



**KING SABATA DALINDYEBO ANNUAL BUDGET 2020/21 TO
2022/23 MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS.**

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Part 1 – Annual Budget

1.1 MAYOR'S REPORT

1.2 COUNCIL RESOLUTIONS

On 12 June 2020 the Council of King Sabata Dalindyebo Local Municipality met in the Council Chambers of King Sabata Dalindyebo Municipality to consider the annual budget of the municipality for the financial year 2020/21. The Council approved and adopted the following resolutions:

1. The Council of King Sabata Dalindyebo Local Municipality, acting in terms of section 24(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts with effect from 1 July 2020 2020/21-2022/23 MTREF budget :
 - 1.1. The annual budget of the municipality for the financial year 2020/21 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 11 on page 21;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 22;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 13 on page 23; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 24.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 15 on page 25;
 - 1.2.2. Budgeted Cash Flows as contained in Table 16 on page 26;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 17 on page 26;
 - 1.2.4. Asset management as contained in Table 18 on page 27; and
 - 1.2.5. Basic service delivery measurement as contained in Table 19 on page 29.
2. The Council of King Sabata Dalindyebo Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2020:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for solid waste services – as set out in Annexure C
3. The Council of King Sabata Dalindyebo Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2020 the tariffs for other services, as set out in Annexures G1 to G21 respectively.
4. To give proper effect to the municipality's annual budget, the Council of King Sabata Dalindyebo Local Municipality approves:

- 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality 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 planning and budget process. The municipality is seriously experiencing cash flow challenges emanating from prior years litigations and slow recovery of debtors especially from domestic consumer as well as limited revenue base.

The municipality has embarked on the implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers and cost-containment measures. Furthermore a Financial Recovery Plan was developed and approved in 2018/19 financial year.

National Treasury's MFMA Circulars No. 98 and 99 were used to guide the compilation of the 2020/21-2022/23 MTREF. The table below reflects forecast and estimate

Macroeconomic performance and projections

	2019	2020	2021	2022
Percentage change	Estimate	Forecast		
Real GDP growth	0.3	0.9	1.3	1.6
CPI inflation	4.1	4.5	4.6	4.6

The main challenges experienced during the compilation of the 2020/21 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy.
- Aging and poorly maintained roads and electricity infrastructure.
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow challenges and cash position of the municipality.
- The increased cost of bulk electricity due to penalties and charges for exceeding the notified maximum demand by Eskom, which is placing upward pressure on service tariffs to residents.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies.

- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year’s capital investments needed to be factored into the budget as part of the 2020/21 - 2022/23 MTREF process.

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

- The 2019/20 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2020/21 annual budget.
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity.
- In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.
- Implementation of cost cutting measures in terms of Circular 97 and regulations on cost containment measures as well as Financial Recovery Plan of the municipality.
- The municipality is focusing on containing the cost in relation to the following items of expenditure:
 - Use of consultants
 - Vehicles used for political office bearers
 - Travelling and Subsistence
 - Air Travel
 - Domestic Accommodation
 - Credit Cards
 - Sponsorship, events and catering
 - Communication and publication in newspapers
 - Conference and seminars
 - Meeting and study tours
 - Unplanned overtime

In view of the above, the following table is a consolidated overview of the proposed 2020/21 – 2022/23 Medium-term Revenue and Expenditure Framework:

TABLE 1 CONSOLIDATED OVERVIEW OF THE 2020/2021 MTREF

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
R thousands										
Revenue	1 070 004	1 050 179	1 070 402	1 291 872	1 302 114	1 302 114	1 302 114	1 377 178	1 443 363	1 544 698
Total Expenditure	1 090 681	1 210 885	1 207 385	1 271 221	1 293 777	1 293 777	1 293 777	1 289 141	1 353 249	1 449 050
Surplus/(Deficit)	(20 677)	(160 706)	(136 983)	20 651	8 337	8 337	8 337	88 037	90 114	95 649
Capital expenditure & funds sources										
Capital expenditure	364 222	265 802	164 761	228 831	283 269	283 269	283 269	117 510	101 594	114 532
Transfers recognised - capital	360 463	212 766	110 417	208 280	259 088	259 088	259 088	117 510	101 594	114 532
Borrowing	-	53 035	51 244	-	-	-	-	-	-	-
Internally generated funds	3 759	-	3 100	20 551	24 181	24 181	24 181	-	-	-
Total sources of capital funds	364 222	265 802	164 761	228 831	283 269	283 269	283 269	117 510	101 594	114 532

Total operating revenue increased by five per cent from the 2019/2020 adjusted budget increasing from R1.3 billion to R1.4 billion.

For the two outer years, operational revenue will increase by five and six per cent respectively, equating to a total revenue growth of R69.3 million and R90.7 million over the MTREF when compared to the 2020/2021 financial year representing an annual growth of five per cent increase annually.

Total operating expenditure for the 2020/2021 financial year has been appropriated at R1.3 billion and translates into a budgeted surplus of R88million to fund prior year liabilities rolled over to current year. When compared to the 2019/20 Adjustments Budget, operational expenditure decreased by 0.33 per cent in the 2020/21 budget and grows by 5 per cent and 0.7 per cent in the two outer years, respectively.

The total capital budget for 2020/21 is R117.5 million and R101.6 million and R114,5 million for the outer two years respectively.

- The decrease in budget for capital expenditure is 59% from the 2019/2020 adjusted budget and decreases in the 2021/2022 by 14% and increase by 13% in 2022/2023.
- This is funded by Grants and a limited a small fraction from own income.

1.4 OPERATING REVENUE FRAMEWORK/

For King Sabata Dalindyebo 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 95 per cent annual collection rate for property rates and other key service charges and 100 percent on direct income.
- Electricity tariff increases are still to be approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services. The biggest challenge is inability to recover costs associated with the refuse removal from places as far as Coffee Bay , Hole in The Wall and peri-urban Areas
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

TABLE 2 SUMMARY OF REVENUE CLASSIFIED BY MAIN REVENUE SOURCE

EC157 King Sabata Dalindyebo - 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	191 735	216 427	216 699	246 183	245 634	245 634	245 634	246 183	258 000	270 383
Service charges - electricity revenue	2	306 969	345 699	372 990	484 062	489 176	489 176	489 176	528 391	555 865	605 324
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	27 569	37 478	39 319	57 664	55 664	55 664	55 664	64 843	68 481	72 301
Rental of facilities and equipment		13 191	16 967	17 164	29 543	30 046	30 046	30 046	31 491	32 939	34 455
Interest earned - external investments		1 834	1 691	1 314	2 000	2 000	2 000	2 000	3 062	3 203	3 351
Interest earned - outstanding debtors		37 111	37 741	47 403	48 256	51 877	51 877	51 877	53 654	56 123	58 704
Dividends received					-	-	-	-			
Fines, penalties and forfeits		1 392	1 954	2 727	5 838	6 145	6 145	6 145	6 955	7 275	7 610
Licences and permits		15 155	14 558	12 473	3 399	3 399	3 399	3 399	3 758	3 931	4 112
Agency services					16 129	16 129	16 129	16 129	17 833	18 653	19 511
Transfers and subsidies		275 617	293 882	318 659	355 575	359 401	359 401	359 401	374 968	390 736	418 576
Other revenue	2	199 432	83 783	41 655	41 715	41 135	41 135	41 135	44 373	46 414	48 549
Gains					1 507	1 507	1 507	1 507	1 667	1 743	1 823
Total Revenue (excluding capital transfers and contributions)		1 070 004	1 050 179	1 070 402	1 291 872	1 302 114	1 302 114	1 302 114	1 377 178	1 443 363	1 544 698

TABLE 3 PERCENTAGE GROWTH IN REVENUE BY MAIN REVENUE SOURCE

Description	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework					Share of total budget	
	Audited Outcome	Original Budget	Full Year Forecast	% Change	Budget Year 2020/21	% Change	Budget Year +1 2021/22	% Change	Budget Year +2 2022/23		% Change
Revenue By Source											
Property rates	216 699	246 183	245 634	13%	246 183	0%	258 000	5%	270 383	5%	18%
Service charges - electricity revenue	372 990	484 062	489 176	31%	528 391	8%	555 865	5%	605 324	9%	39%
Service charges - refuse revenue	39 319	57 664	55 664	42%	64 843	16%	68 481	6%	72 301	6%	5%
Rental of facilities and equipment	17 164	29 543	30 046	75%	31 491	5%	32 939	5%	34 455	5%	2%
Interest earned - external investments	1 314	2 000	2 000	52%	3 062	53%	3 203	5%	3 351	5%	0%
Interest earned - outstanding debtors	47 403	48 256	51 877	9%	53 654	3%	56 123	5%	58 704	5%	4%
Fines, penalties and forfeits	2 727	5 838	6 145	125%	6 955	13%	7 275	5%	7 610	5%	1%
Licences and permits	12 473	3 399	3 399	-73%	3 758	11%	3 931	5%	4 112	5%	0%
Agency services		16 129	16 129	100%	17 833	11%	18 653	5%	19 511	5%	1%
Transfers and subsidies	318 659	355 575	359 401	13%	374 968	4%	390 736	4%	418 576	7%	27%
Other revenue	41 655	41 715	41 135	-1%	44 373	8%	46 414	5%	48 549	5%	3%
Gains		1 507	1 507	100%	1 667	11%	1 743	5%	1 823	5%	0%
Total Revenue (excluding capital transfers and contributions)	1 070 402	1 291 872	1 302 114	22%	1 377 178	6%	1 443 363	5%	1 544 698	7%	

- In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.
- Revenue generated from rates and services charges forms two thirds at 65 per cent of the municipality's total revenue at R886.5 million. This is followed by Grants and Subsidies operational at 27 per cent amounting R371.7 million and lastly direct income at 8 per cent amounting R107.6 million.
- This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.
 - Electricity revenue is the largest of the revenue mix at R523.3 million representing 53 per cent of the total own generated income
 - Property rates amounting to R246 million at 25 per cent.
 - Refuse removal is the third largest set at R62.8 million at 6 per cent.
 - The remainder of own income is 16 per cent of the own generated income .
- Operating grants and transfers totals R375 million in the 2020/2021 financial year and steadily increases to R390.7 million by R408.6 million for the outer years.

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

TABLE 4 OPERATING TRANSFERS AND GRANT RECEIPTS

Description	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:		270 539	291 215	316 506	352 699	352 699	352 699	371 691	390 736	418 576
Local Government Equitable Share		249 468	267 710	292 112	329 470	329 470	329 470	352 763	377 773	399 136
Finance Management		2 261	2 196	2 215	2 680	2 680	2 680	2 500	2 800	3 000
Energy Efficiency and Demand Management		8 000	8 000	8 000	6 500	6 500	6 500	5 500	5 500	6 500
		5 000	5 334	6 000	6 000	6 000	6 000	-	-	5 000
		1 699	3 584	3 954	3 735	3 735	3 735	6 643	-	-
Other transfers/grants [insert description]		4 111	4 390	4 225	4 314	4 314	4 314	4 285	4 663	4 940
Provincial Government:		2 390	10 506	4 634	1 021	4 298	4 298	3 277	-	-
		2 390	1 750	1 855		3 277	3 277	3 277		
						-	-			
						-	-			
Sport and recreation			8 756	2 779	1 021	1 021	1 021			
District Municipality: [insert description]		-	-	-	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	272 929	301 720	321 140	353 720	356 997	356 997	374 968	390 736	418 576

Tariff-setting is a pivotal and strategic part of the compilation of any budget.

- The percentage increases of both Eskom bulk tariffs are far beyond the mentioned inflation target at 8.1 per cent and 5.2 per cent and 8.9 per cent. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality.

- **Macroeconomic performance and projections**

Percentage change	2019	2020	2021	2022
	Estimate	Forecast		
Real GDP growth	0.3	0.9	1.3	1.6
CPI inflation	4.1	4.5	4.6	4.6

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.

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 Circulars No. 98 and 99 deals, inter alia with the implementation of the Cost Containment Measures and related regulations issued by the National Treasury. These regulations came into effect on 1 July 2019.

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) and a further R45 000 as determined by the council.
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy. In this regard the following stipulations are relevant:
 - For physically and mentally disabled persons an application has to be made
 - 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.

The following conditions should be met:-

- The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income and zoned and used as residential.
- 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 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.
- 20 per cent rebate will be granted to pensioners and
- 10 percent incentive on early settlement of the account.

Proposed rates for the 2020/2021 financial year based on a 4,9 per cent increase from 1 July 2020 is contained below:

TABLE 5 COMPARISON OF PROPOSED RATES TO LEVIED FOR THE 2020/2020 FINANCIAL YEAR

ESTIMATES OF INCOME AND EXPENDITURE- TARIFFS						
AS FROM 01 JULY 2020						
	2018/2019		2019/2020		2020/2021	
PROPERTY PRATES AND LEVIES						
Proposed increment 2020/2021 4.9%						
General Rate						
Domestic (cents in a Rand)	0,73916	Cents in a Rand	0,77907	Cents in a Rand	0,81725	Cents in a Rand
Business/ Commercial (cents in a Rand)	1,47832	Cents in a Rand	1,55815	Cents in a Rand	1,63450	Cents in a Rand
Government/ Parastatals (State Owned) (cents in a Rand)	2,03269	Cents in a Rand	2,14245	Cents in a Rand	2,24743	Cents in a Rand
Agricultural (cents in a Rand)	0,18609	Cents in a Rand	0,19614	Cents in a Rand	0,20575	Cents in a Rand
PSI (cents in a Rand)	0,18609	Cents in a Rand	0,19614	Cents in a Rand	0,20575	Cents in a Rand
Public Benefit Organisation	0,18609	Cents in a Rand	0,19614	Cents in a Rand	0,20575	Cents in a Rand
Parking Development Rate (cents in a Rand)	0,22843	Cents in a Rand	0,24077	Cents in a Rand	0,25256	Cents in a Rand
Fire Levy						
Domestic - Per annum	373,87		394,06		413,37	
Business/ Commercial Per Annum	672,99		709,34		744,09	

1.4.2 SALE OF ELECTRICITY AND IMPACT OF TARIFF INCREASES

A 8.1 per cent increase in the electricity tariffs is proposed for the 2020/2021 financial year. This is however dependent on the finalization of Eskom bulk electricity tariff to municipalities will be effective from 1 July 2020. For the two outer years an increase of 5.2% and 8.9% respectively has been proposed.

The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for all customers:

TABLE 6 COMPARISON BETWEEN CURRENT ELECTRICITY CHARGES AND INCREASES

TARIFF 2020/2021			
ITEM NO	TARIFF DESCRIPTION	2019/2020	2020/2021
	ELECTRICITY TARIFFS		
1	Domestic Prepayment		
1,1	Tariff 1	170,33	184,13
1,2	Tariff 2 (Indigent)	138,93	150,18
2	COMMERCIAL TARIFFS		
2,1	Commercial Conventional		
	Energy Charge	190,54	205,97
	Basic Charge	427,54	462,17
2,2	Commercial Prepayment		
	Tariff 3 (small) energy charge	230,17	248,81
	Tariff 4 (big) energy charge	230,17	248,81
3	INDUSTRIAL TARIFFS		
3,1	Industrial low: ≤ 100KVA		
	Energy charge	103,76	112,16
	Basic charge	1482,46	1602,54
	Demand charge/ KVA	302,87	327,40
3,2	Industrial high: ≥ 100KVA		
	Energy charge	74,16	80,17
	Basic charge	1298,99	1404,21
	Demand charge	315,29	340,83
	Notified Maximum Demand multiplied by KVA tariff rate	22,50	24,32

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. The municipality reticulation network maximum notified demand is being exceeded from time to time as a result of developments and increased demand.

Eskom quoted for R100 million to increase the demand the municipality is currently being penalized by ESKOM for exceeding the NMD. The municipality and NERSA are currently engaging on a public participation with the intention of introducing NMD.

1.4.3 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 municipality in attempt to breakeven has increased the tariff by 5.9 per cent. One per cent above the recommended tariffs for other services.

A 5.9 per cent increase in the waste removal tariff is proposed from 1 July 2020. Any increase higher than 5.9 per cent 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 7 COMPARISON BETWEEN CURRENT WASTE REMOVAL FEES AND INCREASES

ESTIMATES OF INCOME AND EXPENDITURE- TARIFFS AS FROM 01 JULY 2020				
		2018/2019	2019/2020	2020/2021
3,0	<u>SOLID WASTE : Proposed increment 4,9%</u>			
	Refuse Removal : Full Level of Service			
	<u>Annual Charges</u>			
3.1.1	Domestic (2 bags or bins once per week)	2518,93	2654,95	2811,60
3.1.2	Commercial/Industrial/Institutional (2 bins or bags once per week)	5066,63	5340,23	5655,31
3.1.3	Per additional bag or bin	2518,93	2654,95	2811,60
3.1.4	Per additional service removal per week	5066,63	5340,23	5655,31
3.1.5	240 L Bin rental per annum			
	Emptying charge of 240L bin per annum			
4,2	Refuse Removal : Full Level of Service			
	<u>Monthly Charges</u>	212,50	223,98	237,19
4.2.1	Domestic (2 bags or bins once per week)	5,23	5,52	5,84
4.2.2	Commercial/Industrial/Institutional (2 bins or bags once per week)	212,50	223,98	237,19
4.2.3	Per additional bag or bin	427,37	450,44	477,02
4.2.4	Per additional service removal per week			
4.2.5	240L Bin rental per month	14,62	15,41	16,32
4.2.6	240L Bin Clearance / per bin	30,45	32,10	33,99
4.2.7	Emptying charge of 240L bin : Household per month	121,55	128,11	135,67
4,3	Refuse Removal : Basic Level of Service			
	<u>Annual Charges</u>			
4.3.1	Domestic	1439,38	1517,11	1606,62
4.3.2	Business/Industry	3368,15	3550,03	3759,48
4.3.3	Government Institutions	3368,15	3550,03	3759,48
4.3.4	Coffee Bay & Hole-in-the-Wall			
4,4	Refuse Removal : Basic Level of Service			
	<u>Monthly Charges</u>			
4.4.1	Domestic	121,55	128,12	135,67

ESTIMATES OF INCOME AND EXPENDITURE- TARIFFS AS FROM 01 JULY 2020				
		2018/2019	2019/2020	2020/2021
4.4.2	Business/Industry	283,57	298,88	316,51
4.4.3	Government Institutions	283,57	298,88	316,51
4,5	Sales			
4.5.1	240L Refuse bins (each)	706,54	744,69	788,63
4.5.2	Plastic Refuse Bags (per pack)			
4,6	Skips			
4.6.1	Rental per skip per month	949,85	1001,14	1060,21
4.6.2	Rental per skip per year	11266,61	11875,01	12575,64
4.6.3	Charge per clearance of skip	668,53	704,63	746,21
4,7	Excess Refuse			
4.7.1	Garden Refuse (per 2.5lt load)	400,55	422,18	447,09
4.7.2	Removal of scrap vehicles (per vehicle load)	560,83	591,12	625,99
4.7.3	Hire of skip container per day : Garden Refuse / Excess	304,48	320,93	339,86
4,8	Penalty for Illegal Dumping : Proposed increment at 7%			
4.8.1	Garden and/ or domestic refuse	443,80	467,77	495,37
4,9	Trolley Bins			
4.9.1	Rental (per bin per month)	443,80	467,77	495,37
4.9.2	Charge per clearance	443,80	467,77	495,37
4,1	Disposal Charges to Mthatha & Mqanduli Landfill Site: Weigh Bridge			
4.10.1	Domestic & Trade Waste per tonne	60,91	64,20	67,99
4.10.2	Rubble or concrete per tonne	30,45	32,10	33,99
4.10.3	Material suitable to be used for cover	free	free	free
				0,00
4,1	Disposal Charges to Mthatha & Mqanduli Site: Not Weighed			0,00
4.11.1	Small vehicle up to 1 tonne load capacity	54,82	57,78	61,19

ESTIMATES OF INCOME AND EXPENDITURE- TARIFFS AS FROM 01 JULY 2020				
		2018/2019	2019/2020	2020/2021
4.11.2	3 - 4 tonne vehicle	219,27	231,11	244,75
4.11.3	5 - 8 tonne vehicle	304,54	320,99	339,93
4,1	Garden Waste			
4.12.1	Clean Greens per tonne	24,36	25,68	27,19
4.12.2	Any other green material including tree trunks per tonne	40,20	42,37	44,87
4,1	Permits			
4.13.1	Domestic Solid Waste Handling Permit per vehicle per annum	609,09	641,98	679,85

1.5 OPERATING EXPENDITURE FRAMEWORK

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

TABLE 8 SUMMARY OF OPERATING EXPENDITURE BY STANDARD CLASSIFICATION ITEM

EC157 King Sabata Dalindyebo - 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
Expenditure By Type											
Employee related costs	2	374 193	402 364	429 922	492 280	454 554	454 554	454 554	494 071	516 121	541 395
Remuneration of councillors		23 820	26 477	27 574	29 054	29 054	29 054	29 054	30 913	32 737	34 341
Debt impairment	3	14 168	98 812	84 340	29 540	64 682	64 682	64 682	39 273	48 531	62 543
Depreciation & asset impairment	2	157 887	138 028	160 451	108 120	108 120	108 120	108 120	135 447	141 677	148 195
Finance charges		15 546	22 422	25 521	29 970	19 970	19 970	19 970	14 970	15 658	16 379
Bulk purchases	2	250 059	256 243	268 269	337 197	337 197	337 197	337 197	364 510	383 465	417 593
Other materials	8	55 210	-	-	16 769	20 581	20 581	20 581	16 752	17 523	18 329
Contracted services		10 552	8 992	7 551	53 306	64 508	64 508	64 508	41 374	40 044	41 957
Transfers and subsidies		55 871	34 908	59 647	157	252	252	252	-	-	-
Other expenditure	4, 5	130 341	159 540	140 588	174 827	194 859	194 859	194 859	151 831	157 492	168 318
Losses		3 033	62 099	3 523							
Total Expenditure		1 090 681	1 210 885	1 207 385	1 271 221	1 293 777	1 293 777	1 293 777	1 289 141	1 353 249	1 449 050
Surplus/(Deficit)		(20 677)	(160 706)	(136 983)	20 651	8 337	8 337	8 337	88 037	90 114	95 649
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		193 745	195 063	105 063	208 280	259 088	259 088	259 088	117 510	101 594	114 532
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-									
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		173 068	34 358	(31 921)	228 931	267 425	267 425	267 425	205 547	191 708	210 181

ANALYSIS OF EXPENDITURE

Description	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework					% Change	Share of total budget	
	R thousand	Audited Outcome	Original Budget	Full Year Forecast	% Change	Budget Year 2020/21	% Change	Budget Year +1 2021/22	% Change			Budget Year +2 2022/23
Expenditure By Type												
Employee related costs	429 922	492 280	454 554	6%	494 071	9%	516 121	4%	541 395	5%	38%	
Remuneration of councillors	27 574	29 054	29 054	5%	30 913	6%	32 737	6%	34 341	5%	2%	
Debt impairment	84 340	29 540	64 682	-23%	39 273	-39%	48 531	24%	62 543	29%	3%	
Depredation & asset impairment	160 451	108 120	108 120	-33%	135 447	25%	141 677	5%	148 195	5%	11%	
Finance charges	25 521	29 970	19 970	-22%	14 970	-25%	15 658	5%	16 379	5%	1%	
Bulk purchases	268 269	337 197	337 197	26%	364 510	8%	383 465	5%	417 593	9%	28%	
Other materials	-	16 769	20 581	#DIV/0!	16 752	-19%	17 523	5%	18 329	5%	1%	
Contracted services	7 551	53 306	64 508	754%	41 374	-36%	40 044	-3%	41 957	5%	3%	
Transfers and subsidies	59 647	157	252	-100%	-	-100%	-	###	-	100%	0%	
Other expenditure	140 588	174 827	194 859	39%	151 831	-22%	157 492	4%	168 318	7%	12%	
Losses	3 523			-100%							0%	
Total Expenditure	1 207 385	1 271 221	1 293 777	7%	1 289 141	0%	1 353 249	5%	1 449 050	7%	100%	
Surplus/(Deficit)	(136 983)	20 651	8 337	-106%	88 037	956%	90 114	2%	95 649	6%	7%	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	105 063	208 280	259 088	147%	117 510	-55%	101 594	-14%	114 532	13%	9%	
Transfers and subsidies - capital (in-kind - all)												
Surplus/(Deficit) after capital transfers & contributions	(31 921)	228 931	267 425	-938%	205 547	-23%	191 708	-7%	210 181	10%	16%	

Salaries

The budgeted allocation for employee related costs for the 2020/2021 financial year totals R494 million, which equals 38 per cent of the total operating expenditure. Salary increases have been factored into this budget at a percentage increase of 5.9 per cent for the 2020/2021 financial year. An annual increase of 5% per cent has been included in the two outer years of the MTREF.

Remuneration of Councillors

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 City's budget. The increase on the budget for the remuneration of councillors is increased by 5.9 per cent and is 2% of the total operating budget.

Salaries and remuneration of councillors are 40 per cent of the total operating expenditure budget.

Provision for doubt debts

The provision of debt impairment was determined based on an annual collection rate of 95 per cent and the Debt Write-off Policy of the municipality. For the 2020/21 financial year this amount equates to R39.2 million for the current and R48.5 million and R62.5 million in the two outer years respectively. 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 impairment and depreciation

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 R135.5 million for the 2020/2021 financial year and equates to 27 per cent of the total operating expenditure and increases to R141 million and R148 million for the two outer years respectively.

Finance costs

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1 per cent (R14.9million) of operating expenditure excluding annual redemption for 2020/2021 and increases to R15.7 million and R16.4 million for the two outer years respectively.

Bulk purchases

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases are still to be approved by NERSA and for the time being the increase is set at 8.1 per cent and this translates to R364.5 million in the 2020/21 budget, representing 28% of the operating expenditure budget and increases to R383.5 million and R417.6 million in the two outer years respectively. This will have to be reviewed after the finalization of the application of ESKOM by NERSA.

Contracted Services

As part of the compilation of the 2020/2021 MTREF the budget for this category of expenditure amounts to R38 million representing 3 per cent of the operating expenditure budget and a decrease of 61 per cent from the adjusted budget. This includes all outsourced services such as repairs and maintenance catering, and other expenditure contracted to Service Providers.

Other expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. Budgets relating to non-core functions of the municipality has been reduced to ensure that the municipality complies to circulars on cost cutting measures. This is done to cut none core expenditure and to focus on service delivery and other core functions/mandates of the municipality. The budget is set at R151.8 million for general expenditure with a decrease of 28 per cent from the adjusted budget. Included in the other expenditure are the following line items:

➤ **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 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.

The budget for the current year is R25 million to cater for free basic electricity, alternative energy and subsidy for rates and other services.

➤ **Repairs and maintenance**

The budget for the 2020/21 financial year is R46.8 million, R49.3 million and R52 million in the outer two years. The budget excludes the salary component of repairs and maintenance

➤ **Grant and Subsidies Paid**

The budget for the current year is R14 million and reduces to R8.3 million and R14.5 million in the outer two years respectively.

➤ **General Expenses – Other**

The municipality has made a provision of R1 million on operating expenditure budget to cater for Covid-19 expenses.

The municipality, despite it's financial challenges continues to incur expenditure for unfunded mandates such as Environmental Health, Disaster Management and Libraries. It is recommended that the functions be transferred to either district municipality or related sector department. Alternatively, funding agreements must be entered into to ensure that the municipality is re-imbursed for costs incurred.

1.6 CAPITAL EXPENDITURE

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

TABLE 9 2020/2021 MEDIUM-TERM CAPITAL BUDGET PER VOTE

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
Single-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE & COUNCIL		–	–	93	5	30	30	30	–	–	–
Vote 2 - FINANCE & ASSET MANAGEMENT		213	53,035	70,457	18,596	21,905	21,905	21,905	–	–	–
Vote 3 - CORPORATE SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 4 - ECONOMIC PLANNING AND DEVELOPMENT		–	–	2,968	–	2,647	2,647	2,647	–	–	–
Vote 5 - HUMAN SETTLEMENT		14,232	60,093	12,318	103,649	59,757	59,757	59,757	26,400	–	–
Vote 6 - COMMUNITY SERVICES		3,546	–	22	1,279	1,584	1,584	1,584	–	–	–
Vote 7 - PUBLIC SAFETY		–	–	38	553	548	548	548	–	–	–
Vote 8 - INFRASTRUCTURE		346,230	152,673	78,864	104,749	196,799	196,799	196,799	91,110	101,594	114,532
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		364,222	265,802	164,761	228,831	283,269	283,269	283,269	117,510	101,594	114,532
Total Capital Expenditure - Vote		364,222	265,802	164,761	228,831	283,269	283,269	283,269	117,510	101,594	114,532
Capital Expenditure - Functional											
Governance and administration		213	53,035	70,550	18,669	22,003	22,003	22,003	–	–	–
Executive and council		–	–	93	5	30	30	30	–	–	–
Finance and administration		213	53,035	70,457	18,664	21,973	21,973	21,973	–	–	–
Internal audit		–	–	–	–	–	–	–	–	–	–
Community and public safety		17,778	60,093	12,378	104,413	60,321	60,321	60,321	26,400	–	–
Community and social services		3,546	–	22	200	5	5	5	–	–	–
Sport and recreation		–	–	–	64	64	64	64	–	–	–
Public safety		–	–	38	553	548	548	548	–	–	–
Housing		14,232	60,093	12,318	103,596	59,704	59,704	59,704	26,400	–	–
Health		–	–	–	–	–	–	–	–	–	–
Economic and environmental services		257,790	109,755	73,152	89,699	97,346	97,346	97,346	81,408	88,594	93,851
Planning and development		–	–	2,968	15	2,662	2,662	2,662	–	–	–
Road transport		257,790	109,755	70,185	89,684	94,684	94,684	94,684	81,408	88,594	93,851
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		88,441	42,918	8,680	16,050	103,600	103,600	103,600	9,702	13,000	20,681
Energy sources		88,441	42,918	8,680	15,050	102,100	102,100	102,100	9,702	13,000	20,681
Water management		–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–
Waste management		–	–	–	1,000	1,500	1,500	1,500	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional	3	364,222	265,802	164,761	228,831	283,269	283,269	283,269	117,510	101,594	114,532
Funded by:											
National Government		109,034	91,640	76,116	96,965	96,965	96,965	96,965	91,110	101,594	114,532
Provincial Government		99,539	90,345	17,584	111,315	82,123	82,123	82,123	26,400	–	–
District Municipality		–	–	–	–	80,000	80,000	80,000	–	–	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		151,890	30,781	16,717	–	–	–	–	–	–	–
Transfers recognised - capital	4	360,463	212,766	110,417	208,280	259,088	259,088	259,088	117,510	101,594	114,532
Borrowing	6	–	53,035	51,244	–	–	–	–	–	–	–
Internally generated funds		3,759	–	3,100	20,551	24,181	24,181	24,181	–	–	–
Total Capital Funding	7	364,222	265,802	164,761	228,831	283,269	283,269	283,269	117,510	101,594	114,532

The capital expenditure for 2020/2021 an amount of 117.6 million and decreases to R104.7 million and increases to R114.6 million in the two outer years respectively.

1.7 Annual Budget Tables

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 2020/2021 budget and MTREF as approved by the Council.

TABLE 10 MBRR TABLE A1 - BUDGET SUMMARY

EC157 King Sabata Dalindyebo - 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										
Properly rates	191 735	216 427	216 699	246 183	245 634	245 634	245 634	246 183	258 000	270 383
Service charges	334 538	383 177	412 309	541 726	544 840	544 840	544 840	593 234	624 346	677 624
Investment revenue	1 834	1 691	1 314	2 000	2 000	2 000	2 000	3 062	3 203	3 351
Transfers recognised - operational	275 617	293 882	318 659	355 575	359 401	359 401	359 401	374 968	390 736	418 576
Other own revenue	266 280	155 003	121 421	146 388	150 239	150 239	150 239	169 731	167 079	174 764
Total Revenue (excluding capital transfers and contributions)	1 070 004	1 050 179	1 070 402	1 291 872	1 302 114	1 302 114	1 302 114	1 377 178	1 443 363	1 544 698
Employee costs	374 193	402 364	429 922	492 280	454 554	454 554	454 554	494 071	516 121	541 395
Remuneration of councillors	23 820	26 477	27 574	29 054	29 054	29 054	29 054	30 913	32 737	34 341
Depreciation & asset impairment	157 887	139 028	160 451	108 120	108 120	108 120	108 120	135 447	141 677	148 195
Finance charges	15 546	22 422	25 521	29 970	19 970	19 970	19 970	14 970	15 658	16 379
Materials and bulk purchases	305 270	256 243	268 269	353 967	357 779	357 779	357 779	381 262	400 988	435 922
Transfers and grants	55 871	34 908	59 647	157	252	252	252	-	-	-
Other expenditure	158 095	329 443	236 001	257 673	324 049	324 049	324 049	232 478	246 068	272 818
Total Expenditure	1 090 681	1 210 885	1 207 365	1 271 221	1 293 777	1 293 777	1 293 777	1 289 141	1 353 249	1 440 050
Surplus/(Deficit)	(20 677)	(160 706)	(136 963)	20 651	8 337	8 337	8 337	88 037	90 114	95 649
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	193 745	195 063	105 063	208 280	259 088	259 088	259 088	117 510	101 594	114 532
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	173 068	34 358	(31 921)	228 931	267 425	267 425	267 425	205 547	191 708	210 181
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	173 068	34 358	(31 921)	228 931	267 425	267 425	267 425	205 547	191 708	210 181
Capital expenditure & funds sources										
Capital expenditure	364 222	265 802	164 761	228 831	283 269	283 269	283 269	117 510	101 594	114 532
Transfers recognised - capital	360 463	212 766	110 417	208 280	259 088	259 088	259 088	117 510	101 594	114 532
Borrowing	-	53 035	51 244	-	-	-	-	-	-	-
Internally generated funds	3 759	-	3 100	20 551	24 181	24 181	24 181	-	-	-
Total sources of capital funds	364 222	265 802	164 761	228 831	283 269	283 269	283 269	117 510	101 594	114 532
Financial position										
Total current assets	120 417	119 899	122 012	204 732	168 179	168 179	168 179	313 844	512 849	725 926
Total non current assets	2 781 257	2 874 154	2 884 539	2 780 399	3 068 030	3 068 030	3 068 030	3 185 541	3 151 688	3 124 543
Total current liabilities	441 161	457 364	450 327	171 575	100 679	100 679	100 679	61 227	59 107	56 928
Total non current liabilities	51 962	106 083	136 900	165 950	67 947	67 947	67 947	107 398	77 898	50 518
Community wealth/Equity	2 408 552	2 430 606	2 419 325	2 647 607	3 067 584	3 067 584	3 067 584	3 330 760	3 527 532	3 743 023
Cash flows										
Net cash from (used) operating	225 473	197 384	108 560	317 092	350 086	350 086	350 086	278 061	329 640	366 118
Net cash from (used) investing	(215 257)	(178 173)	(148 044)	(227 323)	(280 254)	(280 254)	(280 254)	(117 510)	(101 594)	(114 532)
Net cash from (used) financing	(4 177)	(10 385)	34 381	(37 287)	(21 692)	(21 692)	(21 692)	(29 500)	(27 360)	(25 200)
Cash/cash equivalents at the year end	18 541	27 366	22 263	79 847	75 506	75 506	75 506	158 416	359 082	585 457
Cash backing/surplus reconciliation										
Cash and investments available	18 541	27 366	22 263	79 847	70 403	70 403	70 403	158 416	359 082	585 457
Application of cash and investments	351 165	347 869	328 608	5 301	(68 339)	(68 339)	(68 339)	(112 938)	(119 244)	(107 440)
Balance - surplus (shortfall)	(332 624)	(320 503)	(306 345)	74 546	138 742	138 742	138 742	271 354	478 326	692 907
Asset management										
Asset register summary (WDV)	2 781 257	2 874 154	2 884 539	2 595 090	2 882 721	2 882 721	2 882 721	3 185 541	3 151 688	3 124 543
Depreciation	157 887	139 028	160 451	108 120	108 120	108 120	108 120	135 447	141 677	148 195
Renewal and Upgrading of Existing Assets	-	-	-	87 819	90 369	90 369	90 369	81 408	88 594	93 851
Repairs and Maintenance	55 210	-	-	46 711	46 711	46 711	46 711	46 671	48 817	51 063
Free services										
Cost of Free Basic Services provided	15 890	15 890	15 890	15 890	15 890	15 890	15 890	15 890	15 890	15 890
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	15	15	15	15	15	15	15	15	15	15
Energy:	81	81	81	81	81	81	81	81	81	81
Refuse:	76	76	76	76	76	76	76	76	76	76