KOUGA LOCAL MUNICIPALITY

KOUGA
local municipality
Good Governance through Service Excellence

2019/20 – 2021/22

ANNUAL BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

Local government is often said to be at the "coal face" of service delivery, an expression which underlines the impact municipalities have on the everyday lives of the communities we serve. Water, electricity, sanitation, roads and waste management are all core functions of local government and must be in place for communities to live quality lives.

The Integrated Development Plan (IDP) provides the framework for a municipality to fulfil its mandate and apply its budget.

It is a five-year document that is drawn up in partnership with communities and other spheres of government. Reviewed annually, it enables a municipality to do short, medium and long-term planning to meet communities' needs, with due consideration of those projects being implemented by district, provincial and national governments.

The challenges currently facing Kouga are prevalent across South Africa, but what sets our municipality apart is the proactive and innovative manner in which we have been dealing with these challenges.

Key challenges in basic service delivery include old and insufficient bulk infrastructure, the quest for water security for all our communities, the ongoing dependence of almost 4 000 households on the bucket system, the deteriorating condition of our road network, illegal electricity and the cleanliness of our towns.

The municipality has, over the past year, made visible progress in addressing each one of these challenges, but we need to step up our game even more if we are to deal with all backlogs decisively and achieve service excellence for all communities.

The economic growth of our region, coupled to job creation, will also remain a priority.
Tourism, in particular, has the potential to be a game-changer and we are, therefore, in the process of positioning Kouga as the Events Capital of South Africa.

Through Tourism, we can create millions in revenue injection into our local community and provide impetus to our drive to create one job in every home in Kouga. Events, that will attract tens of thousands of patrons, will grow our local businesses and create employment and sustainable opportunities.

I trust that this IDP will stimulate the municipality's partnership with communities, the private sector and other spheres of government in order for us to achieve our goals.

Kouga has the potential to be the best. Together, we can go big and keep on going.

CLR H HENDRICKS
EXECUTIVE MAYOR

1.2 COUNCIL RESOLUTIONS

(a) The Executive Mayor recommends that the Council resolves that:

1. The annual budget of the Kouga Municipality for the financial year 2019/20 and the indicative allocations for the projected outer years 2020/21 and 2021/22; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 24 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, as set-out in the following tables:

   1.1 Consolidated Budget Summary [Page 21];
   1.2 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 23]
   1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 25]
   1.4 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 26]
   1.5 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 29]

2. The budgeted financial position, budgeted cash flows, cash-backed reserves/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:

   2.1 Budgeted Financial Position; [Page 31]
   2.2 Budgeted Cash Flows; [Page 33]
   2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 34]
   2.4 Asset management; [Page 35]
   2.5 Basic service delivery measurement. [Page 38]

3. The tariffs be increased as follows, with effect from 1 July 2019:

Property rates	6.5%
Water	7.5%
Sanitation	7%
Refuse	7%
Electricity (average increase in electricity income)	14.26%
Environmental Management Fee	0%

4. The indicative tariffs for 2019/20 and 2020/21 be increased as follows:

	2020/21	2021/22
Property rates	7.5%	7.5%
Water	7.5%	7.5%
Sanitation	8%	8%
Refuse	8%	8%
Electricity (average increase in electricity income)	13.07%	13.07%
Environmental Management Fee	0%	0%

1.3 EXECUTIVE SUMMARY

The key service delivery priorities, as reflected in the IDP, informed the development of the Budget, including the need to maintain and improve the Municipality's financial sustainability.
It is also to be noted, that cost containment measures are being implemented to curb costs and to improve operational efficiency.

National Treasury's MFMA Circulars No. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75,78,79,85,86, 88, 89, 91, 93 and 94 (refer to Annexures "A" and "B") were used to guide the compilation of the 2019/20 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2019/20 MTREF:

- Maintaining an acceptable employee related costs ratio;
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases;
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure;
- Maintaining electricity and water losses at acceptable levels;
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio;

The following budgeting principles and guidelines directly informed the compilation of the 2019/20 MTREF:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs.
- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- In accordance with Section 19 of the Municipal Finance Management Act, the relevant Directors must submit comprehensive reports in relation to new projects, inter alia; dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new projects.

In view of the aforementioned, the following table represents an overview of the proposed 2019/20 Medium-term Revenue and Expenditure Framework:

Table 1 (Overview of the 2019/20 MTREF)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	Budget Year 2019/20	% Increase	Budget Year 2020/21	% Increase	Budget Year 2021/22	% Increase
R thousands							
Total Operating Revenue	760 233	836 693	10.06%	911 294	8.92%	994 973	9.18%
Total Operating Expenditure	819 759	897 137	9.44%	981 729	9.43%	1 059 043	7.88%
Surplus/(Deficit)	(59 527)	(60 444)	1.54%	(70 435)	16.53%	(64 070)	-9.04%
Capital Expenditure	209 515	93 110	-55.56%	81 317	-12.67%	79 214	-2.59%

Total operating revenue has increased by 10.06% or R 76,460 million for the 2019/20 financial year, compared to the 2018/19 Adjustments Budget.

For the two outer years, operational revenue increases by 8.92% and 9.18% respectively, resulting in a total revenue growth of R 234,740 million over the MTREF, when compared to the 2018/19 financial year.

Total operating expenditure for the 2019/20 financial year amounts to R 897,137 million, resulting in a budgeted deficit of R 60,444 million. Compared to the 2018/19 Adjustments Budget, operational expenditure increased by 9.44% in the 2019/20 Budget.

For the two outer years, operational expenditure increases by 9.43% and 7.88% respectively. The 2020/21 and 2021/22 budgets reflect operating deficits of R 70,435 million and R 64,070 million respectively.

The major operating expenditure items for 2019/20 are employee related costs (32.43%), bulk electricity purchases (25.90%), other expenditure (10.86%) and depreciation (9.49%).

Funding for the 2019/20 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (54.17%), property rates (23.51%), grants and subsidies received from National and Provincial Governments (15.91%).

In order to fund the 2019/20 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2019:

Property rates	-	6.5%
Water	-	7.5%
Sanitation	-	7%
Refuse	-	7%
Electricity (average increase in income)	-	14.26%
Environmental Management Fee	-	0%

The capital budget of R 93,110 million for 2019/20 is R 116,405 million or -55.56% less than the 2018/19 Adjustments Budget. This is mainly due to the allocation to the Municipality of the Water Services Infrastructure Grant, during the 2018/19 financial year.

The Capital Budget over the MTREF will be mainly funded from government grants and subsidies, as the municipality has reached its prudential borrowing limits, whilst limited internal funding is available.

1.4 OPERATING REVENUE FRAMEWORK

The continued provision and expansion of municipal services is largely dependent on the Municipality generating sufficient revenues. Efficient and effective revenue management is thus of vital importance in ensuring the ongoing financial sustainability of the Municipality. Furthermore, in accordance with the MFMA, expenditure has to be limited to the realistically anticipated revenues.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- Tariff Policies;
- Property Rates Policy;
- Indigent Policy and provision of free basic services;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account the maintenance and replacement of infrastructure, including the expansion of services;
- Determining fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality;
- Efficient revenue management, targeting a 96% annual collection rate for property rates and service charges.

The following table is a summary of the 2019/20 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Revenue By Source				
Property rates	184 711	196 717	209 504	223 121
Service charges - electricity revenue	245 041	277 068	313 280	354 226
Service charges - water revenue	70 795	76 105	81 813	87 949
Service charges - sanitation revenue	43 314	46 346	49 590	53 062
Service charges - refuse revenue	51 176	53 732	56 466	59 392
Rental of facilities and equipment	3 043	4 037	4 255	4 484
Interest earned - external investments	8 681	10 375	10 935	11 526
Interest earned - outstanding debtors	7 444	8 439	8 895	9 375
Fines, penalties and forfeits	4 230	6 397	6 743	7 107
Licences and permits	14 514	16 568	17 463	18 406
Transfers and subsidies	121 753	133 112	144 133	157 664
Other revenue	5 530	7 797	8 218	8 662
Total Revenue (excluding capital transfers and contributions)	**760 233**	**836 693**	**911 294**	**994 973**

The following table illustrates the mix of main revenue sources, supporting the 2019/20 MTREF:

Table 3 (Mix of main revenue sources)

Description	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2019/20	%	Budget Year 2020/21	%	Budget Year 2021/22	%
R thousands								
Revenue By Source								
Property rates	184 711	24.30%	196 717	23.51%	209 504	22.99%	223 121	22.42%
Service charges - electricity revenue	245 041	32.23%	277 068	33.11%	313 280	34.38%	354 226	35.60%
Service charges - water revenue	70 795	9.31%	76 105	9.10%	81 813	8.98%	87 949	8.84%
Service charges - sanitation revenue	43 314	5.70%	46 346	5.54%	49 590	5.44%	53 062	5.33%
Service charges - refuse revenue	51 176	6.73%	53 732	6.42%	56 466	6.20%	59 392	5.97%
Rental of facilities and equipment	3 043	0.40%	4 037	0.48%	4 255	0.47%	4 484	0.45%
Interest earned - external investments	8 681	1.14%	10 375	1.24%	10 935	1.20%	11 526	1.16%
Interest earned - outstanding debtors	7 444	0.98%	8 439	1.01%	8 895	0.98%	9 375	0.94%
Fines, penalties and forfeits	4 230	0.56%	6 397	0.76%	6 743	0.74%	7 107	0.71%
Licences and permits	14 514	1.91%	16 568	1.98%	17 463	1.92%	18 406	1.85%
Transfers and subsidies	121 753	16.02%	133 112	15.91%	144 133	15.82%	157 664	15.85%
Other revenue	5 530	0.73%	7 797	0.93%	8 218	0.90%	8 662	0.87%
Total Revenue (excluding capital transfers and contributions)	**760 233**	**100.00%**	**836 693**	**100.00%**	**911 294**	100.00%	**994 973**	**100.00%**
Total Revenue from Property Rates and Service Charges	**595 038**	**78.27%**	**649 968**	**77.68%**	**710 653**	**77.98%**	**777 750**	**78.17%**

In the 2018/19 financial year, rates and service charges amounted to R 595,038 million. This increases to R 649,968 million, R 710,653 million and R 777,750 million in the 2019/20, 2020/21 and 2021/22 financial years, respectively.

The major operating revenue sources for 2019/20 are electricity (33.11%), property rates (23.51%), operating grants & subsidies (15.91%), water (9.10%) and refuse (6.42%).

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

Table 4 (Operating Transfers and Grant Receipts)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	**117 493**	**129 297**	**140 318**	**153 849**
Local Government Equitable Share	113 151	124 938	136 879	150 293
Finance Management	1 770	1 770	1 770	1 770
EPWP Incentive	1 013	1 000	–	
MIG-Administration Fee	1 559	1 589	1 669	1 786
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Sport and Recreation	2 050	2 050	2 050	2 050
District Municipality:	**2 210**	**1 765**	**1 765**	**1 765**
Local Economic Development	445	–	–	
Environmental Health Subsidy	1 765	1 765	1 765	1 765
Total Operating Transfers and Grants	**121 753**	**133 112**	**144 133**	**157 664**

The Municipality is faced with the significant challenge of providing services with its limited financial resources. Against this background, the Municipality has undertaken the tariff determination process relating to property rates and service charges as follows:

1.4.1 Property Rates

Property rates fund the costs associated with the provision of general services, such as fire, library and roads and stormwater services.

The following provisions in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).
- An additional R85 000 rebate will be granted to registered indigents in terms of the Indigent Policy.
- If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.

A property rates increase of 6.5% is proposed as from 1 July 2019.

The proposed property rates increase is mainly influenced by the following:

- Employee related costs increased by 6.5%
- Providing for debt impairment.

1.4.2 Sale of Water and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89, 91, 93 and 94, Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- Fully cost reflective water tariffs – tariffs should include the costs associated with bulk water purchases, the maintenance and renewal of purification plants, water networks and water reticulation expansion;
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that water tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2019/20 MTREF.

A tariff increase of 7.5% is proposed as from 1 July 2019. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.5%;
- The cost of bulk water purchases increased by 7.5%;
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of water consumption are progressively charged at a higher rate.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has determined that the Eskom bulk electricity tariff to municipalities would increase by 15.63% as from 1 July 2019. Considering the Eskom tariff increase, the Municipality's consumer tariffs will be increased by 14.26% on average to offset the additional electricity bulk purchase costs, as from 1 July 2019.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 6.5%;
- The cost of bulk electricity purchases increased by 15.63%;
- Repairs and maintenance of electricity infrastructure;
- Costs of servicing existing external borrowing to fund electricity infrastructure;
- Providing for debt impairment.

The proposed electricity tariff increases still require approval by NERSA.

1.4.4 Sanitation and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89, 91, 93 and 94, Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion;

- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that sanitation tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2019/20 MTREF.

Sanitation charges are determined based on the volume of water consumed, which is appropriately reduced by the percentage of water discharged into the sewer system.

A tariff increase of 7% is proposed as from 1 July 2019. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.5%;
- Providing for debt impairment.

1.4.5 Refuse Collection and Impact of Tariff Increases

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective by 2015. The tariffs should take into account the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2018/19 MTREF.

A tariff increase of 7% is proposed for refuse collection, as from 1 July 2019.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.5%;
- Providing for debt impairment

1.4.6 Environmental Management Fees and Impact of Tariff increases

A tariff increase of 0% is proposed for the environmental management fee, as from 1 July 2019.

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;

- A balanced budget approach by limiting operating expenditure to the operating revenue;

The following table is a high-level summary of the 2019/20 budget and MTREF (classified per main type of operating expenditure):

Table 5 (Summary of operating expenditure by standard classification item)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Expenditure By Type				
Employee related costs	272 673	290 942	310 289	330 924
Remuneration of councillors	12 243	13 063	13 932	14 858
Debt impairment	36 150	26 336	28 782	31 485
Depreciation & asset impairment	75 357	85 101	94 935	103 046
Finance charges	3 021	2 201	1 238	672
Bulk purchases	237 476	271 623	310 885	356 044
Other materials	27 516	29 621	31 307	33 094
Contracted services	68 096	80 814	88 766	83 163
Other expenditure	87 229	97 436	101 595	105 758
Total Expenditure	**819 759**	**897 137**	**981 729**	**1 059 043**

The total operating expenditure increased by R 77,378 million (9.44%) from R 819,759 million in 2018/19 to R 897,137 million in 2019/20. Below is a discussion of the main expenditure components.

Employee related costs

The 2019/20 budget provides for a general increase of 6.5%, in the line with the approved Salary and Wage Collective Agreement.

The total budget provision of R 290,942 million represents an increase of 6.7% over the 2018/19 budget. Employee related costs in the 2019/20 Budget, represent 32.43% of the total operating expenditure.

Remuneration of Councillors

The remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs, in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in preparing the budget. As the budget provides for a 6.5% increase, Councillors' remuneration should be limited to the budget allocated for this purpose.

Debt Impairment

The provision for debt impairment was determined based on a targeted annual collection rate of 96%. For the 2019/20 financial year this amounted to R 26,336 million and increases to R 31,485 million in 2021/22. While this expenditure represents a non-cash flow item, it is taken into account in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

Depreciation and Asset Impairment

The provision for depreciation and asset impairment has been informed by the Municipality's Fixed Assets Register. The budget amounts to R 85,101 million for the 2019/20 financial and equates to 9.49% of the total operating expenditure.

Finance Charges

Finance charges consist primarily of the repayment of interest on existing long-term borrowing (cost of capital). Finance charges constitute 0.25% (R 2,201 million) of total operating expenditure for 2019/20.

Bulk Electricity Purchases

The bulk purchases of electricity increased by R 31,408 million (15.63%), from R 200,945 million in 2018/19 to R 232,353 million in 2019/20.

NERSA has approved a 15.63% increase in the Eskom bulk tariff for the 2019/20 financial year. The 2019/20 budget accordingly allows for a 15.63% increase for bulk electricity purchases from Eskom. Bulk electricity purchases constitute 25.90% of total operating expenditure for 2019/20.

Bulk Water Purchases

The bulk purchases of water increased by R 2,740 million (7.5%) from R 36,530 million in 2018/19 to R 39,270 million in 2019/20. Bulk water purchases constitute 4.38% of total operating expenditure for 2019/20.

Other Materials

Other materials relate to the inventory items, such as material and supplies, consumables, printing and stationery, fuel and oil etc., initially budgeted under general expenses, being transferred to other materials. This is in line with the mSCOA requirements. The budget for 2019/20 amounts to R 29,621 million and equates to 3.30% of the total operating expenditure (refer to Table A9 for full disclosure of repairs and maintenance).

Contracted Services

In the 2019/20 financial year, the budget provision amounts to R 80,814 million and equates to 9.01% of the total operating expenditure.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality.
In the 2019/20 financial year, the budget provision amounts to R 97,436 million and equates to 10.86% of the total operating expenditure.

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

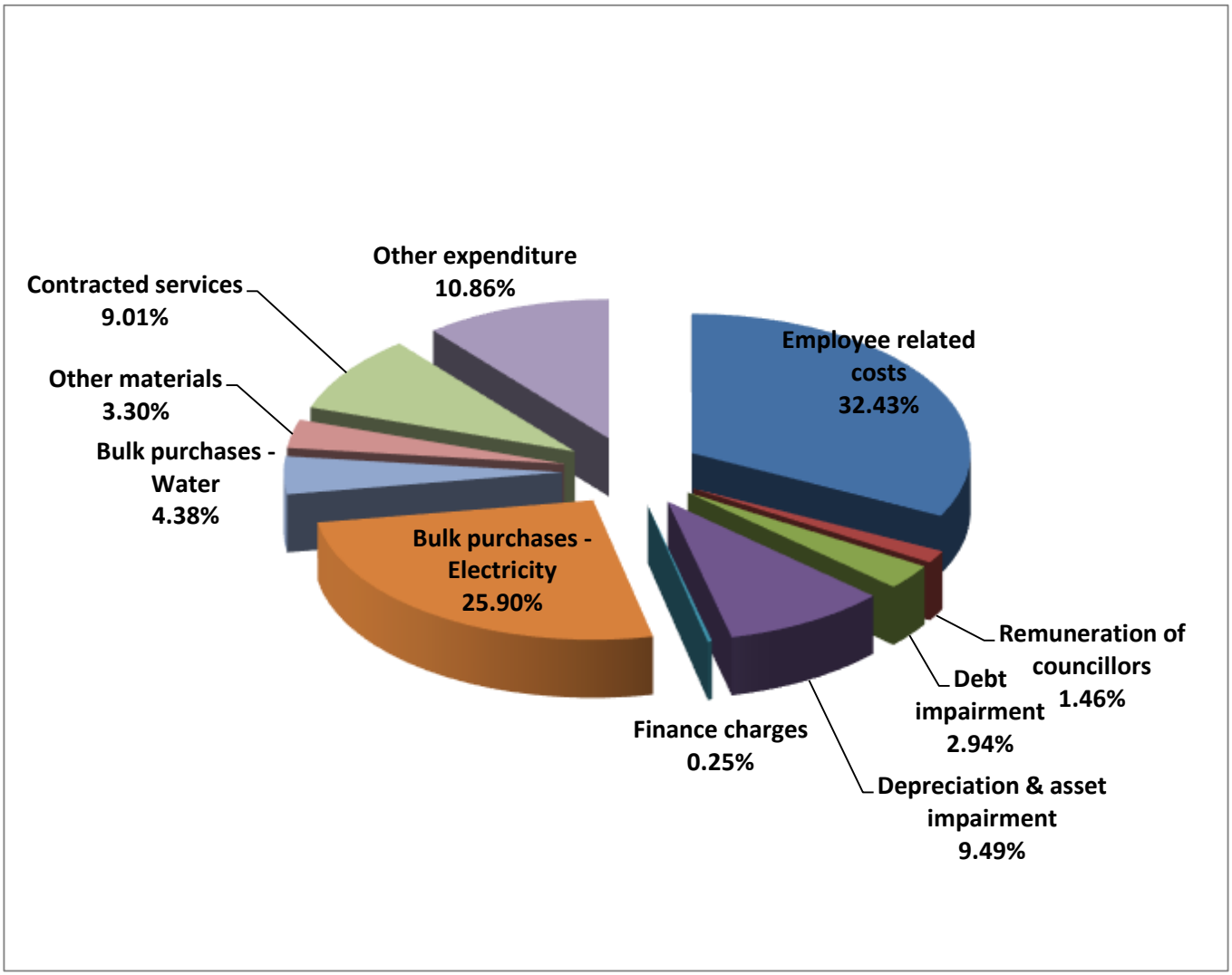


Figure 1 Main operational expenditure categories for the 2019/20 financial year

1.5.1 Priority relating to repairs and maintenance

The repairs and maintenance expenditure in the 2019/20 financial year, increased by R 0,840 million or 1.96%, compared to the 2018/19 Adjustments Budget.

It is to be noted that repairs and maintenance, constitutes 4.87%, 4.16% and 4.10% of the total operating expenditure, for the 2019/20, 2020/21 and 2021/22 financial years, respectively.

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

Table 6 (Repairs and maintenance per asset class)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Repairs and Maintenance by asset class	**42 852**	**43 692**	**40 881**	**43 428**
Roads Infrastructure	13 624	13 534	11 337	12 218
Storm water Infrastructure	817	908	962	1 020
Electrical Infrastructure	6 602	6 239	6 613	7 010
Water Supply Infrastructure	3 953	4 367	4 629	4 907
Sanitation Infrastructure	4 268	3 706	3 932	4 171
Solid Waste Infrastructure	250	200	211	222
Infrastructure	**29 513**	**28 954**	**27 684**	**29 549**
Community Facilities	1 726	1 402	1 272	1 228
Sport and Recreation Facilities	980	2 940	910	910
Community Assets	**2 706**	**4 342**	**2 182**	**2 138**
Investment properties	–			
Operational Buildings	1 996	2 360	2 486	2 647
Other Assets	**1 996**	**2 360**	**2 486**	**2 647**
Machinery and Equipment	478	535	560	587
Transport Assets	8 159	7 501	7 968	8 507
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	**42 852**	**43 692**	**40 881**	**43 428**

For the 2019/20 financial year an amount of R 28,954 million (66.27%) of total repairs and maintenance, will be spent on infrastructure assets.

1.5.1 Free Basic Services: Indigent Support

The indigent support assists indigent households that have limited financial ability to pay for municipal services. In order to qualify for free services, the households are required to register in terms of the Municipality's Indigent Policy, whilst the monthly household income may not exceed two state pensions. Detail relating to free services, cost of free basic services, as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

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

1.6 CAPITAL EXPENDITURE

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

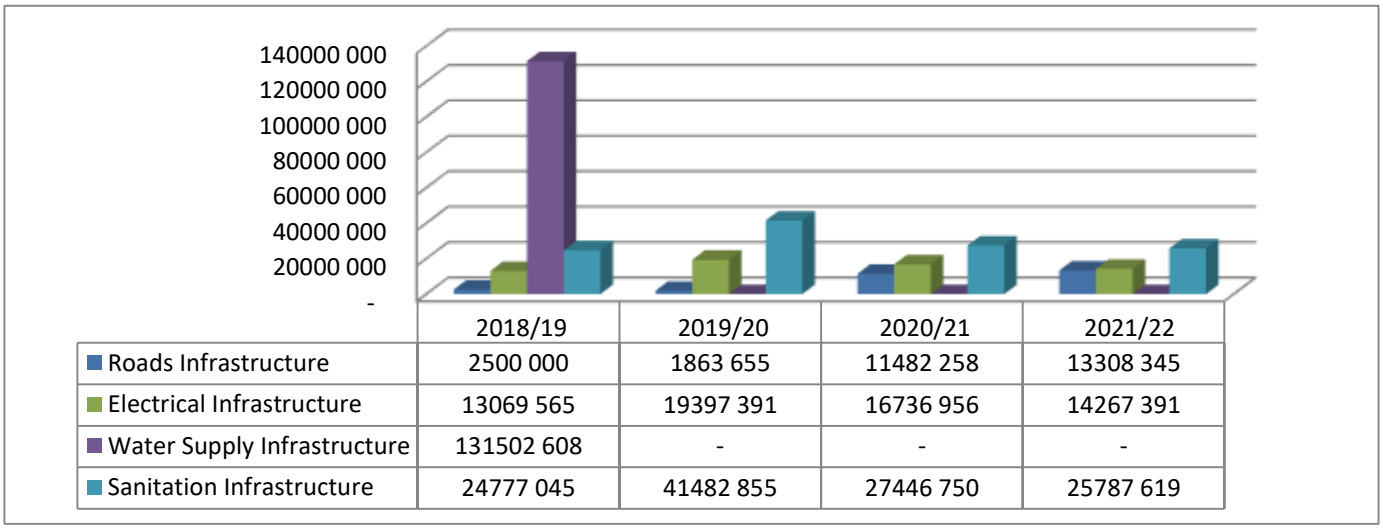
Table 7 (2019/20 Medium-term capital budget per vote)

Description	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2019/20	%	Budget Year 2020/21	%	Budget Year 2021/22	%
R thousands								
Multi-year expenditure to be adjusted								
Vote 1 - EXECUTIVE COUNCIL	1 851	0.88%	1 200	1.29%	1 155	1.42%	1 155	1.46%
Vote 2 - FINANCIAL SERVICES	2 593	1.24%	2 600	2.79%	50	0.06%	50	0.06%
Vote 3 - CORPORATE SERVICES	3 365	1.61%	3 069	3.30%	1 515	1.86%	1 515	1.91%
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	3 836	1.83%	4 581	4.92%	4 339	5.34%	4 535	5.73%
Vote 5 - INFRASTRUCTURE AND ENGINEERING	181 557	86.66%	59 846	64.27%	58 796	72.30%	56 493	71.32%
Vote 6 - COMMUNITY SERVICES	16 312	7.79%	21 815	23.43%	15 462	19.01%	15 465	19.52%
Total Capital Expenditure - Vote	**209 515**	**100.00%**	**93 110**	**100.00%**	**81 317**	**100.00%**	**79 214**	**100.00%**

Infrastructure and Engineering receives the highest allocation of R 59,846 million in 2019/20, which equates to 64.27%, followed by Community Services at R 21,815 million (23.43%), Planning, Development and Tourism at R 4,581 million (4.92%), Corporate Services at R 3,069 million (3.30%), Financial Services at R 2,600 million (2.79%) and Executive & Council at R 1,200 million (1.29%).

Annexure "C" provides a summary of the capital projects included in the Capital budget.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



	2018/19	2019/20	2020/21	2021/22
Roads Infrastructure	2500 000	1863 655	11482 258	13308 345
Electrical Infrastructure	13069 565	19397 391	16736 956	14267 391
Water Supply Infrastructure	131502 608	-	-	-
Sanitation Infrastructure	24777 045	41482 855	27446 750	25787 619

Figure 2 Capital Infrastructure Programme rounded to the nearest R1000

1.7 ANNUAL BUDGET TABLES

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2019/20 Budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.

Table 8 (Table A1 - Budget Summary)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Financial Performance				
Property rates	184 711	196 717	209 504	223 121
Service charges	410 327	453 251	501 149	554 629
Investment revenue	8 681	10 375	10 935	11 526
Transfers recognised - operational	121 753	133 112	144 133	157 664
Other own revenue	34 761	43 238	45 573	48 034
Total Revenue (excluding capital transfers and contributions)	760 233	836 693	911 294	994 973
Employee costs	272 673	290 942	310 289	330 924
Remuneration of councillors	12 243	13 063	13 932	14 858
Depreciation & asset impairment	75 357	85 101	94 935	103 046
Finance charges	3 021	2 201	1 238	672
Materials and bulk purchases	264 992	301 244	342 192	389 138
Transfers and grants	–	–	–	–
Other expenditure	191 475	204 586	219 144	220 405
Total Expenditure	819 759	897 137	981 729	1 059 043
Surplus/(Deficit)	(59 527)	(60 444)	(70 435)	(64 070)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	193 020	58 063	51 682	51 891
Contributions recognised - capital & contributed assets	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	133 493	(2 381)	(18 753)	(12 179)
Share of surplus/ (deficit) of associate	–	–	–	–
Surplus/(Deficit) for the year	133 493	(2 381)	(18 753)	(12 179)
Capital expenditure & funds sources				
Capital expenditure	209 515	93 110	81 317	79 214
Transfers recognised - capital	168 859	51 117	45 197	45 379
Borrowing	–	–	–	–
Internally generated funds	40 656	41 994	36 120	33 835
Total sources of capital funds	209 515	93 110	81 317	79 214

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Financial position				
Total current assets	164 621	173 204	171 488	188 895
Total non current assets	2 474 873	2 317 635	2 398 952	2 478 165
Total current liabilities	175 201	175 225	182 327	186 937
Total non current liabilities	185 581	184 979	183 756	185 212
Community wealth/Equity	2 278 712	2 130 635	2 204 357	2 294 911
Cash flows				
Net cash from (used) operating	208 851	82 720	76 182	90 867
Net cash from (used) investing	(209 515)	(93 110)	(81 317)	(79 214)
Net cash from (used) financing	(8 944)	(7 999)	(8 962)	(6 128)
Cash/cash equivalents at the year end	84 707	66 318	52 221	57 746
Cash backing/surplus reconciliation				
Cash and investments available	84 707	66 318	52 221	57 746
Application of cash and investments	61 353	35 310	28 106	20 918
Balance - surplus (shortfall)	23 355	31 008	24 115	36 828
Asset management				
Asset register summary (WDV)	1 850 493	2 317 619	2 398 936	2 478 149
Depreciation	75 357	85 101	94 935	103 046
Renewal and Upgrading of Existing Assets	81 140	25 452	35 352	39 215
Repairs and Maintenance	42 887	43 692	40 881	43 428
Free services				
Cost of Free Basic Services provided	4 767	6 044	6 630	7 277
Revenue cost of free services provided	17 013	18 119	19 298	20 553
Households below minimum service level				
Water:	–	–	–	–
Sanitation/sewerage:	0	0	0	0
Energy:	–	–	–	–
Refuse:	28	28	28	28

Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance, as well as the Municipality's commitment to eliminating basic service delivery backlogs.

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

Functional Classification Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Revenue - Functional				
Governance and administration	**312 182**	**339 475**	**365 070**	**393 015**
Executive and council	26	27	29	30
Finance and administration	312 157	339 448	365 041	392 985
Internal audit	–			
Community and public safety	**13 357**	**14 266**	**14 724**	**15 207**
Community and social services	2 458	2 479	2 502	2 526
Sport and recreation	7 003	7 867	8 292	8 740
Public safety	1 969	1 984	1 985	1 987
Housing	–			
Health	1 927	1 936	1 945	1 955
Economic and environmental services	**16 141**	**19 616**	**19 616**	**20 702**
Planning and development	5 087	6 667	7 022	7 428
Road transport	10 005	11 844	11 430	12 047
Environmental protection	1 050	1 105	1 164	1 227
Trading services	**611 127**	**521 398**	**563 566**	**617 940**
Energy sources	260 285	293 789	327 387	367 745
Water management	223 782	87 929	94 710	99 921
Waste water management	74 017	83 574	82 500	88 245
Waste management	53 043	56 106	58 968	62 029
Other	**445**			
Total Revenue - Functional	**953 252**	**894 756**	**962 976**	**1 046 864**
Expenditure - Functional				
Governance and administration	**190 276**	**222 961**	**246 955**	**250 378**
Executive and council	38 161	45 089	47 710	50 592
Finance and administration	152 115	177 872	199 245	199 786
Internal audit	–			

Functional Classification Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Community and public safety	**77 101**	**85 190**	**86 503**	**91 193**
Community and social services	10 055	10 612	11 088	11 772
Sport and recreation	39 900	44 086	43 316	45 203
Public safety	20 527	22 264	23 665	25 157
Housing	1 875	3 228	3 140	3 363
Health	4 746	4 999	5 294	5 698
Economic and environmental services	**114 388**	**116 851**	**118 926**	**124 456**
Planning and development	33 520	34 459	36 455	38 701
Road transport	77 414	80 642	80 623	83 803
Environmental protection	3 454	1 751	1 848	1 951
Trading services	**434 569**	**467 649**	**524 317**	**587 447**
Energy sources	254 148	285 024	326 518	373 756
Water management	78 117	80 898	86 168	91 815
Waste water management	48 988	51 081	59 103	65 851
Waste management	53 316	50 646	52 527	56 026
Other	**3 426**	**4 486**	**5 028**	**5 569**
Total Expenditure - Functional	**819 759**	**897 137**	**981 729**	**1 059 043**
Surplus/ (Deficit) for the year	**133 493**	**(2 381)**	**(18 753)**	**(12 179)**

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

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities. It should be noted that the revenue by vote as reflected in this table, includes revenue attributable to capital grants.

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

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Revenue by Vote				
Vote 1 - EXECUTIVE COUNCIL				
Vote 2 - FINANCIAL SERVICES	307 483	333 857	359 148	386 774
Vote 3 - CORPORATE SERVICES	26	27	29	30
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	3 316	4 052	4 271	4 502
Vote 5 - INFRASTRUCTURE AND ENGINEERING	562 442	468 908	507 350	558 837
Vote 6 - COMMUNITY SERVICES	79 986	87 912	92 179	96 721
Total Revenue by Vote	**953 252**	**894 756**	**962 977**	**1 046 864**
Expenditure by Vote				
Vote 1 - EXECUTIVE COUNCIL	31 989	43 826	46 143	48 887
Vote 2 - FINANCIAL SERVICES	79 573	93 059	110 951	107 470
Vote 3 - CORPORATE SERVICES	48 915	51 140	52 438	54 154
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	19 984	22 412	23 828	25 611
Vote 5 - INFRASTRUCTURE AND ENGINEERING	476 197	515 897	571 559	635 457
Vote 6 - COMMUNITY SERVICES	163 102	170 802	176 811	187 463
Total Expenditure by Vote	**819 760**	**897 137**	**981 729**	**1 059 043**
Surplus/ (Deficit) for the year	**133 493**	**(2 381)**	**(18 752)**	**(12 179)**

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

1. The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned. Operating revenue and expenditure are thus presented by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

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

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Revenue By Source				
Property rates	184 711	196 717	209 504	223 121
Service charges - electricity revenue	245 041	277 068	313 280	354 226
Service charges - water revenue	70 795	76 105	81 813	87 949
Service charges - sanitation revenue	43 314	46 346	49 590	53 062
Service charges - refuse revenue	51 176	53 732	56 466	59 392
Rental of facilities and equipment	3 043	4 037	4 255	4 484
Interest earned - external investments	8 681	10 375	10 935	11 526
Interest earned - outstanding debtors	7 444	8 439	8 895	9 375
Dividends received	-	-	-	-
Fines, penalties and forfeits	4 230	6 397	6 743	7 107
Licences and permits	14 514	16 568	17 463	18 406
Agency services	-	-	-	-
Transfers and subsidies	121 753	133 112	144 133	157 664
Other revenue	5 530	7 797	8 218	8 662
Gains on disposal of PPE	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	**760 233**	**836 693**	**911 294**	**994 973**
Expenditure By Type				
Employee related costs	272 673	290 942	310 289	330 924
Remuneration of councillors	12 243	13 063	13 932	14 858
Debt impairment	36 150	26 336	28 782	31 485
Depreciation and asset impairment	75 357	85 101	94 935	103 046
Finance charges	3 021	2 201	1 238	672
Bulk purchases	237 476	271 623	310 885	356 044
Other materials	27 516	29 621	31 307	33 094
Contracted services	68 096	80 814	88 766	83 163
Transfers and subsidies	-	-	-	-
Other expenditure	87 229	97 436	101 595	105 758
Loss on disposal of PPE	-	-	-	-
Total Expenditure	**819 759**	**897 137**	**981 729**	**1 059 043**

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Surplus/(Deficit)	**(59 527)**	**(60 444)**	**(70 435)**	**(64 070)**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	193 020	58 063	51 682	51 891
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)	-	-	-	-
Transfers and subsidies - capital (in-kind - all)	-	-	-	-
Surplus/(Deficit) after capital transfers and contributions	**133 493**	**(2 381)**	**(18 753)**	**(12 179)**
Taxation	-	-	-	-
Surplus/(Deficit) after taxation	**133 493**	**(2 381)**	**(18 753)**	**(12 179)**
Attributable to minorities	-	-	-	-
Surplus/(Deficit) attributable to municipality	**133 493**	**(2 381)**	**(18 753)**	**(12 179)**
Share of surplus/ (deficit) of associate	-	-	-	-
Surplus/(Deficit) for the year	**133 493**	**(2 381)**	**(18 753)**	**(12 179)**

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

Revenue

1. The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.

2. Total revenue amounts to R 836,693 million in 2019/20 and increases to R 994,973 million in 2021/22. This represents a year-on-year increase of 10.06% for the 2019/20 financial year and increases of 8.92% for the 2020/21 financial year and 9.18% for the 2021/22 financial year, respectively.

3. Revenue from property rates amounts to R 196,717 million in the 2019/20 financial year and increases to R 223,121 million in 2021/22, which amounts to 23.51% of the total operating revenue base of the Municipality.

4. Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the biggest component of the total revenue base, amounting to R 453,251 million for the 2019/20 financial year and increasing to R 554,629 million in 2021/22. For the 2019/20 financial year services charges amount to 54.17% of the total revenue base.

5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 9.33% for 2019/20, 8.28% for 2020/21 and increased by 9.39% for 2021/22, compared to the 2018/19 Adjustments Budget.

Below a breakdown of property rates and service charges for 2019/20:

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework	
	Adjusted Budget	Budget Year 2019/20	%
R thousands			
Revenue By Source			
Property rates	184 711	196 717	6.50%
Service charges - electricity revenue	245 041	277 068	13.07%
Service charges - water revenue	70 795	76 105	7.50%
Service charges - sanitation revenue	43 314	46 346	7.00%
Service charges - refuse revenue	36 505	39 061	7.00%
Service charges - environmental management fee revenue	14 671	14 671	0.00%

Table 12 (Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source)

Vote Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Capital expenditure - Vote				
Multi-year expenditure to *be appropriated*				
Vote 1 - EXECUTIVE COUNCIL	1 851	1 200	1 155	1 155
Vote 2 - FINANCIAL SERVICES	2 593	2 600	50	50
Vote 3 - CORPORATE SERVICES	3 245	3 069	1 515	1 515
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	3 836	4 581	4 339	4 535
Vote 5 - INFRASTRUCTURE AND ENGINEERING	181 557	59 846	58 796	56 493
Vote 6 - COMMUNITY SERVICES	4 959	21 815	15 462	15 465
Vote 7 - COMMUNITY SERVICES (CONTINUED)	11 354			
Capital multi-year expenditure sub-total	**209 395**	**93 110**	**81 317**	**79 214**
Single-year expenditure *to be appropriated*				
Vote 1 - EXECUTIVE COUNCIL	–			
Vote 2 - FINANCIAL SERVICES	–			
Vote 3 - CORPORATE SERVICES	120			
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	–			
Vote 5 - INFRASTRUCTURE AND ENGINEERING	–			
Vote 6 - COMMUNITY SERVICES	–			
Vote 7 - COMMUNITY SERVICES (CONTINUED)	–			
Capital single-year expenditure sub-total	**120**			
Total Capital Expenditure - Vote	**209 515**	**93 110**	**81 317**	**79 214**

Vote Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Capital Expenditure - Functional				
Governance and administration	**10 184**	**8 169**	**3 820**	**3 820**
Executive and council	2 590	1 065	1 020	1 020
Finance and administration	7 594	6 969	2 665	2 665
Internal audit	–	135	135	135
Community and public safety	**10 203**	**20 215**	**13 762**	**13 865**
Community and social services	199	950	350	250
Sport and recreation	4 789	13 600	8 137	8 225
Public safety	4 215	3 965	3 875	3 890
Housing	1 000	1 700	1 400	1 500
Health	–			
Economic and environmental services	**5 739**	**5 325**	**14 771**	**16 693**
Planning and development	3 113	3 331	3 189	3 285
Road transport	2 626	1 994	11 582	13 408
Environmental protection	–			
Trading services	**183 324**	**59 402**	**48 964**	**44 835**
Energy sources	13 885	19 432	16 767	14 297
Water management	135 628	11 446	12 315	11 446
Waste water management	29 077	26 524	17 882	17 092
Waste management	4 734	2 000	2 000	2 000
Other	**65**			
Total Capital Expenditure - Functional	**209 515**	**93 110**	**81 317**	**79 214**
Funded by:				
National Government	166 829	49 052	43 232	43 413
Provincial Government	65			
District Municipality	1 965	2 065	1 965	1 965
Other transfers and grants	–	–	–	–
Transfers recognised - capital	**168 859**	**51 117**	**45 197**	**45 379**
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	40 656	41 994	36 120	33 835
Total Capital Funding	**209 515**	**93 110**	**81 317**	**79 214**

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; 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 capital programme is funded from national grants and internally generated funds. For 2019/20, capital transfers totals R 51,117 million (54.90%) and amounts to R 45,379 million for 2021/22 (57.29%). Internally generated funding amounts to R 41,994 million, R 36,120 million and R 33,835 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in Section 2.6 (Overview of Budget Funding).

Table 13 (Table A6 - Budgeted Financial Position)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
ASSETS				
Current assets				
Cash	8 471	6 632	5 222	5 775
Call investment deposits	76 236	59 686	46 999	51 972
Consumer debtors	42 382	67 067	74 208	82 104
Other debtors	30 863	33 150	36 083	39 207
Current portion of long-term receivables	3	3	3	3
Inventory	6 666	6 666	8 973	9 835
Total current assets	**164 621**	**173 204**	**171 488**	**188 895**
Non-current assets				
Long-term receivables	16	16	16	16
Investments	–			
Investment property	284 612	354 389	368 005	382 105
Investment in Associate	–			
Property, plant and equipment	2 189 943	1 961 428	2 028 629	2 093 243
Biological	–			
Intangible	302	1 802	2 302	2 802
Other non-current assets				
Total non-current assets	**2 474 873**	**2 317 635**	**2 398 952**	**2 478 165**
TOTAL ASSETS	**2 639 494**	**2 490 839**	**2 570 440**	**2 667 060**
LIABILITIES				
Current liabilities				
Bank overdraft				
Borrowing	8 944	7 999	8 962	6 128
Consumer deposits	15 241	15 241	17 121	19 234
Trade and other payables	126 512	127 481	129 726	132 879
Provisions	24 505	24 505	26 518	28 696
Total current liabilities	**175 201**	**175 225**	**182 327**	**186 937**
Non-current liabilities				
Borrowing	23 600	15 602	6 640	–
Provisions	161 981	169 378	177 116	185 212
Total non-current liabilities	**185 581**	**184 979**	**183 756**	**185 212**
TOTAL LIABILITIES	**360 782**	**360 204**	**366 082**	**372 149**
NET ASSETS	**2 278 712**	**2 130 635**	**2 204 357**	**2 294 911**
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	2 278 712	2 130 635	2 204 357	2 294 911
Reserves	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	**2 278 712**	**2 130 635**	**2 204 357**	**2 294 911**

Explanatory notes to Table A6 - Budgeted Financial Position

1. The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.

2. Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. 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 directly informed by forecasting the statement of financial position

Table 14 (Table A7 - Budgeted cash flow statement)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	173 628	188 848	201 123	214 196
Service charges	385 707	435 121	481 104	532 443
Other revenue	27 317	34 799	36 679	38 659
Government - operating	121 753	133 112	144 133	157 664
Government - capital	193 020	58 063	51 682	51 891
Interest	15 678	18 476	19 474	20 526
Dividends	–	–	–	–
Payments				
Suppliers and employees	(705 232)	(783 499)	(856 775)	(923 840)
Finance charges	(3 021)	(2 201)	(1 238)	(672)
Transfers and Grants	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	**208 851**	**82 720**	**76 182**	**90 867**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(209 515)	(93 110)	(81 317)	(79 214)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(209 515)**	**(93 110)**	**(81 317)**	**(79 214)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments				
Repayment of borrowing	(8 944)	(7 999)	(8 962)	(6 128)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(8 944)**	**(7 999)**	**(8 962)**	**(6 128)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(9 608)**	**(18 389)**	**(14 097)**	**5 525**
Cash/cash equivalents at the year begin:	**94 315**	**84 707**	**66 318**	**52 221**
Cash/cash equivalents at the year-end:	**84 707**	**66 318**	**52 221**	**57 746**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.

2. It reflects the expected cash in-flows versus cash outflows that are likely to result from the implementation of the budget.

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3. The cash position of the Municipality decreases over the 2019/20 to 2021/22 period, from R 66,318 million to R 57,746 million.

4. Cash and cash equivalents amount to R 66,318 million as at the end of the 2019/20 financial year and reduces to R 57,746 million in 2021/22.

Table 15 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Cash and investments available				
Cash/cash equivalents at the year end	84 707	66 318	52 221	57 746
Other current investments > 90 days	–	–	–	–
Non-current assets - Investments	–	–	–	–
Cash and investments available:	**84 707**	**66 318**	**52 221**	**57 746**
Application of cash and investments				
Unspent conditional transfers	–	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements	–	–	–	–
Other working capital requirements	58 270	32 227	24 863	17 500
Other provisions	3 083	3 083	3 243	3 418
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–
Total Application of cash and investments:	**61 353**	**35 310**	**28 106**	**20 918**
Surplus(shortfall)	**23 355**	**31 008**	**24 115**	**36 828**

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. The table assesses the funding levels of the budget by firstly forecasting the cash and investments at year-end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. As part of the budgeting and planning guidelines that informed the compilation of the 2019/20 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the MFMA.

4. It is to be noted that the budget moves from a funding surplus of R 31,008 million in 2019/20 to a funding surplus of R 36,828 million in 2021/22.

Table 16 (Table A9 - Asset Management)

Description		2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
CAPITAL EXPENDITURE				
Total New Assets	**128 375**	**67 659**	**45 965**	**39 998**
Electrical Infrastructure	4 200	15 919	16 737	14 267
Water Supply Infrastructure	81 981			
Sanitation Infrastructure	18 503	31 735	14 489	10 946
Information and Communication Infrastructure	–	850		
Infrastructure	***104 684***	***48 504***	***31 226***	***25 213***
Community Facilities	2 783	1 050	750	750
Sport and Recreation Facilities	50	100	100	100
Community Assets	***2 833***	***1 150***	***850***	***850***
Revenue Generating	465	300	200	200
Non-revenue Generating	1 000	1 700	1 400	1 500
Investment properties	***1 465***	***2 000***	***1 600***	***1 700***
Operational Buildings	181	1 150	1 000	1 000
Other Assets	***181***	***1 150***	***1 000***	***1 000***
Biological or Cultivated Assets	**1 221**	**1 221**	**1 379**	**1 475**
Licences and Rights	1 179	1 271	500	500
Intangible Assets	***1 179***	***1 271***	***500***	***500***
Computer Equipment	**1 955**	**1 163**	**640**	**540**
Furniture and Office Equipment	**1 725**	**2 220**	**1 070**	**1 020**
Machinery and Equipment	**3 731**	**4 780**	**4 500**	**4 500**
Transport Assets	**9 400**	**4 200**	**3 200**	**3 200**
Total Renewal of Existing Assets	**10 660**	**8 265**	**7 875**	**7 740**
Roads Infrastructure	2 500	1 500	1 500	1 500
Sanitation Infrastructure	–	750	750	750
Infrastructure	***2 500***	***2 250***	***2 250***	***2 250***
Community Facilities	200	200	210	225
Sport and Recreation Facilities	500	1 450	1 000	1 000
Community Assets	***700***	***1 650***	***1 210***	***1 225***
Revenue Generating	3 550	4 365	4 415	4 265
Non-revenue Generating	3 910			
Investment properties	***7 460***	***4 365***	***4 415***	***4 265***
Total Upgrading of Existing Assets	**70 480**	**17 187**	**27 477**	**31 475**
Roads Infrastructure	–	364	9 982	11 808
Electrical Infrastructure	8 870	3 478		
Water Supply Infrastructure	49 522			
Sanitation Infrastructure	6 274	2 735	12 208	14 092
Information and Communication Infrastructure	–	5 413	–	–
Infrastructure	***64 665***	***11 990***	***22 190***	***25 900***
Community Facilities	1 100			
Sport and Recreation Facilities	3 864	5 087	5 287	5 575
Community Assets	***4 964***	***5 087***	***5 287***	***5 575***
Operational Buildings	850	110		
Other Assets	***850***	***110***		
Total Capital Expenditure	**209 515**	**93 110**	**81 317**	**79 214**
Roads Infrastructure	2 500	1 864	11 482	13 308
Electrical Infrastructure	13 070	19 397	16 737	14 267
Water Supply Infrastructure	131 503			
Sanitation Infrastructure	24 777	35 220	27 447	25 788
Information and Communication Infrastructure	–	6 263		

Description	Current year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Infrastructure	***171 849***	***62 744***	***55 666***	***53 363***
Community Facilities	4 083	1 250	960	975
Sport and Recreation Facilities	4 414	6 637	6 387	6 675
Community Assets	***8 497***	***7 887***	***7 347***	***7 650***
Heritage Assets	–	–	–	–
Revenue Generating	4 015	4 665	4 615	4 465
Non-revenue Generating	4 910	1 700	1 400	1 500
Investment properties	***8 925***	***6 365***	***6 015***	***5 965***
Operational Buildings	1 032	1 260	1 000	1 000
Housing	–	–	–	–
Other Assets	***1 032***	***1 260***	***1 000***	***1 000***
Biological or Cultivated Assets	**1 221**	**1 221**	**1 379**	**1 475**
Servitudes	–	–	–	–
Licences and Rights	1 179	1 271	500	500
Intangible Assets	***1 179***	***1 271***	***500***	***500***
Computer Equipment	**1 955**	**1 163**	**640**	**540**
Furniture and Office Equipment	**1 725**	**2 220**	**1 070**	**1 020**
Machinery and Equipment	**3 731**	**4 780**	**4 500**	**4 500**
Transport Assets	**9 400**	**4 200**	**3 200**	**3 200**
Land	–	–	–	–
Zoo's, Marine and Non-biological Animals	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	**209 515**	**93 110**	**81 317**	**79 214**
ASSET REGISTER SUMMARY - PPE (WDV)	1 850 493	2 317 619	2 398 936	2 478 149
Roads Infrastructure	697 328	696 732	708 214	721 523
Storm water Infrastructure	61 726	86 282	95 847	104 543
Electrical Infrastructure	177 017	183 779	200 516	214 783
Water Supply Infrastructure	406 281	274 805	274 805	274 805
Sanitation Infrastructure	438 446	422 834	439 215	454 807
Solid Waste Infrastructure	18 908	–	–	–
Rail Infrastructure	–	–	–	–
Coastal Infrastructure	–	–	–	–
Information and Communication Infrastructure	–	–	–	–
Infrastructure	***1 799 707***	***1 664 432***	***1 718 598***	***1 770 461***
Community Assets	–	–	–	–
Heritage Assets	–	–	–	–
Investment properties	–	**354 389**	**368 005**	**382 105**
Other Assets	–	562	762	962
Intangible Assets	–	1 802	2 302	2 802
Computer Equipment	**2 610**	**6 374**	**6 814**	**7 154**
Furniture and Office Equipment	**10 456**	**4 369**	**5 439**	**6 459**
Machinery and Equipment	**6 830**	**6 506**	**10 216**	**13 941**
Transport Assets	**30 891**	**22 452**	**30 067**	**37 532**
Land	–	**256 733**	**256 733**	**256 733**
Zoo's, Marine and Non-biological Animals	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	**1 850 493**	**2 317 619**	**2 398 936**	**2 478 149**

Description		2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
EXPENDITURE OTHER ITEMS				
Depreciation	75 357	85 101	94 935	103 046
Repairs and Maintenance by Asset Class	**42 887**	**43 692**	**40 881**	**43 428**
Roads Infrastructure	13 624	13 534	11 337	12 218
Storm water Infrastructure	817	908	962	1 020
Electrical Infrastructure	6 602	6 239	6 613	7 010
Water Supply Infrastructure	3 953	4 367	4 629	4 907
Sanitation Infrastructure	4 268	3 706	3 932	4 171
Solid Waste Infrastructure	250	200	211	222
Infrastructure	***29 513***	***28 954***	***27 684***	***29 549***
Community Facilities	1 726	1 402	1 272	1 228
Sport and Recreation Facilities	980	2 940	910	910
Community Assets	***2 706***	***4 342***	***2 182***	***2 138***
Operational Buildings	2 096	2 360	2 486	2 647
Other Assets	***2 096***	***2 360***	***2 486***	***2 647***
Machinery and Equipment	**445**	**535**	**560**	**587**
Transport Assets	**8 127**	**7 501**	**7 968**	**8 507**
TOTAL EXPENDITURE OTHER ITEMS	**118 244**	**128 792**	**135 816**	**146 474**
Renewal and upgrading of Existing Assets as % of total capex	*38.7%*	*27.3%*	*43.5%*	*49.5%*
Renewal and upgrading of Existing Assets as % of deprecn	*107.7%*	*29.9%*	*37.2%*	*38.1%*
R&M as a % of PPE	*1.3%*	*2.1%*	*1.9%*	*2.1%*

Explanatory notes to Table A9 - Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation are also reflected.

   It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

2. National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE. In this regard the expenditure relating to the renewal/rehabilitation of existing assets amounts to 27.3% of the capital budget, whilst repairs and maintenance constitute 2.1% of PPE.

Table 17 (Table A10 - Basic Service Delivery Measurement)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Household service targets				
Water:				
Piped water inside dwelling	21 440	21 440	21 440	21 440
Piped water inside yard (but not in dwelling)	–	–	–	–
Using public tap (at least min. service level)	–	–	–	–
Other water supply (at least mi. Service level)	–	–	–	–
Minimum Service Level and Above sub-total	21 440	21 440	21 440	21 440
Using public tap (< mi. Service level)	–	–	–	–
Other water supply (< min.service level)	–	–	–	–
No water supply	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**21 440**	**21 440**	**21 440**	**21 440**
Sanitation/sewerage:				
Flush toilet (connected to sewerage)	17 201	18 406	18 406	18 406
Flush toilet (with septic tank)	–	–	–	–
Chemical toilet	–	–	–	–
Pit toilet (ventilated)	–	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	17 201	18 406	18 406	18 406
Bucket toilet	328	328	328	328
Other toilet provisions (< min.service level)	–	–	–	–
No toilet provisions	–	–	–	–
Below Minimum Service Level sub-total	328	328	328	328
Total number of households	**17 529**	**18 734**	**18 734**	**18 734**

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Energy:				
Electricity (at least min.service level)	10 649	10 649	10 649	10 649
Electricity - prepaid (min.service level)	14 808	14 808	14 808	14 808
Minimum Service Level and Above sub-total	25 457	25 457	25 457	25 457
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**25 457**	**25 457**	**25 457**	**25 457**
Refuse:				
Removed at least once a week	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Removed less frequently than once a week	27 948	27 948	27 948	27 948
Using communal refuse dump	–	–	–	–
Using own refuse dump	–	–	–	–
Other rubbish disposal	–	–	–	–
No rubbish disposal	–	–	–	–
Below Minimum Service Level sub-total	27 948	27 948	27 948	27 948
Total number of households	**27 948**	**27 948**	**27 948**	**27 948**
Households receiving Free Basic Service				
Water (6 kilolitres per household per month)	5 683	6 700	6 700	6 700
Sanitation (free minimum level service)	5 683	6 700	6 700	6 700
Electricity/other energy (50kwh per household per month)	5 564	6 700	6 700	6 700
Refuse (removed at least once a week)	5 683	6 700	6 700	6 700
Cost of Free Basic Services provided - Formal Settlements (R'000)				
Water (6 kilolitres per **indigent** household per month)	715	906	974	1 047
Sanitation (free sanitation service to **indigent households**)	1 838	2 147	2 319	2 505
Electricity/other energy (50kwh per **indigent** household per month)	1 306	1 834	2 088	2 376
Refuse (removed once a week **for indigent households**)	908	1 157	1 249	1 350
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	–	–	–	–
Total cost of FBS provided	**4 767**	**6 044**	**6 630**	**7 277**

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Highest level of free service provided per household				
Property rates (R value threshold)	663	713	766	824
Water (kilolitres per household per month)	12	12	12	12
Sanitation (kilolitres per household per month)	12	12	12	12
Sanitation (Rand per household per month)	313	349	377	407
Electricity (kwh per household per month)	50	50	60	50
Refuse (average litres per week)				
Revenue cost of subsidised services provided (R'000)				
Property rates **(tariff adjustment)** (**impermissible values per section 17 of MPRA**)				
Property rates exemptions, reductions and rebates **and impermissible values in excess of section 17 of MPRA)**	17 013	18 119	19 298	20 553
Water **(in excess of 6 kilolitres per indigent household per month)**	–	–	–	–
Sanitation **(in excess of free sanitation service to indigent households)**	–	–	–	–
Electricity/other energy **(in excess of 50 kwh per indigent household per month)**	–	–	–	–
Refuse **(in excess of one removal a week for indigent households)**	–	–	–	–
Municipal Housing - rental rebates				
Housing - top structure subsidies				
Other				
Total revenue cost of subsidised services provided	–	–	–	–

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget process started in September 2018 after the approval of a timetable to guide the preparation of the 2019/20 to 2021/22 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business and labour, during April/May 2019. The main aim of the timetable was to ensure that an IDP and a balanced Budget were tabled in March 2019. The Budget and IDP will be tabled by the Executive Mayor at a Council meeting scheduled for 30 May 2019, after this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation process took the form of a series of public meetings in the various wards under the direction and leadership of the Executive Mayor and his Mayoral Committee. The inputs of the aforementioned consultations were taken into account, whilst the Executive Mayor will table the IDP and Budget for consideration and approval at a Council meeting scheduled for 30 May 2019.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

2.1.1 IDP & Budget Timetable 2019/20 to 2021/22

The preparation of the 2019/20 to 2021/22 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 26 July 2018.

Activity	Date
IDP/Budget Schedule approved by Council	26 July 2018
Tabling of draft IDP and Budget in Council	29 March 2019
Public Participation	During April and May 2019
Final adoption of IDP and Budget by Council	30 May 2019
Approval of SDBIP by Executive Mayor	27 June 2019

2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP, in accordance with the Municipal Systems Act, was guided and informed by the following principles:

- Achievement of the five strategic priorities of the municipality.
- Focusing on service delivery backlogs and the maintenance of infrastructure.
- Addressing community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2019/20 to 2021/22 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The budget consultation process took the form of a series of meetings held throughout the municipal area with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings was referred to the relevant Directorates for their attention.

Below is a table, which illustrates the link between the Budget and the IDP.

BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Spatial Rationale and Environmental Management	Total
R thousand							
2019/20 Budget							
Capital Expenditure	410	81 181	2 426	2 800	3 794	2 500	**93 110**
Operating Expenditure	12 373	675 106	10 146	97 354	78 699	23 458	**897 137**
Total	**12 783**	**756 287**	**12 572**	**100 154**	**82 492**	**25 958**	**990 247**
2020/21 Budget							
Capital Expenditure	15	73 658	2 439	50	2 655	2 500	**81 317**
Operating Expenditure	11 726	737 385	11 048	115 528	82 754	23 288	**981 729**
Total	**11 741**	**811 043**	**13 487**	**115 578**	**85 409**	**25 788**	**1 063 046**
2021/22 Budget							
Capital Expenditure	15	71 459	2 535	50	2 655	2 500	**79 214**
Operating Expenditure	12 450	811 245	11 969	112 347	86 244	24 788	**1 059 043**
Total	**12 465**	**882 703**	**14 504**	**112 397**	**88 899**	**27 288**	**1 138 257**

BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

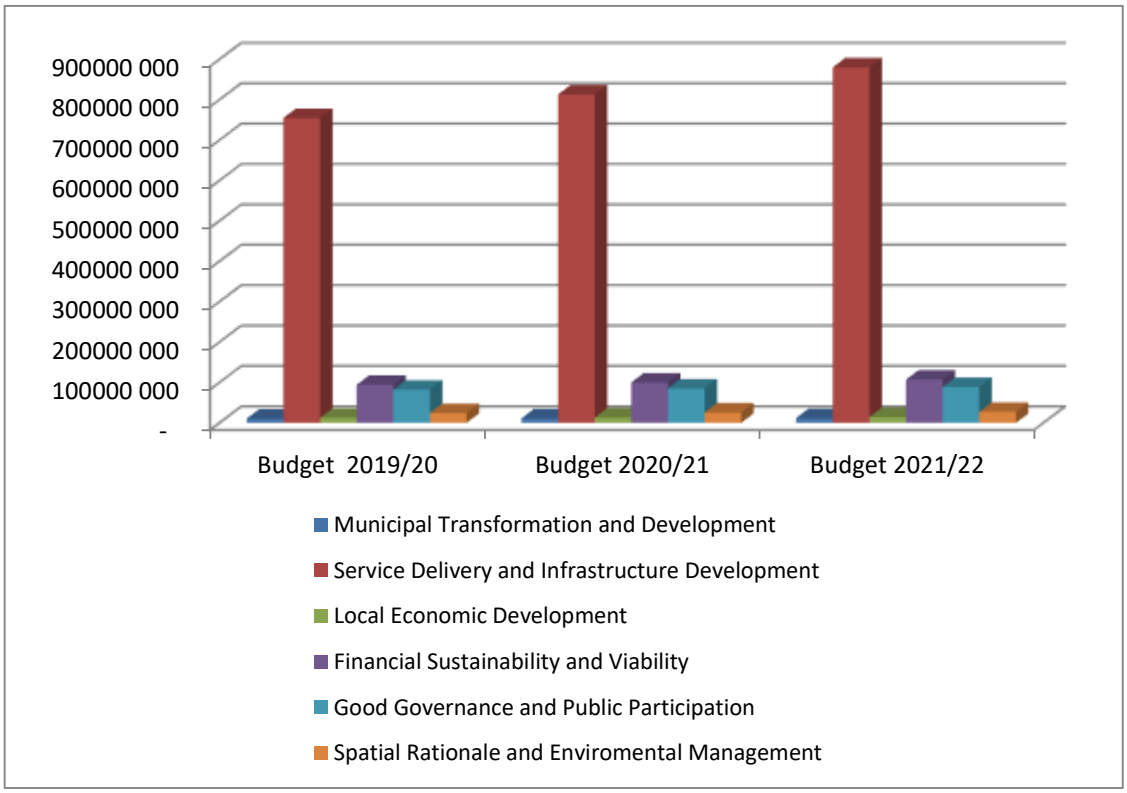


Figure 3 – 2019/20 Expenditure by IDP Priorities

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Borrowing Management					
Credit Rating					
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.5%	1.1%	1.0%	0.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.9%	1.4%	1.3%	0.8%
Liquidity					
Current Ratio	Current assets/current liabilities	0.9	1.0	0.9	1.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.9	1.0	0.9	1.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.5	0.4	0.3	0.3
Revenue Management					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	94.0%	96.0%	96.0%	96.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		94.0%	96.0%	96.0%	96.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	9.6%	12.0%	12.1%	12.2%
Creditors to Cash and Investments		149.4%	192.2%	248.4%	230.1%

Description of financial indicator	Basis of calculation	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Other Indicators					
Employee costs	Employee costs/(Total Revenue - capital revenue)	35.9%	34.8%	34.0%	33.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	37.5%	36.3%	35.6%	34.7%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.6%	5.2%	4.5%	4.4%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	10.3%	10.4%	10.6%	10.4%
IDP regulation financial viability indicators	-				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	25.6	24.7	28.8	31.4
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	12.2%	15.3%	15.4%	15.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.4	1.1	0.8	0.8

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2019/20 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing amounts to 1.1% of total operating expenditure in the 2019/20 financial year and reduces to 0.6% in 2021/22.

2.3.1.2 Liquidity

- The c*urrent ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2019/20 MTREF, the current ratio is 1.0 in the 2019/20, 0.9 in the 2020/21 and 1.0 in the 2021/22 financial years.

- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. For the 2019/20 MTREF, the liquidity ratio is at 0.4:1. This represents a significant risk for the Municipality, as any under collection of revenue will result in financial challenges for the Municipality. As part of the medium-term financial planning objectives, this ratio must be maintained at a minimum of 1.

2.3.2 Drinking Water Quality

The Municipality achieved a scoring of 51.83% (2014) in relation to its Blue Drop status for the supply of water, compared to the scoring of 60.69% (2012) achieved in the previous assessment. The decline is attributable to a lack of an annual process audit. In order to enhance its Blue Drop status in the next assessment cycle, the Municipality will have to focus specifically on the monitoring and recordkeeping of analyses results and the training and appointment of process controllers.

2.3.3 Basic social services package for indigent households

The Constitution stipulates that a municipality must structure and manage its administration, budgeting and planning so as to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, as a result of adverse social and economic conditions.

The initiatives carried out by the Municipality in this regard are detailed below.

Service	Social Package	Approximate Cost R '000	Est. No. of Households
Assessment Rates	All residential property owners are exempted from paying rates on the first R15 000 of their property values. An additional R85 000 credit on property rates for indigent consumers.	2,885	5,683
Water	The first 12kl of water per month provided free to indigent consumers	13,278	5,683
Electricity	The first 50kwh of electricity provided free to indigent consumers	5,538	5,564
Refuse removal	Full credit for the monthly charge.	10,537	5,683
Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 12kl per month)	6,567	5,683
EMF	Full credit for the monthly charge.	3,013	5,683
Total Operating Costs		**41,818**	

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

2.4.1 Financial Management Policies

A number of policies have been adopted by the Council. The policies govern the financial management functions of the Municipality, such as supply chain management, budget virements, credit control and debt collection, etc.

2.4.2 Review of credit control and debt collection policies

The Customer Care, Credit Control and Debt Collection Policy was reviewed and approved by Council on 30 October 2019.

The 2019/20 MTREF has been prepared on the basis of achieving an average revenue collection rate of 96% of current billings.

2.4.3 Supply Chain Management Policy

A revised Supply Chain Management Policy was adopted by Council in April 2018.

2.4.4 Property Rates Policy

A revised Property Rates Policy was adopted by Council in February 2018.

2.4.5 Funding and Reserves Policy

The Funding and Reserves Policy was adopted by Council in May 2016.

2.4.6 Cost Containment Policy

The Cost Containment Policy was adopted by Council in May 2016.

2.4.7 Cash Management and Investment Policy

The Cash Management and Investment Policy was adopted by Council in May 2016.

2.4.8 Borrowing Policy

The Borrowing Policy was adopted by Council in May 2016.

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

- Indigent Policy;
- Budget virement Policy.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

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

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.
- No growth in property rates income has been provided for, in view of the depressed property market.

The Municipality faced the following significant challenges in preparing the 2019/20 – 2021/20 Budget:

- Maintaining an acceptable employee related costs ratio;
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases;

- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure;
- Maintaining electricity and water losses at acceptable levels;
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio;

The multi-year budget is therefore underpinned by the following assumptions:

	2019/20	2020/21	2021/20
Income	**%**	**%**	**%**
Tariff Increases for water	7.5	7.5	7.5
Tariff Increases for sanitation	7	8	8
Tariff Increases for refuse	7	8	8
Property rates increase	6.5	7.5	7.5
Electricity tariff increase (on average)	14.26	13.07	13.07
Environmental Management Fee increase	0	0	0
Revenue collection rates	96	96	96
Expenditure increases allowed	5.2	5.2	5.2
Salary increase	6.5	6.5	6.5
Increase in bulk purchase of electricity costs	15.63	15.63	15.63
Increase in bulk purchase of water costs	7.5	7.5	7.5

2.6 OVERVIEW OF BUDGET FUNDING

2.6.1 Medium-term outlook: operating revenue

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

Table 18 (Breakdown of the operating revenue over the medium-term)

The following graph is a breakdown of the operational revenue per main category for the 2019/20 financial year.

Description	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2019/20	%	Budget Year 2020/21	%	Budget Year 2021/22	%
R thousands								
Revenue By Source								
Property rates	184 711	24.30%	196 717	23.51%	209 504	22.99%	223 121	22.42%
Service charges	410 327	53.97%	453 251	54.17%	501 149	54.99%	554 629	55.74%
Transfers and subsidies	121 753	16.02%	133 112	15.91%	144 133	15.82%	157 664	15.85%
Other revenue	43 442	5.71%	53 613	6.41%	56 509	6.20%	59 560	5.99%
Total Revenue (excluding capital transfers and contributions)	**760 233**	**100.00%**	**836 693**	**100.00%**	**911 294**	**100%**	**994 973**	**100%**

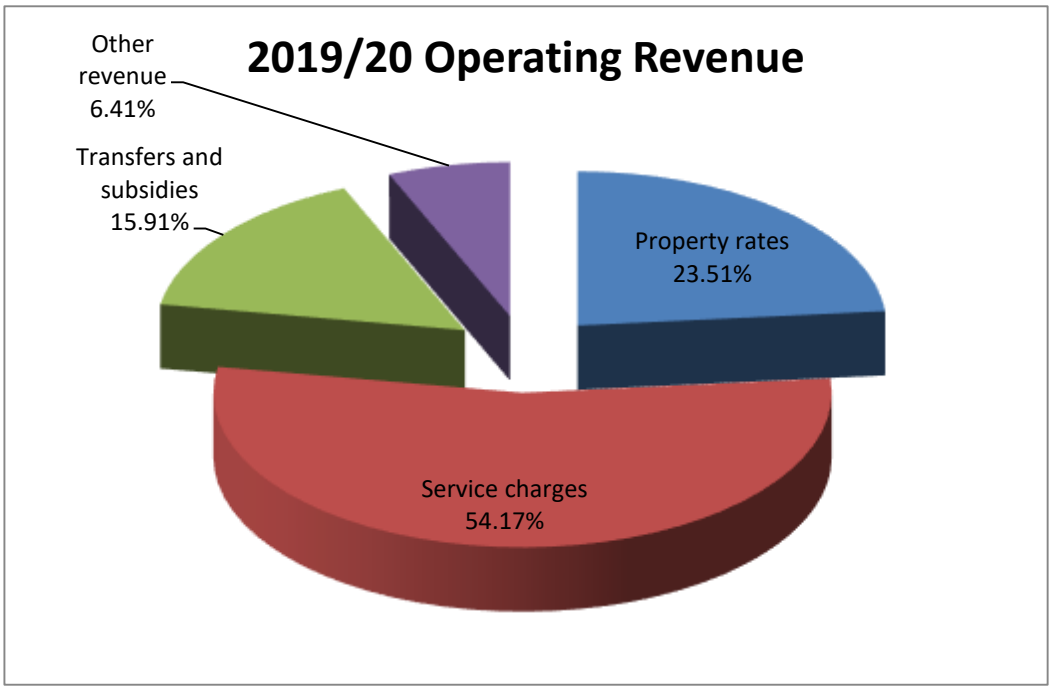


Figure 4 Breakdown of operating revenue over the 2019/20 MTREF

Tariff determination is important in ensuring appropriate levels of revenue, in order to achieve a credible and funded budget. Operating revenue is mainly derived from service charges, such as water, electricity, sanitation and refuse collection and disposal, property rates and operating grants.

The revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- The Property Rates Policy;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account maintenance and replacement of infrastructure, including the expansion of services;
- Determining fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality;
- Efficient revenue management, targeting a 96% annual collection rate for property rates and service charges.
- Growth in the revenue base.

The aforementioned principles guided the annual increases in property rates and tariffs, charged to the consumer.

Property rates amounts to R 196,717 million in the 2019/20 financial year and increases to R 223,121 million in 2021/22, representing 23.51% of the total operating revenue for the 2019/20 budget.

Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R 453,251 million in the 2019/20 financial year and increasing to R 554,629 million in 2021/22. For the 2019/20 financial year, services charges amount to 54.17% of the total revenue base.

Operational grants and subsidies amount to R 133,112 million, R 144,133 million and R 157,664 million for each of the respective financial years of the MTREF, or 15.91% of total operating revenue for 2019/20.

The table below provides investment particulars by type.

Table 19 (SA15 – Detail Investment Information)

Investment type	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousand				
Parent municipality				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	76 236	59 686	46 999	51 972
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Municipal Bonds				
Municipality sub-total	**76 236**	**59 686**	**46 999**	**51 972**
Entities				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank				
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Entities sub-total	–	–	–	–
Consolidated total:	**76 236**	**59 686**	**46 999**	**51 972**

Investments are anticipated to decrease from R 59,686 million in 2019/20 to R 51,972 million in 2021/22.

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2019/20 medium-term capital programme:

Table 20 (Sources of capital revenue over the MTREF)

Vote Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Funded by:				
National Government	166 829	49 052	43 232	43 413
Provincial Government	65			
District Municipality	1 965	2 065	1 965	1 965
Other transfers and grants	–			
Transfers recognised - capital	**168 859**	**51 117**	**45 197**	**45 378**
Public contributions & donations				
Borrowing				
Internally generated funds	40 656	41 994	36 120	33 835
Total Capital Funding	**209 515**	**93 110**	**81 317**	**79 213**

The above table is graphically represented as follows for the 2019/20 financial year.

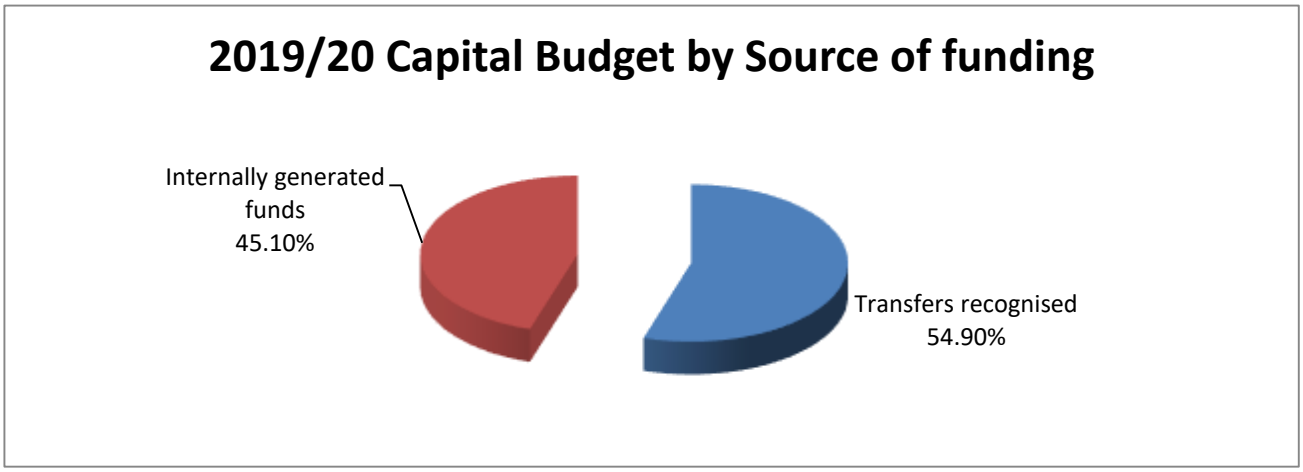


Figure 5 Sources of Capital Revenue for the 2018/19 financial year

Capital Grants constitute 54.90% of the total funding sources, amounting to R 51,117 million for the 2019/20 financial year and amounting to R 45,379 million or 57.29% in the 2021/22 financial year.
It is to be noted that no borrowing is planned for the 2019/20 MTREF, in view of financial affordability considerations.

The following table provides a detailed analysis of the Municipality's borrowings.

Table 21 (Table SA 17 - Detail of borrowings)

Borrowing - Categorised by type	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Parent municipality				
Annuity and Bullet Loans	23 600	15 602	6 640	–
Total Borrowing	23 600	15 602	6 640	–

The following graph illustrates the outstanding borrowing for the 2018/19 to 2020/21 period:

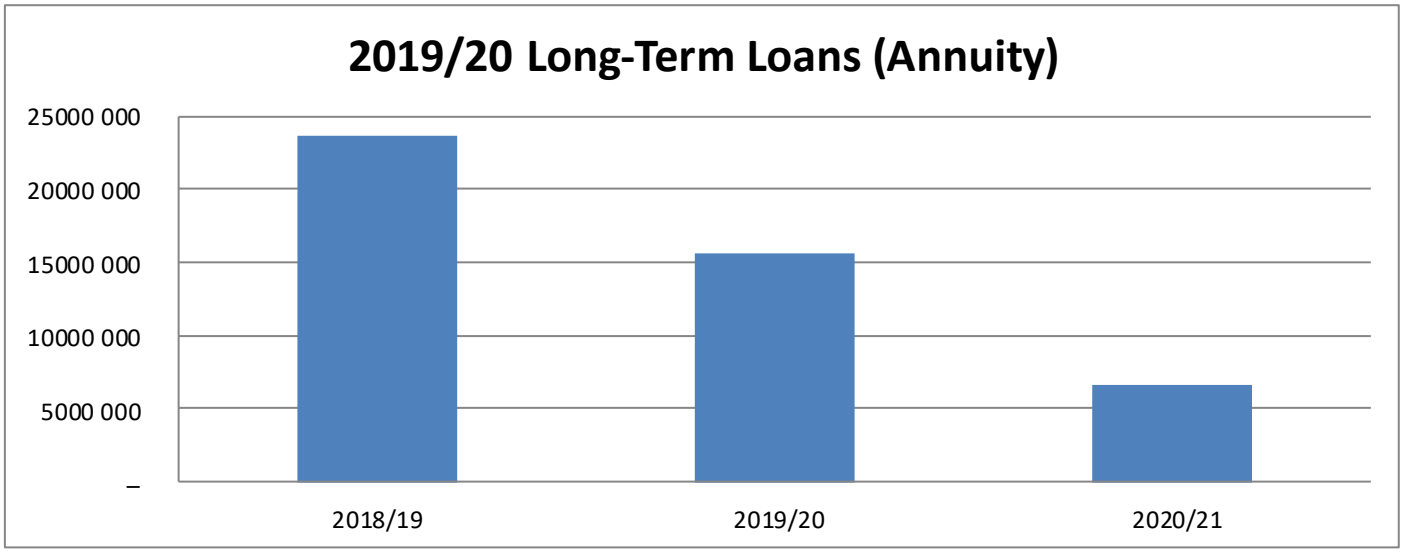


Figure 6 Growth in outstanding borrowing (long-term liabilities)

The following table indicates the capital transfers and grant receipts:

Table 22 (Table SA 18 - Transfers and grant receipts)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	**117 493**	**129 297**	**140 318**	**153 849**
Local Government Equitable Share	113 151	124 938	136 879	150 293
Finance Management	1 770	1 770	1 770	1 770
EPWP Incentive	1 013	1 000	–	
MIG-Administration Fee	1 559	1 589	1 669	1 786
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Sport and Recreation	2 050	2 050	2 050	2 050
District Municipality:	**2 210**	**1 765**	**1 765**	**1 765**
Local Economic Development	445	–	–	
Environmental Health Subsidy	1 765	1 765	1 765	1 765
Total Operating Transfers and Grants	**121 753**	**133 112**	**144 133**	**157 664**
Capital Transfers and Grants				
National Government:	**191 055**	**56 098**	**49 717**	**49 925**
Municipal Infrastructure Grant (MIG)	29 627	36 096	31 717	33 925
Integrated National Electrification Programme	10 200	10 002	7 000	6 000
Water Service Infrastructure Grant	151 228	10 000	11 000	10 000
District Municipality:	**1 965**	**1 965**	**1 965**	**1 965**
Fire Subsidy	1 965	1 965	1 965	1 965
Total Capital Transfers and Grants	**193 020**	**58 063**	**51 682**	**51 891**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**314 773**	**191 175**	**195 815**	**209 554**

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining whether the budget is funded over the medium-term. The table includes some specific features:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government; 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 23 (Table A7 - Budgeted cash flow statement)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	173 628	188 848	201 123	214 196
Service charges	385 707	435 121	481 104	532 443
Other revenue	27 317	34 799	36 679	38 659
Government - operating	121 753	133 112	144 133	157 664
Government - capital	193 020	58 063	51 682	51 891
Interest	15 678	18 476	19 474	20 526
Dividends	–	–	–	–
Payments				
Suppliers and employees	(705 232)	(783 499)	(856 775)	(923 840)
Finance charges	(3 021)	(2 201)	(1 238)	(672)
Transfers and Grants	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	**208 851**	**82 720**	**76 182**	**90 867**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(209 515)	(93 110)	(81 317)	(79 214)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(209 515)**	**(93 110)**	**(81 317)**	**(79 214)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments				
Repayment of borrowing	(8 944)	(7 999)	(8 962)	(6 128)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(8 944)**	**(7 999)**	**(8 962)**	**(6 128)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(9 608)**	**(18 389)**	**(14 097)**	**5 525**
Cash/cash equivalents at the year begin:	**94 315**	**84 707**	**66 318**	**52 221**
Cash/cash equivalents at the year end:	**84 707**	**66 318**	**52 221**	**57 746**

For the 2019/20 MTREF, the cash and cash equivalents over the medium-term is anticipated to decrease from R 66,318 million in 2019/20 million to R 57,746 million in 2021/22.

Table 24 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Cash and investments available				
Cash/cash equivalents at the year end	84 707	66 318	52 221	57 746
Other current investments > 90 days	–	–	–	–
Non current assets - Investments	–	–	–	–
Cash and investments available:	**84 707**	**66 318**	**52 221**	**57 746**
Application of cash and investments				
Unspent conditional transfers	–	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements	–	–	–	–
Other working capital requirements	58 270	32 227	24 863	17 500
Other provisions	3 083	3 083	3 243	3 418
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–
Total Application of cash and investments:	**61 353**	**35 310**	**28 106**	**20 918**
Surplus(shortfall)	**23 355**	**31 008**	**24 115**	**36 828**

The underlying purpose of Table A8 is to reflect the predicted cash and investments that are available at the end of a particular budget year and how these funds were used. A surplus would indicate that sufficient cash and investments were available to meet commitments, whilst a shortfall would indicate inadequate cash and investments were available to meet commitments.

The available cash and investments amount to R 66,318 million in the 2019/20 financial year and decreases to R 57,746 million in 2021/22. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2019/20 MTREF.

- There is no unspent borrowing from previous financial years.

- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.

- Current provisions relating to environmental clean-ups and rehabilitation of landfill sites have been provided for.

It is concluded that the Municipality's cash backed, and accumulated surpluses reconciliation reflects surpluses of R 31,008 million, R 24,115 million and R 36,828 million for the 2019/20, 2020/21 and 2021/22 financial years, respectively.

It is to be noted that the 2019/20 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 1.1 months, 0.8 months and 0.8 months for the 2019/20, 2020/21 and 2021/22 financial years, respectively.

2.6.5 Funding Compliance Measurement

National Treasury requires the Municipality to assess its financial sustainability against the different measures outlined below.

Description	MFMA section	Ref	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
			Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Funding measures						
Cash/cash equivalents at the year end - R'000	18(1)b	1	84 707	66 318	52 221	57 746
Cash + investments at the yr end less applications - R'000	18(1)b	2	26 211	31 008	24 115	36 828
Cash year end/monthly employee/supplier payments	18(1)b	3	1.4	1.1	0.8	0.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	133 493	(2 381)	(18 753)	(12 179)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	(2.8%)	3.2%	3.3%	3.4%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	93.1%	95.0%	95.1%	95.1%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	6.1%	4.1%	4.1%	4.0%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10	100.0%	100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	(0.7%)	36.82%	10.1%	10.0%
Long term receivables % change - incr(decr)	18(1)a	12	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.0%	2.1%	1.9%	2.1%
Asset renewal % of capital budget	20(1)(vi)	14	5.1%	8.88%	9.68%	9.77%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2019/20 MTREF amounts to R 66,318 million, R 52,221 million and R 57,746 million for the respective financial years.

2.6.5.2 Cash plus investments less application of funds

For the 2019/20, 2020/21 and 2021/22 budgets, the available cash and investments exceed the application of funds by an amount of R 31,008 million, R 24,115 million and R 36,828 million respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

As part of the 2019/20 MTREF, the projected cash position causes the ratio to decrease from 1.1 months to 0.8 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets

For the 2019/20 MTREF the indicative outcome is a deficit of R 2,381 million, R 18,753 million and R 12,179 million respectively. This is made up as follows:

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
Surplus/(Deficit)	**(59 527)**	**(60 444)**	**(70 435)**	**(64 070)**
Transfers and subsidies - capital	193 020	58 063	51 682	51 891
Total	**133 493**	**(2 381)**	**(18 753)**	**(12 179)**

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

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

This is calculated by deducting the maximum macro-economic inflation target (which is currently 5.2 %), so as to determine the real increase in revenue. The percentage growth totals 3.2%, 3.3% and 3.4% for the respective financial years of the 2019/20 MTREF.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

The outcome is approximately 95.0% for each of the respective financial years of the 2019/20 MTREF.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

The provision has been set at 4% over the MTREF, in line with the revenue collection trends.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into account in forecasting the cash position.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

No borrowing has been planned for the 2019/20 MTREF.

2.6.5.10 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. All transfers are included in the budget.

2.6.5.11 Repairs and maintenance expenditure level

The expenditure constitutes 2.1%, 1.9% and 2.1% of Property, Plant and Equipment respectively, over the 2019/20 MTREF, whilst National Treasury has suggested an 8% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	**117 493**	**129 297**	**140 318**	**153 849**
Local Government Equitable Share	113 151	124 938	136 879	150 293
Finance Management	1 770	1 770	1 770	1 770
EPWP Incentive	1 013	1 000	–	
MIG-Administration Fee	1 559	1 589	1 669	1 786
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Sport and Recreation	2 050	2 050	2 050	2 050
District Municipality:	**2 210**	**1 765**	**1 765**	**1 765**
Local Economic Development	445	–	–	
Environmental Health Subsidy	1 765	1 765	1 765	1 765
Total Operating Transfers and Grants	**121 753**	**133 112**	**144 133**	**157 664**
Capital Transfers and Grants				
National Government:	**191 055**	**56 098**	**49 717**	**49 925**
Municipal Infrastructure Grant (MIG)	29 627	36 096	31 717	33 925
Integrated National Electrification Programme	10 200	10 002	7 000	6 000
Water Service Infrastructure Grant	151 228	10 000	11 000	10 000
District Municipality:	**1 965**	**1 965**	**1 965**	**1 965**
Fire Subsidy	1 965	1 965	1 965	1 965
Total Capital Transfers and Grants	**193 020**	**58 063**	**51 682**	**51 891**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**314 773**	**191 175**	**195 815**	**209 554**

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands				
EXPENDITURE:				
Operating expenditure of Transfers and Grants				
National Government:	**117 493**	**129 297**	**140 318**	**153 849**
Local Government Equitable Share	113 151	124 938	136 879	150 293
Finance Management	1 770	1 770	1 770	1 770
EPWP Incentive	1 013	1 000	–	
MIG-Administration Fee	1 559	1 589	1 669	1 786
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Sport and Recreation	2 050	2 050	2 050	2 050
District Municipality:	**2 210**	**1 765**	**1 765**	**1 765**
Local Economic Development	445	–	–	
Environmental Health Subsidy	1 765	1 765	1 765	1 765
Total operating expenditure of Transfers and Grants:	**121 753**	**133 112**	**144 133**	**157 664**
Capital expenditure of Transfers and Grants				
National Government:	**191 055**	**56 098**	**49 717**	**49 925**
Municipal Infrastructure Grant (MIG)	29 627	36 096	31 717	33 925
Integrated National Electrification Programme	10 200	10 002	7 000	6 000
Water Service Infrastructure Grant	151 228	10 000	11 000	10 000
District Municipality:	**1 965**	**1 965**	**1 965**	**1 965**
Fire Subsidy	1 965	1 965	1 965	1 965
Total capital expenditure of Transfers and Grants	**193 020**	**58 063**	**51 682**	**51 891**
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	**314 773**	**191 175**	**195 815**	**209 554**

2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The table below reflects the grants and allocations made by the Municipality. It includes grants-in-aid made in accordance with the Municipality's grants-in-aid policy and transfers to entities and other organisations to primarily support their operational expenditure.

ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Cash Transfers to Entities/Other External Mechanisms				
Various Organisations	2 999 407	4 000 000	4 500 000	5 000 000
Total Cash Transfers To Entities/Ems'	**2 999 407**	**4 000 000**	**4 500 000**	**5 000 000**
TOTAL CASH TRANSFERS AND GRANTS	**2 999 407**	**4 000 000**	**4 500 000**	**5 000 000**
TOTAL TRANSFERS AND GRANTS	**2 999 407**	**4 000 000**	**4 500 000**	**5 000 000**

2.9 COUNCILLORS AND EMPLOYEE BENEFITS

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2019/20	Budget Year2020/21	Budget Year 2021/22
Councillors (Political Office Bearers plus Other)				
Basic Salaries and Wages	8 247	8 800	9 385	10 009
Motor Vehicle Allowance	2 708	2 889	3 081	3 286
Cell phone Allowance	1 288	1 374	1 465	1 563
Sub Total - Councillors	**12 243**	**13 063**	**13 932**	**14 858**
Senior Managers of the Municipality				
Basic Salaries and Wages	4 769	4 923	5 252	5 604
Other benefits and allowances	3 179	3 282	3 502	3 736
Sub Total - Senior Managers of Municipality	**7 948**	**8 204**	**8 754**	**9 340**
Other Municipal Staff				
Basic Salaries and Wages	161 691	173 244	184 760	197 042
Pension and UIF Contributions	28 152	29 339	31 290	33 370
Medical Aid Contributions	14 279	15 119	16 125	17 197
Overtime	27 829	32 833	35 016	37 345
Motor Vehicle Allowance	8 085	7 551	8 053	8 589
Housing Allowances	930	992	1 058	1 129
Other benefits and allowances	20 704	22 256	23 736	25 315
Payments in lieu of leave	1 481	–	–	–
Long service awards	1 571	1 403	1 496	1 596
Sub Total - Other Municipal Staff	**264 725**	**282 737**	**301 535**	**321 583**
Total Parent Municipality	**284 915**	**304 005**	**324 221**	**345 781**
TOTAL SALARY, ALLOWANCES & BENEFITS	**284 915**	**304 005**	**324 221**	**345 781**
TOTAL MANAGERS AND STAFF	**272 673**	**290 942**	**310 289**	**330 924**

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Disclosure of Salaries, Allowances & Benefits	Salary	Allowances	Total Package
Rand per annum			
Councillors			
Speaker	550 232	230 785	781 017
Chief Whip			
Executive Mayor	687 792	276 638	964 430
Deputy Executive Mayor			
Executive Committee	2 579 218	1 096 613	3 675 831
Total for all other councillors	4 850 191	2,791,503	7,641,694
Total Councillors	**8,667,433**	**4,395,539**	**13,062,972**
Senior Managers of the Municipality			
Municipal Manager (MM)	941 494	627 663	1 569 157
Chief Finance Officer	888 968	592 645	1 481 614
Director Infrastructure and Engineering	773 016	515 344	1 288 360
Director Corporate Services	773 016	515 344	1 288 360
Director Community Services	773 016	515 344	1 288 360
Director Planning, Development and Tourism	773 016	515 344	1 288 360
Total Senior Managers of the Municipality	**4 922 526**	**3 281 684**	**8 204 210**
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	**13 589 959**	**7 677 223**	**21 267 182**

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2019/20												
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20
Cash Receipts By Source													
Property rates	10 355	40 872	25 932	17 549	12 848	12 771	12 363	11 216	11 216	10 466	10 117	13 143	188 848
Service charges - electricity revenue	21 489	23 186	24 790	24 614	18 236	21 947	21 688	22 085	22 085	20 958	20 150	24 755	265 985
Service charges - water revenue	5 330	5 450	6 083	6 789	5 920	6 281	6 085	7 331	7 331	2 978	5 713	7 768	73 061
Service charges - sanitation revenue	3 736	3 719	3 884	3 816	3 488	3 603	3 780	3 730	3 730	3 510	3 428	4 067	44 492
Service charges - refuse revenue	3 944	3 304	3 818	4 031	3 766	3 937	4 128	4 109	4 109	8 418	3 810	4 209	51 583
Service charges - other												–	
Rental of facilities and equipment	234	295	294	296	269	296	293	246	264	265	228	1 057	4 037
Interest earned - external investments	668	842	840	843	767	843	836	703	752	755	650	1 876	10 375
Interest earned - outstanding debtors	666	–	321	815	783	767	766	714	392	705	726	1 448	8 102
Dividends received												–	
Fines, penalties and forfeits	228	688	214	246	504	289	409	369	345	232	564	2 310	6 397
Licences and permits	783	2 360	734	842	1 729	992	1 404	1 266	1 184	795	1 936	2 543	16 568
Agency services												–	
Transfer receipts - operational	53 829	303	–	–	1 424	44 099	712	363	32 381	–	–	(0)	133 112
Other revenue	298	899	280	321	659	378	535	482	451	303	738	2 454	7 797
Cash Receipts by Source	**101 560**	**81 917**	**67 189**	**60 163**	**50 394**	**96 206**	**52 998**	**52 615**	**84 240**	**49 384**	**48 060**	**65 631**	**810 356**
Other Cash Flows by Source													
Transfer receipts - capital	33 210	–	–	3 457	4 000	3 457	–	–	13 938			–	58 063
Total Cash Receipts by Source	**134 770**	**81 917**	**67 189**	**63 620**	**54 394**	**99 663**	**52 998**	**52 615**	**98 179**	**49 384**	**48 060**	**65 631**	**868 420**

MONTHLY CASH FLOWS	Budget Year 2019/20												
R thousand	**July**	**August**	**Sept.**	**October**	**November**	**December**	**January**	**February**	**March**	**April**	**May**	**June**	**Budget Year 2019/20**
Cash Payments by Type													
Employee related costs	22 649	22 579	22 467	22 855	35 910	23 500	25 306	24 172	22 706	23 559	23 351	21 888	290 942
Remuneration of councillors	873	873	931	839	839	839	1 563	1 255	1 255	1 251	1 281	1 266	13 063
Finance charges	203	163	184	200	184	175	196	167	167	181	220	159	2 201
Bulk purchases - Electricity	98	29 394	28 393	22 667	17 739	18 420	19 189	19 919	19 919	16 839	18 453	21 323	232 353
Bulk purchases - Water & Sewer	2 423	3 128	3 227	2 787	3 519	3 380	2 931	4 867	4 867	2 549	1 748	3 844	39 270
Other materials	3 884	1 000	2 774	2 751	2 089	3 383	992	2 380	2 817	338	3 416	3 797	29 621
Contracted services	8 481	2 183	6 056	6 005	4 561	7 387	2 167	5 197	6 149	739	7 458	24 431	80 814
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–	
Transfers and grants - other	–	–	–	–	–	–	–	–	–	–	–	–	
Other expenditure	12 647	3 255	9 031	8 956	6 801	11 016	3 231	7 750	9 170	1 102	11 122	13 355	97 436
Cash Payments by Type	**51 258**	**62 576**	**73 063**	**67 059**	**71 642**	**68 101**	**55 576**	**65 706**	**67 050**	**46 559**	**67 049**	**90 062**	**785 700**
Other Cash Flows/Payments by Type													
Capital assets	–	63	611	1 560	18 735	2 510	5 245	8 565	1 854	17 478	15 615	20 875	93 110
Repayment of borrowing	624	706	663	629	661	680	635	698	698	668	584	752	7 999
Other Cash Flows/Payments												–	
Total Cash Payments by Type	**51 882**	**63 344**	**74 337**	**69 247**	**91 039**	**71 290**	**61 456**	**74 969**	**69 602**	**64 705**	**83 248**	**111 690**	**886 809**
NET INCREASE/(DECREASE) IN CASH HELD	**82 888**	**18 573**	**(7 148)**	**(5 627)**	**(36 645)**	**28 373**	**(8 458)**	**(22 354)**	**28 576**	**(15 320)**	**(35 188)**	**(46 059)**	**(18 389)**
Cash/cash equivalents at the month/year begin:	84 707	167 595	186 168	179 021	173 394	136 749	165 121	156 663	134 309	162 885	147 565	112 377	84 707
Cash/cash equivalents at the month/year end:	167 595	186 168	179 021	173 394	136 749	165 121	156 663	134 309	162 885	147 565	112 377	66 318	66 318

MONTHLY CASH FLOWS	Budget Year 2019/20		
R thousand	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Cash Receipts By Source			
Property rates	188 848	201 123	214 196
Service charges - electricity revenue	265 985	300 749	340 057
Service charges - water revenue	73 061	78 540	84 431
Service charges - sanitation revenue	44 492	47 607	50 939
Service charges - refuse revenue	51 583	54 207	57 016
Service charges - other			
Rental of facilities and equipment	4 037	4 255	4 484
Interest earned - external investments	10 375	10 935	11 526
Interest earned - outstanding debtors	8 102	8 539	9 000
Dividends received			
Fines, penalties and forfeits	6 397	6 743	7 107
Licences and permits	16 568	17 463	18 406
Agency services			
Transfer receipts - operational	133 112	144 133	157 664
Other revenue	7 797	8 218	8 662
Cash Receipts by Source	**810 356**	**882 513**	**963 488**
Other Cash Flows by Source			
Transfer receipts - capital	58 063	51 682	51 891
Total Cash Receipts by Source	**868 420**	**934 195**	**1 015 379**

MONTHLY CASH FLOWS	Budget Year 2019/20		
R thousand	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Cash Payments by Type			
Employee related costs	290 942	310 289	330 924
Remuneration of councillors	13 063	13 932	14 858
Finance charges	2 201	1 238	672
Bulk purchases - Electricity	232 353	268 670	310 663
Bulk purchases - Water & Sewer	39 270	42 216	45 382
Other materials	29 621	31 307	33 094
Contracted services	80 814	88 766	83 163
Transfers and grants - other municipalities			
Transfers and grants - other			
Other expenditure	97 436	101 595	105 758
Cash Payments by Type	**785 700**	**858 013**	**924 512**
Other Cash Flows/Payments by Type			
Capital assets	93 110	81 317	79 214
Repayment of borrowing	7 999	8 962	6 128
Other Cash Flows/Payments			
Total Cash Payments by Type	**886 809**	**948 292**	**1 009 854**
NET INCREASE/(DECREASE) IN CASH HELD	**(18 389)**	**(14 097)**	**5 525**
Cash/cash equivalents at the month/year begin:	84 707	66 318	52 221
Cash/cash equivalents at the month/year end:	66 318	52 221	57 746

2.11 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS –DIRECTORATES

In terms of section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) constitutes a detailed plan for implementing the Municipality's delivery of services and its annual budget, which must include the following:

(a) Monthly projections of

- Revenue to be collected, by source; and
- Operational and capital expenditure, by vote.

(b) Service delivery targets and performance indicators for each quarter.

In accordance with Section 53 of the MFMA, the Executive Mayor is required to approve the SDBIP within 28 days after the approval of the budget. Furthermore, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators, as set out in the SDBIP, are made public within 14 days after the approval of the SDBIP.

The SDBIP gives effect to the IDP and Budget of the Municipality. It includes the service delivery targets and performance indicators for each quarter, which forms the basis for the performance agreements of the Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the Directors, the Executive Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2019/20 financial year will be approved by the Executive Mayor during June 2019, following the approval of the Budget.

2.12 LEGISLATION COMPLIANCE STATUS

The following reflects the status of implementation of some of the key MFMA areas:

IDP

A revised 2019/20 IDP has been developed, which was approved at a Council meeting held on 29 March 2019. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP. The final version of the revised 2019/20 IDP will be considered at a Council meeting scheduled for 30 May 2019.

Budget

The draft annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2017/18 Annual Report was tabled in January 2019.

Oversight Report

The Municipal Public Accounts Committee has considered the 2017/18 Annual report. Its Oversight Report was adopted at a Council meeting held on 29 March 2019.

In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

Audit Committee

An Audit Committee has been established and meets on a quarterly basis.

Internal Audit Function

The Municipality's Internal Audit Function reports to the Municipal Manager and is operating in accordance with an audit plan.

In relation to the 2019/20 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Maintaining its unqualified audit status.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

Internship Programme

The municipality has a total of eight Interns on the Municipal Financial Management Internship programme, as approved by National Treasury.

Municipal Standard Chart of Accounts (mSCOA)

The Municipality has approved a Project Plan for the implementation of mSCOA. The governance structures are in place in terms of a Project Steering Committee and a Project Implementation Team. A term of reference has been developed, outlining the roles and responsibilities of each committee, in order to hold the members accountable for the implementation thereof.

2.13 CAPITAL EXPENDITURE DETAILS

A summary of the budgeted capital expenditure is reflected in **Annexure "C"**.

2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Quality Certificate

I, Mr. C Du Plessis, Municipal Manager of Kouga Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name : **Charl Du Plessis**

Municipal Manager of Kouga Municipality (EC108)

Signature : 

Date : 25/05/2019