
KOUGA
local municipality
Good Governance through Service Excellence
ORDINARY COUNCIL MEETING
REPLACEMENT ITEM
Date : 28 MAY 2021
Time : 10:00
Venue : Virtual Meeting

KOUGA MUNICIPALITY (EC108)	UMASIPALA I-KOUGA (EC108)	MUNISIPALITEIT KOUGA (OK108)
NOTICE CONVENING A MEETING	**ISAZISO NGENTLANGANISO**	**KENNISGEWING VAN VERGADERING**
NOTICE IS HEREBY GIVEN in terms of the amended Directions on Municipal Operations and Governance, in terms of Section 27(2) of the Disaster Management Act, 2002, that a virtual Ordinary Council Meeting will be held on	**OKU KUKWAZISA** malunga neZikhokelo eziLungisiweyo ekuSebenzeni koMasipala kunye noLawulo ngokweMigaqo yeCandelo lama 27(2) loMthetho woLawulo lweNtlekele ka 2002, ukuba kubanjwe intlanganiso ebonakalayo yesigqeba Ye khansile	**KENNIS GESKIED HIERMEE** ingevolge die gewysigde Aanwysings Vir Munisipale Bedrywighede En Bestuur, Ingevolge Artikel 27 (2) van die Wet op Rampbestuur, 2002, dat 'n virtuele raadsvergadering gehou sal word op
DATE: 28 May 2021	**UMHLA: 28 UCanzibe 2021**	**DATUM: 28 Mei 2021**
TIME: 10:00	**IXESHA: 10:00**	**TYD: 10:00**
H. BORNMAN **SPEAKER**	**H. BORNMAN** **USOMLOMO**	**H. BORNMAN** **SPEAKER**

Councillors are required to comply with the Standing Rules and Orders of Council and all its Committees By-law as promulgated in the Provincial Gazette on 22 October 2018 No.4134 and applicable to this meeting of Council. Any person who willfully contravenes any provision of these rules shall be guilty of an offence and which contravention shall be dealt with in accordance with the disciplinary procedures for Councillors.

REPLACEMENT ITEM

1. **REPORTS BY THE PORTFOLIO CHAIRPERSON: FINANCE**

21/05/F17 Medium-Term Revenue and Expenditure Framework (MTREF) - Budget for the 2021/22 To 2023/24 Financial Years

Pages: 4 - 123

(Pages 452 - 524 in the Supplementary Agenda)

Distribution list:

Executive Mayor
Speaker
Mayoral Committee Councillors
Municipal Manager
All Directors & Relevant Managers
Legal Services
Media Liaison Officer
Committee Services

KOUGA LOCAL MUNICIPALITY (EC108)

ORDINARY COUNCIL MEETING

FINANCE

DATE: 28 MAY 2021 **ITEM NO: 21/05/F17**

MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) - BUDGET FOR THE 2021/22 TO 2023/24 FINANCIAL YEARS

1. Introduction

The purpose of the report is to table the Medium-Term Revenue and Expenditure Framework (MTREF) – Budget for the 2021/22 – 2023/24 financial years to the Council.

2. Background

In terms of Section 24(1) of the Municipal Finance Management Act, Act No. 56 of 2003, requires that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

3. Comments by the Directorates

None.

4. Financial implications

As per attached annual budget documents.

5. Legal implications

Compliance with the Municipal Finance Management Act, Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations.

6. Other implications

None.

7. Recommendation

7.1. That the Executive Mayor recommends that the Council, by resolution taken by the majority of its full number, and in terms of Section 30(2) of the Local Government: Municipal Structures Act No. 117 of 1998 (as amended), read in conjunction with Section 24 of the Local Government: Municipal Finance Management Act, Act 56 of 2003, approves the Annual Budget for the 2021/22 financial year and the indicative allocations for the projected outer years 2022/23 and 2023/24; and the multi-year and

single year capital appropriations, as set out in the following tables, including the associated recommendations.

a) Consolidated Budget Summary [Table A1]
b) Budgeted Financial Performance (revenue and expenditure by standard classification); [Table A2]
c) Budgeted Financial Performance (revenue and expenditure by municipal vote); [Table A3]
d) Budgeted Financial Performance (revenue by source and expenditure by type); [Table A4]
e) Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Table A5]

7.2. That 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:

a. Budgeted Financial Position; [Table A6]
b. Budgeted Cash Flows; [Table A7]
c. Cash backed reserves and accumulated surplus reconciliation; [Table A8]
d. Asset management; [Table A9]
e. Basic service delivery measurement. [Table A10]

7.3. That the tariffs be increased as follows, with effect from 1 July 2021:

Property rates	5.25%
Water	7.1%
Sanitation	6.5%
Refuse	6.5%
Electricity (average increase in electricity income)	14.59%
Environmental Management Fee	0%

a) Indicative tariffs for 2022/23 and 2023/24 will be increased as follows:

	2022/23	**2023/24**
Property rates	5.25%	5.25%
Water	7.1%	7.1%
Sanitation	6.5%	6.5%
Refuse	6.5%	6.5%
Electricity (average increase in electricity income)	6.25%	6.25%
Environmental Management Fee	0%	0%

7.4 That the mSCOA status report and project implementation (Annexure D) be approved.

7.5 That the 2021/22 Procurement plan (Annexure E) be approved.

Item prepared by: Manager Budget & Treasury

Item approved by: Chief Financial Officer _____

Item endorsed by the Municipal Manager _____

Noted by the Portfolio Councillor: _____

KOUGA LOCAL MUNICIPALITY

KOUGA
local municipality
Good Governance through Service Excellence

2021/22 – 2023/24

ANNUAL BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

FOREWORD BY THE EXECUTIVE MAYOR



It is my privilege to present to you the fourth review of Kouga Municipality's Integrated Development Plan (IDP) for the cycle 2017 to 2022.

As announced in my State of the Municipality Address (SOMA) earlier this year, the strategic focus areas of the municipality for 2021/2022 will be guided by seven narratives. These are:

Our plans to **Keep Kouga Serviced** in 2021/2022 include bringing even more boreholes online to achieve water security in the region.

To date, more than 40 exploratory boreholes were drilled at five Kouga towns. Viable boreholes were connected at Oyster Bay, Jeffreys Bay, Patensie, and St Francis Bay, while more boreholes will be connected in Hankey, Humansdorp and Cape St Francis.

We will also install additional container ablution facilities in areas where the bucket system is still in use – the highest priority in the IDP. Several container ablution facilities were already delivered across Kouga, including to residents in Thornhill, Stofwolk in Hankey and Maak 'n Las in Humansdorp.

Further plans include the rollout of electricity to areas that never had access to power, including Stofwolk in Hankey, as well as the establishment of two additional cemeteries in Hankey.

The biggest capital project is the resealing and repair of roads across the Kouga region. Apart from the resealing of 12km of road during the 2019/ 2020 financial year, more than R8 million had been budgeted for the resealing of roads in the current financial year, ending on June 30, 2021.

To show how serious we are about fixing roads, an additional R20.5 million has been secured in the adjustment budget to continue with the resealing programme – effectively addressing the inherited R500 million backlog in road maintenance. This will also have a positive benefit on the cost of repairing potholes in the future.

This will ensure that several roads across the Kouga region will be resealed, which in turn will have a positive benefit on the cost of repairing potholes in the future.

We are, however, not ignoring the fact that there are many roads in Kouga that need pothole repairs. The roads maintenance materials have, therefore, been increased by an additional R1,5 million.

Our newly launched Waste Management and Recycling Programme, together with the regular clearing of illegal dump sites and awareness drives, will strengthen effort to **Keep Kouga Clean**.

With the aim of raising awareness of climate change and the role one of us can play to slow it down and minimise the impact on communities, we have launched an innovative, sustainable urban food garden initiative at the end of last year which will see 30 illegal dumping sites being turned into community “Gardens of Hope”.

Other current projects include the monitoring and management of the Seekoei Estuary at Jeffreys Bay, strengthening the St Francis spit to prevent the sea from breaking through to the canals, and the removal and rehabilitation of encroaching dunes at Oyster Bay.

The establishment of an and integrated intelligent operation centre in Humansdorp earlier this year, will assist to **Keep Kouga Safe**, while fibre will be rolled out as a fifth utility as part of our efforts to Keep **Kouga Smart**.

To **Keep Kouga Growing** is a non-negotiable – especially now in view of the economic impact of the COVID-19 lockdown.

Recent economic investments include the launch of a mobile biochar plant in Humansdorp earlier this year, creating jobs and enhancing water security, while reversing land degradation.

The Tavcor Group, one of the oldest motor groups in the Southern Cape and Port Elizabeth, has also recently moved into the Kouga region. The branch is currently run remotely with plans to have a physical address soon.

We have shown ourselves to be a region that stands together during times of adversity. I am confident that, as long as we keep on caring for each other as we have done since the outbreak of the COVID-19 pandemic, we will persevere and, ultimately, emerge stronger and more united than ever before.

In closing, I would like to extend my heartfelt gratitude to the municipal administration and workforce for their ongoing commitment towards service excellence no matter the obstacles or risk to themselves.

It is you and our communities that have made Kouga one of the best regions to live in in South Africa. Together, we remain on course to achieve freedom, fairness and opportunity for all while respecting and celebrating our diversity.

COUNCILLOR HORATIO 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 2021/22 and the indicative allocations for the projected outer years 2022/23 and 2023/24; 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:

   a) Consolidated Budget Summary [Page 22].
   b) Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 24]
   c) Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 26]
   d) Budgeted Financial Performance (revenue by source and expenditure by type); [Page 27]
   e) and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 30]

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:

   a) Budgeted Financial Position; [Page 32]
   b) Budgeted Cash Flows; [Page 34]
   c) Cash backed reserves and accumulated surplus reconciliation; [Page 35]
   d) Asset management; [Page 36]
   e) Basic service delivery measurement. [Page 39]

3. The tariffs be increased as follows, with effect from 1 July 2021:

Property rates	5.25%
Water	7.1%
Sanitation	6.5%
Refuse	6.5%
Electricity (average increase in electricity income)	14.59%
Environmental Management Fee	0%

4. The indicative tariffs for 2021/22 and 2022/23 be increased as follows:

	2021/22	2022/23
Property rates	5.25%	5.25%
Water	7.1%	7.1%
Sanitation	6.5%	6.5%
Refuse	6.5%	6.5%
Electricity (average increase in electricity income)	6.25%	6.25%
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, 94, 98, 99, 107 and 108 (refer to Annexures "A and B") was used to guide the compilation of the 2021/22 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2021/22 MTREF:

- Maintaining an acceptable employee related cost 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 2021/22 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 2021/22 Medium-term Revenue and Expenditure Framework:

Table 1 (Overview of the 2021/22 MTREF)

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	Budget Year 2021/22	% Increase /(decrease)	Budget Year 2022/23	% Increase /(decrease)	Budget Year 2023/24	% Increase /(decrease)
R thousands							
Total Operating Revenue	922 858	965 400	4.61%	1 022 807	5.95%	1 075 898	5.19%
Total Operating Expenditure	1 037 915	1 074 449	3.52%	1 111 859	3.48%	1 158 229	4.17%
Surplus/(Deficit)	(115 057)	(109 049)	-5.22%	(89 052)	-18.34%	(82 330)	-7.55%
Capital Expenditure	85 164	61 013	-28.36%	41 311	-32.29%	60 869	47.35%

Total operating revenue has increased by 4.61% or R 42,542 million for the 2021/22 financial year, compared to the 2020/21 Adjustments Budget.

For the two outer years, operational revenue increases by 5.95% and 5.19% respectively, resulting in a total revenue growth of R 153,041 million over the MTREF, when compared to the 2020/21 financial year.

Total operating expenditure for the 2021/22 financial year amounts to R 1,074,449 billion, resulting in a budgeted deficit of R 109,049 million. Compared to the 2020/21 Adjustments Budget, operational expenditure increased by 3.52% in the 2021/22 Budget.

For the two outer years, operational expenditure increases by 3.48% and increases by 4.17% respectively. The 2022/23 and 2023/24 budgets reflect operating deficits of R 89,052 million and R 82,330 million respectively.

The major operating expenditure items for 2021/22 are employee related costs (35.24%), bulk electricity purchases (26.99%), other expenditure (9.34%), depreciation (8.55%) and debt impairment (5%).

Funding for the 2021/22 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (55.74%), property rates (22.65%), grants and subsidies received from National and Provincial Governments (15.81%).

In order to fund the 2021/22 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2021:

Property rates	-	5.25%
Water	-	7.1%
Sanitation	-	6.5%
Refuse	-	6.5%
Electricity (average increase in income)	-	14.59%
Environmental Management Fee	-	0%

The capital budget of R 61,013 million for 2021/22 is R 24,151 million or 28.36% less than the 2020/21 Adjustments Budget.

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 93% annual collection rate for property rates and service charges.

The following table is a summary of the 2021/22 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure		
	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
R thousands				
Revenue By Source				
Property rates	207 801	218 711	230 193	242 278
Service charges - electricity revenue	291 625	334 173	355 059	377 250
Service charges - water revenue	83 642	89 581	95 941	102 753
Service charges - sanitation revenue	55 057	58 635	62 447	66 506
Service charges - refuse revenue	53 237	55 744	58 414	61 257
Rental of facilities and equipment	1 122	1 169	1 220	1 275
Interest earned - external investments	5 552	5 780	6 034	6 306
Interest earned - outstanding debtors	10 253	10 674	11 143	11 645
Fines, penalties and forfeits	2 150	2 238	2 336	2 441
Licences and permits	24 732	25 746	26 878	28 088
Transfers and subsidies	166 745	152 602	162 338	164 810
Other revenue	20 941	10 348	10 804	11 290
Total Revenue (excluding capital transfers and contributions)	**922 858**	**965 400**	**1 022 807**	**1 075 898**

The following table illustrates the mix of main revenue sources, supporting the 2021/22 MTREF:

Table 3 (Mix of main revenue sources)

Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure					
	Adjusted Budget	%	Budget Year 2021/22	%	Budget Year 2022/23	%	Budget Year 2023/24	%
R thousands								
Revenue By Source								
Property rates	207 801	22.52%	218 711	22.65%	230 193	22.51%	242 278	22.52%
Service charges - electricity revenue	291 625	31.60%	334 173	34.61%	355 059	34.71%	377 250	35.06%
Service charges - water revenue	83 642	9.06%	89 581	9.28%	95 941	9.38%	102 753	9.55%
Service charges - sanitation revenue	55 057	5.97%	58 635	6.07%	62 447	6.11%	66 506	6.18%
Service charges - refuse revenue	53 237	5.77%	55 744	5.77%	58 414	5.71%	61 257	5.69%
Rental of facilities and equipment	1 122	0.12%	1 169	0.12%	1 220	0.12%	1 275	0.12%
Interest earned - external investments	5 552	0.60%	5 780	0.60%	6 034	0.59%	6 306	0.59%
Interest earned - outstanding debtors	10 253	1.11%	10 674	1.11%	11 143	1.09%	11 645	1.08%
Fines, penalties and forfeits	2 150	0.23%	2 238	0.23%	2 336	0.23%	2 441	0.23%
Licences and permits	24 732	2.68%	25 746	2.67%	26 878	2.63%	28 088	2.61%
Transfers and subsidies	166 745	18.07%	152 602	15.81%	162 338	15.87%	164 810	15.32%
Other revenue	20 941	2.27%	10 348	1.07%	10 804	1.06%	11 290	1.05%
Total Revenue (excluding capital transfers and contributions)	**922 858**	**100.00%**	**965 400**	**100.00%**	**1 022 807**	**100.00%**	**1 075 898**	**100.00%**
Total Revenue from Property Rates and Service Charges	**691 362**	**74.92%**	**756 844**	**78.40%**	**802 053**	**78.42%**	**850 044**	**79.01%**

In the 2020/21 financial year, rates and service charges amounted to R 691,362 million. This increases to R 756,844 million, R 802,053 million and R 850,044 million in the 2021/22, 2022/23 and 2023/24 financial years, respectively.

The major operating revenue sources for 2021/22 are electricity (34.61%), property rates (22.65%), operating grants & subsidies (15.81%), water (9.28%) and sanitation (6.07%).

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 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
RECEIPTS:				
Operating Transfers and Grants				
National Government:	**161 170**	**148 588**	**158 324**	**160 796**
Operational Revenue:General Revenue:Equitable Share	157 037	143 774	154 809	157 207
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 054	1 423	–	–
Local Government Financial Management Grant [Schedule 5B]	1 500	1 720	1 720	1 720
Municipal Infrastructure Grant [Schedule 5B]	1 579	1 671	1 795	1 869
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Sports and Recreation	2 050	2 050	2 050	2 050
District Municipality:	**2 780**	**1 964**	**1 964**	**1 964**
All Grants	2 780	1 964	1 964	1 964
Other Grant Providers:	**706**	**–**	**–**	**–**
Foreign Government and International Organisations	706	–	–	–
Total Operating Transfers and Grants	**166 705**	**152 602**	**162 338**	**164 810**

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 5.25% is proposed as from 1 July 2021.

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

- Employee related costs increased by 8.59%.
- 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 2021/22 MTREF.

A tariff increases of 7.1% is proposed as from 1 July 2021. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 8.59%.
- The cost of bulk water purchases increased by R1.367 million.
- 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

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. Nersa has determined that the Municipality's consumer tariffs will be increased by 14.59% on average to offset the additional electricity bulk purchase costs, as from 1 July 2021.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 8.59%.
- The cost of bulk electricity purchases increased by 17.80%.
- Repairs and maintenance of electricity infrastructure.
- Costs of servicing existing external borrowing to fund electricity infrastructure.
- Providing for debt impairment.

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 2021/22 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 6.5% is proposed as from 1 July 2021. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 8.59%.
- 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 2021/22 MTREF.

A tariff increases of 6.5% is proposed for refuse collection, as from 1 July 2021.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 8.59%.
- Providing for debt impairment

1.4.6 Environmental Management Fees and Impact of Tariff increases

A tariff increases of 0% is proposed for the environmental management fee, as from 1 July 2021.

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2021/22 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 2021/22 budget and MTREF (classified per main type of operating expenditure):

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

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Expenditure By Type				
Employee related costs	348 729	378 677	403 878	430 130
Remuneration of councillors	13 651	13 651	14 538	15 483
Debt impairment	70 162	53 726	40 660	34 468
Depreciation & asset impairment	89 066	91 830	95 080	98 560
Finance charges	1 388	716	–	–
Bulk purchases	246 173	290 000	302 760	316 384
Other materials	63 363	66 261	71 947	74 024
Contracted services	93 559	78 598	79 299	80 156
Transfers and subsidies	761	650	650	650
Other expenditure	111 062	100 339	103 047	108 374
Total Expenditure	**1 037 915**	**1 074 449**	**1 111 859**	**1 158 229**

The total operating expenditure increased by R 36,534 million (3.52%) from R 1,037,915 billion in 2020/21 to R 1,074,449 billion in 2021/22. Below is a discussion of the main expenditure components.

Employee related costs

The 2021/22 budget provides for a general increase of 6%, the salary and wage collective agreement for the period 01 July 2018 to 30 June 2020 has come to an end.

The total budget provision of R 378,677 million represents an increase of 8.59% over the 2020/21 budget. Employee related costs in the 2021/22 Budget, represent 35.24% 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). There is no proclamation in terms of Remuneration of Councillors yet.

Debt Impairment

The provision for debt impairment was determined based on a targeted annual collection rate of 93% for property rates and services charges. For the 2021/22 financial year this amounted to R 53,726 million and decrease to R 34,468 million in 2023/24. 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 91,830 million for the 2021/22 financial and equates to 8.55% 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 0.07% (R 0,716 million) of total operating expenditure for 2021/22.

Bulk Electricity Purchases

The bulk purchases of electricity increased by R 43,827 million (17.80%), from R 246,173 million in 2020/21 to R 290,000 million in 2021/22. Bulk electricity purchases constitute 26.99% of total operating expenditure for 2021/22.

Other Materials

Other materials relate to the inventory items, such as bulk water purchases, material and supplies, consumables, printing and stationery, fuel and oil etc., initially budgeted under bulk purchases and general expenses, being transferred to other materials. This is in line with the mSCOA requirements. The budget for 2021/22 amounts to R 66,261 million and equates to 6.17% of the total operating expenditure.

Contracted Services

In the 2021/22 financial year, the budget provision amounts to R 78,598 million and equates to 7.32% of the total operating expenditure.

Transfers and subsidies

Transfers and subsidies relate to grant-in-aid given by the municipality to various non-profit organizations, in line with the Council approved grant-in-aid policy. In the 2021/22 financial year, the budget provision amounts to R 0,650 million and equates to 0.06% of the total operating expenditure.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. In the 2021/22 financial year, the budget provision amounts to R 100,339 million and equates to 9.34% of the total operating expenditure.

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

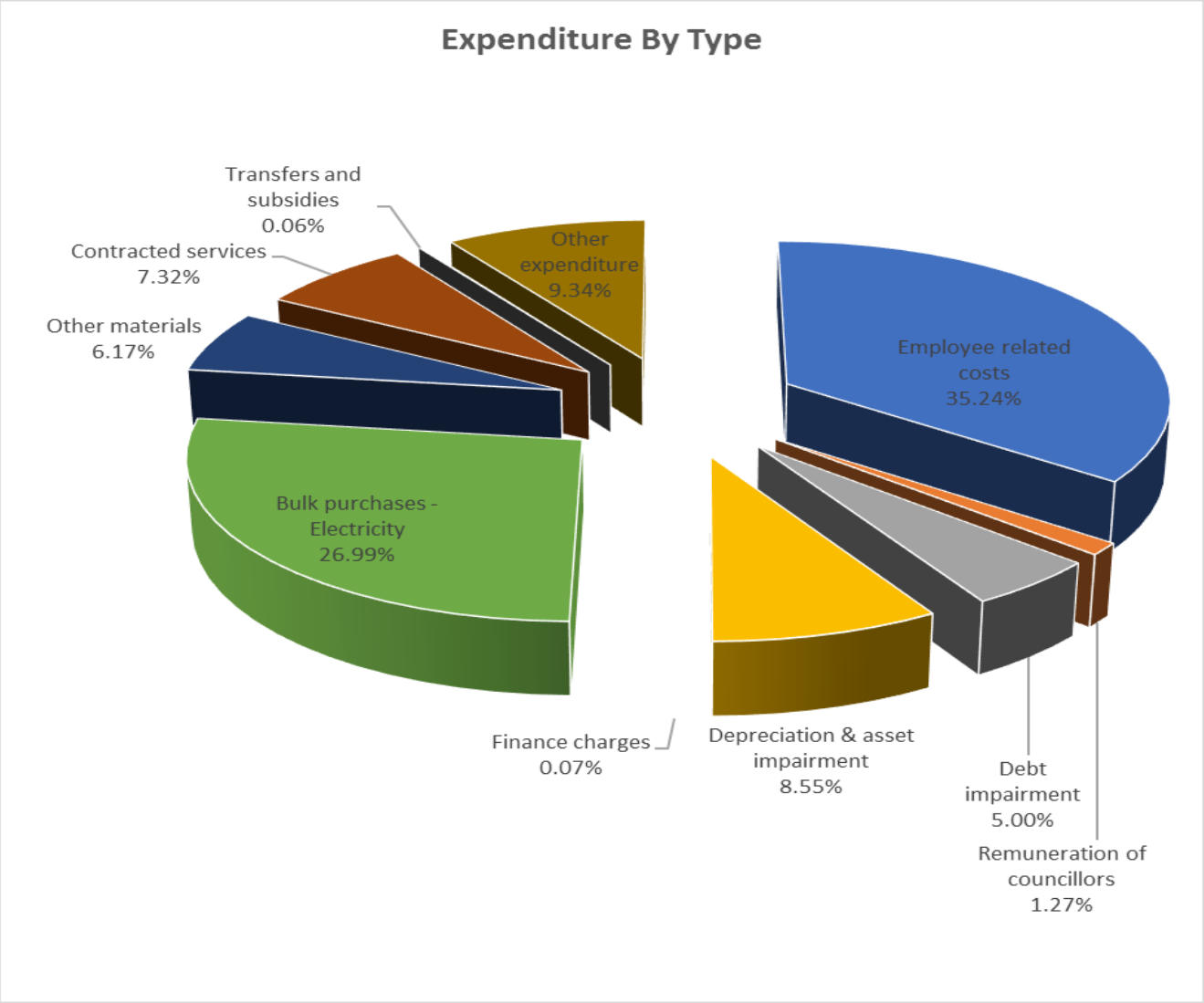

Figure 1 Main operational expenditure categories for the 2021/22 financial year

1.5.1 Priority relating to repairs and maintenance.

The repairs and maintenance expenditure in the 2021/22 financial year, decreased by R 16,193 million or 24.86% compared to the 2020/21 Adjustments Budget.

It is to be noted that repairs and maintenance, constitutes 4.56%, 4.01% and 3.91% of the total operating expenditure, for the 2021/22, 2022/23 and 2023/24 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 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Repairs and Maintenance by Asset Class	**65 146**	**48 953**	**44 627**	**45 317**
Roads Infrastructure	30 049	11 590	1 660	1 734
Storm water Infrastructure	1 406	1 355	1 414	1 484
Electrical Infrastructure	5 353	7 227	9 955	10 318
Water Supply Infrastructure	8 829	6 386	6 665	6 960
Sanitation Infrastructure	3 022	2 915	3 043	3 179
Rail Infrastructure	207	730	803	827
Information and Communication Infrastructure	1 050	1 312	1 578	345
Infrastructure	***49 916***	***31 515***	***25 118***	***24 847***
Community Facilities	1 468	2 267	2 503	2 657
Sport and Recreation Facilities	2 219	2 044	3 559	3 700
Community Assets	***3 687***	***4 311***	***6 062***	***6 357***
Operational Buildings	3 002	2 579	2 319	2 434
Other Assets	***3 002***	***2 579***	***2 319***	***2 434***
Machinery and Equipment	**748**	**732**	**802**	**839**
Transport Assets	**7 794**	**9 816**	**10 325**	**10 840**
TOTAL EXPENDITURE OTHER ITEMS	**65 146**	**48 953**	**44 627**	**45 317**

For the 2021/22 financial year an amount of R 31,515 million (64.38%) 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 (2021/22 Medium-term capital budget per vote)

Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure					
	Adjusted Budget	%	Budget Year 2021/22	%	Budget Year 2022/23	%	Budget Year 2023/24	%
R thousands								
Capital expenditure - Vote								
Vote 1 - EXECUTIVE COUNCIL	1 832	2.15%	2 740	4.49%	500	1.21%	500	0.82%
Vote 2 - FINANCIAL SERVICES	2 865	3.36%	2 460	4.03%	500	1.21%	-	0.00%
Vote 3 - CORPORATE SERVICES	2 386	2.80%	1 923	3.15%	200	0.48%	200	0.33%
Vote 4 - COMMUNITY SERVICES	8 307	9.75%	7 490	12.28%	2 700	6.54%	13 010	21.37%
Vote 5 - INFRASTRUCTURE AND ENGINEERING	67 685	79.48%	45 230	74.13%	36 811	89.11%	45 439	74.65%
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	2 088	2.45%	1 170	1.92%	600	1.45%	1 720	2.83%
Capital multi-year expenditure sub-total	**85 164**	**100.00%**	**61 013**	**100.00%**	**41 311**	**100.00%**	**60 869**	**100.00%**

Infrastructure and Engineering receives the highest allocation of R 45,230 million in 2021/22, which equates to 74.13%, followed by Community Services at R 7,490 million (12.28%), Executive & Council at R 2,740 million (4.49%), Financial Services at R 2,460 million (4.03%), Corporate Services at R 1,923 million (3.15%), and Planning, Development and Tourism at R 1,170 million (1.92%).

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

The following graph provides a breakdown of the capital budget over the MTREF.

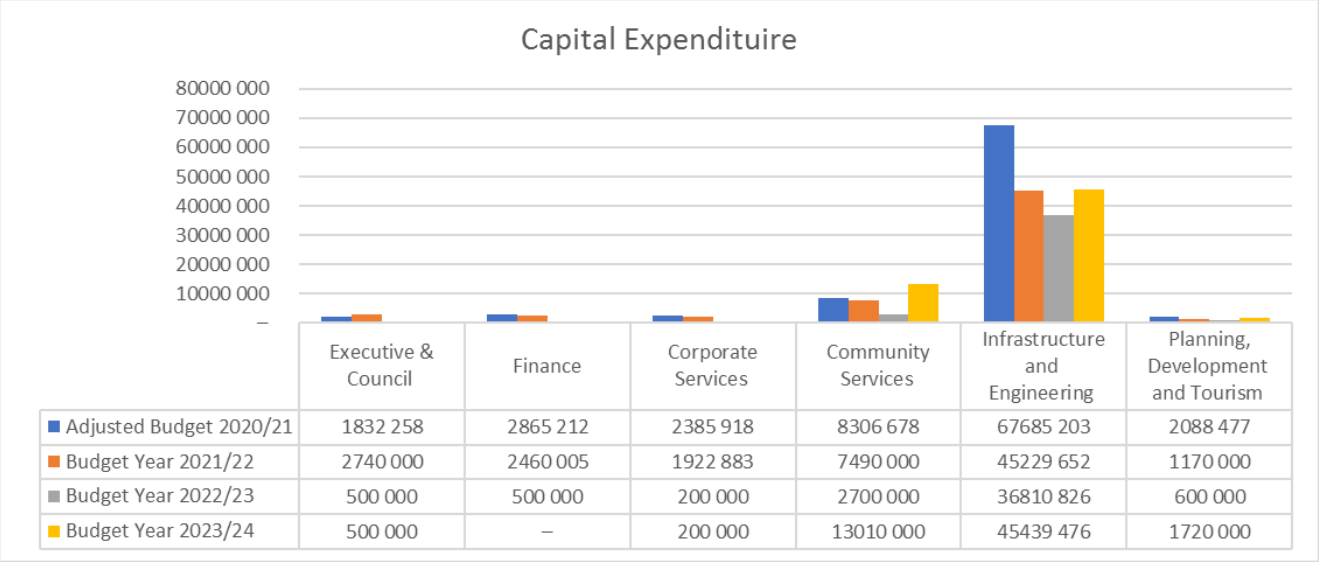

Figure 2 Capital Expenditure

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 2021/22 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 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Financial Performance				
Property rates	207 801	218 711	230 193	242 278
Service charges	483 561	538 133	571 860	607 766
Investment revenue	5 552	5 780	6 034	6 306
Transfers recognised - operational	166 745	152 602	162 338	164 810
Other own revenue	59 198	50 174	52 382	54 739
Total Revenue (excluding capital transfers and contributions)	922 858	965 400	1 022 807	1 075 898
Employee costs	348 729	378 677	403 878	430 130
Remuneration of councillors	13 651	13 651	14 538	15 483
Depreciation & asset impairment	89 066	91 830	95 080	98 560
Finance charges	1 388	716	–	–
Materials and bulk purchases	309 536	356 261	374 707	390 408
Transfers and grants	761	650	650	650
Other expenditure	274 783	232 664	223 006	222 998
Total Expenditure	1 037 915	1 074 449	1 111 859	1 158 229
Surplus/(Deficit)	(115 057)	(109 049)	(89 052)	(82 330)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	53 586	40 256	41 919	43 217
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	0	0	0	0
Surplus/(Deficit) after capital transfers & contributions	(61 471)	(68 793)	(47 133)	(39 113)
Share of surplus/ (deficit) of associate	–	–	–	–
Surplus/(Deficit) for the year	(61 471)	(68 793)	(47 133)	(39 113)
Capital expenditure & funds sources				
Capital expenditure	85 164	61 013	41 311	60 869
Transfers recognised - capital	50 006	35 985	35 831	36 959
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	35 158	25 028	5 480	23 910
Total sources of capital funds	85 164	61 013	41 311	60 869

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Financial position				
Total current assets	207 271	170 054	183 461	186 232
Total non current assets	2 318 735	2 287 917	2 234 148	2 196 458
Total current liabilities	237 238	182 327	182 327	182 327
Total non current liabilities	163 445	163 445	163 445	163 445
Community wealth/Equity	2 125 323	2 112 199	2 071 837	2 036 918
Cash flows				
Net cash from (used) operating	43 801	23 037	47 947	59 446
Net cash from (used) investing	(85 164)	(61 013)	(41 311)	(60 869)
Net cash from (used) financing	(9 608)	(6 747)	–	–
Cash/cash equivalents at the year end	90 062	45 339	51 975	50 552
Cash backing/surplus reconciliation				
Cash and investments available	90 062	45 339	51 975	50 552
Application of cash and investments	71 940	31 693	23 137	17 986
Balance - surplus (shortfall)	18 122	13 646	28 838	32 566
Asset management				
Asset register summary (WDV)	2 318 722	2 287 904	2 234 135	2 196 445
Depreciation	89 066	91 830	95 080	98 560
Renewal of Existing Assets	13 173	3 115	–	7 500
Repairs and Maintenance	65 146	48 953	44 627	45 317
Free services				
Cost of Free Basic Services provided	50 662	54 308	57 740	61 402
Revenue cost of free services provided	19 429	20 451	21 526	22 658
Households below minimum service level				
Water:	–	–	–	–
Sanitation/sewerage:	–	–	–	–
Energy:	–	–	–	–
Refuse:	–	–	–	–

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 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Revenue - Functional				
Governance and administration	**343 256**	**334 164**	**353 884**	**368 321**
Executive and council	734	29	31	32
Finance and administration	342 522	334 135	353 853	368 289
Internal audit	–	–	–	–
Community and public safety	**13 588**	**11 799**	**12 111**	**12 443**
Community and social services	2 498	2 516	2 537	2 559
Sport and recreation	6 054	6 302	6 579	6 875
Public safety	1 985	735	736	737
Housing	(0)	–	–	–
Health	3 051	2 246	2 259	2 272
Economic and environmental services	**26 303**	**27 734**	**27 520**	**28 751**
Planning and development	6 573	6 870	7 223	7 541
Road transport	18 341	19 419	18 788	19 633
Environmental protection	1 389	1 446	1 509	1 577
Trading services	**593 297**	**631 958**	**671 212**	**709 600**
Energy sources	304 317	349 113	369 827	392 131
Water management	112 133	109 904	117 647	124 886
Waste water management	104 840	99 787	106 640	112 295
Waste management	72 006	73 154	77 098	80 289
Other	**–**	**–**	**–**	**–**
Total Revenue - Functional	**976 444**	**1 005 656**	**1 064 726**	**1 119 115**
Expenditure - Functional				
Governance and administration	**238 130**	**243 963**	**253 740**	**260 577**
Executive and council	43 932	50 592	51 830	54 784
Finance and administration	194 178	193 351	201 884	205 763
Internal audit	21	20	25	30

Functional Classification Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Community and public safety	**99 017**	**107 514**	**116 055**	**122 817**
Community and social services	10 548	11 186	11 642	12 357
Sport and recreation	50 848	54 230	59 104	61 954
Public safety	25 389	29 328	31 812	34 129
Housing	6 643	5 884	6 229	6 594
Health	5 590	6 886	7 267	7 783
Economic and environmental services	**152 034**	**157 693**	**155 446**	**164 137**
Planning and development	40 583	45 303	46 442	48 702
Road transport	109 440	109 560	105 982	112 179
Environmental protection	2 011	2 830	3 022	3 256
Trading services	**546 626**	**561 444**	**582 822**	**606 895**
Energy sources	317 278	354 858	366 199	379 118
Water management	93 914	86 287	88 655	92 177
Waste water management	67 477	59 888	61 948	64 801
Waste management	67 957	60 412	66 021	70 799
Other	**2 107**	**3 834**	**3 796**	**3 803**
Total Expenditure - Functional	**1 037 915**	**1 074 449**	**1 111 859**	**1 158 229**
Surplus/(Deficit) for the year	**(61 471)**	**(68 793)**	**(47 133)**	**(39 113)**

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))

Vote Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
R thousands				
Revenue by Vote				
Vote 1 - EXECUTIVE COUNCIL	706	–	–	–
Vote 2 - FINANCIAL SERVICES	340 936	332 484	352 130	366 488
Vote 3 - CORPORATE SERVICES	307	1 435	1 498	1 566
Vote 4 - COMMUNITY SERVICES	105 577	105 755	110 926	115 426
Vote 5 - INFRASTRUCTURE AND ENGINEERING	524 996	561 899	595 909	631 181
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	3 922	4 082	4 262	4 454
Total Revenue by Vote	**976 444**	**1 005 656**	**1 064 726**	**1 119 115**
Expenditure by Vote				
Vote 1 - EXECUTIVE COUNCIL	45 903	52 647	52 887	55 927
Vote 2 - FINANCIAL SERVICES	108 439	107 877	108 774	112 017
Vote 3 - CORPORATE SERVICES	47 075	57 087	62 364	59 684
Vote 4 - COMMUNITY SERVICES	206 883	213 660	232 009	247 641
Vote 5 - INFRASTRUCTURE AND ENGINEERING	601 518	609 620	621 671	647 070
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	28 096	33 558	34 153	35 889
Total Expenditure by Vote	**1 037 915**	**1 074 449**	**1 111 859**	**1 158 229**
Surplus/ (Deficit) for the year	**(61 471)**	**(68 793)**	**(47 133)**	**(39 113)**

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 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Revenue By Source				
Property rates	207 801	218 711	230 193	242 278
Service charges - electricity revenue	291 625	334 173	355 059	377 250
Service charges - water revenue	83 642	89 581	95 941	102 753
Service charges - sanitation revenue	55 057	58 635	62 447	66 506
Service charges - refuse revenue	53 237	55 744	58 414	61 257
Rental of facilities and equipment	1 122	1 169	1 220	1 275
Interest earned - external investments	5 552	5 780	6 034	6 306
Interest earned - outstanding debtors	10 253	10 674	11 143	11 645
Dividends received	–	–	–	–
Fines, penalties and forfeits	2 150	2 238	2 336	2 441
Licences and permits	24 732	25 746	26 878	28 088
Agency services	–	–	–	–
Transfers and subsidies	166 745	152 602	162 338	164 810
Other revenue	20 941	10 348	10 804	11 290
Gains	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	**922 858**	**965 400**	**1 022 807**	**1 075 898**
Expenditure By Type				
Employee related costs	348 729	378 677	403 878	430 130
Remuneration of councillors	13 651	13 651	14 538	15 483
Debt impairment	70 162	53 726	40 660	34 468
Depreciation & asset impairment	89 066	91 830	95 080	98 560
Finance charges	1 388	716	–	–
Bulk purchases	246 173	290 000	302 760	316 384
Other materials	63 363	66 261	71 947	74 024
Contracted services	93 559	78 598	79 299	80 156
Transfers and subsidies	761	650	650	650
Other expenditure	111 062	100 339	103 047	108 374
Losses	–	–	–	–
Total Expenditure	**1 037 915**	**1 074 449**	**1 111 859**	**1 158 229**
Surplus/(Deficit)	**(115 057)**	**(109 049)**	**(89 052)**	**(82 330)**

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	53 586	40 256	41 919	43 217
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)	0	0	0	0
Transfers and subsidies - capital (in-kind - all)	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	**(61 471)**	**(68 793)**	**(47 133)**	**(39 113)**
Taxation	–	–	–	–
Surplus/(Deficit) after taxation	**(61 471)**	**(68 793)**	**(47 133)**	**(39 113)**
Attributable to minorities	–	–	–	–
Surplus/(Deficit) attributable to municipality	**(61 471)**	**(68 793)**	**(47 133)**	**(39 113)**
Share of surplus/ (deficit) of associate	–	–	–	–
Surplus/(Deficit) for the year	**(61 471)**	**(68 793)**	**(47 133)**	**(39 113)**

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 (excluding capital transfers and contributions) amounts to R 965,400 million in 2021/22 and increases to R 1,075,898 billion in 2023/24.This represents a year-on-year increase of 4.61% for the 2021/22 financial year and increases of 5.95% for the 2022/23 financial year and 5.19% for the 2023/24 financial year, respectively.

3. Revenue from property rates amounts to R 218,711 million in the 2021/22 financial year and increases to R 242,278 million in 2023/24, which amounts to 22.65% 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 538,133 million for the 2021/22 financial year and increasing to R 607,766 million in 2023/24. For the 2021/22 financial year services charges amount to 55.74% 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 decreased by 8.48% for 2021/22, increases by 6.38% for 2022/23 and increased by 1.52% for 2023/24, compared to the 2020/21 Adjustments Budget.

Below a breakdown of property rates and service charges for 2021/22:

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure	
	Adjusted Budget	Budget Year 2021/22	%
R thousands			
Revenue By Source			
Property rates	207 801	218 711	5.25%
Service charges - electricity revenue	291 625	334 173	14.59%
Service charges - water revenue	83 642	89 581	7.10%
Service charges - sanitation revenue	55 057	58 635	6.50%
Service charges - refuse revenue	38 566	41 073	6.50%
Service charges - environment management 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 2020/21	2020122 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Capital expenditure - Vote				
Multi-year expenditure ***to be appropriated***				
Vote 1 - EXECUTIVE COUNCIL	1 832	2 740	500	500
Vote 2 - FINANCIAL SERVICES	2 865	2 460	500	–
Vote 3 - CORPORATE SERVICES	2 386	1 923	200	200
Vote 4 - COMMUNITY SERVICES	8 307	7 490	2 700	13 010
Vote 5 - INFRASTRUCTURE AND ENGINEERING	67 685	45 230	36 811	45 439
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	2 088	1 170	600	1 720
Total Capital Expenditure - Vote	**85 164**	**61 013**	**41 311**	**60 869**
Capital Expenditure - Functional				
Governance and administration	**7 133**	**8 963**	**2 080**	**2 410**
Executive and council	1 132	2 240	500	500
Finance and administration	6 001	6 723	1 580	1 910
Internal audit	–	–	–	–
Community and public safety	**18 886**	**8 987**	**5 917**	**11 081**
Community and social services	–	570	520	1 300
Sport and recreation	12 245	6 217	4 797	4 681
Public safety	5 882	2 200	600	4 100
Housing	760	–	–	1 000
Health	–	–	–	–

Vote Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Economic and environmental services	**6 880**	**15 555**	**8 953**	**32 000**
Planning and development	2 871	1 120	600	720
Road transport	4 009	14 435	8 353	31 280
Environmental protection	–	–	–	–
Trading services	**52 164**	**27 458**	**24 360**	**15 379**
Energy sources	18 984	9 783	6 182	6 087
Water management	7 827	2 245	180	180
Waste water management	24 453	14 630	17 649	3 262
Waste management	900	800	350	5 850
Other	**100**	**50**	**–**	**–**
Total Capital Expenditure - Functional	**85 164**	**61 013**	**41 311**	**60 869**
Funded by:				
National Government	44 888	34 385	35 831	36 959
District Municipality	5 118	1 600	–	–
Transfers recognised - capital	**50 006**	**35 985**	**35 831**	**36 959**
Internally generated funds	35 158	25 028	5 480	23 910
Total Capital Funding	**85 164**	**61 013**	**41 311**	**60 869**

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 2021/22, capital transfers totals R 35,985 million (58.98%) and amounts to R 36,959 million for 2023/24 (60.72%). Internally generated funding amounts to R 25,028 million, R 5,480 million and R 23,910 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 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
ASSETS				
Current assets				
Cash	24 281	12 224	14 012	12 589
Call investment deposits	65 781	33 116	37 962	37 962
Consumer debtors	67 394	67 296	67 222	67 161
Other debtors	41 014	48 618	55 462	59 717
Current portion of long-term receivables	3	3	3	3
Inventory	8 798	8 798	8 798	8 798
Total current assets	**207 271**	**170 054**	**183 461**	**186 232**
Non current assets				
Long-term receivables	13	13	13	13
Investments	–	–	–	–
Investment property	242 552	242 552	242 552	242 552
Investment in Associate	–	–	–	–
Property, plant and equipment	2 074 493	2 042 419	1 988 400	1 950 410
Agricultural	–	–	–	–
Biological	–	–	–	–
Intangible	1 677	2 934	3 184	3 484
Other non-current assets	–	–	–	–
Total non current assets	**2 318 735**	**2 287 917**	**2 234 148**	**2 196 458**
TOTAL ASSETS	**2 526 006**	**2 457 971**	**2 417 609**	**2 382 690**
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Borrowing	6 747	0	0	0
Consumer deposits	17 378	17 378	17 378	17 378
Trade and other payables	183 464	135 300	135 300	135 300
Provisions	29 649	29 649	29 649	29 649
Total current liabilities	**237 238**	**182 327**	**182 327**	**182 327**
Non current liabilities				
Borrowing	–	–	–	–
Provisions	163 445	163 445	163 445	163 445
Total non current liabilities	**163 445**	**163 445**	**163 445**	**163 445**
TOTAL LIABILITIES	**400 683**	**345 772**	**345 772**	**345 772**
NET ASSETS	**2 125 323**	**2 112 199**	**2 071 837**	**2 036 918**
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	2 125 323	2 112 199	2 071 837	2 036 918
Reserves	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	**2 125 323**	**2 112 199**	**2 071 837**	**2 036 918**

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 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	187 021	203 401	218 684	232 587
Service charges	435 205	500 464	543 267	583 455
Other revenue	48 944	39 500	41 238	43 094
Transfers and Subsidies - Operational	166 705	152 602	162 338	164 810
Transfers and Subsidies - Capital	37 164	40 256	41 919	43 217
Interest	14 780	15 706	16 620	17 485
Dividends	–	–	–	–
Payments				
Suppliers and employees	(843 870)	(927 527)	(975 470)	(1 024 551)
Finance charges	(1 388)	(716)	–	–
Transfers and Grants	(761)	(650)	(650)	(650)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**43 801**	**23 037**	**47 947**	**59 446**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (increase) in non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(85 164)	(61 013)	(41 311)	(60 869)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(85 164)**	**(61 013)**	**(41 311)**	**(60 869)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments				
Repayment of borrowing	(9 608)	(6 747)	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(9 608)**	**(6 747)**	**–**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD	**(50 970)**	**(44 723)**	**6 636**	**(1 423)**
Cash/cash equivalents at the year begin:	141 032	**90 062**	**45 339**	**51 975**
Cash/cash equivalents at the year end:	**90 062**	**45 339**	**51 975**	**50 552**

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.

3. The cash position of the Municipality increases over the 2021/22 to 2023/24 period, from R 45, 339 million to R 50,552 million.

4. Cash and cash equivalents amount to R 45,339 million as at the end of the 2021/22 financial year and increases to R 50,552 million in 2023/24.

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

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Cash and investments available				
Cash/cash equivalents at the year end	90 062	45 339	51 975	50 552
Other current investments > 90 days	(0)	0	0	0
Non current assets - Investments	–	–	–	–
Cash and investments available:	**90 062**	**45 339**	**51 975**	**50 552**
Application of cash and investments				
Unspent conditional transfers	–	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements				
Other working capital requirements	70 766	28 517	19 961	14 810
Other provisions	1 174	3 176	3 176	3 176
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–
Total Application of cash and investments:	**71 940**	**31 693**	**23 137**	**17 986**
Surplus(shortfall)	**18 122**	**13 646**	**28 838**	**32 566**

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 2021/22 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 13,646 million in 2021/22 to a funding surplus of R 32,566 million in 2023/24.

Table 16 (Table A9 - Asset Management)

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
CAPITAL EXPENDITURE				
Total New Assets	**45 603**	**27 945**	**11 562**	**22 497**
Electrical Infrastructure	14 204	8 383	6 182	6 087
Water Supply Infrastructure	–	570	520	300
Sanitation Infrastructure	16 955	3 430	800	800
Solid Waste Infrastructure	250	1 370	–	–
Information and Communication Infrastructure	757	700	500	6 500
Infrastructure	***32 166***	***14 453***	***8 002***	***13 687***
Community Facilities	3 092	1 650	700	100
Sport and Recreation Facilities	–	200	–	–
Community Assets	***3 092***	***1 850***	***700***	***100***
Revenue Generating	100	–	–	–
Non-revenue Generating	360	–	–	1 000
Investment properties	***460***	**–**	**–**	***1 000***
Operational Buildings	469	1 106	–	1 600
Other Assets	***469***	***1 106***	**–**	***1 600***
Licences and Rights	1 516	1 257	250	300
Intangible Assets	***1 516***	***1 257***	***250***	***300***
Computer Equipment	**2 578**	**1 350**	**530**	**660**
Furniture and Office Equipment	**1 310**	**1 770**	**900**	**770**
Machinery and Equipment	**3 612**	**2 960**	**1 180**	**1 880**
Transport Assets	**400**	**3 200**	**–**	**2 500**
Total Renewal of Existing Assets	**13 173**	**3 115**	**–**	**7 500**
Roads Infrastructure	2 270	–	–	7 500
Electrical Infrastructure	3 000	–	–	–
Water Supply Infrastructure	1 350	1 565	–	–
Information and Communication Infrastructure	–	1 500	–	–
Infrastructure	***6 620***	***3 065***	**–**	***7 500***
Community Facilities	100	50	–	–
Sport and Recreation Facilities	200	–	–	–
Community Assets	***300***	***50***	**–**	**–**
Revenue Generating	6 253	–	–	–
Investment properties	***6 253***	**–**	**–**	**–**
Total Upgrading of Existing Assets	**26 387**	**29 952**	**29 749**	**30 873**
Roads Infrastructure	1 739	14 235	8 353	23 780
Electrical Infrastructure	–	1 400	–	–
Water Supply Infrastructure	400	–	–	–
Sanitation Infrastructure	13 175	9 830	16 849	2 462
Information and Communication Infrastructure	5 087	–	–	–
Infrastructure	***20 401***	***25 465***	***25 202***	***26 242***
Sport and Recreation Facilities	5 986	4 237	4 547	4 631
Community Assets	***5 986***	***4 237***	***4 547***	***4 631***

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Computer Equipment	**–**	**250**	**–**	**–**
Total Capital Expenditure	**85 164**	**61 013**	**41 311**	**60 869**
Roads Infrastructure	4 009	14 235	8 353	31 280
Electrical Infrastructure	17 204	9 783	6 182	6 087
Water Supply Infrastructure	1 750	2 135	520	300
Sanitation Infrastructure	30 130	13 260	17 649	3 262
Solid Waste Infrastructure	250	1 370	–	–
Information and Communication Infrastructure	5 845	2 200	500	6 500
Infrastructure	***59 188***	***42 983***	***33 203***	***47 429***
Community Facilities	3 192	1 700	700	100
Sport and Recreation Facilities	6 186	4 437	4 547	4 631
Community Assets	***9 379***	***6 137***	***5 247***	***4 731***
Revenue Generating	6 353	–	–	–
Non-revenue Generating	360	–	–	1 000
Investment properties	***6 713***	**–**	**–**	***1 000***
Operational Buildings	469	1 106	–	1 600
Other Assets	***469***	***1 106***	**–**	***1 600***
Licences and Rights	1 516	1 257	250	300
Intangible Assets	***1 516***	***1 257***	***250***	***300***
Computer Equipment	**2 578**	**1 600**	**530**	**660**
Furniture and Office Equipment	**1 310**	**1 770**	**900**	**770**
Machinery and Equipment	**3 612**	**2 960**	**1 180**	**1 880**
Transport Assets	**400**	**3 200**	**–**	**2 500**
TOTAL CAPITAL EXPENDITURE - Asset class	**85 164**	**61 013**	**41 311**	**60 869**
ASSET REGISTER SUMMARY - PPE (WDV)	2 318 722	2 287 904	2 234 135	2 196 445
Roads Infrastructure	625 091	615 836	613 846	619 215
Storm water Infrastructure	46 564	45 925	45 115	44 247
Electrical Infrastructure	481 825	474 003	470 402	470 307
Water Supply Infrastructure	344 636	344 358	341 856	341 389
Sanitation Infrastructure	82 945	67 176	71 564	57 177
Solid Waste Infrastructure	16 009	16 009	16 009	16 009
Information and Communication Infrastructure	0	250		
Infrastructure	***1 597 070***	***1 563 557***	***1 558 792***	***1 548 344***
Community Assets	34 096	25 373	24 620	30 320
Heritage Assets	–			
Investment properties	242 552	242 552	242 552	242 552
Other Assets	144 063	143 126	110 196	57 777
Intangible Assets	1 677	2 934	3 184	3 484
Computer Equipment	9 143	9 198	6 738	6 368
Furniture and Office Equipment	14 246	17 122	14 152	14 022
Machinery and Equipment	16 212	28 792	21 250	37 427
Transport Assets	19 534	15 481	12 881	15 381
Land	240 131	239 771	239 771	240 771
Zoo's, Marine and Non-biological Animals	–			
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	**2 318 722**	**2 287 904**	**2 234 135**	**2 196 445**

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
EXPENDITURE OTHER ITEMS				
Depreciation	89 066	91 830	95 080	98 560
Repairs and Maintenance by Asset Class	**65 146**	**48 953**	**44 627**	**45 317**
Roads Infrastructure	30 049	11 590	1 660	1 734
Storm water Infrastructure	1 406	1 355	1 414	1 484
Electrical Infrastructure	5 353	7 227	9 955	10 318
Water Supply Infrastructure	8 829	6 386	6 665	6 960
Sanitation Infrastructure	3 022	2 915	3 043	3 179
Rail Infrastructure	207	730	803	827
Information and Communication Infrastructure	1 050	1 312	1 578	345
Infrastructure	***49 916***	***31 515***	***25 118***	***24 847***
Community Facilities	1 468	2 267	2 503	2 657
Sport and Recreation Facilities	2 219	2 044	3 559	3 700
Community Assets	***3 687***	***4 311***	***6 062***	***6 357***
Operational Buildings	3 002	2 579	2 319	2 434
Other Assets	***3 002***	***2 579***	***2 319***	***2 434***
Machinery and Equipment	**748**	**732**	**802**	**839**
Transport Assets	**7 794**	**9 816**	**10 325**	**10 840**
TOTAL EXPENDITURE OTHER ITEMS	**154 212**	**140 783**	**139 707**	**143 877**
Renewal and upgrading of Existing Assets as % of total capex	*46.5%*	*54.2%*	*72.0%*	*63.0%*
Renewal and upgrading of Existing Assets as % of deprecn	*44.4%*	*36.0%*	*31.3%*	*38.9%*
R&M as a % of PPE	*3.1%*	*2.4%*	*2.2%*	*2.3%*
Renewal and upgrading and R&M as a % of PPE	*5.0%*	*4.0%*	*3.0%*	*4.0%*

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 57.6% of the capital budget, whilst repairs and maintenance constitute 2.4% of PPE.

Table 17 (Table A10 - Basic Service Delivery Measurement)

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Household service targets				
Water:				
Piped water inside dwelling	–	–	–	–
Piped water inside yard (but not in dwelling)	–	–	–	–
Using public tap (at least min.service level)	–	–	–	–
Other water supply (at least min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Using public tap (< min.service level)	–	–	–	–
Other water supply (< min.service level)	–	–	–	–
No water supply	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**
Sanitation/sewerage:				
Flush toilet (connected to sewerage)	–	–	–	–
Flush toilet (with septic tank)	–	–	–	–
Chemical toilet	–	–	–	–
Pit toilet (ventilated)	–	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Bucket toilet	–	–	–	–
Other toilet provisions (< min.service level)	–	–	–	–
No toilet provisions	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**
Energy:				
Electricity (at least min.service level)	–	–	–	–
Electricity - prepaid (min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**
Refuse:				
Removed at least once a week	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Removed less frequently than once a week	–	–	–	–
Using communal refuse dump	–	–	–	–
Using own refuse dump	–	–	–	–
Other rubbish disposal	–	–	–	–
No rubbish disposal	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Households receiving Free Basic Service				
Water (6 kilolitres per household per month)	36 063 383	38 317 522	40 725 697	43 298 452
Sanitation (free minimum level service)	9 123 753	9 716 797	10 348 389	11 021 034
Electricity/other energy (50kwh per household per month)	5 474 948	6 273 743	6 665 852	7 082 468
Refuse (removed at least once a week)	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)				
Water (6 kilolitres per **indigent** household per month)	36 063	38 318	40 726	43 298
Sanitation (free sanitation service to **indigent households**)	9 124	9 717	10 348	11 021
Electricity/other energy (50kwh per **indigent** household per month)	5 475	6 274	6 666	7 082
Refuse (removed once a week **for indigent households**)	–	–	–	–
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	–	–	–	–
Total cost of FBS provided	**50 662**	**54 308**	**57 740**	**61 402**
Highest level of free service provided per household				
Property rates (R value threshold)				
Water (kilolitres per household per month)				
Sanitation (kilolitres per household per month)				
Sanitation (Rand per household per month)				
Electricity (kwh per household per month)				
Refuse (average litres per week)				
Revenue cost of subsidised services provided (R'000)				
Property rates **(tariff adjustment)** (**impermissable values per section 17 of MPRA**)	–	–	–	–
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**	19 429	20 451	21 526	22 658
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	**19 429**	**20 451**	**21 526**	**22 658**

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 2020 after the approval of a timetable to guide the preparation of the 2021/22 to 2023/24 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 2021. The main aim of the timetable was to ensure that an IDP and a balanced Budget are tabled in May 2021. The Annual Budget and IDP will be tabled by the Executive Mayor at a Council meeting scheduled for 28 May 2021. After this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation process took the form of publication of the Draft Budget on municipal website, Facebook, virtual meetings with different wards and radio presentation of the Draft Budget by the Executive Mayor. 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 28 May 2021.

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 2021/22 to 2023/24

The preparation of the 2021/22 to 2023/24 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 28 August 2020.

Activity	Date
IDP/Budget Schedule approved by Council	28 August 2020
Tabling of draft IDP and Budget in Council	31 March 2021
Public Participation	During April 2021
Final adoption of IDP and Budget by Council	28 May 2021
Approval of SDBIP by Executive Mayor	26 June 2021

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 2021/22 to 2023/24 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 publication of the Draft Budget on municipal website, Facebook, radio presentation of the Draft Budget by the Executive Mayor, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings were referred to the relevant Directorates for their attention.

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Borrowing Management					
Credit Rating					
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.1%	0.7%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.5%	0.9%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%
Safety of Capital					
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%
Liquidity					
Current Ratio	Current assets/current liabilities	0.9	0.9	1.0	1.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.9	0.9	1.0	1.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	0.2	0.3	0.3
Revenue Management					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	0.0%	0.0%	0.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		90.0%	93.0%	95.0%	96.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	11.7%	12.0%	12.0%	11.8%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old				
Creditors Management					
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))				
Creditors to Cash and Investments		-203.7%	-298.4%	-260.3%	-267.6%

Description of financial indicator	Basis of calculation	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Other Indicators					
Electricity Distribution Losses (2)	Total Volume Losses (kW)				
	Total Cost of Losses (Rand '000)				
	% Volume (units purchased and generated less units sold)/units purchased and generated				
Water Distribution Losses (2)	Total Volume Losses (kℓ)				
	Total Cost of Losses (Rand '000)				
	% Volume (units purchased and generated less units sold)/units purchased and generated				
Employee costs	Employee costs/(Total Revenue - capital revenue)	37.8%	39.2%	39.5%	40.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	39.3%	40.6%	40.9%	41.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	7.1%	5.1%	4.4%	4.2%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	9.8%	9.6%	9.3%	9.2%
IDP regulation financial viability indicators	-				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	31.2	48.9	49.2	52.1
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	15.7%	15.3%	15.3%	14.9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.3	0.6	0.7	0.6

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 2021/22 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 0.7% of total operating expenditure in the 2021/2 financial year and reduces to 0.0% in 2022/23.

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 2021/22 MTREF, the current ratio is 0.9 in the 2021/22, 1.0 in the 2022/23 and 1.0 in the 2023/24 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 2021/22 MTREF, the liquidity ratio is at 0.2:1. 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 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.

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 2018.

The 2021/22 MTREF has been prepared on the basis of achieving an average revenue collection rate of 93% of current billings for property rate and service charges.

2.4.3 Supply Chain Management Policy

A revised Supply Chain Management Policy was adopted by Council in 29 March 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 2021/22 – 2023/24 Budget:

- Maintaining an acceptable employee related cost 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:

	2021/22	2022/23	2023/24
Income	%	%	%
Tariff Increases for water	7.1	7.1	7.1
Tariff Increases for sanitation	6.5	6.5	6.5
Tariff Increases for refuse	6.5	6.5	6.5
Property rates increase	5.25	5.25	5.25
Electricity tariff increase (on average)	6.25	6.25	6.25
Environmental Management Fee increase	0	0	0
Revenue collection rates (Property Rates and Service Charges)	93	95	96
Expenditure increases allowed	4.5	4.6	4.6

	2021/22	2022/23	2023/24
Salary increase	6	6	6
Increase in bulk purchase of electricity costs	17.8	4.4	4.5
Increase in bulk purchase of water costs	4.1	4.4	4.5

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 2021/22 financial year.

Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure					
	Adjusted Budget	%	Budget Year 2021/22	%	Budget Year 2022/23	%	Budget Year 2023/24	%
R thousands								
Revenue By Source								
Property rates	207 801	22.52%	218 711	22.65%	230 193	22.51%	242 278	22.52%
Service charges	483 561	52.40%	538 133	55.74%	571 860	55.91%	607 766	56.49%
Transfers and subsidies	166 745	18.07%	152 602	15.81%	162 338	15.87%	164 810	15.32%
Other revenue	64 750	7.02%	55 954	5.80%	58 416	5.71%	61 044	5.67%
Total Revenue (excluding capital transfers and contributions)	**922 858**	**100.00%**	**965 400**	**100.00%**	**1 022 807**	**100.00%**	**1 075 898**	**100.00%**

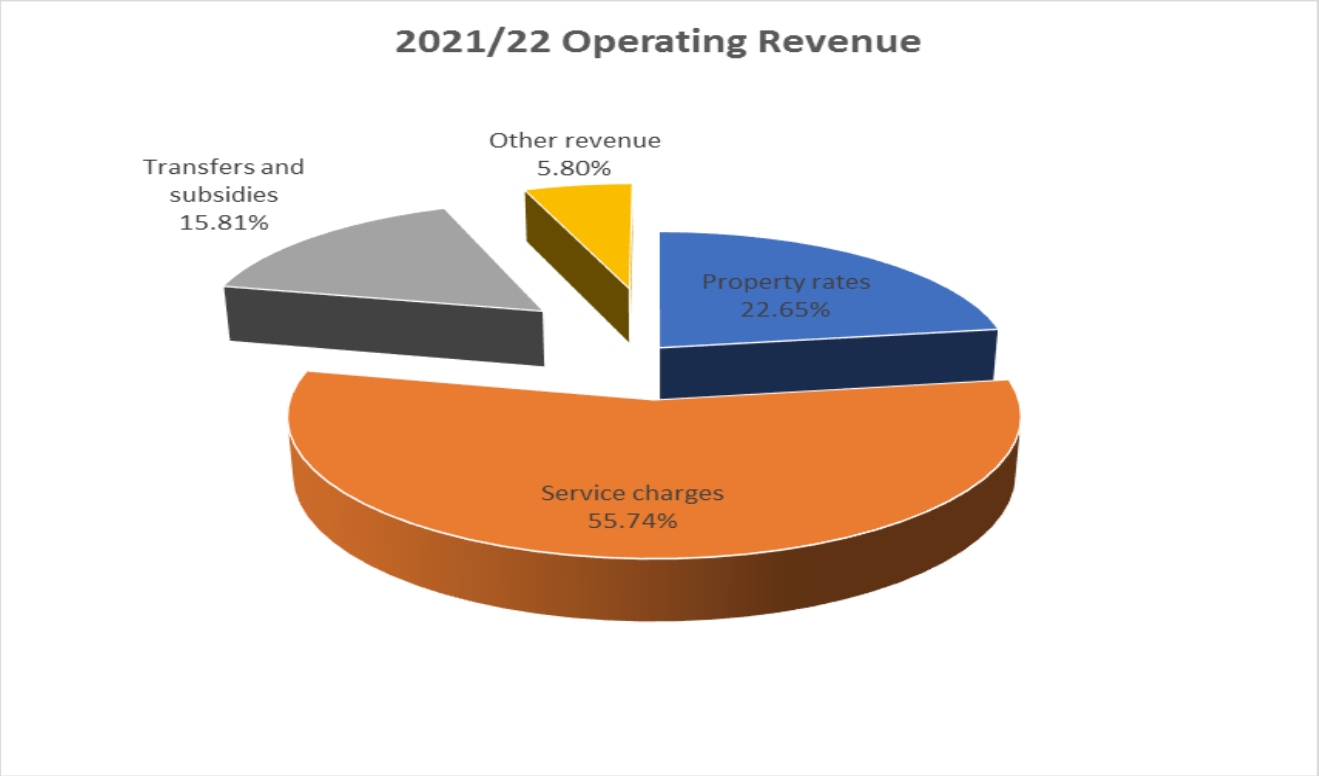

Figure 3 Breakdown of operating revenue over the 2020/21 MTRE

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 an 93% 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 218,711 million in the 2021/22 financial year and increases to R 242,278 million in 2023/24, representing 22.65% of the total operating revenue for the 2021/22 budget.

Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R 538,133 million in the

2021/22 financial year and increasing to R 607,766 million in 2023/24. For the 2021/22 financial year, services charges amount to 55.74% of the total revenue base.

Operational grants and subsidies amount to R 152,602 million, R 162,338 million and R 164,810 million for each of the respective financial years of the MTREF, or 15.81% of total operating revenue for 2021/22.

The table below provides investment particulars by type.

Table 19 (SA15 – Detail Investment Information)

Investment type	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
R thousand				
Parent municipality				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	90 062	**45 339**	**51 975**	**50 552**
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	**90 062**	**45 339**	**51 975**	**50 552**
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:	**90 062**	**45 339**	**51 975**	**50 552**

Investments are anticipated to increase from R 45,339 million in 2021/22 to R 50,552 million in 2023/24.

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2021/22 medium-term capital programme:

Table 20 (Sources of capital revenue over the MTREF)

Vote Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Funded by:				
National Government	44 888	34 385	35 831	36 959
Provincial Government	0	–	–	–
District Municipality	5 118	1 600	–	–
Transfers recognised - capital	**50 006**	**35 985**	**35 831**	**36 959**
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	35 158	25 028	5 480	23 910
Total Capital Funding	**85 164**	**61 013**	**41 311**	**60 869**

The above table is graphically represented as follows for the 2021/22 financial year.

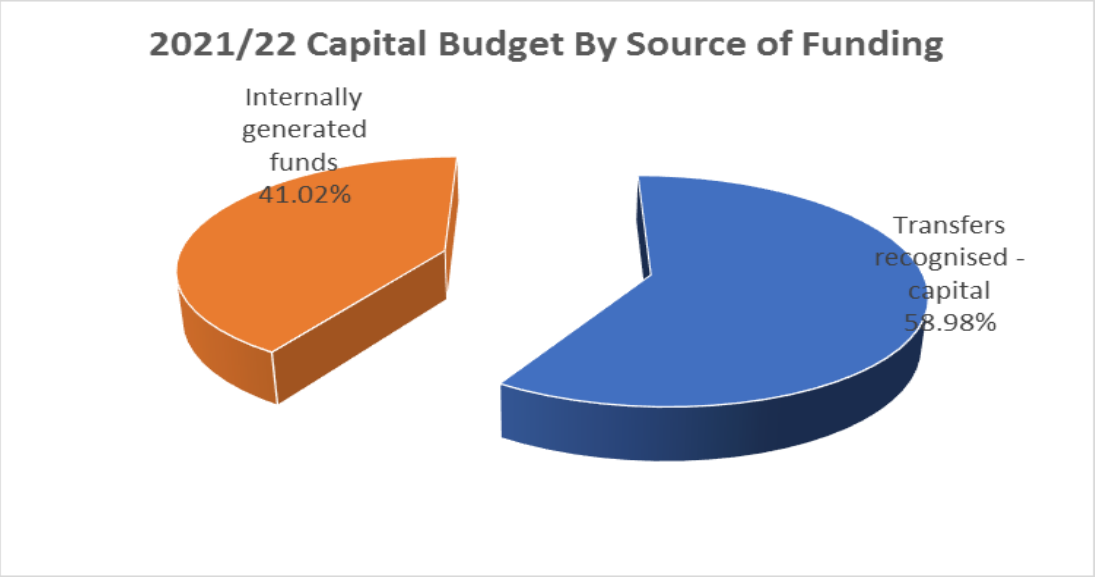

Figure 4 Sources of Capital Revenue for the 2020/21 financial year

Capital Grants constitute 58.98% of the total funding sources, amounting to R 35,985 million for the 2021/22 financial year and amounting to R 36,959 million or 60.72% in the 2023/24 financial year. It is to be noted that no borrowing is planned for the 2021/22 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)

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
R thousands				
Parent municipality				
Annuity and Bullet Loans	6 747	–	–	–
Total Borrowing	6 747	–	–	–

The following graph illustrates the outstanding borrowing for the 2021/22 to 2023/24 period:

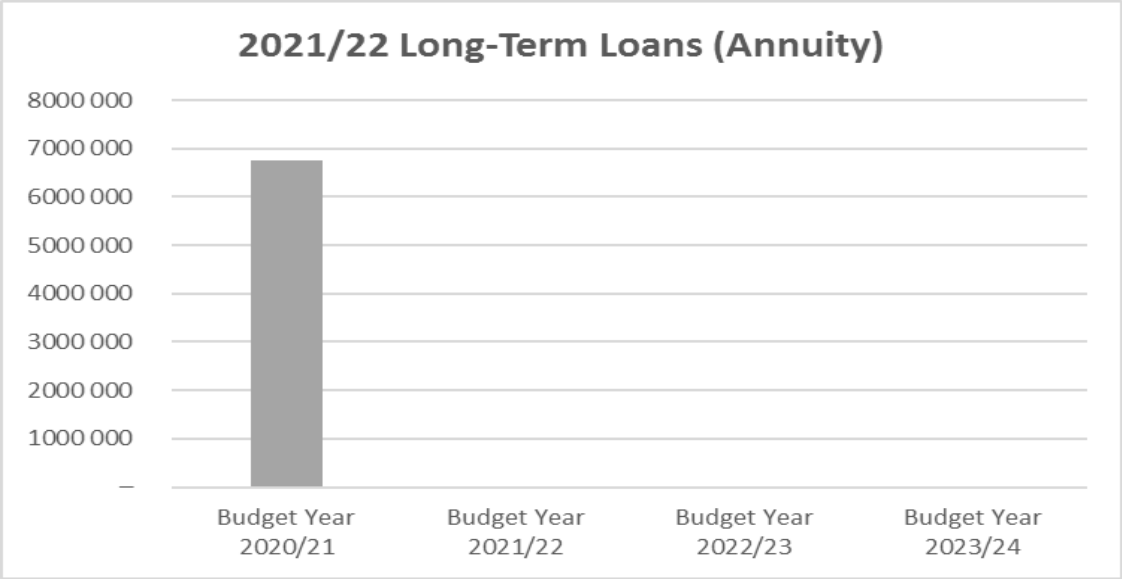

Figure 5 Growth in outstanding borrowing (long-term liabilities)

The following table indicates the capital transfers and grant receipts:

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

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
RECEIPTS:				
Operating Transfers and Grants				
National Government:	**161 170**	**148 588**	**158 324**	**160 796**
Operational Revenue:General Revenue:Equitable Share	157 037	143 774	154 809	157 207
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 054	1 423	–	–
Local Government Financial Management Grant [Schedule 5B]	1 500	1 720	1 720	1 720
Municipal Infrastructure Grant [Schedule 5B]	1 579	1 671	1 795	1 869
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Sports and Recreation	2 050	2 050	2 050	2 050
District Municipality:	**2 780**	**1 964**	**1 964**	**1 964**
All Grants	2 780	1 964	1 964	1 964
Other Grant Providers:	**706**	**–**	**–**	**–**
Foreign Government and International Organisations	706	–	–	–
Total Operating Transfers and Grants	**166 705**	**152 602**	**162 338**	**164 810**
Capital Transfers and Grants				
National Government:	**35 199**	**39 542**	**41 205**	**42 503**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	5 200	7 800	7 109	7 000
Municipal Infrastructure Grant [Schedule 5B]	29 999	31 742	34 096	35 503
District Municipality:	**1 965**	**714**	**714**	**714**
All Grants	1 965	714	714	714
Total Capital Transfers and Grants	**37 164**	**40 256**	**41 919**	**43 217**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**203 870**	**192 858**	**204 257**	**208 027**

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 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	187 021	203 401	218 684	232 587
Service charges	435 205	500 464	543 267	583 455
Other revenue	48 944	39 500	41 238	43 094
Transfers and Subsidies - Operational	166 705	152 602	162 338	164 810
Transfers and Subsidies - Capital	37 164	40 256	41 919	43 217
Interest	14 780	15 706	16 620	17 485
Dividends	–	–	–	–
Payments				
Suppliers and employees	(843 870)	(927 527)	(975 470)	(1 024 551)
Finance charges	(1 388)	(716)	–	–
Transfers and Grants	(761)	(650)	(650)	(650)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**43 801**	**23 037**	**47 947**	**59 446**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (increase) in non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(85 164)	(61 013)	(41 311)	(60 869)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(85 164)**	**(61 013)**	**(41 311)**	**(60 869)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments				
Repayment of borrowing	(9 608)	(6 747)	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(9 608)**	**(6 747)**	**–**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD	**(50 970)**	**(44 723)**	**6 636**	**(1 423)**
Cash/cash equivalents at the year begin:	141 032	**90 062**	**45 339**	**51 975**
Cash/cash equivalents at the year end:	**90 062**	**45 339**	**51 975**	**50 552**

For the 2021/22 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 45,339 million in 2021/22 million to R 50,552 million in 2023/24.

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

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Cash and investments available				
Cash/cash equivalents at the year end	90 062	45 339	51 975	50 552
Other current investments > 90 days	(0)	0	0	0
Non current assets - Investments	–	–	–	–
Cash and investments available:	**90 062**	**45 339**	**51 975**	**50 552**
Application of cash and investments				
Unspent conditional transfers	–	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements				
Other working capital requirements	70 766	28 517	19 961	14 810
Other provisions	1 174	3 176	3 176	3 176
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–
Total Application of cash and investments:	**71 940**	**31 693**	**23 137**	**17 986**
Surplus(shortfall)	**18 122**	**13 646**	**28 838**	**32 566**

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 45,339 million in the 2021/22 financial year and increases to R 50,552 million in 2023/24. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2021/22 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 provision relates to Post-retirement Medical Aid Benefits Liability which has been provided for.

It is concluded that the Municipality's cash backed, and accumulated surpluses reconciliation reflects surpluses of R 13,646 million, R 28,838 million and R 32,566 million for the 2021/22, 2022/23 and 2023/24 financial years, respectively.

It is to be noted that the 2021/22 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 0.6 months, 0.7 months and 0.6 months for the 2021/22, 2022/23 and 2023/24 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	Current Year 2020/21	2020/21 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Funding measures					
Cash/cash equivalents at the year end - R'000	18(1)b	90 062	45 339	51 975	50 552
Cash + investments at the yr end less applications - R'000	18(1)b	18 122	13 646	28 838	32 566
Cash year end/monthly employee/supplier payments	18(1)b	1.3	0.6	0.7	0.6
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	(61 471)	(68 793)	(47 133)	(39 113)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	(5.4%)	3.5%	(0.0%)	(0.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	89.4%	92.1%	94.0%	95.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	10.1%	7.1%	5.1%	4.1%
Capital payments % of capital expenditure	18(1)c;19	111.6%	115.2%	105.6%	124.1%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a		0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	(13.8%)	6.9%	5.8%	3.4%
Long term receivables % change - incr(decr)	18(1)a	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	3.1%	2.4%	2.2%	2.3%
Asset renewal % of capital budget	20(1)(vi)	17.3%	9.9%	0.0%	15.3%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2021/22 MTREF amounts to R 45,339 million, R 51,975 million and R 50,552 million for the respective financial years.

2.6.5.2 Cash plus investments less application of funds

For the 2021/22, 2022/23 and 2023/24 budgets, the available cash and investments exceed the application of funds by an amount of R 13,646 million, R 28,838 million and R 32,566 million, respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents.

As part of the 2021/22 MTREF, the projected cash position causes the ratio to decrease from 1.3 months to 0.6 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets.

For the 2021/22 MTREF the indicative outcome is a deficit of R 109,049 million, R 89,052 million and R 82,330 million, respectively. This is made up as follows:

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
R thousands				
Surplus/(Deficit)	(115 097)	(109 049)	(89 052)	(82 330)
Transfers and subsidies - capital	53,586	40 256	41 919	43 217
Total	**(61 471)**	(68 793)	(47 133)	(39 113)

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 4.1%), so as to determine the real increase in revenue. The percentage growth totals 3.5%, 0.0% and 0.0% for the respective financial years of the 2021/22 MTREF.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

The outcome is approximately 92.1% for the 2021/22 and 94.0% for the 20222/23 and 95.0% for the 2023/24 financial years.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

The provision has been set at 7% for property rates and services, for the 2021/22 and 5% for the 2022/23 and 4% for the 2023/24 financial years, 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 2021/22 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 2.4%, 2.2% and 2.3% of Property, Plant and Equipment respectively, over the 2021/22 MTREF, whilst National Treasury has suggested an 8% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
RECEIPTS:				
Operating Transfers and Grants				
National Government:	**161 170**	**148 588**	**158 324**	**160 796**
Operational Revenue:General Revenue:Equitable Share	157 037	143 774	154 809	157 207
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 054	1 423	–	–
Local Government Financial Management Grant [Schedule 5B]	1 500	1 720	1 720	1 720
Municipal Infrastructure Grant [Schedule 5B]	1 579	1 671	1 795	1 869
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Sports and Recreation	2 050	2 050	2 050	2 050
District Municipality:	**2 780**	**1 964**	**1 964**	**1 964**
All Grants	2 780	1 964	1 964	1 964
Other Grant Providers:	**706**	**–**	**–**	**–**
Foreign Government and International Organisations	706	–	–	–
Total Operating Transfers and Grants	**166 705**	**152 602**	**162 338**	**164 810**
Capital Transfers and Grants				
National Government:	**35 199**	**39 542**	**41 205**	**42 503**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	5 200	7 800	7 109	7 000
Municipal Infrastructure Grant [Schedule 5B]	29 999	31 742	34 096	35 503
District Municipality:	**1 965**	**714**	**714**	**714**
All Grants	1 965	714	714	714
Total Capital Transfers and Grants	**37 164**	**40 256**	**41 919**	**43 217**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**203 870**	**192 858**	**204 257**	**208 027**

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
EXPENDITURE:				
Operating expenditure of Transfers and Grants				
National Government:	**161 170**	**148 588**	**158 324**	**160 796**
Operational Revenue:General Revenue:Equitable Share	157 037	143 774	154 809	157 207
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 054	1 423	–	–
Local Government Financial Management Grant [Schedule 5B]	1 500	1 720	1 720	1 720
Municipal Infrastructure Grant [Schedule 5B]	1 579	1 671	1 795	1 869
Provincial Government:	**2 050**	**2 050**	**2 050**	**2 050**
Sports and Recreation	2 050	2 050	2 050	2 050
District Municipality:	**2 780**	**1 964**	**1 964**	**1 964**
All Grants	2 780	1 964	1 964	1 964
Other Grant Providers:	**706**	**–**	**–**	**–**
Foreign Government and International Organisations	706	–	–	–
Total operating expenditure of Transfers and Grants:	**166 705**	**152 602**	**162 338**	**164 810**
Capital expenditure of Transfers and Grants				
National Government:	**35 199**	**39 542**	**41 205**	**42 503**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	5 200	7 800	7 109	7 000
Municipal Infrastructure Grant [Schedule 5B]	29 999	31 742	34 096	35 503
District Municipality:	**1 965**	**714**	**714**	**714**
All Grants	1 965	714	714	714
Total capital expenditure of Transfers and Grants	**37 164**	**40 256**	**41 919**	**43 217**
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	**203 870**	**192 858**	**204 257**	**208 027**

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 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Cash Transfers to Entities/Other External Mechanisms				
Various Organisations	761	650	650	650
Total Cash Transfers To Entities/Ems'	**761**	**650**	**650**	**650**
TOTAL CASH TRANSFERS AND GRANTS	**761**	**650**	**650**	**650**
TOTAL TRANSFERS AND GRANTS	**761**	**650**	**650**	**650**

2.9 COUNCILLORS AND EMPLOYEE BENEFITS

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Councillors (Political Office Bearers plus Other)				
Basic Salaries and Wages	9 104	9 104	9 696	10 326
Motor Vehicle Allowance	3 081	3 081	3 282	3 495
Cellphone Allowance	1 465	1 465	1 560	1 662
Sub Total - Councillors	**13 651**	**13 651**	**14 538**	**15 483**
Senior Managers of the Municipality				
Basic Salaries and Wages	6 106	6 954	7 406	7 887
Pension and UIF Contributions	36	106	113	120
Medical Aid Contributions	13	31	33	35
Performance Bonus	453	23	25	26
Motor Vehicle Allowance	811	1 605	1 709	1 820
Cellphone Allowance	6	10	11	12
Other benefits and allowances	50	1	1	1
Payments in lieu of leave	1 150	2 358	2 511	2 674
Sub Total - Senior Managers of Municipality	**8 624**	**11 088**	**11 808**	**12 576**
Other Municipal Staff				
Basic Salaries and Wages	224 540	232 525	247 590	263 683
Pension and UIF Contributions	33 121	36 881	39 278	41 831
Medical Aid Contributions	17 256	23 684	25 105	26 737
Overtime	28 149	31 142	33 166	35 322
Performance Bonus	–	23	25	26
Motor Vehicle Allowance	9 393	9 871	11 217	11 946
Cellphone Allowance	288	85	91	97
Housing Allowances	905	1 787	1 904	2 027
Other benefits and allowances	24 869	29 863	31 854	33 925
Payments in lieu of leave	27	25	27	28
Long service awards	1 557	1 702	1 813	1 930
Sub Total - Other Municipal Staff	**340 105**	**367 590**	**392 070**	**417 554**
Total Parent Municipality	**362 380**	**392 328**	**418 416**	**445 613**
TOTAL SALARY, ALLOWANCES & BENEFITS	**362 380**	**392 328**	**418 416**	**445 613**
TOTAL MANAGERS AND STAFF	**348 729**	**378 677**	**403 878**	**430 130**

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22
Cash Receipts By Source													
Property rates	16 950	16 950	16 950	16 950	16 950	16 950	16 950	16 950	16 950	16 950	16 950	16 950	203 401
Service charges - electricity revenue	25 898	25 898	25 898	25 898	25 898	25 898	25 898	25 898	25 898	25 898	25 898	25 898	310 781
Service charges - water revenue	6 943	6 943	6 943	6 943	6 943	6 943	6 943	6 943	6 943	6 943	6 943	6 943	83 310
Service charges - sanitation revenue	4 544	4 544	4 544	4 544	4 544	4 544	4 544	4 544	4 544	4 544	4 544	4 544	54 531
Service charges - refuse revenue	4 320	4 320	4 320	4 320	4 320	4 320	4 320	4 320	4 320	4 320	4 320	4 320	51 842
Rental of facilities and equipment	97	97	97	97	97	97	97	97	97	97	97	97	1 169
Interest earned - external investments	482	482	482	482	482	482	482	482	482	482	482	482	5 780
Interest earned - outstanding debtors	827	827	827	827	827	827	827	827	827	827	827	827	9 927
Fines, penalties and forfeits	186	186	186	186	186	186	186	186	186	186	186	186	2 238
Licences and permits	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	25 746
Transfers and Subsidies - Operational	50 867					50 867			50 867				152 602
Other revenue	862	862	862	862	862	862	862	862	862	862	862	862	10 348
Cash Receipts by Source	**43 449**	**43 449**	**43 449**	**43 449**	**43 449**	**43 449**	**43 449**	**43 449**	**43 449**	**43 449**	**43 449**	**433 733**	**911 674**

MONTHLY CASH FLOWS	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22
Cash Payments by Type													
Employee related costs	30 195	30 195	30 195	30 195	46 526	30 195	30 195	30 195	30 195	30 195	30 195	30 198	378 677
Remuneration of councillors	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	1 138	13 651
Finance charges	60	60	60	60	60	60	60	60	60	60	60	60	716
Bulk purchases - Electricity	24 167	24 167	24 167	24 167	24 167	24 167	24 167	24 167	24 167	24 167	24 167	24 167	290 000
Bulk purchases - Water & Sewer	–	–	–	–	–	–	–	–	–	–	–	–	–
Other materials	5 522	5 522	5 522	5 522	5 522	5 522	5 522	5 522	5 522	5 522	5 522	5 522	66 261
Contracted services	6 550	6 550	6 550	6 550	6 550	6 550	6 550	6 550	6 550	6 550	6 550	6 551	78 598
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other	54	54	54	54	54	54	54	54	54	54	54	54	650
Other expenditure	8 361	8 361	8 361	8 361	8 361	8 361	8 361	8 361	8 361	8 361	8 361	8 364	100 339
Cash Payments by Type	**76 046**	**76 046**	**76 046**	**76 046**	**92 377**	**76 046**	**76 046**	**76 046**	**76 046**	**76 046**	**76 046**	**76 053**	**928 893**
Other Cash Flows/Payments by Type													
Capital assets	5 084	5 084	5 084	5 084	5 084	5 084	5 084	5 084	5 084	5 084	5 084	5 085	61 013
Repayment of borrowing	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	2 145	6 747
Other Cash Flows/Payments	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Payments by Type	**74 384**	**81 131**	**81 131**	**81 131**	**97 461**	**81 131**	**81 131**	**81 131**	**81 131**	**81 131**	**81 131**	**94 632**	**996 652**
NET INCREASE/(DECREASE) IN CASH HELD	**(27 699)**	**(34 446)**	**(34 446)**	**(34 446)**	**(50 776)**	**(34 446)**	**(34 446)**	**(34 446)**	**(34 446)**	**(34 446)**	**(34 446)**	**343 764**	**(44 723)**
Cash/cash equivalents at the month/year begin:	90 062	62 363	27 917	(6 528)	(40 974)	(91 750)	(126 196)	(160 642)	(195 087)	(229 533)	(263 979)	(298 425)	90 062
Cash/cash equivalents at the month/year end:	62 363	27 917	(6 528)	(40 974)	(91 750)	(126 196)	(160 642)	(195 087)	(229 533)	(263 979)	(298 425)	45 339	45 339

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework		
R thousand	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Cash Receipts By Source			
Property rates	203 401	218 684	232 587
Service charges - electricity revenue	310 781	337 306	362 160
Service charges - water revenue	83 310	91 144	98 643
Service charges - sanitation revenue	54 531	59 324	63 846
Service charges - refuse revenue	51 842	55 493	58 807
Rental of facilities and equipment	1 169	1 220	1 275
Interest earned - external investments	5 780	6 034	6 306
Interest earned - outstanding debtors	9 927	10 586	11 179
Fines, penalties and forfeits	2 238	2 336	2 441
Licences and permits	25 746	26 878	28 088
Transfers and Subsidies - Operational	152 602	162 338	164 810
Other revenue	10 348	10 804	11 290
Cash Receipts by Source	**911 674**	**982 147**	**1 041 431**
Other Cash Flows by Source			
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	40 256	41 919	43 217
Total Cash Receipts by Source	**951 930**	**1 024 066**	**1 084 648**

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework		
R thousand	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Cash Payments by Type			
Employee related costs	378 677	403 878	430 130
Remuneration of councillors	13 651	14 538	15 483
Finance charges	716	–	–
Bulk purchases - Electricity	290 000	302 760	316 384
Bulk purchases - Water & Sewer	–	–	–
Other materials	66 261	71 947	74 024
Contracted services	78 598	79 299	80 156
Transfers and grants - other municipalities	–	–	–
Transfers and grants - other	650	650	650
Other expenditure	100 339	103 047	108 374
Cash Payments by Type	**928 893**	**976 120**	**1 025 201**
Other Cash Flows/Payments by Type			
Capital assets	61 013	41 311	60 869
Repayment of borrowing	6 747	–	–
Other Cash Flows/Payments	–	–	–
Total Cash Payments by Type	**996 652**	**1 017 431**	**1 086 071**
NET INCREASE/(DECREASE) IN CASH HELD	**(44 723)**	**6 636**	**(1 423)**
Cash/cash equivalents at the month/year begin:	90 062	45 339	51 975
Cash/cash equivalents at the month/year end:	45 339	51 975	50 552

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 2021/22 financial year will be approved by the Executive Mayor during July 2021, 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 2021/22 IDP has been developed, which was approved at a Council meeting held on 31 March 2021. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP. The final version of the revised 2021/22 IDP will be considered at a Council meeting scheduled for 28 May 2021.

Budget

The 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 2019/20 Annual Report will be considered at a Council meeting scheduled for 28 May 2021.

Oversight Report

The Municipal Public Accounts Committee has considered the 2019/20 Annual report. Its Oversight Report will be considered at a Council meeting scheduled for 28 May 2021.

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 2021/22 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 five Interns on the Municipal Financial Management Internship programme, as approved by National Treasury.

Municipal Standard Chart of Accounts (mSCOA)

In accordance with the Municipal Regulations relating to mSCOA, municipalities were required to be compliant with the mSCOA classification framework by 1 July 2017. It is to be noted that the Municipality has been transacting on the mSCOA compliant financial system since July 2017.

2.13 CAPITAL EXPENDITURE DETAILS

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

2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

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 Local Municipality (EC108)



Signature:……..

Date:……

ANNEXURE A

MFMA Circular No. 107

Municipal Finance Management Act No. 56 of 2003

NATIONAL TREASURY

Municipal Budget Circular for the 2021/22 MTREF

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Introduction

The purpose of the annual budget circular is to guide municipalities with their compilation of the 2021/22 Medium Term Revenue and Expenditure Framework (MTREF). This circular is linked to the Municipal Budget and Reporting Regulations (MBRR) and the municipal Standard Chart of Accounts *(m*SCOA); and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial reform agenda by focussing on key "game changers". These game-changers include ensuring that municipal budgets are funded, revenue management is optimised, assets are managed efficiently, supply chain management processes are adhered to, *m*SCOA is implemented correctly and that audit findings are addressed.

Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance on budget preparation that is not covered in this circular.

1. The South African economy and inflation targets

The National Treasury projects real economic growth of 3.3 per cent in 2021, following an expected contraction of 7.8 per cent in 2020. Real GDP growth is expected to moderate to 1.7 per cent in 2022 and 1.5 per cent in 2023, averaging 2.1 per cent over the medium term.

South Africa experienced its largest recorded decline in economic output in the second quarter of 2020 due to the strict COVID-19 lockdown. Real GDP fell by 17.1 per cent relative to the previous quarter (or 51 per cent on a seasonally adjusted and annualised basis), with all major sectors except agriculture declining. The second-quarter results were weaker than expected in the June 2020 special adjustments budget, which projected a contraction of 7.2 per cent in 2020.

High-frequency data for the third quarter – such as the volume of electricity distributed, mining and manufacturing output, business confidence and the Absa Purchasing Managers' Index (PMI) – shows evidence of a limited economic rebound. Although growth rates are likely to improve quickly as restrictions are removed, based on current projections, output is only expected to return to pre-pandemic levels in 2024.

The main risks to the economic outlook are weaker-than-expected growth, continued deterioration in the public finances and a failure to implement structural reforms. A second wave of COVID-19 infections, accompanied by new restrictions on economic activity, would have significant implications for the outlook. Government's fiscal position is a risk to growth: higher long-term borrowing costs and risk premiums have started to affect the broader economy.

In addition, recovery efforts will fail unless structural constraints (including in energy, infrastructure and competitiveness) are urgently addressed. While the reforms required in these areas do not immediately affect growth, they are critical for market confidence and investment.

Electricity remains a binding constraint on economic recovery, with power interruptions expected to continue into 2021. Private generation will only be able to plug the electricity gap to a limited extent over the next year.

Job creation is a top priority of the economic recovery plan that will guide policy actions over the medium term, supported by new infrastructure investment and large-scale public

employment programmes. In addition, targeted skills development will improve productivity and employment prospects.

Headline inflation is at the lower end of the 3 to 6 per cent target range. Goods and services inflation has broadly declined due to weak demand and falling oil prices. Inflation is forecast to fluctuate around the 4.5 per cent midpoint over the medium term in line with moderating inflation expectations.

In summary, the country's tax collection targets have not been met and this means that the fiscus has less funds available to allocate across the various spheres of government. There are measures in place to reduce expenditure to narrow the deficits.

The following macro-economic forecasts must be considered when preparing the 2021/22 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2016 - 2020

Fiscal year	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate		Forecast	
CPI Inflation	4.1%	3.2%	4.1%	4.4%	4.5%

Source: Medium Term Budget Policy Statement 2020.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2. Key focus areas for the 2021/22 budget process

2.1 Local government conditional grants allocations

Transfers to local government will be reduced by R17.7 billion, including R14.5 billion from the local government equitable share, R2.7 billion from the general fuel levy and R569 million in direct conditional grants over the 2021 MTEF period. The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the MTEF period.

Government will revisit underperforming programmes. For example, some cities receiving the Public Transport Network Grant (PTNG) have not launched their integrated public transport networks. Over the MTEF period, government will suspend at least two more poorly performing cities from this grant and the remaining cities will be required to reduce costs and demonstrate their effectiveness to remain funded.

The annual Division of Revenue Bill will be published in February 2021 after the Minister of Finance's budget speech. The Bill will specify grant allocations and municipalities must reconcile their budgets to the numbers published herein.

Municipalities are advised to use the indicative numbers presented in the 2020 Division of Revenue Act to compile their 2021/22 MTREF. In terms of the outer year allocations (2023/24 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2020 Division of Revenue Act for 2020/21. The DoRA is available at
http://www.treasury.gov.za/documents/national%20budget/2020/default.aspx

8. *Division of Revenue Second Amendment Bill, 2020: changes to local government allocations*

Roll-over of funds - R390 million is rolled over in the Urban Settlement Development Grant (USDG) to fund commitments for bulk infrastructure related projects in Nelson Mandela Bay Metropolitan Municipality. R98 million is rolled over in the PTNG to continue with the rollout of the integrated public transport network (IPTN) for public and non-motorised infrastructure in Nelson Mandela Bay Metropolitan Municipality.

R307 million is rolled over in the Regional Bulk Infrastructure Grant (RBIG) for drought and COVID-19 water and sanitation interventions nation-wide.

Water Services Infrastructure Grant (WSIG) - R12 million has been reprioritised from the Department of Water Affairs' budget into the indirect component of WSIG for the implementation of various water services interventions.

9. *Reductions to municipal conditional grants*

In the Medium-Term Policy Budget Statement, the Minister of Finance indicated that R10.5 billion is required for the rescue plan for the South African Airways. Therefore, R613 million has been proportionately reduced across municipalities in respect of conditional grants while no reductions were made to the local government equitable share for the 2020/21 financial year.

These changes are shown in Schedule 4, Part B; Schedule 5, Part B and Schedule 6, Part B of the Bill.

10. *Additional instruments to finance infrastructure in municipalities*

Municipalities can access other instruments to finance the development of infrastructure that boosts economic growth beyond infrastructure grants. Reforms over the medium term will enhance the ability of municipalities to raise revenue to invest in their own development. An update on development charges and borrowing reforms is summarised below:

- *Development charges* - Municipalities earn revenue from charging developers to connect new developments to municipal services. The draft Municipal Fiscal Powers and Functions Amendment Bill proposes new, uniform regulations in respect of these development charges, thereby strengthening the revenue-raising framework of municipalities. After processing comments, the National Treasury will submit the Bill to Cabinet and Parliament for consideration in 2021; and
- *Borrowing* - Creditworthy municipalities can also borrow in capital markets. The National Treasury has updated the original municipal borrowing policy framework, which guides this borrowing, and will shortly submit it to Cabinet for approval. The proposed changes aim to increase the term maturity of borrowing improve the secondary market for the

trade of municipal debt instruments and define the role of development finance institutions to avoid crowding out the private sector.

3. 2021 Local Government Elections and the budget process

Local government elections are scheduled to take place in 2021, and the proposed date is yet to be determined. Elections are important events as we reaffirm our commitment to democratic and accountable government by choosing representatives of the people who will guide the work of local government for the next five years.

The following four risks need to be explicitly managed:

1. In terms of section 13 of the Municipal Property Rates Act, 2004 (Act No 6 of 2004)(MPRA) and sections 24 and 42 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003)(MFMA), new tariffs for property rates, electricity, water and any other taxes and similar tariffs may only be implemented from the start of the municipal financial year (1 July). This means that the municipal council must approve the relevant tariffs as part of the MTREF budget before the commencement of the financial year on 1 July. Failure to obtain council approval for the annual tariff increases would most likely cause an immediate financial crisis that may lead to the provincial executive intervening in the municipality in terms of section 139 of the Constitution. Therefore, if the elections take place after the start of the financial year, the outgoing council will be responsible for approving tariffs for the 2021/22 MTREF and the newly elected council for the implementation thereof as section 28(6) of the MFMA does not allow the increase of tariffs in-year;

2. In terms of section 16 of the MFMA, a municipal council must approve the annual budget for the municipality before the start of the financial year, and should a municipal council fail to do so, section 26 of the MFMA prescribes that the provincial executive **must** intervene. This provincial intervention may include dissolving the municipal council and appointing an administrator to run the municipality. Therefore, the outgoing council must ensure that they comply with the timeframes for approval of the budget;

3. The outgoing council may be tempted to prepare an 'election friendly budget' with unrealistically low tariff increases and an over-ambitious capital expenditure programme. The outcome of this approach will undoubtedly be an unfunded municipal budget that threatens their respective municipality's financial sustainability and service delivery; and

4. Given that the timing of election campaigning may coincide with the municipal public budget consultations, there is a risk that these consultations may be neglected or used to serve the narrow interests of political parties. It is reiterated that transparency and public participation is an integral part of our constitutional democracy, hence municipalities must ensure that public and stakeholder consultation processes are adhered to as required by the legislative framework.

In the build-up to the 2021 local government elections, the financial sustainability of the municipality should be protected. Now, more than ever before, it is paramount for sound municipal decision-making so that the long-term sustainability of municipal finances and service delivery is achieved beyond the election period.

Finances of some municipalities have been unstable for many years, and this was exacerbated by the financial impact of the COVID-19 pandemic. Therefore, there is severe

pressure to maintain healthy cash flows and increase cost containment measures while sustaining efficient service delivery levels. It is therefore imperative that municipalities refrain from suspending credit control and debt collection efforts. Municipalities are also reminded of the regulatory framework set out in the Municipal Cost Containment Regulations insofar as it relates to the use of municipal funds to fund election campaigns and other non-priority issues as this might further impact the financial sustainability of municipalities.

Furthermore, as the current municipal leadership will be responsible for the compilation of the 2022/23 MTREF budgets, councils are advised to prioritise expenditure appropriations aligned to the policy intent as described in the integrated development plans (IDPs). Infrastructure provisioning for water, sanitation, roads and electricity remain key priorities.

In addition, the outgoing council is advised to critically consider the financial implications before entering into new long-term contracts that are not of priority to the municipality and avoid if possible, committing the incoming council. Municipalities should refrain from filling non-critical positions, purchasing cars, procuring new financial systems and from incurring any other expenditure at this stage that will financially burden the incoming council.

During this time of transition, all stakeholders should work together to ensure that municipalities continue to perform their functions efficiently and effectively. The Mayor and municipal manager should now be engaging in the process of the annual review of the fifth and last year of the IDP in terms of section 34 of the Municipal Systems Act (MSA) and the 2022/23 budget preparation process in terms of section 21 of the MFMA. It is particularly important to ensure that arrangements for the review of IDPs and preparation of budgets continue seamlessly as these processes cannot be delayed in anticipation of the announcement of an election date.

In deciding on the schedule for the 2022/23 budget process, the Mayor and municipal manager must also note that the MFMA, read together with the Municipal Budget and Reporting Regulations, only allows for a 'main adjustments budget' to be tabled after the mid- year budget and performance assessment has been tabled in council, i.e. after 25 January 2022. In addition, the permitted scope of an adjustments budget is quite limited in that taxes and tariffs may not be increased (refer to section 28(6) of the MFMA) and any additional revenues may only be appropriated to programmes and projects already budgeted for (refer to section 28 of the MFMA). Therefore, the idea of the current council passing a 'holding budget' which the new council will change substantially through an adjustments budget soon after the start of the municipal financial year is not legally permitted.

Though an IDP is a five-year strategic document of council, municipalities should note that when a new council takes office after a local government election, the norm has been that the new council implements the last adopted IDP during the first year of office. It is normally only in the second year of office that the newly elected council adopts a new IDP after thorough interrogation, extensive consultation and finalisation of a new five-year strategy.

In the absence of detailed information on the 2021 Local Government Elections, National Treasury will provide further guidance in the follow-up MFMA Budget Circular to be issued in March 2021.

4. Municipal Standard Chart of Accounts (*m*SCOA)

4.1 Release of Version 6.5 of the Chart

On an annual basis, the *m*SCOA chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.5 is released with this circular.

Version 6.5 of the chart will be effective from 2021/22 and must be used to compile the 2021/22 MTREF and is available on the link below: http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx

4.2 Budgeting and Reporting for the COVID-19 pandemic and water inventory

In terms of the Annexure to MFMA Circular No. 99, *m*SCOA Circular No. 9, and GRAP 12, municipalities were advised to:

1. Record and ringfence all funding and expenditure pertaining to the COVID-19 pandemic for the 2020/21 MTREF when budgeting and transacting; and

2. Budget and account for bulk water purchases as inventory as per GRAP 12 (paragraph 07).

It is evident from the snapshots that were drawn from the Local Government Database based on the *m*SCOA data strings that were submitted by municipalities in terms of the monthly Section 71 reporting, that most municipalities have not budgeted or reported on COVID-19 related allocations and expenditure, nor bulk water inventory as per the guidance provided.

Although the regulated A1 Schedule will only be amended from the 2021/22 MTREF to align to GRAP 12 (as per MFMA Circular No. 98), municipalities should already record water inventory in the *m*SCOA chart. ***Municipalities must budget for water as inventory in the 2021/22 MTREF***. This means that municipalities will no longer be able to budget for water bulk purchases as an expense on table A4. Municipalities must use bulk water purchases i.e. system input volume on table A6: inventory. This provides for three different water sources i.e. water treatment works, bulk purchases and natural sources. When water is issued through the billing/ distribution, the cost should be expensed through table A4: inventory consumed with the corresponding accounting transaction in the inventory account on table A6: current assets: water: authorised consumption.

Municipalities that did not adjust their 2020/21 MTREF budgets by 30 September 2020 to respond to the COVID-19 pandemic or budget for bulk water inventory are reminded to do so in the main adjustments budget process in February 2021.

It should also be noted that the National Treasury's reporting on COVID-19 will be drawn as per *m*SCOA Circular No. 9 and we will not be able to identify COVID-19 allocations and expenditure that have been ringfenced in another manner.

Municipalities must submit the adjustments budget and revised project list for 2020/21 in the format of a *m*SCOA data strings (ADJB and PRAR) uploaded to the Local Government (LG) Upload Portal within 10 working days after Council has adopted the adjustments.

4.3 Revised Municipal Property Rates Act Categories

By now all municipalities should be aware that section 8 of the Municipal Property Rates Act on the determination of categories of **rateable** properties has been revised through the Local Government Municipal Property Rates Amendment Act, 2014 ("the Amendment Act"). The new rateable property categorisation framework based on use (provided these property

categories exist within the municipality) and consequently, all property categories that are based on ownership, geographic location or any other basis fall away.

Municipalities must implement the new property categorisation framework by not later than 1 July 2021. The *m*SCOA chart Version 6.5 makes provision for the new and the old framework. However, the old framework will be retired in the next version of the chart and municipalities are advised to implement the new property categorisation framework as legislated. Therefore, municipalities cannot use both frameworks to avoid duplication and overstatement of revenue from property rates.

4.4 Forbidden activities

The Item Assets segment of the *m*SCOA chart currently includes items such as staff loans as non-current receivables from non-exchange transactions. This is in contravention with Section 164(1)(c) of the MFMA that stipulates that a municipality may not make loans to councillors or officials of the municipality; directors or officials of the entity; or members of the public. Therefore, municipalities are advised not to use these items when budgeting as National Treasury may retire these items in the next version of the chart.

4.5 Independent Audits on Municipal Financial Systems

All municipalities and municipal entities had to comply with the *m*SCOA Regulations by 1 July 2017. MFMA Circular No. 80 provided guidance on the minimum business processes and system specifications for all categories of municipality (A, B and C). The Request for Proposal (RFP) issued on 4 March 2016 for the appointment of service providers for an integrated financial management and internal control system for local government (RT25-2016 published in Tender Bulletin No. 2906), provided further guidance on the requirements applicable to a specific category of municipality.

The National Treasury will conduct independent audits on all municipal financial systems in 2021 to determine to what extent the financial systems that are currently being used by municipalities comply with the minimum business processes and system specifications required in terms of *m*SCOA. These audits were initially planned for 2020, but due to restrictions on procurement processes and travel in terms of the COVID-19 pandemic it was postponed to 2021. The results of the audits will also inform the new transversal tender for the procurement of municipal financial and internal control systems in 2022. **Until these audits have been concluded, and the results have been released, municipalities should exercise caution when changing their financial system to avoid purchasing a system that does not comply with the necessary *m*SCOA functionality requirements**. However, should a municipality need to procure a new financial system, they must follow the processes set out in the MFMA read together with the Municipal Supply Chain Management Regulations and MFMA Budget Circulars No. 93, 98 and *m*SCOA Circulars No 5 and 6. In addition, National Treasury has not accredited any of the municipal financial systems available in the market and this should therefore not be advertised as a requirement in municipal tender documents.

It should be emphasised that the onus to ensure compliance with the *m*SCOA Regulations and minimum system specifications as per MFMA Circular No. 80 and its Annexure B rests with the municipality and not the system vendor. Municipalities must properly manage Service level agreements (SLA) with system vendors. Penalties, including the termination of the SLA in cases of persistent non-compliance, should be imposed if the system vendor does not meet the agreed upon milestones. Likewise, if a system vendor has delivered on the services agreed upon in the SLA, then the municipality should pay all money owing to the system vendor within 30 days of receiving the relevant invoice or statement, as per the requirements

of Section 65(2)(e) of the MFMA. Lastly, municipalities must agree on the services that are to be provided by the system vendors and costs thereof in the SLA that is signed by the municipality and system vendor. Municipalities should consider the financial implications thereof and negotiate more favourable terms with the system vendor if necessary before signing the SLA. Once signed, the SLA is legally binding.

4.6 Regulation of Minimum Business Processes and *m*SCOA System Specifications

National and Provincial Treasuries held extensive engagements with key system providers during which the system functionality on the following were demonstrated: IDP and budget, supply chain management (SCM), asset management, annual financial statements, revenue management, cash flow and period control. These engagements provided National and Provincial Treasuries with an understanding of what functionality is available on each system and what the key system related challenges are.

It was evident from the engagements that municipalities are not using their financial systems optimally. Some of the challenges that were identified in this regard include the following:

- Some municipalities have not purchased all the modules of the core financial system or have not upgraded to the Enterprise Resource Planning (ERP) (*m*SCOA enabling) version of their financial systems;

- A few municipalities are not paying for the required licences to use system solutions and they are not upgrading and maintaining their servers, hardware and software to become and remain *m*SCOA compliant and to protect their data;
- Several municipalities are still transacting on their legacy systems that are not *m*SCOA enabling or they are using excel spreadsheets that are not incorporated in the functionality of their financial systems, while they are paying for maintenance and support for the *m*SCOA enabling system that was procured. This constitutes fruitless and wasteful expenditure; and
- Other municipalities are not using all the modules of the core financial system (using 3rd party systems) while they have procured these modules. This is once again fruitless and wasteful expenditure.

Municipalities should include the cost of the above in their 2021/22 MTREF budgets.

One of the key objectives of the *m*SCOA reform is to ensure that municipalities are budgeting, transacting and reporting directly on and from integrated ERP systems to have one version of the truth in terms of the reported financial performance. The manual correction of data strings by municipal officials or system vendors are not allowed in terms of the *m*SCOA Regulations.

National Treasury will expand and regulate the business processes and system specifications communicated in MFMA Circular No. 80 and its Annexure B in the 2021/22 MTREF to ensure that municipalities are using the functionality available on their financial systems. MFMA Circular No. 80 was issued in 2016, and several Regulations and best practises as per the MFMA Circulars have been introduced since then. The expansion of the requirements will accommodate these new developments.

4.7 Non-compliance with *m*SCOA requirements

If your municipality has not yet achieved the required level of *m*SCOA implementation, then it must provide a detailed action plan (road map) to the National and the respective provincial

treasury to indicate how the municipality will fast track the implementation of *m*SCOA. The action plan should include the following priority areas, as applicable to the municipality:

- The functionality of the financial system, including the minimum system functionality and business process as per MFMA Circular No. 80 and Annexure B and functionality required in terms of Regulations and MFMA Circulars that was issued after 08 March 2016 (the date on which MFMA Circular No. 80 was issued);
- Integration of 3rd party sub-systems with the *m*SCOA enabling financial system as required in terms of MFMA Circular No. 80 and Annexure B;
- Change management initiatives to ensure that *m*SCOA is institutionalised as an organisational reform and not only a financial reform; and
- Training initiatives to ensure that all officials in the organisation are familiar with the *m*SCOA chart, basic accounting, balance sheet budgeting and movement accounting and the use of the *m*SCOA enabling financial system.

Importantly, the action plan must be drafted by the municipality and not the system vendor and the progress against it should be carefully monitored by the municipality's *m*SCOA Project Steering Committee (chaired by the Accounting Officer). Municipalities must present progress against the action plan at the 2020/21 Mid-Year Budget and Performance visits and Budget and Benchmark engagements with the National and the respective provincial treasury.

4.8 Extension and Procuring of Service Level Agreements (SLA) for Financial Systems

At least six (6) months prior to the expiry of the SLA for the support and maintenance of the financial system, the municipality should either:

- Extend the existing SLA with the same system vendor subject to the provisions of Section 33 and 116(3) of the MFMA (read in conjunction with MFMA Circular No. 62); or
- Approach the market to procure services for the support and maintenance of the financial system consistent with the Municipal Supply Chain Management Regulations and municipality's Supply Chain Management Policy.

Importantly, once the SLA has expired, it cannot be extended, and the municipality will have to embark on a new procurement process. In addition, when the contract for the support and maintenance of the financial system comes to an end, it does not mean that the municipality must procure a new financial system. It is only support and maintenance services pertaining to the financial system that needs to be procured. Municipalities need to properly document their systems and the system language used to ensure that system support can be procured in the local market when required.

4.9 Cash flow reconciliation

The population of the cash flow reconciliation in tables A7, B7 and C7 of the MBRR formats using *m*SCOA data strings has been a challenge in previous financial years. The main contributing factors to this were that:

- Municipalities were not using the *m*SCOA segments correctly to populate their cash flow information;
- A number of municipalities did not use the movement accounts correctly in the *m*SCOA chart which distorts the figures reported in the cash flow tables;

- Some municipalities did not budget, transact or report directly in or from their financial systems; and
- There were errors in the linkages of the MBRR cash flow tables to the *m*SCOA data strings in the segment item: asset and liabilities on the Local Government Database.

It is critical that municipalities undertake balance sheet and cash flow budgeting to provide accurate cash flow information. National Treasury has provided guidance in this regard in MFMA Circular No. 98 and *m*SCOA Circular No. 10 and have also corrected the errors in the linkages of the MBRR cash flow tables to the *m*SCOA data strings. This has resulted in improvements in the section 71 cash flow data that were published at the end of quarter 1 of the 2020/21 MTREF. Further guidance on the application of the funding segment has also been issued in *m*SCOA Circular No. 11 on 4 December 2020.

4.10 *m*SCOA Calendar for 2021/22

Important dates pertaining to *m*SCOA related activities for the 2020/21 financial year is summarised below for planning purposes:

	Activity	Time Frames
1.	Independent System Audits	February to December 2021
2.	Regulation of Minimum Business Processes and System Specifications	For comments and testing: October 2021
3.	*m*SCOA Virtual Training Sessions (various topics)	Monthly
4.	Roll out of eLearning *mSCOA* course through	July 2020

	National School of Governance	
5.	Issue proposed *m*SCOA chart changes for version 6.6	October 2021
6.	Annual *m*SCOA CIGFARO Budgeting Workshop	November 2021
7.	Issuing of transversal contract for provision of financial systems	March 2022

5. The revenue budget

Similar to the rest of government, municipalities face a difficult fiscal environment. Even as demand for services rises, weak economic growth has put stress on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, water boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them and eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities adequately provide for the servicing of their debt obligations. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.

Municipalities are reminded that the local government equitable share allocation is mainly to fund the costs of free basic services and to subsidise the administrative costs of the smaller and more rural municipalities. The increasing unemployment and growth in the number of

persons per household means that the revenue foregone in respect of free basic services will likely increase, and it will become even more difficult to collect revenue. Household budgets are becoming increasingly under more pressure, and trade-offs might be applied when it becomes unaffordable to pay all household expenses on a monthly basis.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the lower limit of the 3 to 6 per cent target band; therefore, municipalities are required to ***justify all increases in excess of the*** **projected inflation target for 2021/22** in their budget narratives and pay careful attention to tariff increases across all consumer groups. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

5.1 Maximising the revenue generation of the municipal revenue base

Reference is made to MFMA Circular No. 93, paragraph 3.1 and No. 98, paragraph 4.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their 2021/22 MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this has been identified as a fundamental reason for municipalities not attaining their desired collection rates.

It is therefore essential that municipalities pay attention to reconciling the valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are accurate. Municipalities are encouraged to undertake this exercise as a routine practice. The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates. A further test would be to reconcile this with the Deeds Office registry. In accordance with the MFMA Circular No. 93,

municipalities are once more requested to submit the reconciliation of the valuation roll to the financial system to the National Treasury by no later than **05 February 2021**.

The above information must be emailed to linda.kruger@treasury.gov.za or must be uploaded by approved registered users using the LG Upload Portal at: https://lguploadportal.treasury.gov.za/.

5.2 Setting cost-reflective tariffs

Reference is made to MFMA Circular No. 98, paragraph 4.2. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (FFC, 2011). Credible budgets are critical for local government to fulfil its mandate and to ensure its financial sustainability.

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively, namely:

- An effective budget is one that is adequate to deliver a service of the necessary quality on a sustainable basis; and
- An efficient budget is one that delivers services at the lowest possible cost.

Municipalities are encouraged to utilise the tariff setting tool referenced in MFMA Circular 98, item 4.2. This tool will assist in setting tariffs that are cost-reflective and would enable municipalities to recover costs to fulfil its mandate. The National Treasury Municipal Costing Guide is also available on the link below on the National Treasury website.

http://mfma.treasury.gov.za/Guidelines/Documents/Forms/AllItems.aspx?RootFolder=%2fGuidelines%2fDocuments%2fMunicipal%20Costing%20Guide&FolderCTID=0x0120004720FD2D0551AE409361D6CB3E122A08

5.3 Bulk Account Payments - Eskom Concessions

During 2018/19, intense work had been undertaken to resolve systemic and structural issues pertaining to the electricity function in municipalities. Core to this work was addressing the escalating Eskom debt that threatened the sustainability of Eskom as well as that of municipalities.

During the process, Eskom was engaged on providing relieve in certain areas. Municipalities must be made aware that the following concessions were agreed upon:

- Reducing the interest rate charged on overdue municipal bulk accounts from prime plus 5 per cent to prime plus 2.5 per cent;
- Payment terms being extended from 15 days to 30 days for municipal bulk accounts; and
- Payments received from municipalities will be allocated to capital first and then the interest.

These concessions are aligned to the MFMA and are meant to curb the growing debt levels by allowing municipalities a more conducive payment regime than what was previously employed. In addition, municipalities are encouraged to budget for bulk services and honour their current account payments religiously to avoid stringent application of the bulk suppliers' credit control policy.

5.4 Timeous allocations and clearing of the control accounts

Municipalities are encouraged to clear the control accounts on a monthly basis and to allocate trade and other receivable payments in these suspense accounts to the relevant debtor accounts regularly before the monthly submissions as required by the MFMA. Implementing and enforcing the credit control policy of the municipality whilst payments are not cleared in the control account is negligent and irresponsible. Municipalities are warned against this bad practice, and this must be avoided at all costs.

5.5 Eskom Bulk Tariff increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. In March NERSA approved a municipal tariff increase of 6.9 per cent effective 1 July 2020 (1.2 per cent lower than the tariff increase in Multi-Year Price Determination (MYPD) 4 period due to differences in municipal and national financial years).

Municipalities are advised to use the tariff increases previously (March 2019) approved by the Regulator of 5.2 per cent 2021/22, 8.9 per cent for 2022/23 and 8.9 per cent in 2023/24 (*for 2023/24,* an average annual tariff increase is used for the National Energy Regulator of South

Africa's multi-year price determination period of 1 April 2019 to 31 March 2022). The outer year is anticipated to be the first year of the MYPD 5 period, which is yet to be published.

6. Funding choices and management issues

Municipalities are under pressure to generate revenue as a result of the economic landscape, the COVID-19 pandemic, weak tariff setting and increases in key cost drivers to provide basic municipal services. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2021/22 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures;
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82;
- Ensuring value for money through the procurement process;
- The affordability of providing free basic services to all households;
- Not taking on unfunded mandates; and
- Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

6.1 Employee related costs

The *Salary and Wage Collective Agreement* for the period 01 July 2018 to 31 June 2020 has come to an end and a new agreement is under consultation, which we hope will take into account the current fiscal constraints faced by government. Therefore, in the absence of any information in this regard from the South African Local Government Bargaining Council (SALGBC), municipalities are advised to take into account their financial sustainability when considering salary increases. It has been observed over the previous years that salary

increases were above inflation. In addition, municipalities that could not afford such increases did not apply for exemption as provided by SALGBC. Given the current economic condition exacerbated by the COVID-19 pandemic, municipalities are urged to consider projecting increases to wage that would reflect their affordability as many municipalities that are already not in a position to afford the current wage cost would indeed have to apply no more than zero per cent increase in the 2021/22 MTREF and to exercise the option for exemption for any negotiated increase above the level of their affordability.

6.2 Remuneration of councillors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the

fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process.

7. Conditional Grant Transfers to Municipalities

7.1 Non-compliance of in-year monitoring

In terms of Section 74(1) of the MFMA, municipalities must submit to the transferring officers, National and Provincial treasuries documents and monthly grant reports as may be prescribed or required. The *m*SCOA Regulations requires the uniform recording and classification of municipal budget and financial information at a transaction level in the form of a *m*SCOA data string that must be submitted to the LG Upload portal. Most municipalities are still not reporting on conditional grants as per the *m*SCOA requirements. As per MFMA Circular No 93, the National Treasury has only used *m*SCOA data strings as the source of data for publications on municipal financial performance from 1 July 2019. The *m*SCOA data strings will also be the main source of data that will be used to monitor the performance against grants and to inform decisions on the stopping and reallocation of conditional grants funding in the 2021/22 MTREF. The credibility of the *m*SCOA data strings reporting on grants will be closely monitored going forward.

Furthermore, section 12(2) of the Division of Revenue Act, 2020 (Act No. 4 of 2020) (DoRA) states that the municipality, as part of the report required in terms of section 71 of the MFMA, report on the matters referred to in subsection (4) and submit a copy of that report to the relevant provincial treasury, the National Treasury and the relevant Transferring Officer.

Some municipalities have not been complying with the reporting requirements as stipulated above. Municipalities are reminded that the non-submission of monthly reports translates to non-compliance with the MFMA and DoRA. The National Treasury and Transferring Officer will be implementing stringent measures to municipalities that do not comply with the prescripts. This includes, but is not limited to, the stopping and reallocation of conditional grants funding of non-compliant municipalities. Municipalities are encouraged to comply with the reporting requirements to avoid withholding or stopping of an allocation.

In terms of performance reporting on conditional grants, municipalities and Transferring Officers are urged to pay particular attention to the contents of money spent against conditional grants. Government is not realising full value for money against the substantial investments it makes through grants.

11. The Municipal Budget and Reporting Regulations

11.1 Ensuring municipal sustainability through a funded budget

A budget is funded from realistically anticipated revenues to be collected, cash backed accumulated funds from the previous year as well as borrowed funds to be utilised for capital projects. A budget is realistic if it takes into account projected revenue for the current year based on the collection levels to date and actual revenue collected in the previous financial year. Municipal budgets must be prepared on this basis. The economic climate and the impact of COVID-19 pandemic had an effect on the ability of municipalities to collect arrear debt during levels 5, 4 and 3 of the national lockdown. This inability to exercise credit control measures during this period had decreased the collection rate in many municipalities.

Municipalities need to be proactive in exercising credit control measures to ensure that arrear debt is collected. Whilst collection rates decreased during the period mentioned above, municipalities must implement efforts to collect arrear debt and return collection rates to pre-

COVID-19 levels. Whilst this unprecedented COVID-19 period is the exception, collection rates need to be maintained at 95 per cent in order to ensure the financial sustainability of municipalities. If collection rates have decreased, prudent financial management requires expenditure to be adjusted downward accordingly. This is to ensure that deficits are not realised and that realistically anticipated revenue based on projected collection rates funds expenditure. This will also ensure financial sustainability and avoid situations of financial distress in municipalities.

The Municipal Systems Act states that a municipal council must adopt, maintain and implement a credit control and debt collection policy that would be utilised for the collection of money that is due and payable to it. The municipal Councillors therefore are the custodians of the policy and responsible for its implementation. As a result, Councillors are required to encourage consumers in their municipal jurisdiction to pay for municipal services and to ensure that such debt that is due and payable to the municipality is collected. This would ensure compliance with the Act and ensure that a culture of payment is implemented in the municipal area. Council needs to play an active role in implementing their adopted policies to increase collection rates and ensure that funds are received to render services to the people.

Municipalities are reminded to develop a credible funding plan where the budget is unfunded. This plan must be tabled in and adopted by Council with the 2021/22 MTREF budget and submitted to the National and provincial treasuries when they submit their tabled and adopted budget in terms of Section 22(b)(i) and 24 (3) of the MFMA. Failure to approve a credible plan will result in the invoking of Section 216(2) of the Constitution

8.2 Budgeting for indirect grant allocations

Some municipalities continue to budget for allocations not directly allocated to them as revenue in the Statement of Financial Performance. This results in revenue being overstated. Therefore, municipalities must refrain from budgeting for indirect grant allocations. A municipality must only budget for the allocations that are directly allocated and transferred to them.

8.3 Monthly reporting of debtors

National Treasury has observed through in-year monitoring that most municipalities are overstating debtors as they report on gross debtors instead of net. The format of the monthly debtors' data strings provides for a column to disclose provision for impairment as per council policy. Therefore, municipalities are urged to always reflect the provision for impairment in the column as indicated above for National Treasury to be able to reconcile the net debtors.

8.4 Schedule A - version to be used for the 2021/22 MTREF

National Treasury has released Version 6.5 of the Schedule A1 (the Excel Formats) which is aligned to Version 6.5 of the *m*SCOA classification framework and must be used when compiling the 2021/22 MTREF budget.

It is imperative that all municipalities prepare their 2021/22 MTREF budgets in their financial systems and that the Schedule A1 be produced directly from their financial system. Vendors have demonstrated their budget modules to the National Treasury and provincial treasuries. All financial systems have this functionality to assist and prepare budgets and to generate the prescribed Schedule A1 directly from the financial system. Therefore, there is no reason why the 2021/22 MTREF budget must be done manually. National Treasury has protected the A1 schedule version 6.5, therefore manual population will not be allowed as the schedule must be extracted from the financial system.

ALL municipalities **MUST** prepare their 2021/22 MTREF tabled and adopted budgets using the A1 schedule version 6.5.

Municipalities must start early enough to capture their tabled budget (and later the adopted budget) in the budget module provided and must ensure that they produce their Schedule A1 directly out of the budget module. **Manual capturing on A1 schedule version 6.5 is not allowed** in terms of the *m*SCOA Regulations.

The National Treasury has indicated in MFMA Circular No. 93 that municipalities must submit all A1 Schedules in PDF format only from the 2019/20 MTREF. Given the fact that the *m*SCOA classification framework makes it possible to generate the financial data required in the A1 schedule directly from the data strings and that additional data needed must be obtained from sub-systems that integrate with the financial system, the National Treasury will only accept the prescribed data string containing the supporting data, populated and uploaded by each municipality. National Treasury published the layout for the data string on the website in MFMA Budget Circular No. 98 and an amended version to be used for the 2021/22 MTREF forms part of this circular. The publication in the 2020/21 MTREF of non-financial data will be done using the supporting data uploaded from these data strings.

The National Treasury **will no longer gather supporting data from the MBRR A1 Schedules** but will expect each municipality to **submit the prescribed supporting data strings** containing the required data using the LG Upload Portal.

The budget, adjustments budget and Section 71 monthly reporting Schedules that have been regulated in terms of the MBRR have also been aligned to the *m*SCOA chart version 6.5 changes. The revised MBRR Schedules for the 2021/22 MTREF and its linkages to the data string are available on the link below:

http://cenvappsp10:31200/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Documents/Forms/AllItems.aspx?RootFolder=%2fRegulationsandGazettes%2fMunicipal%20Budget%20and%20Reporting%20Regulations%2fDocuments%2f2020%2d21&FolderCTID=0x0120001860D4A2BD7AD042BF8427FC3BB59F67

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx

8.5 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Matjatji Mashoeshoe	012-315 5553	Matjatji.Mashoeshoe@treasury.gov.za
Buffalo City	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Free State	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
Johannesburg and Tshwane	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za

KwaZulu-Natal eThekwini	Kgomotso Baloyi Mpati Rakgwale Una Rautenbach Abigail Maila	012-315 5866 012-315 5700	Kgomotso.Baloyi@treasury.gov.za Mpati.Rakgwale@treasury.gov.za Una.Rautenbach@treasury.gov.za Abigail.Maila@treasury.gov.za
Limpopo	Willem Voigt Sifiso Mabaso	012-315 5830 012-315 5952	WillemCordes.Voigt@treasury.gov.za Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Mandla Gilimani Stanley Malele	012-315 5807	Mandla.Gilimani@treasury.gov.za Stanley.Malele@treasury.gov.za
Northern Cape	Mandla Gilimani Phumelele Gulukunqu	012-315 5807 012 315 5539	Mandla.Gilimani@treasury.gov.za Phumelele.Gulukunqu@treasury.gov.za
North West	Willem Voigt Makgabo Mabotja	012-315 5830 012-315 5156	WillemCordes.Voigt@treasury.gov.za Makgabo.Mabotja@treasury.gov.za
Cape Town George	Kgomotso Baloyi Willem Voigt and Mandla Gilimani	012-315 5866 012-315 5830 012-315 5807	Kgomotso.Baloyi@treasury.gov.za WillemCordes.Voigt@treasury.gov.za Mandla.Gilimani@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	lgdataqueries@treasury.gov.za

National and provincial treasuries will analyse the credibility of the data string submissions.

8.6 Assessing the 2021/22 MTREF budget

National and provincial treasuries will assess the 2021/22 MTREF budgets to determine if it is complete, funded and complies with the *m*SCOA requirements. The *m*SCOA data strings for the tabled (TABB) and adopted (ORGB) budgets will be used for this assessment.

The **assessment period** of all municipal budget will therefore be from **31 May to 30 June**. In this one-month period, the National and provincial treasuries will evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that need to be made must be done before the start of the municipal financial year on 1 July.

Importantly, in order to generate an adopted budget (ORGB) data string, the budget must be locked on the financial system by the 10th working day of July each year. Therefore, once the ORGB data string has been generated, errors in the ORGB can only be corrected via an adjustments budget in February of each year. In terms of the design principles of *m*SCOA, municipalities are not allowed to open the budget on the system for corrections after it has been locked. This means that the tabled budget data string (TABB) should in fact be verified and errors in the TABB should be corrected in the ORGB **before the adopted budget is locked on the financial system and the ORGB data string is generated**.

The previous verification process and timeframes (i.e. July to September) can no longer be applied as municipalities are already transacting against the adopted and locked budget from 01 July 2020.

Amending an unfunded, incomplete and erroneous budget through an adjusted budget is also not encouraged as the National Treasury only considers an adjusted budget in the third and fourth quarter of the financial year for analysis and publication purposes. This will result in overspending and unauthorised expenditure not been monitored in the first six months of the financial year.

Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution, as well as a budget locking certificate (in the case of the adopted budgets) in accordance with the format specified in Regulation 31 of Schedule A of the MBRR. The A1 schedule must be included as part of the budget documentation in pdf format.

The National Treasury would like to emphasise that ***where municipalities have adopted an unfunded budget without a* credible funding plan*, they will be required to correct the budget and go back to the Municipal Council to ensure they adopt and implement a funded budget as required in terms of Section 18 of the MFMA***.

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The budget and data strings that the municipality submits to National Treasury must be a consolidated budget for the municipality (including entities). The budget of each entity must be submitted on the D schedule in pdf format.

In the past it was noted that municipalities have challenges to align the audited outcomes on the financial system to A1 Schedule. Municipalities must ensure that the audited figures and adjusted budget figures captured on the A1 Schedule aligns to the annual financial statements and Schedule B respectively.

9. Budget process and submissions for the 2021/22 MTREF

9.1 Submitting budget documentation and A1 schedules for 2021/22 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, ***immediately*** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in electronic formats. If the annual budget is tabled to council on **31 March 2021**, the final date of submission of the electronic budget documents and corresponding *m*SCOA data strings is **Thursday, 01 April 2021**.

Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that municipalities must submit the approved annual budget to both National Treasury and the relevant provincial treasury ***within ten working days*** after the council has approved the annual budget. E.g. if the council approves the annual budget on **31 May 2021**, given the new timeframe for the evaluation of the municipal budgets, the adopted budget data strings and documentation must be submitted by the latest **Monday, 14 June 2020**.

Municipalities are no longer expected to submit hard copies of all required documents including budget-related, Annual Financial Statements and Annual Reports to National Treasury via post or courier services. Hard copies must be submitted in pdf format to the LG Upload portal.

9.2 Expected submissions for 2021/22 MTREF

- The budget documentation as set out in the MBRR. The budget document must include the main A1 Schedule Tables (A1 - A10);
- The non-financial supporting tables (A10, SA9, SA11, SA12, SA13, SA24 and any other information not contained in the financial data string) in the A1 in the prescribed *m*SCOA data string in the format published with Version 6.5 of the A1 schedule;
- The draft and final service delivery and budget implementation plan (SDBIP) in electronic PDF format;
- The draft and final IDP;
- The council resolution for the tabled and adopted budgets;
- Signed Quality Certificate as prescribed in the MBRR for the tabled and adopted budgets;
- D Schedules specific for the entities; and
- A budget locking certificate immediately at the start of the new municipal financial year on 1 July.

Budget-related documents and schedules must be uploaded by approved registered users using the LG Upload Portal at: https://lguploadportal.treasury.gov.za/. It should be emphasised that municipalities should submit all required documents to the LG Upload portal and not to lgdocuments@treasury.gov.za. National Treasury will retire lgdocuments@treasury.gov.za on 1 July 2021 to ensure that there is a single collection point of municipal financial data.

Also note that the LG Upload Portal does not have the same size restrictions encountered with lgdocuments@treasury.gov.za, but requires all documents to:

1. Be in PDF format only; and

2. Each PDF file must NOT contain multiple document e.g. council resolution and quality certificate within the budget document. Each document type must be identified clearly and uploaded separately.

Any problems experienced with the submission of documents can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za.

The 2020/21 MTREF and the preliminary Quarter 1 Section 71 results for the 2020/21 financial year that has recently been published, have indicated that the credibility of the *m*SCOA data strings is still a concern although we have observed a marked improvement in some areas. At the core of the problem is:

- The incorrect use of the *m*SCOA chart and segments, balance sheet budgeting, movement accounting and basic municipal accounting practices by municipalities;
- Some municipalities are not budgeting, transacting and reporting directly in/from their core financial systems; and

- Municipalities are not locking their adopted budgets and their financial systems at month-end to ensure prudent financial management. To enforce municipalities to lock their budgets and close their financial system at month-end in 2020/21, the Local Government Database and Reporting System will lock all submission periods within the reporting period at the end of each quarter. The published period will NOT be opened again to ensure consistency between publications. System vendors were also requested to build this functionality into their municipal financial systems.

To improve the credibility of these data string, National and provincial treasuries are analysing the accuracy of the data strings and the use of the six regulated segments. The National Treasury has developed tools to analyse the segment/chart use and trained budget analysts from both National and provincial treasuries on the use thereof. To date, the analysis has highlighted that municipalities are not using the FUND, REGION and COSTING segments correctly. In many instances, these segments are simply defaulted which impedes the multi-dimensional reporting power of the *m*SCOA classification framework. Another common area of concern is that total capital expenditure do not balance to total funding. Currently, the expenditure is much higher than the available funding reported.

It needs to be noted that the single source for all analysis and publications will be the data strings submitted by the municipalities for the 2020/21 municipal financial year. It is therefore imperative that municipalities ensure the credibility and accuracy of the data strings before submission.

9.3 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, http://mfma.treasury.gov.za/Pages/Default.aspx. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

9.4 Communication by municipal entities to National Treasury

Municipal entities should not request meetings directly from National Treasury. National Treasury will only engage the entities through the parent municipalities. This includes all communications apart from the legislative reporting requirements.

Contact

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post	Private Bag X115, Pretoria 0001
Phone	012 315 5009
Fax	012 395 6553
Website	http://www.treasury.gov.za/default.aspx

JH Hattingh
Chief Director: Local Government Budget Analysis
04 December 2020

ANNEXURE B

NATIONAL TREASURY

MFMA Circular No. 108

Municipal Finance Management Act No. 56 of 2003

Municipal Budget Circular for the 2021/22 MTREF

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Introduction

This budget circular is a follow-up to the one issued in December 2020. It guides municipalities with their preparation of the 2021/22 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars, it should be read within this context. This Circular is linked to the Municipal Budget and Reporting Regulations (MBRR) and the municipal Standard Chart of Accounts *(m*SCOA); and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved. The key focus of this Circular is the grant allocations per the 2021 Budget Review and the 2021 Division of Revenue Bill.

Municipalities are reminded to refer to the previous years' annual budget circulars for guidance on budget preparation that is not covered in this circular.

1. The South African economy and inflation targets

The South African economy contracted by an estimated 7.2 per cent in 2020 compared with the 7.8 per cent contraction projected in the 2020 Medium Term Budget Policy Statement (MTBPS). The revised estimate results from easing lockdown restrictions in the third quarter and a faster-than-expected resumption of global growth, especially in China. The National Treasury projects real economic growth of 3.3 per cent in 2021, following an estimated contraction of 7.2 per cent in 2020. Real GDP growth is expected to moderate to 1.9 per cent in 2022 and 2023.

The outlook remains highly uncertain, and the economic effects of the pandemic are far-reaching. There were 1.7 million fewer jobs by the third quarter of 2020 compared to the same period in 2019. Rising unemployment and income losses have entrenched existing inequalities. GDP is only expected to recover to pre-pandemic levels in late 2023. High-frequency data for the third quarter, such as the volume of electricity distributed, mining and manufacturing output, business confidence and the ABSA Purchasing Managers' Index (PMI) shows evidence of a limited economic rebound.

Although growth rates are likely to improve quickly as restrictions are removed, based on current projections, the output is only expected to return to pre-pandemic levels in 2024. Given South Africa's structural constraints, its recovery will be slower than many of its developing-country peers. Industrial sectors (which include mining, manufacturing, construction and utilities) lagged substantially, undermined by structural constraints including unreliable electricity supply and weak public investment that preceded the pandemic. Over the next several years, the country requires the implementation of long-standing structural reforms to sustainably move to a higher growth path.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels; hence a conservative approach is advised for revenue projections.

The following macro-economic forecasts must be considered when preparing the 2021/22 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2019 - 2023

Fiscal year	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate		Forecast	
CPI Inflation	4.1%	3.3%	3.9%	4.2%	4.4%

Source: 2021 Budget Review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

- ## Key focus areas for the 2021/22 budget process

- ### Changes to local government allocations

Over the next three years, municipalities will have to adjust to significant changes in expenditure plans while improving accountability. The 2021 Budget protects transfers that focus on infrastructure, service delivery and COVID-19 spending while reducing those spent less effectively. The 2021 Budget includes funding for initiatives to improve municipal revenue collection and support financially distressed municipalities.

Transfers to local government over the medium-term account for **9.4 per cent** of nationally raised funds after providing for debt-service costs, the contingency reserve and provisional allocations. Local government's share of revenue has risen in relative terms because reductions to the public-service wage bill affect only national and provincial government. Local government transfers grow by an annual average of 5.2 per cent over the MTEF; the equitable share declines by 4.4 per cent and conditional grants grow by 7.3 per cent. As part of government's fiscal consolidation policies over the medium term, transfers to local government are reduced by R19.4 billion, including R14.7 billion from the local government equitable share, R2.7 billion from the general fuel levy and R2 billion in direct conditional grants.

9 Conditional grants

The reduction to direct conditional grants includes R329 million from the *municipal infrastructure grant* and R21 million from the *integrated urban development grant*. These amounts have been reprioritised from underspending grants to fund a once-off councillor gratuity for non-returning councillors. The largest proportional reduction of R1.3 billion to local government grants has been made in the *public transport network grant*, because only six of the 13 cities receiving the grant have successfully launched public transport systems. Indirect conditional grants are re duced by R286 million over the period.

Government continues to reform the system of conditional grant transfers to local government based on the principles set out in the 2019 Budget Review. In 2021, government will expand the scope of the *municipal infrastructure grant* to allow municipalities to use up to 5 per cent of their allocation to develop infrastructure asset management plans. This change addresses poor asset management in municipalities.

In 2020, the *integrated city development grant* was repurposed to assist cities to build internal capacity or obtain technical support to prepare and package key infrastructure projects. This will continue in 2021 and private sector participation will be encouraged in these projects.

Two standalone *informal settlement upgrading grants* for provinces and municipalities will be introduced from 2021/22. These grants are made up of components previously within the *human settlements development grant* and the *urban settlements development grant* for provinces and municipalities respectively. In addition, the Municipal Systems Improvement Grant scope is extended to fund comprehensive institutional diagnostic assessments of the 21 district areas where the district municipality is a water service authority and the development of institutional improvement/ support plans that will inform all future capacity development programmes and municipal support initiatives to enhance the continued rollout of the rollout of the District Development Model (DDM).

Municipalities are reminded that all allocations included in their budgets must correspond to the allocations listed in the Division of Revenue Bill. All the budget documentation can be accessed from the National Treasury website by clicking on the link below: http://www.treasury.gov.za/documents/national%20budget/2021/

5. 2021 Local Government Elections and the budget process

Municipalities are advised to refer to MFMA Circular No. 107 on risks related to the Local Government elections and issues to be considered in compiling the 2021/22 MTREF in addition to the information provided below.

- **Transitional processes - development and adoption of IDPs during the 2021 election year**

The 2020/21 municipal financial year represents the last year of the current municipal councils' electoral term. Therefore, the next municipal election to usher in new councils is expected to take place between August and November 2021 in terms of the Section 24 (2) of the Municipal Structures Act, 2000 (Act No. 32 of 2000) (MSA).

It is acknowledged that the period within which the coming election's date is expected takes place after the start of a new financial year. This particular scenario poses a latent challenge in so far as adherence to legislated timeframes with regard to the adoption of the 5-year Integrated Development Plan (IDP) and the subsequent implementation.

Given the fact that the IDP and budget would need to be reviewed and adopted by 30 June 2021, the current council has an obligation to ensure that these stipulations are complied with. In this regard, the current council will be expected to continue reviewing the IDP and ensuring that it is adopted within the legislated timeframe.

Section 25 (3) of the MSA does allow the municipal council to adopt the IDP of the preceding council. However, should the incoming councils be unhappy with the priorities set out by the current council, in this case, municipal councils are advised to consider the existing adopted IDP and resolve to initiate or not to initiate an amendment procedure as guided by the MSA and the Municipal Performance and Planning Regulations (2001).

The Department of Cooperative Governance (DCoG), through the Chief Directorate: Development Planning, is rolling out the revised IDP guidelines to municipalities. These guidelines are aimed to, amongst others, guide municipalities with regards to the adoption of IDPs during an election year.

- **Hand-over reports for the newly elected councils**

Each municipal manager, working together with the CFO and senior managers, is encouraged to prepare a hand-over report that can be tabled at the first meeting of the newly elected council. This hand-over report aims to provide the new councils important orientation information regarding the municipality, the state of its finances, service delivery and capital programme, as well as key issues that need to be addressed.

It is proposed that the hand-over report should include:

5. An overview of the demographic and socio-economic characteristics of the municipality;
6. An overview of the organisational structure of the municipality, with the names and numbers of senior managers;
7. An overview of key municipal policies that councillors need to be aware of and where they can obtain the full text of such policies;
8. An overview of issues that still need to be addressed in relation to the municipality's turnaround strategy;
9. An overview of the municipality's financial health, with specific reference to:
   - **9.1** Its cash and investments, and its funding of commitments (Table A8);
   - **9.2** Cash coverage of normal operations (see Supporting Table SA10);

5 Creditors outstanding for more than 30 days, along with reasons for delayed settlement;
6 Current collection levels and debtors outstanding for more than 30 days; and
7 Extent of existing loans and associated finance and redemption payments.

5 The municipality's 2019/20 audit outcome and its strategy to address audit issues;
6 An overview of the provision of basic services, including plans to address backlogs;
7 An overview of the state of the municipality's assets, with particular reference to the asset management plan, and repairs and maintenance requirements;
8 A list of the main infrastructure projects planned for the 2021/22 budget and MTREF;
9 A list of key processes requiring council input over the next six months, e.g. revision of the IDP, approval of specific policies etc. and
10 Any other information deemed to be important.

In addition to the hand-over report, each new councillor should be given the municipalities' revised IDP, the adopted 2021/22 MTREF budget, the mid-year budget and performance assessment report for 2020/21, and the latest monthly financial statement, and the annual report for 2019/20.

Municipal managers should submit their municipality's hand-over report to the relevant provincial department responsible for local government, to the Department of Co-operative Governance (DCoG) and National and Provincial Treasuries.

• Municipal Standard Chart of Accounts (*m*SCOA)

• Opening balances

It was noted that some municipalities are not transferring their opening balances consistently to the current year of transacting. Opening balances for the previous year must be transferred in the first month (M01) of the current year, and all adjustments made during the preparation of the annual financial statements in period 14 and 15 must be transferred through journals to the opening balances of the current year in the month that it becomes apparent. When municipalities are not doing this correctly and consistently, it compromises the credibility of the *m*SCOA data strings submitted.

Importantly, journals may only be passed in the core financial system and not in 3rd party sub-systems.

• Surplus or deficit journals

The Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and MBRR require that municipalities perform their month-end reconciliations at the end of every month before they submit their financial performance information to the National Treasury. Surplus or deficit journals must be passed monthly before a data string is generated to ensure that the financial system remains in balance. The monthly data strings reflected in the Statement of Financial position (table C6 of the regulated C Schedules) will not be in balance for those municipalities that are not doing this, and their *m*SCOA data strings will therefore not be accurate.

Municipalities must also reconcile their creditors and debtors and all month-end processes **before** they submit their monthly data strings to ensure that the data submitted to the National Treasury Local Government Database is credible.

• Rollovers and repayment of unspent grants

Municipalities are required to use the correct posting levels and movement accounting when conditional grants are being receipted, recognised, rolled over, and unspent grants are repaid. The accounting for grants should be done in accordance with GRAP 23: Revenue from

exchange transactions (Taxes and Transfers). Refer to **Annexure A** of this Circular on the correct treatment of rollovers and repayment of unspent grants in *m*SCOA.

• The revenue budget

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the municipality's financial sustainability. The Consumer Price Index (CPI) is forecasted to be within the lower limit of the 3 to 6 per cent target band; therefore, municipalities are required ***to justify all increases in excess of the projected inflation target for 2021/22 MTREF*** in their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups. It is noted that the tariff increases by Eskom and Water Boards are above inflation and should be considered as such while determining cost-reflective tariffs. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

Local government also confronts tough fiscal choices in the face of financial and institutional problems that result in service-delivery breakdowns and unpaid bills. Municipalities can offset these trends by improving its own revenue collection, working more efficiently and implementing cost-containment measures.

• Eskom Bulk Tariff increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. In March, NERSA approved a municipal tariff increase of 6.9 per cent effective 1 July 2020 (1.2 per cent lower than the tariff increase in Multi-Year Price Determination (MYPD) 4 period due to differences in municipal and national financial years).

The equitable share formula uses the 9.9 per cent bulk tariff increase used when National Treasury calculated the baseline for this year in the 2020 MTEF period. Other (non-bulk) electricity costs are updated based on the National Treasury's inflation projections in the 2020 MTBPS. This is due to fiscal constraints and the fact that the court had not pronounced on the Eskom matter at the time that the budget was finalised.

The additional R10 billion that the courts have allowed Eskom to recover in the 2021/22 national financial year translates to a 15.6 per cent bulk increase over the national financial year. However, given that the increase only comes into effect in July for municipalities, NERSA typically allows a higher percentage increase so that Eskom can recover the additional allowable revenue from municipalities over 9 months before the national financial year ends. Therefore, the increase should be expected to be between 16 to 20 per cent. Municipalities can mitigate the negative impact of this increase by improving efficiencies on both the revenue collections and the spending side.

The outer two years of the 2021 MTEF use 8.9 per cent, which is an average annual tariff increase used for the NERSA's multi-year price determination period of 1 April 2019 to 31 March 2022. Moreover, the outer year is anticipated to be the first year of the MYPD 5 period, yet to be published.

• Funding choices and management issues

Municipalities are under pressure to generate revenue as a result of the economic landscape, the COVID-19 pandemic, weak tariff setting and increases in key cost drivers to provide basic

municipal services. Customers' ability to pay for services is declining, which means that less revenue will be collected.

In order to achieve financial sustainability, municipalities must demonstrate the political will to implement the changes required to improve their performance. Where municipalities consistently fail to deliver their mandates, the Constitution provides for provincial and/or national government to intervene.

- **Employee related costs**

The *Salary and Wage Collective Agreement* for the period 01 July 2018 to 31 June 2020 has come to an end and a new agreement is under consultation, which we hope will take into account the current fiscal constraints faced by government. Therefore, in the absence of any information in this regard from the South African Local Government Bargaining Council (SALGBC), municipalities are advised to take into account their financial sustainability when considering salary increases. It has been observed over the previous years that salary increases were above inflation. In addition, municipalities that could not afford such increases did not apply for exemption as provided by SALGBC.

Given the current economic condition exacerbated by the COVID-19 pandemic, municipalities are urged to consider projecting increases to wage that would reflect their affordability. Some municipalities are already not able to afford the current wage cost and would indeed have to apply no more than a zero per cent increase in the 2021/22 MTREF and exercise the option for exemption for any negotiated increase above the level of their affordability.

Therefore, should accounting officers fail to consider salary increases within the ambit of the municipality's available resources and financial position, such failure will constitute an act of financial misconduct as defined in section 171 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

- **Remuneration of councillors**

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process.

- **Payment of danger allowance to the employees**

The work undertaken by the frontline staff in rendering services to communities must be appreciated whilst understanding the country's economic situation and the world resulting from the impact of COVID-19 pandemic. The SALGBC Circular No. 5 of 2020 provides advice to municipalities about the payment of danger allowance to employees working at the frontline to fight the COVID-19 pandemic.

The Circular provides that the council of the municipality must have an approved policy that should guide how the danger allowance should be paid, based on the affordability of the municipality. During this difficult financial situation posed by the COVID-19 pandemic, municipalities must consider the following:

- Determine whether or not the municipality will afford the percentage increase in order to accommodate the Danger Allowance;

- Assess the current status of the Employee Related Costs that form part of the municipality's budget in order to ascertain whether or not the inclusion of such allowance will not place the municipality's financial position in jeopardy in terms of the total Employee Related Costs as a percentage of the total expenditure;
- Determine the credible funding source for the payment of Danger Allowance;

- In this case the municipality must subject that change to "public participation processes" when dealing with the 2021/2022 MTREF based on the funding source; and
- The municipality must also have a policy that operationalise the implementation of this kind of an allowance, only based on the determination/ assessment as per the aforementioned points.

6.4 Mayor's discretionary funds and similar discretionary budget allocations

It has been observed that many municipal budgets contain sub-votes or allocations to "Mayoral Discretionary Funds", "Special Projects", "Special Events" or similar discretionary type funds. Municipalities must refer to section 12 of the MFMA in relation to setting up a relief, charitable, trust or other funds.

National Treasury regards these types of allocations as a bad practice because:

6. It is not clear how they are aligned to the constitutional requirement that municipalities structure their budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community (see section 153(a) of the Constitution);
7. They do not provide for the appropriation of funds for the purposes of a department or functional area of the municipality (see the definition of 'vote' in section 1 of the MFMA);
8. They undermine the budget consultation processes since the intended use of the funds is not transparently reflected in the tabled budget; and
9. There is a risk that they may be abused for personal gain or to improperly benefit another person or organisation.

Therefore, National Treasury discourages allocations of this nature. Good budget practice requires that a municipal budget should transparently indicate the purposes and areas where municipal funds (i.e. public funds) are to be allocated. These kinds of discretionary funds immediately raise public suspicions of impropriety and corruption. In terms of section 52(a) of the MFMA the Mayor "must provide general political guidance over the fiscal and financial affairs of the municipality". The Mayor, therefore, provides direct input into the budget. If this is the case, why does the Mayor require a 'discretionary / personal slush fund'?

Section 17(3)(b) of the MFMA requires that when an annual budget is tabled it must be accompanied by "measurable performance objectives ... for each vote in the budget". What measurable performance objectives can be set in relation to these funds given that their use is at the discretion of the Mayor? This means the transparent and effective use of these funds cannot be monitored and assessed by the council and the public.

National Treasury notes that section 17(3)(j) of the MFMA requires that when an annual budget is tabled it must be accompanied by "particulars of any proposed allocations or grants by the municipality to ... (iv) any organisations or bodies referred to in section 67(1)". The aim of this provision is to ensure that all proposed allocations or grants are presented transparently in the budget documentation that is tabled for public consultation and council approval, as well as for budget management and monitoring purposes. *Any allocations or grants made to organisations*

or bodies that are not reflected in a municipality's budget or adjustments budget must be regarded as unauthorised expenditure because they are "(f) a grant by the municipality otherwise than in accordance with this Act" (see definition of unauthorised expenditure in section 1 of the MFMA).

National Treasury further notes that section 67 of the MFMA only allows funds to be transferred to 'an organisation or body' and not to an individual. Any allocations or grants to individuals, *other than in terms of the municipality's indigent policy or bursary scheme, must be regarded as*

irregular expenditure because they are expenditures not in accordance with a requirement of the MFMA.

National Treasury and provincial treasuries will exercise close oversight of all discretionary type allocations in municipal budgets. If there are any concerns about the use of these funds, section 74 of the MFMA will be used to request information in this regard and analyse it for consistency with the MFMA legal framework.

• Conditional Grant Transfers to Municipalities

The annual Division of Revenue Act requires that municipalities must request for a rollover approval against any unspent conditional grants that were allocated through the Act, therefore this section provides guidance to municipalities with regard to the preparation for the 2020/21 unspent conditional grant and rollover process and should be referenced against previous annual budget circulars.

• Criteria for the rollover of conditional grant funds

In terms of Section 22 of the Division of Revenue Act, 2020 (Act No.4 of 2020) (DoRA) in conjunction with the Division of Revenue Amendment Act, 2020 (Act No. 10 of 2020) (DoRAA) and the Division of Revenue Second Amendment Act, 2020 (Act No. 20 of 2020), the Act requires that any conditional allocation or a portion thereof that is not spent at the end of the 2020/21 financial year reverts to the National Revenue Fund, unless the rollover of the allocation is approved in terms of subsection (2). Furthermore, the receiving officer, provincial treasury and national transferring officer is required to prove to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When requesting a rollover in terms of section 22(2) of the 2020 DoRA, municipalities must include the following information with their submission to National Treasury:

- A formal letter, signed by the accounting officer addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2020 DoRA;
- A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
- The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
    - Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or
    - Proof of project tender and tender submissions published and closed before 31 March with the appointment of contractor or service provider for delivery of service

before 30 June in cases where additional funding was allocated during the course of the final year of the project;
- Incorporation of the Appropriation Statement;
- Evidence that all projects linked to an allocation will be fully utilised by 30 June 2022 (attach cash flow projection for the applicable grant).

- A progress report (also in percentages) on the status of each project's implementation that includes an attached **legible implementation plan**);
- The value of the committed project funding and the conditional allocation from the funding source;
- Reasons why the grants were not fully spent during the year of original allocation per the DoRA;

6 Rollover of rollovers will not be considered therefore municipalities must not include previous year's unspent conditional grants as rollover request;
7 An indication of the time period within which the funds are to be spent if the rollover is approved; and
8 Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

No rollover requests will be considered for municipalities with vacant or acting Chief Financial Officers and Municipal Managers for a period exceeding 6 months from the date of vacancy; this also includes acting appointments as a result of suspensions of either MM or CFO that are more than 12 months.

If any of the above information is not provided or the application is received by National Treasury (Intergovernmental Relations Division) after 31 August 2021, the application will be declined.

In addition, National Treasury will also consider the following information when assessing rollover applications; and reserves the right to decline an application should there be non-performance by the municipality in any of these areas:

- Compliance with the in-year reporting requirements in terms of sections 71 and 72 of the MFMA and section 12 of the 2020 DoRA, **including the municipal manager and chief financial officer signing-off on the information** sent to National Treasury;
- Submission of the pre-audited Annual Financial Statements to National Treasury by 31 August 2021;
- Accurate disclosure of grant performance in the 2020/21 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS);
- Despite the fact local government is required to comply to different norms and standards prescribed by different legislations, municipalities are expected to fully comply with the provisions of DoRA that relates to rollover processes and disclose conditional grant performance in the 2020/21 pre-audited Annual Financial Statements in order to verify grant expenditure; and
- Cash available in the bank (net position including short term investments) as at 30 June 2021 is equivalent to the unspent amount at the end of the financial year. If the amount that is requested for rollover **is not entirely cash-backed**, such a rollover will not be approved. National Treasury will also not approve portions of rollover requests.

It should be noted that under no circumstances will the National Treasury consider requests to rollover:

8. The entire 2020/21 allocation to the municipality, in cases whereby the rollover request is more than 50 per cent of the total allocation, National Treasury will approve the rollover amount up to 50 per cent of the 2020/21 allocation;
9. Rollover request of the same grant for the third consecutive time;
10. Funding for projects constituted through Regulation 32 of the Municipal Supply Chain Management Regulations (Gazette No.27636). Projects linked to additional funding and disasters are exempted; and
11. A portion of an allocation where the proof of commitment for the rollover application is linked to invoices that were issued before or on 31 May 2021.

7.2 Rollover request against the Covid-19 allocated through the Equitable Share

The Division of Revenue Amendment Act, 2020 (Act No 10 of 2020) made available to Local government an amount of R11 billion following the President's speech on 20 April 2020. The President pronounced that R20 billion would be made available to municipalities in order to provide emergency water supply, increase sanitation of public transport facilities, and provide

food and shelter for the homeless. The R20 billion consisted of an additional allocation of R11 billion, which was transferred through the Equitable Share, and the R9 billion was funded from the repurposed spending within conditional grants allocated to municipalities. This increased the 2020/21 municipal Equitable Share allocation from R74.7 billion to R85.7 billion.

The R11 billion added to the local government Equitable Share allowed municipalities to maintain existing services despite a temporary decline in revenue collections and also cover some additional expenses incurred in response to the pandemic, including the provision of temporary shelter for homeless people during the lockdown.

Although the R11 billion was allocated through an unconditional grant (Equitable Share), these are committed funds in response to the Covid-19 pandemic. Consequently, the municipalities are required to request a rollover from National Treasury of any unspent committed Covid-19 allocation to be rolled over into the 2021/22 financial year.

Municipalities are therefore required to provide the following information to National Treasury in order to prove that the unspent funds are committed and also provide approval to allow the unspent funds to be spent in the 2021/22 financial year.

12. Provide the contracts that are linked to the response of the Covid-19 pandemic in line with the provisions made in the 2020 DoRAA;
13. Reasons why the funds were not fully spent during the year of original allocation per the DoRAA;
14. Accurate disclosure of Covid-19 allocation expenditure in the 2020/21 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS); and
15. Any expenditure incurred against the unspent Covid-19 funds that was not approved for the rollover will be regarded as unauthorized expenditure.

7.3 Unspent conditional grant funds for 2020/21

The process to ensure the return of unspent conditional grants for the 2020/21 financial year will be managed in accordance with section 22 of the DoRA. In addition to the previous MFMA Circulars, the following practical arrangements will apply:

Step 1: Municipalities must submit their June 2021 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile;

Step 2: When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2021. These amounts MUST exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately; and

Step 3: If the receiving officer wants to motivate in terms of section 22(2) of the 2020 DoRA that the unspent funds are committed to identifiable projects, the rollover application pack must be submitted to National Treasury by no later than 31 August 2021.

10 National Treasury will not consider any rollover requests that are incomplete or received after this deadline.

Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 22 October 2021;

Step 5: National Treasury will communicate the unspent conditional grants amount by 08 November 2021. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 19 November 2021; and

Step 6: Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund by 19 November 2021, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 07 December 2021 equitable share allocation.

All other issues pertaining to Appropriation Statement and reporting on approved rollovers are addressed in the Annexure to MFMA Circular No. 86.

7.4 Importance of section 17 of the Division of Revenue Act

The purpose of this section is to provide further clarity on section 17 of DoRA in relation to the transfer of funds to the organ of state in order to implement projects on behalf of the municipalities.

Section 17 (3) of DoRA states that a receiving officer may not allocate any portion of a schedule 5 allocation to any other organ of state for the performance of a function, unless the receiving officer and the organ of the state agree on the obligation of both parties and a payment schedule, the receiving officer has notified the transferring officer, the relevant provincial treasury and National Treasury of the agreed payment schedule and:

11 The allocation

11.2 Is approved in the budget for the receiving provincial department or municipality; or

11.3 If not already approved;

aa) the receiving officer notifies the National Treasury that the purpose of the allocation is not to artificially inflate the expenditure estimates of the relevant municipality and indicates the reasons for the allocation; and

bb) the National Treasury approves the allocation; or

12 The allocation is for the payment for goods or services procured in accordance with the procurement prescripts applicable to the relevant province or municipality and, if it is an advance payment, paragraph (a) (ii) applies with the necessary changes.

Further, section 17 (4) states that the receiving officer must submit a copy of the agreement envisaged in subsection (3) to the transferring officer and the National Treasury before payment is made.

This section requires municipalities to comply with section 17 (3) before any DoRA allocated funds are allocated to any organ of state, and the municipality should first seek approval from National Treasury.

Note that National Treasury considers the following when assessing the request from the municipality for approval:

- If the municipality is benefitting and utilising from the five per cent from capital grants that may be utilised for Project Management Unit (PMU). In terms of the capital grant framework (i.e. MIG and IUDG and three per cent for the USDG), municipalities are allowed to utilise a certain per cent of the grant for PMU or capacity support in order to implement capital projects. Therefore, if municipalities are benefiting from this initiative, the PMU should be capacitated enough to implement capital project;
- Municipalities that are benefiting from the added technical support from Municipal Infrastructure Support Agent (MISA) will not be granted approval because MISA would assist with providing support and develop technical capacity towards sustained

accelerated municipal and service delivery. This implies that the municipality would be capacitated and be in a better position to implement capital project; and

3. If the request does not comply with the grant conditions, framework and if the transfer artificially inflates the expenditure estimates.

The following information must be submitted to National Treasury before approval is granted to municipalities to transfer funds to organs of the state:

10. In consultation with the relevant transferring officer municipalities must submit their request to National Treasury for approval;

11. Provide the time frames regarding the duration of this arrangement between the municipality and the organ of the state;

12. Provide the Service Level Agreement between the municipality and the organ of the state in consultation with the relevant transferring officer;

13. Provide the agreed payment schedule reflecting the disbursement of the funds;

14. Must provide the reasons why the municipality has taken such a decision;

- If amongst the reasons for the request is related to capacity challenges, the municipality must therefore prove beyond reasonable doubt that there are capacity challenges and the reasons thereof; and
- Upon approval, the municipality must submit the approved budget that includes the allocation.

Note that once the allocation has been approved, the payment for goods or services must be procured in accordance with or in compliance with the procurement prescripts applicable to the relevant municipality. If there is an agreement for an advancement, subsection (a) (ii) will apply in order to determine if the payment does not artificially inflate the expenditure estimates.

Further, before funds are transferred, the national transferring officer and National Treasury must agree on the payment schedule.

Therefore, if any expenditure incurred which emanates from such an arrangement while there was non-compliance with section 17, grant conditions and framework, such expenditure will not be recognised by both National Treasury and relevant transferring officer and will be classified as unauthorised expenditure.

- ## The Municipal Budget and Reporting Regulations

- ### Service Level Standards

Municipalities are reminded to update the service level standards which must form part of their 2021/22 MTREF tabled budget documentation. A broad framework on the minimum service standards was issued with MFMA Circular No. 75. Therefore, the outline must be used as a guideline and be amended accordingly to align to the municipality's specific circumstances.

- ### Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape Buffalo City	Matjatji Mashoeshoe Mandla Gilimani	012-315 5553 012-315 5807	Matjatji.Mashoeshoe@treasury.gov.za Mandla.Gilimani@treasury.gov.za
Free State	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za

Gauteng Johannesburg and Tshwane	Kgomotso Baloyi Kevin Bell Willem Voigt	012-315 5866 012-315 5725 012-315 5830	Kgomotso.Baloyi@treasury.gov.za Kevin.Bell@treasury.gov.za WillemCordes.Voigt@treasury.gov.za Sifiso.Mabaso@treasury.gov.za
KwaZulu-Natal eThekwini	Kgomotso Baloyi Mpati Rakgwale Una Rautenbach Abigail Maila	012-315 5866 012-315 5700	Kgomotso.Baloyi@treasury.gov.za Mpati.Rakgwale@treasury.gov.za Una.Rautenbach@treasury.gov.za Abigail.Maila@treasury.gov.za
Limpopo	Willem Voigt Sifiso Mabaso	012-315 5830 012-315 5952	WillemCordes.Voigt@treasury.gov.za Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Northern Cape	Mandla Gilimani Phumelele Gulukunqu	012-315 5807 012 315 5539	Mandla.Gilimani@treasury.gov.za Phumelele.Gulukunqu@treasury.gov.za
North West	Willem Voigt Makgabo Mabotja	012-315 5830 012-315 5156	WillemCordes.Voigt@treasury.gov.za Makgabo.Mabotja@treasury.gov.za
Cape Town George	Kgomotso Baloyi Willem Voigt and Mandla Gilimani	012-315 5866 012-315 5830 012-315 5807	Kgomotso.Baloyi@treasury.gov.za WillemCordes.Voigt@treasury.gov.za Mandla.Gilimani@treasury.gov.za
Technical issues with Excel formats	Kgomotoso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za

3. Budget process and submissions for the 2021/22 MTREF

- **Submitting budget documentation and A1 schedules for 2021/22 MTREF**

To facilitate oversight of compliance with the MBRR, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that ***immediately*** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in electronic formats. If the annual budget is tabled to council on **31 March 2021**, the final date of submission of the electronic budget documents and corresponding *m*SCOA data strings is **Thursday, 01 April 2021**.

Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that municipalities must submit the approved annual budget to both National Treasury and the relevant provincial treasury ***within ten working days*** after the council has approved the annual budget. E.g. if the council approves the annual budget on **31 May 2021**, given the new timeframe for the evaluation of the municipal budgets, the adopted budget data strings and documentation must be submitted by the latest **Monday, 14 June 2020**.

Municipalities are no longer expected to submit hard copies of all required documents including budget-related, Integrated Development Plan, Service Delivery Budget and Implementation Plan, Annual Financial Statements and Annual Reports to National Treasury via post or courier services. Electronic copies must be submitted in pdf formatto the LG Upload portal or lgdocuments@treasury.gov.za

9.2 Consolidated budgets and reports

Municipalities with entities are reminded that they must prepare and submit MTREF budgets, section 71 reports, annual financial statements and annual reports for both the parent municipalities and consolidated documents that incorporates the entity information in terms of the MBRR.

9.3 Submission using LG Upload Portal

In MFMA Budget Circular No 107, it was indicated that budget-related documents and schedules must be uploaded by approved registered users using the LG Upload Portal at: https://lguploadportal.treasury.gov.za/ and that National Treasury was planning to retire lgdocuments@treasury.gov.za from 01 July 2021 to ensure that there is a single collection point of municipal financial data. However, based on workflow licensing challenges on the LG Upload Portal, data string submissions will shortly be shifted to the Open Portal GoMuni while documents must still be submitted using lgdocuments@treasury.gov.za. The document submissions will also be shifted to GoMuni as soon as possible.

All municipalities and their entities had to prepare their MTREF budget directly on the *m*SCOA financial systems from 01 July 2017. Therefore, all MBRR schedule submissions must be submitted in ***PDF format only***.

9.4 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, http://mfma.treasury.gov.za/Pages/Default.aspx. Municipalities are encouraged to visit it regularly as documents are regularly added/ updated on the website.

Contact

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post	Private Bag X115, Pretoria 0001
Phone	012 315 5009
Fax	012 395 6553
Website	http://www.treasury.gov.za/default.aspx

JH Hattingh
Chief Director: Local Government Budget Analysis
08 March 2021

Annexure A: Treatment of Rollovers and repayment of unspent grants in *m*SCOA

Cash receipting of a conditional grant
The receiving of grants must be accounted for against (Dt) Bank and (Cr) Item Liabilities: Unspent grants: Capital: Monetary: Municipal Infrastructure Grant: Receipts as shown below:

- Municipal Infrastructure Grant(IL-001-007-002-001-002-005-002)
  - Opening Balance(IL-001-007-002-001-002-005-002-001)
  - **Receipts(IL-001-007-002-001-002-005-002-002)**

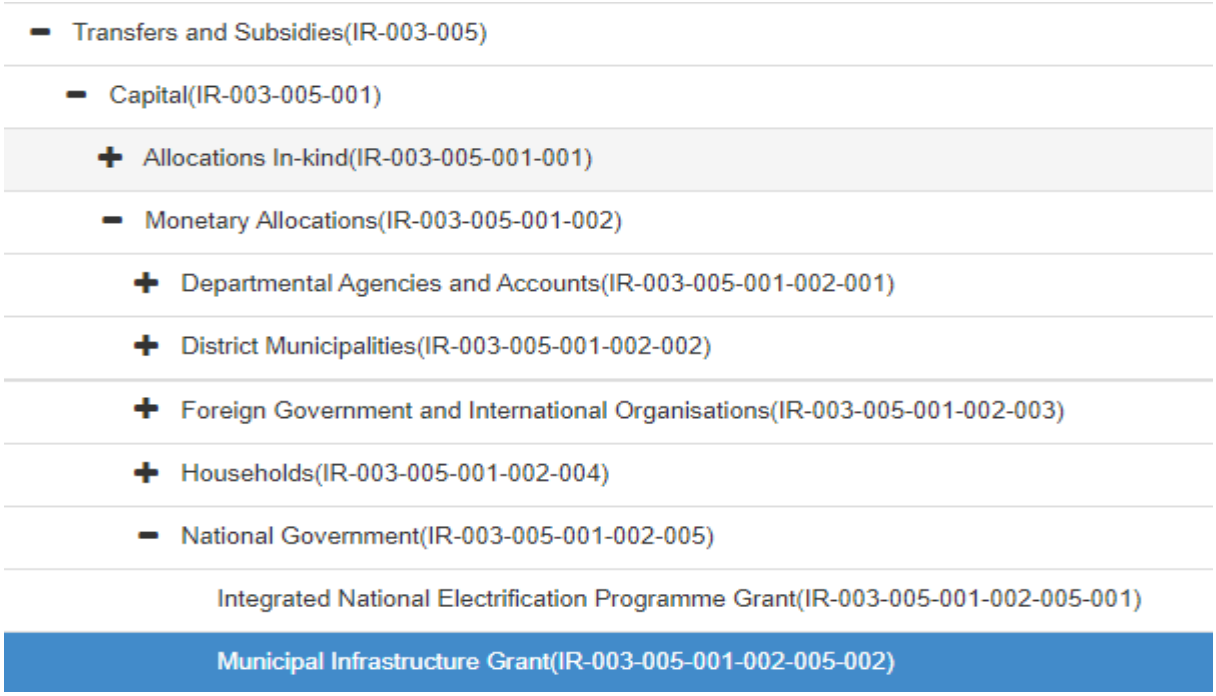
Recognising the revenue when the grant is spent

When the grant is spent in accordance with the conditions of the grant, a transaction must be passed against the (Dt) Item Liabilities: Transferred to Revenue/ Capital Expenditure and (Cr) Item Revenue: Non-Exchange Transactions: Transfers and subsidies: Capital: Monetary allocations: National Government: Municipal Infrastructure Grant as shown below:

Debit Item Liability: posting level

- Municipal Infrastructure Grant(IL-001-007-002-001-002-005-002)
  - Opening Balance(IL-001-007-002-001-002-005-002-001)
  - Receipts(IL-001-007-002-001-002-005-002-002)
  - **Transferred to Revenue/Capital Expenditure(IL-001-007-002-001-002-005-002-003)**

Credit revenue recognised: posting level



Rollovers

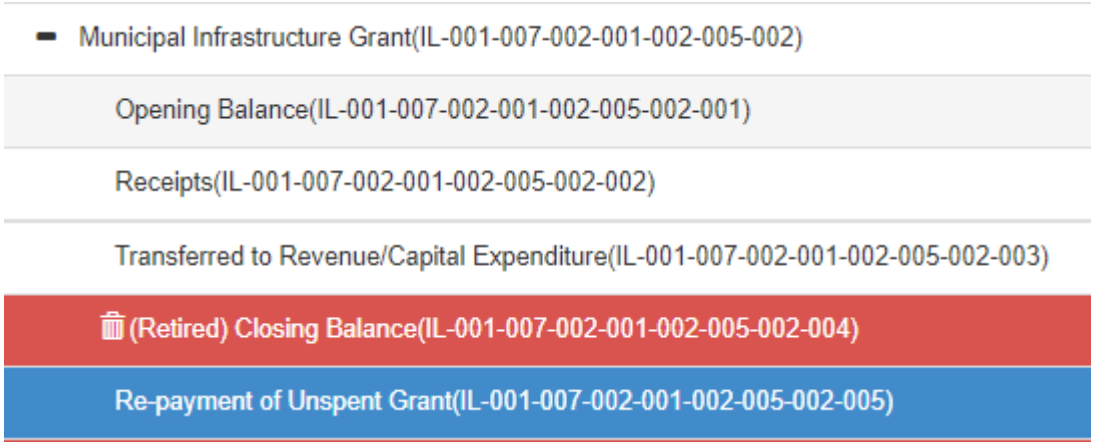
In the event that the full grant was not spent at the end of the financial year, the municipality must apply for a rollover as per the process stipulated in the Division of Revenue Act (DoRA). Until such approval has been granted by the National Treasury, a municipality may not continue to incur expenditure against the unspent conditional grant allocation. This does not mean that the municipality should stop or cancel ongoing projects, but Council approval must be obtained to fund the spending from own funding sources until rollover approval is granted by the National Treasury. Once the rollover has been approved by the National Treasury, the amount of the rollover must be ratified through an adjustments budget. The *m*SCOA chart makes provision for all the required transactions in this regard.

Roll over not approved/ Offset against Equitable share

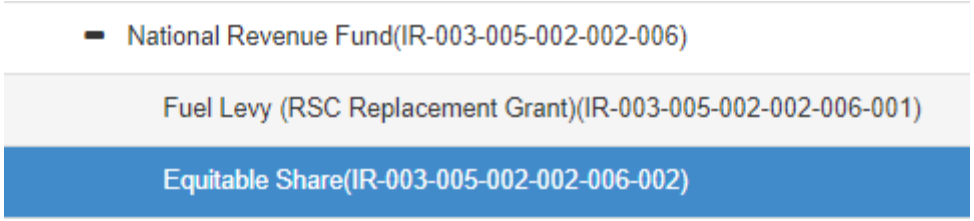
In the event that the rollover is not approved by the National Treasury, the unspent grant funding must be paid back to the National Revenue Fund or alternatively be offset against the Equitable Share and the Liability must be reduced by:

10 Debiting Unspent Grant (Repayment) to reduce the liability that was still outstanding; and
11 Crediting Item Revenue Equitable Share to adjust the revenue in line with DoRA. This is further illustrated below:

1) Debit Liability: posting level



2) Credit Revenue: posting level



Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure

If the municipality continues to spend against the conditional grant allocation, but rollover approval has not been granted by the National Treasury, this expenditure will be viewed as unauthorised expenditure.

ANNEXURE C

Project Description	Funding Source	Annual Budget 2021/22	Annual Budget 2022/23	Annual Budget 2023/24
CORPORATE SERVICES				
Bio-metric System	Internal	800 000	-	-
Fencing of municipal building	Internal	605 883	-	-
Furniture and equipment	Internal	180 000	100 000	100 000
Computer equipment	Internal	100 000	100 000	100 000
Computer software and applications	Internal	237 000	-	-
		1 922 883	**200 000**	**200 000**
EXECUTIVE & COUNCIL				
Furniture and office equipment	Internal	350 000	150 000	150 000
Computer equipment	Internal	1 070 000	350 000	350 000
Public address system & data projector	Internal	70 000	-	-
Ward councilors capital project	Internal	750 000	-	-
Vehicle and trailer	Internal	500 000	-	-
		2 740 000	**500 000**	**500 000**
FINANCIAL SERVICES				
Furniture and office equipment	Internal	360 005	-	-
Machinery and equipment	Internal	250 000	-	-
Cibex software	Internal	600 000	500 000	-
WIFI solution	Internal	100 000		
Network upgrade	Internal	250 000	-	-
Vehicles	Internal	900 000	-	-
		2 460 005	**500 000**	**-**
INFRASTRUCTURE & ENGINEERING				
BULK 66kv overheadlines	Internal	1 400 000	-	-
New bypass Sewer Rising Main and Pump Stations Jba	Internal	1 430 000	-	-
Piped Reticulation - St Francis Bay	Internal	500 000	-	-
Replace 250mm Water Main Mimosa Street Jbay	Internal	205 000	-	-
Replace 250mm Water Main Canal Road St Francis Ba	Internal	350 000	-	-
Replace Main Waterline Sout Rivier Bridge Crossing	Internal	700 000	-	-
Repair Leaking Concrete Water Tower Paradise Beach	Internal	310 000	-	-
Fencing Sea Vista Reservoir	Internal	500 000	-	-
Saffery Substation	Internal	1 000 000	-	-
Walk Behind Persestrian Roller	Internal	200 000		
Machinery & Equipment	Internal	180 000	180 000	180 000
Upgrading of Sports Facilities	MIG	4 136 957	4 447 363	4 630 878
Upgrade Sanitation System Old Hankey	MIG	9 230 435	16 848 715	2 462 096
Fencing Waste Water Treatment Plant	Internal	1 500 000	800 000	800 000
Upgrade Loerie sewer pump station	Internal	850 000	-	-
High mast lights	Internal	600 000	-	-
Ocean View Electrification	INEP	6 782 609		6 086 955
Humansdorp , Kruisfontein Electrification & Bulk -	INEP		6 181 739	
Upgrading of Gravel Roads in Humansdorp	MIG	14 234 651	8 353 009	23 779 547
Upgrade Sewer Rising Mains Jbay (La Mer-4A-4B)	Internal	600 000	-	-
Construct emergency overflow pond Koraal Sewer pu	Internal	520 000	-	-
Roads Capital	Internal	-	-	7 500 000
		45 229 652	**36 810 826**	**45 439 476**
PLANNING, DEVELOPMENT & TOURISM				
Restoration of Fisherman Grave Site	Internal	50 000	-	-
Furniture and Office Equipment	Internal	500 000	250 000	220 000
Kouga Business Support Centre	Internal	300 000	100 000	100 000
Computer Equipment	Internal	100 000	-	100 000
Computer Software and Applications	Internal	220 000	250 000	300 000
Land Acquisition	Internal	-	-	1 000 000
		1 170 000	**600 000**	**1 720 000**
COMMUNITY SERVICES				
Cemeteries Ablution Facilities New	Internal	570 000	520 000	300 000
5X Trailers	Internal	200 000	-	-
Upgrading of Cape St Francis	Internal	100 000	100 000	-
Machinery and equipment	Internal	2 260 000	1 000 000	1 700 000
Fencing Sport and Recreation Facilities	Internal	1 500 000	-	-
Computer Equipment	Internal	80 000	80 000	110 000
Furniture and Office Equipment	Internal	380 000	400 000	300 000
Fencing Humansdorp Fire Station	Internal	600 000	600 000	-
Vehicles	District	1 600 000	-	-
Vehicles	Internal	200 000	-	2 500 000
Fencing New and Existing Cemeteries	Internal	-	-	1 000 000
Thornhill Fire Serviice Department -Satellite Building	District	-	-	1 600 000
Fencing Humansdorp Landfill	Internal	-	-	5 500 000
		7 490 000	**2 700 000**	**13 010 000**

		61 012 540	**41 310 826**	**60 869 476**
Transfers recognised - capital		35 984 652	35 830 826	36 959 476
Internally generated funds		25 027 888	5 480 000	23 910 000
		61 012 540	**41 310 826**	**60 869 476**

ANNEXURE D

Business process	Modules	Status
Corporate Governance	IDP	Completed
Municipal Budgeting , Planning and Financial Modelling	Budgeting	Completed
Financial Accounting	General Ledger	Completed
Costing and Reporting	Costing and Reports	Reports - completed - Costing is available not implemented
Project Accounting	Projects	Completed
Treasury and Cash Management	Bank Recon ad Petty Cash	Completed Bank Recon - Petty Cash is outstanding
Procurement Cycle - SCM	SCM	WIP = 01 July 2021
Grant management	Grant Register	Available not implemented
Assets	Assets	Available - will implement once 20/21 Audit is complete
Human Resources and Payroll	HR and Payroll	Organogram and leave completed
Valuation Roll	Valuations	01 July 2022
Revenue Cycle	Billing Module	01 July 2022
Customer Care , Credit and Debt Management	Debt Management	01 July 2022
Land use and Building Control	Billing Module - Building Plans	01 July 2022
Real Estate and Resource Management	Billing Module - Rentals of Council Property	01 July 2022

ANNEXURE E

KOUGA MUN-PROCUREMENT PLAN IN RESPECT OF ADVERTISED COMPETITIVE BIDS AND FORMAL WRITTEN PRICE QUOTATIONS (GOODS, PROJECTS OR SERVICES, INCLUDING ALL APPLICABLE TAXES) FOR THE 2021/2022 FINANCIAL YEAR

Name of Municipality or Municipal Entity	Kouga Municipality
Name of Accounting Officer / Delegated Official	MR C DU PLESSIS
Signature of Accounting Officer / Delegated Official	
Telephone Number and e-mail address	042 200 2200 cduplessis@kouga.gov.za
May-21	

PROJECT NO	DESCRIPTION OF GOODS / SERVICES / PROJECT	END DATE: CURRENT CONTRACT	AMOUNT BUDGETED	PROJECT STATUS	ENVISAGED DATE OF OF BSC ITEM SUBMITTED TO SCM	ENVISAGED DATE OF BSC	ENVISAGED DATE OF ADVERTISEMENT IN THE WEBSITE, NEWSPAPERS OR OTHER MEDIA	ENVISAGED CLOSING DATE OF BID	ESTIMATED TIMEFRAME FOR REPORT BY LEADING DEPARTMENT/ CONSULTANT REQUIRED	ENVISAGED DATE OF BEC	ENVISAGED DATE OF BAC	ENVISAGED DATE OF AWARD	RESPONSIBLE OFFICE/ SCM OFFICIAL/	CHAIRPERSON/
	COMMUNITY SERVICES: N. MACHELESI													
OP1	Advanced Road Safety Law Enforcement Solution- 3 year tender period	No Contract	Operational	Pre-Planning	09-Jun-21	21-Jun-21	30-Jun-21	30-Jul-21	25-Aug-21	01-Sep-21	15-Sep-21	30-Sep-21	R. Prinsloo. C Groenewald	J. du Toit
OP1	Supply and Delivery of Road Signs for a period of three years- Refer Notice 26 of 2021	30-Jun-20	Operational	Closed-Evaluation	13-Jan-21	22-Jan-21	19-Mar-21	19-Apr-21	31-May-21	07-Jun-21	23-Jun-21	08-Jul-21	R. Prinsloo, N. Malgas- Goeda	L. Plaatjies
OP1	Supply and Delivery of Traffic Uniforms and Protective Clothing for for a period of three years- Refer Notice 25 of 2021	30-Jun-20	Operational	Closed-Evaluation	13-Jan-21	22-Jan-21	19-Mar-21	19-Apr-21	31-May-21	07-Jun-21	23-Jun-21	08-Jul-21	R. Prinsloo, N. Malgas- Goeda	L. Plaatjies
FT91177	Funded by Cacadu: Tractor with Front blade and Bossle kapper	No Contract	District Funding	Pre- Planning	20-Oct-21	27-Oct-21	05-Nov-21	07-Dec-21	18-Jan-22	19-Jan-22	02-Feb-22	17-Feb-22	D. Barnard. C. Groenewald	T. Madatt
1011104	Cemetries- Mobile ablution facilities	No Contract	R 570 000,00	Pre-Planning	01-Aug-21	11-Aug-21	20-Aug-21	21-Sep-21	19-Oct-21	26-Oct-21	08-Nov-21	23-Nov-21	C Venter. N. Malgas- Goeda	N. Swarts
OP_9	Furniture and equipment Tables and Chairs	No contract	R 380 000,00	Pre-planning	04-Jan-22	11-Jan-22	20-Jan-22	21-Feb-22	14-Mar-22	21-Mar-22	31-Mar-22	15-Apr-22	C Venter. C Groenewald	K. Marais
1011782	RFQ-Trailers	No Contract	R 200 000,00	Pre-planning	15-Aug-21	25-Aug-21	03-Sep-21	17-Sep-21	01-Oct-21	08-Oct-21	15-Oct-21	01-Nov-21	C Venter. A. Smith	n/a- 7day notice
	Machinery and Equipment (Refer below)													
1011114	RFQ: Quadbike	No Contract	R 150 000,00	Pre-Planning	23-Jul-21	04-Aug-21	13-Aug-21	02-Sep-21	16-Sep-21	23-Sep-21	30-Sep-21	15-Oct-21	R. Prinsloo, A. Gorden	n/a- 7day notice
1011113	RFQ: Generator	No Contract	R 200 000,00	Pre-Planning	28-Jun-21	08-Jul-21	19-Jul-21	06-Aug-21	20-Aug-21	27-Aug-21	03-Sep-21	20-Sep-21	R. Prinsloo, A. Smith	n/a- 7day notice
1011117	RFQ: Road Marking Machine	No Contract	R 150 000,00	Pre-Planning	22-Jan-22	02-Feb-22	11-Feb-22	03-Mar-22	17-Mar-22	24-Mar-22	31-Mar-22	15-Apr-22	R. Prinsloo, A. Gorden	n/a- 7day notice
1011115	RFQ: Radio Communication	No Contract	R 150 000,00	Pre-Planning	01-Jul-21	13-Jul-21	22-Jul-21	11-Aug-21	25-Aug-21	01-Sep-21	08-Sep-21	23-Sep-21	R. Prinsloo, A. Smith	n/a- 7day notice
1011116	RFQ: Computer Equipment for Ops Room	No Contract	R 80 000,00	Pre-Planning	05-Aug-21	17-Aug-21	26-Aug-21	15-Sep-21	29-Sep-21	06-Oct-21	13-Oct-21	28-Oct-21	R. Prinsloo, A. Gorden	n/a- 7day notice
1011111	RFQ: Playdetactor (Road Worthy centre)	No Contract	R 200 000,00	Pre-Planning	05-Aug-21	17-Aug-21	26-Aug-21	15-Sep-21	29-Sep-21	06-Oct-21	13-Oct-21	28-Oct-21	R. Prinsloo, A. Smith	n/a- 7day notice
	PLANNING, DEVELOPMENT & TOURISM													
OP1	Agent for Land Sales- 3 year tender	No Contract	Operational	Pre- Planning	28-May-21	03-Jun-21	10-Jun-21	12-Jul-21	02-Aug-21	03-Aug-21	11-Aug-21	26-Aug-21	S. Grootboom, N. Malgas- Goeda	C. Venter
OP_1	Professional Service Provider for Land Audit	No Contract	R 500 000,00	Pre-Planning	04-Jun-21	18-Jun-21	29-Jun-21	29-Jul-21	19-Aug-21	26-Aug-21	08-Sep-21	23-Sep-21	S. Grootboom, C. Groenewald	A. Nicholls
OP_1LED/ OP_3LED/ OP32501/ 603216	Panel of Professionals -PDT	No Contract	Operational	Pre- Planning	04-Jun-21	11-Jun-21	22-Jun-21	22-Jul-21	19-Aug-21	20-Aug-21	01-Sep-21	16-Sep-21	M. Penxa, N. Malgas- Goeda	J. Du Toit
OP70001	Precinct Plan Development: Spatial Planning	No Contract	R 1 000 000,00	Pre Planning	04-Jun-21	18-Jun-21	29-Jun-21	29-Jul-21	26-Aug-21	02-Sep-21	15-Sep-21	30-Sep-21	K. Marais, C. Groenewald	Manager IT
OP1 EBD	RFQ: Business Support- Centre- Oceanview-7day notice	No Contract	R 300 000,00	Pre Planning	04-Jun-21	15-Jun-21	24-Jun-21	05-Jul-21	19-Jul-21	26-Jul-21	29-Jul-21	13-Aug-21	V. Blouw, A. Smith	n/a If 7day notice
OP2 EDT	RFQ :Restoration of the LED grave site 7 day Notice	No Contract	R 100 000,00	Pre Planning	09-Jul-21	20-Jul-21	29-Jul-21	09-Aug-21	23-Aug-21	30-Aug-21	02-Sep-21	17-Sep-21	V. Blouw, A. Smith	n/a 7 day notice

	INFRASTRUCTURE & ENGINEERING: E. OOSTHUIZEN													
PC_012	Hankey Sanitation Upgrade (phase 3) Construction of New and Upgrading of existing Sewer Pump Stations in Hankey and Centerton (Civil, Structural, Mechanical and Electrical Works) New Process- Re-advertisement Notice 76/2021	No Contract	Capital- MIG	Advertised	09-Mar-21	19-Mar-21	31-Mar-21	30-Apr-21	28-May-21	01-Jun-21	09-Jun-21	24-Jun-21	J. Du Toit, C. Groenewald	Z. Gongqoba
PC_075	Upgrading of Gravel Roads - Refer Notice 88/2021	No Contract	Capital	Advertised	07-Apr-21	09-Apr-21	15-Apr-21	17-May-21	31-May-21	04-Jun-21	10-Jun-21	25-Jun-21	J. Du Toit, N. Malgas- Goeda	N. Swarts
OP_1	Supply, Delivery of New Plant and Vehicles on Operating lease on a Full and Push Residential Value	No contract	Operational	Pre-Planning	20-May-21	28-May-21	08-Jun-21	08-Jul-21	05-Aug-21	12-Aug-21	25-Aug-21	09-Sep-21	N. Gouws, C. Venter,N. Malgas-Goeda	S. Abrahams
PC_012	Hankey Sanitation Upgrade (phase 2) Installation of new and upgrading of existing sewer rising mains in hankey and centerton- New Process	No Contract	Capital- MIG	Pre-Planning	11-Jun-21	18-Jun-21	22-Jun-21	22-Jul-21	19-Aug-21	30-Aug-21	03-Sep-21	20-Sep-21	J. Du Toit, C. Groenewald	S. Grootboom
OP_1	Hire of Plant & Machinery	31-May-22	Operational	Pre-Planning	26-Nov-21	03-Dec-21	21-Jan-22	22-Feb-22	27-Apr-22	09-May-22	18-May-22	02-Jun-22	J. Du Toit, C. Groenewald	R. Prinsloo
CP 66KV	New overhead line 66KV Melkhout to Jbay	No contract	R 1 400 000,00	Pre- Planning	06-Aug-21	20-Aug-21	31-Aug-21	30-Sep-21	28-Oct-21	04-Nov-21	15-Nov-21	30-Nov-21	T. Madatt, C. Groenewald	N. Mate
PC_1008/ CP6_ SW/ CP9_WAT	Fencing (new 3 year)- Institutional	30-Jun-22	R 2 000 000,00	Pre- Planning	04-Feb-22	18-Feb-22	01-Mar-22	31-Mar-22	28-Apr-22	05-May-22	16-May-22	31-May-22	J du Toit, N. Malgas- Goeda	Z. Gongqoba
OP_1	Water Treatment Chemicals- Caustic Sodium Hypochlroride- 3 year- Refer Notice 97 of 2021	No contract	Operational	Pre-planning	28-Apr-21	30-Apr-21	19-May-21	21-Jun-21	12-Jul-21	19-Jul-21	26-Jul-21	10-Aug-21	J du Toit, C. Groenewald	M. Rossouw
OP_1	Specialised Fittings(Pipes/ Valves)-3 year	No contract	Operational	Pre-planning	27-Sep-21	11-Oct-21	20-Oct-21	19-Nov-21	31-Dec-21	07-Jan-22	14-Jan-22	31-Jan-22	J du Toit, N. Malgas- Goeda	N. Prinsloo
OP_1	Engineering Aggregate-3 year	28-Feb-21	Operational	Pre-planning	28-Jun-21	12-Jul-21	21-Jul-21	20-Aug-21	01-Oct-21	08-Oct-21	15-Oct-21	01-Nov-21	J du Toit, N. Malgas- Goeda	D. Barnard
OP_1	Stormwater Pipes and Pre-Cast products- 3 year tender	No Contract	Operational	Pre-planning	07-Mar-22	21-Mar-22	30-Mar-22	29-Apr-22	10-Jun-22	17-Jun-22	24-Jun-22	11-Jul-22	J du Toit, N. Malgas- Goeda	H. van Rooyen
OP_1	Pre-Cast Street Name Poles- 3 year tender	30-Sep-21	Operational	Pre-planning	25-Jun-21	09-Jul-21	20-Jul-21	19-Aug-21	30-Sep-21	07-Oct-21	14-Oct-21	29-Oct-21	J du Toit, C. Groenewald	E. van Biljon
OP1	Roster of Consultants- Professional Providers	No contract	Operational	Pre-planning	15-Apr-22	29-Apr-22	10-May-22	09-Jun-22	21-Jul-22	28-Jul-22	04-Aug-22	19-Aug-22	J du Toit, C. Groenewald	A. Nichols
CP_74	Upgrading of Sports Facilities	No Contract	R 4 136 957,00	Pre- Planning	06-Aug-21	13-Aug-21	24-Aug-21	23-Sep-21	21-Oct-21	26-Oct-21	02-Nov-21	17-Nov-21	J. Du Toit, C. Groenewald	C. Venter
PW711	Walk Behind Pedestrian Roller	No contract	R 200 000,00	Pre- planning	06-Aug-21	17-Aug-21	26-Aug-21	06-Sep-21	27-Sep-21	04-Oct-21	13-Oct-21	28-Oct-21	N. Gouws, A. Smith	n/a 7 day notice
	Supply and Delivery of Festive Lights- RFQ	No contract	R 200 000,00	Pre- Planning	06-Aug-21	17-Aug-21	26-Aug-21	06-Sep-21	09-Sep-21	10-Sep-21	13-Sep-21	28-Sep-21	N. Nongalo, A. Smith	n/a 7 day notice
OP1	Supply and Delivery of Electrical Arc Flash and Associated Clothing -3 year tender	30-Jun-21	R 400 000,00	Pre- planning	17-Sep-21	29-Sep-21	08-Oct-21	09-Nov-21	07-Dec-21	14-Dec-21	21-Dec-21	05-Jan-22	B Bosch, N. Malgas- Goeda	Manager IT
ELEC711	Electrification and Bulk Infrastructure Kruisfontein Humansdorp- Refer 85 of 2021	INEP	R 6 782 609,00	advertised	12-Apr-21	16-Apr-21	26-Apr-21	26-May-21	03-Jun-21	04-Jun-21	15-Jun-21	30-Jun-21	T. Madatt, C.Groenewald	C. Venter
PC_003	Electrification and Bulk Infrastructure Jbay	INEP	R 6 181 739,00	Pre- planning	29-Apr-22	06-May-22	19-May-22	20-Jun-22	15-Jul-22	21-Jul-22	10-Aug-22	25-Aug-22	T. Madatt, C. Groenewald	N. Swarts
	OFFICE OF MM													
PC_65	Ward project 1-15 (Capital) May constitute a number of projects per Ward. Each ward allocated only R50000.00	No Contract	R 850 000,00	Pre-planning	15-Jan-22	25-Jan-22	03-Feb-22	07-Mar-22	04-Apr-22	11-Apr-22	20-Apr-22	05-May-22	A.Jonck, C. Groenewald	N. Gouws
OP_94A	Ward project 1-15 (Operational) May constitute a number of projects per Ward.	No Contract	R 750 000,00	Pre-planning	15-Jan-22	25-Jan-22	03-Feb-22	07-Mar-22	04-Apr-22	11-Apr-22	20-Apr-22	05-May-22	A. Jonck, N. Malgas- Goeda	H. van Rooyen
803217	Municipal Court - Furniture and Equipment	No Contract	R 100 000,00	Pre-planning	21-Jan-22	01-Feb-22	10-Feb-22	02-Mar-22	16-Mar-22	23-Mar-22	25-Mar-22	11-Apr-22	A. Jonck L Opperman A. Smith	n/a 7day notice
OP_1	Review of Annual Financial Status	No Contract	R 100 000,00	Pre-planning	15-Jul-21	26-Jul-21	04-Aug-21	13-Aug-21	10-Sep-21	17-Sep-21	28-Sep-21	13-Oct-21	F. Jamal, A. Smith	n/a 7 day notice

	FINANCE: R. LORGAT													
CP_4	Computer Equipment- Institutional- Formal Tender-3 year tender	30-Jun-20	Capital	advertised	21-Apr-21	30-Apr-21	07-May-21	08-Jun-21	29-Jun-21	01-Jul-21	15-Jul-21	30-Jul-21	J. Schaap, N. Malgas- Goeda	M Rossouw
	IT related Accessories- 12 month	No Contract	Operational	Pre-Planning	15-Jul-21	29-Jul-21	09-Aug-21	08-Sep-21	06-Oct-21	08-Oct-21	22-Oct-21	08-Nov-21	C. Sezoe, C. Groenewald	S. Grootboom
	Wifi Access Points-RFQ-12 Month Period-7 Day notice	No Contract	Capital	Pre-Planning	10-Aug-21	20-Aug-21	31-Aug-21	09-Sep-21	16-Sep-21	20-Sep-21	21-Sep-21	06-Oct-21	J. Schaap, A. Smith	n/a 7 day notice
OP1	Banking Services	No Contract	Operational	Pre-Planning	31-May-21	09-Jun-21	18-Jun-21	18-Aug-21	29-Sep-21	01-Oct-21	13-Oct-21	28-Oct-21	S. Abrahams, C Groenewald	T. Madatt
OP_1	Prepaid Vending Solutions	30-Sep-21	Operational	Pre Planning	20-Jun-21	29-Jun-21	15-Jul-21	16-Aug-21	04-Oct-21	11-Oct-21	20-Oct-21	04-Nov-21	S. Tabata/ T. Madatt,	
OP1	Cash In Transit Services-3 year tenders	30-Sep-21	Operational	Pre-Planning	17-May-21	28-May-21	11-Jun-21	13-Jul-21	10-Aug-21	16-Aug-21	25-Aug-21	09-Sep-21	S. Tabata, C. Groenewald	S. Grootboom
OP1	Printing and Mailing of Consumer Accounts	30-Nov-21	Operational	Pre-Planning	03-Jun-21	18-Jun-21	29-Jun-21	29-Jul-21	26-Aug-21	02-Sep-21	13-Sep-21	28-Sep-21	S. Tabata, N. Malgas- Goeda	C. Venter
OP_1	Supply, Delivery and Offloading of 2 piece overalls (Garment) Royal Blue Conti Suit for a three year period- Refer Notice 55 of 2021- Contract S13/2021	30-Jun-21	Operational	Pre-Planning	09-Jan-21	15-Jan-21	26-Mar-21	26-Apr-21	24-May-21	01-Jun-21	10-Jun-21	25-Jun-21	D. van Vuuren, N. Malgas- Goeda	A. Rossouw
OP_1	Supply, Delivery and Offloading of Electrical Requirements for a three year period- Refer Notice 48 of 2021 Contract S18/2021	30-Jun-21	Operational	Closed	31-Dec-20	05-Mar-21	09-Apr-21	10-May-21	21-Jun-21	28-Jun-21	07-Jul-21	22-Jul-21	E. Felix,C. Groenewald	B. Bosch
OP_1	Supply, Delivery and Offloading of Electrical Cables for a three year period Refer Notice 55 of 2021- Contract S16/2021	30-Jun-21	Operational	Evaluation	31-Dec-20	05-Mar-21	26-Mar-21	26-Apr-21	17-May-21	24-May-21	02-Jun-21	17-Jun-21	E. Felix, C Groenewald	K. Du Preez
OP_1	Supply, Delivery and Offloading of STS Elec Prepaid Meters for a three year period- Refer Notice 55 of 2021- Contract S17/2021	30-Jun-21	Operational	Evaluation	31-Dec-20	05-Mar-21	26-Mar-21	26-Apr-21	12-May-21	17-May-21	26-May-21	10-Jun-21	E. Felix, C. Groenewald	K. Du Preez
OP_1	Supply, Delivery and Offloading of Stationary - Part 2 for a three year period Refer Notice 55 of 2021- Contract S14/2021	30-Jun-21	Operational	Closed	05-Feb-21	12-Feb-21	26-Mar-21	26-Apr-21	01-Jun-21	08-Jun-21	17-Jun-21	02-Jul-21	E. Felix, N. Malgas-Goeda	E. Olivier
OP_1	Supply, Delivery and Offloading of Paper and Preprinted Paper- Part 2 for a three year period Refer Notice 55 of 2021- Contract S15/2021	30-Jun-21	Operational	Closed	05-Feb-21	12-Feb-21	26-Mar-21	26-Apr-21	01-Jun-21	08-Jun-21	17-Jun-21	02-Jul-21	E. Felix, N Malgas- Goeda	E. Olivier
	CORPORATE SERVICES: K. MOODLEY													
??	Building & Maintenance:Supply of hardware items and materials (paint and tiling)	No Contract	Operational (R900 000,00)	Pre-Planning	11-Jun-21	23-Jun-21	04-Aug-21	03-Sep-21	01-Oct-21	08-Oct-21	18-Oct-21	02-Nov-21	Z. Mdidimba, N. Malgas- Goeda	K. Marais
??	Supply, delivery and installation of artificial grass to kouga local municipality for a period of one year	No Contract	R 750 000,00	Pre-Planning	04-Jun-21	11-Jun-21	22-Jun-21	12-Jul-21	23-Jul-21	26-Jul-21	30-Jul-21	16-Aug-21	M. Rossouw, C Groenewald	J du Toit
803214/ 803215	Appoint Service Provider for Advertising	31-May-22	Operational	Pre-Planning	14-Jan-22	28-Jan-22	17-Feb-22	21-Mar-22	18-Apr-22	25-Apr-22	03-May-22	18-May-22	G. Booysen, C. Groenewald	S. Abrahams
803214/ 803215	Supply and delivery of various promotional items (Communications)- 12 Month Period- by 31 aug 2021	No Contract	R 250 000,00	Pre-Planning	15-May-21	28-May-21	08-Jun-21	08-Jul-21	29-Jul-21	03-Aug-21	11-Aug-21	26-Aug-21	N. Makapula,N. Malgas- Goeda	N. Mate
803214/ 803215	Appoint Service Provider for Brand Visibility(Advertising- (Street Poles) 12 Month Period by 30 Sept 2021	No Contract	R 500 000,00	Pre-Planning	11-Jun-21	25-Jun-21	06-Jul-21	05-Aug-21	02-Sep-21	09-Sep-21	17-Sep-21	04-Oct-21	N. Makapula, N. Malgas- Goeda	K. Marais
803214/ 803215	Appoint Service Provider for Brand Visibility(Advertising- (Digital Advertising Outdoor) 12 Month Period by 30 Sept 2021	No Contract	R300 000	Pre-Planning	25-Jun-21	09-Jul-21	20-Jul-21	19-Aug-21	16-Sep-21	23-Sep-21	01-Oct-21	18-Oct-21	N. Makapula, C Groenewald	Manager IT
OP 1	Appoint Service Provider for MFMA Programme	No Contract	Operational	Pre-Planning	31-May-21	04-Jun-21	15-Jun-21	15-Jul-21	12-Aug-21	17-Aug-21	25-Aug-21	09-Sep-21	D. De Jager, C. Groenewald	C. Dreyer
803210	Appoint Service Provider for Brand Visibility(Advertising(Digital Screens - Office- 12 Month Period by 30 Sept 2021 (7 day notice)	No Contract	R 100 000,00	Pre-Planning	25-Jun-21	02-Jul-21	13-Jul-21	22-Jul-21	05-Aug-21	06-Aug-21	11-Aug-21	26-Aug-21	N. Makapula.	n/a 7 day notice
803216	Corporate Clothing	No Contract	R190 000	Pre-Planning	04-Jun-21	11-Jun-21	22-Jun-21	01-Jul-21	15-Jul-21	16-Jul-21	21-Jul-21	05-Aug-21	N Makapula	n/a 7 day notice