

ANNUAL BUDGET OF
Mhlontlo Local
Municipality



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

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Abbreviations and Acronyms

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

Part 1 – Annual Budget

1.1 Mayor's Report

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

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

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

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

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

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

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

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

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

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

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

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

FOCUS OF THE 2020/2021 ANNUAL BUDGET

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

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

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

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

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

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

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

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

1.2 Council Resolutions

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

1.3 Executive Summary

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

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

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

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

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

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

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

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

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

Table 1 Consolidated Overview of the 2020/2021 MTREF

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

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

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

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

1.4 Operating Revenue Framework

For the municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

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

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

Table 2 Summary of revenue classified by main revenue source

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

Table 3 Operating Transfers and Grant Receipts

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

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, and electricity, petrol, diesel, repairs and maintenance etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

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

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

The following stipulations in the Property Rates Policy are highlighted:

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

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

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

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

1.4.2 Waste Removal and Impact of Tariff Increases

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

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

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

Table 5 Comparison between current waste removal fees and increases

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

1.5 Operating Expenditure Framework

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

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

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

Table 6 Summary of operating expenditure by standard classification item

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

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

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

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

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

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

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

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

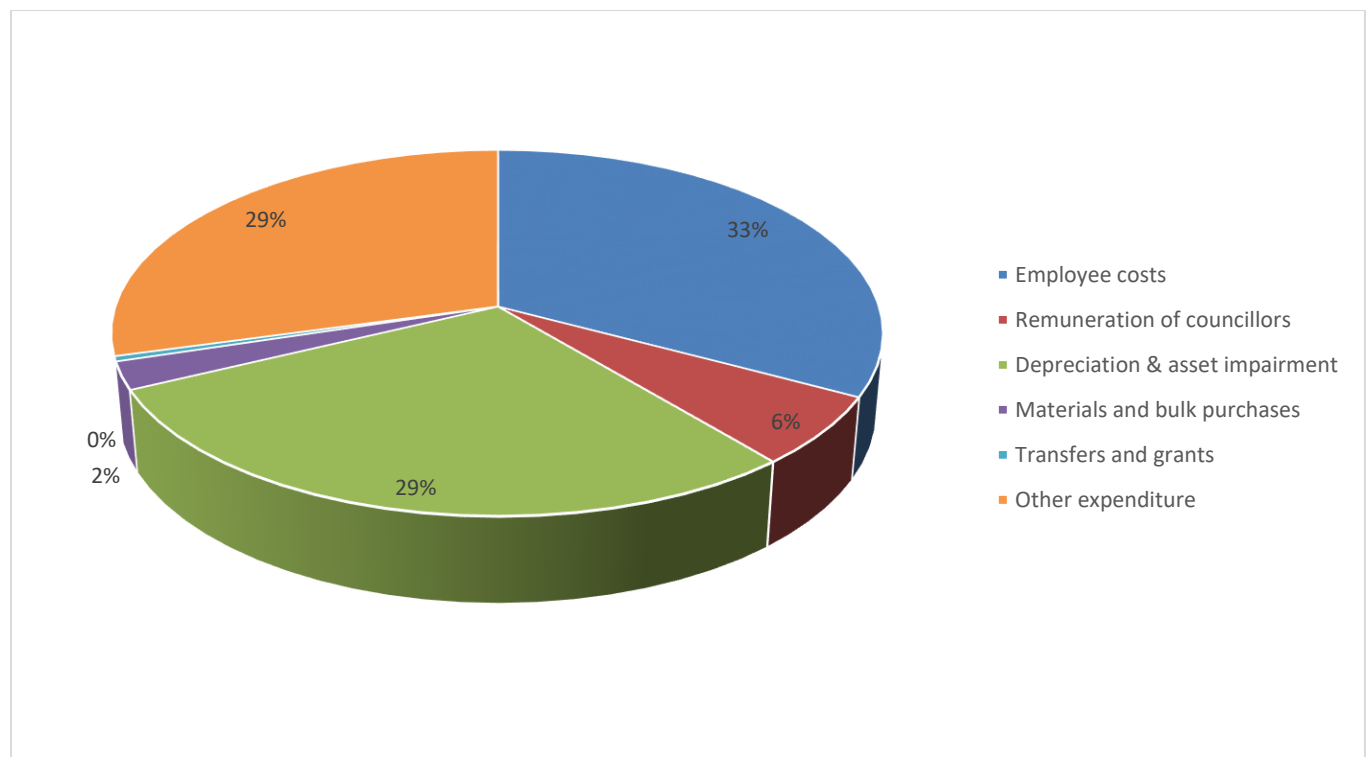


Figure 1 Main operational expenditure categories for the 2020/21 financial year

1.5.1 Repairs and maintenance

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

Table 7 Repairs and maintenance per asset class

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

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services, the households are required to register in terms of the Municipality's Indigent Policy. The target is to register more indigent households during the 2020/21 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 33.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

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

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

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

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

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

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

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

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

1.7 Annual Budget Tables - Parent Municipality

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

Table 9 MBRR Table A1 - Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Financial Performance										
Property rates	33 561	8 883	15 190	16 601	16 621	-	-	17 268	18 063	18 894
Service charges	1 278	1 360	1 436	1 449	1 743	-	-	1 748	1 860	1 979
Investment revenue	3 918	5 187	6 772	6 300	8 176	-	-	8 176	8 699	9 256
Transfers recognised - operational	174 541	161 792	176 101	188 888	186 610	-	-	197 264	209 889	223 322
Other own revenue	3 544	3 379	24 273	4 707	4 506	-	-	3 493	3 716	3 954
Total Revenue (excluding capital transfers and contributions)	216 843	180 601	223 772	217 945	217 656	-	-	227 949	242 227	257 404
Employee costs	78 813	81 097	89 134	116 101	99 993	-	-	104 835	111 544	118 683
Remuneration of councillors	16 364	20 968	18 183	22 176	21 827	-	-	19 634	20 891	22 228
Depreciation & asset impairment	114 388	102 271	97 654	115 763	94 467	-	-	92 095	97 989	104 261
Finance charges	-	341	413	-	-	-	-	-	-	-
Materials and bulk purchases	-	3 542	9 241	5 729	5 472	-	-	7 798	8 297	8 828
Transfers and grants	-	133	119	2 283	3 013	-	-	1 436	1 528	1 625
Other expenditure	105 712	79 457	92 580	79 343	89 413	-	-	93 579	99 568	105 941
Total Expenditure	315 277	287 809	307 324	341 394	314 185	-	-	319 377	339 817	361 566
Surplus/(Deficit)	(98 434)	(107 208)	(83 553)	(123 448)	(96 529)	-	-	(91 428)	(97 590)	(104 161)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	-	72 600	51 102	66 758	67 323	-	-	59 267	63 060	67 096
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-

Surplus/(Deficit) after capital transfers & contributions	(98 434)	(34 608)	(32 451)	(56 690)	(29 206)	-	-	(32 161)	(34 530)	(37 065)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(98 434)	(34 608)	(32 451)	(56 690)	(29 206)	-	-	(32 161)	(34 530)	(37 065)
Capital expenditure & funds sources										
Capital expenditure	55 985	572 766	(834 934)	68 198	103 861	-	-	90 290	59 066	61 783
Transfers recognised - capital	55 985	105 999	43 680	48 684	63 996	-	-	56 469	59 066	61 783
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	14 764	39 566	-	-	33 821	-	-
Total sources of capital funds	55 985	105 999	43 680	63 448	103 561	-	-	90 290	59 066	61 783
Financial position										
Total current assets	-	158 748	140 113	129 554	93 276	-	-	68 459	73 157	78 070
Total non current assets	-	572 766	546 996	578 726	522 375	-	-	522 570	485 304	446 324
Total current liabilities	-	8 031	64 490	72 477	59 736	-	-	60 265	60 265	60 265
Total non current liabilities	-	695	-	3 120	4 313	-	-	4 313	4 313	4 313
Community wealth/Equity	-	-	-	617 822	512 688	-	-	480 526	446 722	411 306
Cash flows										
Net cash from (used) operating	-	(172 689)	(139 323)	51 116	73 705	-	-	54 635	53 202	51 450
Net cash from (used) investing	-	-	(913)	(68 198)	(103 861)	-	-	(92 290)	(59 066)	(61 783)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	-	(34 960)	18 306	77 938	66 119	-	-	40 283	34 419	24 086
Cash backing/surplus reconciliation										
Cash and investments available	-	137 729	96 275	75 805	43 575	-	-	7 109	6 435	5 730
Application of cash and investments	-	(21 458)	24 364	9 091	(17 335)	-	-	(15 550)	(18 178)	(20 909)
Balance - surplus (shortfall)	-	159 187	71 912	66 713	60 910	-	-	22 659	24 613	26 640
Asset management										
Asset register summary (WDV)	-	431 258	422 085	519 735	466 998	-	-	419 757	301 700	202 001
Depreciation	-	111	96 350	115 763	94 467	-	-	92 095	97 989	104 261
Renewal and Upgrading of Existing Assets	-	47 312	47 745	6 000	38 318	-	-	8 103	5 753	6 018
Repairs and Maintenance	-	4 700	4 060	5 902	4 574	-	-	5 092	5 418	5 765
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	1 776	1 776	1 857	1 943
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasis the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality has always had a positive cash balance.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

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

Functional Classification Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1									
Revenue - Functional										
Governance and administration		124 878	110 220	135 643	117 917	116 724	-	28 585	30 415	32 361
Executive and council		45 949	47 796	39 548	46 998	52 182	-	-	-	-
Finance and administration		47 195	62 424	96 094	70 919	64 542	-	28 585	30 415	32 361
Internal audit		31 734	-	-	-	-	-	-	-	-
Community and public safety		17 466	4 772	6 061	30 315	30 245	-	3 221	3 427	3 646
Community and social services		1 016	350	500	502	552	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		16 450	4 422	5 561	29 813	29 692	-	3 221	3 427	3 646
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		105 720	92 858	70 764	116 763	99 859	-	59 507	63 316	67 368
Planning and development		30 207	91 631	68 450	114 982	83 329	-	44 207	47 036	50 047
Road transport		75 513	1 227	2 313	1 781	16 530	-	15 300	16 279	17 321
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		24 701	33 507	31 472	19 708	38 152	-	196 628	209 213	222 602
Energy sources		-	12 623	5 696	11 508	11 508	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		24 701	20 884	25 776	8 200	26 644	-	196 628	209 213	222 602
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	272 765	241 356	243 939	284 703	284 979	-	287 942	306 370	325 978
Expenditure - Functional										
Governance and administration		122 247	108 364	111 379	134 862	126 969	-	132 210	140 671	149 674
Executive and council		47 441	45 805	54 880	58 066	49 353	-	44 750	47 613	50 661
Finance and administration		46 171	62 559	56 500	76 796	77 617	-	87 460	93 058	99 013
Internal audit		28 635	-	-	-	-	-	-	-	-
Community and public safety		19 341	4 996	7 391	28 529	30 067	-	26 482	28 177	29 981
Community and social services		3 515	1 637	1 625	21	2 393	-	21	23	24
Sport and recreation		-	18	1 608	-	-	-	-	-	-
Public safety		15 826	3 342	4 159	28 507	27 674	-	26 461	28 155	29 957
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		161 456	129 014	121 688	155 360	135 208	-	135 206	143 859	153 066
Planning and development		19 473	21 472	21 083	23 921	30 737	-	30 947	32 927	35 035
Road transport		141 982	107 542	100 605	131 439	104 471	-	104 259	110 932	118 031
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		15 390	18 467	18 770	22 643	21 940	-	25 479	27 110	28 845
Energy sources		-	610	56	762	354	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		15 390	17 858	18 714	21 881	21 586	-	25 479	27 110	28 845
Other	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	318 433	260 842	259 228	341 394	314 185	-	319 377	339 817	361 566
Surplus/(Deficit) for the year		(45 669)	(19 486)	(15 289)	(56 690)	(29 206)	-	(31 435)	(33 447)	(35 588)

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. This is not the case with Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

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

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

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

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the Municipality.

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

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

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

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

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

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

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Single-year capital expenditure has been appropriated at R92.2 million for the 2020/21 financial year and remains relatively constant over the MTREF at levels of R59 million and R61 million respectively for the two outer years.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital programme is funded from capital and provincial grants and transfers, and internally generated funds. For 2020/21, capital transfers totals R59.2 million (64 per cent) and escalates to R60.6 Million by 2021/22.
5. Internally generated funding totaling R33.3 million R0 million and R0 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 14 MBRR Table A6 - Budgeted Financial Position

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

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets Less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 15 MBRR Table A7 - Budgeted Cash Flow Statement

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

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality fell are looking good over the 2020/21 to 2022/23 period owing directly to a net increase in cash for the 2019/20 financial year of R96 million.
4. Cash and cash equivalents totals R40 million as at the end of the 2020/21 financial year and total to R24 million by 2022/23.

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

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

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2020/21 to 2022/23 the surplus is slightly increasing from R22 million to R26 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2020/21 MTREF is funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2020/21 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 17 MBRR Table A9 - Asset Management

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

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

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both of these recommendations because of limited resources.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

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

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

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

2.1.1 Budget Process Overview

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

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

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

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

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

2.1.2 IDP and Service Delivery and Budget Implementation Plan

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

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

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

With the compilation of the 2020/21 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2019/20 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

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

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

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

2.1.4 Community Consultation

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

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

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

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

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

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

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;

- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2020/21 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 18 IDP Strategic Objectives

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

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Measurable performance objectives and indicators

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

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

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

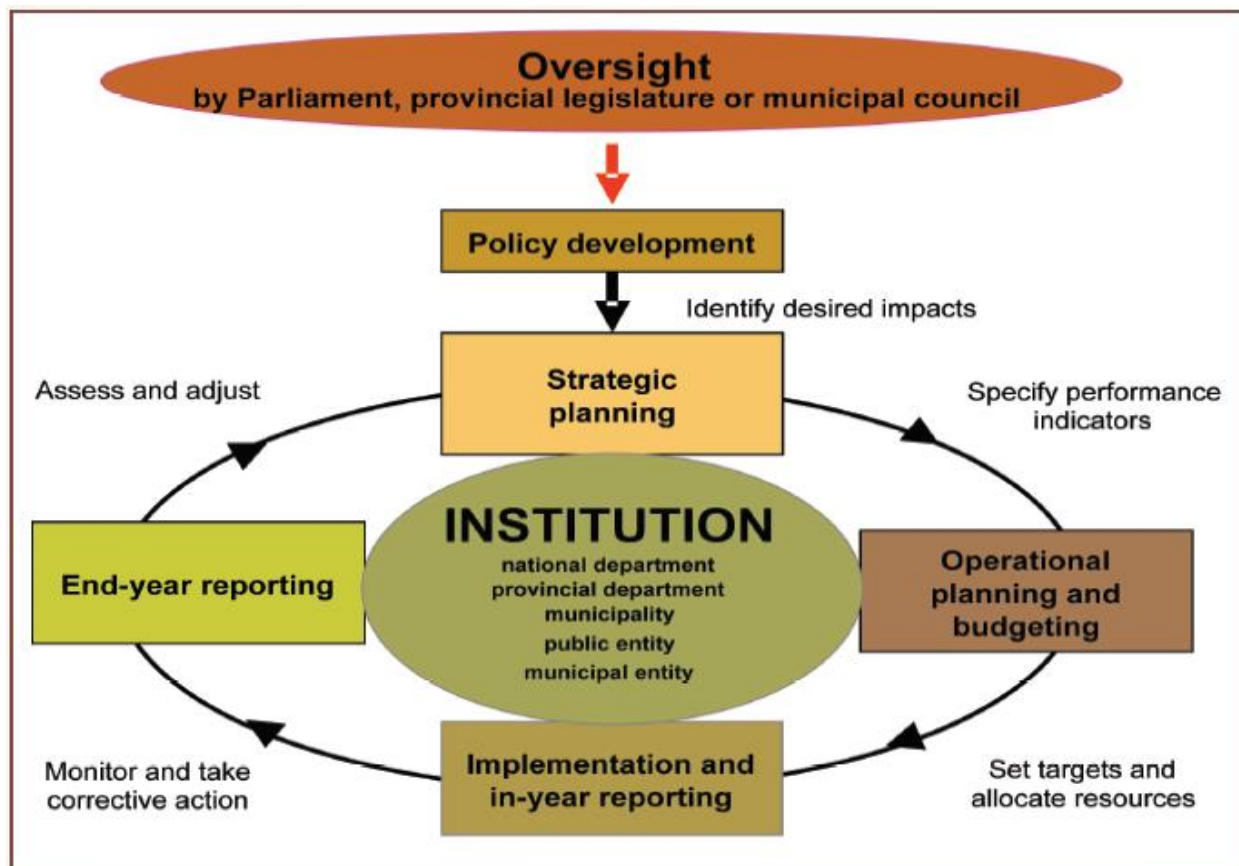


Figure 2 Planning, budgeting and reporting cycle

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

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

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

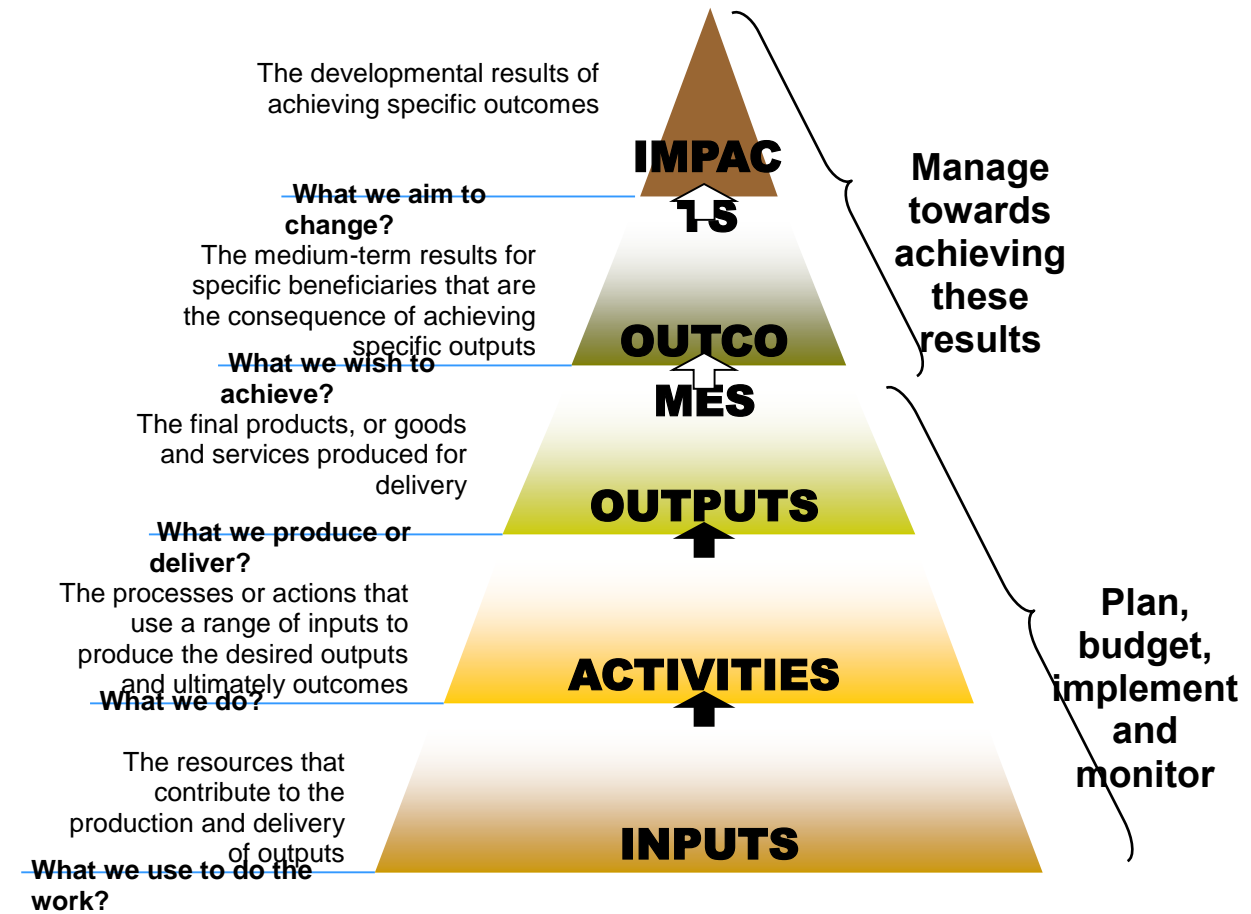


Figure 3 Definition of performance information concepts

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

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

Table 22 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.3%	1.7%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	2.0	1.2	1.2	1.6	0.9	-	-	0.8	0.8	0.9
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.0	1.2	1.2	1.6	0.9	-	-	0.8	0.8	0.9
Liquidity Ratio	Monetary Assets/Current Liabilities	1.3	1.1	1.0	1.0	0.7	-	-	0.5	0.5	0.5
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		15.1%	232.2%	-1.3%	44.1%	54.5%	0.0%	0.0%	49.3%	42.6%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		15.1%	232.2%	-1.3%	44.1%	54.5%	0.0%	0.0%	49.3%	42.6%	42.6%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	5.9%	3.3%	9.6%	15.0%	5.2%	0.0%	0.0%	6.5%	8.3%	10.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))										
Creditors to Cash and Investments		15.1%	22.5%	30.8%	41.9%	9.9%	0.0%	0.0%	22.0%	23.5%	25.3%
<u>Other Indicators</u>											

Electricity Distribution Losses (2)	Total Volume Losses (kW) Total Cost of Losses (Rand '000) % Volume (units purchased and generated less units sold)/units purchased and generated											
Water Distribution Losses (2)	Total Volume Losses (kℓ) Total Cost of Losses (Rand '000) % Volume (units purchased and generated less units sold)/units purchased and generated											
Employee costs	Employee costs/(Total Revenue - capital revenue)	39.0%	44.3%	34.6%	53.3%	45.9%	0.0%	0.0%	45.6%	45.6%	45.6%	
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	55.1%	45.3%	63.4%	56.0%	0.0%	0.0%	54.1%	54.1%	54.1%	
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1.6%	2.6%	1.8%	2.7%	2.1%	0.0%	0.0%	2.2%	2.2%	2.2%	
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	56.7%	56.1%	42.7%	53.1%	43.4%	0.0%	0.0%	40.0%	40.0%	40.0%	
IDP regulation financial viability indicators	-											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	4.5	2.6	7.3	3.6	3.6	3.6	-	3.6	3.6	3.8	
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	65.1%	59.4%	127.1%	180.8%	61.4%	0.0%	0.0%	77.9%	99.8%	120.8%	
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.9	6.2	7.2	4.8	4.3	-	-	1.9	1.7	1.5	

2.3.1 Performance indicators and benchmarks

2.3.1.1 Liquidity

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

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

2.3.1.2 Revenue Management

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

2.3.1.3 Creditors Management

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

2.3.1.4 Other Indicators

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

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

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

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

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

2.4 Overview of budget related-policies

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

2.4.1 Review of credit control and debt collection procedures/policies

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

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

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

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

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

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

2.4.3 Budget Adjustment Policy

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

2.4.4 Supply Chain Management Policy

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

2.4.5 Budget and Virement Policy

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

2.4.6 Cash Management and Investment Policy

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

2.4.7 Tariff Policies

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

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

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

2.5 Overview of budget assumptions

2.5.1 External factors

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

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

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

2.5.2 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.3 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.4 Salary increases

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

2.5.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.6 Overview of budget funding

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

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

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

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

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

Table 23 MBRR SA15 – Detail Investment Information

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

Table 24 MBRR SA16 – Investment particulars by maturity

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

2.6.1 Medium-term outlook: capital revenue

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

Table 25 Sources of capital revenue over the MTREF

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

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

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

Table 27 MBRR SA10 – Funding compliance measurement

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

Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(49.0%)	246.3%	54.4%	(65.4%)	(100.0%)	0.0%	31.4%	34.0%	26.6%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.6%	0.8%	0.8%	1.1%	0.9%	0.0%	0.0%	1.0%	1.2%	1.3%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	39.1%	42.9%	7.3%	35.6%	0.0%	0.0%	1.2%	0.0%	0.0%

2.7 Councilors and employee benefits

Table 28 MBRR SA22 - Summary of councilor and staff benefits

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

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

2.8 Contracts having future budgetary implications

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

2.9 Legislation compliance status

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

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

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

8. Policies

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

2.10 Other supporting documents

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

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

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

2.11 Municipal manager’s quality certificate

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

Name: _____

Acting Municipal Manager of Mhlontlo Local Municipality (EC156)

Signature: _____

Date: _____

APPROVED TARIFF STRUCTURE

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

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

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

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

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