

KOUGA LOCAL MUNICIPALITY



2022/23 – 2024/25

DRAFT

ANNUAL BUDGET

TABLE OF CONTENTS

	Page
PART 1 – ANNUAL BUDGET	
1.1 Executive Mayor’s Report	5
1.2 Council Resolutions	7
1.3 Executive Summary	8
1.4 Operating Revenue Framework	10
1.5 Operating Expenditure Framework	16
1.6 Capital Expenditure	20
1.7 Annual Budget Tables	21
PART 2 – SUPPORTING DOCUMENTATION	
2.1 Overview of annual budget process	41
2.2 Alignment of annual budget with Integrated Development Plan	41
2.3 Measurable performance objectives and indicators	43
2.4 Overview of budget related policies	46
2.5 Overview of budget assumptions	47
2.6 Overview of budget funding	48
2.7 Expenditure on allocations and grant programmes	59
2.8 Allocations and grants made by the municipality	61
2.9 Councillors’ and employee benefits	62
2.10 Monthly targets for revenue, expenditure and cash flow	63
2.11 Annual budgets and service delivery and budget implementation plans – Directorates	67
2.12 Legislation compliance status	67
2.13 Capital expenditure details	69
2.14 Municipal Manager’s quality certification	69

LIST OF TABLES

Table No.	Title	Page
1	Overview of 2022/23 MTREF	9
2	Summary of main revenue sources	11
3	Mix of main revenue sources	12
4	Operating transfers and grant receipts	13
5.	Summary of operating expenditure by standard classification item	16
6.	Repairs and maintenance per asset class	19
7.	2022/23 medium term capital budget per vote	20
8.	Budget summary	22
9.	Budgeted financial performance (revenue and expenditure by standard classification)	24
10.	Budgeted financial performance (revenue and expenditure by municipal vote)	26
11.	Budgeted financial performance (revenue and expenditure)	27
12.	Budgeted capital expenditure by vote, standard classification and funding source	30
13.	Budgeted financial position	32
14.	Budgeted cash flow statement	34
15.	Cash backed reserves/accumulated surplus reconciliation	35
16.	Asset Management	36
17.	Basic service delivery measurement	39

Table No.	Title	Page
18.	Breakdown of the operating revenue over the medium term	48
19.	Investment information	50
20.	Sources of capital revenue over MTREF	51
21.	Capital transfers and grant receipts	52
22.	Budgeted cash flow statement	54
23.	Cash backed reserves/accumulated surplus reconciliation	55

LIST OF FIGURES

Figure No.	Title	Page
1.	Main operational expenditure categories for the 2022/23 financial year	18
2.	Capital Expenditure	20
3.	Breakdown of operating revenue over the 2022/23 MTREF	48
4.	Sources of capital revenue for the 2022/23 financial year	51

PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

It is my greatest privilege on behalf of Kouga Municipality and in my capacity as Executive Mayor of Kouga Municipality to present to you the municipality's Integrated Development Plan (IDP) for the cycle 2022 to 2027.

The IDP provides the framework for a municipality to fulfil its mandate and apply its budget.

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

The IDP and Budget will be externally focused, driven by community needs and geared towards meeting community aspirations gleaned from stakeholder consultations and engagements throughout the past months. It will, furthermore, be guided by six narratives. These are:

- Keep Kouga Serviced
- Keep Kouga Clean
- Keep Kouga Green
- Keep Kouga Safe
- Keep Kouga Smart, and
- Keep Kouga Growing

Key challenges in basic service delivery include old and insufficient bulk infrastructure, the quest for water security for all our communities, the deteriorating condition of our road network, illegal electricity, and the cleanliness of our towns.

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

Our plans to keep Kouga serviced include bringing even more boreholes online to achieve water security in the region. We will, furthermore, turn our attention towards the ocean for desalination and more reverse osmosis plants to purify existing borehole supplies.

This will come at a great cost, but I want to give our residents the assurance that the provision of water will be a second-to-none priority.

If we are to keep Kouga clean, it is of utmost importance that we reduce the amount of waste that goes to our landfill sites.

The municipality is therefore considering a waste-to-power project to divert waste from landfill sites by recycling and using it to generate electricity.

Over the next three years, the municipality will launch a series of mayoral intervention programs to reach into the furthest corners of our municipality, to make clean environments a reality for everyone and not just for some.

Kouga Municipality is taking major steps to becoming the greenest municipality in the Eastern Cape.

We are looking forward to the construction of South Africa's first Bio-Economy Zone that is set to take shape in Humansdorp soon.

Three additional wind farms will also be constructed, as well as a hybrid energy factory through foreign development. In line with this programme, Kouga Municipality intends to unlock about 30 000 jobs over the next 5 years while combating the effects of climate change and positioning ourselves to becoming the renewable energy hub of SA.

In our ongoing effort to prevent and combat crime through a collective approach, communication and technology are at the forefront of providing the means for success.

The economic growth of our region, coupled to job creation, will also remain a priority.

Through tourism, which has the potential to be a game-changer, we can create millions in revenue injection into our local community and provide impetus to our drive to create one job in every home in Kouga. Events, that will attract tens of thousands of patrons, will grow our local businesses, and create employment and sustainable opportunities.

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

The Council would like to thank all residents, ward committees, sector departments and stakeholder groups who actively participated in the compilation of Kouga's new IDP.

I would also like to thank our ward councillors for facilitating the meetings in their wards and the municipal administration who prepared the new document in accordance with legislation and the Council's new mandate.

We look forward to building on our relationship with all stakeholders and continually improving on the municipality's planning processes so that, together, we can achieve our vision of "Good Governance through Service Excellence".

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

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 2022/23 and the indicative allocations for the projected outer years 2023/24 and 2024/25; 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 2022:

Property rates	5.25%
Water	6%
Sanitation	6%
Refuse	6%
Electricity (average increase in electricity income)	8%
Environmental Management Fee	6%

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

	<u>2022/23</u>	<u>2023/24</u>
Property rates	5.25%	5.25%
Water	6%	6%
Sanitation	6%	6%
Refuse	6%	6%
Electricity (average increase in electricity income)	6%	6%
Environmental Management Fee	6%	6%

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, 107,108, 112 and 115 (refer to Annexures "A and B") was used to guide the compilation of the 2022/23 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2022/23 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 2022/23 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 2022/23 Medium-term Revenue and Expenditure Framework:

Table 1 (Overview of the 2022/23 MTREF)

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework					
		R thousand	Adjusted Budget	Budget Year 2022/23	%Increase/ (decrease)	Budget Year 2023/24	%Increase/ (decrease)
Revenue By Source							
Total Operating Revenue	973 163	1 038 793	6.74%	1 090 567	4.98%	1 147 522	5.22%
Total Operating Expenditure	1 112 858	1 146 720	3.04%	1 183 657	3.22%	1 222 601	3.29%
Surplus/(Deficit)	(139 695)	(107 927)	-22.74%	(93 091)	-13.75%	(75 079)	-19.35%
Capital Expenditure	91 341	33 017	-63.85%	38 670	17.12%	40 320	4.27%

Total operating revenue has increased by 6.74% or R 65,631 million for the 2022/23 financial year, compared to the 2021/22 Approved Adjustments Budget.

For the two outer years, operational revenue increases by 4.98% and 5.22% respectively, resulting in a total revenue growth of R 174,360 million over the MTREF, when compared to the 2021/22 financial year.

Total operating expenditure for the 2022/23 financial year amounts to R 1,146,720 million, resulting in a budgeted deficit of R 107,927 million. Compared to the 2021/22 Adjustments Budget, operational expenditure increased by 3.04% in the 2022/23 Budget.

For the two outer years, operational expenditure increases by 3.22% and 3.29% respectively. The 2023/24 and 2024/25 budgets reflect operating deficits of R 93,091 million and R 75,079 million respectively.

The major operating expenditure items for 2022/23 are employee related costs (34.15%), bulk electricity purchases (26.16%), other expenditure (10.53%), depreciation (8.82%) and debt impairment (4.36%).

Funding for the 2022/23 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (55.71%), property rates (23.19%), grants and subsidies received from National and Provincial Governments (16.65%).

In order to fund the 2022/23 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2022:

Property rates	-	5.25%
Water	-	6%
Sanitation	-	6%
Refuse	-	6%
Electricity (average increase in income)	-	8%
Environmental Management Fee	-	8%

The capital budget of R 33,017 million for 2022/23 is R 58,324 million or 63.85% less than the 2021/22 Approved Adjustments Budget.

The Capital Budget over the MTREF will be mainly funded from government grants and subsidies, as the municipality has limited internal funding 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 94% annual collection rate for property rates and service charges.

The following table is a summary of the 2022/23 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
		Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand	Adjusted Budget			
<u>Revenue By Source</u>				
Property rates	224 085	240 849	251 446	262 761
Service charges - electricity revenue	342 329	369 715	385 983	403 352
Service charges - water revenue	81 646	86 545	90 353	94 419
Service charges - sanitation revenue	57 754	61 219	63 912	66 788
Service charges - refuse revenue	57 811	61 280	63 976	66 855
Rental of facilities and equipment	2 800	2 968	3 099	3 238
Interest earned - external investments	2 811	2 811	2 934	3 067
Interest earned - outstanding debtors	12 820	13 598	14 196	14 835
Fines, penalties and forfeits	794	842	879	919
Licences and permits	12 873	13 748	14 353	14 999
Transfers and subsidies	154 418	172 920	186 595	202 872
Other revenue	23 022	12 298	12 839	13 417
Total Revenue (excluding capital transfers and contributions)	973 163	1 038 793	1 090 567	1 147 522

The following table illustrates the mix of main revenue sources, supporting the 2022/23 MTREF:

Table 3 (Mix of main revenue sources)

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework							
		R thousand	Adjusted Budget	%	Budget Year 2022/23	%	Budget Year 2023/24	%	Budget Year 2024/25
Revenue By Source									
Property rates	224 085	23.03%	240 849	23.19%	251 446	23.06%	262 761	22.90%	
Service charges - electricity revenue	342 329	35.18%	369 715	35.59%	385 983	35.39%	403 352	35.15%	
Service charges - water revenue	81 646	8.39%	86 545	8.33%	90 353	8.28%	94 419	8.23%	
Service charges - sanitation revenue	57 754	5.93%	61 219	5.89%	63 912	5.86%	66 788	5.82%	
Service charges - refuse revenue	57 811	5.94%	61 280	5.90%	63 976	5.87%	66 855	5.83%	
Rental of facilities and equipment	2 800	0.29%	2 968	0.29%	3 099	0.28%	3 238	0.28%	
Interest earned - external investments	2 811	0.29%	2 811	0.27%	2 934	0.27%	3 067	0.27%	
Interest earned - outstanding debtors	12 820	1.32%	13 598	1.31%	14 196	1.30%	14 835	1.29%	
Fines, penalties and forfeits	794	0.08%	842	0.08%	879	0.08%	919	0.08%	
Licences and permits	12 873	1.32%	13 748	1.32%	14 353	1.32%	14 999	1.31%	
Transfers and subsidies	154 418	15.87%	172 920	16.65%	186 595	17.11%	202 872	17.68%	
Other revenue	23 022	2.37%	12 298	1.18%	12 839	1.18%	13 417	1.17%	
Total Revenue (excluding capital transfers and contributions)	973 163	100.00%	1 038 793	100.00%	1 090 567	100.00%	1 147 522	100.00%	
Total Revenue from Property Rates and Service Charges	763 625	78.47%	819 608	78.90%	855 671	78.46%	894 176	77.92%	

In the 2021/22 financial year, rates and service charges amounted to R 763,625 million. This increases to R 819,608 million, R 855,671 million and R 894,176 million in the 2022/23, 2023/24 and 2024/25 financial years, respectively.

The major operating revenue sources for 2022/23 are electricity (35.59%), property rates (23.19%), operating grants & subsidies (16.65%), water (8.33%), refuse revenue (5.90%) and sanitation (5.89%).

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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	148 588	167 982	181 657	197 933
Operational Revenue:General Revenue:Equitable Share	143 774	163 292	178 068	194 266
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 423	1 175	-	-
Local Government Financial Management Grant [Schedule 5B]	1 720	1 720	1 720	1 720
Municipal Infrastructure Grant [Schedule 5B]	1 671	1 795	1 869	1 947
Provincial Government:	2 050	2 050	2 050	2 050
Library grant	2 050	2 050	2 050	2 050
District Municipality:	2 888	2 888	2 888	2 888
<i>Environmental health subsidy</i>	2 888	2 888	2 888	2 888
Other Grant Providers:	892	-	-	-
<i>SALGA Donation</i>	722	-	-	-
<i>Foreign Government and International Organisations</i>	170	-	-	-
Total Operating Transfers and Grants	154 418	172 920	186 595	202 872
Capital Transfers and Grants				
National Government:	58 005	34 096	46 503	49 313
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	7 800	-	7 000	7 314
Municipal Infrastructure Grant [Schedule 5B]	37 705	34 096	35 503	36 999
Energy Efficiency and Demand-Side Management Grant			4 000	5 000
Municipal Disaster Relief Grant	12 500	-	-	-
District Municipality:	1 638	1 638	1 638	1 638
<i>Fire Services Subsidy</i>	1 638	1 638	1 638	1 638
Total Capital Transfers and Grants	59 643	35 734	48 141	50 951
TOTAL RECEIPTS OF TRANSFERS & GRANTS	214 061	208 654	234 736	253 822

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 2022.

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

- Employee related costs increased by 4.9%.
- 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 2022/23 MTREF.

A tariff increases of 6% is proposed as from 1 July 2022. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 4.9%.
- The cost of bulk water purchases increased by 6%.
- 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 8% on average to offset the additional electricity bulk purchase costs, as from 1 July 2022.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 4.9%.
- The cost of bulk electricity purchases increased by 9.61%.
- 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 2021/23 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 increases of 6% is proposed as from 1 July 2022. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 4.9%.
- 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 2022/23 MTREF.

A tariff increases of 6% is proposed for refuse collection, as from 1 July 2022.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 4.9%.
- Providing for debt impairment

1.4.6 Environmental Management Fees and Impact of Tariff increases

A tariff increases of 6% is proposed for the environmental management fee, as from 1 July 2022.

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2022/23 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 2022/23 budget and MTREF (classified per main type of operating expenditure):

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

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
		Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand	Adjusted Budget			
Expenditure By Type				
Employee related costs	377 340	391 598	408 889	426 860
Remuneration of councillors	13 651	14 364	14 996	15 671
Debt impairment	45 817	49 992	52 192	54 541
Depreciation & asset impairment	91 830	101 153	100 259	79 322
Finance charges	716	–	–	–
Bulk purchases	300 000	300 000	328 800	360 365
Other materials	69 486	76 427	79 730	83 371
Contracted services	82 430	87 522	74 937	76 866
Transfers and subsidies	550	4 900	5 116	5 346
Other expenditure	131 037	120 763	118 739	120 260
Total Expenditure	1 112 858	1 146 720	1 183 657	1 222 601

The total operating expenditure increased by R 33,863 million (3.04%) from R 1,112,858 billion in 2021/22 to R 1,146,720 billion in 2022/23.

Below is a discussion of the main expenditure components.

Employee related costs

The 2022/23 budget provides for a general increase of 4.9%, based on the salary and wage collective agreement for the period 01 July 2021 to 30 June 2024.

The total budget provision of R 391,598 million represents an increase of 4.9% over the 2022/23 budget. Employee related costs in the 2022/23 Budget, represent 34.15% 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 94% for property rates and services charges. For the 2022/23 financial year this amounted to R 49,992 million and increased to R 54,541 million in 2024/25. 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 101,153 million for the 2022/23 financial and equates to 8.82% of the total operating expenditure.

Bulk Electricity Purchases

The bulk purchases of electricity remained at R 300,000 million, compared to the 2021/22 Budget. Bulk electricity purchases constitute 26.16% of total operating expenditure for 2022/23.

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 2022/23 amounts to R 76,427 million and equates to 6.66% of the total operating expenditure.

Contracted Services

In the 2022/23 financial year, the budget provision amounts to R 87,522 million and equates to 7.63% 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 2022/23 financial year, the budget provision amounts to R 4,900 million and equates to 0.43% of the total operating expenditure.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. In the 2022/23 financial year, the budget provision amounts to R 120,763 million and equates to 10.53% of the total operating expenditure.

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

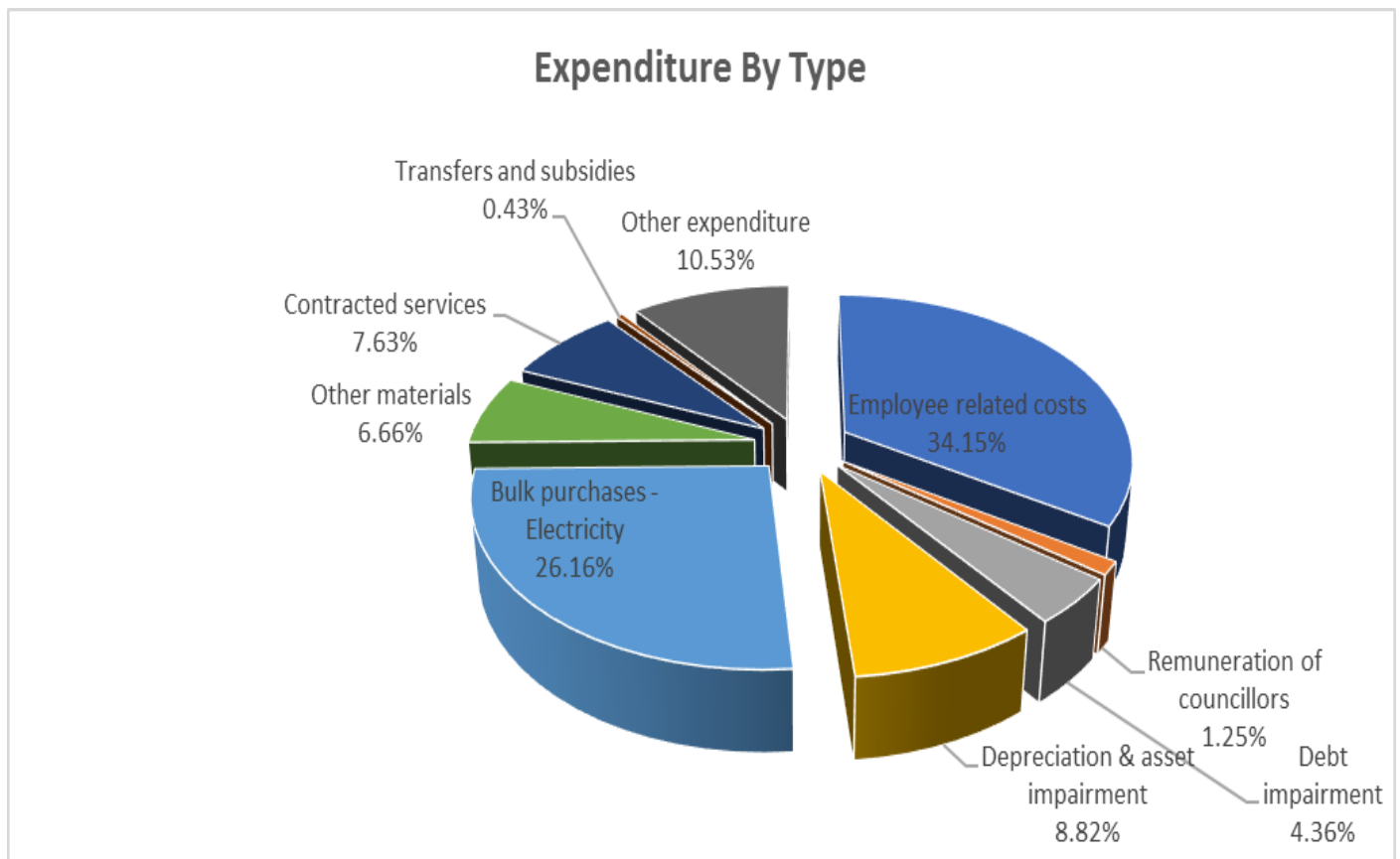


Figure 1 Main operational expenditure categories for the 2022/23 financial year

1.5.1 Priority relating to repairs and maintenance.

The repairs and maintenance expenditure in the 2022/23 financial year, increased by R 4,963 million or 9.75% compared to the 2021/22 Adjustments Budget.

It is to be noted that repairs and maintenance, constitutes 4.87%, 4.75% and 4.65% of the total operating expenditure, for the 2022/23, 2023/24 and 2024/25 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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
Repairs and Maintenance by Asset Class	50 901	55 864	56 279	56 850
<i>Roads Infrastructure</i>	11 590	11 272	11 272	11 272
<i>Storm water Infrastructure</i>	1 355	1 828	1 828	1 828
<i>Electrical Infrastructure</i>	7 152	8 200	8 200	8 200
<i>Water Supply Infrastructure</i>	10 963	10 517	10 517	10 517
<i>Sanitation Infrastructure</i>	3 015	5 136	5 136	5 136
<i>Rail Infrastructure</i>	730	–	–	–
<i>Information and Communication Infrastructure</i>	298	–	–	–
Infrastructure	35 103	36 952	36 952	36 952
Community Facilities	1 337	2 738	2 858	2 987
Sport and Recreation Facilities	1 844	1 850	1 931	2 018
Community Assets	3 181	4 588	4 790	5 005
Operational Buildings	3 229	3 594	3 542	3 615
Other Assets	3 229	3 594	3 542	3 615
Machinery and Equipment	677	1 042	1 082	1 124
Transport Assets	8 711	9 688	9 913	10 154
TOTAL EXPENDITURE OTHER ITEMS	50 901	55 864	56 279	56 850

For the 2022/23 financial year an amount of R 36,952 million (66.15%) 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)

Vote Description	Current Year 2021/22		2022/23 Medium Term Revenue & Expenditure Framework						
	R thousand	Adjusted Budget	%	Budget Year 2022/23	%	Budget Year 2023/24	%	Budget Year 2024/25	%
Capital expenditure - Vote									
Vote 1 - EXECUTIVE COUNCIL	3 470	3.80%	–	–	–	–	–	–	–
Vote 2 - FINANCIAL SERVICES	3 716	4.07%	1 730	5.24%	–	–	–	–	–
Vote 3 - CORPORATE SERVICES	2 230	2.44%	–	–	–	–	–	–	–
Vote 4 - COMMUNITY SERVICES	6 154	6.74%	1 638	4.96%	1 710	4.42%	1 787	4.43%	4.43%
Vote 5 - INFRASTRUCTURE AND ENGINEERING	73 865	80.87%	29 649	89.80%	36 959	95.58%	38 533	95.57%	95.57%
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	1 905	2.09%	–	–	–	–	–	–	–
Total Capital Expenditure - Vote	91 341	100.00%	33 017	100.00%	38 670	100.00%	40 320	100.00%	100.00%

Infrastructure and Engineering receives the highest allocation of R 29,649 million in 2022/23, which equates to 89.80%, followed by Community Services at R 1,638 million (4.96%) and Financial Services at R 1,730 million (5.24%).

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.

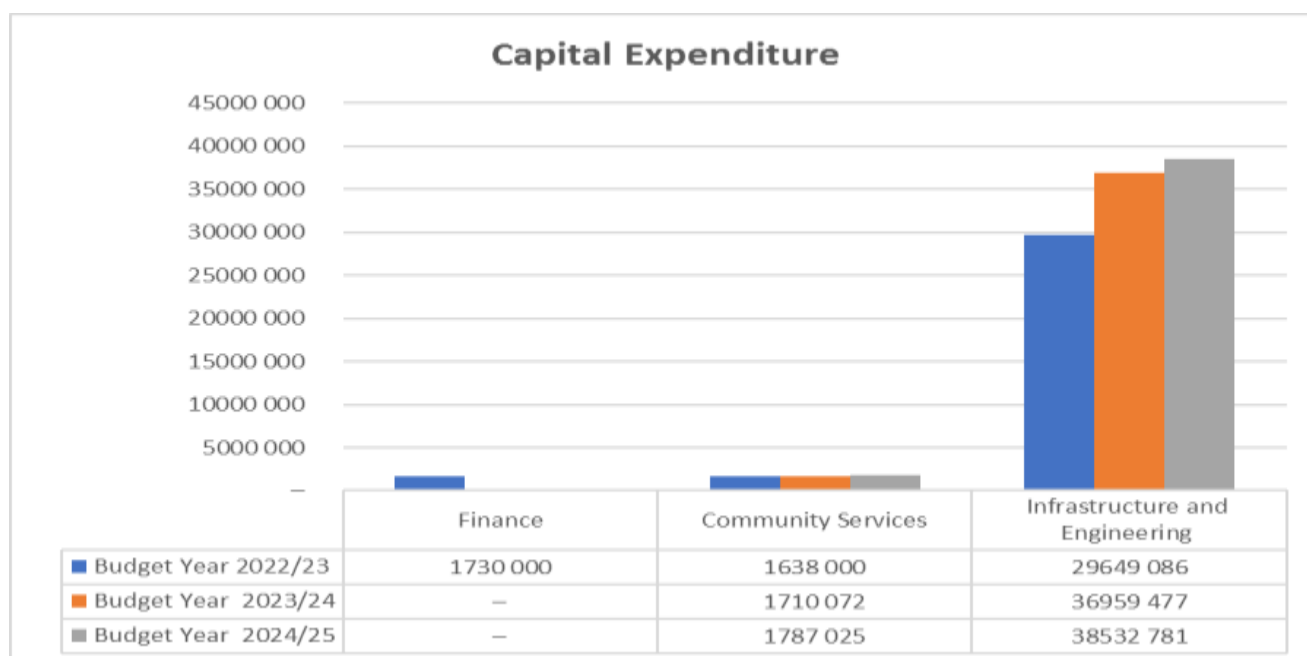


Figure 2 Capital Expenditure

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 2022/23 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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousands				
Financial Performance				
Property rates	224 085	240 849	251 446	262 761
Service charges	539 540	578 759	604 225	631 415
Investment revenue	2 811	2 811	2 934	3 067
Transfers recognised - operational	154 418	172 920	186 595	202 872
Other own revenue	52 309	43 455	45 367	47 408
	973 163	1 038 793	1 090 567	1 147 522
Total Revenue (excluding capital transfers and contributions)				
Employee costs	377 340	391 598	408 889	426 860
Remuneration of councillors	13 651	14 364	14 996	15 671
Depreciation & asset impairment	91 830	101 153	100 259	79 322
Finance charges	716	-	-	-
Materials and bulk purchases	369 486	376 427	408 530	443 736
Transfers and grants	550	4 900	5 116	5 346
Other expenditure	259 285	258 278	245 867	251 666
Total Expenditure	1 112 858	1 146 720	1 183 657	1 222 601
Surplus/(Deficit)	(139 695)	(107 927)	(93 091)	(75 079)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	59 643	35 734	44 145	45 956
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-
	(80 052)	(72 193)	(48 945)	(29 123)
Surplus/(Deficit) after capital transfers & contributions				
Share of surplus/ (deficit) of associate	-	-	-	-
Surplus/(Deficit) for the year	(80 052)	(72 193)	(48 945)	(29 123)
Capital expenditure & funds sources				
Capital expenditure	91 341	33 017	38 670	40 320
Transfers recognised - capital	52 078	31 287	38 670	40 320
Public contributions & donations	-	-	-	-
Borrowing	-	-	-	-
Internally generated funds	39 263	1 730	-	-
Total sources of capital funds	91 341	33 017	38 670	40 320

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousands				
Financial position				
Total current assets	149 763	153 534	189 533	208 525
Total non current assets	2 318 153	2 250 017	2 188 428	2 149 426
Total current liabilities	160 622	168 450	191 805	200 918
Total non current liabilities	191 375	191 375	191 375	191 375
Community wealth/Equity	2 115 918	2 043 726	1 994 780	1 965 657
Cash flows				
Net cash from (used) operating	48 798	36 788	74 668	59 313
Net cash from (used) investing	(91 341)	(33 017)	(38 670)	(40 320)
Net cash from (used) financing	(6 747)	-	-	-
Cash/cash equivalents at the year end	4 105	7 876	43 875	62 868
Cash backing/surplus reconciliation				
Cash and investments available	4 105	7 876	43 875	62 869
Application of cash and investments	(10 988)	(17 490)	5 251	14 088
Balance - surplus (shortfall)	15 092	25 366	38 624	48 781
Asset management				
Asset register summary (WDV)	2 165 348	2 250 017	2 188 428	2 149 426
Depreciation	91 830	101 153	100 259	79 322
Renewal of Existing Assets	3 386	-	-	-
Repairs and Maintenance	50 901	55 864	56 279	56 850
Free services				
Cost of Free Basic Services provided	56 048	59 539	62 159	64 956
Revenue cost of free services provided	20 678	20 598	21 504	22 472
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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework			
	R thousand	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Revenue - Functional					
<i>Governance and administration</i>	338 358	360 146	383 508	408 873	
Executive and council	1 490	342	357	373	
Finance and administration	336 869	359 804	383 151	408 500	
Internal audit	–	–	–	–	
<i>Community and public safety</i>	15 811	16 365	16 795	17 255	
Community and social services	2 483	2 508	2 529	2 550	
Sport and recreation	8 506	9 017	9 414	9 837	
Public safety	1 651	1 652	1 653	1 653	
Housing	–	–	–	–	
Health	3 170	3 187	3 201	3 215	
<i>Economic and environmental services</i>	15 144	34 335	34 614	36 166	
Planning and development	7 376	6 754	7 046	7 358	
Road transport	6 375	7 261	6 354	6 640	
Environmental protection	1 393	20 320	21 214	22 168	
<i>Trading services</i>	663 493	663 682	699 795	731 183	
Energy sources	357 466	377 639	401 259	419 316	
Water management	117 805	111 422	116 325	121 559	
Waste water management	107 236	107 799	112 449	117 407	
Waste management	80 986	66 822	69 762	72 901	
<i>Other</i>	–	–	–	–	
Total Revenue - Functional	1 032 806	1 074 528	1 134 712	1 193 478	
Expenditure - Functional					
<i>Governance and administration</i>	255 990	256 240	255 587	265 733	
Executive and council	51 035	50 190	52 041	54 333	
Finance and administration	204 935	205 620	203 097	210 931	
Internal audit	20	430	449	469	

Functional Classification Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	R thousand	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
	Adjusted Budget			
Community and public safety	104 565	110 763	115 228	120 331
Community and social services	10 591	12 623	12 646	13 199
Sport and recreation	54 187	55 583	58 065	60 648
Public safety	27 358	28 641	29 997	31 327
Housing	5 850	6 163	6 431	6 714
Health	6 578	7 753	8 089	8 443
Economic and environmental services	147 014	157 229	152 305	158 872
Planning and development	40 573	32 606	27 087	28 274
Road transport	103 389	110 959	111 689	116 460
Environmental protection	3 051	13 664	13 528	14 138
Trading services	601 604	618 367	656 235	673 167
Energy sources	381 557	385 646	416 126	449 899
Water management	93 728	105 030	109 075	113 843
Waste water management	60 376	76 610	77 820	53 770
Waste management	65 943	51 081	53 214	55 655
Other	3 686	4 122	4 303	4 497
Total Expenditure - Functional	1 112 858	1 146 720	1 183 657	1 222 601
Surplus/(Deficit) for the year	(80 052)	(72 193)	(48 945)	(29 123)

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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year +2 2024/25
R thousand				
Revenue by Vote				
Vote 1 - EXECUTIVE COUNCIL	1 070	-	-	-
Vote 2 - FINANCIAL SERVICES	335 875	358 424	381 710	406 995
Vote 3 - CORPORATE SERVICES	721	975	1 018	1 064
Vote 4 - COMMUNITY SERVICES	103 834	109 592	114 124	118 964
Vote 5 - INFRASTRUCTURE AND ENGINEERING	586 305	600 577	632 681	661 044
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	5 001	4 960	5 178	5 411
Total Revenue by Vote	1 032 806	1 074 528	1 134 712	1 193 478
Expenditure by Vote to be appropriated				
Vote 1 - EXECUTIVE COUNCIL	55 260	55 415	52 098	54 421
Vote 2 - FINANCIAL SERVICES	100 944	103 466	104 985	109 133
Vote 3 - CORPORATE SERVICES	64 037	46 057	44 769	46 095
Vote 4 - COMMUNITY SERVICES	213 895	220 711	229 546	239 806
Vote 5 - INFRASTRUCTURE AND ENGINEERING	647 745	681 816	718 247	737 630
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	30 976	39 256	34 012	35 515
Total Expenditure by Vote	1 112 858	1 146 720	1 183 657	1 222 601
Surplus/(Deficit) for the year	(80 052)	(72 193)	(48 945)	(29 123)

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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	R thousand Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Revenue By Source				
Property rates	224 085	240 849	251 446	262 761
Service charges - electricity revenue	342 329	369 715	385 983	403 352
Service charges - water revenue	81 646	86 545	90 353	94 419
Service charges - sanitation revenue	57 754	61 219	63 912	66 788
Service charges - refuse revenue	57 811	61 280	63 976	66 855
Service charges - other	-	-	-	-
Rental of facilities and equipment	2 800	2 968	3 099	3 238
Interest earned - external investments	2 811	2 811	2 934	3 067
Interest earned - outstanding debtors	12 820	13 598	14 196	14 835
Dividends received	-	-	-	-
Fines, penalties and forfeits	794	842	879	919
Licences and permits	12 873	13 748	14 353	14 999
Agency services	-	-	-	-
Transfers and subsidies	154 418	172 920	186 595	202 872
Other revenue	23 022	12 298	12 839	13 417
Gains	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	973 163	1 038 793	1 090 567	1 147 522
Expenditure By Type				
Employee related costs	377 340	391 598	408 889	426 860
Remuneration of councillors	13 651	14 364	14 996	15 671
Debt impairment	45 817	49 992	52 192	54 541
Depreciation & asset impairment	91 830	101 153	100 259	79 322
Finance charges	716	-	-	-
Bulk purchases	300 000	300 000	328 800	360 365
Other materials	69 486	76 427	79 730	83 371
Contracted services	82 430	87 522	74 937	76 866
Transfers and subsidies	550	4 900	5 116	5 346
Other expenditure	131 037	120 763	118 739	120 260
Losses	-	-	-	-
Total Expenditure	1 112 858	1 146 720	1 183 657	1 222 601
Surplus/(Deficit)	(139 695)	(107 927)	(93 091)	(75 079)

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	59 643	35 734	44 145	45 956
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)	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(80 052)	(72 193)	(48 945)	(29 123)
Taxation	-	-	-	-
Surplus/(Deficit) after taxation	(80 052)	(72 193)	(48 945)	(29 123)
Attributable to minorities	-	-	-	-
Surplus/(Deficit) attributable to municipality	(80 052)	(72 193)	(48 945)	(29 123)
Share of surplus/ (deficit) of associate	-	-	-	-
Surplus/(Deficit) for the year	(80 052)	(72 193)	(48 945)	(29 123)

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 1,038,793 billion in 2022/23 and increases to R 1,147,522 billion in 2024/25. This represents a year-on-year increase of 6.74% for the 2022/23 financial year and decreases of 4.98% for the 2023/24 financial year and increases of 5.22% for the 2024/25 financial year, respectively.
3. Revenue from property rates amounts to R 240,849 million in the 2022/23 financial year and increases to R 262,761 million in 2024/25, which amounts to 23.19% 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 578,759 million for the 2022/23 financial year and increasing to R 631,415 million in 2024/25. For the 2022/23 financial year services charges amount to 55.71% of the total revenue base.
5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 11.98% for 2022/23, increases by 7.91% for 2023/24 and increased by 8.72% for 2024/25, compared to previous financial years.

Below a breakdown of property rates and service charges for 2022/23:

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework	
		Budget Year 2022/23	
R thousand	Adjusted Budget	Budget Year 2022/23	
Revenue By Source			
Property rates	224 085	240 849	7.48%
Service charges - electricity revenue	342 329	369 715	8.00%
Service charges - water revenue	81 646	86 545	6.00%
Service charges - sanitation revenue	57 754	61 219	6.00%
Service charges - refuse revenue	57 811	61 280	6.00%

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

Vote Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
Capital expenditure - Vote				
Multi-year expenditure to be appropriated				
Vote 1 - EXECUTIVE COUNCIL	2 695	-	-	-
Vote 2 - FINANCIAL SERVICES	3 704	1 670	-	-
Vote 3 - CORPORATE SERVICES	2 230	-	-	-
Vote 4 - COMMUNITY SERVICES	5 740	1 638	1 710	1 787
Vote 5 - INFRASTRUCTURE AND ENGINEERING	72 737	29 649	36 959	38 533
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	1 154	-	-	-
Capital multi-year expenditure sub-total	88 259	32 957	38 670	40 320
Single-year expenditure to be appropriated				
Vote 1 - EXECUTIVE COUNCIL	775	-	-	-
Vote 2 - FINANCIAL SERVICES	13	60	-	-
Vote 3 - CORPORATE SERVICES	-	-	-	-
Vote 4 - COMMUNITY SERVICES	414	-	-	-
Vote 5 - INFRASTRUCTURE AND ENGINEERING	1 129	-	-	-
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	752	-	-	-
Capital single-year expenditure sub-total	3 082	60	-	-
Total Capital Expenditure - Vote	91 341	33 017	38 670	40 320
Capital Expenditure - Functional				
Governance and administration	10 337	1 730	-	-
Executive and council	3 425	-	-	-
Finance and administration	6 887	1 730	-	-
Internal audit	25	-	-	-
Community and public safety	7 775	6 160	6 406	6 570
Community and social services	150	-	-	-
Sport and recreation	4 822	4 522	4 696	4 783
Public safety	2 803	1 638	1 710	1 787
Housing	-	-	-	-
Health	-	-	-	-

Vote Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	R thousand	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24
Economic and environmental services	17 119	6 687	26 177	27 390
Planning and development	2 884	–	–	–
Road transport	14 235	6 687	26 177	27 390
Environmental protection	–	–	–	–
Trading services	55 959	18 440	6 087	6 360
Energy sources	9 930	–	6 087	6 360
Water management	28 888	–	–	–
Waste water management	16 842	18 440	–	–
Waste management	300	–	–	–
Other	150	–	–	–
Total Capital Expenditure - Functional	91 341	33 017	38 670	40 320
Funded by:				
National Government	50 440	29 649	36 959	38 533
Provincial Government	–	–	–	–
District Municipality	1 638	1 638	1 710	1 787
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	–	–	–	–
Transfers recognised - capital	52 078	31 287	38 670	40 320
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	39 263	1 730	–	–
Total Capital Funding	91 341	33 017	38 670	40 320

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 2022/23, capital transfers totals R 31,287 million (94.76%) and amounts to R 40,320 million for 2024/25 (100%). Internally generated funding amounts to R1,730 million, only in the 2021/22 financial year. 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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
ASSETS				
Current assets				
Cash	3 118	5 038	39 106	56 080
Call investment deposits	987	2 838	4 770	6 788
Consumer debtors	86 056	86 056	86 055	86 055
Other debtors	47 032	47 032	47 032	47 031
Current portion of long-term receivables		-	-	-
Inventory	12 570	12 570	12 570	12 570
Total current assets	149 763	153 534	189 533	208 525
Non current assets				
Long-term receivables	-	-	-	-
Investments	-	-	-	-
Investment property	262 645	262 645	262 645	262 645
Investment in Associate	-	-	-	-
Property, plant and equipment	2 053 106	1 985 525	1 924 489	1 886 073
Agricultural	-	-	-	-
Biological	-	-	-	-
Intangible	2 402	1 847	1 294	708
Other non-current assets	-	-	-	-
Total non current assets	2 318 153	2 250 017	2 188 428	2 149 426
TOTAL ASSETS	2 467 916	2 403 551	2 377 960	2 357 951
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	-
Borrowing	-	-	-	-
Consumer deposits	20 774	20 774	20 774	20 774
Trade and other payables	101 573	109 401	132 756	141 869
Provisions	38 275	38 275	38 275	38 275
Total current liabilities	160 622	168 450	191 805	200 918
Non current liabilities				
Borrowing	-	-	-	-
Provisions	191 375	191 375	191 375	191 375
Total non current liabilities	191 375	191 375	191 375	191 375
TOTAL LIABILITIES	351 998	359 826	383 180	392 294
NET ASSETS	2 115 918	2 043 726	1 994 780	1 965 657
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	2 115 918	2 043 726	1 994 780	1 965 657
Reserves	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2 115 918	2 043 726	1 994 780	1 965 657

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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	212 184	228 023	238 056	248 769
Service charges	711 473	641 274	669 490	699 617
Other revenue	57 614	46 599	52 804	57 149
Transfers and Subsidies - Operational	154 418	172 920	186 595	202 872
Transfers and Subsidies - Capital	53 680	35 734	48 141	50 951
Interest	2 811	2 811	2 934	3 067
Dividends	-	-	-	-
Payments				
Suppliers and employees	(1 142 665)	(1 090 573)	(1 123 352)	(1 203 111)
Finance charges	(716)	-	-	-
Transfers and Grants	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	48 798	36 788	74 668	59 313
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	(91 341)	(33 017)	(38 670)	(40 320)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(91 341)	(33 017)	(38 670)	(40 320)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments				
Repayment of borrowing	(6 747)	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	(6 747)	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	(49 289)	3 771	35 999	18 993
Cash/cash equivalents at the year begin:	53 394	4 105	7 876	43 875
Cash/cash equivalents at the year end:	4 105	7 876	43 875	62 868

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 2022/23 to 2024/25 period, from R 7,876 million to R 62,868 million.
4. Cash and cash equivalents amount to R 7,876 million as at the end of the 2022/23 financial year and increases to R 62,868 million in 2024/25.

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

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
Cash and investments available				
Cash/cash equivalents at the year end	4 105	7 876	43 875	62 868
Other current investments > 90 days	(0)	0	0	1
Non current assets - Investments	-	-	-	-
Cash and investments available:	4 105	7 876	43 875	62 869
Application of cash and investments				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements	-	-	-	-
Other working capital requirements	(25 331)	(31 833)	(9 092)	(256)
Other provisions	14 343	14 343	14 343	14 343
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-
Total Application of cash and investments:	(10 988)	(17 490)	5 251	14 088
Surplus(shortfall)	15 092	25 366	38 624	48 781

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 2022/23 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 25,366 million in 2022/23 to a funding surplus of R 48,781 million in 2024/25.

Table 16 (Table A9 - Asset Management)

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework			
	R thousand	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
CAPITAL EXPENDITURE					
Total New Assets	53 073	3 368	7 797	8 147	
<i>Electrical Infrastructure</i>	7 783	–	6 087	6 360	
<i>Water Supply Infrastructure</i>	27 986	–	–	–	
<i>Sanitation Infrastructure</i>	1 287	–	–	–	
<i>Solid Waste Infrastructure</i>	247	–	–	–	
<i>Information and Communication Infrastructure</i>	700	–	–	–	
Infrastructure	38 002	–	6 087	6 360	
Community Facilities	3 079	–	–	–	
Sport and Recreation Facilities	155	–	–	–	
Community Assets	3 234	–	–	–	
Operational Buildings	629	–	–	–	
Other Assets	629	–	–	–	
Licences and Rights	1 107	–	–	–	
Intangible Assets	1 107	–	–	–	
Computer Equipment	2 826	1 020	–	–	
Furniture and Office Equipment	1 568	710	–	–	
Machinery and Equipment	1 302	–	–	–	
Transport Assets	4 405	1 638	1 710	1 787	
Total Renewal of Existing Assets	3 386	–	–	–	
<i>Electrical Infrastructure</i>	864	–	–	–	
<i>Water Supply Infrastructure</i>	872	–	–	–	
<i>Information and Communication Infrastructure</i>	1 500	–	–	–	
Infrastructure	3 236	–	–	–	
Community Facilities	150	–	–	–	
Community Assets	150	–	–	–	
Total Upgrading of Existing Assets	34 882	29 649	30 873	32 173	
<i>Roads Infrastructure</i>	14 235	6 687	26 177	27 390	
<i>Electrical Infrastructure</i>	2 147	–	–	–	
<i>Sanitation Infrastructure</i>	15 308	18 440	–	–	
Infrastructure	31 690	25 127	26 177	27 390	
Sport and Recreation Facilities	2 942	4 522	4 696	4 783	
Community Assets	2 942	4 522	4 696	4 783	
Computer Equipment	250	–	–	–	
Total Capital Expenditure	91 341	33 017	38 670	40 320	

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	R thousand	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24
<i>Roads Infrastructure</i>	14 235	6 687	26 177	27 390
<i>Electrical Infrastructure</i>	10 793	–	6 087	6 360
<i>Water Supply Infrastructure</i>	28 858	–	–	–
<i>Sanitation Infrastructure</i>	16 595	18 440	–	–
<i>Solid Waste Infrastructure</i>	247	–	–	–
<i>Information and Communication Infrastructure</i>	2 200	–	–	–
Infrastructure	72 928	25 127	32 264	33 750
Community Facilities	3 229	–	–	–
Sport and Recreation Facilities	3 097	4 522	4 696	4 783
Community Assets	6 326	4 522	4 696	4 783
Operational Buildings	629	–	–	–
Other Assets	629	–	–	–
Licences and Rights	1 107	–	–	–
Intangible Assets	1 107	–	–	–
Computer Equipment	3 076	1 020	–	–
Furniture and Office Equipment	1 568	710	–	–
Machinery and Equipment	1 302	–	–	–
Transport Assets	4 405	1 638	1 710	1 787
TOTAL CAPITAL EXPENDITURE - Asset class	91 341	33 017	38 670	40 320
ASSET REGISTER SUMMARY - PPE (WDV)	2 165 348	2 250 017	2 188 428	2 149 426
<i>Roads Infrastructure</i>	585 640	553 682	505 774	443 605
<i>Storm water Infrastructure</i>	20 632	18 676	18 685	18 566
<i>Electrical Infrastructure</i>	176 347	168 505	174 629	174 426
<i>Water Supply Infrastructure</i>	273 271	259 065	259 132	258 270
<i>Sanitation Infrastructure</i>	471 593	463 897	445 580	471 584
<i>Solid Waste Infrastructure</i>	14 625	12 114	12 126	11 974
<i>Information and Communication Infrastructure</i>	250	250	250	250
Infrastructure	1 542 358	1 476 190	1 416 176	1 378 675
Community Assets	34 821	39 185	39 359	39 437
Investment properties	262 645	262 645	262 645	262 645
Other Assets	46 444	198 130	198 136	198 068
Intangible Assets	2 402	1 847	1 294	708
Computer Equipment	10 187	11 207	10 187	10 187
Furniture and Office Equipment	5 861	5 062	4 902	4 305
Machinery and Equipment	7 134	5 945	5 824	5 745
Transport Assets	18 776	15 087	15 184	14 938
Land	234 719	234 719	234 719	234 719
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	2 165 348	2 250 017	2 188 428	2 149 426

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework			
	R thousand	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
EXPENDITURE OTHER ITEMS					
Depreciation	91 830	101 153	100 259	79 322	
Repairs and Maintenance by Asset Class	50 901	55 864	56 279	56 850	
<i>Roads Infrastructure</i>	11 590	11 272	11 272	11 272	
<i>Storm water Infrastructure</i>	1 355	1 828	1 828	1 828	
<i>Electrical Infrastructure</i>	7 152	8 200	8 200	8 200	
<i>Water Supply Infrastructure</i>	10 963	10 517	10 517	10 517	
<i>Sanitation Infrastructure</i>	3 015	5 136	5 136	5 136	
<i>Rail Infrastructure</i>	730	–	–	–	
<i>Information and Communication Infrastructure</i>	298	–	–	–	
Infrastructure	35 103	36 952	36 952	36 952	
Community Facilities	1 337	2 738	2 858	2 987	
Sport and Recreation Facilities	1 844	1 850	1 931	2 018	
Community Assets	3 181	4 588	4 790	5 005	
Operational Buildings	3 229	3 594	3 542	3 615	
Other Assets	3 229	3 594	3 542	3 615	
Machinery and Equipment	677	1 042	1 082	1 124	
Transport Assets	8 711	9 688	9 913	10 154	
TOTAL EXPENDITURE OTHER ITEMS	142 731	157 017	156 538	136 172	
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	41.9%	89.8%	79.8%	79.8%	
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>	41.7%	29.3%	30.8%	40.6%	
<i>R&M as a % of PPE</i>	2.5%	2.8%	2.9%	3.0%	
<i>Renewal and upgrading and R&M as a % of PPE</i>	4.0%	4.0%	4.0%	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 89.8% of the capital budget, whilst repairs and maintenance constitute 2.8% of PPE.

Table 17 (Table A10 - Basic Service Delivery Measurement)

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Household service targets				
<u>Water:</u>				
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)	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-
Using public tap (< min.service level)	-	-	-	-
Other water supply (< min.service level)	-	-	-	-
No water supply	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
Total number of households	-	-	-	-
<u>Sanitation/sewerage:</u>				
Flush toilet (connected to sewerage)	-	-	-	-
Flush toilet (with septic tank)	-	-	-	-
Chemical toilet	-	-	-	-
Pit toilet (ventilated)	-	-	-	-
Other toilet provisions (> min.service level)	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-
Bucket toilet	-	-	-	-
Other toilet provisions (< min.service level)	-	-	-	-
No toilet provisions	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
Total number of households	-	-	-	-
<u>Energy:</u>				
Electricity (at least min.service level)	-	-	-	-
Electricity - prepaid (min.service level)	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-
Electricity (< min.service level)	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-
Other energy sources	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
Total number of households	-	-	-	-

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Refuse:				
Removed at least once a week	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-
Removed less frequently than once a week	-	-	-	-
Using communal refuse dump	-	-	-	-
Using own refuse dump	-	-	-	-
Other rubbish disposal	-	-	-	-
No rubbish disposal	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
Total number of households	-	-	-	-
Households receiving Free Basic Service				
Water (6 kilolitres per household per month)	38 856 733	20 354 089	21 249 669	22 205 904
Sanitation (free minimum level service)	10 767 174	11 413 204	11 915 385	12 451 578
Electricity/other energy (50kwh per household per month)	6 424 201	6 938 137	7 243 415	7 569 369
Refuse (removed at least once a week)	-	20 834 047	21 750 746	22 729 529
Cost of Free Basic Services provided - Formal Settlements (R'000)				
Water (6 kilolitres per indigent household per month)	38 857	20 354	21 250	22 206
Sanitation (free sanitation service to indigent households)	10 767	11 413	11 915	12 452
Electricity/other energy (50kwh per indigent household per month)	6 424	6 938	7 243	7 569
Refuse (removed once a week for indigent households)	-	20 834	21 751	22 730
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	-	-	-	-
Total cost of FBS provided	56 048	59 539	62 159	64 956
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) (impermissible values per section 17 of MPRA)	-	-	-	-
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	20 678	20 598	21 504	22 472
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	20 678	20 598	21 504	22 472

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 2021 after the approval of a timetable to guide the preparation of the 2022/23 to 2024/25 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 2022. The main aim of the timetable is to ensure that an IDP and a balanced Budget are tabled in March 2022. The Draft Budget and IDP will be tabled by the Executive Mayor at a Council meeting scheduled for 31 March 2022. After this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation will take the form of series of public meetings in the various wards under the direction and leadership of the Executive Mayor and his Mayoral Committee. The inputs of the aforementioned consultations will be taken into account, whilst the Executive Mayor will table the final IDP and Budget for consideration and approval at a Council meeting to be held on 31 May 2022.

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 2022/23 to 2024/25

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	31 August 2021
Tabling of Draft IDP and Budget in Council	31 March 2022
Public Participation	During April and May 2022
Final adoption of IDP and Budget by Council	31 May 2022
Approval of SDBIP by Executive Mayor	26 June 2022

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 2022/23 to 2024/25 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 will take the form of a series of meetings to be held throughout the municipal area with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Borrowing Management					
Credit Rating					
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.7%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.9%	0.0%	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	0.03	0.05	0.23	0.31
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)		94.0%	94.0%	94.0%	94.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	13.7%	12.8%	12.2%	11.6%
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		2474.4%	1389.0%	302.6%	225.7%

Description of financial indicator	Basis of calculation	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
<u>Other Indicators</u>					
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)	38.8%	37.7%	37.5%	37.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	40.2%	39.1%	38.9%	38.6%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.2%	5.4%	5.2%	5.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	9.5%	9.7%	9.2%	6.9%
<u>IDP regulation financial viability indicators</u>					
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	85.0	295.1	294.8	308.1
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	17.4%	16.2%	15.5%	14.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.1	0.1	0.5	0.7

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 2022/23 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 0.0% of total operating expenditure over the 2022/23 MTREF.

-

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 2022/23 MTREF, the current ratio is 0.9 in the 2022/23, 1.0 in the 2023/24 and 1.0 in the 2024/25 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 2022/23 MTREF, the liquidity ratio is at 0.0:1. 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 2022/23 MTREF has been prepared on the basis of achieving an average revenue collection rate of 94% 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 2022/23 – 2024/25 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:

	2022/23	2023/24	2024/25
Income	%	%	%
Tariff Increases for water	6	6	6
Tariff Increases for sanitation	6	6	6
Tariff Increases for refuse	6	6	6
Property rates increase	5.25	5.25	5.25
Electricity tariff increase (on average)	8	8	8
Environmental Management Fee increase	6	6	6
Revenue collection rates (Property Rates and Service Charges)	94	94	94

	2022/23	2023/24	2024/25
Expenditure increases allowed	4.8	4.4	4.5
Salary increase	4.9	4.4	4.5
Increase in bulk purchase of electricity costs	9.6	9.6	9.6
Increase in bulk purchase of water costs	6	6	6

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 2022/23 financial year.

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework							
		Adjusted Budget	%	Budget Year 2022/23	%	Budget Year 2023/24	%	Budget Year 2024/25	%
R thousand									
Revenue By Source									
Property rates	224 085	23.03%	240 849	23.19%	251 446	23.06%	262 761	22.90%	
Service charges - electricity revenue	539 540	55.44%	578 759	55.71%	604 225	55.40%	631 415	55.02%	
Transfers and subsidies	154 418	15.87%	172 920	16.65%	186 595	17.11%	202 872	17.68%	
Other revenue	55 120	5.66%	46 265	4.45%	48 301	4.43%	50 475	4.40%	
Total Revenue (excluding capital transfers and contributions)	973 163	100.00%	1 038 793	100.00%	1 090 567	100.00%	1 147 522	100.00%	

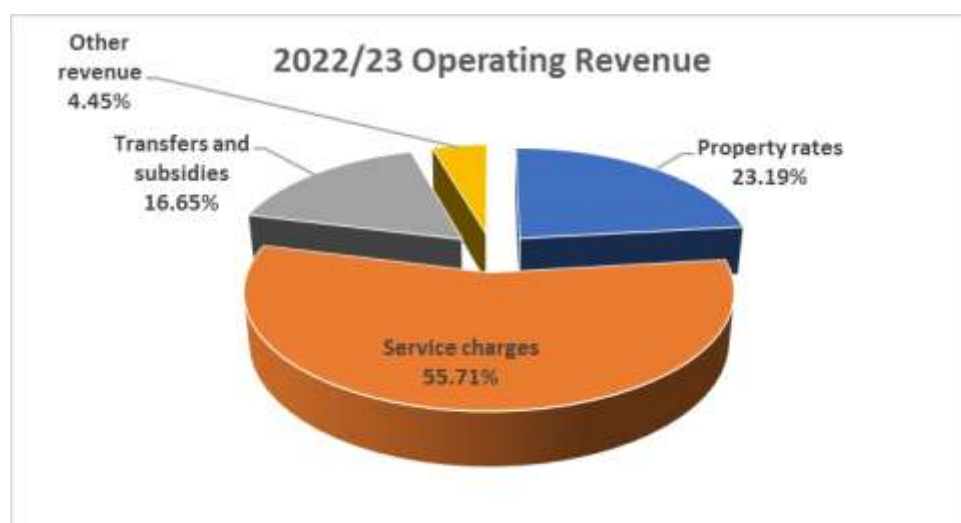


Figure 3 Breakdown of operating revenue over the 2022/23 MTRE

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 94% 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 240,849 million in the 2022/23 financial year and increases to R 262,761 million in 2024/25, representing 23.19% of the total operating revenue for the 2022/23 budget.

Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R 578,759 million in the 2022/23 financial year and increasing to R 631,415 million in 2024/25. For the 2022/23 financial year, services charges amount to 55.71% of the total revenue base.

Operational grants and subsidies amount to R 172,920 million, R 186,595 million and R 202,872 million for each of the respective financial years of the MTREF, or 16.65% of total operating revenue for 2022/23.

The table below provides investment particulars by type.

Table 19 (SA15 – Detail Investment Information)

Investment type	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
Parent municipality				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	4 105	7 876	43 875	62 868
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	4 105	7 876	43 875	62 868
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:	4 105	7 876	43 875	62 868

Investments are anticipated to increase from R 7,876 million in 2022/23 to R 62,868 million in 2024/25.

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2022/23 medium-term capital programme:

Table 20 (Sources of capital revenue over the MTREF)

Vote Description	Adjusted Budget	2022/23 Medium Term Revenue & Expenditure Framework		
		Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
Funded by:				
National Government	50 440	29 649	36 959	38 533
Provincial Government	–	–	–	–
District Municipality	1 638	1 638	1 710	1 787
Transfers recognised - capital	52 078	31 287	38 670	40 320
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	39 263	1 730	–	–
Total Capital Funding	91 341	33 017	38 670	40 320

The above table is graphically represented as follows for the 2022/23 financial year.

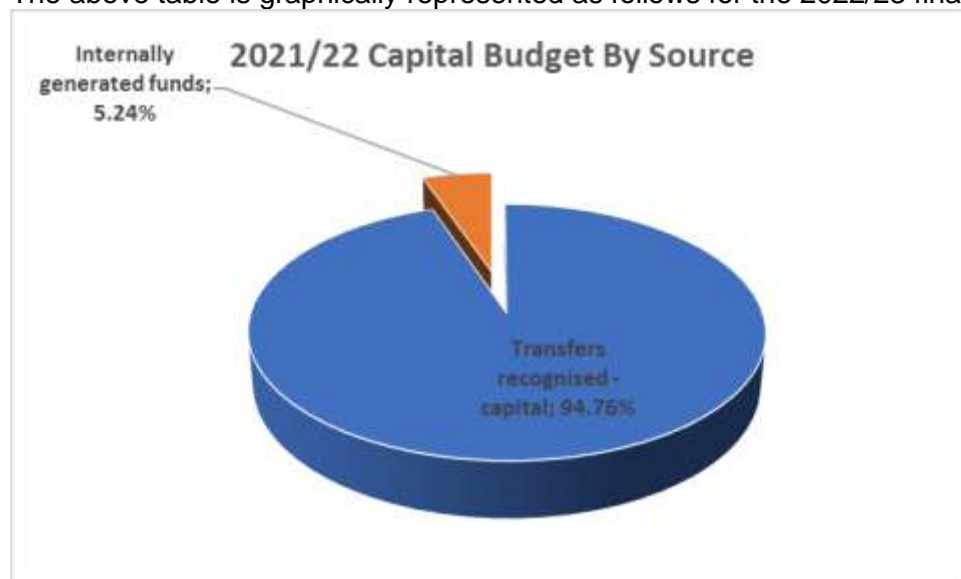


Figure 4 Sources of Capital Revenue for the 2020/21 financial year

Capital Grants constitute 94.76% of the total funding sources, amounting to R 31,287 million for the 2022/23 financial year and amounting to R 40,320 million or 100% in the 2024/25 financial year. It is to be noted that no borrowing is planned for the 2022/23 MTREF, in view of financial affordability considerations.

The following table indicates the capital transfers and grant receipts:

Table 21 (Table SA 18 - Transfers and grant receipts)

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	148 588	167 982	181 657	197 933
Operational Revenue:General Revenue:Equitable Share	143 774	163 292	178 068	194 266
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 423	1 175	–	–
Local Government Financial Management Grant [Schedule 5B]	1 720	1 720	1 720	1 720
Municipal Infrastructure Grant [Schedule 5B]	1 671	1 795	1 869	1 947
Provincial Government:	2 050	2 050	2 050	2 050
Library grant	2 050	2 050	2 050	2 050
District Municipality:	2 888	2 888	2 888	2 888
<i>Environmental health subsidy</i>	2 888	2 888	2 888	2 888
Other Grant Providers:	892	–	–	–
<i>SALGA Donation</i>	722	–	–	–
<i>Foreign Government and International Organisations</i>	170	–	–	–
Total Operating Transfers and Grants	154 418	172 920	186 595	202 872
Capital Transfers and Grants				
National Government:	58 005	34 096	46 503	49 313
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	7 800	–	7 000	7 314
Municipal Infrastructure Grant [Schedule 5B]	37 705	34 096	35 503	36 999
Energy Efficiency and Demand-Side Management Grant			4 000	5 000
Municipal Disaster Relief Grant	12 500	–	–	–
District Municipality:	1 638	1 638	1 638	1 638
<i>Fire Services Subsidy</i>	1 638	1 638	1 638	1 638
Total Capital Transfers and Grants	59 643	35 734	48 141	50 951
TOTAL RECEIPTS OF TRANSFERS & GRANTS	214 061	208 654	234 736	253 822

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 22 (Table A7 - Budgeted cash flow statement)

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework			
	R thousand	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates	212 184	228 023	238 056	248 769	
Service charges	711 473	641 274	669 490	699 617	
Other revenue	57 614	46 599	52 804	57 149	
Transfers and Subsidies - Operational	154 418	172 920	186 595	202 872	
Transfers and Subsidies - Capital	53 680	35 734	48 141	50 951	
Interest	2 811	2 811	2 934	3 067	
Dividends	-	-	-	-	
Payments					
Suppliers and employees	(1 142 665)	(1 090 573)	(1 123 352)	(1 203 111)	
Finance charges	(716)	-	-	-	
Transfers and Grants	-	-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	48 798	36 788	74 668	59 313	
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	(91 341)	(33 017)	(38 670)	(40 320)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(91 341)	(33 017)	(38 670)	(40 320)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Short term loans	-	-	-	-	
Borrowing long term/refinancing	-	-	-	-	
Increase (decrease) in consumer deposits	-	-	-	-	
Payments					
Repayment of borrowing	(6 747)	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(6 747)	-	-	-	
NET INCREASE/ (DECREASE) IN CASH HELD	(49 289)	3 771	35 999	18 993	
Cash/cash equivalents at the year begin:	53 394	4 105	7 876	43 875	
Cash/cash equivalents at the year end:	4 105	7 876	43 875	62 868	

For the 2022/23 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 7,876 million in 2022/23 million to R 62,868 million in 2024/25.

Table 25 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
Cash and investments available				
Cash/cash equivalents at the year end	4 105	7 876	43 875	62 868
Other current investments > 90 days	(0)	0	0	1
Non current assets - Investments	-	-	-	-
Cash and investments available:	4 105	7 876	43 875	62 869
Application of cash and investments				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements	-	-	-	-
Other working capital requirements	(25 331)	(31 833)	(9 092)	(256)
Other provisions	14 343	14 343	14 343	14 343
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-
Total Application of cash and investments:	(10 988)	(17 490)	5 251	14 088
Surplus(shortfall)	15 092	25 366	38 624	48 781

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 7,876 million in the 2022/23 financial year and increases to R 62,869 million in 2024/25. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2022/23 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 25,366 million, R 38,624 million and R 49,781 million for the 2022/23, 2023/24 and 2024/25 financial years, respectively.

It is to be noted that the 2022/23 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 0.1 months, 0.5 months and 0.7 months for the 2022/23, 2023/24 and 2024/25 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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Funding measures					
Cash/cash equivalents at the year end - R'000	18(1)b	4 105	7 876	43 875	62 868
Cash + investments at the yr end less applications - R'000	18(1)b	15 092	25 366	38 624	48 781
Cash year end/monthly employee/supplier payments	18(1)b	0.05	0.09	0.50	0.67
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	(80 052)	(72 193)	(48 945)	(29 123)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	(5.1%)	1.3%	(1.6%)	(1.5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	94.0%	94.0%	94.0%	94.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	6.0%	6.0%	6.0%	6.0%
Capital payments % of capital expenditure	18(1)c;19	100.0%	100.0%	100.0%	100.0%
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		100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	(48.4%)	0.0%	0.0%	0.0%
Long term receivables % change - incr(decr)	18(1)a	(100.0%)	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	2.5%	2.8%	2.9%	3.0%
Asset renewal % of capital budget	20(1)(vi)	3.7%	0.0%	0.0%	0.0%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2022/23 MTREF amounts to R 7,876 million, R 43,875 million and R 62,868 million for the respective financial years.

2.6.5.2 Cash plus investments less application of funds

For the 2022/23, 2023/24 and 2024/25 budgets, the available cash and investments exceed the application of funds by an amount of R 25,366 million, R 38,624 million and R 48,781 million, respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents.

As part of the 2022/23 MTREF, the projected cash position causes the ratio to increase from 0.0 months to 0.1 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets.

For the 2022/23 MTREF the indicative outcome is a deficit of R 72,193 million, R 48,945 million and R 29,123 million, respectively. This is made up as follows:

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousands				
Surplus/(Deficit)	(139 695)	(107 927)	(93 091)	(75 079)
Transfers and subsidies - capital	59 643	35 734	44 145	45 956
Total	(80 052)	(72 193)	(48 945)	(29 123)

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 4.8%), so as to determine the real increase in revenue. The percentage growth totals 1.3%, -1.6% and -1.5% for the respective financial years of the 2022/23 MTREF.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

The outcome is approximately 94.0% for the 2022/23 and 94.0% for the 2023/24 and 94.0% for the 2023/25 financial years.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

The provision has been set at 6% for property rates and services, for the 2022/23 and 6% for the 2023/24 and 6% for the 2024/25 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 2022/23 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 2.8%, 2.9% and 3.0% of Property, Plant and Equipment respectively, over the 2022/23 MTREF, whilst National Treasury has suggested an 8% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	148 588	167 982	181 657	197 933
Operational Revenue:General Revenue:Equitable Share	143 774	163 292	178 068	194 266
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 423	1 175	–	–
Local Government Financial Management Grant [Schedule 5B]	1 720	1 720	1 720	1 720
Municipal Infrastructure Grant [Schedule 5B]	1 671	1 795	1 869	1 947
Provincial Government:	2 050	2 050	2 050	2 050
Library grant	2 050	2 050	2 050	2 050
District Municipality:	2 888	2 888	2 888	2 888
Environmental health subsidy	2 888	2 888	2 888	2 888
Other Grant Providers:	892	–	–	–
SALGA Donation	722	–	–	–
Foreign Government and International Organisations	170	–	–	–
Total Operating Transfers and Grants	154 418	172 920	186 595	202 872
Capital Transfers and Grants				
National Government:	58 005	34 096	46 503	49 313
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	7 800	–	7 000	7 314
Municipal Infrastructure Grant [Schedule 5B]	37 705	34 096	35 503	36 999
Energy Efficiency and Demand-Side Management Grant			4 000	5 000
Municipal Disaster Relief Grant	12 500	–	–	–
District Municipality:	1 638	1 638	1 638	1 638
Fire Services Subsidy	1 638	1 638	1 638	1 638
Total Capital Transfers and Grants	59 643	35 734	48 141	50 951
TOTAL RECEIPTS OF TRANSFERS & GRANTS	214 061	208 654	234 736	253 822

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
EXPENDITURE:				
Operating expenditure of Transfers and Grants				
National Government:	148 588	167 982	181 657	197 933
Operational Revenue:General Revenue:Equitable Share	143 774	163 292	178 068	194 266
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 423	1 175	–	–
Local Government Financial Management Grant [Schedule 5B]	1 720	1 720	1 720	1 720
Municipal Infrastructure Grant [Schedule 5B]	1 671	1 795	1 869	1 947
Provincial Government:	2 050	2 050	2 050	2 050
Library grant	2 050	2 050	2 050	2 050
District Municipality:	2 888	2 888	2 888	2 888
Environmental health subsidy	2 888	2 888	2 888	2 888
Other Grant Providers:	892	–	–	–
SALGA Donation	722	–	–	–
Foreign Government and International Organisations	170	–	–	–
Total operating expenditure of Transfers and Grants:	154 418	172 920	186 595	202 872
Capital expenditure of Transfers and Grants				
National Government:	58 005	34 096	46 503	49 313
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	7 800	–	7 000	7 314
Municipal Infrastructure Grant [Schedule 5B]	37 705	34 096	35 503	36 999
Energy Efficiency and Demand-Side Management Grant			4 000	5 000
Municipal Disaster Relief Grant	12 500	–	–	–
District Municipality:	1 638	1 638	1 638	1 638
Fire Services Subsidy	1 638	1 638	1 638	1 638
Total capital expenditure of Transfers and Grants	59 643	35 734	48 141	50 951
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	214 061	208 654	234 736	253 822

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 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand				
<u>Cash Transfers to Entities/Other External Mechanisms</u>				
<i>Various Organisations</i>	550	4 900	5 116	5 346
Total Cash Transfers To Entities/Ems'	550	4 900	5 116	5 346
TOTAL CASH TRANSFERS AND GRANTS	550	4 900	5 116	5 346
TOTAL TRANSFERS AND GRANTS	550	4 900	5 116	5 346

2.9 COUNCILLORS AND EMPLOYEE BENEFITS

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	Current Year 2021/22	2022/23 Medium Term Revenue & Expenditure Framework		
	R thousand	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24
Councillors (Political Office Bearers plus Other)				
Basic Salaries and Wages	9 104	9 584	9 994	10 738
Pension and UIF Contributions	–	–	–	–
Medical Aid Contributions	–	–	–	–
Motor Vehicle Allowance	3 081	3 232	3 384	3 302
Cellphone Allowance	1 465	1 548	1 619	1 631
Housing Allowances	–	–	–	–
Other benefits and allowances	–	–	–	–
Sub Total - Councillors	13 651	14 364	14 996	15 671
Senior Managers of the Municipality				
Basic Salaries and Wages	6 423	7 282	7 602	7 936
Pension and UIF Contributions	107	111	116	121
Medical Aid Contributions	31	50	52	54
Overtime	–	–	–	–
Performance Bonus	1 211	23	24	25
Motor Vehicle Allowance	1 405	1 965	2 052	2 142
Cellphone Allowance	10	10	10	10
Housing Allowances	–	–	–	–
Other benefits and allowances	1	4	5	5
Payments in lieu of leave	4 703	4 500	4 698	4 905
Long service awards	–	–	–	–
Post-retirement benefit obligations	–	–	–	–
Sub Total - Senior Managers of Municipality	13 891	13 945	14 558	15 199
Other Municipal Staff				
Basic Salaries and Wages	212 000	252 529	263 620	275 200
Pension and UIF Contributions	35 748	34 908	36 524	38 131
Medical Aid Contributions	21 437	17 471	18 240	19 042
Overtime	23 860	28 219	29 461	30 757
Performance Bonus	43	23	24	25
Motor Vehicle Allowance	12 290	10 774	11 249	11 743
Cellphone Allowance	93	53	55	58
Housing Allowances	1 782	1 031	1 076	1 124
Other benefits and allowances	35 288	29 770	31 080	32 448
Payments in lieu of leave	767	1 600	1 670	1 744
Long service awards	1 686	1 275	1 331	1 389
Post-retirement benefit obligations	18 256	–	–	–
Sub Total - Other Municipal Staff	363 249	377 654	394 330	411 661
Total Parent Municipality	390 791	405 963	423 885	442 531
TOTAL SALARY, ALLOWANCES & BENEFITS	390 791	405 963	423 885	442 531
TOTAL MANAGERS AND STAFF	377 140	391 598	408 889	426 860

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2022/23												Medium Term Revenue and Expenditure Framework	
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2022/23
Cash Receipts By Source														
Property rates	81 050	12 142	12 849	13 240	13 219	13 386	10 578	16 271	13 467	13 435	13 448	14 939	228 023	
Service charges - electricity revenue	32 993	28 158	29 360	35 812	27 230	29 283	30 487	38 867	16 223	27 801	30 789	21 610	348 612	
Service charges - water revenue	9 176	6 185	6 624	6 385	6 653	8 240	7 240	8 404	2 979	6 552	6 982	10 491	85 910	
Service charges - sanitation revenue	6 444	4 834	4 830	4 804	4 929	5 257	4 804	5 440	5 014	5 033	5 002	3 206	59 599	
Service charges - refuse revenue	6 794	4 935	4 931	4 927	4 951	4 951	4 951	4 933	4 974	4 963	4 974	4 786	61 070	
Service charges - other	14 998	6 183	6 440	7 163	6 263	6 717	6 381	8 124	4 688	6 351	6 726	6 049	86 084	
Rental of facilities and equipment	517	213	222	247	216	232	220	280	162	219	232	209	2 968	
Interest earned - external investments	490	202	210	234	204	219	208	265	153	207	220	197	2 811	
Interest earned - outstanding debtors												-		
Dividends received												-		
Fines, penalties and forfeits	147	60	63	70	61	66	62	79	46	62	66	59	842	
Licences and permits	2 395	987	1 029	1 144	1 000	1 073	1 019	1 297	749	1 014	1 074	966	13 748	
Agency services												-		
Transfers and Subsidies - Operational	54 919	2 014	1 182		54 431	3 301	235	1 074	55 042	722		-	172 920	
Other revenue												29 040	29 040	
Cash Receipts by Source	209 922	65 914	67 739	74 025	119 158	72 725	66 185	85 036	103 497	66 360	69 513	91 552	1 091 626	
Other Cash Flows by Source														
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	9 284	410	8 736		410		4 462	410	11 614	410		-	35 734	
Total Cash Receipts by Source	219 207	66 324	76 475	74 025	119 567	72 725	70 648	85 445	115 111	66 770	69 513	91 552	1 127 361	

MONTHLY CASH FLOWS	Budget Year 2022/23												Medium Term Revenue and Expenditure Framework	
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May		June
Cash Payments by Type														
Employee related costs	31 100	31 100	31 100	31 100	50 100	31 100	31 100	31 100	31 100	31 100	31 100	31 100	31 100	392 201
Remuneration of councillors	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 197	14 364
Finance charges													-	
Bulk purchases - Electricity	52 268	21 547	22 443	24 962	21 826	23 410	22 239	28 312	16 339	22 133	23 440	21 079	300 000	
Bulk purchases - Water & Sewer	6 694	2 760	2 874	3 197	2 795	2 998	2 848	3 626	2 093	2 835	3 002	2 700	38 422	
Other materials	4 688	1 933	2 013	2 239	1 958	2 100	1 995	2 539	1 465	1 985	2 102	1 891	26 906	
Contracted services	15 181	6 258	6 519	7 250	6 339	6 799	6 459	8 223	4 746	6 429	6 808	6 122	87 134	
Transfers and grants - other municipalities													-	
Transfers and grants - other													-	
Other expenditure	40 341	16 631	17 322	19 266	16 846	18 068	17 164	21 852	12 611	17 083	18 092	16 269	231 545	
Cash Payments by Type	151 469	81 426	83 469	89 210	101 062	85 673	83 002	96 850	69 551	82 762	85 742	80 358	1 090 573	
Other Cash Flows/Payments by Type														
Capital assets	5 752	2 371	2 470	2 747	2 402	2 576	2 448	3 116	1 798	2 436	2 580	2 320	33 017	
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Cash Payments by Type	157 221	83 797	85 939	91 957	103 464	88 249	85 450	99 965	71 349	85 198	88 321	82 678	1 123 590	
NET INCREASE/(DECREASE) IN CASH HELD	61 985	(17 473)	(9 464)	(17 932)	16 103	(15 525)	(14 802)	(14 520)	43 762	(18 428)	(18 808)	8 874	3 771	
Cash/cash equivalents at the month/year begin:	4 105	66 090	48 617	39 153	21 220	37 324	21 799	6 997	(7 523)	36 238	17 810	(998)	4 105	
Cash/cash equivalents at the month/year end:	66 090	48 617	39 153	21 220	37 324	21 799	6 997	(7 523)	36 238	17 810	(998)	7 876	7 876	

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework			
	R thousand	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Cash Receipts By Source				
Property rates		228 023	238 056	248 769
Service charges - electricity revenue		348 612	363 951	380 328
Service charges - water revenue		85 910	89 691	93 727
Service charges - sanitation revenue		59 599	62 221	65 021
Service charges - refuse revenue		147 153	153 628	160 541
Service charges - other				
Rental of facilities and equipment		2 968	3 099	3 238
Interest earned - external investments		2 811	2 934	3 067
Interest earned - outstanding debtors				
Dividends received				
Fines, penalties and forfeits		842	879	919
Licences and permits		13 748	14 353	14 999
Agency services				
Transfers and Subsidies - Operational		172 920	186 595	202 872
Other revenue		29 040	34 473	37 993
Cash Receipts by Source		1 091 626	1 149 879	1 211 473
Other Cash Flows by Source				
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		35 734	48 141	50 951
Total Cash Receipts by Source		1 127 361	1 198 021	1 262 424

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework			
	R thousand	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Cash Payments by Type				
Employee related costs		392 201	391 666	426 496
Remuneration of councillors		14 364	14 996	15 671
Finance charges				
Bulk purchases - Electricity		300 000	326 400	357 734
Bulk purchases - Water & Sewer		38 422	41 065	43 981
Other materials		26 906	27 401	27 659
Contracted services		87 134	75 990	76 705
Transfers and grants - other municipalities				
Transfers and grants - other				
Other expenditure		231 545	245 835	254 865
Cash Payments by Type		1 090 573	1 123 352	1 203 111
Other Cash Flows/Payments by Type				
Capital assets		33 017	38 670	40 320
Repayment of borrowing		-	-	-
Other Cash Flows/Payments		-	-	-
Total Cash Payments by Type		1 123 590	1 162 022	1 243 430
NET INCREASE/(DECREASE) IN CASH HELD		3 771	35 999	18 993
Cash/cash equivalents at the month/year begin:		4 105	7 876	43 875
Cash/cash equivalents at the month/year end:		7 876	43 875	62 868

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 2022/23 financial year will be approved by the Executive Mayor during July 2022, 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 2022/23 IDP has been developed, which will be considered at a Council meeting to be held on 31 March 2022. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP. The final version of the revised 2022/23 IDP will be considered at a Council meeting scheduled for 31 May 2022.

Budget

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

Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2020/21 Annual Report will be considered at a Council meeting scheduled for 31 March 2022.

Oversight Report

The Municipal Public Accounts Committee has considered the 2020/21 Annual report. Its Oversight Report will be considered at a Council meeting scheduled for 31 March 2022.

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 2022/23 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 Draft Annual Budget and Supporting Documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Draft 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:..... March 2022