KOUGA LOCAL MUNICIPALITY

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:

   1.1 Consolidated Budget Summary [Page 22].
   1.2 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 24]
   1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 26]
   1.4 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 27]
   1.5 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:

   2.1 Budgeted Financial Position; [Page 32]
   2.2 Budgeted Cash Flows; [Page 34]
   2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 35]
   2.4 Asset management; [Page 36]
   2.5 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 <u>OPERATING EXPENDITURE FRAMEWORK</u>

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.

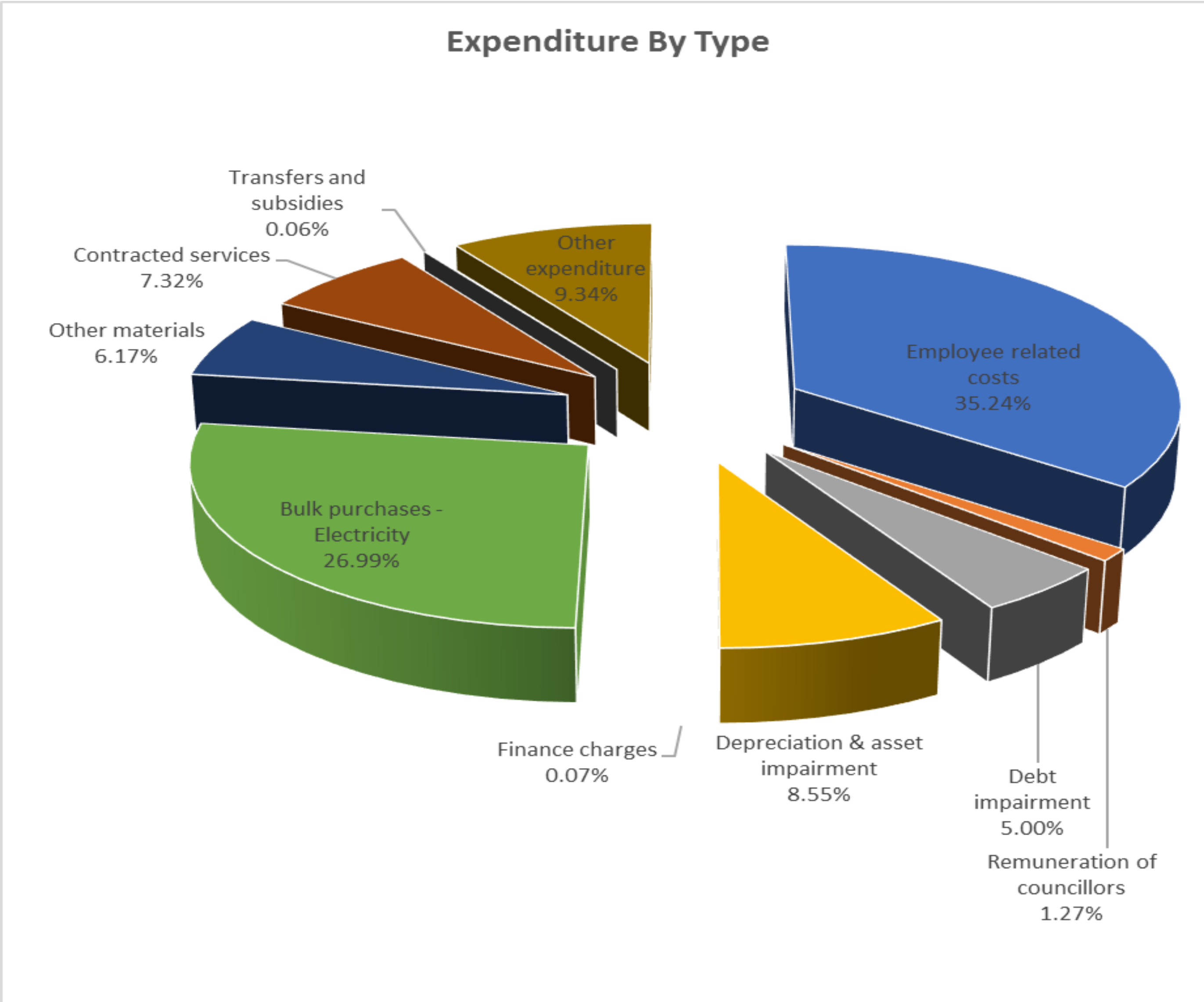

Figure 1 Main operational expenditure categories for the 2021/22 financial year

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.

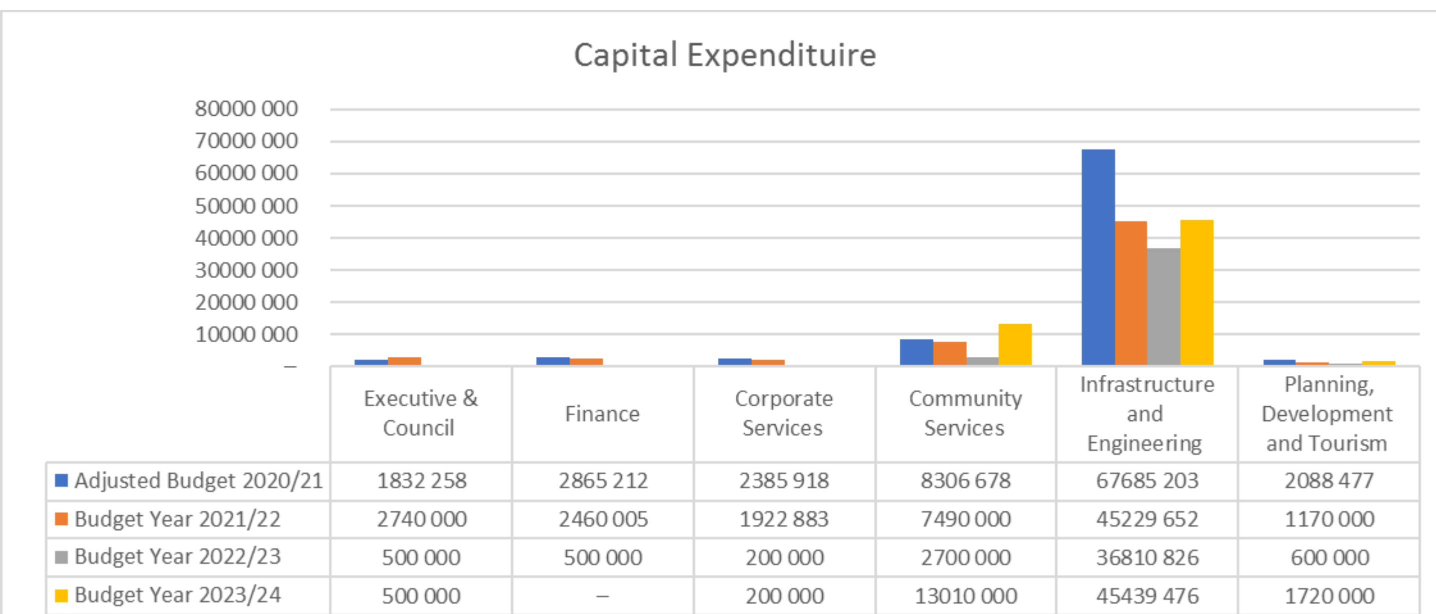

Figure 2 Capital Expenditure

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 *current 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

	2021/22	2022/23	2023/24
Expenditure increases allowed	4.5	4.6	4.6
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%**

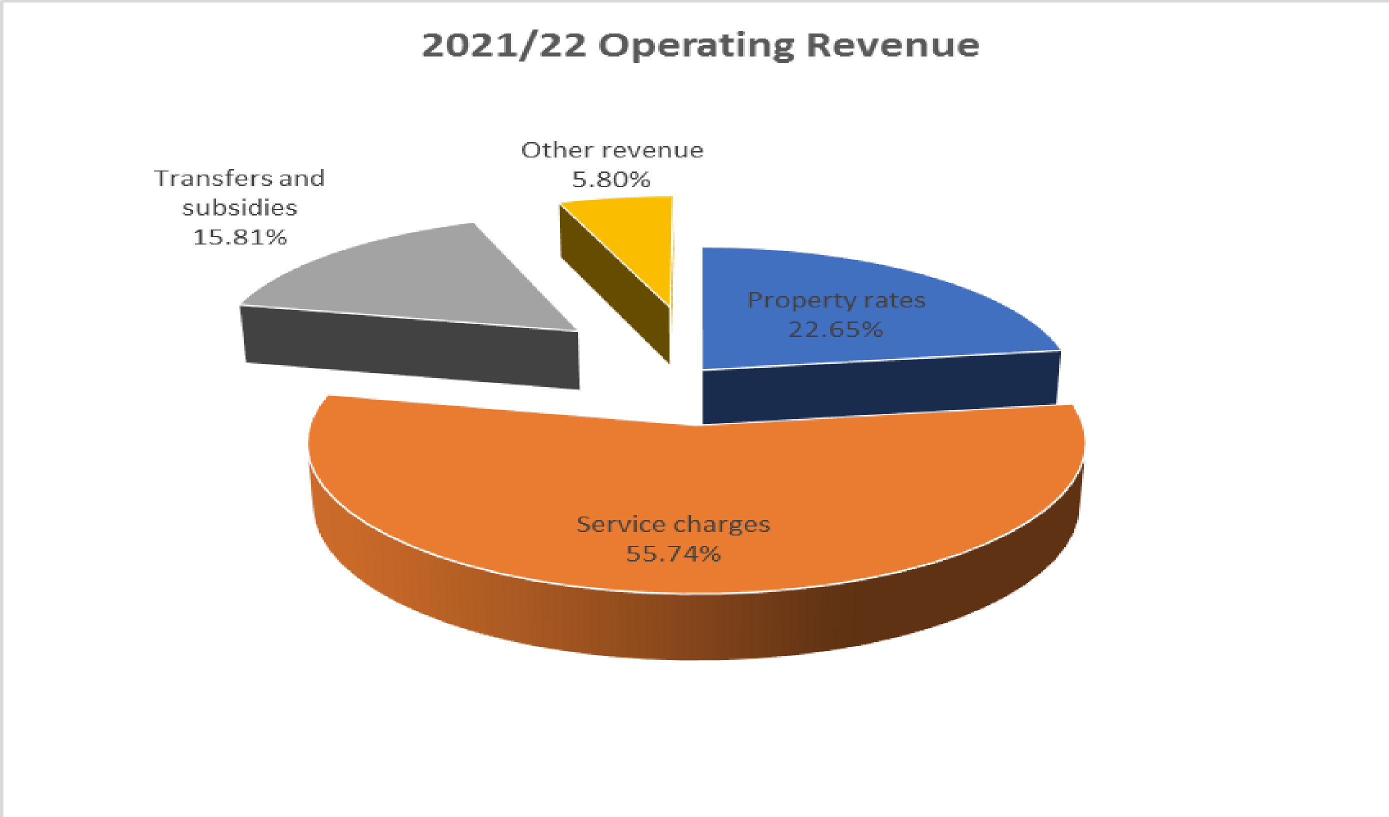

Figure 3 Breakdown of operating revenue over the 2020/21 MTRE

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.

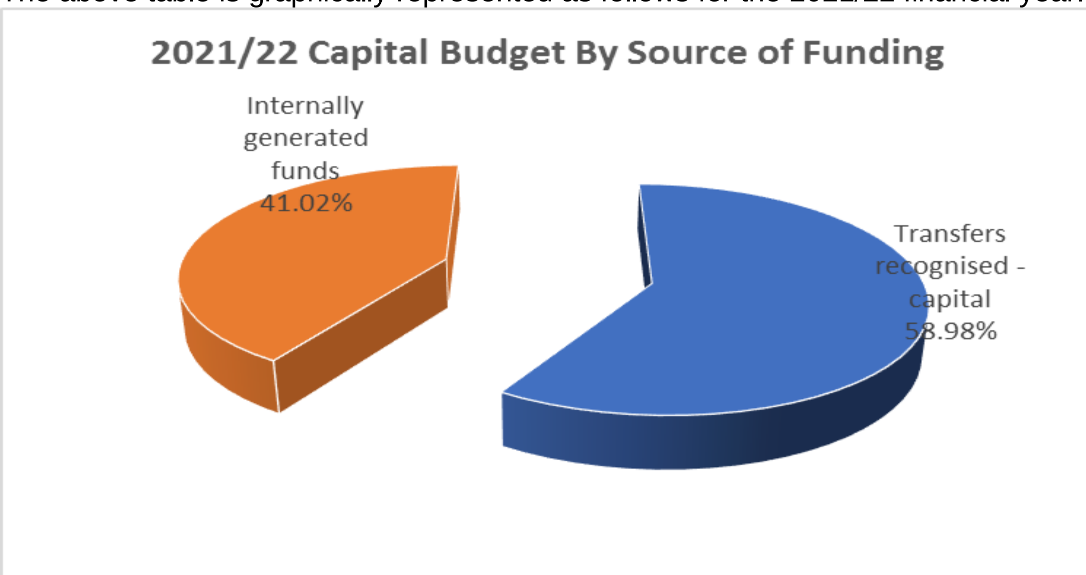

Figure 4 Sources of Capital Revenue for the 2020/21 financial year

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:

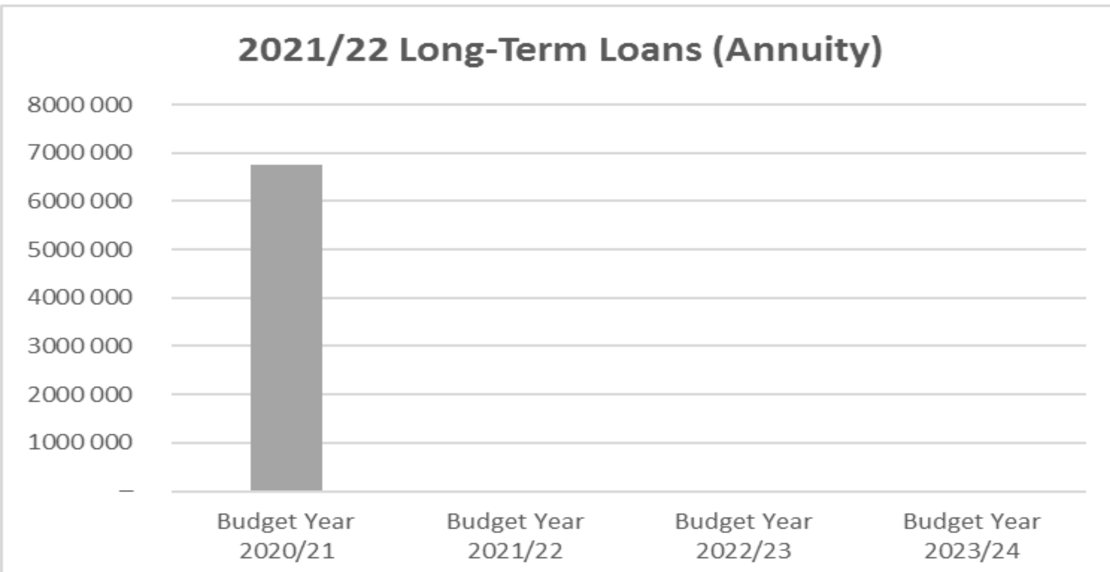

Figure 5 Growth in outstanding borrowing (long-term liabilities)

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:……………2021-05-20…………………………………