

# **JOE GQABI DISTRICT MUNICIPALITY**



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

**(Draft Budget for Approval by Council)**

**26 March 2020**

## Table of Contents

1.1	MAYOR’S REPORT .....	3
1.2	COUNCIL RESOLUTIONS.....	4
1.3	EXECUTIVE SUMMARY .....	5
1.4	OPERATING REVENUE FRAMEWORK.....	6
1.5	OPERATING EXPENDITURE FRAMEWORK .....	10
1.6	CAPITAL EXPENDITURE .....	15
1.7	ANNUAL BUDGET TABLES .....	16
2.1	OVERVIEW OF THE ANNUAL BUDGET PROCESS.....	31
2.2	BUDGET PROCESS OVERVIEW .....	31
2.3	OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP .....	32
2.4	MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS .....	33
2.5	PERFORMANCE INDICATORS AND BENCHMARKS.....	36
2.6	OVERVIEW OF BUDGET RELATED-POLICIES .....	37
2.7	OVERVIEW OF BUDGET ASSUMPTIONS .....	38
2.8	OVERVIEW OF BUDGET FUNDING .....	39
2.9	EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS .....	46
2.10	CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS .....	47
2.11	CAPITAL EXPENDITURE DETAILS .....	47
2.12	LEGISLATION COMPLIANCE STATUS .....	50
2.13	MUNICIPAL MANAGER’S QUALITY CERTIFICATE .....	51

## List of tables

Table 1	Consolidated Overview of the 2020/21 MTREF.....	6
Table 2	Summary of revenue classified by main revenue source .....	7
Fig 1:	Revenue by main revenue source .....	8
Table 5	Summary of operating expenditure by standard classification item .....	11
Table 6	Percentage growth in expenditure by main expenditure type .....	11
Fig 2:	Expenditure by major type .....	12
Fig 3:	Expenditure by major type – 2020/21 .....	14
Table 7	2020/21 Medium-term capital budget per vote .....	15
Table 8	MBRR NT A1 - Budget Summary .....	16
Table 10	MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote).....	21
Table 11	MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure).....	23
Table 12	MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source .....	25
Table 13	MBRR NT A6 - Budgeted Financial Position .....	27
Table 14	MBRR NT A7 - Budgeted Cash Flow Statement .....	29
Table 15	MBRR NT SA8 – Performance indicators and benchmarks .....	35
Table 16	Breakdown of the operating revenue over the medium-term .....	40
Table 17	Sources of capital revenue over the MTREF .....	40
Table 18	MBRR NT A7 - Budget cash flow statement.....	41
Table 19	MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation .....	42
Table 20	MBRR NT SA10 - Funding compliance measurement .....	44
Table 21	MBRR SA19 - Expenditure on transfers and grant programmes .....	46
Table 22	2019/20 Capital expenditure by asset class .....	47

## **Part 1 – Annual Budget**

### **1.1 Mayor’s Report**

To be distributed during the Council meeting.

## 1.2 Council Resolutions

1. The Council of Joe Gqabi District Municipality, acting in terms of section 16 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) tables:
  - 1.1. The annual budget of the municipality for the financial year 2020/21 and indicative allocations for the two projected outer years 2021/22 and 2022/23; and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14; 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 15.
  - 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are tabled as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 16;
    - 1.2.2. Budgeted Cash Flows as contained in Table 17; and
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23;
2. The revised Integrated Development Plan (IDP) is tabled as reflected in the agenda.
3. The Council of Joe Gqabi District Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the tariffs for the provision of water and sanitation.
4. The measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.
5. The Budget related policies including any amendments are tabled for the budget year 2020/21.

### 1.3 Executive Summary

This section contains an Executive Summary of the Joe Gqabi District Municipality's (JGDM) Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

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.

National Treasury's MFMA Circular No. 89, 91, 94, 98 and 99 was used to guide the compilation of the 2020/21 MTREF.

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

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- Wage increases is anticipated to exceed consumer inflation;
- Affordability of capital projects – Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant, Water Services Infrastructure Grant and Municipal Water Infrastructure Grant funding were allocated towards developing of new capital infrastructure assets;
- Low collection levels and the resistance against pre-paid water meter installations;
- Outstanding Service Level Agreements; and
- The mapping of the A7 and A30 not being available at date of submitting the Budget Report to Council.

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

- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water, employee related costs and other costs drivers. In addition, tariffs need to move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- Working for Water and Department of Roads and Transports grants are not Gazetted and have not been included in the budget, due to no signed service level agreements being in place at date of budget preparation. All other grant funding, allocated has 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**

SUMMARY OF THE INCOME AND EXPENDITRE				
	Adjustments Budget 2019/20	Draft Budget 2020/21	Draft Budget 2021/22	Draft Budget 2022/23
Total Revenue (excluding capital transfers and contributions)	661 694 022,00	577 513 865,00	576 623 685,00	611 709 556,00
Total Expenditure	606 875 679,00	520 834 918,00	473 500 954,00	491 151 884,00
<b>Surplus / (deficit) - Operational</b>	54 818 343,00	56 678 947,00	103 122 731,00	120 557 672,00
Total Capital Expenditure	150 628 221,00	303 387 552,00	333 426 548,00	409 848 000,00
Total Capital Funding	150 628 221,00	303 387 552,00	333 426 548,00	409 848 000,00
	-	-		
<b>Surplus / (deficit) - Total</b>	54 818 343,00	56 678 947,00	103 122 731,00	120 557 672,00
<b>Adding back Non-Cash items:</b>				
Depreciation	49 979 743,00	50 496 091,00	50 456 515,00	50 956 515,00
Debt Impairment	76 020 004,00	79 440 904,00	83 095 186,00	86 917 573,00
<b>Surplus / (deficit) - Total Cash</b>	<b>180 818 090,00</b>	<b>186 615 942,00</b>	<b>236 674 432,00</b>	<b>258 431 760,00</b>

A Budget Committee was established to examine, review and prioritise budget proposals from departments

Over the 3 year period, the Municipality is planning to spend R1 billion on capital investment for the infrastructure needs of the District. The Capital Budget for the 2020/21 Financial Year is R303 million. Operating expenditure is budgeted at R520 million, significantly less than prior years and the operating revenue is budgeted at R577 million for the 2020/21 Financial Year.

Concerns have recently been raised by National Treasury in relation to the amount of municipalities budgeting for a deficit in the Budgeted Statement of Financial Performance.

The National Treasury has requested municipalities over time via the annual MFMA Budget Circulars to consider tabling a surplus budget on the statement of operating performance to enable municipalities to augment the capital replacement fund (CCR) which can be used to contribute to the Internally Generated Funding as a source of funding for the Municipal Capital Budget.

National Treasury is also of a view that a budgeted deficit is indicative that a municipality is living above the municipality's means.

As evident from the table above, the municipality has a budgeted surplus of R280 million over the MTREF. This together with the supporting table SA10 – funding measurement on page 44, indicates that the budget is funded over the MTREF.

#### **1.4 Operating Revenue Framework**

JGDM is heavily reliant on grants. The service charges are not making meaningful contribution to the revenue in the short-term, which warranted the proposal of new tariffs. This should improve in the medium term. Additional revenue from Local municipalities in relation to Fire Services was included in the 2019/20 Budget.

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

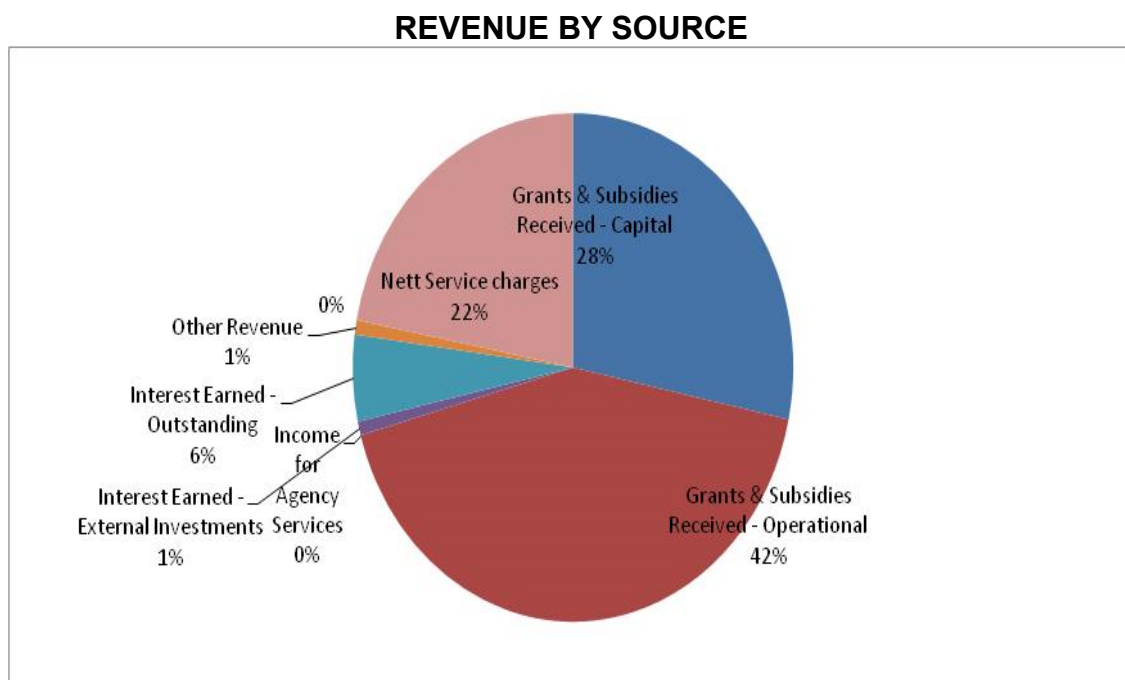
**Table 2 Summary of revenue classified by main revenue source**

DC14 Joe Gqabi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	61 780	52 663	87 179	135 743	135 743	135 743	135 743	143 887	152 520	161 672
Service charges - sanitation revenue	2	29 891	24 475	37 362	31 317	31 317	31 317	31 317	33 196	35 187	37 299
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		3 309	4 621		336	336	336	336	-	-	-
Interest earned - external investments		24 092	22 124	3 255	6 720	6 720	6 720	6 720	7 124	7 451	7 794
Interest earned - outstanding debtors		-	-	31 364	24 018	41 832	41 832	41 832	44 342	46 691	49 165
Dividends received		-	-		-	-	-	-			
Fines, penalties and forfeits		-	-		-	-	-	-			
Licences and permits		-	-			6	6	6	6	7	7
Agency services		314 817	409 661	645	533	519	519	519	-	-	-
Transfers and subsidies				294 926	450 219	425 784	425 784	425 784	341 566	327 083	347 785
Other revenue	2	17 663	1 714	5 671	13 398	19 437	19 437	19 437	7 393	7 684	7 988
Gains											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>451 552</b>	<b>515 258</b>	<b>460 403</b>	<b>662 284</b>	<b>661 694</b>	<b>661 694</b>	<b>661 694</b>	<b>577 514</b>	<b>576 624</b>	<b>611 710</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.

**Fig 1: Revenue by main revenue source**



**Table 3 Revenue by main revenue source**

Description	Adjustments Budget 2019/20	Draft Budget 2020/21	Draft Budget 2021/22	Draft Budget 2022/23
Grants & Subsidies Received - Capital	138 830 421,00	227 739 000,00	415 927 750,00	409 848 000,00
Grants & Subsidies Received - Operational	425 783 902,00	341 565 650,00	327 083 250,00	347 785 000,00
Income for Agency Services	519 310,00	-	-	-
Interest Earned - External Investments	6 720 437,00	7 123 663,00	7 451 352,00	7 794 115,00
Interest Earned - Outstanding	41 832 478,00	44 342 427,00	46 690 640,00	49 165 382,00
Other Revenue	19 778 657,00	7 399 333,00	7 690 684,00	7 994 833,00
Nett Service charges	167 059 238,00	177 082 792,00	187 707 759,00	198 970 226,00
Service Charges	357 490 738,00	378 940 182,00	401 676 593,00	425 777 189,00
Less: Free Basic Services	(190 155 500,00)	(201 564 830,00)	213 658 720,00	226 478 243,00
Less: Revenue Foregone	(276 000,00)	(292 560,00)	(310 114,00)	(328 720,00)
<b>Grand Total</b>	<b>800 524 443,00</b>	<b>805 252 865,00</b>	<b>992 551 435,00</b>	<b>1 021 557 556,00</b>

Total Revenue increased from R800 million in the 2019/20 Adjustment Budget to R805 million in the 2020/21 Draft Budget.

The 0.55% increase is largely as result of an increase in both Conditional and unconditional Grants and subsidies.

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



Table 4 Operating Transfers and Grant Receipts

DC14 Joe Gqabi - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>RECEIPTS:</b>	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		-	-	-	418 552	357 819	418 552	336 566	327 083	347 785
Local Government Equitable Share					273 796	273 796	273 796	293 252	314 763	335 102
Municipal Infrastructure Grant (MIG)					75 844	75 844	75 844	37 789	8 495	8 724
Road Asset Management Systems Grant [Schedule 5B]					2 315	2 315	2 315	2 203	2 325	2 459
Expanded Public Works Programme Integrated Grant					1 504	1 504	1 504	1 647	-	-
Local Government Financial Management Grant [Schedule 5B]					1 785	1 785	1 785	1 500	1 500	1 500
Municipal Disaster Recovery Grant					60 733	-	60 733			
LG Seta					2 575	2 575	2 575	175		
Provincial Government:		-	-	-	26 667	26 667	26 667	-	-	-
Department of Roads and Transport					26 667	26 667	26 667			
District Municipality:		-	-	-	4 000	4 000	4 000	4 000	-	-
Local Municipalities - Fire Services					4 000	4 000	4 000	4 000	-	-
Other grant providers:		-	-	-	1 000	1 000	1 000	1 000	-	-
Private enterprises					1 000	1 000	1 000	1 000	-	-
<b>Total Operating Transfers and Grants</b>	5	-	-	-	450 219	389 486	450 219	341 566	327 083	347 785
<u>Capital Transfers and Grants</u>										
National Government:		-	-	-	165 025	165 025	165 025	227 739	415 928	409 848
Municipal Infrastructure Grant (MIG)					81 025	81 025	81 025	117 739	161 410	171 523
Regional Bulk Infrastructure					-	-	-	40 000	181 518	158 325
Water Services Infrastructure Grant [Schedule 5B]					84 000	84 000	84 000	70 000	73 000	80 000
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
Local Municipalities - Fire Services										
Other grant providers:		-	-	-	-	-	-	-	-	-
Private enterprises										
<b>Total Capital Transfers and Grants</b>	5	-	-	-	165 025	165 025	165 025	227 739	415 928	409 848
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		-	-	-	615 243	554 510	615 243	569 305	743 011	757 633

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, Value added tax increase 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 6.45 percent. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment. The municipality decided against using a blanket approach in setting tariffs. The basic charges and consumption charges on conventional meters and that on pre-paid meters were increased in line with the costs associated with the service. The increase on average amounts to an increase of 6.45 percent. Some services were therefore more affected than others.

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, bulk purchases of water, petrol, diesel, chemicals, cement etc. The current challenges 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.

## **1.5 Operating Expenditure Framework**

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

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

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

**Table 5 Summary of operating expenditure by standard classification item**

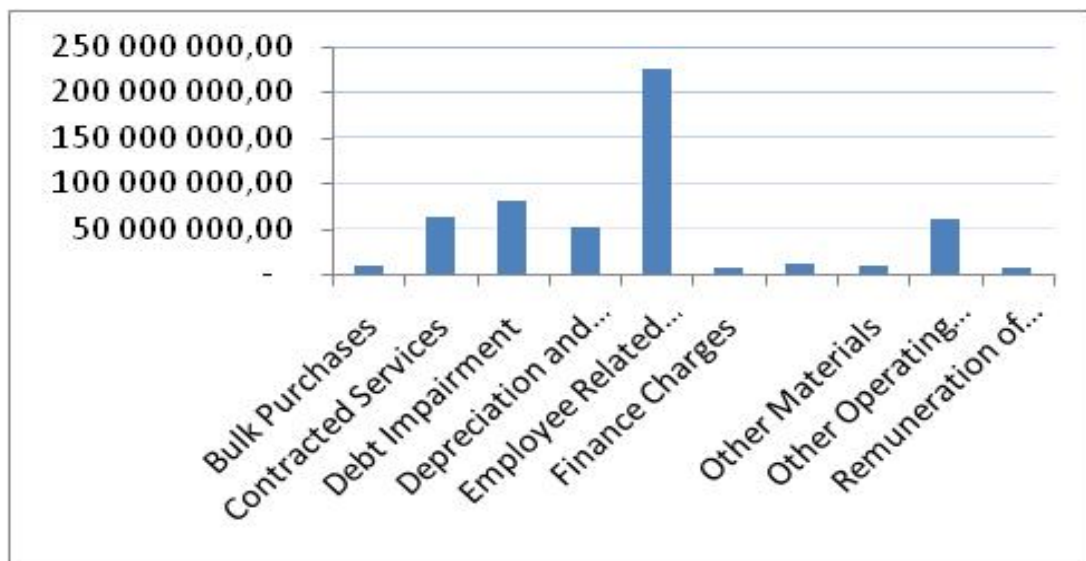
DC14 Joe Gqabi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
<b>Expenditure By Type</b>											
Employee related costs	2	186 859	210 133	222 351	226 046	230 914	230 914	230 914	225 997	236 844	247 908
Remuneration of councillors		5 202	5 953	5 980	6 062	6 062	6 062	6 062	6 335	6 626	6 931
Debt impairment	3	37 676	32 991	71 724	76 020	76 020	76 020	76 020	79 441	83 095	86 918
Depreciation & asset impairment	2	48 182	49 159	49 980	49 957	49 980	49 980	49 980	50 496	50 457	50 957
Finance charges		5 916	5 646	5 303	7 561	5 930	5 930	5 930	5 785	7 913	5 867
Bulk purchases	2	4 164	4 459	5 743	7 000	5 750	5 750	5 750	9 000	7 000	7 000
Other materials	8	-	25 902		15 364	11 595	11 595	11 595	9 370	14 211	13 712
Contracted services		14 442	14 873	16 227	155 740	148 544	148 544	148 544	62 984	12 879	12 903
Transfers and subsidies		7 879	8 495	8 900	11 715	8 617	8 617	8 617	11 773	9 765	11 765
Other expenditure	4, 5	191 275	206 114	204 019	53 359	63 466	63 466	63 466	59 655	44 711	47 191
Losses		576	1 442	649							
<b>Total Expenditure</b>		<b>502 171</b>	<b>565 168</b>	<b>590 874</b>	<b>608 824</b>	<b>606 877</b>	<b>606 877</b>	<b>606 877</b>	<b>520 835</b>	<b>473 501</b>	<b>491 152</b>

**Table 6 Percentage growth in expenditure by main expenditure type**

Description	Adjustments Budget 2019/20	Draft Budget 2020/21	Draft Budget 2021/22	Draft Budget 2022/23
Bulk Purchases	5 750 000,00	9 000 000,00	7 000 000,00	7 000 000,00
Contracted Services	148 543 551,00	62 983 651,00	12 878 582,00	12 902 853,00
Debt Impairment	76 020 004,00	79 440 904,00	83 095 186,00	86 917 573,00
Depreciation and Amortisation	49 979 743,00	50 496 091,00	50 456 515,00	50 956 515,00
Employee Related Costs	230 913 663,00	225 996 549,00	236 844 384,00	247 908 414,00
Finance Charges	5 930 000,00	5 785 000,00	7 912 667,00	5 867 279,00
Transfers and Subsidies Paid	8 616 600,00	11 772 700,00	9 765 000,00	11 765 000,00
Other Materials	11 595 243,00	9 369 797,00	14 210 730,00	13 711 900,00
Other Operating expenditure	63 464 591,00	59 655 142,00	44 711 393,00	47 191 034,00
Remuneration of Councilors	6 062 284,00	6 335 084,00	6 626 497,00	6 931 316,00
<b>Total</b>	<b>606 875 679,00</b>	<b>520 834 918,00</b>	<b>473 500 954,00</b>	<b>491 151 884,00</b>

**Fig 2: Expenditure by major type**



The budgeted allocation for employee related costs for the 2020/21 financial year totals R 225 million, which equals 43 percent of the total operating expenditure. This is 3% above the norm. The high rate is as result of the municipality reducing operating expenditure in order to ensure that the municipality has a funded budget. This percentage will increase if and when a service level agreement with the Department of Roads and Transport is concluded and the business plan for the Department of Environmental Affairs have been approved. Employee Related Costs increased by 6.25% as per the Wage Collective Agreement. The decrease in employee costs is as result of the reduction of Roads division employees in the absence of a signed service level agreement.

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

During the prior year's Budget Engagement process, Provincial Treasury advised that the municipality should budget for debt impairment on percentage not collected. The budgeted collection rate is 30% on consumers with conventional meters and 100% on consumers with pre-paid water meters. As per Provincial Treasury's advice, the municipality should therefore use the remaining 70% as the provision of debt impairment. The municipality decided to only apply the 70% to residential consumers with conventional meters. The total budgeted collection rate is 40% in the current year (2020/21) and 45% for the two outer years (2021/22 and 2022/23). For the 2020/21 financial year this amount equates to R 79 million. 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 R 50 million for the 2020/21 financial year and equates to 10 percent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing, frontloading and interest on non-current provisions. Finance charges (R 5.7 million) equates to 1 percent of the operating expenditure excluding annual redemption for 2020/21 financial year.

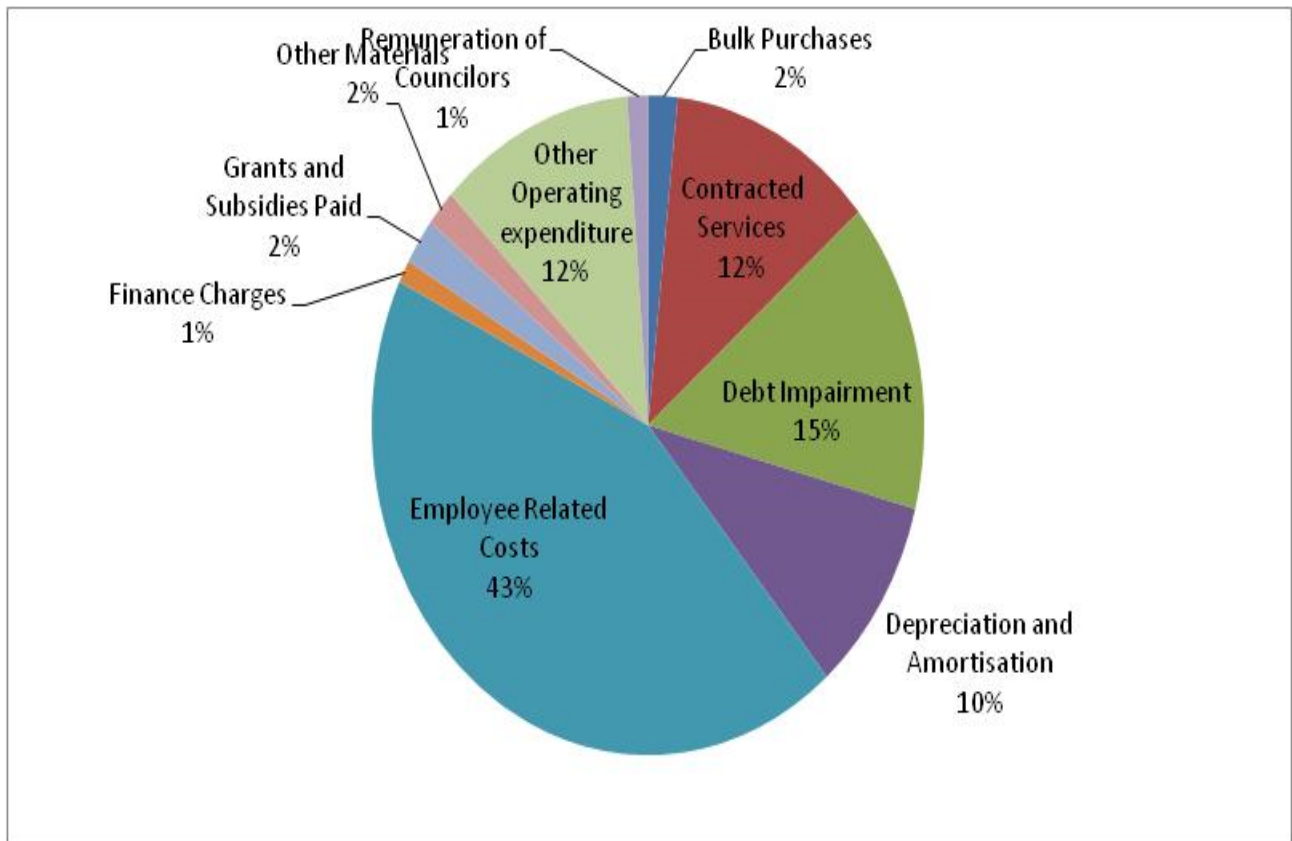
Bulk Purchases are allocated R9 million for 2020/21 financial year.

Repairs and Maintenance allocation is R 72.6 million (including the employee costs, amounting to R49 million, of departments responsible for repairs and maintenance) for the 2020/21 financial year. The portion reflective as repairs and maintenance is 14 percent of total operational expenditure. Bulk of the cost associated with repairs and maintenance comprises of employee costs, which comprises 67% of the total employee costs.

The municipality decided to use the percentage of total operational expenditure instead of percentage of property, plant and equipment. The percentage of property, plant and equipment will require 48% of the Equitable share to be allocated to Repairs and maintenance, as evident from the table below.

Audited Property, plant and Equipment	1 759 693 440
Repairs and maintenance at 8%	140 775 475
Equitable share	293 252 000
Repairs and maintenance as a percentage of Equitable Share	48%

**Fig 3: Expenditure by major type – 2020/21**



**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 qualifying indigents will be provided with 6kl of water per month

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote, functional classification and funding:

**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 - Vote</b>											
<i>Multi-year expenditure, to be appropriated</i>	2										
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Technical Services		-	-	-	153 524	80 830	80 830	80 830	230 486	260 427	329 848
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Institutional Support and Advancement		-	-	-	-	-	-	-	-	-	-
Vote 7 - Water Service Provision		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	153 524	80 830	80 830	80 830	230 486	260 427	329 848
<i>Single-year expenditure, to be appropriated</i>	2										
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services		-	-	-	-	668	668	668	-	-	-
Vote 3 - Corporate Services		-	-	-	2 200	-	-	-	1 750	-	-
Vote 4 - Technical Services		-	-	-	-	-	-	-	152	-	-
Vote 5 - Community Services		-	-	-	1 000	-	-	-	-	-	-
Vote 6 - Institutional Support and Advancement		-	-	-	1 210	1 130	1 130	1 130	1 000	-	-
Vote 7 - Water Service Provision		-	-	-	84 000	68 000	68 000	68 000	70 000	73 000	80 000
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	88 410	69 798	69 798	69 798	72 902	73 000	80 000
<b>Total Capital Expenditure - Vote</b>		-	-	-	241 934	150 628	150 628	150 628	303 388	333 427	409 848

## 1.7 Annual Budget Tables

The following pages present the 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 NT A1 - Budget Summary**

DC14 Joe Gqabi - 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	–	–	–	–	–	–	–	–	–	–
Service charges	91 671	77 138	124 541	167 059	167 059	167 059	167 059	177 083	187 708	198 970
Investment revenue	24 092	22 124	3 255	6 720	6 720	6 720	6 720	7 124	7 451	7 794
Transfers recognised - operational	–	–	294 926	450 219	425 784	425 784	425 784	341 566	327 083	347 785
Other own revenue	335 789	415 996	37 680	38 285	62 130	62 130	62 130	51 742	54 381	57 160
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>451 552</b>	<b>515 258</b>	<b>460 403</b>	<b>662 284</b>	<b>661 694</b>	<b>661 694</b>	<b>661 694</b>	<b>577 514</b>	<b>576 624</b>	<b>611 710</b>
Employee costs	186 859	210 133	222 351	226 046	230 914	230 914	230 914	225 997	236 844	247 908
Remuneration of councillors	5 202	5 953	5 980	6 062	6 062	6 062	6 062	6 335	6 626	6 931
Depreciation & asset impairment	48 182	49 159	49 980	49 957	49 980	49 980	49 980	50 496	50 457	50 957
Finance charges	5 916	5 646	5 303	7 561	5 930	5 930	5 930	5 785	7 913	5 867
Materials and bulk purchases	4 164	30 361	5 743	22 364	17 345	17 345	17 345	18 370	21 211	20 712
Transfers and grants	7 879	8 495	8 900	11 715	8 617	8 617	8 617	11 773	9 765	11 765
Other expenditure	243 969	255 421	292 619	285 119	288 030	288 030	288 030	202 080	140 685	147 011
<b>Total Expenditure</b>	<b>502 171</b>	<b>565 168</b>	<b>590 874</b>	<b>608 824</b>	<b>606 877</b>	<b>606 877</b>	<b>606 877</b>	<b>520 835</b>	<b>473 501</b>	<b>491 152</b>
<b>Surplus/(Deficit)</b>	<b>(50 619)</b>	<b>(49 910)</b>	<b>(130 471)</b>	<b>53 460</b>	<b>54 817</b>	<b>54 817</b>	<b>54 817</b>	<b>56 679</b>	<b>103 123</b>	<b>120 558</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	250 802	132 636	237 961	165 025	138 830	138 830	138 830	227 739	415 928	409 848
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>	<b>200 183</b>	<b>82 726</b>	<b>107 490</b>	<b>218 485</b>	<b>193 647</b>	<b>193 647</b>	<b>193 647</b>	<b>284 418</b>	<b>519 050</b>	<b>530 406</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>200 183</b>	<b>82 726</b>	<b>107 490</b>	<b>218 485</b>	<b>193 647</b>	<b>193 647</b>	<b>193 647</b>	<b>284 418</b>	<b>519 050</b>	<b>530 406</b>





## 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 are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.

The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.

**Table 9 MBRR NT A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

DC14 Joe Gqabi - Table A2 Budgeted Financial Performance (revenue and expenditure by functional 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>Revenue - Functional</b>										
<i>Governance and administration</i>		266 105	271 765	-	238 588	244 595	244 595	310 410	331 362	352 346
Executive and council		-	3 184	-	20 697	20 697	20 697	1 000	-	-
Finance and administration		266 105	268 580	-	214 590	220 597	220 597	309 410	331 362	352 346
Internal audit		-	-	-	3 301	3 301	3 301	-	-	-
<i>Community and public safety</i>		-	-	-	32 488	32 526	32 526	4 040	43	45
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	16 163	16 163	16 163	4 000	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	16 325	16 363	16 363	40	43	45
<i>Economic and environmental services</i>		36 838	30 959	-	281 155	230 511	230 511	199 378	353 748	341 031
Planning and development		1 474	-	-	238 954	189 025	189 025	197 175	351 423	338 572
Road transport		25 258	25 906	-	29 515	28 800	28 800	2 203	2 325	2 459
Environmental protection		10 106	5 053	-	12 686	12 686	12 686	-	-	-
<i>Trading services</i>		399 411	345 169	-	275 077	292 892	292 892	291 425	307 398	328 136
Energy sources		-	-	-	-	-	-	-	-	-
Water management		306 647	268 565	-	144 650	178 464	178 464	172 212	182 232	192 840
Waste water management		92 764	76 605	-	130 428	114 428	114 428	119 213	125 166	135 296
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	702 354	647 894	-	827 308	800 524	800 524	805 253	992 551	1 021 558
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		205 852	140 583	-	121 529	141 508	141 508	146 292	127 323	129 979
Executive and council		30 615	49 073	-	20 697	21 905	21 905	25 172	23 800	24 246
Finance and administration		175 237	91 511	-	97 531	116 320	116 320	117 616	99 938	102 007
Internal audit		-	-	-	3 301	3 282	3 282	3 505	3 585	3 726
<i>Community and public safety</i>		40 617	49 153	-	32 488	33 893	33 893	36 222	34 955	38 403
Community and social services		17 039	49 153	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		13 702	-	-	16 163	17 932	17 932	19 293	17 302	19 949
Housing		-	-	-	-	-	-	-	-	-
Health		9 876	-	-	16 325	15 961	15 961	16 929	17 654	18 454
<i>Economic and environmental services</i>		24 514	26 820	-	199 084	156 414	156 414	67 868	40 427	42 304
Planning and development		4 841	-	-	157 929	114 928	114 928	57 853	26 904	28 120
Road transport		18 059	26 820	-	29 515	28 800	28 800	2 657	2 583	2 707
Environmental protection		1 614	-	-	11 639	12 686	12 686	7 359	10 940	11 478
<i>Trading services</i>		231 188	348 612	-	255 724	275 062	275 062	270 453	270 796	280 466
Energy sources		-	-	-	-	-	-	-	-	-
Water management		161 812	258 815	-	219 771	229 260	229 260	162 860	163 507	171 416
Waste water management		69 376	89 797	-	35 953	45 803	45 803	107 592	107 289	109 050
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	502 171	565 168	-	608 824	606 877	606 877	520 835	473 501	491 152
<b>Surplus/(Deficit) for the year</b>		200 183	82 726	-	218 485	193 647	193 647	284 418	519 050	530 406

**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. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Finance and Asset Management.

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

DC14 Joe Gqabi - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal 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	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue by Vote</b>	1									
Vote 1 - Office of Municipal Manager		-	3 184	-	30 815	30 815	30 815	1 000	-	-
Vote 2 - Financial Services		258 381	267 710	-	136 874	155 242	155 242	303 016	324 858	345 543
Vote 3 - Corporate Services		7 724	871	-	45 244	51 186	51 186	6 394	6 504	6 803
Vote 4 - Technical Services		26 732	25 906	-	252 010	201 367	201 367	199 378	353 748	341 031
Vote 5 - Community Services		10 106	5 053	-	63 477	61 212	61 212	4 040	43	45
Vote 6 - Institutional Support and Advancement		-	-	-	23 812	23 812	23 812	-	-	-
Vote 7 - Water Service Provision		399 411	345 169	-	275 077	276 891	276 891	291 425	307 398	328 136
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	702 354	647 894	-	827 308	800 524	800 524	805 253	992 551	1 021 558
<b>Expenditure by Vote <i>to be appropriated</i></b>	1									
Vote 1 - Office of Municipal Manager		30 615	49 073	-	30 815	30 683	30 683	35 471	33 808	34 914
Vote 2 - Financial Services		125 322	44 712	-	38 117	45 552	45 552	42 368	38 724	33 798
Vote 3 - Corporate Services		49 915	46 799	-	45 244	55 233	55 233	54 821	46 067	52 632
Vote 4 - Technical Services		22 901	26 820	-	170 985	129 948	129 948	42 895	13 635	14 101
Vote 5 - Community Services		42 230	49 153	-	61 178	80 161	80 161	64 699	62 447	66 772
Vote 6 - Institutional Support and Advancement		-	-	-	23 812	24 232	24 232	31 247	24 576	25 361
Vote 7 - Water Service Provision		231 188	348 612	-	238 673	241 067	241 067	249 334	254 244	263 574
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	502 171	565 168	-	608 824	606 877	606 877	520 835	473 501	491 152
<b>Surplus/(Deficit) for the year</b>	2	200 183	82 726	-	218 485	193 647	193 647	284 418	519 050	530 406

**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 updated organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

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

DC14 Joe Gqabi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	61 780	52 663	87 179	135 743	135 743	135 743	135 743	143 887	152 520	161 672
Service charges - sanitation revenue	2	29 891	24 475	37 362	31 317	31 317	31 317	31 317	33 196	35 187	37 299
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		3 309	4 621		336	336	336	336	-	-	-
Interest earned - external investments		24 092	22 124	3 255	6 720	6 720	6 720	6 720	7 124	7 451	7 794
Interest earned - outstanding debtors		-	-	31 364	24 018	41 832	41 832	41 832	44 342	46 691	49 165
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	6	6	6	6	7	7
Agency services		314 817	409 661	645	533	519	519	519	-	-	-
Transfers and subsidies				294 926	450 219	425 784	425 784	425 784	341 566	327 083	347 785
Other revenue	2	17 663	1 714	5 671	13 398	19 437	19 437	19 437	7 393	7 684	7 988
<b>Gains</b>											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>451 552</b>	<b>515 258</b>	<b>460 403</b>	<b>662 284</b>	<b>661 694</b>	<b>661 694</b>	<b>661 694</b>	<b>577 514</b>	<b>576 624</b>	<b>611 710</b>
<b>Expenditure By Type</b>											
Employee related costs	2	186 859	210 133	222 351	226 046	230 914	230 914	230 914	225 997	236 844	247 908
Remuneration of councillors		5 202	5 953	5 980	6 062	6 062	6 062	6 062	6 335	6 626	6 931
Debt impairment	3	37 676	32 991	71 724	76 020	76 020	76 020	76 020	79 441	83 095	86 918
Depreciation & asset impairment	2	48 182	49 159	49 980	49 957	49 980	49 980	49 980	50 496	50 457	50 957
Finance charges		5 916	5 646	5 303	7 561	5 930	5 930	5 930	5 785	7 913	5 867
Bulk purchases	2	4 164	4 459	5 743	7 000	5 750	5 750	5 750	9 000	7 000	7 000
Other materials	8	-	25 902		15 364	11 595	11 595	11 595	9 370	14 211	13 712
Contracted services		14 442	14 873	16 227	155 740	148 544	148 544	148 544	62 984	12 879	12 903
Transfers and subsidies		7 879	8 495	8 900	11 715	8 617	8 617	8 617	11 773	9 765	11 765
Other expenditure	4, 5	191 275	206 114	204 019	53 359	63 466	63 466	63 466	59 655	44 711	47 191
<b>Losses</b>		<b>576</b>	<b>1 442</b>	<b>649</b>							
<b>Total Expenditure</b>		<b>502 171</b>	<b>565 168</b>	<b>590 874</b>	<b>608 824</b>	<b>606 877</b>	<b>606 877</b>	<b>606 877</b>	<b>520 835</b>	<b>473 501</b>	<b>491 152</b>
<b>Surplus/(Deficit)</b>		<b>(50 619)</b>	<b>(49 910)</b>	<b>(130 471)</b>	<b>53 460</b>	<b>54 817</b>	<b>54 817</b>	<b>54 817</b>	<b>56 679</b>	<b>103 123</b>	<b>120 558</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		250 802	132 636	237 961	165 025	138 830	138 830	138 830	227 739	415 928	409 848
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)											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>200 183</b>	<b>82 726</b>	<b>107 490</b>	<b>218 485</b>	<b>193 647</b>	<b>193 647</b>	<b>193 647</b>	<b>284 418</b>	<b>519 050</b>	<b>530 406</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>200 183</b>	<b>82 726</b>	<b>107 490</b>	<b>218 485</b>	<b>193 647</b>	<b>193 647</b>	<b>193 647</b>	<b>284 418</b>	<b>519 050</b>	<b>530 406</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>200 183</b>	<b>82 726</b>	<b>107 490</b>	<b>218 485</b>	<b>193 647</b>	<b>193 647</b>	<b>193 647</b>	<b>284 418</b>	<b>519 050</b>	<b>530 406</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>200 183</b>	<b>82 726</b>	<b>107 490</b>	<b>218 485</b>	<b>193 647</b>	<b>193 647</b>	<b>193 647</b>	<b>284 418</b>	<b>519 050</b>	<b>530 406</b>

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

1. Budgeted total revenue amount to R805 million in 2020/21.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and other expenditure are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.



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

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>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure - to be appropriated</b>	2										
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Technical Services		-	-	-	153 524	80 830	80 830	80 830	230 486	260 427	329 848
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Institutional Support and Advancement		-	-	-	-	-	-	-	-	-	-
Vote 7 - Water Service Provision		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	153 524	80 830	80 830	80 830	230 486	260 427	329 848
<b>Single-year expenditure - to be appropriated</b>	2										
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services		-	-	-	-	668	668	668	-	-	-
Vote 3 - Corporate Services		-	-	-	2 200	-	-	-	1 750	-	-
Vote 4 - Technical Services		-	-	-	-	-	-	-	152	-	-
Vote 5 - Community Services		-	-	-	1 000	-	-	-	-	-	-
Vote 6 - Institutional Support and Advancement		-	-	-	1 210	1 130	1 130	1 130	1 000	-	-
Vote 7 - Water Service Provision		-	-	-	84 000	68 000	68 000	68 000	70 000	73 000	80 000
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	-	88 410	69 798	69 798	69 798	72 902	73 000	80 000
<b>Total Capital Expenditure - Vote</b>		-	-	-	241 934	150 628	150 628	150 628	303 388	333 427	409 848
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		1 494	1 790	-	3 410	1 798	1 798	1 798	2 750	-	-
Executive and council											
Finance and administration		1 494	1 790		3 410	1 798	1 798	1 798	2 750	-	-
Internal audit											
<b>Community and public safety</b>		-	-	-	-	-	-	-	-	-	-
Community and social services											
Sport and recreation											
Public safety											
Housing											
Health											
<b>Economic and environmental services</b>		-	-	-	154 524	80 830	80 830	80 830	230 638	260 427	329 848
Planning and development					153 524	80 830	80 830	80 830	230 638	260 427	329 848
Road transport					-	-	-	-	-	-	-
Environmental protection					1 000	-	-	-	-	-	-
<b>Trading services</b>		229 363	123 301	-	84 000	68 000	68 000	68 000	70 000	73 000	80 000
Energy sources											
Water management		160 554	96 015		84 000	68 000	68 000	68 000	70 000	73 000	80 000
Waste water management		68 809	27 286								
Waste management											
<b>Other</b>											
<b>Total Capital Expenditure - Functional</b>	3	230 857	125 091	-	241 934	150 628	150 628	150 628	303 388	333 427	409 848
<b>Funded by:</b>											
National Government		229 363	123 301		167 224	133 130	133 130	133 130	230 886	270 925	409 848
Provincial Government						5 700	5 700	5 700	-	-	-
District Municipality											
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)											
Transfers recognised - capital	4	229 363	123 301	-	167 224	138 830	138 830	138 830	230 886	270 925	409 848
Borrowing	6				72 500	10 000	10 000	10 000	72 501	62 501	-
Internally generated funds		1 494	1 790		2 210	1 798	1 798	1 798	-	-	-
<b>Total Capital Funding</b>	7	230 857	125 091	-	241 934	150 628	150 628	150 628	303 388	333 427	409 848

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R 72.9 million for the 2020/21 financial year.
4. Multi-year capital expenditure has been appropriated at R 230 million for the 2020/21 financial year.
5. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
6. The capital programmes are funded from national grants and external loans.

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

DC14 Joe Gqabi - Table A6 Budgeted Financial Position

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		30	687	4 845	60 441	2 483	2 483	2 483	4 648	4 097	4 288
Call investment deposits	1	2 155	11 968		12 000	4 148	4 148	4 148	4 000	5 000	4 800
Consumer debtors	1	149 977	154 076	213 270	145 510	239 494	239 494	239 494	319 499	455 719	597 349
Other debtors		22 164	23 438	10 611	26 275	9 807	9 807	9 807	9 807	10 220	20 830
Current portion of long-term receivables					-						
Inventory	2	2 900	2 641	2 178	2 378	2 178	2 178	2 178	2 278	2 287	2 789
<b>Total current assets</b>		<b>177 225</b>	<b>192 809</b>	<b>230 904</b>	<b>246 604</b>	<b>258 109</b>	<b>258 109</b>	<b>258 109</b>	<b>340 231</b>	<b>477 323</b>	<b>630 055</b>
<b>Non current assets</b>											
Long-term receivables											
Investments		3 478	3 572	3 666	3 572	3 666	3 666	3 666	3 666	3 666	3 666
Investment property		2 484	2 439	2 393	2 393	2 348	2 348	2 348	2 395	2 350	2 304
Investment in Associate											
Property, plant and equipment	3	1 606 545	1 681 063	1 759 693	2 017 929	1 859 979	1 859 979	1 859 979	2 113 258	2 395 442	2 754 498
Biological											
Intangible		901	453	17	364	449	449	449	494	326	157
Other non-current assets											
<b>Total non current assets</b>		<b>1 613 407</b>	<b>1 687 526</b>	<b>1 765 770</b>	<b>2 024 258</b>	<b>1 866 442</b>	<b>1 866 442</b>	<b>1 866 442</b>	<b>2 119 813</b>	<b>2 401 783</b>	<b>2 760 625</b>
<b>TOTAL ASSETS</b>		<b>1 790 633</b>	<b>1 880 335</b>	<b>1 996 674</b>	<b>2 270 861</b>	<b>2 124 550</b>	<b>2 124 550</b>	<b>2 124 550</b>	<b>2 460 044</b>	<b>2 879 106</b>	<b>3 390 680</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	5 673									
Borrowing	4	5 947	1 585	2 625	2 870	1 606	1 606	1 606	83 407	906	906
Consumer deposits		935	958	976	900	976	976	976	916	901	903
Trade and other payables	4	108 374	111 527	121 440	82 405	72 517	72 517	72 517	55 198	39 671	20 033
Provisions		24 937	30 859	31 841	22 922	31 629	31 629	31 629	30 109	28 574	27 165
<b>Total current liabilities</b>		<b>145 865</b>	<b>144 928</b>	<b>156 883</b>	<b>109 097</b>	<b>106 728</b>	<b>106 728</b>	<b>106 728</b>	<b>169 631</b>	<b>70 052</b>	<b>49 008</b>
<b>Non current liabilities</b>											
Borrowing		6 667	7 506	3 546	76 568	13 540	13 540	13 540	2 371	3 845	3 786
Provisions		34 706	34 276	35 131	51 278	35 462	35 462	35 462	34 804	32 919	35 191
<b>Total non current liabilities</b>		<b>41 373</b>	<b>41 783</b>	<b>38 677</b>	<b>127 846</b>	<b>49 001</b>	<b>49 001</b>	<b>49 001</b>	<b>37 175</b>	<b>36 764</b>	<b>38 977</b>
<b>TOTAL LIABILITIES</b>		<b>187 238</b>	<b>186 711</b>	<b>195 560</b>	<b>236 943</b>	<b>155 729</b>	<b>155 729</b>	<b>155 729</b>	<b>206 805</b>	<b>106 816</b>	<b>87 985</b>
<b>NET ASSETS</b>	5	<b>1 603 395</b>	<b>1 693 624</b>	<b>1 801 114</b>	<b>2 033 919</b>	<b>1 968 821</b>	<b>1 968 821</b>	<b>1 968 821</b>	<b>2 253 239</b>	<b>2 772 290</b>	<b>3 302 695</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		1 603 395	1 693 624	1 801 114	2 033 919	1 968 821	1 968 821	1 968 821	2 253 239	2 772 290	3 302 695
Reserves	4	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>1 603 395</b>	<b>1 693 624</b>	<b>1 801 114</b>	<b>2 033 919</b>	<b>1 968 821</b>	<b>1 968 821</b>	<b>1 968 821</b>	<b>2 253 239</b>	<b>2 772 290</b>	<b>3 302 695</b>

## **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. 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.
4. 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 NT A7 - Budgeted Cash Flow Statement**

DC14 Joe Gqabi - Table A7 Budgeted Cash Flows

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>											
Receipts											
Property rates									-	-	-
Service charges		50 925	35 765		66 824	97 252	97 252	97 252	61 979	75 083	79 588
Other revenue					14 267	14 030	14 030	14 030	7 410	7 701	8 005
Transfers and Subsidies - Operational	1	326 333	410 224		450 219	425 784	425 784	425 784	341 216	327 083	347 785
Transfers and Subsidies - Capital	1	250 802	132 636		165 025	128 025	128 025	128 025	227 739	415 928	409 848
Interest		3 309	26 745		6 720	12 064	12 064	12 064	7 124	7 451	7 794
Dividends					-				-	-	-
Payments											
Suppliers and employees		(407 857)	(459 522)		(483 201)	(546 291)	(546 291)	(546 291)	(393 340)	(398 272)	(424 646)
Finance charges		5 916	(1 113)		(3 097)	(5 930)	(5 930)	(5 930)	(5 785)	(7 913)	(5 867)
Transfers and Grants	1	(7 879)			(11 715)	(8 617)	(8 617)	(8 617)	(11 773)	(9 765)	(11 765)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>221 549</b>	<b>144 735</b>	<b>-</b>	<b>205 042</b>	<b>116 318</b>	<b>116 318</b>	<b>116 318</b>	<b>234 569</b>	<b>417 297</b>	<b>410 743</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (increase) in non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(230 857)	(125 091)		(241 934)	(150 628)	(150 628)	(150 628)	(303 388)	(333 427)	(409 848)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(230 857)</b>	<b>(125 091)</b>	<b>-</b>	<b>(241 934)</b>	<b>(150 628)</b>	<b>(150 628)</b>	<b>(150 628)</b>	<b>(303 388)</b>	<b>(333 427)</b>	<b>(409 848)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing					72 500	10 000	10 000	10 000	72 501	62 501	-
Increase (decrease) in consumer deposits		44	23						(60)	(15)	2
Payments											
Repayment of borrowing		3 354	(3 524)		(2 870)	(1 606)	(1 606)	(1 606)	(1 606)	(145 909)	(906)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>3 398</b>	<b>(3 501)</b>	<b>-</b>	<b>69 630</b>	<b>8 394</b>	<b>8 394</b>	<b>8 394</b>	<b>70 835</b>	<b>(83 422)</b>	<b>(904)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(5 909)</b>	<b>16 142</b>	<b>-</b>	<b>32 738</b>	<b>(25 917)</b>	<b>(25 917)</b>	<b>(25 917)</b>	<b>2 017</b>	<b>449</b>	<b>(9)</b>
Cash/cash equivalents at the year begin:	2	2 422	(3 488)		27 702	32 548	32 548	32 548	6 631	8 648	9 097
Cash/cash equivalents at the year end:	2	(3 488)	12 655		60 441	6 631	6 631	6 631	8 648	9 097	9 088

## **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

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

## 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 Executive Mayor and/or MMC for Finance.

The primary aim 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, a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule in August 2019. In accordance with the original budget time schedule the Draft IDP and annual budget for 2020/21 to be adopted by Council on 26 March 2020. In accordance with the original budget time schedule the Final IDP and annual budget for 2020/21 have to be adopted by Council on 28 May 2020.

#### 2.2.1 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2020/21 MTREF, financial modelling to ensure affordability and long-term financial sustainability, was undertaken. 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, tariff increases, household debt).
- The approved 2018/19 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 Circular 66 has been taken into consideration in the planning and prioritisation process.

### **2.2.2 Community Consultation**

The draft 2020/21 MTREF will be tabled before Council for community consultation. Thereafter it will be published on the municipality's website, and hard copies made available at, municipal notice boards and various municipal offices.

All documents in the appropriate format (electronic and printed) will be 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.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2020/21 MTREF

### **2.3 Overview of alignment of annual budget with IDP**

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

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

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

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



understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

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

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.

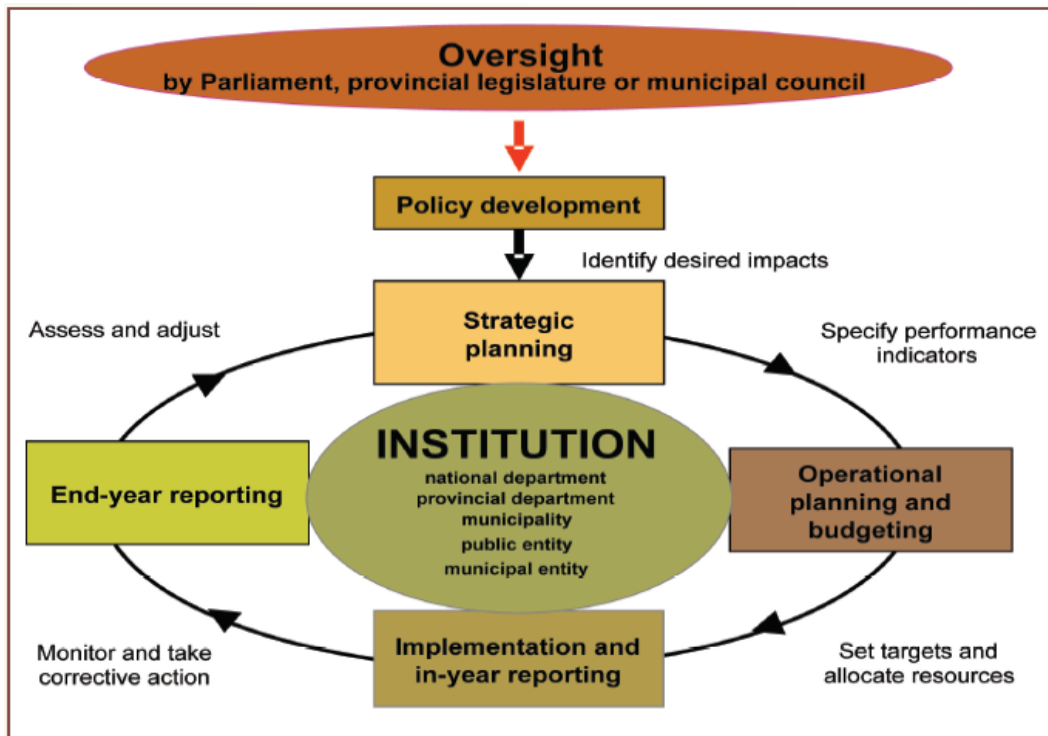
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the five key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- Spatial rationale and analysis.
- Institutional development and transformation.
- Local economic development.
- Infrastructure and service delivery.
- Good governance.
- Financial viability.

## **2.4 Measurable performance objectives and indicators**

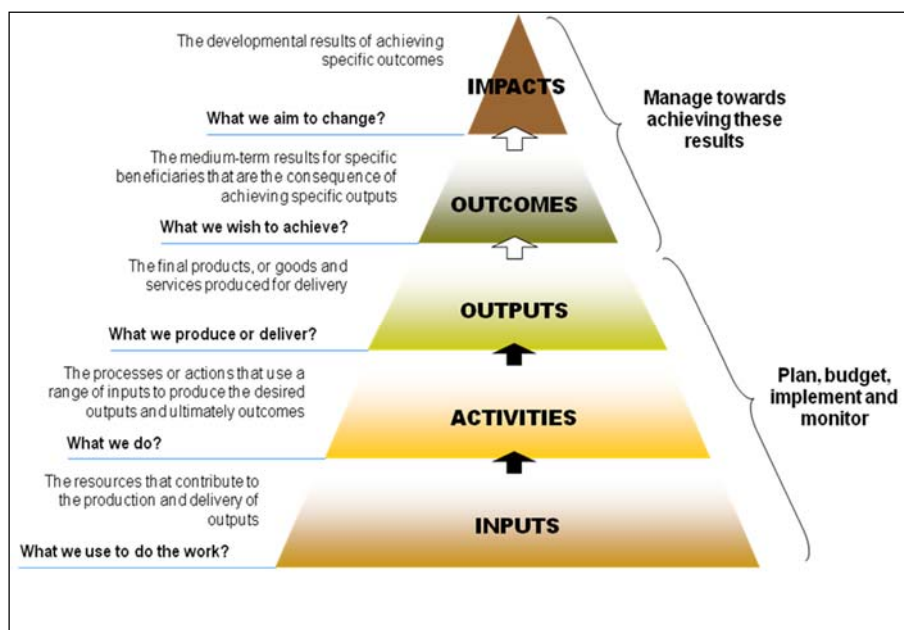
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, 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:



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 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:



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

**Table 15 MBRR NT SA8 – Performance indicators and benchmarks**

DC14 Joe Gqabi - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Borrowing Management</b>											
<b>Credit Rating</b>											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0,5%	1,6%	0,0%	1,7%	1,2%	1,2%	1,2%	1,4%	32,5%	1,4%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0,6%	1,8%	0,0%	4,9%	3,2%	3,2%	3,2%	3,1%	61,6%	2,6%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0,0%	0,0%	0,0%	97,0%	84,8%	84,8%	84,8%	100,0%	100,0%	0,0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	1,2	1,3	-	2,3	2,4	2,4	2,4	2,0	6,8	12,9
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1,2	1,3	-	2,3	2,4	2,4	2,4	2,0	6,8	12,9
Liquidity Ratio	Monetary Assets/Current Liabilities	0,0	0,1	-	0,7	0,1	0,1	0,1	0,1	0,1	0,2
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		55,6%	46,4%	0,0%	40,0%	58,2%	58,2%	58,2%	35,0%	40,0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		55,6%	46,4%	0,0%	40,0%	58,2%	58,2%	58,2%	35,0%	40,0%	40,0%
Outstanding Debtors to Revenue Longstanding Debtors Recovered	Total Outstanding Debtors to Annual Revenue Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	38,1%	34,5%	0,0%	25,9%	37,7%	37,7%	37,7%	57,0%	80,8%	101,1%
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))										
Creditors to Cash and Investments		-3107,2%	881,3%	0,0%	136,3%	1093,6%	1093,6%	1093,6%	642,3%	439,9%	224,3%
<b>Other Indicators</b>											
<b>Electricity Distribution Losses (2)</b>											
	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
<b>Water Distribution Losses (2)</b>											
	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	41,4%	40,8%	0,0%	34,1%	34,9%	34,9%	34,9%	39,1%	41,1%	40,5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	35,0%	35,8%	35,8%	35,8%	40,2%	42,2%	41,7%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2,7%	1,4%	0,0%	11,7%	14,6%	14,6%	14,6%	0,0%	0,0%	0,0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	12,0%	10,6%	0,0%	8,7%	8,4%	8,4%	8,4%	9,7%	10,1%	9,3%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	14,9	-	-	15,5	15,5	15,5	27,0	1,5	28,7	30,3
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	181,2%	217,1%	0,0%	102,6%	148,9%	148,9%	148,9%	186,0%	248,2%	310,7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(0,1)	0,4	-	1,4	0,2	0,2	0,2	0,2	0,5	0,3

## 2.5 Performance indicators and benchmarks

### 2.5.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Joe Gqabi District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2020/21 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has decreased from 1.7 percent in 2019/20 to 1.4 percent in 2020/21. This subsequent year increase can be attributed to the estimated front loading loan budgeted for. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality will eventually reach its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

#### 2.5.1.1 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. The ratio has been consistent at 0.04 percent.

#### 2.5.1.2 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 2019/20 MTREF the current ratio is 2:1. The estimated levels are better than industry norms.
- *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. A negative liquidity ratio 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 always have to be set at a minimum of 1 which will be exceeded in the MTREF.

#### 2.5.1.3 Other Indicators

- Employee costs as a percentage of operating revenue increased from 37.2 percent during the 2019/20 financial year to 39 percent in the 2020/21 financial year and increases steadily over the MTREF. This might be subject to change, depending on whether the service level

agreements between the municipality and the Department of Roads and Transport and Department of Environmental Affairs will be concluded. This will result in changes to employee costs and operating revenue..

### **2.5.2 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. Only registered indigents qualify for the free basic services.

A summary of the free basic services package is set out below:

- All registered indigents, including consumers in the rural areas, will receive 6 kl of water per month fully subsidised.
- All registered indigents, including consumers in the rural areas, will only be charged a flat rate for Water and Sanitation consumption and not a step tariff.

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.

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

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

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

The Credit Control and Debt Collection Policy has been approved by Council in May 2012. 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 increasing of the credit periods for the down payment of debt. In addition emphasis will be placed on latest legislation changes and court rulings to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2020/21 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 37 percent on current billings (30 percent on conventional consumers and 100 percent on pre-paid consumers). 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.

### **2.6.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

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

### **2.6.3 Supply Chain Management Policy**

No changes were made to the existing Supply Chain Management Policy.

### **2.6.4 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. With the implementation of mSCOA, virements from repairs and maintenance to operating expenditure will not be possible. This is to improve the municipality's ration to Property, plant and equipment or total operating expenditure, which has been below the recommended threshold in recent years.

### **2.6.5 Cash Management and Investment Policy**

No changes were made to the Municipality's Cash Management and Investment Policy. 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.

### **2.6.6 Tariff Policy**

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

## **2.7 Overview of budget assumptions**

### **2.7.1 External factors**

Owing to the economic slowdown, financial resources are limited. This has resulted in declining cash inflows. This together with the coronavirus pandemic and the uncertain costs which it might cause has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **2.7.2 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 prices for bulk water; and
- The increase in the cost of remuneration. The wage agreement negotiated by SALGBC.

### **2.7.3 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 Collection rate has been budgeted at 37% of the Service Charges. The debt collection policy will be reviewed in order to (after conducting public participation) to allow the municipality to deduct a percentage of pre-paid water sales as part payment towards the relevant consumers' arrears.

### **2.7.4 Salary increases**

The salary increase amounted to 6.25%, as per the collective agreement regarding salaries/wages for the 2020/21 financial year.

### **2.7.5 Impact of national, provincial and local policies**

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

- Creating jobs;
- Infrastructure Development
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Strengthening financial management in public sector

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

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

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2020/21 MTREF of which performance has been factored into the cash flow budget. The municipality has limited funding. Programmes and Service Delivery have been prioritised.

## **2.8 Overview of budget funding**

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

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

**Table 16 Breakdown of the operating revenue over the medium-term**

Description	Adjustments Budget 2019/20	Draft Budget 2020/21	Draft Budget 2021/22	Draft Budget 2022/23
Grants & Subsidies Received - Capital	138 830 421,00	227 739 000,00	415 927 750,00	409 848 000,00
Grants & Subsidies Received - Operational	425 783 902,00	341 565 650,00	327 083 250,00	347 785 000,00
Income for Agency Services	519 310,00	-	-	-
Interest Earned - External Investments	6 720 437,00	7 123 663,00	7 451 352,00	7 794 115,00
Interest Earned - Outstanding	41 832 478,00	44 342 427,00	46 690 640,00	49 165 382,00
Other Revenue	19 778 657,00	7 399 333,00	7 690 684,00	7 994 833,00
Nett Service charges	167 059 238,00	177 082 792,00	187 707 759,00	198 970 226,00
Service Charges	357 490 738,00	378 940 182,00	401 676 593,00	425 777 189,00
Less: Free Basic Services	(190 155 500,00)	(201 564 830,00)	- 213 658 720,00	- 226 478 243,00
Less: Revenue Foregone	(276 000,00)	(292 560,00)	(310 114,00)	(328 720,00)
<b>Grand Total</b>	<b>800 524 443,00</b>	<b>805 252 865,00</b>	<b>992 551 435,00</b>	<b>1 021 557 556,00</b>

### 2.8.2 Medium-term outlook: capital revenue

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

**Table 17 Sources of capital revenue over the MTREF**

Source of Funding	Draft Budget 2020/21	Draft Budget 2021/22	Draft Budget 2022/23
National Government	230 886 350,00	270 925 346,00	409 848 000,00
Borrowing	72 501 202,00	62 501 202,00	-
	303 387 552,00	333 426 548,00	409 848 000,00

The capital programmes are funded from National Grants and transfers, as well as internally generated funds and Borrowings. Internally generated funds comprise of Water and Sanitation Service Charges.

### 2.8.3 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 understandability 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 18 MBRR NT A7 - Budget cash flow statement**

DC14 Joe Gqabi - Table A7 Budgeted Cash Flows

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>											
Receipts											
Property rates								-	-	-	
Service charges		50 925	35 765		66 824	97 252	97 252	97 252	61 979	75 083	79 588
Other revenue					14 267	14 030	14 030	14 030	7 410	7 701	8 005
Transfers and Subsidies - Operational	1	326 333	410 224		450 219	425 784	425 784	425 784	341 216	327 083	347 785
Transfers and Subsidies - Capital	1	250 802	132 636		165 025	128 025	128 025	128 025	227 739	415 928	409 848
Interest		3 309	26 745		6 720	12 064	12 064	12 064	7 124	7 451	7 794
Dividends					-				-	-	-
Payments											
Suppliers and employees		(407 857)	(459 522)		(483 201)	(546 291)	(546 291)	(546 291)	(393 340)	(398 272)	(424 646)
Finance charges		5 916	(1 113)		(3 097)	(5 930)	(5 930)	(5 930)	(5 785)	(7 913)	(5 867)
Transfers and Grants	1	(7 879)			(11 715)	(8 617)	(8 617)	(8 617)	(11 773)	(9 765)	(11 765)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>221 549</b>	<b>144 735</b>	<b>-</b>	<b>205 042</b>	<b>116 318</b>	<b>116 318</b>	<b>116 318</b>	<b>234 569</b>	<b>417 297</b>	<b>410 743</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (increase) in non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(230 857)	(125 091)		(241 934)	(150 628)	(150 628)	(150 628)	(303 388)	(333 427)	(409 848)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(230 857)</b>	<b>(125 091)</b>	<b>-</b>	<b>(241 934)</b>	<b>(150 628)</b>	<b>(150 628)</b>	<b>(150 628)</b>	<b>(303 388)</b>	<b>(333 427)</b>	<b>(409 848)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing					72 500	10 000	10 000	10 000	72 501	62 501	-
Increase (decrease) in consumer deposits		44	23						(60)	(15)	2
Payments											
Repayment of borrowing		3 354	(3 524)		(2 870)	(1 606)	(1 606)	(1 606)	(1 606)	(145 909)	(906)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>3 398</b>	<b>(3 501)</b>	<b>-</b>	<b>69 630</b>	<b>8 394</b>	<b>8 394</b>	<b>8 394</b>	<b>70 835</b>	<b>(83 422)</b>	<b>(904)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(5 909)</b>	<b>16 142</b>	<b>-</b>	<b>32 738</b>	<b>(25 917)</b>	<b>(25 917)</b>	<b>(25 917)</b>	<b>2 017</b>	<b>449</b>	<b>(9)</b>
Cash/cash equivalents at the year begin:	2	2 422	(3 488)		27 702	32 548	32 548	32 548	6 631	8 648	9 097
Cash/cash equivalents at the year end:	2	(3 488)	12 655		60 441	6 631	6 631	6 631	8 648	9 097	9 088

## 2.8.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 72 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 19 MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation**

DC14 Joe Gqabi - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	(3 488)	12 655	-	60 441	6 631	6 631	6 631	8 648	9 097	9 088
Other current investments > 90 days		-	0	-	12 000	(1)	(1)	(1)	-	-	-
Non current assets - Investments	1	3 478	3 572	-	3 572	3 666	3 666	3 666	3 666	3 666	3 666
<b>Cash and investments available:</b>		<b>(10)</b>	<b>16 226</b>	<b>-</b>	<b>76 012</b>	<b>10 296</b>	<b>10 296</b>	<b>10 296</b>	<b>12 314</b>	<b>12 763</b>	<b>12 753</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	-	-	-	-	175	600	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	87 866	98 653	-	14 567	(48 530)	(48 530)	(48 530)	(44 136)	(120 311)	(191 377)
Other provisions									-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>87 866</b>	<b>98 653</b>	<b>-</b>	<b>14 567</b>	<b>(48 530)</b>	<b>(48 530)</b>	<b>(48 530)</b>	<b>(43 961)</b>	<b>(119 711)</b>	<b>(191 377)</b>
<b>Surplus(shortfall)</b>		<b>(87 876)</b>	<b>(82 427)</b>	<b>-</b>	<b>61 445</b>	<b>58 826</b>	<b>58 826</b>	<b>58 826</b>	<b>56 274</b>	<b>132 473</b>	<b>204 130</b>

## **2.8.5 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.

### *2.8.5.1 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.

### *2.8.5.2 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 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.

### *2.8.5.3 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. 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.

### *2.8.5.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.



#### *2.8.5.5 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *2.8.5.6 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

#### *2.8.5.7 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

#### *2.8.5.8 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

#### *2.8.5.9 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a existing asset renewal/upgrading project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 2.9 Expenditure on grants and reconciliations of unspent funds

Table 21 MBRR SA19 - Expenditure on transfers and grant programmes

DC14 Joe Gqabi - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand										
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		-	-	-	414 143	414 143	414 143	336 566	327 083	347 785
Local Government Equitable Share					269 387	269 387	269 387	293 252	314 763	335 102
Municipal Infrastructure Grant (MIG)					75 844	75 844	75 844	37 789	8 495	8 724
Road Asset Management Systems Grant [Schedule 5B]					2 315	2 315	2 315	2 203	2 325	2 459
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]					1 504	1 504	1 504	1 647	-	-
Local Government Financial Management Grant [Schedule 5B]					1 785	1 785	1 785	1 500	1 500	1 500
Municipal Disaster Recovery Grant					60 733	60 733	60 733			
LG Seta					2 575	2 575	2 575	175		
Provincial Government:		-	-	-	26 667	26 667	26 667	-	-	-
Department of Roads and Transport					26 667	26 667	26 667			
0										
District Municipality:		-	-	-	4 000	4 000	4 000	4 000	-	-
Local Municipalities - Fire Services					4 000	4 000	4 000	4 000		
Other grant providers:		-	-	-	1 000	1 000	1 000	1 000	-	-
Private enterprises					1 000	1 000	1 000	1 000		
Total operating expenditure of Transfers and Grants:		-	-	-	445 809	445 809	445 809	341 566	327 083	347 785
<u>Capital expenditure of Transfers and Grants</u>										
National Government:		-	-	-	169 434	169 434	169 434	227 739	415 928	409 848
Municipal Infrastructure Grant (MIG)					81 025	81 025	81 025	117 739	161 410	171 523
Regional Bulk Infrastructure					-	-	-	40 000	181 518	158 325
Water Services Infrastructure Grant [Schedule 5B]					84 000	84 000	84 000	70 000	73 000	80 000
Other capital transfers/grants [insert desc]					4 410	4 410	4 410			
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
Local Municipalities - Fire Services										
Other grant providers:		-	-	-	-	-	-	-	-	-
Private enterprises										
Total capital expenditure of Transfers and Grants		-	-	-	169 434	169 434	169 434	227 739	415 928	409 848
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		-	-	-	615 243	615 243	615 243	569 305	743 011	757 633







DC14 Joe Gqabi - Table A9 Asset Management

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Total Capital Expenditure</b>	4	230 857	125 091	-	241 934	150 628	150 628	303 388	333 427	409 848
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		160 554	96 015	-	203 024	131 830	131 830	234 656	215 164	330 686
<i>Sanitation Infrastructure</i>		68 809	27 286	-	34 500	17 000	17 000	65 830	118 262	79 163
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		229 363	123 301	-	237 524	148 830	148 830	300 486	333 427	409 848
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	80	-	-	500	-	-
Intangible Assets		-	-	-	80	-	-	500	-	-
Computer Equipment		-	-	-	1 100	1 100	1 100	1 102	-	-
Furniture and Office Equipment		328	1 733	-	30	30	30	50	-	-
Machinery and Equipment		138	58	-	-	83	83	250	-	-
Transport Assets		922	-	-	3 200	585	585	1 000	-	-
Land		105	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		230 857	125 091	-	241 934	150 628	150 628	303 388	333 427	409 848

## 2.11 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 is intending to employ interns to undergo training in various divisions of the Budget and Treasury Office.
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 on 26 March 2020 directly aligned and informed by the 2020/21 MTREF.
6. Annual Report  
Annual report has been 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.

## 2.12 Municipal manager's quality certificate

I \_\_\_\_\_, Municipal Manager of Joe Gqabi District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 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.

Signature

\_\_\_\_\_  
ZA Williams  
Municipal Manager  
Joe Gqabi District Municipality (DC14)

Date: \_\_\_\_\_