



# DRAFT ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF A MUNICIPALITY

DRAFT ANNUAL BUDGET OF

# **ENGCOBO**

# **MUNICIPALITY**

2020/21 TO 2022/23  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

Copies of this document can be viewed:

- In the Mayor's office on municipal buildings
  - At [www.engcobolm.org.za](http://www.engcobolm.org.za)

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## Abbreviations and Acronyms

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

## Part 1 – Annual Budget

### 1.1 Mayor's Report

In his Budget Speech to Parliament on 20 February 2020, the Minister of Finance said: “We cannot expect to do the same old things and expect different results”. In the past three years, the world economy has gone through its deepest recession in over 70 years. Signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived and that the world economy may yet experience a second recessionary wave. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of “doing business smarter”.

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 Engcobo municipality. Budgeting is primarily about the choices that the municipality has to 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 municipally financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

**And so on...**

### 1.2 Council Resolutions

On 26 March 2020 the Council of Engcobo Local Municipality met in the Council Chambers of Engcobo Local Municipality council chamber to consider the draft annual budget of the municipality for the financial year 2020/21. The Council approved and adopted the following resolutions:

1. The Council of Engcobo Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The draft 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 18 on page 24;
  - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
  - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; 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 22 on page 30.
- 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 23 on page 32;
  - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;
  - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
  - 1.2.4. Asset management as contained in Table 26 on page 36; and
  - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.
2. The Council of Engcobo 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 2019:
  - 2.1. The tariffs for property rates.
  - 2.2. The tariffs for solid waste services.
  - 2.3. And other tariffs.
3. The Council of Engcobo 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 2019 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 Engcobo 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 business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes 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, overseas and national travel, accommodation, and catering.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 98, 99 and salary and wage collective agreement were used to guide the compilation of the 2020/21 MTREF.

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 infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- 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 MTREF process; and
- Availability of affordable capital.

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

- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate 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's. 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.



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

**Table 1 Consolidated Overview of the 2020/21 MTREF**

Description	Adjusted Budget	Draft Budget	Draft Budget	Draft Budget
	R'000	R'000	R'000	R'000
	2019/20	2020/21	2021/22	2022/23
Operating Revenue	287,739	269,527	257,654	265,244
Operating Expenditure	236,270	247,520	252,794	264,801
Surplus/(Deficit)	51,469	22,007	4,860	443
Capital Expenditure	101,785	62,997	66,759	69,830
Total Deficit (non-cash items)	-50,316	-40,990	-61,899	-69,387

Total operating revenue has decreased by 6 per cent for the 2020/21 financial year when compared to the 2019/20 Adjustments Budget. For the 2021/22 outer year, operational revenue will increase by 4 percent and 2021/22 it has decreased by 3 per cent respectively, equating to a total revenue growth of R11, 873 million increase and decrease of R 7,590 million.

Total operating expenditure for the 2020/21 financial year has been appropriated at R 247 million and translates into a budgeted surplus of R 22 million. When compared to the 2018/19 Adjustments Budget, operational expenditure has grown by 5 per cent in the 2020/21 budget and by 2 and 5 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily decreased to R14, 8 million and decrease to at R443 thousand. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R62 million for 2020/21 is 38 per cent less when compared to the 209/20 Adjustment Budget. The reduction is due to projects that were funded internally that we not going to have in this financial year i.e. purchase of yellow plant and electrification projects that were funded internally. A substantial portion of the capital budget will be funded from capital grants and internally generated revenue. Capital grants is the major contributor of the MTREF capital budget. The balance will be funded from internally generated funds.

## 1.4 Operating Revenue Framework

For Engcobo Local Municipality 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;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2020/21 MTREF (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
<b>R thousand</b>	1										
<b>Revenue By Source</b>											
Property rates	2	3,720	3,921	4,178	4,503	6,919	6,919	6,919	6,883	7,199	7,530
Service charges - refuse revenue	2	906	961	1,044	1,195	1,195	1,195	1,195	1,409	1,473	1,541
Rental of facilities and equipment		284	266	163	322	322	322	322	539	564	590
Interest earned - external investments		5,930	6,372	5,611	9,500	6,500	6,500	6,500	3,800	3,975	4,158
Interest earned - outstanding debtors		429	500	603	-	-	-	-	-	-	-
Fines, penalties and forfeits		1,296	1,215	423	1,700	1,700	1,700	1,700	1,800	1,883	1,969
Licences and permits		3,027	1,959	2,359	3,800	3,800	3,800	3,800	3,700	3,870	4,048
Transfers and subsidies		71,441	57,339	33,794	60,181	60,181	60,181	60,181	77,340	58,904	57,886
Transfers and subsidies		135,402	137,783	141,495	153,664	154,864	154,864	154,864	162,731	175,426	183,796
Other revenue	2	2,918	1,140	1,104	17,365	52,258	52,258	52,258	11,342	11,864	12,409
Gain		-	103	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>225,322</b>	<b>211,559</b>	<b>190,773</b>	<b>252,230</b>	<b>287,740</b>	<b>287,740</b>	<b>287,740</b>	<b>269,543</b>	<b>265,158</b>	<b>273,728</b>

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 a significant percentage of the revenue basket for the municipality. In the 2020/21 financial year, revenue from rates and services charges totalled R 8,291 million.

Total operating revenue has decreased by R18 212 million for 2020/21 financial year when compared to the 2019/20 adjustment budget because in 2018/19 there were projects that were rolled over. For the two outer year years, operational revenue have been increased by 4, 5% respectively.



Other capital transfers/grants [insert description]										
District Municipality:	-	3,200	4,000	-	-	-	-	-	-	-
<i>CHDM GRANT</i>		3,200	4,000							
Other grant providers:	-	-	-	-	-	-	-	-	-	-
<i>LG SETA</i>										
Total Capital Transfers and Grants	5	62,503	58,784	37,794	60,181	60,181	60,181	77,340	58,904	57,686
TOTAL RECEIPTS OF TRANSFERS & GRANTS		197,660	196,633	179,405	213,845	213,845	213,845	240,071	226,843	233,016

Operating grants and transfers totals R 162,731 million in the 2020/21 financial year and steadily increases to R 175,426 million by 2021/22. Capital grants amount to R 77,340. The following above gives a breakdown of the various operating grants & capital and subsidies allocated to the municipality over the medium term:

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,. 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.

## 1.5 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 R25 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 35 per cent rebate will be granted on all residential properties (including state owned residential properties);
- 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 dependants 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 10 per cent increase from 1 July 2011 is contained below:

**Table 2 Comparison of proposed rates to levied for the 2020/21 financial year**

<b>Draft Tariffs 2020-2021</b>		
<b>Final Tariffs and charges</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Refuse Removal</b>	<b>R</b>	<b>R</b>
Domestic/Residential	157.39	165.73
Commercial /Bussines	459.06	483.39
Government properties	459.06	483.39
Agricultural premises used for Residential	157.39	165.73
Special Refuse	770.99	814.17
Special bussiness Refuse	1,446.31	1,522.96
<b>Entrance on the dumping site special refuse</b>		
Truck (Load)	530.91	559.05
Bakkie (Load)	294.95	310.58
Maintainance of the vacant plot	471.92	496.93
<b>Rates</b>		
Residential	0.0149	0.0149
Bussiness	0.0184	0.0173
Government properties	0.0184	0.0173
Vacant Land	0.0191	0.0180
Public Service infrastructure	0.0037	0.0037
Agricultural for bussiness and comercial	0.0037	0.0037

<b>Hall Hire</b>		
<b>Town Hall</b>		
Security deposit	2,515.33	2,648.64
Hiring (Church,Memorial Service and Meetings)	880.37	927.03
Hiring (Weddings,Concerts etc)	1,886.50	1,986.48
<b>Indoor Sport Center</b>		
Security Deposit	3,773.00	3,972.97
Hiring (Church,Memorial Service and Meetings)	1,131.89	1,191.88
Hiring (Weddings,Concerts etc)	2,138.03	2,251.35
<b>Zandile Kilwa Multi Purpose Center</b>		
Security deposit	1,111.97	1,170.90
Hiring (Church,Memorial Service and Meetings)	333.59	351.27
Hiring (Weddings,Concerts etc)	722.78	761.09
<b>Nkondlo Guide center</b>		
Hiring (Church,Memorial Service and Meetings)	277.99	292.72
Hiring (Weddings,Concerts etc)	389.19	409.82
<b>Cemetery</b>		
Sale adult Plot	865.27	913.73
Sale adult Plot (double)	1,632.49	1,719.01
Sale of childrens plot	523.24	550.97
Digging of the hole	412.93	434.82
<b>Plantation</b>		
Firewood (Per head load )	402.19	423.51
Firewood (Per ton )	27.38	28.83



Building Poles (Per pole )	41.30	43.49
<b>Stadiums</b>		
Occasion with no gates( per day)	628.83	662.16
Occasion with gate takings( per day)	880.37	927.03
School Per day	628.83	662.16
<b>Pound Fees</b>		
Pound Fees per head per day(Cattle,horses and donkeys)	125.76	132.43
Pound Fees per head per day(Sheep and goats)	75.50	79.50
Sustenance per day for donkeys,cattle and horses	50.26	52.92
Sustenance per day for pigs	56.63	59.80
Damages (Cattle,horse and donkeys)	62.88	66.21
Damages (sheep,goats and pigs)	37.75	39.75
<b>Swimming Pool</b>		
Adult	10.39	10.94
Children	6.14	6.48
School Groups (51-100)	412.46	434.32
School Groups (101-200)	81.55	85.87
School Groups (201-500)	906.79	954.85
School Groups (500+)	1,135.44	1,195.62
Swimming Pool hire	1,268.76	1,336.00
Security Fee	1,583.41	1,667.33
<b>Machinery and Equipment</b>		
Hiring of TLB	705.17	742.54
Hiring of Grader per	8,502.56	8,978.70

Hiring of bomag roller per day	4,158.79	4,379.21
Removal of the container per hour	349.93	368.48
Low Bed unloading time per hour	935.47	985.05
Rate per Km's	34.57	36.40
Hiring of Dozer per hour	920.84	969.64
<b>Building Plans</b>		
<b>Building Plan / Land Development Process</b>		
Plan of 20 sqm	501.65	528.24
Every addition 10 sqm	179.81	189.34
Boundary walls and extension per sqm	18.64	19.68
Construction within commonage without building plan approved by the municipality as outlined in the National building Regulations		
Residential	8,174.82	8,608.09
Bussines and comercial	25,153.29	26,486.41
<b>Development Planning Tariff fees</b>		
<b>Application for Consent</b>		
Application fees	1,671.30	1,759.88
<b>Application for Rezoning</b>		
Application fees		
Erven 0 – 2500m <sup>2</sup>	1,671.66	1,760.26

Erven 2501 – 5000m <sup>2</sup>	3,343.67	3,520.88
Erven 5001 – 10 000m <sup>2</sup>	6,687.33	7,041.76
Erven 1 ha – 5 ha	10,030.70	10,562.33
Erven over 5 ha	11,702.89	12,323.14
<b>Application for departure from building lines and Spaza Shop application fees</b>		
Erven smaller than 500m <sup>2</sup>	167.17	176.03
Erven 500m <sup>2</sup> -750m <sup>2</sup>	334.36	352.08
Erven larger than 750m <sup>2</sup>	675.43	711.23
<b>Application for subdivision – application fees</b>		
Basic Fee	836.68	881.02
Charge per subdivision(Reminder considered a subdivision)	83.61	88.04
<b>Application for removal of restriction</b>		
Advertisement fees	6,687.33	7,041.76
Extension of Time	321.02	338.03
Amendments of existing subdivisions and Rezoning	1,003.06	1,059.23
Subdivisions into more than 80 erven (Township establishment)	10,189.34	10,729.38
Consolidation	422.40	444.79
Town Planning Scheme Document	334.36	352.08
Town Planning Scheme – CD	83.53	87.96

Any other application not provided elsewhere in this schedule of fees	2,112.00	2,223.94
<b>Valuation Rates Clearance</b>		
Issuing of Clearance Certificate	125.76	132.43
Valuation Certificate	125.76	132.43
Zoning Certificate	125.76	132.43
SDF Hardcopy	211.20	223.03
SDF Softcopy	105.60	111.20
<b>Plotting and printing</b>		
A4	10.56	11.12
A3	21.12	22.24
A2	52.80	55.60
A1	78.98	83.17
A0	105.60	111.20
<b>Tender Document</b>		
Informal Tender	250.00	250.00
Formal Tender	600.00	600.00
<b>Ploughing</b>		
<b>Ploughing per hour</b>		
Per Hactare	500.00	500.00
Ploughing per hour	300.00	300.00
Disking per hactore	400.00	400.00
Disking per hour	200.00	200.00
Plant per hour	200.00	200.00

Plant per hactare	400.00	400.00
<b>Billboards</b>		
<b>Local</b>		
Bill board 1m(h) x 1,5m(w) - Local	417.77	440.35
Bill board 1,5 m(h) x 2m(w) - Local	491.03	517.05
Bill board 2m(h) x 3m(w) - Local	561.47	561.47
Bill board 3m(h) x 4m(w) - Local	630.72	664.15
Temporal posters size not exceeding 1m (h) x 1m (w), number of poster must not to exceed ten (10)	399.13	420.28
<b>National</b>		
Bill board 1,5m(h) x 3m(w) - National	1,399.83	1,478.22
Bill board 3 m(h) x 6m(w) - National	2,103.70	2,215.20
Bill board 6m(h) x 4m(w) - National	2,804.97	2,962.05
Bill board 9m(h) x 6m(w) - National	7,012.37	7,384.03
<b>Hiring of Heroes park</b>		
<b>Walk ins</b>		
(0-10 ) R10 per head	55.60	58.55
(5 to 10)	111.20	117.09
(10 to 20)	222.39	234.18
(20 to 30)	333.59	351.27

(30 to 40)	444.79	468.36
<b>Events</b>		
Security deposit	2,223.94	1,500.00
Companies	1,669.54	1,400.00
Youth Churches	1,334.36	1,200.00
Entertainments	2,223.94	2,300.00
Educational Tours( per day)	333.59	300.00
Taking photographs (per day)	277.99	250.00
<b>Toilet fees</b>		
Entrance fee (each person)	2.00	2.00
<b>Consificated goods</b>		
Goods consificated (Penalty fee)	222.39	234.18
<b>Loading zone</b>		
Per sqm per month	55.60	58.55
<b>Reserved Parking</b>		
Per sqm per month	111.20	117.09
<b>Rentals</b>		
Road reserve (Portion of) per sqm	7.23	7.61
Camp site per sqm	4.63	4.88
Residential per sqm	9.44	9.94
Commercial building per sqm	14.59	15.36
Industrial Buildings per sqm	14.59	15.36

<b>Road closure</b>		
Road closure per day	778.38	819.63
Deposit (forfeited if there are no damages)	1,111.97	1,170.90
Penalty fee	1,667.95	1,756.35
<b>Hawkers Stalls</b>		
Rental of Hawker Stalls	120.00	126.72

## 1.6 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 will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. 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. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 4,5 per cent increase in the waste removal tariff is proposed from 1 July 2020. Higher increases will not be viable in 2020/21 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 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 2019:

## 1.7 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 12 and 13 per cent, with the increase for indigent households closer to 12 per cent.

**Table 3 MBRR Table SA14 – Household bills**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2020/21 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21 % incr.	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2021/22
Rand/cent											
<u>Monthly Account for Household - 'Middle Income Range'</u>	1										
Rates and services charges:											
Property rates			0.01	0.01	0.01	0.01	0.07	5.6%	4 503 299.30	4 746 477.46	5 002 787.25
Water: Consumption		2.57	-								
Sanitation		96.00	-								
Refuse removal		110.00	111.00	127.00	127.00	127.00	0.07	5.6%			
Other			533.00	613.00	613.00	613.00	0.07	5.6%			
sub-total		289.57	644.01	740.01	740.01	740.01	0.20	608 441.7%	4 503 299.30	4 746 477.46	5 002 787.25
VAT on Services											
Total large household bill:		289.57	644.01	740.01	740.01	740.01	0.20	608 441.7%	4 503 299.30	4 746 477.46	5 002 787.25
% increase/-decrease			122.4%	14.9%	-	-	(100.0%)	#####		5.4%	5.4%
<u>Monthly Account for Household - 'Affordable Range'</u>	2										
Rates and services charges:											
Property rates			0.01	0.01	0.01	0.01	6.6%	5.6%	0.0591	0.0623	0.07
Electri Municipality: Basic levy											
Electri Municipality: Consumption											
Water: Basic levy		81.00	-								
Water: Consumption		2.57	-								
Sanitation		96.00	-								
Refuse removal		110.00	111.00	127.00	127.00	127.00	6.6%	5.6%	0.0591	0.0623	0.07
Other			533.00	613.00	613.00	613.00	6.6%	5.6%	0.0593	0.0632	0.07
sub-total		289.57	644.01	740.01	740.01	740.01	0.20	(100.0%)	0.18	0.19	0.20





Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	983	704	-	4,540	4,488	4,488	4,488	2,975	2,066	2,161
Contracted services		14,302	18,390	22,561	32,270	29,992	29,992	29,992	25,836	25,209	26,332
Transfers and subsidies		-	3,698	5,091	600	672	672	672	100	-	-
Other expenditure	4, 5	72,261	56,764	46,224	51,000	49,131	49,131	49,131	52,355	54,750	57,254
Losses		206	1,365	1,174	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>213,516</b>	<b>205,558</b>	<b>209,141</b>	<b>233,843</b>	<b>236,071</b>	<b>236,071</b>	<b>236,071</b>	<b>247,521</b>	<b>252,298</b>	<b>264,204</b>

The budgeted allocation for employee related costs for the 2020/21 financial year is R97, 353 million, which equals 39 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.5 per cent for the 2020/21 financial year and 2, 5 percent from the council that amount to 9%. An annual increase of 4, 8 per cent has been included in the two outer years of the MTREF.

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 municipal budget. The budget for remuneration of councillors is R 16,901 million have been increased by 5% based on determination of upper limits that concurred by MEC for local government. The travel re-imbursive for councillors have been budget R100 000 and 201920 YTD actual have been used and the overall increase will amount to 7 %.

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 R2, 5 million and escalates to R 2,615 million by 2021/22. 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 R49 500 million for the 2020/21 financial and equates to 6.2 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant decrease in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). .

Other materials comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

Contracted services has been identified as a cost saving area for the Municipality. As part of the compilation of the 2020/21 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2020/21 financial year, this group of expenditure totals R1 million and has escalated by just 2.6 per cent, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 5.3 and 5.6 per cent. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2020/21 financial year to identify alternative practices and procedures, including building in-house Engcobo Municipality for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

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 can be achieved. Growth has been limited to 5 per cent for 2020/21 and curbed at 6.2 and 5.9 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

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

### **1.9 Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2020/21 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

#### **Table 5 Operational repairs and maintenance**

## EC137 Engcobo - Supporting 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											
Repairs and Maintenance by Expenditure Item	8										
Employee related costs			-	-					-	-	-
Other materials		-	-	-	-	-	-	-	200	209	219
Contracted Services		5,582	5,805,093.84	6,037,298.00	4,920	4,981	4,981	4,981	4,850	5,073	5,306
Other Expenditure		-	-	-	-	-	-	-	-	-	-
<b>Total Repairs and Maintenance Expenditure</b>	9	5,582	5,805	6,037	4,920	4,981	4,981	4,981	5,050	5,282	5,525

During the compilation of the 2020/21 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. Notwithstanding this reduction, as part of the 2020/21 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2020/21 equates to R5, 050 million a growth of 1 per cent in relation to the Adjustment Budget and continues to grow at 5 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 2 per cent for the respective financial years of the MTREF.

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

**Table 6 Repairs and maintenance per asset class**

Description R thousand	Ref 1	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Repairs and maintenance expenditure by Asset Class/Sub-class								
-								
<b>Infrastructure</b>		5,582	1,200	550	550	1,250	1,308	1,368
Roads Infrastructure		5,582	700	350	350	1,150	1,203	1,258
<i>Roads</i>		5,582	700	350	350	1,150	1,203	1,258
Electrical Infrastructure		-	500	200	200	100	105	109
<i>Capital Spares</i>		-	500	200	200	100	105	109
<b>Other assets</b>		-	1,220	1,798	1,798	900	941	985
Operational Buildings		-	1,220	1,798	1,798	900	941	985
<i>Municipal Offices</i>		-	1,220	1,798	1,798	900	941	985
<b>Machinery and Equipment</b>		-	2,000	2,633	2,633	2,550	2,667	2,790
Machinery and Equipment		-	2,000	2,633	2,633	2,550	2,667	2,790
<b>Transport Assets</b>		-	500	-	-	350	366	383
Transport Assets		-	500	-	-	350	366	383
<b>Total Repairs and Maintenance Expenditure</b>	1	5,582	4,920	4,981	4,981	5,050	5,282	5,525

### 1.10 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 38.

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.

### 1.11 Capital expenditure

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

**Table 7 2020/21 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
<b>Capital Expenditure - Functional</b>											
<i>Governance and administration</i>		61,594	56,350	2,778	5,227	13,025	13,025	13,025	860	900	941
Executive and council		60,744	56,350	75	2,307	1,472	1,472	1,472	310	324	339
Finance and administration		850	-	2,702	2,740	11,493	11,493	11,493	410	429	449
Internal audit		-	-	-	180	60	60	60	140	146	153
<i>Community and public safety</i>		-	-	3,335	7,725	7,562	7,562	7,562	75	78	82
Community and social services		-	-	3,335	190	190	190	190	75	78	82
Sport and recreation		-	-	-	7,000	7,000	7,000	7,000	-	-	-

Public safety		-	-	-	535	372	372	372	-	-	-
<i>Economic and environmental services</i>		-	-	981	32,691	52,048	52,048	52,048	37,377	41,445	43,730
Planning and development		-	-	981	1,820	1,950	1,950	1,950	1,040	42	44
Road transport		-	-	-	30,871	50,098	50,098	50,098	36,337	41,403	43,686
<i>Trading services</i>		-	-	50,195	24,616	29,232	29,232	29,232	24,636	18,108	14,635
Energy sources		-	-	19,221	22,856	28,142	28,142	28,142	24,556	18,024	14,547
Waste management		-	-	30,974	1,760	1,090	1,090	1,090	80	84	88
<i>Other</i>		-	-	-	590	119	119	119	50	52	55
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>61,594</b>	<b>56,350</b>	<b>57,288</b>	<b>70,849</b>	<b>101,986</b>	<b>101,986</b>	<b>101,986</b>	<b>62,998</b>	<b>60,583</b>	<b>59,442</b>
<b>Funded by:</b>											
National Government Transfers recognised - capital	4	33,701	27,844	30,846	59,367	56,428	56,428	56,428	60,313	58,904	57,686
Internally generated funds		27,893	28,507	26,443	11,482	45,558	45,558	45,558	2,685	1,679	1,756
<b>Total Capital Funding</b>	<b>7</b>	<b>61,594</b>	<b>56,350</b>	<b>57,288</b>	<b>70,849</b>	<b>101,986</b>	<b>101,986</b>	<b>101,986</b>	<b>62,998</b>	<b>60,583</b>	<b>59,442</b>

For 2020/21 an amount of R62, 998 million has been appropriated for the capital budget. In the outer years this amount totals R60,583 million, and R59,442 million, 76.1 per cent respectively for each of the financial years. Roads receives the highest allocation in 2020/21 cent followed by electrification.

## 1.12 Annual Budget Tables

The following eighteen 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 8 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
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	3,720	3,921	4,178	4,503	6,919	6,919	6,919	6,883	7,199	7,530
Service charges	906	961	1,044	1,195	1,195	1,195	1,195	1,409	1,473	1,541
Investment revenue	5,930	6,372	5,611	9,500	6,500	6,500	6,500	3,800	3,975	4,158
Transfers recognised - operational	135,402	137,783	141,495	153,664	154,864	154,864	154,864	162,731	175,426	183,796
Other own revenue	7,953	5,184	4,653	23,187	58,080	58,080	58,080	17,381	18,181	19,017
<b>Total Revenue (excluding capital transfers and contributions)</b>	153,911	154,221	156,979	192,049	227,559	227,559	227,559	192,203	206,254	216,042
Employee costs	61,077	65,316	75,436	76,640	82,995	82,995	82,995	97,353	98,203	103,071
Remuneration of councillors	13,490	14,760	15,430	15,793	15,793	15,793	15,793	16,901	17,679	18,492
Depreciation & asset impairment	42,725	42,226	40,909	50,500	50,500	50,500	50,500	49,500	51,777	54,159
Finance charges	811	-	-	-	-	-	-	-	-	-
Materials and bulk purchases	983	704	-	4,540	4,488	4,488	4,488	2,975	2,066	2,161
Transfers and grants	-	3,698	5,091	600	672	672	672	100	-	-
Other expenditure	94,430	78,854	72,274	85,770	81,623	81,623	81,623	80,691	82,574	86,322
<b>Total Expenditure</b>	213,516	205,558	209,141	233,843	236,071	236,071	236,071	247,521	252,298	264,204
<b>Surplus/(Deficit)</b>	(59,605)	(51,337)	(52,161)	(41,794)	(8,512)	(8,512)	(8,512)	(55,317)	(46,044)	(48,162)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	71,411	57,339	33,794	60,181	60,181	60,181	60,181	77,340	58,904	57,686



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)	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	11,806	6,002	(18,367)	18,387	51,669	51,669	51,669	22,023	12,860	9,524
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	11,806	6,002	(18,367)	18,387	51,669	51,669	51,669	22,023	12,860	9,524
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>61,594</b>	56,350	57,288	70,849	101,986	101,986	101,986	62,998	60,583	59,442
Transfers recognised - capital	33,701	27,844	30,846	59,367	56,428	56,428	56,428	60,313	58,904	57,686
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	27,893	28,507	26,443	11,482	45,558	45,558	45,558	2,685	1,679	1,756
<b>Total sources of capital funds</b>	<b>61,594</b>	56,350	57,288	70,849	101,986	101,986	101,986	62,998	60,583	59,442
<b>Financial position</b>										
Total current assets	94,573	87,951	52,452	114,805	115,024	115,024	115,024	118,032	116,197	121,765
Total non current assets	392,367	404,777	404,380	439,123	447,681	447,681	447,681	460,118	475,440	494,186
Total current liabilities	50,609	26,485	24,753	14,178	16,450	16,450	16,450	20,679	21,663	22,695
Total non current liabilities	1,859	24,423	25,423	8,535	22,657	22,657	22,657	25,866	27,108	28,409
Community wealth/Equity	434,471	441,821	406,656	531,215	523,598	523,598	523,598	531,606	542,866	564,847
<b>Cash flows</b>										
Net cash from (used) operating	68,078	53,032	24,215	66,510	63,110	63,110	63,110	72,074	65,213	64,286
Net cash from (used) investing	(59,588)	(58,399)	(57,149)	(69,444)	(101,741)	(101,741)	(101,741)	(64,904)	(62,466)	(61,302)
Net cash from (used) financing	(414)	(35)	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>87,398</b>	81,996	49,062	96,977	89,752	89,752	89,752	270,727	273,474	276,458

<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	87,398	81,996	49,062	109,207	104,137	104,137	104,137	114,281	112,262	117,637
Application of cash and investments	5,318	18,062	17,210	6,525	11,132	11,132	11,132	11,890	12,456	13,050
<b>Balance - surplus (shortfall)</b>	<b>82,080</b>	<b>63,934</b>	<b>31,852</b>	<b>102,682</b>	<b>93,005</b>	<b>93,005</b>	<b>93,005</b>	<b>102,392</b>	<b>99,805</b>	<b>104,587</b>
<u>Asset management</u>										
Asset register summary (WDV)	392,367	404,777	418,920	410,623	422,490	422,490	422,490	364,870	381,077	399,331
Depreciation	42,725	42,226	40,909	50,500	50,500	50,500	50,500	49,500	51,777	54,159
Renewal and Upgrading of Existing Assets	-	-	-	28,921	37,613	37,613	37,613	30,582	27,806	25,158
Repairs and Maintenance	5,582	-	-	4,920	4,981	4,981	4,981	5,050	5,282	5,525
<u>Free services</u>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
<u>Households below minimum service level</u>										
Water:	49	49	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	3,500	3,800	-	6,000	6,000	6,000	4,000	4,000	4,184	4,376
Refuse:	-	-	-	10	10	10	10	10	11	12

### 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 emphasises 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. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is 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, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
    - iv. It is anticipated that by 2021/22 the electricity backlog will have been very nearly eliminated.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2021/22, when a small surplus is reflected.
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 9 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
<b>R thousand</b>	<b>1</b>									
<b><u>Revenue - Functional</u></b>										
<i>Governance and administration</i>		224,416	210,599	82,702	113,979	111,395	111,395	118,028	116,738	122,029
Executive and council		2,120	-	29,012	46,808	46,808	46,808	55,297	52,246	54,649
Finance and administration		222,296	210,599	53,690	67,171	64,587	64,587	62,731	64,492	67,381
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	39,707	5,760	5,800	5,800	5,525	5,779	6,045
Community and social services		-	-	39,707	948	988	988	1,024	1,071	1,120
Sport and recreation		-	-	-	9	9	9	1	1	1
Public safety		-	-	-	4,803	4,803	4,803	4,500	4,707	4,924
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	67,321	79,228	117,292	117,292	83,777	83,364	83,650
Planning and development		-	-	33,527	240	1,388	1,388	319	334	349
Road transport		-	-	33,794	78,988	115,904	115,904	83,458	83,031	83,301
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		906	961	1,044	32,332	32,332	32,332	49,577	48,256	50,476
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	15	16	16
Waste management		906	961	1,044	32,332	32,332	32,332	49,562	48,241	50,460
<i>Other</i>	4	-	-	-	20,931	20,921	20,921	12,636	11,020	11,527
<b>Total Revenue - Functional</b>	<b>2</b>	<b>225,322</b>	<b>211,559</b>	<b>190,773</b>	<b>252,230</b>	<b>287,740</b>	<b>287,740</b>	<b>269,543</b>	<b>265,158</b>	<b>273,728</b>
<b><u>Expenditure - Functional</u></b>	<b>-</b>									
<i>Governance and administration</i>		113,199	205,558	164,657	161,163	159,714	159,714	169,199	175,125	183,103
Executive and council		18,316	205,558	42,435	39,824	41,600	41,600	45,876	47,568	49,756
Finance and administration		94,884	-	122,222	120,659	117,369	117,369	121,421	125,882	131,594

Internal audit		-	-	-	680	745	745	1,902	1,676	1,753
<b>Community and public safety</b>		<b>34,487</b>	-	<b>198</b>	<b>17,053</b>	<b>18,000</b>	<b>18,000</b>	<b>16,113</b>	<b>16,331</b>	<b>17,082</b>
Community and social services		34,487	-	198	12,052	12,897	12,897	7,223	7,032	7,356
Sport and recreation		-	-	-	150	-	-	-	-	-
Public safety		-	-	-	4,851	5,103	5,103	8,890	9,299	9,727
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>65,830</b>	-	<b>44,286</b>	<b>33,617</b>	<b>34,491</b>	<b>34,491</b>	<b>30,602</b>	<b>31,382</b>	<b>33,204</b>
Planning and development		-	-	40,909	14,279	14,578	14,578	8,842	8,621	9,018
Road transport		65,830	-	3,376	19,338	19,913	19,913	21,760	22,761	24,186
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>20,059</b>	<b>21,780</b>	<b>21,780</b>	<b>29,957</b>	<b>27,734</b>	<b>29,010</b>
Energy sources		-	-	-	-	-	-	200	209	219
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	20,059	21,780	21,780	29,757	27,525	28,791
<b>Other</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,950</b>	<b>2,086</b>	<b>2,086</b>	<b>1,650</b>	<b>1,726</b>	<b>1,805</b>
<b>Total Expenditure - Functional</b>	<b>3</b>	<b>213,516</b>	<b>205,558</b>	<b>209,141</b>	<b>233,843</b>	<b>236,071</b>	<b>236,071</b>	<b>247,521</b>	<b>252,298</b>	<b>264,204</b>
<b>Surplus/(Deficit) for the year</b>		<b>11,806</b>	<b>6,002</b>	<b>(18,367)</b>	<b>18,387</b>	<b>51,669</b>	<b>51,669</b>	<b>22,023</b>	<b>12,860</b>	<b>9,524</b>

**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 modified 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. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

**Table 10 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			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 2021/22
<b>Revenue by Vote</b>	1									
Exucative & Council		31 664	2 120	–	21 039	22 158	22 158	24 446	25 766	27 157
Municipal Manager		–	–	–	19 572	23 078	23 078	22 363	23 570	24 843
Corporate Services		21 377	–	–	20 866	1 003	1 003	27 143	28 608	29 931
Community Services		43 002	906	–	32 028	37 339	37 339	37 933	39 982	42 141
Planning & Development		33 527	–	–	19 392	19 392	19 392	21 172	22 325	23 531
Financial Services		45 708	222 296	211 726	29 622	50 597	50 597	40 066	40 842	42 955
Infrastructure & Engineering		87 390	–	–	83 173	112 310	112 310	78 958	84 250	88 349
<b>Total Revenue by Vote</b>	2	<b>262 666</b>	<b>225 322</b>	<b>211 726</b>	<b>225 693</b>	<b>265 876</b>	<b>265 876</b>	<b>252 080</b>	<b>265 343</b>	<b>278 907</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Exucative & Council		29 643	18 316	203 221	20 839	21 958	21 958	22 096	23 289	24 546
Municipal Manager		–	–	–	22 290	25 431	25 431	22 116	23 310	24 569
Corporate Services		634	634	–	16 440	17 268	17 268	25 133	26 490	27 920
Community Services		6 095	34 487	–	30 973	35 750	35 750	34 248	36 098	38 047
Planning & Development		29 672	–	–	13 723	16 293	16 293	20 232	21 324	22 476
Financial Services		72 862	94 249	–	75 566	81 056	81 056	92 141	97 117	102 361
Infrastructure & Engineering		38 526	65 830	–	21 543	30 443	30 443	19 953	21 030	22 166
<b>Total Expenditure by Vote</b>	2	<b>177 433</b>	<b>213 516</b>	<b>203 221</b>	<b>201 374</b>	<b>228 198</b>	<b>228 198</b>	<b>235 918</b>	<b>248 657</b>	<b>262 085</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>85 233</b>	<b>11 806</b>	<b>8 505</b>	<b>24 319</b>	<b>37 678</b>	<b>37 678</b>	<b>16 162</b>	<b>16 686</b>	<b>16 822</b>

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

1. 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.



**Table 11 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				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 2021/22
<b>R thousand</b>	1										
<b>Revenue By Source</b>											
Property rates	2	3 496	3 720	3 921	4 279	4 178	4 178	4 178	4 503	4 746	5 003
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	839	906	961	1 085	1 125	1 125	1 125	1 095	1 154	1 216
Rental of facilities and equipment		209	284	266	244	244	244	244	292	308	325
Interest earned - external investments		5 047	5 930	6 372	7 500	7 500	7 500	7 500	9 500	10 013	10 554
Interest earned - outstanding debtors		342	429	500	500	500	500	500	550	580	611
Dividends received											
Fines, penalties and forfeits		17	1 296	1 215	500	100	100	100	1 700	1 792	1 889
Licences and permits		4 040	3 027	1 959	1 800	1 500	1 500	1 500	3 800	2 740	2 888
Agency services											
Transfers and subsidies		144 546	135 402	137 783	140 411	142 556	142 556	142 556	153 614	165 648	174 281
Other revenue	2	46 826	2 918	1 410	27 580	66 380	66 380	66 380	16 845	17 723	18 680
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>205 362</b>	<b>153 911</b>	<b>154 388</b>	<b>183 899</b>	<b>224 082</b>	<b>224 082</b>	<b>224 082</b>	<b>191 899</b>	<b>204 704</b>	<b>215 447</b>
<b>Expenditure By Type</b>											
Employee related costs	- 2	53 487	61 077	66 767	78 243	73 403	73 403	73 403	77 237	81 408	85 804
Remuneration of councillors		12 750	13 490	14 760	15 621	15 621	15 621	15 621	16 126	16 996	17 914
Debt impairment	3	550	7 660	2 335	2 000	2 500	2 500	2 500	3 000	3 162	3 333
Depreciation & asset impairment	2	35 767	42 725	42 229	45 760	45 760	45 760	49 260	52 260	55 082	58 056
Finance charges		-	811	-	200	200	200	172	300	316	333
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	5 925	983	704	5 270	-	-	-	5 190	5 470	5 766
Contracted services		-	14 302	13 493	-	12 276	12 276	12 276	31 765	33 480	35 288
Transfers and subsidies		-	-	-	3 500	3 800	3 800	3 800	4 000	4 216	4 444
Other expenditure	4, 5	67 456	72 261	61 569	50 780	74 638	74 638	74 638	46 040	48 526	51 147
Loss on disposal of PPE		1 498	206	1 365							

Total Expenditure		177 433	213 516	203 221	201 374	228 198	228 198	231 670	235 918	248 657	262 085
Surplus/(Deficit)		27 929	(59 605)	(48 834)	(17 475)	(4 116)	(4 116)	(7 588)	(44 019)	(43 953)	(46 638)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		57 304	71 411	57 339	41 794	41 794	41 794	41 794	60 181	60 639	63 460
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		85 233	11 806	8 505	24 319	37 678	37 678	34 206	16 162	16 686	16 822
Surplus/(Deficit) after capital transfers & contributions											
Taxation											
Surplus/(Deficit) after taxation		85 233	11 806	8 505	24 319	37 678	37 678	34 206	16 162	16 686	16 822
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		85 233	11 806	8 505	24 319	37 678	37 678	34 206	16 162	16 686	16 822
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		85 233	11 806	8 505	24 319	37 678	37 678	34 206	16 162	16 686	16 822

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

1. Total revenue is R 252 080 million in 2020/21 and escalates to R 265 343 million by 2021/22.
2. Revenue to be generated from property rates is R4, 5 million in the 2020/21 financial year and increases to R3.8millionby 2021/22 which represents 19.9 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 10 per cent, 9 per cent and 9 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to Municipality refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R8.4millionfor the 2020/21 financial year and increasing to R11.5 million by 2021/22. For the 2020/21 financial year services charges amount to 56 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term.
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 by 11.6 per cent and 8.9 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.

**Table 12 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				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 2021/22
0		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Vote</b>		<b>92 272</b>	<b>61 594</b>	<b>60 005</b>	<b>72 079</b>	<b>85 938</b>	<b>85 938</b>	<b>85 938</b>	<b>70 689</b>	<b>73 082</b>	<b>76 577</b>
<b>Capital Expenditure - Functional</b>											
<i>Governance and administration</i>		1 534	60 744	60 005	2 590	2 855	2 855	2 855	5 697	6 005	6 329
Executive and council		1 224	60 744	60 005	200	200	200	200	2 417	2 548	2 685
Finance and administration		310			2 290	2 490	2 490	2 490	3 100	3 267	3 444
Internal audit					100	165	165	165	180	190	200
<i>Community and public safety</i>		3 335	-	-	590	3 078	3 078	3 078	7 725	7 953	7 978
Community and social services		3 335			590	3 078	3 078	3 078	190	200	211
Sport and recreation									7 000	7 189	7 172
Public safety									535	564	594
Housing											
Health											
<i>Economic and environmental services</i>		65 251	-	-	52 699	57 077	57 077	57 077	31 191	31 471	33 171
Planning and development		4 337			5 875	5 875	5 875	5 875	320	337	355
Road transport		60 914			46 824	51 202	51 202	51 202	30 871	31 134	32 815
Environmental protection											
<i>Trading services</i>		20 000	-	-	16 200	22 928	22 928	22 928	25 456	26 999	28 411
Energy sources		20 000			15 000	18 918	18 918	18 918	23 856	25 144	26 456
Water management											
Waste water management											
Waste management					1 200	4 010	4 010	4 010	1 600	1 855	1 955
<i>Other</i>									620	653	689
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>90 120</b>	<b>60 744</b>	<b>60 005</b>	<b>72 079</b>	<b>85 938</b>	<b>85 938</b>	<b>85 938</b>	<b>70 689</b>	<b>73 082</b>	<b>76 577</b>
<b>Funded by:</b>											
National Government		57 304	51 411	57 339	41 794	41 794	41 794	41 794	59 367	60 980	63 822
Provincial Government											
Transfers recognised - capital	4	57 304	51 411	57 339	41 794	41 794	41 794	41 794	59 367	60 980	63 822
Internally generated funds		32 816	9 333	2 666	30 285	44 144	44 144	44 144	11 322	12 102	12 756
<b>Total Capital Funding</b>	<b>7</b>	<b>90 120</b>	<b>60 744</b>	<b>60 005</b>	<b>72 079</b>	<b>85 938</b>	<b>85 938</b>	<b>85 938</b>	<b>70 689</b>	<b>73 082</b>	<b>76 577</b>

**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 (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. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2020/21 R70 689 million has been allocated of the total R70 689 million capital budget, which totals 80.7 per cent. This allocation escalates to R73 082 million in 2020/21 and then flattens out to R76 577 million in 2021/22.
3. Single-year capital expenditure has been appropriated at R70 689 million for the 2020/21 financial year and remains relatively constant over the MTREF at levels of R73 082 million and R76 million respectively for the two outer years.
4. 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.

**Table 13 MBRR Table A6 - Budgeted Financial Position**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				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 2020/21	Budget Year +2 2021/22
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		1	6 272	484	15 555	15 555	15 555	15 555	9 296	1 893	717
Call investment deposits	1	79 322	81 127	81 512	181 785	181 785	181 785	181 785	2 259	9 975	11 791
Consumer debtors	1	7 156	247	239	3 364	3 364	3 364	3 364	(850)	(844)	(889)
Other debtors		3 499	6 927	5 515					393	572	603
Current portion of long-term receivables											
Inventory	2								935	985	1 039
<b>Total current assets</b>		<b>89 977</b>	<b>94 573</b>	<b>87 751</b>	<b>200 705</b>	<b>200 705</b>	<b>200 705</b>	<b>200 705</b>	<b>12 033</b>	<b>12 581</b>	<b>13 261</b>
<b>Non-current assets</b>											
Long-term receivables											
Investments											
Investment property		4 238	8 869	8 677	4 222	8 677	8 677	8 677	6 350	6 693	7 054
Investment in Associate									1 300	1 370	1 444
Property, plant and equipment	3	365 598	379 994	396 055	432 598	432 598	432 598	432 598	384 321	405 459	427 810
Biological											
Intangible		543	1 038	1 399	2 451	2 746	2 746	2 746	1 300	1 370	1 444
Other non-current assets		6 960	2 467	2 407		2 077	2 077	2 077			
<b>Total non-current assets</b>		<b>369 836</b>	<b>388 863</b>	<b>412 235</b>	<b>440 324</b>	<b>445 080</b>	<b>443 726</b>	<b>446 097</b>	<b>396 794</b>	<b>418 345</b>	<b>437 608</b>
<b>TOTAL ASSETS</b>		<b>459 813</b>	<b>483 435</b>	<b>499 985</b>	<b>641 029</b>	<b>645 785</b>	<b>644 430</b>	<b>646 802</b>	<b>408 827</b>	<b>430 926</b>	<b>450 869</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	-										
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Consumer deposits											
Trade and other payables	4	23 641	28 915	25 560	14 067	14 067	14 067	14 067	11 178	11 793	12 429
Provisions		19 526	21 694	25 731	2 000	2 000	2 000	2 000			
<b>Total current liabilities</b>		<b>43 167</b>	<b>50 609</b>	<b>51 292</b>	<b>16 067</b>	<b>16 067</b>	<b>16 067</b>	<b>16 067</b>	<b>11 178</b>	<b>11 793</b>	<b>12 429</b>
<b>Non current liabilities</b>											
Borrowing		35	1 859	2 020	-	-	-	-	-	-	-

Provisions		-	-	-	-	-	-	-	8 535	8 996	9 482
Total non-current liabilities		35	1 859	2 020	-	-	-	-	8 535	8 996	9 482
TOTAL LIABILITIES		43 202	52 469	53 311	16 067	16 067	16 067	16 067	19 713	20 789	21 911
NET ASSETS	5	416 611	430 967	446 674	624 962	629 718	628 363	630 735	389 114	410 137	428 958
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		416 611	430 967	446 674	624 962	629 718	628 363	630 735	389 114	410 137	428 958
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	416 611	430 967	446 674	624 962	629 718	628 363	630 735	389 114	410 137	428 958

**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 14 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				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 2020/21	Budget Year +2 2021/22
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		11 080	34 784	6 801	2 855	2 855	2 855	2 855	3 800	4 005	4 221
Service charges					965	965	965	965	1 051	1 107	1 167
Other revenue			5 930	4 851	28 026	66 380	66 380	66 380	18 937	2 925	3 083
Government - operating	1	144 546	133 000	154 039	140 411	140 641	140 641	140 641	153 514	156 973	165 450
Government - capital	1	57 304	62 503	28 565	41 794	41 794	41 794	41 794	60 181	60 639	63 460
Interest		5 047		6 372	6 892	6 892	6 892	6 892	9 000	9 486	9 998
Dividends									-	-	-
<b>Payments</b>											
Suppliers and employees		(136 518)	(168 140)	(147 596)	(146 914)	(179 938)	(179 938)	(179 938)	(175 468)	(184 943)	(194 930)
Finance charges		(142)			(200)	(200)	(200)	(200)	-	-	-
Transfers and Grants	1				(3 500)	(3 800)	(3 800)	(3 800)	(1 000)	(1 054)	(1 111)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>81 318</b>	<b>68 078</b>	<b>53 032</b>	<b>70 330</b>	<b>75 590</b>	<b>75 590</b>	<b>75 590</b>	<b>70 015</b>	<b>49 138</b>	<b>51 338</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		1 164	790						245	258	272
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
<b>Payments</b>											
Capital assets		(53 821)	(60 378)	(58 399)	(70 079)	(70 079)	(70 079)	(70 079)	(69 689)	(73 452)	(77 419)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(52 657)</b>	<b>(59 588)</b>	<b>(58 399)</b>	<b>(70 079)</b>	<b>(70 079)</b>	<b>(70 079)</b>	<b>(70 079)</b>	<b>(69 444)</b>	<b>(73 194)</b>	<b>(77 146)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
<b>Payments</b>											
Repayment of borrowing		(378)	(414)	(35)					-	-	-

NET CASH FROM/(USED) FINANCING ACTIVITIES		(378)	(414)	(35)	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		28 283	8 076	(5 403)	251	5 511	5 511	5 511	571	(24 056)	(25 808)
Cash/cash equivalents at the year begin:	2	51 040	79 323	87 398	133 029	133 029	133 029	133 029	108 366	108 937	84 882
Cash/cash equivalents at the year-end:	2	79 323	87 398	81 996	133 279	138 539	138 539	138 539	108 937	84 882	59 073

Table 15 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				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 2020/21	Budget Year +2 2021/22
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	79 323	87 398	81 996	133 279	138 539	138 539	138 539	108 937	84 882	59 073
Other current investments > 90 days		-	(0)	0	64 061	58 801	58 801	58 801	(97 382)	(73 014)	(46 565)
Non-current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>79 323</b>	<b>87 398</b>	<b>81 996</b>	<b>197 340</b>	<b>197 340</b>	<b>197 340</b>	<b>197 340</b>	<b>11 555</b>	<b>11 868</b>	<b>12 508</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	21 524	5 692	19 007	11 090	10 877	10 877	10 877	11 555	11 868	12 508
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>21 524</b>	<b>5 692</b>	<b>19 007</b>	<b>11 090</b>	<b>10 877</b>	<b>10 877</b>	<b>10 877</b>	<b>11 555</b>	<b>11 868</b>	<b>12 508</b>
<b>Surplus(shortfall)</b>		<b>57 799</b>	<b>81 706</b>	<b>62 988</b>	<b>186 251</b>	<b>186 464</b>	<b>186 464</b>	<b>186 464</b>	<b>-</b>	<b>-</b>	<b>-</b>



<b>Total Renewal of Existing Assets</b>	2	-	-	-	26 827	36 087	36 087	29 921	31 537	32 789
<i>Roads Infrastructure</i>		-	-	-	26 827	36 087	36 087	1 965	2 071	2 183
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	23 856	25 144	26 456
<b>Infrastructure</b>		-	-	-	26 827	36 087	36 087	25 821	27 215	28 639
Community Facilities		-	-	-	-	-	-	600	632	667
Sport and Recreation Facilities		-	-	-	-	-	-	3 500	3 689	3 483
<b>Community Assets</b>		-	-	-	-	-	-	4 100	4 321	4 150
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	92 272	61 594	60 005	72 760	85 938	85 938	70 849	73 082	76 577
<i>Roads Infrastructure</i>		37 304	33 701	23 485	26 827	36 087	36 087	28 525	28 661	30 209
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		20 000	-	-	15 000	18 918	18 918	23 856	25 144	26 456
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		23 610	7 993	23 979	-	-	-	450	474	500
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	1 000	1 054	1 111
<b>Infrastructure</b>		80 914	41 694	47 464	41 827	55 005	55 005	53 831	55 334	58 276
Community Facilities		-	-	1 447	8 700	8 700	8 700	2 786	2 936	3 095
Sport and Recreation Facilities		-	-	-	2 600	2 600	2 600	7 000	7 189	7 172
<b>Community Assets</b>		-	-	1 447	11 300	11 300	11 300	9 786	10 125	10 267
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	18 633	18 633	18 633	500	527	555
Housing		-	-	-	-	-	-	550	580	611
<b>Other Assets</b>		-	-	-	18 633	18 633	18 633	1 050	1 107	1 166
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	2 236	1 030	1 000	1 000	1 000	50	53	56
<b>Intangible Assets</b>		-	2 236	1 030	1 000	1 000	1 000	50	53	56
<b>Computer Equipment</b>		-	-	-	-	-	-	1 490	1 570	1 655
<b>Furniture and Office Equipment</b>		1 534	447	78	-	-	-	2 662	2 806	2 957
<b>Machinery and Equipment</b>		4 337	8 714	6 298	-	-	-	480	506	533
<b>Transport Assets</b>		2 151	6 113	-	-	-	-	1 500	1 581	1 666
<b>Land</b>		3 335	2 390	3 687	-	-	-	-	-	-



<b>Infrastructure</b>	-	5 582	-	1 500	1 500	1 500	500	527	555
Community Facilities	-	-	-	651	651	651	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>	-	-	-	651	651	651	-	-	-
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	620	653	689
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	-	-	-	-	-	-	620	653	689
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	1 680	1 680	1 680	-	-	-
Land	-	-	-	1 440	1 440	1 440	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>35 767</b>	<b>48 307</b>	<b>42 229</b>	<b>51 031</b>	<b>51 031</b>	<b>51 031</b>	<b>50 380</b>	<b>53 440</b>	<b>56 326</b>
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	36.9%	42.0%	42.0%	42.2%	43.2%	42.8%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>	0.0%	0.0%	0.0%	58.6%	78.9%	78.9%	60.7%	60.3%	59.5%
<i>R&amp;M as a % of PPE</i>	0.0%	1.5%	0.0%	1.2%	1.2%	1.2%	0.3%	0.3%	0.3%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>	0.0%	1.0%	0.0%	7.0%	9.0%	9.0%	8.0%	8.0%	8.0%

**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 meets both these recommendations.

The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog

**Figure 2 Depreciation in relation to repairs and maintenance over the MTREF**



**Table 16 MBRR Table A10 - Basic Service Delivery Measurement**

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Household service targets (000)</b>									
<i>Water:</i>									
Piped water inside dwelling	429	525	620	659	659	659	695	730	764
Piped water inside yard (but not in dwelling)	125	106	86	73	73	73	62	52	45
Using public tap (at least min.service level)	113	58	3	1	1	1	1	0	0
Other water supply (at least min.service level)	4	2	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	671	690	709	733	733	733	758	783	809
Using public tap (< min.service level)	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	16	10	4	3	3	3	2	1	1
No water supply	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	16	10	4	3	3	3	2	1	1
<b>Total number of households</b>	<b>687</b>	<b>700</b>	<b>713</b>	<b>736</b>	<b>736</b>	<b>736</b>	<b>760</b>	<b>784</b>	<b>810</b>
<i>Sanitation/sewerage:</i>									
Flush toilet (connected to sewerage)	490	509	528	555	555	555	584	612	642
Flush toilet (with septic tank)	12	12	12	11	11	11	11	11	10
Chemical toilet	10	10	10	9	9	9	9	9	8
Pit toilet (ventilated)	139	134	130	126	126	126	122	118	115
Other toilet provisions (> min.service level)	21	21	22	23	23	23	23	24	25
<i>Minimum Service Level and Above sub-total</i>	672	686	701	725	725	725	749	774	800
Bucket toilet	5	5	4	4	4	4	3	3	2
Other toilet provisions (< min.service level)	-	-	-	-	-	-	-	-	-
No toilet provisions	10	9	8	8	8	8	7	7	7
<i>Below Minimum Service Level sub-total</i>	15	14	12	11	11	11	11	10	9
<b>Total number of households</b>	<b>687</b>	<b>700</b>	<b>713</b>	<b>736</b>	<b>736</b>	<b>736</b>	<b>760</b>	<b>784</b>	<b>810</b>
<i>Energy:</i>									
Electricity (at least min.service level)	483	503	523	535	535	535	549	561	579
Electricity - prepaid (min.service level)	126	132	138	149	149	149	162	175	190
<i>Minimum Service Level and Above sub-total</i>	609	635	661	685	685	685	710	737	769
Electricity (< min.service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-	-
Other energy sources	78	65	53	51	51	51	49	47	41
<i>Below Minimum Service Level sub-total</i>	78	65	53	51	51	51	49	47	41
<b>Total number of households</b>	<b>687</b>	<b>700</b>	<b>713</b>	<b>736</b>	<b>736</b>	<b>736</b>	<b>760</b>	<b>784</b>	<b>810</b>
<i>Refuse:</i>									
Removed at least once a week	518	555	591	630	630	630	665	697	728
<i>Minimum Service Level and Above sub-total</i>	518	555	591	630	630	630	665	697	728
Removed less frequently than once a week	11	25	39	42	42	42	45	48	51
Using communal refuse dump	14	9	4	3	3	3	2	1	1
Using own refuse dump	100	79	58	46	46	46	36	28	23
Other rubbish disposal	4	2	1	0	0	0	0	0	0
No rubbish disposal	38	29	20	15	15	15	12	9	7
<i>Below Minimum Service Level sub-total</i>	168	145	122	106	106	106	95	87	81
<b>Total number of households</b>	<b>687</b>	<b>700</b>	<b>713</b>	<b>736</b>	<b>736</b>	<b>736</b>	<b>760</b>	<b>784</b>	<b>810</b>
<b>Households receiving Free Basic Service</b>									
Water (6 kilolitres per household per month)	671	690	709	733	733	733	758	783	809
Sanitation (free minimum level service)	42	47	53	90	90	90	90	95	105
Electricity/other energy (50kwh per household per month)	42	47	53	90	90	90	90	95	105
Refuse (removed at least once a week)	42	47	53	90	90	90	90	95	105
<b>Cost of Free Basic Services provided (R'000)</b>									
Water (6 kilolitres per household per month)	169,092	223,560	255,240	296,755	296,755	296,755	300,168	338,256	379,080
Sanitation (free sanitation service)	4,106	5,002	6,314	10,316	10,316	10,316	12,583	14,363	17,283
Electricity/other energy (50kwh per household per month)	18,560	23,466	29,251	64,590	64,590	64,590	78,580	95,470	121,558
Refuse (removed once a week)	10,060	12,411	16,072	31,710	31,710	31,710	34,570	39,403	47,471
<b>Total cost of FBS provided (minimum social p</b>	<b>201,819</b>	<b>264,440</b>	<b>306,877</b>	<b>403,370</b>	<b>403,370</b>	<b>403,370</b>	<b>425,901</b>	<b>487,493</b>	<b>565,392</b>
<b>Highest level of free service provided</b>									
Property rates (R value threshold)	10,000	10,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)	15	15	16	18	18	18	20	22	24
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	85	85	85	85	85	85	85	85	85
<b>Revenue cost of free services provided (R'000)</b>									
Property rates (R15 000 threshold rebate)	6,197	6,736	7,204	13,730	13,730	13,730	15,107	17,228	20,756
Property rates (other exemptions, reductions and	54,870	59,357	64,840	123,566	123,566	123,566	135,959	155,054	186,800
Water	197,552	258,662	294,699	371,929	371,929	371,929	382,881	432,604	492,747

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
  - a. Refuse services – backlog will be reduced by 21 000 households in 2020/21, and a further 14 000 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 90 000 households to be registered as indigent in 2020/21, and therefore entitled to receiving Free Basic Services. The number is set to increase to 105 000 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R425 million in 2020/21, increasing to R565 million in 2021/22. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also 'gives' households R4 million in free services in 2020/21, and it increases to R4 2 million in 2021/22. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 4 per cent of total operating revenue.

## 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 MMC 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.

### 2.2 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 2010) 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 2018. Key dates applicable to the process were:

- **February 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;
- **March 2019** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

- **January 2019** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2019** - Council considers the 2018/19 Mid-year Review and Adjustments Budget;
- **February 2011** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2020/21 MTREF is revised accordingly;
- **27 March 2019** - Tabling in Council of the draft 2020/21 IDP and 2020/21 MTREF for public consultation;
- **April 2019** – Public consultation;
- **6 May 2019** - Closing date for written comments;
- **6 to 21 May 2019** – 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
- **30 May 2019** - Tabling of the 2020/21 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### 2.3 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2006. It started in September 2010 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 2010/11 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 2010/11 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.

## 2.4 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 2010/11 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- 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.

## 2.5 Community Consultation

The draft 2020/21 MTREF as tabled before Council on 25 March 2011 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. In addition a further development of this year's consultation process included the launch of E-based consultation. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the Municipality's website, and the Municipality's call centre was engaged in collecting inputs via e-mail, fax and SMS.

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.

Ward Committees were utilised to facilitate the community consultation process from 13 to 29 April 2011, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 200 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

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;
- Issues were raised regarding the payment of bonuses to senior managers;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially Municipality, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Rate payers cannot afford the tariff increases due to value of properties that are too high as a result tariffs for property rates will not be increased; 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.

Significant changes effected in the final 2020/21 MTREF compared to the draft 2020/21 MTREF that was tabled for community consultation, include:

- The 2019 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations; and

- Funding was allocated to address metering discrepancies and unmetered premises.

## **2.6 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 Engcobo Municipality 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 17 IDP Strategic Objectives**

2020/21 Financial Year	2020/21 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe 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. Fostering participatory democracy and adherence to 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. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure Engcobo Municipality 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;
  - Provide Municipality planning services; and
  - 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;
  - Working with the provincial department of health to provide primary health care services;
  - 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; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 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 capex Municipality 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 18 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	Goal	Go al Co de	R ef	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												
Good Governance and Public Participation	To ensure mainstreaming of the special programmes and increased participation of designated groups by 2018 and beyond			2,145			81,930	117,439	117,439	55,297	52,246	54,649
Basic Service Delivery	To ensure provision of adequate and sustainable road network by 2018/19 and beyond			–	76,301	71,614	69,691	69,691	69,691	55,086	54,019	56,504
Basic Infrastructure	To continuously reduce accidents and road canages within Engcobo Local Municipality through promotion of road safety regulations by 2018/2019			906	43,240	40,360	26,628	26,628	26,628	82,852	82,397	82,638
Institutional Transformation and organisational development	To ensure provision of adequate effective and efficient ICT services that is commensurate with the IDP by 2018/19, To ensure effective and efficient safeguarding of municipal buildings and assets by 2018/19			–	23,747	19,003	21,118	21,118	21,118	27,114	27,315	28,571

Local Economic development	To ensure effective, efficient, economical financial management processes culminating in sound financial viability by 2018/19 and beyond, To ensure effective and efficient LED support programs fro sustainable local economic development by 2018/19 and beyond			-	41,059	34,805	19,950	19,950	19,950	13,577	12,005	12,557
Financial viability	To ensure effective, compliant and credible financial planning, management and reporting by 2020 and beyond.			222,271	27,212	24,993	32,913	32,913	32,913	35,617	37,177	38,809
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	225,322	211,559	190,773	252,230	287,740	287,740	269,543	265,158	273,728

**Table 19 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Strategic Objective	Goal	Goal Code	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
Good Governance and Public Participation	To ensure mainstreaming of the special programmes and increased participation of designated groups by 2018 and beyond			9,661	6,169	18,799	5,903	8,131	8,131	50,198	51,775	54,157
Basic Service Delivery	To ensure provision of adequate and sustainable road network by 2018/19 and beyond			-	76,468	108,781	108,781	108,781	108,781	44,556	43,004	44,982
Basic Infrastructure	To continuously reduce accidents and road canages within Engcobo Local Municipality through promotion of road safety regulations by 2018/2019			906	43,240	15,148	40,360	40,360	40,360	21,960	22,970	24,405
Institutional Transformation and organisational development	To ensure provision of adequate effective and efficient ICT services that is commensurate with the IDP			-	23,747	19,003	19,003	19,003	19,003	26,824	27,011	28,254

Local Economic development	by 2018/19, To ensure effective and efficient safeguarding of municipal buildings and assets by 2018/19 To ensure effective, efficient, economical financial management processes culminating in sound financial viability by 2018/19 and beyond, To ensure effective and efficient LED support programs fro sustainable local economic development by 2018/19 and beyond		-	41,059	34,805	34,805	34,805	34,805	12,487	11,910	12,458
Financial viability	To ensure effective, compliant and credible financial planning, management and reporting by 2020 and beyond.		202,950	14,874	12,606	24,993	24,993	24,993	91,497	95,628	99,949
Total Expenditure		1	213,516	205,558	209,141	233,843	236,071	236,071	247,521	252,298	264,204

**Table 20 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

Strategic Objective	Goal	Goal Code	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
Good Governance and Public Participation	To ensure mainstreaming of the special programmes and increased participation of designated groups by 2018 and beyond	A		9,643	18,316	2,848	839	839	839	450	471	492
Basic Service Delivery	To ensure provision of adequate and sustainable road network by 2018/19 and beyond	B		6,083	10,000	5,363	2,758	2,758	2,758	155	162	170
Basic Infrastructure	To continuously reduce accidents and road canages within Engcobo Local Municipality through promotion of road safety regulations by 2018/2019	C		8,526	8,970	24,646	1,005	21,005	21,005	60,893	59,427	58,233
Institutional Transformation and organisational development	To ensure provision of adequate effective and efficient ICT	D		634	634	13,155	18,123	18,123	18,123	290	303	317

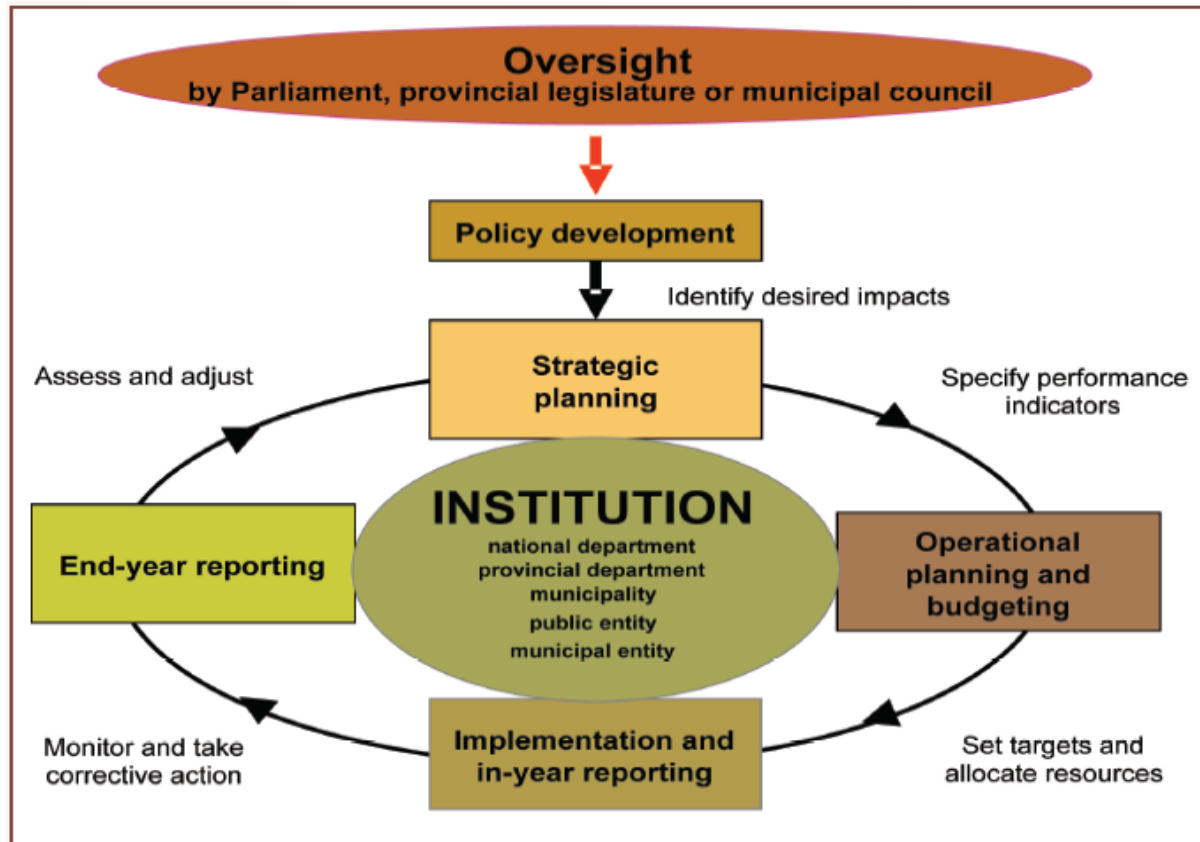


Local Economic development	services that is commensurate with the IDP by 2018/19, To ensure effective and efficient safeguarding of municipal buildings and assets by 2018/19 To ensure effective, efficient, economical financial management processes culminating in sound financial viability by 2018/19 and beyond, To ensure effective and efficient LED support programs fro sustainable local economic development by 2018/19 and beyond	E	29,672	-	2,904	13,035	13,035	13,035	1,090	94	98	
Financial viability	To ensure effective, compliant and credible financial planning, management and reporting by 2020 and beyond.	F	7,035	18,430	8,373	35,089	46,226	46,226	120	126	131	
<b>Total Capital Expenditure</b>			<b>1</b>	<b>61,594</b>	<b>56,350</b>	<b>57,288</b>	<b>70,849</b>	<b>101,986</b>	<b>101,986</b>	<b>62,998</b>	<b>60,583</b>	<b>59,442</b>

## **2.7 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:



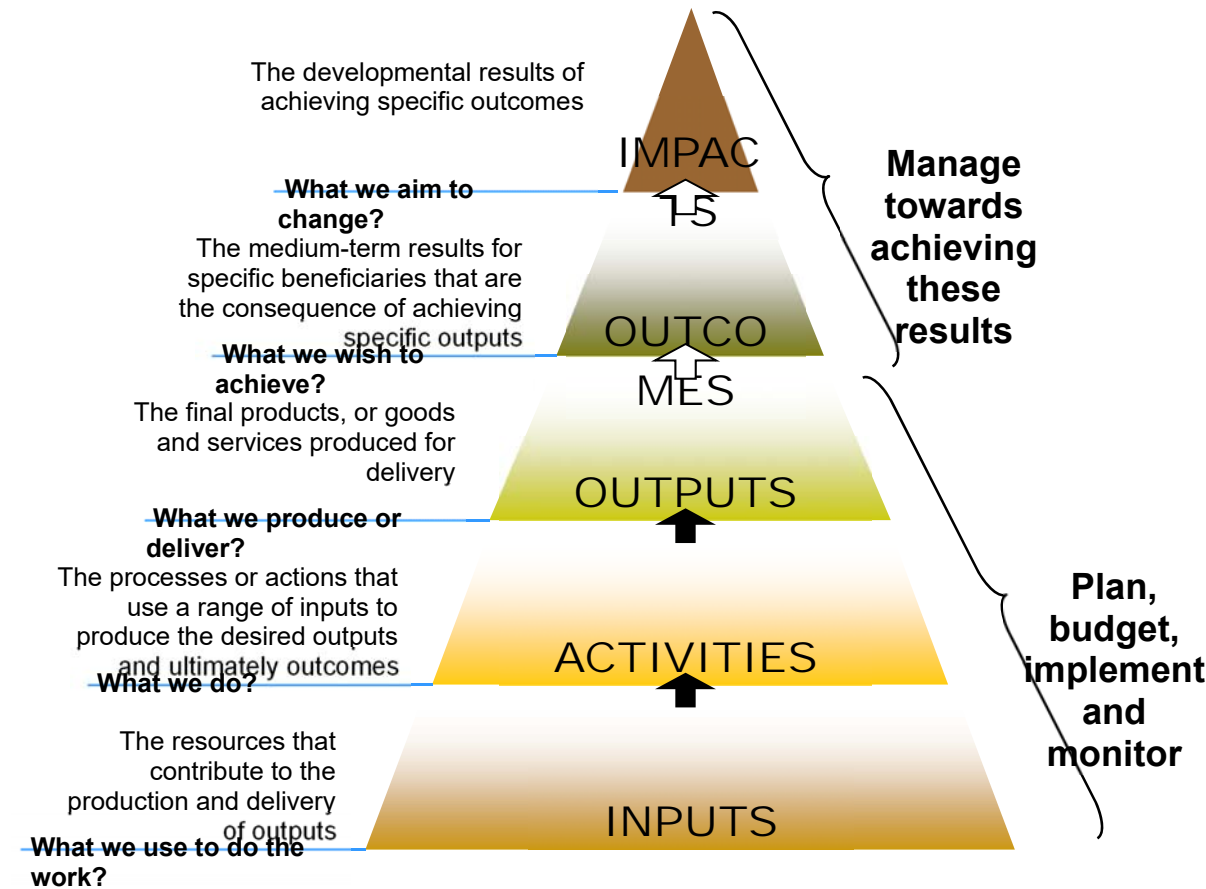
**Figure 3 Planning, budgeting and reporting cycle**

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 4 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 21 MBRR Table SA8 - Performance indicators and benchmarks**

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
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	87,398	81,996	49,062	96,977	89,752	89,752	89,752	270,727	273,474	276,458
Other current investments > 90 days		(0)	0	0	12,230	14,386	14,386	14,386	(156,446)	(161,213)	(158,822)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>87,398</b>	<b>81,996</b>	<b>49,062</b>	<b>109,207</b>	<b>104,137</b>	<b>104,137</b>	<b>104,137</b>	<b>114,281</b>	<b>112,262</b>	<b>117,637</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	5,318	18,062	17,210	6,525	11,132	11,132	11,132	11,890	12,456	13,050
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>5,318</b>	<b>18,062</b>	<b>17,210</b>	<b>6,525</b>	<b>11,132</b>	<b>11,132</b>	<b>11,132</b>	<b>11,890</b>	<b>12,456</b>	<b>13,050</b>
<b>Surplus(shortfall)</b>		<b>82,080</b>	<b>63,934</b>	<b>31,852</b>	<b>102,682</b>	<b>93,005</b>	<b>93,005</b>	<b>93,005</b>	<b>102,392</b>	<b>99,805</b>	<b>104,587</b>

References

1. Must reconcile with Budgeted Cash Flows
2. For example: VAT, taxation
3. Council approval for policy required - include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)
4. For example: sinking fund requirements for borrowing
5. Council approval required for each reserve created and basis of cash backing of reserves

Other working capital requirements

Debtors	23,223	6,966	2,930	4,653	4,023	4,023	4,023	3,494	3,666	3,846
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Creditors due	28,541	25,028	20,140	11,178	15,155	15,155	15,155	15,384	16,122	16,896
Total	(5,318)	(18,062)	(17,210)	(6,525)	(11,132)	(11,132)	(11,132)	(11,890)	(12,456)	(13,050)
<u>Debtors collection assumptions</u>										
Balance outstanding - debtors	7,174	5,956	3,390	5,598	10,887	10,887	10,887	3,751	3,935	4,128
Estimate of debtors collection rate	323.7%	117.0%	86.4%	83.1%	37.0%	37.0%	37.0%	93.1%	93.1%	93.1%

### 3 Performance indicators and benchmarks

#### 3.1.1.1 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2007/08 and 2010/11 the gearing ratio peaked at 55.7 per cent. This was primarily a result of the increased borrowing levels and decreasing funds and reserves. While the gearing ratio increases to 61.2 per cent in the 2020/21 financial year, the medium term strategy is to steadily reduce the gearing ratio to a level that does not exceed 50 per cent as a prudential limit, hence, over the 2020/21 MTREF the ratio decreases to 54 per cent by 2021/22.

#### 3.1.1.2 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 1.2 in the 2020/21 financial year and 1.1 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. 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.

#### *3.1.1.3 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, and credit control and debt collection.

#### *3.1.1.4 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 100 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.

#### *3.1.1.5 Other Indicators*

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

## **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.



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 38.

### **3.3 Overview of budget related-policies**

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

### **3.4 Review of credit control and debt collection procedures/policies**

The Credit control Policy was 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 65 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.

### **3.5 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).

### **3.6 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.

### **3.7 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.

### **3.8 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 and was amended on March 2020 in respect of both Operating and Capital Budget Fund Transfers.

### **3.9 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was amended by Council in May 2020. 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.

### 3.10 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.

### 3.11 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2020/21 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2019/20 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

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).

### **3.12 Overview of budget assumptions**

#### **3.13 External factors**

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 will be 2.3 per cent rising to 3.6 per cent by 2019.

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.

#### **3.14 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2020/21 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration. Employee related costs comprise 39 per cent of total operating expenditure in the 2020/21 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2018.

#### **3.15 Interest rates investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. . As part of the compilation of the 2020/21 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

### **3.15.1.1 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. Collection rate is assumed to be 65 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.

## **3.16 Growth or decline in tax base of the municipality**

Debtor's 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.

## **4 Salary increases**

The collective agreement regarding salaries/wages came into operation on 1 July 2020 and shall remain in force until 30 June 2021. Year three is an across the board increase of 9 per cent.

### **4.1 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.

## **4.2 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2020/21 MTREF of which performance has been factored into the cash flow budget.

## **4.3 Overview of budget funding**

## **4.4 Medium-term outlook: operating revenue**

The following table is a breakdown of the operating revenue over the medium-term:

Revenue to be generated from property rates is R 6,883 million in the 2020/21 financial year and increases to R 7,199 million by 2021/22 which represents 19.9 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

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 2019/20 financial year. It is anticipated that the process will be concluded by the end of 2021. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the 3<sup>rd</sup> 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 biggest component of the revenue basket of the Municipality totalling R 1,409 million for the 2020/21 financial year and increasing to R 1,473 million by 2021/22. For the 2020/21 financial year services charges amount to 13.5 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term.

Operational grants and subsidies amount to R 162,731 million, R 175,426 million and R 183,796 million for each of the respective financial years of the MTREF, or 7, 7 and 6 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 11.6 per cent and 8.9 per cent for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R 3,800 million, R 3,975 million and R 4,158 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.

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.

The above table is graphically represented as follows for the 2020/21 financial year.

#### **Figure 5 Sources of capital revenue for the 2020/21 financial year**

Capital grants and receipts equates to 96 per cent of the total funding source which represents R 60,313 million for the 2020/21 financial year and steadily increase to R946 thousand by 2021/22. Growth relating to grant receipts is 8.3, 7.1 and 7.7 per cent over the medium-term.

The amount of R 2,685 million is Internally generated funding.

## 4.5 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understand ability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 22 MBRR Table A7 - Budget 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
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		34,784	6,801	3,932	4,020	6,436	6,436	6,436	6,539	6,839	7,154
Service charges		-	-	-	1,051	1,051	1,051	1,051	1,338	1,400	1,464
Other revenue		5,930	4,851	4,601	18,937	16,977	16,977	16,977	16,037	16,775	17,546
Transfers and Subsidies - Operational	1	133,000	154,039	140,780	153,564	154,864	154,864	154,864	162,731	175,426	183,796
Transfers and Subsidies - Capital	1	62,503	28,565	33,794	60,181	60,181	60,181	60,181	77,340	58,904	57,686
Interest			6,372		9,000	6,000	6,000	6,000	3,610	3,776	3,950
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(168,140)	(147,596)	(158,772)	(180,243)	(182,399)	(182,399)	(182,399)	(195,421)	(197,906)	(207,310)



Finance charges				(119)	-	-	-	-	-	-	-
Transfers and Grants	1	-	-	-	-	-	-	-	(100)	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>68,078</b>	<b>53,032</b>	<b>24,215</b>	<b>66,510</b>	<b>63,110</b>	<b>63,110</b>	<b>63,110</b>	<b>72,074</b>	<b>65,213</b>	<b>64,286</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE		790	-	140	245	245	245	245	500	523	547
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		(60,378)	(58,399)	(57,288)	(69,689)	(101,986)	(101,986)	(101,986)	(65,404)	(62,989)	(61,849)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(59,588)</b>	<b>(58,399)</b>	<b>(57,149)</b>	<b>(69,444)</b>	<b>(101,741)</b>	<b>(101,741)</b>	<b>(101,741)</b>	<b>(64,904)</b>	<b>(62,466)</b>	<b>(61,302)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(414)	(35)	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(414)</b>	<b>(35)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>8,076</b>	<b>(5,403)</b>	<b>(32,934)</b>	<b>(2,934)</b>	<b>(38,631)</b>	<b>(38,631)</b>	<b>(38,631)</b>	<b>7,170</b>	<b>2,747</b>	<b>2,984</b>
Cash/cash equivalents at the year begin:	2	79,323	87,398	81,996	99,911	128,382	128,382	128,382	263,557	270,727	273,474
Cash/cash equivalents at the year-end:	2	87,398	81,996	49,062	96,977	89,752	89,752	89,752	270,727	273,474	276,458

The above table shows that cash and cash equivalents of the Municipality were largely increased between the 2019/20 and 2020/21 financial year moving from a positive cash balance of R263,557 million to a surplus of R270,727 million with the approved 2020/21 MTREF. With the 2019/20 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase to R270,727 million by the financial year end.



Total Application of cash and investments:		5,318	18,062	17,210	6,525	11,132	11,132	11,132	11,890	12,456	13,050
Surplus(shortfall)		82,080	63,934	31,852	102,682	93,005	93,005	93,005	102,392	99,805	104,587

From the above table it can be seen that the cash and investments available total R114,281 million in the 2020/21 financial year and progressively decrease to R112,262 million by 2021/22, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- There is no unspent borrowing from the previous financial years. .
- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations. The liability in this regard totalled R236 million for the 2020/21 financial year.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2020/21 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

#### 4.7 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 24 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
<b>Funding measures</b>	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	87,398	81,996	49,062	96,977	89,752	89,752	89,752	270,727	273,474	276,458
Cash + investments at the yr end less applications - R'000	18(1)b	2	82,080	63,934	31,852	102,682	93,005	93,005	93,005	102,392	99,805	104,587
Cash year end/monthly employee/supplier payments	18(1)b	3	8.3	7.7	4.2	7.8	7.0	7.0	7.0	19.7	19.7	19.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	11,806	6,002	(18,367)	18,387	51,669	51,669	51,669	22,023	12,860	9,524
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(0.5%)	1.0%	3.1%	36.4%	(6.0%)	(6.0%)	(3.8%)	(1.4%)	(1.4%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	323.7%	117.0%	86.4%	83.1%	37.0%	37.0%	37.0%	93.1%	93.1%	93.1%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	165.6%	47.8%	44.4%	43.9%	30.8%	30.8%	30.8%	30.2%	30.2%	30.2%
Capital payments % of capital expenditure	18(1)c;19	8	98.0%	103.6%	100.0%	98.4%	100.0%	100.0%	100.0%	103.8%	104.0%	104.0%
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								100.1%	103.4%	103.7%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(17.0%)	(43.1%)	65.1%	94.5%	0.0%	0.0%	(65.5%)	4.9%	4.9%
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	1.5%	0.0%	0.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	40.8%	35.3%	35.3%	0.0%	48.5%	45.9%	42.3%

**References**

1. Positive cash balances indicative of minimum compliance - subject to 2
2. Deduct cash and investment applications (defined) from cash balances
3. Indicative of sufficient liquidity to meet average monthly operating payments
4. Indicative of funded operational requirements
5. Indicative of adherence to macro-economic targets (prior to 2003/04 revenue not available for high capacity municipalities and later for other capacity classifications)
6. Realistic average cash collection forecasts as % of annual billed revenue
7. Realistic average increase in debt impairment (doubtful debt) provision

8. Indicative of planned capital expenditure

level & cash payment timing

9. Indicative of compliance with borrowing 'only' for the capital budget - should not exceed 100% unless refinancing

10. Substantiation of National/Province

allocations included in budget

11. Indicative of realistic current arrear debtor collection targets (prior to 2003/04 revenue not available for high capacity municipalities and later for other capacity classifications)

12. Indicative of realistic long term arrear debtor collection targets (prior to 2003/04 revenue not available for high capacity municipalities and later for other capacity classifications)

13. Indicative of a credible allowance for repairs & maintenance of assets - functioning assets revenue protection

14. Indicative of a credible allowance for asset renewal (requires analysis of asset renewal projects as % of total capital projects - detailed capital plan) - functioning assets revenue protection

Supporting indicators														
% incr total service charges (incl prop rates)	18(1)a	-	-	-	-	5.5%	7.0%	9.1%	42.4%	0.0%	0.0%	2.2%	4.6%	4.6%
% incr Property Tax	18(1)a					5.4%	6.5%	7.8%	53.7%	0.0%	0.0%	(0.5%)	4.6%	4.6%
% incr Service charges - electricity revenue	18(1)a					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - water revenue	18(1)a					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - sanitation revenue	18(1)a					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue	18(1)a					6.1%	8.6%	14.5%	0.0%	0.0%	0.0%	17.9%	4.6%	4.6%
% incr in	18(1)a					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total billable revenue	18(1)a		4,626	4,881	5,221	5,698	8,114	8,114	8,114	8,114	8,291	8,673	9,072	
Service charges			4,626	4,881	5,221	5,698	8,114	8,114	8,114	8,114	8,291	8,673	9,072	
Property rates			3,720	3,921	4,178	4,503	6,919	6,919	6,919	6,919	6,883	7,199	7,530	
Service charges - refuse removal			906	961	1,044	1,195	1,195	1,195	1,195	1,195	1,409	1,473	1,541	
Service charges - other			-	-	-	-	-	-	-	-	-	-	-	
Rental of facilities and equipment			284	266	163	322	322	322	322	322	539	564	590	
Capital expenditure excluding capital grant funding			27,893	28,507	26,443	11,482	45,558	45,558	45,558	45,558	2,685	1,679	1,756	
Cash receipts from ratepayers	18(1)a		40,715	11,652	8,533	24,008	24,464	24,464	24,464	24,464	23,914	25,014	26,164	
Ratepayer & Other revenue	18(1)a		12,578	9,962	9,874	28,885	66,195	66,195	66,195	66,195	25,672	26,853	28,088	
Change in consumer debtors (current and non-current)			(3,120)	(1,218)	(2,565)	2,208	7,496	7,496	7,496	7,496	(1,847)	184	193	
Operating and Capital Grant Revenue	18(1)a		206,813	195,122	175,289	213,845	215,045	215,045	215,045	215,045	240,071	234,330	241,482	
Capital expenditure - total	20(1)(vi)		61,594	56,350	57,288	70,849	101,986	101,986	101,986	101,986	62,998	60,583	59,442	
Capital expenditure - renewal	20(1)(vi)		-	-	-	28,921	35,964	35,964	35,964	35,964	30,582	27,806	25,158	

<b>Supporting benchmarks</b>												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPI guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	5.4%
DoRA operating grants total MFY										161,881	167,782	175,166
DoRA capital grants total MFY										77,340	58,904	57,686
Provincial operating grants										700		
Provincial capital grants												
District Municipality grants												
Total gazetted/advised national, provincial and district grants										239,921	226,686	232,852
Average annual collection rate (arrears inclusive)												
<b>DoRA operating</b>												
<i>List operating grants</i>										161,881	167,782	175,166
Sport & Recreation										700		
										162,581	167,782	175,166
<b>DoRA capital</b>												
<i>List capital grants</i>										77,340	58,904	57,686
										77,340	58,904	57,686
<b>Trend</b>												
Change in consumer debtors (current and non-current)			(3,120)	(1,218)	(2,565)	7,496	(1,847)	184	193	-	-	-
<b>Total Operating Revenue</b>			153,911	154,221	156,979	192,049	227,559	227,559	227,559	192,203	206,254	216,042
<b>Total Operating Expenditure</b>			213,516	205,558	209,141	233,843	236,071	236,071	236,071	247,521	252,298	264,204
<b>Operating Performance Surplus/(Deficit)</b>			(59,605)	(51,337)	(52,161)	(41,794)	(8,512)	(8,512)	(8,512)	(55,317)	(46,044)	(48,162)
<b>Cash and Cash Equivalents (30 June 2012)</b>										270,727		

<b>Revenue</b>											
% Increase in Total Operating Revenue			0.2%	1.8%	22.3%	18.5%	0.0%	0.0%	(15.5%)	7.3%	4.7%
% Increase in Property Rates Revenue			5.4%	6.5%	7.8%	53.7%	0.0%	0.0%	(0.5%)	4.6%	4.6%
% Increase in Electricity Revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges			5.5%	7.0%	9.1%	42.4%	0.0%	0.0%	2.2%	4.6%	4.6%
<b>Expenditure</b>											
% Increase in Total Operating Expenditure			(3.7%)	1.7%	11.8%	1.0%	0.0%	0.0%	4.9%	1.9%	4.7%
% Increase in Employee Costs			6.9%	15.5%	1.6%	8.3%	0.0%	0.0%	17.3%	0.9%	5.0%
% Increase in Electricity Bulk Purchases			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)				443739.99	491281.83				624060.38		
Average Cost Per Councillor (Remuneration)				41	33				46		
Average Cost Per Councillor (Remuneration)				385751.97	394824.85				422533.6		
R&M % of PPE		1.5%	0.0%	0.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Asset Renewal and R&M as a % of PPE		1.0%	0.0%	0.0%	8.0%	10.0%	10.0%	10.0%	10.0%	9.0%	8.0%
Debt Impairment % of Total Billable Revenue		165.6%	47.8%	44.4%	43.9%	30.8%	30.8%	30.8%	30.2%	30.2%	30.2%
<b>Capital Revenue</b>											
Internally Funded & Other (R'000)		27,893	28,507	26,443	11,482	45,558	45,558	45,558	2,685	1,679	1,756
Borrowing (R'000)		-	-	-	-	-	-	-	-	-	-
Grant Funding and Other (R'000)		33,701	27,844	30,846	59,367	56,428	56,428	56,428	60,313	58,904	57,686
Internally Generated funds % of Non Grant Funding		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing % of Non Grant Funding		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding		54.7%	49.4%	53.8%	83.8%	55.3%	55.3%	55.3%	95.7%	97.2%	97.0%
<b>Capital Expenditure</b>											
Total Capital Programme (R'000)		61,594	56,350	57,288	70,849	101,986	101,986	101,986	62,998	60,583	59,442
Asset Renewal		-	-	-	28,921	37,613	37,613	37,613	30,582	27,806	25,158
Asset Renewal % of Total Capital Expenditure		0.0%	0.0%	0.0%	40.8%	36.9%	36.9%	36.9%	48.5%	45.9%	42.3%
<b>Cash</b>											
Cash Receipts % of Rate Payer & Other		323.7%	117.0%	86.4%	83.1%	37.0%	37.0%	37.0%	93.1%	93.1%	93.1%
Cash Coverage Ratio		0	0	0	0	0	0	0	0	0	0
<b>Borrowing</b>											
Credit Rating (2009/10)									0		
Capital Charges to Operating		0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing Receipts % of Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Reserves</b>											

Surplus/(Deficit)			82,080	63,934	31,852	102,682	93,005	93,005	93,005	102,392	99,805	104,587
<b>Free Services</b>												
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>High Level Outcome of Funding Compliance</b>												
Total Operating Revenue			153,911	154,221	156,979	192,049	227,559	227,559	227,559	192,203	206,254	216,042
Total Operating Expenditure			213,516	205,558	209,141	233,843	236,071	236,071	236,071	247,521	252,298	264,204
Surplus/(Deficit) Budgeted Operating Statement			(59,605)	(51,337)	(52,161)	(41,794)	(8,512)	(8,512)	(8,512)	(55,317)	(46,044)	(48,162)
Surplus/(Deficit) Considering Reserves and Cash Backing			82,080	63,934	31,852	102,682	93,005	93,005	93,005	102,392	99,805	104,587
MTREF Funded (1) / Unfunded (0)		15	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✘		15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Description	MFM A 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
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1) b	1	87,398	81,996	49,062	96,977	89,752	89,752	89,752	270,727	273,474	276,458
Cash + investments at the yr end less applications - R'000	18(1) b	2	82,080	63,934	31,852	102,682	93,005	93,005	93,005	102,392	99,805	104,587
Cash year end/monthly employee/supplier payments	18(1) b	3	8.3	7.7	4.2	7.8	7.0	7.0	7.0	19.7	19.7	19.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	11,806	6,002	(18,367)	18,387	51,669	51,669	51,669	22,023	12,860	9,524
Service charge rev % change - macro CPIX target exclusive	18(1) a,(2)	5	N.A.	(0.5%)	1.0%	3.1%	36.4%	(6.0%)	(6.0%)	(3.8%)	(1.4%)	(1.4%)
Cash receipts % of Ratepayer & Other revenue	18(1) a,(2)	6	323.7%	117.0%	86.4%	83.1%	37.0%	37.0%	37.0%	93.1%	93.1%	93.1%
Debt impairment expense as a % of total billable revenue	18(1) a,(2)	7	165.6%	47.8%	44.4%	43.9%	30.8%	30.8%	30.8%	30.2%	30.2%	30.2%
Capital payments % of capital expenditure	18(1) c,19	8	98.0%	103.6%	100.0%	98.4%	100.0%	100.0%	100.0%	103.8%	104.0%	104.0%
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								100.1%	103.4%	103.7%



Current consumer debtors % change - incr(decr)	18(1) a	11	N.A.	(17.0%)	(43.1%)	65.1%	94.5%	0.0%	0.0%	(65.5%)	4.9%	4.9%
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	1.5%	0.0%	0.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Asset renewal % of capital budget	20(1)( vi)	14	0.0%	0.0%	0.0%	40.8%	35.3%	35.3%	0.0%	48.5%	45.9%	42.3%
<b>Supporting indicators</b>												
% incr <i>total service charges (incl prop rates)</i>	18(1) a	-	-	-	-	-	-	-	-	-	-	-
% incr Property Tax	18(1) a	-	-	5.5%	7.0%	9.1%	42.4%	0.0%	0.0%	2.2%	4.6%	4.6%
% incr Service charges - electricity revenue	18(1) a	-	-	5.4%	6.5%	7.8%	53.7%	0.0%	0.0%	(0.5%)	4.6%	4.6%
% incr Service charges - water revenue	18(1) a	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - sanitation revenue	18(1) a	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue	18(1) a	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr in	18(1) a	-	-	6.1%	8.6%	14.5%	0.0%	0.0%	0.0%	17.9%	4.6%	4.6%
Total billable revenue	18(1) a	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Service charges			4,626	4,881	5,221	5,698	8,114	8,114	8,114	8,291	8,673	9,072
Property rates			4,626	4,881	5,221	5,698	8,114	8,114	8,114	8,291	8,673	9,072
Service charges - electricity revenue			3,720	3,921	4,178	4,503	6,919	6,919	6,919	6,883	7,199	7,530
Service charges - water revenue			-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue			-	-	-	-	-	-	-	-	-	-
Service charges - refuse removal			906	961	1,044	1,195	1,195	1,195	1,195	1,409	1,473	1,541
Service charges - other			-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment			284	266	163	322	322	322	322	539	564	590
Capital expenditure excluding capital grant funding			27,893	28,507	26,443	11,482	45,558	45,558	45,558	2,685	1,679	1,756
Cash receipts from ratepayers	18(1) a		40,715	11,652	8,533	24,008	24,464	24,464	24,464	23,914	25,014	26,164
Ratepayer & Other revenue	18(1) a		12,578	9,962	9,874	28,885	66,195	66,195	66,195	25,672	26,853	28,088
Change in consumer debtors (current and non-current)			(3,120)	(1,218)	(2,565)	2,208	7,496	7,496	7,496	(1,847)	184	193

Operating and Capital Grant Revenue	18(1) a	206,813	195,122	175,289	213,845	215,045	215,045	215,045	240,071	234,330	241,482
Capital expenditure - total	20(1)( vi)	61,594	56,350	57,288	70,849	101,986	101,986	101,986	62,998	60,583	59,442
Capital expenditure - renewal	20(1)( vi)	-	-	-	28,921	35,964	35,964		30,582	27,806	25,158
<b>Supporting benchmarks</b>											
Growth guideline maximum		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPI guideline		4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	5.4%
DoRA operating grants total MFY									161,881	167,782	175,166
DoRA capital grants total MFY									77,340	58,904	57,686
Provincial operating grants									700		
Provincial capital grants											
District Municipality grants											
Total gazetted/advised national, provincial and district grants									239,921	226,686	232,852
Average annual collection rate (arrears inclusive)											
<b>DoRA operating</b>											
<i>List operating grants</i>									161,881	167,782	175,166
Sport & Recreation									700		
									162,581	167,782	175,166
<b>DoRA capital</b>											
<i>List capital grants</i>									77,340	58,904	57,686
									77,340	58,904	57,686
<b>Trend</b>											
Change in consumer debtors (current and non-current)		(3,120)	(1,218)	(2,565)	7,496	(1,847)	184	193	-	-	-
<b>Total Operating Revenue</b>		153,911	154,221	156,979	192,049	227,559	227,559	227,559	192,203	206,254	216,042



Credit Rating (2009/10)									0		
Capital Charges to Operating		0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing Receipts % of Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Reserves</b>											
Surplus/(Deficit)		82,080	63,934	31,852	102,682	93,005	93,005	93,005	102,392	99,805	104,587
<b>Free Services</b>											
Free Basic Services as a % of Equitable Share		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>High Level Outcome of Funding Compliance</b>											
Total Operating Revenue		153,911	154,221	156,979	192,049	227,559	227,559	227,559	192,203	206,254	216,042
Total Operating Expenditure		213,516	205,558	209,141	233,843	236,071	236,071	236,071	247,521	252,298	264,204
Surplus/(Deficit) Budgeted Operating Statement		(59,605)	(51,337)	(52,161)	(41,794)	(8,512)	(8,512)	(8,512)	(55,317)	(46,044)	(48,162)
Surplus/(Deficit) Considering Reserves and Cash Backing		82,080	63,934	31,852	102,682	93,005	93,005	93,005	102,392	99,805	104,587
MTREF Funded (1) / Unfunded (0)	15	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✘	15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

#### 4.7.1.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2020/21 MTREF shows R1.1 billion, R1.0millionand R1.2millionfor each respective financial year.

#### 4.7.1.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### 4.7.1.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been falling significantly for the period 2007/08 to 2010/11, moving from 0.9 to (0.1) with the adopted 2010/11 MTREF. As part of the 2020/21 MTREF the municipalities improving cash position causes the ratio to move upwards to 1.0 and then reduces slightly to 0.9 for the outer years. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

## 4.8 Councillor and employee benefits

**Table 25 MBRR SA22 - Summary of councillor and staff benefits**

Summary of Employee and Councillor 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
	1	A	B	C	D	E	F	G	H	I
- <u>Councillors (Political Office Bearers plus Other)</u>										
Basic Salaries and Wages		7,220	9,787	9,779	11,007	10,043	10,043	10,545	11,030	11,537
Pension and UIF Contributions			-	-	-	-	-	-	-	-
Medical Aid Contributions			-	-	-	-	-	-	-	-
Motor Vehicle Allowance			-	-	-	-	-	-	-	-
Cellphone Allowance		582	1,178	1,569	1,643	4,351	4,351	4,569	4,779	4,999

Housing Allowances		-	-	-	-	-	-	-	-	
Other benefits and allowances		2,946	3,048	3,143	1,399	1,399	1,788	1,870	1,956	
<b>Sub Total - Councillors</b>		<b>7,802</b>	<b>13,911</b>	<b>14,397</b>	<b>15,793</b>	<b>15,793</b>	<b>16,901</b>	<b>17,679</b>	<b>18,492</b>	
<b>% increase</b>	4	<b>78.3%</b>	<b>3.5%</b>	<b>9.7%</b>	<b>0.0%</b>	<b>-</b>	<b>7.0%</b>	<b>4.6%</b>	<b>4.6%</b>	
<b><u>Senior Managers of the Municipality</u></b>	2									
Basic Salaries and Wages		4,710	5,753	-	8,049	7,390	7,390	7,331	7,668	8,021
Pension and UIF Contributions		40	19	3	36	21	21	14	15	16
Medical Aid Contributions			49	-	-	-	-	-	-	-
Overtime			-	-	-	-	-	-	-	-
Performance Bonus		300	1,160	50	-	-	583	610	638	
Motor Vehicle Allowance	3	1,425	1,909	308	1,777	1,880	1,460	1,527	1,598	
Cellphone Allowance	3	115	12	99	254	205	30	31	33	
Housing Allowances	3		-	-	-	-	-	-	-	
Other benefits and allowances	3		1	28	495	472	184	193	202	
Payments in lieu of leave			-	-	-	-	-	-	-	
Long service awards			-	-	-	-	-	-	-	
Post-retirement benefit obligations	6		590	37	300	4,716	4,716	-	-	
<b>Sub Total - Senior Managers of Municipality</b>		<b>6,590</b>	<b>9,493</b>	<b>526</b>	<b>10,909</b>	<b>14,684</b>	<b>14,684</b>	<b>9,603</b>	<b>10,045</b>	<b>10,507</b>
<b>% increase</b>	4	<b>44.1%</b>	<b>(94.5%)</b>	<b>1,975.4%</b>	<b>34.6%</b>	<b>-</b>	<b>(34.6%)</b>	<b>4.6%</b>	<b>4.6%</b>	
<b><u>Other Municipal Staff</u></b>										
Basic Salaries and Wages		29,217	38,586	10,691	29,217	45,852	45,852	62,003	64,793	67,708
Pension and UIF Contributions		5,934	5,234	1,043	5,934	4,955	4,955	8,402	8,789	9,193
Medical Aid Contributions		1,346	1,692	261	1,346	1,814	1,814	3,812	3,987	4,170
Overtime		709	1,999	1,341	709	2,479	2,479	1,583	1,655	1,731
Performance Bonus			2,277	606		2,569	2,569	3,186	3,332	3,485

Motor Vehicle Allowance	3	2,604	4,425	2,662	2,604	5,055	5,055	5,500	5,753	6,018
Cellphone Allowance	3	365	450	19	365	550	550	800	837	876
Housing Allowances	3	171	248	55	171	264	264	199	208	218
Other benefits and allowances	3	3	793	1,555	3	1,562	1,562	2,074	2,170	2,269
Payments in lieu of leave		229	-	-	229	42	42	40	42	44
Long service awards		317	258	366	317	387	387	152	159	167
Post-retirement benefit obligations	6	-	-	-	-	200	200	-	-	-
<b>Sub Total - Other Municipal Staff</b>		<b>40,898</b>	<b>55,961</b>	<b>18,599</b>	<b>40,898</b>	<b>65,731</b>	<b>65,731</b>	<b>87,750</b>	<b>91,725</b>	<b>95,880</b>
% increase	4		36.8%	(66.8%)	119.9%	60.7%	-	33.5%	4.5%	4.5%
<b>Total Parent Municipality</b>		<b>55,289</b>	<b>79,365</b>	<b>33,522</b>	<b>67,600</b>	<b>96,207</b>	<b>96,207</b>	<b>114,255</b>	<b>119,448</b>	<b>124,878</b>
<b>Board Members of Entities</b>			43.5%	(57.8%)	101.7%	42.3%	-	18.8%	4.5%	4.5%
<b>Total Municipal Entities</b>		-	-	-	-	-	-	-	-	-
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>55,289</b>	<b>79,365</b>	<b>33,522</b>	<b>67,600</b>	<b>96,207</b>	<b>96,207</b>	<b>114,255</b>	<b>119,448</b>	<b>124,878</b>
% increase	4		43.5%	(57.8%)	101.7%	42.3%	-	18.8%	4.5%	4.5%
<b>TOTAL MANAGERS AND STAFF</b>	5,7	<b>47,487</b>	<b>65,454</b>	<b>19,125</b>	<b>51,807</b>	<b>80,414</b>	<b>80,414</b>	<b>97,353</b>	<b>101,770</b>	<b>106,386</b>

**Table 26 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Rand per annum								
<b><u>Councillors</u></b>	3							
Speaker	4		526,449		126,522.00			652,971
Chief Whip			389,250		98,562			487,812
Executive Mayor			877,414		189,652.00			1,067,066
Deputy Executive Mayor								-
Executive Committee			3,053,835		1,862,027.28			4,915,862
Total for all other councillors			6,159,583		3,618,051			9,777,634
<b>Total Councillors</b>	8	-	<b>11,006,530</b>	<b>-</b>	<b>5,894,814</b>			<b>16,901,344</b>
<b><u>Senior Managers of the Municipality</u></b>	5							
Municipal Manager (MM)			1,235,990		370,797.11			1,606,787
Chief Finance Officer			725,014		217,504.17			942,518
LED MANAGER			725,014		217,504.17			942,518
COMMUNITY SERVICES			710,369		213,110.68			923,480
CORPORATE SERVICES			710,369		213,110.68			923,480
TECHNICAL SERVICES			725,014		217,504.17			942,518
<i>List of each official with packages &gt;= senior manager</i>								
TROIKA MANAGER			828,253		208,848.01			1,037,101
MONITORING & EVALUATION			828,253		208,848.01			1,037,101
<b>Total Senior Managers of the Municipality</b>	8,10	-	<b>6,488,277</b>	<b>-</b>	<b>1,867,227</b>	<b>-</b>		<b>8,355,504</b>
<b><u>A Heading for Each Entity</u></b>	6,7							
<b>Total for municipal entities</b>	8,10	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>





Finance personnel headcount	8, 10	21	15	6	21	15	6	21	15	6
Human Resources personnel headcount	8, 10	3	2	1	3	2	1	3	2	1

**4.9 Monthly targets for revenue, expenditure and cash flow**

**Table 28 MBRR SA25 - Budgeted monthly revenue and expenditure**

Description	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework			
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
<b>Revenue By Source</b>																
Property rates	6,883											–	6,883	7,199	7,530	
Service charges - refuse revenue	90	95	96	91	96	70	97	90	94	99	98	393	1,409	1,473	1,541	
Rental of facilities and equipment	18	26	93	19	18	14	15	17	11	22	15	272	539	564	590	
Interest earned - external investments	564	667	594	481	490	3,560	572	503	503	504	456	(5,093)	3,800	3,975	4,158	
Fines, penalties and forfeits	122	173	49	90	22	72	83	93	75	138	21	862	1,800	1,883	1,969	
Licences and permits	105	119	128	128	140	102	129	83	108	9	120	2,530	3,700	3,870	4,048	
Transfers and subsidies	68,579		–	–	49,327	–	–	44,820	–	–	–	5	162,731	175,426	183,796	
Other revenue	1,024	1,191	615	791	1,263	1,073	1,320	1,197	767	1,355	206	540	11,342	11,864	12,409	
Gains	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>77,384</b>	<b>2,271</b>	<b>1,575</b>	<b>1,600</b>	<b>51,356</b>	<b>4,890</b>	<b>2,216</b>	<b>46,804</b>	<b>1,558</b>	<b>2,126</b>	<b>916</b>	<b>(493)</b>	<b>192,203</b>	<b>206,254</b>	<b>216,042</b>	
<b>Expenditure By Type</b>																
Employee related costs	7,781	7,824	7,969	8,959	8,026	8,904	8,914	8,908	8,329	6,335	6,882	8,523	97,353	98,203	103,071	
Remuneration of councillors	1,257	1,242	1,296	1,206	1,215	1,285	1,286	1,770	1,275	1,399	1,253	2,419	16,901	17,679	18,492	
Debt impairment												2,500	2,500	2,615	2,735	
Depreciation & asset impairment												49,500	49,500	51,777	54,159	
Other materials	128	32	21	190	521	20	56	93	68	98	941	807	2,975	2,066	2,161	
Contracted services	1,728	1,832	1,921	190	1,521	1,620	3,356	3,893	1,268	2,298	4,941	1,268	25,836	25,209	26,332	
Transfers and subsidies	10	2	3	14	1	–	10	–	26	9	–	25	100	–	–	
Other expenditure	1,383	2,768	3,810	4,697	5,754	3,569	3,274	2,332	5,312	5,726	5,923	7,807	52,355	54,750	57,254	

Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	12,287	13,701	15,020	15,255	17,039	15,397	16,895	16,996	16,278	15,865	19,939	72,849	247,521	252,298	264,204
Surplus/(Deficit)	65,097	(11,430)	(13,445)	(13,655)	34,317	(10,506)	(14,679)	29,808	(14,719)	(13,739)	(19,023)	(73,342)	(55,317)	(46,044)	(48,162)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	39,235	-	-	-	-	20,300	-	-	17,805	-	-	-	77,340	58,904	57,686
Surplus/(Deficit) after capital transfers & contributions	104,332	(11,430)	(13,445)	(13,655)	34,317	9,794	(14,679)	29,808	3,086	(13,739)	(19,023)	(73,342)	22,023	12,860	9,524
Surplus/(Deficit)	104,332	(11,430)	(13,445)	(13,655)	34,317	9,794	(14,679)	29,808	3,086	(13,739)	(19,023)	(73,342)	22,023	12,860	9,524

**Table 29 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

Description	R ef	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue by Vote</b>	-															
Vote 1 - EXECUTIVE COUNCIL (20: IE)		8,579	-	-	8,982	-	-	6,030	-	-	-	-	23,591	24,676	25,811	
Vote 2 - MUNICIPAL MANAGER (22: IE)		16,579	-	-	26,327	-	-	1,536	-	-	-	-	44,442	38,695	40,475	
Vote 3 - CORPORATE SERVICES (23: IE)		20,474	100	-	-	-	-	6,540	-	-	-	-	27,114	27,315	28,571	
Vote 4 - COMMUNITY SERVICES (24: IE)		11,906	944	1,006	196	16,678	11,515	764	647	10,656	147	626	55,086	54,019	56,504	
Vote 5 - PLANNING AND DEVELOPMENT (25: IE)		24			62				67	55	6	5	219	229	240	
Vote 6 - FINANCIAL SERVICES (26: IE)		805	266	1,569	1,599	350	5,911	2,209	1,192	17,608	2,101	2,008	35,617	37,177	38,809	
Vote 7 - INFRASTRUCTURAL ENGINEERING (28: IE)		42,926	1	0	1	19,226				21,321			83,474	83,048	83,319	
<b>Total Revenue by Vote</b>		<b>108,249</b>	<b>8,266</b>	<b>9,531</b>	<b>8,752</b>	<b>78,580</b>	<b>24,382</b>	<b>9,929</b>	<b>22,902</b>	<b>56,608</b>	<b>9,259</b>	<b>9,597</b>	<b>(76,513)</b>	<b>269,543</b>	<b>265,158</b>	<b>273,728</b>
<b>Expenditure by Vote to be appropriated</b>	-															
Vote 1 - EXECUTIVE COUNCIL (20: IE)		1,781	1,824	1,969	1,959	1,026	1,904	1,914	1,908	1,329	1,335	2,882	3,651	23,481	24,561	25,691
Vote 2 - MUNICIPAL MANAGER (22: IE)		1,257	1,242	1,296	1,206	1,215	1,285	1,286	1,770	1,275	1,399	1,253	23,773	38,256	37,610	39,340
Vote 3 - CORPORATE SERVICES (23: IE)		1,383	2,768	3,810	4,697	3,754	3,569	274	332	312	726	23	468	22,116	23,133	24,198
Vote 4 - COMMUNITY SERVICES (24: IE)		1,383	2,768	3,810	4,697	3,754	3,569	274	332	312	726	3,023	20,030	44,678	43,132	45,116
Vote 5 - PLANNING AND DEVELOPMENT (25: IE)		728	432	921	90	1,021	620	556	893	68	98	41	64	5,532	5,264	5,506
Vote 6 - FINANCIAL SERVICES (26: IE)		1,383	2,768	3,810	4,697	3,754	3,569	9,274	6,332	3,312	726	3,023	48,849	91,497	95,628	99,949
Vote 7 - INFRASTRUCTURAL ENGINEERING (28: IE)		728	1,832	921	990	1,521	620	1,556	2,893	1,268	2,298	1,941	5,392	21,960	22,970	24,405
<b>Total Expenditure by Vote</b>		<b>8,641</b>	<b>13,636</b>	<b>16,537</b>	<b>18,335</b>	<b>16,047</b>	<b>15,135</b>	<b>15,133</b>	<b>14,459</b>	<b>7,875</b>	<b>7,309</b>	<b>12,186</b>	<b>102,227</b>	<b>247,521</b>	<b>252,298</b>	<b>264,204</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>99,608</b>	<b>(5,370)</b>	<b>(7,006)</b>	<b>(9,583)</b>	<b>62,533</b>	<b>9,247</b>	<b>(5,204)</b>	<b>8,443</b>	<b>48,733</b>	<b>1,950</b>	<b>(2,589)</b>	<b>(178,740)</b>	<b>22,023</b>	<b>12,860</b>	<b>9,524</b>

Surplus/(Deficit)	1	99,608	(5,370)	(7,006)	(9,583)	62,533	9,247	(5,204)	8,443	48,733	1,950	(2,589)	(178,740)	22,023	12,860	9,524
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**Table 30 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

Description	Ref	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue - Functional</b>	-	17,217	266	1,569	1,599	20,598	2,911	2,209	38,192	18,204	2,118	2,908	10,238	118,028	116,738	122,029
<i>Governance and administration</i>																
Executive and council		16,412				20,247				10,149			8,489	55,297	52,246	54,649
Finance and administration		805	266	1,569	1,599	350	2,911	2,209	38,192	8,055	2,118	2,908	1,749	62,731	64,492	67,381
Internal audit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		133	1,128	953	1,092	195	279	228	195	213	293	253	564	5,525	5,779	6,045
Community and social services		16	14	26	196	98	139	64	47	56	147	26	193	1,024	1,071	1,120
Sport and recreation													1	1	1	1
Public safety		116	1,114	926	896	98	139	164	147	156	147	226	369	4,500	4,707	4,924
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	83,777	83,364	83,650
Planning and development		27	27	27	27	27	27	27	27	27	27	27	27	319	334	349
Road transport		6,955	6,955	6,955	6,955	6,955	6,955	6,955	6,955	6,955	6,955	6,955	6,955	83,458	83,031	83,301
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		4,131	4,131	4,131	4,131	4,131	4,131	4,131	4,131	4,131	4,131	4,131	4,131	49,577	48,256	50,476
Energy sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste water management		1	1	1	1	1	1	1	1	1	1	1	1	15	16	16
Waste management		4,130	4,130	4,130	4,130	4,130	4,130	4,130	4,130	4,130	4,130	4,130	4,130	49,562	48,241	50,460



<i>Other</i>	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	12,636	11,020	11,527
Total Revenue - Functional	29,516	13,559	14,688	14,857	32,959	15,355	14,603	50,552	30,583	14,577	15,327	22,968	269,543	265,158	273,728
<b>Expenditure - Functional</b>															
<i>Governance and administration</i>	8,572	10,443	9,450	10,270	10,389	5,128	7,330	9,998	11,409	14,357	11,764	60,090	169,199	175,125	183,103
Executive and council	4,057	5,042	4,096	5,106	5,215	2,185	2,086	2,770	2,275	2,199	4,253	6,593	45,876	47,568	49,756
Finance and administration	4,357	5,242	5,196	5,006	5,015	2,785	5,086	7,070	8,975	11,999	7,353	53,338	121,421	125,882	131,594
Internal audit	159	159	159	159	159	159	159	159	159	159	159	159	1,902	1,676	1,753
<i>Community and public safety</i>	2,126	1,892	1,183	1,302	1,246	1,494	1,944	2,680	1,851	1,906	1,210	(2,723)	16,113	16,331	17,082
Community and social services	1,413	1,496	291	911	823	997	972	1,840	951	998	605	(4,074)	7,223	7,032	7,356
Sport and recreation													-	-	-
Public safety	713	396	892	391	423	497	972	840	901	908	605	1,352	8,890	9,299	9,727
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	2,479	3,641	2,546	2,467	2,460	2,499	1,431	2,040	1,604	1,589	2,631	5,214	30,602	31,382	33,204
Planning and development	826	1,780	582	1,222	1,203	566	144	680	201	196	1,210	229	8,842	8,621	9,018
Road transport	1,653	1,861	1,964	1,245	1,257	1,933	1,288	1,360	1,403	1,393	1,420	4,985	21,760	22,761	24,186
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	4,669	3,878	2,981	2,262	2,273	1,949	2,004	1,976	1,820	1,409	1,937	2,799	29,957	27,734	29,010
Energy sources	17	17	17	17	17	17	17	17	17	17	17	17	200	209	219
Water management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management	4,653	3,861	2,964	2,245	2,257	1,933	1,988	1,960	1,803	1,393	1,920	2,782	29,757	27,525	28,791
<i>Other</i>	157	142	196	106	-	185	186	170	175	109	153	72	1,650	1,726	1,805
Total Expenditure - Functional	18,003	19,996	16,356	16,407	16,368	11,255	12,896	16,864	16,860	19,370	17,694	65,452	247,521	252,298	264,204

Surplus/(Deficit) before assoc.		11,513	(6,437)	(1,668)	(1,550)	16,591	4,101	1,707	33,688	13,723	(4,794)	(2,367)	(42,484)	22,023	12,860	9,524
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	11,513	(6,437)	(1,668)	(1,550)	16,591	4,101	1,707	33,688	13,723	(4,794)	(2,367)	(42,484)	22,023	12,860	9,524

**Table 31 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

Description  R thousand	Ref	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2020/21	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Single-year expenditure to be appropriated</i>																
Exucative & Council			1 894			226							231	2 350	2 477	2 611
Municipal Manager				247									(0)	247	260	274
Corporate Services						2 010							-	2 010	2 119	2 233
Community Services							2 485						-	2 485	2 619	2 761
Planning & Development							940						-	940	991	1 044
Financial Services		260	303							568			-	1 130	1 191	1 255
Infrastructure & Engineering		4 057	5 042	10 096	7 106	8 215	5 185	5 086	4 770	1 428	2 199	4 253	4 092	61 527	63 425	66 399
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
Capital single-year expenditure sub-total	2	4 316	7 238	10 343	7 106	10 451	8 610	5 086	4 770	1 995	2 199	4 253	4 323	70 689	73 082	76 577
Total Capital Expenditure	2	4 316	7 238	10 343	7 106	10 451	8 610	5 086	4 770	1 995	2 199	4 253	4 323	70 689	73 082	76 577

**Table 32 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

Description	Ref	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2020/21	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Capital Expenditure - Functional</b>	1															
<i>Governance and administration</i>		260	2 196	247	-	2 236	-	-	-	508	-	-	251	5 697	6 005	6 329
Executive and council			1 894	247		226						51	2 417	2 548	2 685	
Finance and administration		260	303			2 010			508			20	3 100	3 267	3 444	
Internal audit												180	180	190	200	
<i>Community and public safety</i>		-	-	-	-	-	19	-	-	-	-	7 706	7 725	7 953	7 978	
Community and social services							19					171	190	200	211	
Sport and recreation												7 000	7 000	7 189	7 172	
Public safety												535	535	564	594	
Housing												-	-	-	-	
Health												-	-	-	-	
<i>Economic and environmental services</i>		2 057	2 042	3 096	7 206	2 215	5 247	4 086	4 770	-	-	215	258	31 191	31 471	33 171
Planning and development							62					258	320	337	355	
Road transport		2 057	2 042	3 096	7 206	2 215	5 185	4 086	4 770			215	(0)	30 871	31 134	32 815
Environmental protection												-	-	-	-	
<i>Trading services</i>		-	4 238	3 343	7 106	1 451	1 610	141	1 770	1 995	2 199	-	1 604	25 456	26 999	28 411
Energy sources		-	4 238	3 343	7 106	1 451	1 610	141	1 770	1 995	2 199		4	23 856	25 144	26 456
Water management													-	-	-	-
Waste water management													-	-	-	-
Waste management													1 600	1 600	1 855	1 955
<i>Other</i>													620	620	653	689
<b>Total Capital Expenditure - Functional</b>	2	2 316	8 477	6 685	14 311	5 902	6 875	4 227	6 540	2 503	2 199	215	10 438	70 689	73 082	76 577
<b>Funded by:</b>																
National Government		2 057	6 281	6 685	14 311	5 901	1 219	6 102	6 540	2 063	-	8 205	2	59 367	60 980	63 822
Provincial Government													-	-	-	-
District Municipality													-	-	-	-
Other transfers and grants													-	-	-	-
<b>Transfers recognised - capital</b>		2 057	6 281	6 685	14 311	5 901	1 219	6 102	6 540	2 063	-	8 205	2	59 367	60 980	63 822

Borrowing													-	-	-	-
Internally generated funds		260	2 196				656				2 199		6 011	11 322	12 102	12 756
Total Capital Funding		2 316	8 477	6 685	14 311	5 901	1 875	6 102	6 540	2 063	2 199	8 205	6 014	70 689	73 082	76 577

**Table 33 MBRR SA30 - Budgeted monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2020/21
<b>Cash Receipts By Source</b>													1		
Property rates	189	1 370	488	389	235	149	184	173	146	102	98	276	3 800	4 005	4 221
Service charges - electricity revenue												-			
Service charges - water revenue												-			
Service charges - sanitation revenue												-			
Service charges - refuse revenue	65	75	31	22	38	62	91	87	66	85	99	328	1 051	1 107	1 167
Rental of facilities and equipment												-			
Interest earned - external investments	564	667	594	481	490	3 560	572	503	503	504	456	107	9 000	9 486	9 998
Interest earned - outstanding debtors												-			
Dividends received												-			
Fines, penalties and forfeits	22	73	49	10	22	2	3	3	5	38	21	302	550	580	611
Licences and permits	105	119	128	128	140	102	129	83	108	9	120	930	2 100	2 213	2 333
Agency services												-	153	156	165
Transfer receipts - operational	63 579		-	-	49 327	-	-	35 608	-	-	-	5 000	514	973	450
Other revenue	1 024	711	811	921	1 025	5 024	1 056	690	1 027	1 055	1 963	978	16 287	132	139
<b>Cash Receipts by Source</b>	<b>65 548</b>	<b>3 016</b>	<b>2 101</b>	<b>1 951</b>	<b>51 277</b>	<b>8 900</b>	<b>2 036</b>	<b>37 146</b>	<b>1 855</b>	<b>1 793</b>	<b>2 757</b>	<b>7 921</b>	<b>186 302</b>	<b>174 497</b>	<b>183 919</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	31 235	-	-	-	-	15 300	-	-	13 646			-	60 181	60 639	63 460
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)			245									-	245	258	272
Proceeds on disposal of PPE												-			

Short term loans												-			
Borrowing long term/refinancing												-			
Increase (decrease) in consumer deposits												-			
Decrease (Increase) in non-current debtors												-			
Decrease (increase) other non-current receivables												-			
Decrease (increase) in non-current investments												-			
<b>Total Cash Receipts by Source</b>	<b>96 783</b>	<b>3 016</b>	<b>2 346</b>	<b>1 951</b>	<b>51 277</b>	<b>24 200</b>	<b>2 036</b>	<b>37 146</b>	<b>15 501</b>	<b>1 793</b>	<b>2 757</b>	<b>7 921</b>	<b>246 728</b>	<b>235 394</b>	<b>247 652</b>
<b>Cash Payments by Type</b>															
Employee related costs	6 566	6 824	6 969	6 959	6 026	5 904	5 914	5 908	6 329	6 335	6 882	6 303	76 918	81 072	85 450
Remuneration of councillors	1 257	1 242	1 296	1 206	1 215	1 285	1 286	1 770	1 275	1 399	1 253	1 310	15 793	16 646	17 545
Finance charges												-			
Bulk purchases - Electricity												-			
Bulk purchases - Water & Sewer												-			
Other materials	28	32	21	90	21	20	556	893	1 268	298	941	1 022	5 190	5 470	5 766
Contracted services	1 728	2 832	1 921	3 990	1 521	1 620	1 556	1 893	2 268	2 298	3 941	6 197	31 765	33 480	35 288
Transfers and grants - other municipalities												-			
Transfers and grants - other	83	68	10	97	54	69	74	32	12	26	293	182	1 000	1 054	1 111
Other expenditure	3 566	3 824	969	1 959	2 026	2 904	3 914	5 908	6 329	6 335	6 882	1 187	45 802	48 275	50 882
<b>Cash Payments by Type</b>	<b>13 227</b>	<b>14 823</b>	<b>11 185</b>	<b>14 300</b>	<b>10 864</b>	<b>11 800</b>	<b>13 299</b>	<b>16 404</b>	<b>17 482</b>	<b>16 691</b>	<b>20 191</b>	<b>16 201</b>	<b>176 468</b>	<b>185 997</b>	<b>196 041</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	3 217	7 266	8 569	7 599	5 598	5 911	5 209	4 192	8 204	4 118	2 908	6 899	69 689	73 452	77 419
Repayment of borrowing												-			
Other Cash Flows/Payments												-			
<b>Total Cash Payments by Type</b>	<b>16 444</b>	<b>22 088</b>	<b>19 754</b>	<b>21 899</b>	<b>16 462</b>	<b>17 711</b>	<b>18 508</b>	<b>20 596</b>	<b>25 686</b>	<b>20 809</b>	<b>23 099</b>	<b>23 100</b>	<b>246 157</b>	<b>259 449</b>	<b>273 460</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>80 340</b>	<b>(19 073)</b>	<b>(17 408)</b>	<b>(19 948)</b>	<b>34 816</b>	<b>6 489</b>	<b>(16 473)</b>	<b>16 550</b>	<b>(10 185)</b>	<b>(19 016)</b>	<b>(20 343)</b>	<b>(15 180)</b>	<b>571</b>	<b>(24 056)</b>	<b>(25 808)</b>
Cash/cash equivalents at the month/year begin:	108	188	169	152	132 277	167 093	173	157 109	173	163	144	124	108	108	84 882
	366	706	634	226			582		660	475	459	117	366	937	
	188	169	152	132			157		163	144	124	108	108		
Cash/cash equivalents at the month/year end:	706	634	226	277	167 093	173 582	109	173 660	475	459	117	937	937	84 882	59 073

#### 4.10 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.

#### 4.11 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

**Table 34 MBRR SA 34a - Capital expenditure on new assets by asset class**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			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 2020/21	Budget Year +2 2021/22
R thousand	1									
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>										
-										
<u>Infrastructure</u>		80 914	41 694	47 464	15 000	18 918	18 918	28 010	28 119	29 637
Roads Infrastructure		37 304	33 701	23 485	-	-	-	26 560	26 590	28 026
<i>Roads</i>		37 304	33 701	23 485				26 560	26 590	28 026
<i>Attenuation</i>										
Electrical Infrastructure		20 000	-	-	15 000	18 918	18 918	-	-	-
<i>MV Substations</i>										
<i>MV Switching Stations</i>										
<i>MV Networks</i>										
<i>LV Networks</i>		20 000			15 000	18 918	18 918			
<i>Capital Spares</i>										
<i>Capital Spares</i>										
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
<i>Capital Spares</i>										



Solid Waste Infrastructure	23 610	7 993	23 979	-	-	-	450	474	500
<i>Landfill Sites</i>		1 470	4 676	-	-	-	450	474	500
<i>Electricity Generation Facilities</i>									
<i>Capital Spares</i>	23 610	6 523	19 303						
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
<i>Capital Spares</i>									
Information and Communication Infrastructure	-	-	-	-	-	-	1 000	1 054	1 111
<i>Data Centres</i>									
<i>Core Layers</i>									
<i>Distribution Layers</i>							1 000	1 054	1 111
<i>Capital Spares</i>									
<b>Community Assets</b>	-	-	1 447	11 300	11 300	11 300	5 686	5 804	6 117
Community Facilities	-	-	1 447	8 700	8 700	8 700	2 186	2 304	2 428
<i>Halls</i>			1 447	8 700	8 700	8 700			
<i>Centres</i>							2 186	2 304	2 428
<i>Markets</i>									
<i>Stalls</i>									
<i>Abattoirs</i>									
<i>Airports</i>									
<i>Taxi Ranks/Bus Terminals</i>									
<i>Capital Spares</i>									
Sport and Recreation Facilities	-	-	-	2 600	2 600	2 600	3 500	3 500	3 689
<i>Indoor Facilities</i>									
<i>Outdoor Facilities</i>				2 600	2 600	2 600	3 500	3 500	3 689
<i>Capital Spares</i>									
<b>Heritage assets</b>	-	-	-	-	-	-	-	-	-
Monuments									
Historic Buildings									
Works of Art									
Conservation Areas									
Other Heritage									
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-

Revenue Generating	-	-	-	-	-	-	-	-	-
<i>Improved Property</i>									
<i>Unimproved Property</i>									
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<i>Improved Property</i>									
<i>Unimproved Property</i>									
<b>Other assets</b>	-	-	-	18 633	18 633	18 633	1 050	1 107	1 166
Operational Buildings	-	-	-	18 633	18 633	18 633	500	527	555
<i>Municipal Offices</i>				8 633	8 633	8 633			
<i>Pay/Enquiry Points</i>									
<i>Building Plan Offices</i>				10 000	10 000	10 000			
<i>Workshops</i>									
<i>Yards</i>							500	527	555
<i>Capital Spares</i>									
Housing	-	-	-	-	-	-	550	580	611
<i>Staff Housing</i>							550	580	611
<i>Social Housing</i>									
<i>Capital Spares</i>									
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets									
<b>Intangible Assets</b>	-	2 236	1 030	1 000	1 000	1 000	50	53	56
Servitudes									
Licences and Rights	-	2 236	1 030	1 000	1 000	1 000	50	53	56
<i>Water Rights</i>									
<i>Effluent Licenses</i>									
<i>Solid Waste Licenses</i>									
<i>Computer Software and Applications</i>		850	716	1 000	1 000	1 000	50	53	56
<i>Load Settlement Software Applications</i>									
<i>Unspecified</i>		1 386	314						
<b>Computer Equipment</b>	-	-	-	-	-	-	1 490	1 570	1 655
Computer Equipment							1 490	1 570	1 655

<b><u>Furniture and Office Equipment</u></b>		1 534	447	78	-	-	-	2 662	2 806	2 957
Furniture and Office Equipment		1 534	447	78				2 662	2 806	2 957
<b><u>Machinery and Equipment</u></b>		4 337	8 714	6 298	-	-	-	480	506	533
Machinery and Equipment		4 337	8 714	6 298				480	506	533
<b><u>Transport Assets</u></b>		2 151	6 113	-	-	-	-	1 500	1 581	1 666
Transport Assets		2 151	6 113					1 500	1 581	1 666
<b><u>Land</u></b>		3 335	2 390	3 687	-	-	-	-	-	-
Land		3 335	2 390	3 687						
<b><u>Zoo's, Marine and Non-biological Animals</u></b>		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals										
<b>Total Capital Expenditure on new assets</b>	1	92 272	61 594	60 005	45 933	49 851	49 851	40 928	41 545	43 789

**Table 35 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			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 2020/21	Budget Year +2 2021/22
R thousand	1									
<b><u>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</u></b>										
- <b><u>Infrastructure</u></b>		-	-	-	26 827	36 087	36 087	25 821	27 215	28 639
Roads Infrastructure		-	-	-	26 827	36 087	36 087	1 965	2 071	2 183
<i>Roads</i>					26 827	36 087	36 087	1 965	2 071	2 183
<i>Storm water Conveyance</i>										
<i>Attenuation</i>										
Electrical Infrastructure		-	-	-	-	-	-	23 856	25 144	26 456
<i>Power Plants</i>										
<i>HV Substations</i>										
<i>LV Networks</i>								23 856	25 144	26 456
<i>Capital Spares</i>										

<b>Community Assets</b>		-	-	-	-	-	-	4 100	4 321	4 150
Community Facilities		-	-	-	-	-	-	600	632	667
<i>Halls</i>										
<i>Centres</i>								300	316	333
<i>Crèches</i>										
<i>Clinics/Care Centres</i>										
<i>Markets</i>										
<i>Stalls</i>								300	316	333
<i>Abattoirs</i>										
<i>Airports</i>										
<i>Taxi Ranks/Bus Terminals</i>										
<i>Capital Spares</i>										
Sport and Recreation Facilities		-	-	-	-	-	-	3 500	3 689	3 483
<i>Indoor Facilities</i>										
<i>Outdoor Facilities</i>								3 500	3 689	3 483
<i>Capital Spares</i>										
<b>Other assets</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure on renewal of existing assets</b>	1	-	-	-	26 827	36 087	36 087	29 921	31 537	32 789

**Table 36 MBRR SA34c - Repairs and maintenance expenditure by asset class**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			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 2020/21	Budget Year +2 2021/22
<b>R thousand</b>	1									
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>										
-										
<b>Infrastructure</b>		-	5 582	-	1 500	1 500	1 500	500	527	555
Roads Infrastructure		-	5 582	-	1 500	1 500	1 500	500	527	555
<i>Roads</i>			5 582		1 500	1 500	1 500	500	527	555
<b>Community Assets</b>		-	-	-	651	651	651	-	-	-

Community Facilities		-	-	-	651	651	651	-	-	-
Halls					300	300	300			
Centres					1	1	1			
Airports										
Taxi Ranks/Bus Terminals										
Capital Spares					350	350	350			
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Improved Property										
Unimproved Property										
<b>Other assets</b>		-	-	-	-	-	-	620	653	689
Operational Buildings		-	-	-	-	-	-	620	653	689
Municipal Offices								620	653	689
<b>Transport Assets</b>		-	-	-	1 680	1 680	1 680	-	-	-
Transport Assets					1 680	1 680	1 680			
<b>Land</b>		-	-	-	1 440	1 440	1 440	-	-	-
Land					1 440	1 440	1 440			
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals										
<b>Total Repairs and Maintenance Expenditure</b>	1	-	5 582	-	5 271	5 271	5 271	1 120	1 180	1 244
<i>R&amp;M as a % of PPE</i>		0.0%	1.5%	0.0%	1.2%	1.2%	1.2%	0.3%	0.3%	0.3%
<i>R&amp;M as % Operating Expenditure</i>		0.0%	2.6%	0.0%	2.6%	2.3%	2.3%	0.5%	0.5%	0.5%

**Table 37 MBRR SA35 - Future financial implications of the capital budget**

Vote Description	Ref	2020/21 Medium Term Revenue & Expenditure Framework	Forecasts
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R thousand		Budget Year 2020/21	Budget Year +1 2020/21	Budget Year +2 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Present value
<b>Capital expenditure</b>	1							
Exucative & Council		2 350	2 477	2 611	2 752	2 900	3 057	3 222
Municipal Manager		247	260	274	289	305	321	339
Corporate Services		2 010	2 119	2 233	2 354	2 481	2 615	2 756
Community Services		2 485	2 619	2 761	2 910	3 067	3 232	3 407
Planning & Development		940	991	1 044	1 101	1 160	1 223	1 289
Financial Services		1 130	1 191	1 255	1 323	1 395	1 470	1 549
Infrastructure & Engineering		61 527	63 425	66 399	69 985	73 764	77 747	81 945
0		-	-	-				
0		-	-	-				
0		-	-	-				
0		-	-	-				
0		-	-	-				
0		-	-	-				
0		-	-	-				
0		-	-	-				
<i>List entity summary if applicable</i>								
<b>Total Capital Expenditure</b>		<b>70 689</b>	<b>73 082</b>	<b>76 577</b>	<b>80 712</b>	<b>85 071</b>	<b>89 665</b>	<b>94 507</b>
<b>Future operational costs by vote</b>	2							
Exucative & Council		22 096	23 289	24 546	25 872	27 269	28 742	30 294
Municipal Manager		22 116	23 310	24 569	25 895	27 294	28 768	30 321
Corporate Services		25 133	26 490	27 920	29 428	31 017	32 692	34 458
Community Services		34 248	36 098	38 047	40 102	42 267	44 549	46 955
Planning & Development		20 232	21 324	22 476	23 689	24 968	26 317	27 738
Financial Services		92 141	97 117	102 361	107 888	113 714	119 855	126 327
Infrastructure & Engineering		19 953	21 030	22 166	23 363	24 625	25 954	27 356
<b>Total future operational costs</b>		<b>235 918</b>	<b>248 657</b>	<b>262 085</b>	<b>276 238</b>	<b>291 154</b>	<b>306 877</b>	<b>323 448</b>
<b>Total future revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Financial Implications</b>		<b>306 607</b>	<b>321 739</b>	<b>338 662</b>	<b>356 950</b>	<b>376 225</b>	<b>396 541</b>	<b>417 955</b>

**Table 38 MBRR SA36 - Detailed capital budget per municipal vote**

R thousand	Function	Project Description	Project Number	Type	MTSF Service Outcome	IUDF	2020/21 Medium Term Revenue & Expenditure Framework				
							Audited Outcome 2017/18	Current Year 2018/19 Full Year Forecast	Budget Year 2020/21	Budget Year +1 2020/21	Budget Year +2 2021/22
	<b>Parent municipality:</b> <i>List all capital projects grouped by Function</i>										
	Infrastructure engineering	Bridges		New	<i>All people in South Africa are and feel safe</i>	<i>Inclusion and access</i>			26 560	27 994	29 506
	Infrastructure engineering	SPORT FIELD		New	<i>All people in South Africa are and feel safe</i>	<i>Inclusion and access</i>			7 000	7 378	7 776
	Infrastructure engineering	POULTRY		New	<i>All people in South Africa are and feel safe</i>	<i>Inclusion and access</i>			2 186	2 304	2 428
	Infrastructure engineering	MAQANDA-QOBA ACCESS ROAD		Upgrading	<i>All people in South Africa are and feel safe</i>	<i>Inclusion and access</i>			1 965	2 071	2 183
	Infrastructure engineering	ELECTRIFICATION		New	<i>All people in South Africa are and feel safe</i>	<i>Inclusion and access</i>			23 656	24 933	26 280
	COMMUNITY SERVICES	RACE FOR POUND,WATER CIRCULATION SYSTEM		New	<i>Sustainable human settlements and improved quality of household life</i>	<i>Inclusion and access</i>	60 005	85 938	9 482	8 401	8 404
	GUARDROOMS	GUARD ROOMS									
	<b>Parent Capital expenditure</b>						60 005	85 938	70 849	73 082	76 577
	<b>Entities:</b> <i>List all capital projects grouped by Entity</i>										
	<b>Entity Capital expenditure</b>						-	-	-	-	-
	<b>Total Capital expenditure</b>						60 005	85 938	70 849	73 082	76 577







## 4.12 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 fully complied with on a monthly basis. Section 71 reporting to the Executive 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. Of the five interns one has been appointed permanently from June 2009. The remaining four have completed their two year contract on 28 February 2010, and extension for one year has been granted by National Treasury. Since the introduction of the Internship programme the Municipality has successfully employed and trained 33 interns through this programme and a majority of them were appointed either in the Municipality or other Institutions such as KPMG, Ernest & Young, SARS, Auditor General, and National Treasury. Three additional interns have been appointed with effect from 1 March 2011.
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 draft stage and will be finalised after approval of the 2020/21 MTREF in May 2019 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.



**Table 39 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				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 2020/21	Budget Year +2 2021/22
R thousand											
<b>ASSETS</b>											
<u>Call investment deposits</u>											
Call deposits		79 322	81 127	81 512	181 785	181 785	181 785	181 785	2 259	9 975	11 791
Other current investments											
<b>Total Call investment deposits</b>	2	79 322	81 127	81 512	181 785	181 785	181 785	181 785	2 259	9 975	11 791
<u>Consumer debtors</u>											
Consumer debtors		7 156	247	239	3 364	3 364	3 364	3 364	(850)	(844)	(889)
Less: Provision for debt impairment											
<b>Total Consumer debtors</b>	2	7 156	247	239	3 364	3 364	3 364	3 364	(850)	(844)	(889)
<u>Debt impairment provision</u>											
Balance at the beginning of the year											
Contributions to the provision											
Bad debts written off											
<b>Balance at end of year</b>		-	-	-	-	-	-	-	-	-	-
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		365 598	379 994	396 055	432 598	432 598	432 598	432 598	432 598	456 391	481 492
Leases recognised as PPE											
Less: Accumulated depreciation									48 277	50 932	53 682
<b>Total Property, plant and equipment (PPE)</b>	2	365 598	379 994	396 055	432 598	432 598	432 598	432 598	384 321	405 459	427 810
<b>LIABILITIES</b>											
<u>Current liabilities - Borrowing</u>											
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities											
<b>Total Current liabilities - Borrowing</b>		-	-	-	-	-	-	-	-	-	-
<u>Trade and other payables</u>											
Trade Payables		414	374	457	14 067	14 067	14 067	14 067	11 178	11 793	12 429
Other creditors		23 227	28 541	25 104							
Unspent conditional transfers											

VAT											
Total Trade and other payables	2	23 641	28 915	25 560	14 067	14 067	14 067	14 067	11 178	11 793	12 429
<b>Non current liabilities - Borrowing</b>											
Borrowing	4	35									
Finance leases (including PPP asset element)			1 859	2 020							
Total Non current liabilities - Borrowing		35	1 859	2 020	-	-	-	-	-	-	-
<b>Provisions - non-current</b>											
Retirement benefits											
List other major provision items											
Refuse landfill site rehabilitation								8 535	8 996	9 482	
Other											
Total Provisions - non-current		-	-	-	-	-	-	8 535	8 996	9 482	
<b>CHANGES IN NET ASSETS</b>											
<b>Accumulated Surplus/(Deficit)</b>											
Accumulated Surplus/(Deficit) - opening balance											
GRAP adjustments											
Restated balance		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)		85 233	11 806	8 505	24 319	37 678	37 678	34 206	16 162	16 686	16 822
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	85 233	11 806	8 505	24 319	37 678	37 678	34 206	16 162	16 686	16 822
<b>Reserves</b>	-										
Housing Development Fund											
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	85 233	11 806	8 505	24 319	37 678	37 678	34 206	16 162	16 686	16 822



**Table 40 MBRR SA32 – List of external mechanisms**

External mechanism Name of organisation	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
		Number			R thousand

### 4.13 Municipal manager’s quality certificate

I ....., municipal manager of Engcobo Local Municipality, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of Engcobo Local Municipality (EC137)

Signature \_\_\_\_\_

Date \_\_\_\_\_