were asked to give their inputs on the annual budget. They were given until the end of November 2018, in order to allow the Budget & Treasury Office to undertake the technical compilation of the annual budget. The Budget & Treasury Office of the municipality under the leadership of the Chief Financial Officer prepared the draft budget, which will be tabled to Council at the end of March 2019 as stipulated in the MFMA.

Council having approved the draft budget, the municipality must embark on the public participation process. Annual budget and IDP of the municipality will be placed at municipal offices and libraries and communities and relevant stakeholders were requested to provide inputs on the tabled budget. The Mayor, assisted by Councillors and Municipal Officials will embark on the community consultations at various wards within the municipality.

The public participation processes is used as an arena for co-management in which the community and the municipality decide together where and how the resources will be allocated. Furthermore, it is the objective of the municipality to move away from informing the community about what it plans to do, but rather to allow the community to influence development and resource allocation.

2. Overview of the alignment of annual budget with integrated development plan

The annual review of the Integrated Development Plan is a legislative requirement in terms of section 34 of the Municipal Systems Act. It stipulates that a Municipal Council must review its integrated plan annually in accordance with an assessment of its performance measurements in terms of section 41; and to the extent that changing circumstances so demand; and may amend its integrated development plan in accordance with a prescribed process.

The Annual Budget and the IDP are inextricably linked to one another, something that has been formalised through the promulgation of the Municipal Finance Management Act in 2004.

In compliance with the Municipal Structures Act and Municipal Finance Management Act the municipality's budget must be informed by and aligned to the IDP objectives. The budgetary allocations for both capital and operating expenditure need to be undertaken in a manner that will

not only ensure that the IDP outcomes are achieved but also leads to the municipality's vision being realized. This ensures that the IDP directs the development and implementation of projects.

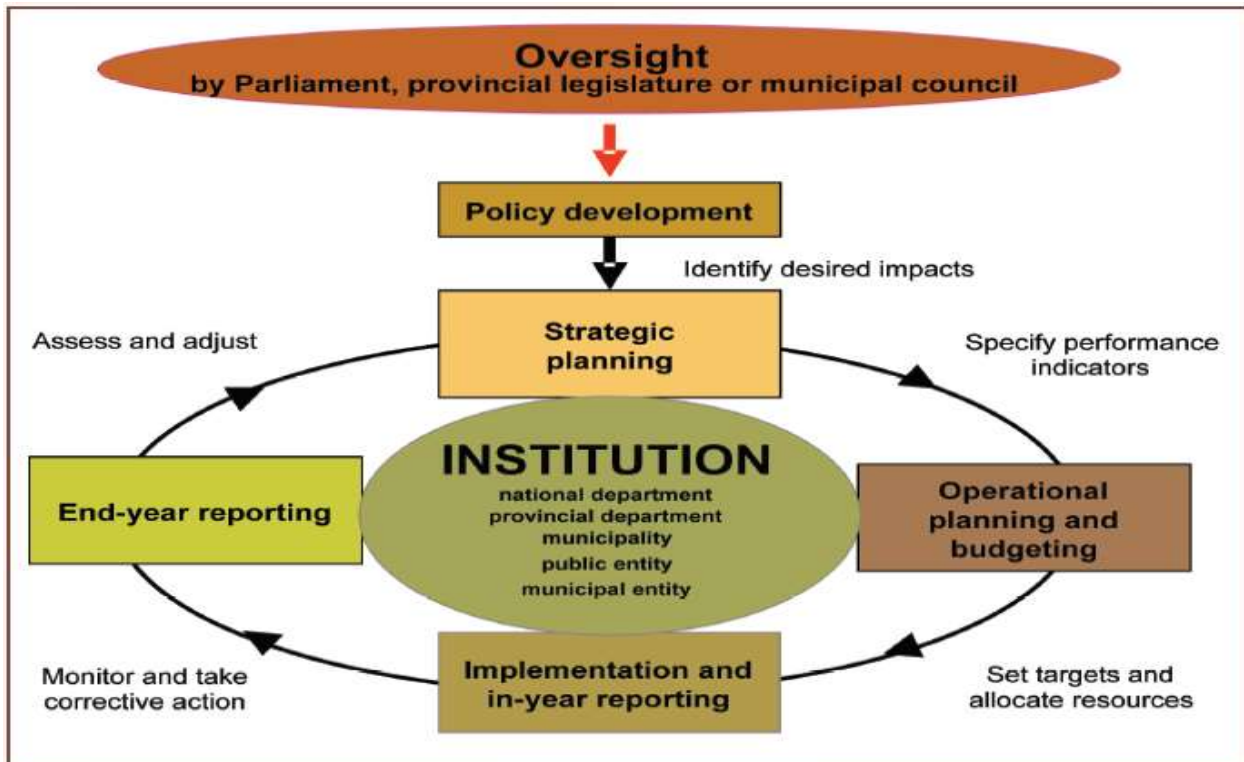
Over the years, Auditor General has been raising exceptions that the Integrated Development Plan and Annual Budget are not aligned to each other. Furthermore, the Key Performance Indicators were not measurable and with no target dates. The performance management system is also not effective at the municipality as there is no dedicated unit or official entrusted with performance management. This in essence affected the audit opinion of the Auditor General on the predetermined objectives (although this was not necessarily expressed / reported in the audit report).

For the 2019/20 financial year, quite substantial effort has been devoted towards ensuring that the Integrated Development Plan and Annual Budget are aligned as required by the MFMA. The process of reconciling financial plan to its Integrated Development Plan created a whole new method of budgeting at the municipality. Council will in the future ensure that priorities within the budget are focused towards its strategies and objectives.

3. Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the predetermined strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has reviewed and will operationalize its performance management framework. The following diagram further explains the process of planning, budgeting and reporting in Municipal environment:

Graph - Planning and Reporting Cycle



A concentrated effort was made during the IDP review to ensure that it contains measurable performance objectives. From the measurable performance objectives, key performance indicators will be deduced to be included in the service delivery and budget implementation plan when it is submitted to the Mayor for approval (subsequent to the approval of the IDP and MTREF by Council).

In line with section 69(3) (a) of the Municipal Finance Management Act, which requires the Accounting Officer to submit a Service Delivery and Budget Implementation Plan (SDBIP) to the Mayor no later than 14 days after the approval of the budget and drafts of the performance agreement as required in terms of section 57 (1) (b) of the Municipal Systems Act, plans are in place to ensure compliance with this prescript.

The Service Delivery and Budget Implementation Plan will provide a vital link between the Mayor, Council (executive) and the Administration, and facilitates the process for holding management accountable for its performance. It is the intention of Management to properly formulate the SDBIP to ensure that appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget, performance of senior management and achievement of the strategic objectives set by council. The table below shows the performance indicators of the Municipality.

3.1. Performance indicators and Benchmarking

The following ratios are the analysis of performance of the Municipality for 2019/2020

- ***Current Ratio***

The current ratio measures the ability of the municipality to pay off its short term liability, the ratio should be 2:1, to assets, however, the ratio of Tswelopele Local Municipality is almost 1.4, and this is not a good sign and the municipality may in future struggle to settle its liability

- ***Gearing***

Gearing measures to what extend are the operation of the Municipality financed form Borrowings, and the gearing of the Municipality is zero (0), and this is a good sign, because it shows that the Municipality is not relying on borrowings

- ***Creditors Management***

The municipality anticipates that it will be in a position to pay off its 100% creditors by the due date; this is in terms of section 65 of the Municipal Finance Management Act

The anticipated performance of the municipality is on an acceptable level.

4. Overview of budget related policies

Tswelopele Budget process is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to govern and guide process and inform the projections of the medium term. The following budget related policies:

4.1. Review of credit control and debt collection policies

The Municipality aims to increase the collection rate to 100% by the end of 2019/2020 Financial Year

Despite a credible policy that has been adopted by Municipal Council for the 2018/19 financial year, there has been a great challenge in terms of its effective implementation. Failure to adhere to the policy and ineffective procedures has led increase in debtors. Robust credit control will come handy for the municipality to collect the budgeted revenue and the current outstanding debtors.

One of the deliverables for the Chief Financial Officer is the development of a revenue enhancement strategy with view of increasing revenue collection. However, the culture of non-

payment for services has inculcated into the community. As such political will, support and buy-in will be essential to change the mind-set of the communities.

4.2. Asset Management Policy

The Municipality fully implemented generally recognised accounting principle (GRAP 17) and a policy on asset management was approved by council during 2018/2019 financial year.

The Asset Management policy is considered as a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

4.3. Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council during 2007 and has been reviewed on an annual basis since then. The policy was further supplemented by the adoption of the Procurement Policy.

SCM Policy was reviewed for 2018/2019 financial year.

4.4. Budget and Virement Policy

These policies are aimed at guiding the municipality in terms of compiling a credible and funded budget as required by the MFMA and also to guide the municipality in terms of shifting of funds during the financial year. In addition to these policies, the mid-year budget assessment is used to guide and inform the mid-year performance review and adjustment budget process.

The Municipality doesn't have an adjustment budget policy as the adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities.

4.5. Investment Policy

The cash management and investment policy was amended by Council for implementation during 2018/19 financial year. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves and conditional grants that needs to be cash-backed. There are no significant changes effected to the policy.

4.6. Tariff Policies

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration that all proposed tariffs reflect the cost of providing such services. Over the years, the increase in tariffs was not always commensurate with the inflation rate. There were financial years where certain tariffs were not increased at all.

This is currently having negative impact on the budget as the current tariffs are not cost-reflective. The need has arisen to increase the tariff with rate higher than the inflation to catch up with the years where increases were not implemented.

4.7. Property Rates Policy

Tswelopele Local Municipality's property rates policy provides a framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery, the policy is directly informed by section 229 of the Constitution of the Republic of South Africa and the Municipal Property Rates Act, act 6 of 2004.

4.8. Indigent Policy

The aim of the policy is to guide the municipality on the process of how to identify and register the indigent households in the Municipality. The indigent support policy was last reviewed during 2018/19 financial year and this policy prescribes the threshold for indigent consumers as well as the free basic service component. The municipality has been experiencing problems where indigent consumers have been utilising services above the threshold thereby being unable to pay for the services, especially on water. There are no major changes to the policy other than the move to say, that only indigent household be provided with free basic electricity. There is a need for the development of free basic services policy and possible promulgation of the by-law. The policy is currently being reviewed.

4.9. Bad debt write off policy

The policy guides how and when the municipality should write off its debtors, the current debtor's book is over R 70 million, and it is in the light of the above that the policy was reviewed.

4.10. Related Policies

Municipality has also reviewed the following policies which have direct impact on the Annual Budget of the Municipality:

- Customer Care Policy

- Deposit Policy
- Petty Cash Policy
- MFMA delegations Policy

Soft copies of the policies may be downloaded from Tswelopele local Municipality website: www.tswelopele.gov.za

5. Overview of budget assumptions

The budget was prepared on the incremental budgeting process with the assumption that goods and services as previously budgeted will increase by a certain percentage which is more than the current CPI and zero based budgeting mainly on Petrol. The following tariffs were increased; Sewerage 6.36%, Refuse 6.36%, water 6.36%, Electricity 1.88% and property rates 6.36%. Salaries are budgeted for an increase of 7.36%, this is informed by South African Local Bargaining Council collective agreement on salaries, the agreement was concluded in 2016, and it is effective until 2019. National Treasury MFMA circulars were used for other assumptions of the budget and the following are some of the assumptions made:

1. Economic climate and poverty levels within the municipality will remain the same / constant for major part of the financial year given the limited economic activities with the vicinity;
2. Cash flow projections will be strictly maintained to ensure the municipality's ability to meet its financial obligations;
3. No allocations as per the 2019 annual Division of Revenue Act will be withheld / offset by the National Treasury or paid back to the National Revenue Fund due to non-spending/non-compliance to conditions of the grants;
4. Operational costs will be maintained at current levels or reduced as cost containment measures and where there is material decrease in revenue collection rate, expenditure will have to be reduced at the same proportion;
5. Filling of vacant posts will be prioritised taking into account the cash flow projections of the municipality.

6. Overview of the funding of the budget

MFMA section 18 states that the expenditure of the budget may only be funded from:

- Realistically anticipated revenue to be collected
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes
- Borrowed funds, but only for capital budget referred to in section 17 (2).

Tswelopele local municipality operating budget totals R 156 million and is funded from:

- Grants
- Service Charges
- Other revenue

The capital budget of the municipal totals R 16.4 million, and is funded from:

- Municipal Infrastructure Grant

7. Expenditure on Allocations and Grant Programmes

Total Grants Allocated to Tswelopele Local Municipality are disclosed on table SA18

- **Financial Management Grant**

Total allocation to Tswelopele Local Municipality is R 1 970 000, the condition of the grant is that the municipality must appoint five (5) financial interns, the municipality has appointed Six (6) interns and the stipends will be R 720 000, the grant is used for training of the municipal budget and treasury office officials, the grant will also be used to fund Standard chart of account (SCOA) Project.

- **Municipal infrastructure grant**

The total allocation is R 16 488 000 and this amount will be spent on the following projects:

- Construction of cricket pitch
- Construction of a 2km paved road and stormwater
- Upgrading of Sportsfields
- Construction of Toilet Structures & Sewer Reticulation and Connections - Tikwana

- **Expanded Public Works Grant**

As per the division of Revenue Act, the Municipality will receive R 1 319 000 for EPWP projects

8. Allocations made by the municipality

Tswelopele Local Municipality uses equitable share to subsidise indigent households, the following table depicts this situation:

FS183 Tswelopele - Table A10 Basic service delivery measurement										
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		11 021	11 500	11 500	11 992	11 992	11 992	11 992	11 992	11 992
Sanitation (free minimum level service)		2 900	3 215	3 900	4 980	4 980	4 980	5 500	5 500	5 500
Electricity/other energy (50kwh per household per month)		11 021	11 500	11 500	4 980	4 980	4 980	5 500	5 500	5 500
Refuse (removed at least once a week)		2 900	3 215	3 900	4 980	4 980	4 980	5 500	5 500	5 500
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		2 777	2 944	2 805	3 086	3 394	3 734	3 958	4 195	4 447
Sanitation (free sanitation service to indigent households)		1 390	1 695	2 261	3 044	3 044	3 044	3 564	3 920	4 312
Electricity/other energy (50kwh per indigent household per month)		5 248	6 035	6 518	3 705	3 705	3 705	5 131	5 645	-
Refuse (removed once a week for indigent households)		925	1 128	1 505	2 116	2 116	2 116	2 477	2 724	2 997
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		-	-	-	-	-	-	-	-	-
Total cost of FBS provided		10 339	11 801	13 088	11 950	12 259	12 598	15 129	16 484	11 756

Every household is receives 6 kl of water and indigent households receive 50 kwh of electricity, and the households that are 100% indigent also receive free sanitation and free removal of refuse.

9. Councillor and board members allowance and employee benefits

The actual increase will be determined when the Government Gazette on the Upper Limits of Councillors is issued and the necessary processes as per the gazette will be followed prior to implementation.

The Municipal System Act requires the Municipal Manager to develop a staff establishment for the municipality within a policy framework determined by the municipal council and subject to any applicable legislation. The Municipal Manager must submit the staff establishment to Council for consideration and approval. The Municipal System Act further requires the Municipal Manager to provide a job description for each post on the staff establishment and to attach to those posts the remuneration and other conditions of service as may be determined in accordance with any applicable labour legislation.

The increase on employee benefit was according to the South African Local Bargaining Council collective agreement.

In terms of the collective agreement, the municipality must fill all critical positions.

10. Contracts having future budgetary implications

In terms of regulation to the Municipal Finance Management Act, long term contracts are contracts that are more than 3 years and as such, the municipality do not have such contracts and further does not intend to enter into contracts that have future budgetary implications. In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Budget and Treasury Office.

11. Capital Expenditure Details

The total allocation for the 2019/20 financial year is R 16 488 000 and this amount will be spent on the following major projects:

- Upgrading of Sportsfield
- Upgrading of Roads
- Construction of High Mast lights
- Construction of Toilet Structures & Sewer Reticulation and Connections

12. Legislation Compliance

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

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis.

2. Internship programme

Tswelopele Local Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

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

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is on a draft stage

6. Annual Report

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

7. Integrated Development Plan

The IDP of the Municipality were tabled on the 30th March 2016 together with the Budget of the municipality

8. Approval of the annual budget

The Annual budget of the Municipality was tabled on the 30th March 2016.

9. Policies and bylaws

The municipality has compiled the various policies as required by various legislations as well as the Municipal Budget and Reporting regulations. The challenge has been on implementation and adherence to such policies subsequent to their approval by Council. Bylaws are yet to be promulgated, currently at draft / compilation stage.

13. Quality Certificate



TSWELOPELE
LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

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MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, **MRE Mogopodi**, the Municipal Manager of **TSWELOPELE LOCAL MUNICIPALITY (FS 183)**, 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: _____

Signature: _____

Date: _____