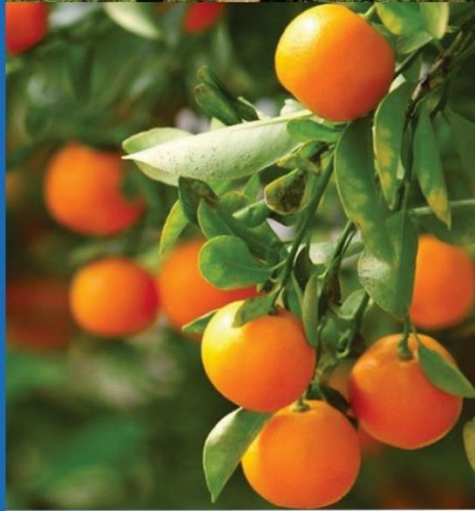




SUNDAYS RIVER VALLEY MUNICIPALITY



DRAFT BUDGET FOR THE MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK 2021- 2023

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SUNDAY'S RIVER VALLEY LOCAL MAYORS BUDGET SPEECH

Honourable Speaker

Executive members

Councillors

Officials

I greet you all in the name of service delivery.

The 2020 budget highlights the difficult economic and fiscal choices confronting government over the next several years.

As we are part of the global world, the municipality has exercised caution when it came to preparing its 2020/21 MTREF budgets to ensure synergy with national economic and fiscal prudence. Evidently drastic and determined action is required to reverse the deterioration of the public finances by narrowing the budget expenditure, containing debt and growing the finances faster and in a sustainable manner.

The municipality will have to raise its revenue before it commits to any new projects. A “lockdown” of expenditure has been implemented until the current financial pandemic we are faced with due to poor economic growth, mismanagement of public funds, deteriorating state of finances and continued high unemployment rate improves.

A conservative approach when projecting revenue and elimination of any waste and unnecessary expenditure is used to budget for the 2021 MTREF. To ensure that the municipality adopts realistic and funded 2020/21 MTREF budgets, collect the debts owed to them and pay their creditors within 30 days of receipt of invoice the decision to quarantine the municipality is of pivotal importance.

I therefore submit 2020/2021 Draft MTREF Budget. The Council remains committed in improving its service delivery even though our budget is limited and will ensure that the financial management of the institution is improved.

In conclusion, I also would like to express my appreciation to my fellow Council members, the Municipal Manager, The Senior Budget and Reporting Accountant and all other staff for their support, cooperation and hard work during the preparation of the draft budget as well as draft IDP.

I Thank You

COUNCIL RESOLUTION

1. That in terms of the section 24 of the Municipal Finance Management Act, 56 of 2003, the draft budget of the Sundays River Valley Municipality for the financial year 2020/21; and indicative allocations for the two projected outer years 2021/22; 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 municipal vote and 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 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 42(2)(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and section 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in annexure A, that were used to prepare the estimates of revenue by sources, are approved with effect from 1 July 2020.

4. For Council to approve the Draft Service Level Standards as required by the National Treasury in MFMA Circular 89 and 91, as per Annexure 3 of this document.

1.3 THE BUDGET OVERVIEW

This section contains an Executive Summary of the Sunday's River Valley Local Municipality's Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

1.4 EXECUTIVE SUMMARY

In compiling the draft budget for 2020/21, the application of sound financial management principles for the compilation of the SRVM 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 consideration was given to the national priorities as communicated through National Treasury circulars.

Section 21 of the MFMA provides clear guidance for the entire budget process. The Mayor has the responsibility of co-ordinating the process of preparing the budget, reviewing the IDP and reviewing the budget related policies. Section 68 of the MFMA, gives rise to the Accounting Officers duty of providing assistance to the Mayor in preparing and implementing the budget process.

National Treasury's MFMA Circular No. 98 and 99 review used to guide the compilation of the 2020/21 MTREF. Also, a great emphasis was placed on ensuring the budget is realistically funded as per s18 of the MFMA and that the budget is credible.

Although the above concepts were considered, challenges arose during the compilation of the draft 2021 MTREF budget, and are summarised below:

- On-going national and local economy difficulties
- Collection rate not being at the desired levels to ensure cash backed budget is approved
- The need to prioritise projects and expenditure within the existing resources given the catastrophic cash flow challenges within the municipality
- The increased cost (above consumer inflation) of bulk electricity and water purchases, is placing upwards pressure on the municipal service tariffs which is unfavourable for residents
- Implementation of SCOA overwhelmed the budgeting process as the mSCOA versions keeps on changing and the budget has to be compliant with the 6.4 mSCOA classification framework

The following budget principles and guidelines directly influenced the compilation of the draft annual budget of 2020/21:

- The 2019/20 Adjustment budget priorities
- The base line allocations contained in the Adjustment budget were adopted as upper limits for the new base line for the 2020/21 draft annual budget
- Tariff and property rates increase should be affordable, cover the cost of bulk services and not exceed consumer inflation except where there is price increase in inputs beyond the municipality's control

- There will be no budget allocated to national or provincial funded projects unless the grants to the municipality are gazetted in the Division of Revenue Act
- The funding constraints with regards to the low available funding for the Capital Budget through the Cash backed Reserve

In view of the aforementioned, Table 1 below, is a consolidated overview of the proposed 2020 draft budget:

Description	Original Budget 2019/20	Adjusted Budget 2019/20	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands					
Total Revenue	270 441 722	271 382 274	260 957 677	276 379 270	279 098 581
Total Expenditure	243 790 115	235 478 977	202 785 844	212 889 763	225 079 441
Surplus for the year	26 651 607.00	35 903 297.00	58 171 832.88	63 489 507.46	54 019 140.18
Total Capital Expenditure	85 019 529.00	76 493 488.85	42 729 000.00	45 382 000.00	33 285 000.00

Total operating revenue has decreased by R10.4 million for the 2020/21 financial year when compared to the 2019/20 Adjustments Budget. For the two outer years, operational revenue will increase on average by 9 per cent respectively, equating to a total revenue growth of R18.1 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 R202.8 million and translates into a budgeted surplus of R58.2 million. When compared to the 2019/20 Adjustments Budget, operational expenditure has decreased by 14 per cent in the 2020/21 budget and gradually increases by 5 and 6 per cent for each of the respective outer years of the MTREF.

The capital budget of the municipality has decreased by R33.8 million or by 44 per cent for the 2020/21 financial year when compared to the 2019/20 Adjustment Budget. The capital budget will be funded from government grant transfers.

1.5 OPERATING REVENUE FRAMEWORK

For the municipality to achieve its set targets in terms of service delivery it needs to generate sufficient revenue. The current state of financial affairs of the municipality mandate that drastic, difficult and decisive actions must be taken in terms of tariff increases and balancing expenditure against planned realistic anticipated revenues. Efficient and effective revenue management is thus critical.

The Municipality's revenue management is built around the following key components:

- National Treasury's guidelines in this regard;
- Growth in the revenue base;
- Efficient revenue management, aiming to improve annual collection rate for property rates and service charges, after discounting the Free Basic Services (FBS) subsidies;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Department of Water Affairs (DWA);
- Ensuring fully cost reflective tariffs for trading services;
- The Property Rates Policy;
- The municipality's Indigent Policy and the rendering of Free Basic Services;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.

The table 2 below is a summary of the 2020/21 MTREF (classified by main revenue source):

Description	Audited Outcome 2018/19	Original Budget 2019/20	Adjusted Budget 2019/20	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands						
Revenue By Source						
Property rates	36 624	42 154	42 154	46 269	48 397	50 624
Service charges - electricity revenue	19 334	26 755	29 255	31 625	33 269	36 130
Service charges - water revenue	6 078	16 523	19 023	19 879	20 793	21 750
Service charges - sanitation revenue	1 057	2 894	2 894	3 024	3 163	3 309
Service charges - refuse revenue	1 890	5 711	5 711	5 968	6 243	6 530
Rental of facilities and equipment	53	58	58	61	64	66
Interest earned - external investments	1 573	1 360	395	413	432	452
Interest earned - outstanding debtors	3 163	11 238	4 084	4 267	4 464	4 669
Fines, penalties and forfeits	6 689	3 328	7 328	7 658	8 010	8 379
Licences and permits	1 481	1 831	1 831	1 913	2 001	2 093
Agency services	3 554	3 007	3 007	3 143	3 287	3 438
Transfers and subsidies	78 345	86 565	86 513	93 267	100 098	107 562
Other revenue	690	597	709	741	775	811
		-	-			
Total Revenue (excluding capital transfers and contributions)	160 531	202 022	202 962	218 229	230 997	245 814
Transfers and subsidies - capital						
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	74 785	68 420	68 420	42 729	45 382	33 285
Total Revenue	235 316	270 442	271 382	260 958	276 379	279 099

Explanatory Notes

Transfers recognised as operational and capital receipts is the largest revenue source totalling 52 per cent or R136 million rand and increases to 140.8 million by 2022/23. This income has been gazetted in the draft Division of Revenue Act and allocation letters received. Table 3 below will provide a breakdown of operating and capital receipts for the 2020/21 MTREF

Description	Funder	2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands				
EQUITABLE SHARE¹	National Treasury	86 469	94 033	101 329
Local Government Financial Management Grant	National Treasury	3 000	3 200	3 300
Expanded Public Works Programme Integrated Grant for Municipalities	National Treasury	1 000	-	-
Library Subsidy	Provincial Treasury	1 200	1 200	1 200
Environmental Health	District Municipality	1 448	1 515	1 583
Capacity Building Subsidy	Provincial Treasury	150	150	150
Total Operating Transfers		93 267	100 098	107 562
Municipal Infrastructure Grant	National Treasury	25 464	27 382	28 785
Energy Efficiency and Demand Side Management Grant	National Treasury	-	3 000	-
Integrated National Electrification Programme (Municipal) Grant	National Treasury	-	5 000	4 500
Water Services Infrastructure Grant	National Treasury	10 000	10 000	-
Small Town Revitalisation	Provincial Treasury	7265		
Total Operating Transfers		42 729	45 382	33 285
Total Transfers Recognised		135 996	145 480	140 847

Revenue generated from services charges and property rates forms a significant percentage of the revenue basket for the municipality. In the 2019/20 financial year, revenue from services charges and property rates totalled R99 million. This increases to R106.8 million in 2020/21 and will grow at an average annual rate of 9 per cent in the respective outer financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity and water contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity and new general valuation roll to be implemented on the 1st July 2020.

Tariff setting is a pivotal part of budget compilation. National treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. The percentage increases of both Eskom bulk tariffs are relatively beyond the mentioned inflation target. Given that this tariff increase is 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.

Sundays River Valley has maintained an increase of 4.5% in line with the CPI for water and refuse services. Electricity and Sanitation services have been increased above inflation and NERSA guideline so to close the gap between cost drivers and tariff levies.

For electricity, it is recommended that the municipality raise the selling price of block 1 to at least R2.14, this will ensure that the municipality breaks even on the Bulk Purchases Costs at its lowest tariff block. The remaining blocks were also revisited after realigning the Block 1 tariff. The above proposed increase requires an 8.1 percent increase for the Block.

It is recommended that for Sanitation services, the tariffs for sewerage must be increased to a minimum of the calculated Primary Baseline tariff of R168.45

Annexure is attached for the proposed tariff increase.

1.6 OPERATING EXPENDITURE FRAMEWORK

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

- Funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;
- The balanced budget approach by limiting operating expenditure to the operating revenue;
- Strict adherence to the principle of "no budget allocations without a project implementation plan"; and
- Operational gains and efficiencies will be directed to funding the capital budget and other core service
-

Table 4 below, is a high level summary of the 2020/21 draft budget and MTREF (classified by main type of operating expenditure)

Description	Audited Outcome 2018/19	Original Budget 2019/20	Adjusted Budget 2019/20	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands						
Expenditure By Type						
Employee related costs	69 920	81 843	80 464	81 122	86 192	91 580
Remuneration of councillors	7 026	7 441	7 441	7 906	8 401	8 926
Debt impairment	18 050	13 454	13 705	13 705	14 335	14 994
Depreciation and asset impairment	32 893	26 366	32 110	33 555	35 098	36 713
Finance charges	2 455	2 830	3 573	1 739	985	880
Bulk purchases	21 787	29 523	31 504	33 703	35 393	38 008
Other materials	3 856	8 082	4 475	3 000	3 138	3 282
Contracted services	23 076	40 771	31 657	13 704	14 334	14 994
Transfers and subsidies		-	-			
Other expenditure	28 846	33 480	30 550	14 352	15 012	15 703
Loss on disposal of PPE		-	-			
Total Expenditure	207 909	243 790	235 479	202 786	212 890	225 079

Explanatory Notes

Employee Cost

The budgeted allocation for employee related costs for the 2020/21 financial year totals R81.1 million, which equates to 40 percent of the total operating expenditure. The salary increment for the 2021 financial year is 6.25 percent which is above the CPI. The following measures have been implemented in terms of employee cost:

- No overtime budgeted, staff to take time off (non-negotiable)
- No acting allowance provided
- No new appoints envisaged, prohibited by Circular 70 as employee cost are capped at 40% of operating expenditure

Remuneration of Councillors

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative 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 municipal budget.

Debt Impairment

The provision of debt impairment for the 2020/21 financial year equates to R13.7 million based on previous budget assumptions as the annual collection rate has not been calculated appropriately. While this expenditure is considered to be a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Depreciation and Impairment-

Provision for depreciation and asset impairment has been informed by the Asset Management Policy. Depreciation is a good barometer of future or current capital financing costs to expand and manage infrastructure. Budget appropriations in this regard total R33, 6 million for the 2020/21 financial year based on 2019/20 final budget.

Bulk Purchases

Bulk purchases are directly informed by the purchase of electricity from Eskom and Water Affairs. The annual price increase of 8.1 percent is factored into the budget appropriations and directly inform the revenue provisions.

Finance Charges

Finance charges consist primarily of the repayment of interest on outstanding creditors. Finance charges amount to R1.7 million for the 2020/21 financial year for overdue accounts. It should be noted that municipalities are encouraged to maintain and meet their obligations to creditors within the prescribed timeframes.

Contracted Services

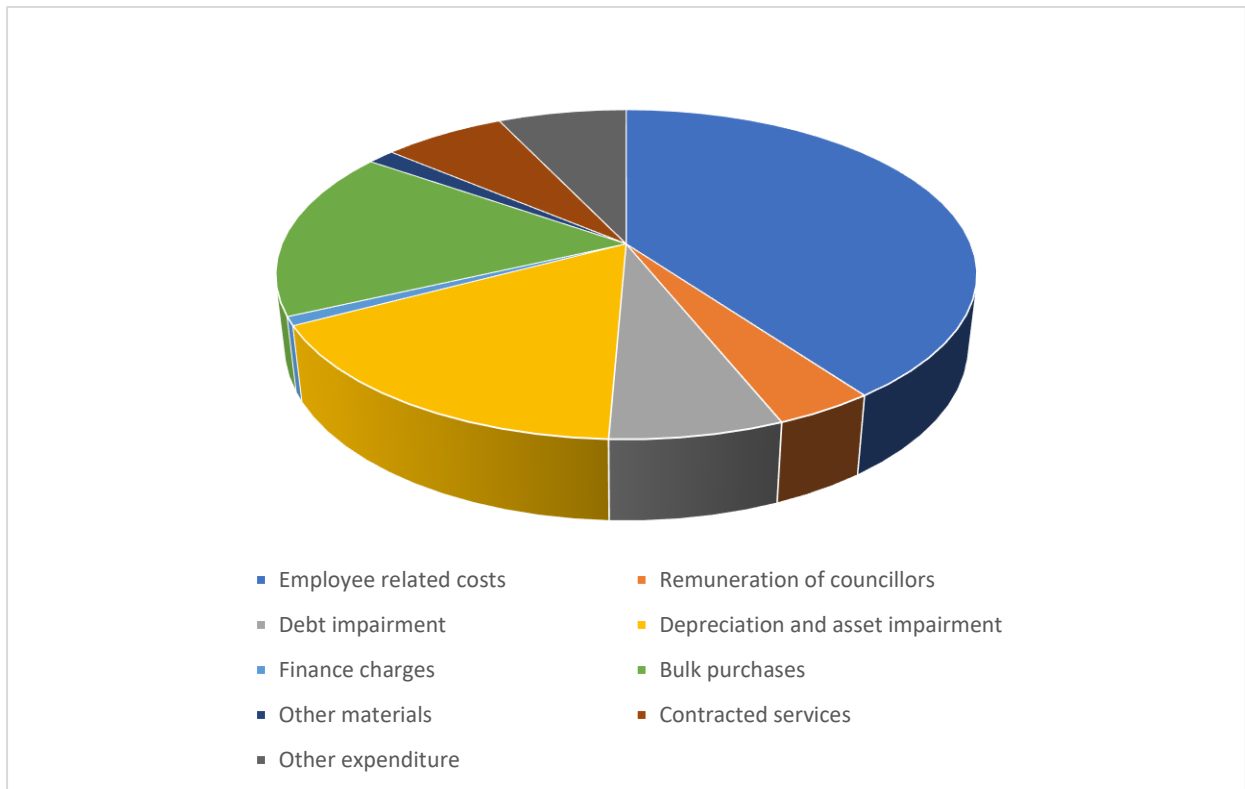
This item of expenditure has decreased by R18 million. The decrease is attributable to a firm stand of curbing unwarranted expenditure and adherence to the principals of cash containment. Work outsourced to service providers although staff presence is remunerated and present have been scrapped from the budget. These include but not limited to:

- VAT Recovery
- CFO Support
- Debt Collectors

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies has been achieved. This results from budgeting for all repayments thus decreasing our creditor thus ensuring sound financial management in the future.

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



1.6 CAPITAL EXPENDITURE

The Municipal Capital Budget is R42.7 million. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

Description	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands			
Upgrading of Roads & Stormwater in Enon and Bersheba - Phase 1	6 210	-	
Upgrading of Sewerage Network in Paterson - Phase 2	5 140	6 482	12 808
Upgrading of Addo Water Reticulation	4 850	9 000	8 542
Upgrading of Paterson Water Reticulation	4 400	7 000	4 185
Upgrading of Nomathamsanqa Sports facility	2 000		3 250
Upgrading of Kirkwood Taxi Rank	2 864	4 900	
Upgrading of roads-Small town revitalization	7 265		
Electrification programme		8 000	4 500
Water Service program	10 000	10 000	
Total Capital Expenditure	42 729	45 382	33 285

Capital Expenditure will solely be funded by Grant allocation by National Treasury and Provincial Treasury. This is due to significant constraints of Council funds as highlighted in the above sections.

In addition to the above listed projects, in-kind Grant allocations have been made to the municipality, but projects for these are still to be confirmed.

- RBIG – R3 000 000
- INEP (Eskom) – R4 539 000

1.7 CASH FLOW ACTUALS

Description	Audited Outcome 2018/19	Original Budget 2019/20	Adjusted Budget 2019/20	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands						
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Property rates	36 250	36 123	42 546	34 954	36 561	38 243
Service charges	29 405	44 460	54 039	20 873	21 833	22 837
Other revenue	5 778	5 493	12 567	6 276	6 565	6 867
Government - operating	76 254	86 565	86 513	93 267	100 098	107 562
Government - capital	74 826	68 420	68 420	42 729	45 382	33 285
Interest	1 573	1 360	4 275	527	551	576
Dividends	-	-	-	-	-	-
Payments						
Suppliers and employees	(149 692)	(149 549)	(186 091)	(153 787)	(162 471)	(172 492)
Finance charges	(776)	(500)	(3 573)	(1 739)	(985)	(880)
Transfers and Grants	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	73 618	92 373	78 696	43 099	47 534	35 999
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Proceeds on disposal of PPE	-	-	148	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-
Payments						
Capital assets	(84 705)	(84 290)	(76 493)	(42 729)	(45 382)	(33 285)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(84 705)	(84 290)	(76 345)	(42 729)	(45 382)	(33 285)
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Short term loans	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-
Payments						
Repayment of borrowing	(901)	(4 459)	(1 320)	(1 320)	(1 320)	(933)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(901)	(4 459)	(1 320)	(1 320)	(1 320)	(933)
NET INCREASE/ (DECREASE) IN CASH HELD	(11 988)	3 625	1 030	(950)	832	1 781
Cash/cash equivalents at the year begin:	12 614	4 138	626	1 656	707	1 539
Cash/cash equivalents at the year end:	626	7 763	1 656	707	1 539	3 320

Table 6 depicts the Budgeted Cash flow Statement for the 2020/21 MTREF

Amid a dire financial position, a cash flow budget statement is the first step to determining if the budget is funded.

It shows the expected level of cash inflow vs cash out flow that is likely to result from the implementation of the budget.

The municipality will have a positive cash balance at year end of R707 in 2021 financial year. Despite this financial sustainability will remain a concern especially as no measures of revenue improvement have been proposed to remedy the existing financial crisis.

Plans to improve the collection rates must be documented, adopted and implemented before final adoption of the municipal budget to resuscitate the institutional financial anatomy.

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS

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 a time schedule that sets out the process to revise the IDP and prepare the budget

The 2020/21 MTREF Budget preparation commenced in August 2019 after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). Sections 1.8 and 1.9, present an overview of the Operating and Capital Budgets respectively, with high level tables, which provide an overall picture of the Municipality's finances.

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives. Table 1 illustrates the link between the IDP and Budget.

2.2 FINANCIAL MODELLING

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:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt)
- Performance trends
- The approved 2019/20 adjustments budget and performance against the SDBIP
- 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 98 and 99 has been taken into consideration in the planning and prioritisation process

2.3 FREE BASIC SERVICE

The municipality is currently working with ward committees, in terms of improving its Indigent register updates and Management of Indigent. Currently the municipality provides and has budgeted for the following benefits to registered indigent households:

- Electricity: A subsidy of fifty (50) Kilowatts of electricity per property per month to registered households will apply.
- Refuse Removal: A subsidy, not more than the applicable tariff for the 2020/21

financial year, will be applied for the duration of the financial year.

- Sanitation: A subsidy, not more than the applicable tariff for the 2020/21 financial year, will be applied for the duration of the financial year.
- Water: A subsidy of 6 Kilolitres of water per property per month to registered households will apply.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following policies have not yet been reviewed and remain unchanged at draft budget stage.

- *Credit control and debt collection procedures/policies*
- *Asset Management Policy*
- *Supply Chain Management Policy*
- *Tariff Policy*
- *Rates policy*
- *Indigent Policy*
- *Banking and Investment policy*
- *Policy on the writing off of irrecoverable debt*
- *Financial management policy*

2.5 BUDGET STRATEGY & ASSUMPTIONS

Budget Strategy

The following guidelines were used to compile the 2020/21 to 2022/23 Operating and Capital budgets:

- (a) That the annual increases for the 2020/21 to 2022/23 draft Operating Budget be limited to the following and be reviewed during the process, if considered necessary:
 - The overall increase in operating expenditure is based on the projected CPIX of 4.5 %.
 - The overall increase in employee related costs be aligned to finalized agreement by the SALGBC of 6.25 .
 - Bulk purchases increase as per ESKOM and NERSA guidelines of 8.1 %
 - Rates and tariff escalations be limited to 4.5%

Budget assumptions

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

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

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Directors.
- The need to enhance the municipality's revenue base.

2.6 FUNDING OF THE BUDGET

The budget is funded from two major sources:

- Realistic expected revenue from operations (Property rates and service charges)
- Grants and subsidies (cash backed allocations from government)

On-going issues requiring monitoring and evaluation

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in roads, electricity and municipal properties
- Staffing requirements and the impact on the personnel expenditure target;
- Acceptance and implementation of funded mandates; e.g. Disaster management and Library Services;
- Improving on current collection rates especially household debt

QUALITY CERTIFICATE

I, Sydney Fadi ,the Municipal Manager of Sundays River Valley municipality, hereby certify that the draft annual budget 2018/19 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documentation are consistent with the draft Integrated Development Plan of the municipality.

S.FADI

MUNICIPAL MANAGER OF SUNDAYS RIVER VALLEY MUNICIPALITY – EC106

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SIGNATURE

DATE: 31 March 2020

