

**SEKHUKHUNE DISTRICT  
MUNICIPALITY**

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**SEKHUKHUNE DISTRICT  
MUNICIPALITY (DC 47)  
2020/2021 MTREF BUDGET  
BOOK**



**SEKHUKHUNE**  
District Municipality

[www.sekhukhunedistrict.gov.za](http://www.sekhukhunedistrict.gov.za)

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## **PART 1 – ANNUAL BUDGET**

### **1.1 Mayor's Report**

#### **FOREWORD BY HIS WORSHIP EXECUTIVE MAYOR CLLR KEAMOTSENEG STANELY RAMAILA: 2020/21-2022/2023 MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK (MTREF).**

The Medium Term Revenue Expenditure Framework (MTREF) is used as a political and policy instrument to implement the municipal development planning projects and programmes as expressed in the Integrated Development Plan (IDP) and calibrated into annual Service Delivery and Budget Implementation Plan (SDBIP).

The annual budget is prepared in line with the provisions of the Municipal Finance Management Act No. 56 of 2003, Sec 16 to section 23. Section 16 states;

- (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of the financial year.
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council at least (90) days before the start of the budget year.
- (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made each of those financial years.

Let's face it: our economy is in the doldrums!

The world was recently thrown into uncharted waters by the Covid-19 outbreak. The novel corona virus which spreads like wildfire, continues to wreak havoc.

At the time of writing, over 5 million people had been infected and more than 300 000 died from Covid-19 the world over.

This places enormous pressure on the health systems of all countries.

The dreaded virus has forced governments to take unprecedented steps and close their national economies. While this was aimed at mitigating the deadly effects of the



virus and prepare governments to deal decisively with the pandemic, the global economy was thrown into a tailspin.

The International Monetary Fund (IMF) in April announced the global economy is projected to contract by minus 3 % in 2020 as a result of Covid-19.

This economic slowdown, as a result of what's dubbed The Great Lockdown, is much worse than during the 2008/2009 financial crisis and it's the biggest downturn since the Great Depression of 1929 to 1939.

The ongoing economic crisis has not spared national economies of developing countries such as ours either.

The Reserve Bank this month (May) forecasts South Africa's GDP in 2020 to weaken by minus 7.0%, compared to the 6.1% contraction forecast in April.

Because of the impact of the lockdown on the economy, the Central Bank expects investment, exports and imports to decline sharply.

Our nightmare is the widespread joblessness that will follow, adding to the list of more than 10 million unemployed South Africans.

With the downgrading of our country's credit status by major credit ratings agencies, borrowing has become expensive. Doubtless, this will negatively affect ambitions of our developmental agenda as a country.

Our predominantly rural district municipality is grappling with a historical and obstinate water and sanitation backlog. The slowdown in economic activity, expected increase in joblessness and deepening poverty in our district threaten to erode our revenue.

We are therefore expected to make do with less resources.

All these compel us to prioritise key projects that have a social impact in our communities. We will therefore prudently use the various grants to fast-track the rollout of water projects in our district.

We will close all the leakages in our financial system. Officials found to have committed financial misconduct will be harshly dealt with. We are in a process to realign our

organisational structure, to ensure that our staff is capable to carry out the tasks at hand.

Going forward, only positions that are critical to the institution will be filled in.

The allocated total budget of R1.5 billion for a district of our calibre with a population size of almost 1, 2 million people is not sufficient given the historical developmental backlogs confronting the district. The main development priority mandate of the district remains provision of water and sanitation services which must always take prominence in our financial planning & budget execution.

In order to augment our national allocated budget through our own revenue enhancements measures, the following decisions will be implemented in the 2020/2021 and the outer financial years;

- The introduction of flat rate billing amount of R 176, 97 cents in new areas until the culture of payment is entrenched and water supply stabilised 100%.
- The tariffs are to be decreased by 8% for municipal services and other revenue sources tariffs to increase by 5%.

The endeavour to implement revenue enhancements strategy and improve our financial situation will require a creation of a social compact between the municipality, traditional leaders, business, civil society and indeed the entire community of Sekhukhune.

This budget proposal also takes into consideration the provisions of section 21, section 22 and section 23 of the MFMA and COVID 19 circulars which among others direct us to interact with communities, rate payers and stakeholders in preparation of the budget as well as ensure alignment with the IDP and other important legislative provisions.

I present the 2020/2021- 2022/2023 MTREF with attached budget related policies for consideration by council.

Cllr K.S Ramaila

Executive Mayor

## 1.2 Council Resolution

Council has in its ordinary council of the 28<sup>th</sup> of May 2020, resolved to note the tabled budget as per council resolution no SC02/05/20 and make the budget together with supporting schedules a subject of public consultation. The council resolution is attached

## 1.3 Executive Summary

The budget of the municipality was prepared taking into consideration the Municipal Budget and reporting regulations and the National Treasury circulars relating to budgets.

The application of sound financial management principles for the compilation of the district's budget is essential and critical to ensure that the municipality remains financially sound and that the municipality is able to provide services to all communities in a sustainable manner.

The municipality has reviewed the service delivery priorities as part of this year's planning and budget process.

### **ITEM: MTREF BUDGET AND DISTRICT DEVELOPMENT PLAN FOR FINANCIAL YEAR 2020/2021 – 2022/2023**

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#### **PURPOSE**

To present to the Mayoral Committee the District Development Plan as well as the Medium Term Revenue and Expenditure (MTREF) Budget for 2020/2021-2022/2023 financial years for engagement and further recommends to Council for approval.

#### **BACKGROUND**

Over the past year, economic growth has been weaker than forecasted and is only expected to reach 0.9 per cent in 2020. The 2020 budget highlights the difficult economic and fiscal choices confronting government over the next several years.

It is projected that revenue to be collected for the 2020/21 financial year will amount to R1.5 trillion which equates to 29.2 per cent of the Gross Domestic Product (GDP), whereas expenditure is projected to be at R1.95 trillion which is equivalent to 36 per cent of GDP. This means that there is a consolidated budget deficit of R370.5 billion or 6.8 per cent of GDP in 2020/21. The gross national debts by the end of 2020/21 is projected to be R3.56 trillion which is 65.6 per cent of GDP.

It is evident that determined action is required to reverse the deterioration of the public finances by narrowing the budget deficit, containing debt and growing the economy faster and in a sustainable manner. Municipalities therefore need to exercise caution when they prepare their 2020/21 MTREF budgets to ensure synergy with national economic and fiscal prudence.

The declining economic growth which might be impacted on further by the Corona virus pandemic and international companies closing down as a result, the deteriorating state of the finances for state-owned entities, continued high unemployment and water and electricity shortages will put pressure on the ability of municipalities to raise revenue. Municipalities are therefore advised to follow a conservative approach when projecting their revenue and to eliminate any waste and unnecessary expenditure. Importantly, municipalities should ensure that they adopt realistic and funded 2020/21 MTREF budgets, collect the debts owed to them and pay their creditors within 30 days of receipt of invoice.

Sekhukhune District Municipality has developed the draft District Development/One Plan which aims at a better coordination and cooperation in government as well as to improve coherence in planning and implementation across all spheres of governance. It encourages inclusive mainstreamed budgets based on the needs of the communities at a local level. It also maximise the impact and alignment of resources thereby enhancing service delivery in the different district spaces.

The Process Plan and SDM Profile were developed in December 2019 and finalised in January 2020. They were adopted by Council on the 25<sup>th</sup> February 2020. The Profile gave rise to a District-wide Development Plan adopted by Council on the 26 March 2020. It is inclusive of the mines' Social Labour Plans planned for SDM.

The following macro-economic forecasts must be considered when preparing the 2020/21 MTREF municipal budgets.

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

## **DISCUSSIONS**

The draft budget was prepared in terms of National Treasury MFMA Municipal Budget and Reporting Regulations. The growth parameters were calculated based on the average CPIX and guidance of Circular 99 issued by treasury as follows:

<b>Fiscal year</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Consumer Price Inflation (CPI)</b>	4.5%	4.6%	4.6%
<b>Real GDP Growth</b>	0.9%	1.3%	1.6%

### **1) Budget Assumptions**

#### **National Assumptions**

- Cost containment measures as per Government Gazette No 41445 issued in February 2018
- Local Government Grants allocations as per Division of Revenue Bill as per Government Gazette No 41432 issued in February 2020
- Revenue to increase by maximum of 6% and justification required for all increases above the inflation target
- Remuneration for upper limits to be taken into consideration when preparing budget.



- Employee related cost to be finalised on conclusion of the salary and wage collective agreement
- Cost reflective tariffs and its methodology
- Impact of VAT increase to 15% on tariffs

### District Assumptions

1. Revenue collection has been reduced drastically from 60 % to 30% due to a 50% reduction we have noted during COVID 19 as reflected in the collection rate for April 2020. Should the COVID 19 Pandemic improve and economic prospects are positive, municipal revenues will then improve and offer additional buffer which will be brought in through adjustment budget.
2. Vat Funding remain a critical component of the budget but we will only account for it during adjustment budget. This budget will be in the region of R90-R100 million based on past trends.
3. Curbing of increasing costs for security, fleet services and legal fees through operational strategies that would yield efficiencies as recommended by Provincial Treasury.
4. Reprioritising expenditure to be in line with cash flow forecasts based on the COVID 19 economic outlook.
5. Implementing additional cost containment measures in order to make sure that the budget for 2020/21 financial year is funded and to budget for operating surplus in current and outer years
6. Prioritising contractual obligations and COVID 19 Pandemic interventions
7. Employee costs increase provided for at 6.25% pending finalisation of the collective agreement. Prioritisation of critical posts to limit ballooning of the organisation structure and wage bill.

## **2) PRINCIPLED DECISIONS**

The municipality has agreed on cost containment measures as raised in the budget circulars and below are additional principled decisions taken:

## **Revenue**

- The tariffs are to be decreased by 8% for municipal services and other revenue sources tariffs to increase by 5%.
- The municipality has started implementation of cost reflective tariffs in the previous year over a three year period to ensure that the municipality's tariffs are within the market average and also cost reflective

## **Budget deficit**

- The municipality has budgeted a surplus budget in the 2020/21 financial year
- Strict measures have been put in place, and the implementation needs to be monitored by fellow managers and supervisors. The municipality is also striving for surplus budget in the outer years. Below are some areas where austerity measures are/ or still need to be applied robustly:
  - ✓ Travel and subsistence
  - ✓ Overtime
  - ✓ O&M and contracted expenditure has been reduced significantly in the current year and outer years

## **Employee costs**

- The sky rocketing employee related costs was curbed at 6.25% as per circular
- To ensure that we maintain the employee costs percentage at less than 40% of the total operating expenditure as required by Treasury, the following were proposed during the budget preparation:
  - ✓ To consider sourcing from within, for post that may arise from organisational structure.
  - ✓ Sacrificing of vacant posts that are not critical to reduce the salary bill.
  - ✓ Curbing of overtime and travel and subsistence by enforcing proper supervision thereof.
- The current allocated funds for salaries are therefore at **42%** of operating cost.

### 3) **BUDGET ESTIMATES**

#### a) **REVENUE**

Code	Description	Draft budget 2020/21	Final budget 2020/21	Percentage %	2021/2022	2022/2023
3405	Service charges	- 103 195 523,77	- 103 195 523,77	0,10	- 98 035 747,59	- 95 094 675,16
3405	Interest income	- 20 049 807,26	- 20 049 807,26	0,02	- 21 052 297,62	- 22 104 912,50
3405	Other revenue	- 5 200 483,01	- 5 200 483,01	0,00	- 5 460 507,16	- 5 733 532,52
3405	Operating grants	- 922 290 000,00	- 914 290 000,00	0,88	- 995 212 000,00	- 1 071 926 000,00
<b>Total operating revenue</b>		<b>- 1 050 735 814</b>	<b>- 1 042 735 814,00</b>	<b>100%</b>	<b>-1 119 760 552</b>	<b>-1 194 859 120</b>

#### **Discussion**

- Operating revenue decreases from **R1.1b** (2019/2020) to **R1.b** in the 2020/21 financial year and increases to **R1.195 billion** in the 2022/23 financial year.
- The Municipality has decreased service tariffs by **8%** in an endeavour to have an affordable tariff after consultation with rate payers association, also to cover covid19 as customers are unable to pay their bills.
- All other revenue tariffs to increase by **5%**
- The collection rate of the municipality prior corona virus was between 60% and 65%. Due to the corona virus, the municipality is anticipating that the revenue to be collected will drop to 40%, as we cannot restrict water & sanitation services for the fight against this deadly virus. Which then translates that the revenue to be collected will reduce to 40%. The municipality is also anticipating that we will not receive any revenue from interest on debtors.
- Capital revenue decreases from **R664.7m** to **R594.6m** in the 2020/21 financial year and will increase to **R661.8m** in the 2022/23 financial year

## b) DEPARTMENTAL EXPENDITURE

Operating expenditure		Draft budget 2020/21	%	Final budget 2020/21	2021/2022	2022/2023
3105	Executive Council - Speaker's office	40 490 376,50	4%	39 166 725,16	43 712 056,28	46 646 735,46
3205	Executive Mayor's office	32 705 441,56	3%	31 570 968,95	37 091 109,96	42 128 404,29
3305	Municipal Manager's office	64 746 190,09	7%	64 746 190,09	89 569 901,59	93 887 629,84
3405	Budget and Treasury	190 000 649,63	18%	173 622 325,81	189 054 491,85	193 711 666,90
3510	Infrastructure and Water Services	463 538 326,99	48%	450 538 326,99	489 840 964,33	525 677 797,14
3605	Planning and Econ Development	10 390 009,20	1%	10 390 009,20	20 204 554,53	20 040 898,89
3705	Community services	59 767 760,00	7%	63 493 118,86	73 126 465,00	78 477 333,78
3805	Sekhukhune Development Agency	4 300 000,00	0%	4 300 000,00	4 493 500,00	4 695 707,50
3905	Corporate Services	101 373 316,00	11%	100 801 123,54	103 037 171,29	102 591 245,37
<b>Total operating expenditure</b>		<b>967 312 069,97</b>	<b>100%</b>	<b>938 628 788,60</b>	<b>1 050 130 214,83</b>	<b>1 107 857 419,18</b>

## Discussions

- The departmental allocations on operating expenditure amounted to **R938.6m**
- We have firstly prioritised the contractual obligations and the following are material line items that have material impact on the operating expenditure :( The amounts are shown on the detail operational expenditure schedule attached)
  - ✓ Bulk purchases – **R130m**
  - ✓ Eskom- **R30m**
  - ✓ Security – **R30m**
  - ✓ Depreciation and impairments – **R90m**
  - ✓ Debt Impairment – **R15m**
  - ✓ Fleet management – **R32m**
  - ✓ Repairs and maintenance – **R29m**
- Included in the operating expenditure is the anticipated cost for VIP sanitation amounting to **R48m** which is wholly funded by the MIG grant

## Highlights of other expense allocation

- The amount of **R5m** has been allocated for legal fees
- An amount **R4.3m** is set aside for operations of SDA.
- The external bursaries allocated at **R569k** and internal allocated **R664k** to encourage staff empowering.
- The amount of **R8.9m** allocated for lease costs (Property rentals and equipment rentals).

## c) CAPITAL EXPENDITURE

Total Conditional Grants		Adjustment Budget	Draft budget 2020/21	Final budget 2020/21	Draft budget 2021/22	Draft budget 2022/23
	MIG	377 253 637.00	395 805 000.00	403 805 000.00	437 560 000.00	469 578 000.00
	RRAMS	2 427 000.00	2 310 000.00	2 310 000.00	2 437 000.00	2 604 000.00
	WSIG	70 000 000.00	53 471 000.00	53 471 000.00	70 000 000.00	61 652 000.00
	RBIG	215 000 000.00	135 000 000.00			
Total Capital Grants		664 680 637.00	586 586 000.00	459 586 000.00	509 997 000.00	533 834 000.00

## Discussion

- Capital expenditure funded from own funds is allocated **R7.3m** in the 2020/21 financial year and it decreases to **R1.2m** in the 2022/23 financial year
- Included in capital expenditure from own funding is the following:
  - ✓ Council Chambers - R6 000 000
  - ✓ EAP equipment - R 200 000
  - ✓ Scanners - R 300 000
  - ✓ Computers - R 500 000
- The total capital expenditure funded from conditional grants decreased from **R664.7m** to **R594.6m** in the 2020/21 due to decreased funding allocation from WSIG conditional grant and RBIG. Funding for capital grants increases to **R661.8m** in the 2022/23 financial year due to increase in MIG funding.
- The **WSIG** is allocated **R53.4m** compared to **R70m** in the previous year.

- The **MIG** is allocated **R403m** for capital projects in the 2020/21 financial year and other funds have been budgeted for MIG overheads and VIP sanitation.
- **RBIG** is allocated **R135m** in the 2020/21 and it reduces to **R127.9m** in the 2022/23 financial year.

**d) ACCUMULATED SURPLUS AND BUDGET FUNDING**

Code	Description	Adjustment Budget	Final budget 2020/21	%	2021/2022	2022/2023
3405	Service charges	-110 874 828.00	- 103 195 523.77	10%	- 98 035 747.59	- 95 094 675.16
3405	Interest income	-21 095 054.00	- 20 049 807.26	2%	- 21 052 297.62	- 22 104 912.50
3405	Other revenue	-4 952 840.00	- 5 200 483.01	0%	- 5 460 507.16	- 5 733 532.52
3405	Operating grants	-891 188 920.72	- 914 290 000.00	88%	- 995 212 000.00	- 1 071 926 000.00
<b>Total operating revenue</b>		<b>-1 119 997 122.72</b>	<b>-1 042 735 814.04</b>	<b>100%</b>	<b>- 1 119 760 552.36</b>	<b>- 1 194 859 120.18</b>
<b>Operating expenditure</b>		<b>Adjustment Budget</b>	<b>Final budget 2020/21</b>	<b>%</b>	<b>2021/2022</b>	<b>2022/2023</b>
3105	Executive Council - Speaker's office	37 827 696.00	39 166 725.16	4%	43 712 056.28	46 646 735.46
3205	Executive Mayor's office	32 631 000.00	31 570 968.95	3%	37 091 109.96	42 128 404.29
3305	Municipal Manager's office	65 479 570.00	64 746 190.09	7%	89 569 901.59	93 887 629.84
3405	Budget and	163 912 547.00	173 622 325.81	18%	189 054 491.85	193 711 666.90
3510	Infrastructure and Water Services	491 553 850.20	450 538 326.99	48%	489 840 964.33	525 677 797.14
3605	Planning and Econ Development	10 369 113.00	10 390 009.20	1%	20 204 554.53	20 040 898.89
3705	Community	60 830 751.00	63 493 118.86	7%	73 126 465.00	78 477 333.78
3805	Sekhukhune Development	4 228 640.00	4 300 000.00	0%	4 493 500.00	4 695 707.50
3905	Corporate Services	120 495 130.55	100 801 123.54	11%	103 037 171.29	102 591 245.37
<b>Total operating expenditure</b>		<b>987 328 297.75</b>	<b>938 628 788.60</b>	<b>100%</b>	<b>1 050 130 214.83</b>	<b>1 107 857 419.18</b>
<b>SDM Funded projects</b>			<b>7 300 000.00</b>		<b>1 200 000.00</b>	<b>1 200 000.00</b>
<b>Surplus/Deficit</b>		<b>- 132 668 824.97</b>	<b>- 96 807 025.44</b>		<b>- 68 430 337.53</b>	<b>- 85 801 701.00</b>



## **Discussion**

- The municipality's total operational revenue is **R1b** and total operational expenditure is **R938.6m** resulting in an operating surplus of **R104.1m**
- The operating surplus of **R104.1m** will be utilised to finance capital assets to an amount of **R7.3m** resulting in a net surplus of **R96.8m**
- The municipality has budgeted operating surplus of **R96.8m** in the 2020/21 financial year which translates to **R15.4m** according to the anticipated collection rate of 40%
- The cash reserves anticipated will be used to fund future capital replacement and to cash back our retention creditor balance
- The capital grants spending equates to conditional grants to be received in the financial year

## **Annexures**

- *Annexure A: 2020/21 DISTRICT DEVELOPMENT PLAN (DDP)*
- *Annexure B: 2020/21 MTREF BUDGET*
- *Annexure C: BUDGET RELATED POLICIES*
- *Annexure D: ORGANISATIONAL STRUCTURE*
- *Annexure E: PUBLIC CONSULTATION REPORT*

## **Legal Implications**

The 2017/18 MTREF Budget be implemented in Compliance with the Municipal Finance Management Act of 2003 and MRRR.

## **Financial Implications:**

The operational budget for 2020/2021 stands at **R938.6m** and the capital budget stands at **R459.6m**

## **Communication implications:**

The following institutions will be informed and furnished with copies once budget and IDP have been considered: Department of Cooperative Government Human Settlements and Traditional Affairs; Provincial Treasury and National Treasury.

The budget will be subjected to public participation as well

**Recommendations:**

1. That the Mayoral Committee engage the MTREF budget for the financial years 2020/21 – 2022/23 and further recommend the budget together with details in prescribed schedules for approval to council
2. That the Mayoral Committee engage the SDM Development Plan for 2020/2021 financial year and further recommend to Council for approval.
3. That the Mayoral Committee note the following budget related policies which were reviewed and no changes are recommended, and are to be tabled together with the budget for approval:
  - ✓ -Tariff policy and structure
  - ✓ -Indigent policy
  - ✓ -Free Basic Water Policy
  - ✓ -Credit control and debt collection policy
  - ✓ -Investment and cash management policy
  - ✓ -Asset management policy
  - ✓ -Funding and reserves policy
  - ✓ -Supply chain management policy
  - ✓ -Virement policy
  - ✓ -Budget policy
  - ✓ -Blacklisting policy
  - ✓ -Petty cash policy

## **Summary on Sekhukhune District's Agency**

The district has an emerging entity called Sekhukhune Development Agency. The agency was established with the aim of developing the economy within Sekhukhune's jurisdiction area. The district is required to disclose funds transferred to SDA in terms of regulation 25 and also submit the entity's Annual budget and SDBIP.

The district has in its annual budget allocated **R4.3m** to the agency. The funds are allocated to salaries and other operational expenses whereas IDC funds the rest of the projects.

### **Introduction**

The Financial year 2019/20 was marked and characterised by its high and low peaks. The year started with a clear focus on rolling out the programmes as expressed and identified in the IDP and operationalised by the SDBIP. There was adequate institutional energy and passion to match pound to pound with the task at hand. However the actualities are that this good intention did not go without setbacks. The non-replacement of the board member Ms Seipati Tlaka who resigned in May 2019 and the Board Secretary Advocate Unarine Tshikovhi who resigned at the end of 2019 also delays progress in the day to day running of the entity.

However the remaining Board members with the leadership of well experience and Chairperson Ms Maureen Ntshudisane has brought about governance stability, leadership and enhanced oversight on the operations of the Agency by prioritising the transformation of the Sekhukhune District into a first Economy.

The Agency has over the past years faced an enormous challenge of struggling to forge strategic partnerships and attracting funding for its projects and programmes. Besides the assistance from Industrial Development Cooperation (IDC) and seed funding from the parent municipality, the Agency has no other source of revenue.

The Board has since prioritised this area of mobilising funds as to ensure that there is financial stability in the current and the coming financial year. Three service providers were appointed to work closely with SDA Board and management to raise much needed private and public funding for project implementation.

The third Board of Directors of SDA was appointed with effect from the 1<sup>st</sup> March 2017 and the three year term ended on the 29<sup>th</sup> February 2020. Since then the Agency is running without the Board and is creating a huge challenge which affects finance and budget in general.

The Agency wishes to applaud the roles played by various oversight authorities in positively influencing and shaping its work.

**Mr Masindi Eric**

## **Acting CEO**

### **Legislative Mandate**

- Sekhukhune Development Agency is registered as state owned company in terms of the Municipal System Act 32 OF 2000 schedule 86B, Municipal Finance Management Act 56 of 2003 and Companies Act 71 of 2008
- Limpopo Provincial gazette No 1863 of November 2010, Bylaw for establishing and operating of Sekhukhune Development Agency
- The agency was established through a council resolution in accordance with the provisions of MSA and MFMA.

### **Core mandate of the Municipal Entity**

THE Following constitute the core mandate of SDA as outlined in the provincial gazette number;

- To serve as the vehicle to identify, initiate and implement high impact economic projects and create sustainable job opportunities.
- Investment facilitation
- Business Development & Support services

### **Entity's key objectives**

- Act as an engine for economic growth by diversifying & expanding local economic base
- To secure a stable and sustainable financial base for the future of the agency
- Develop/facilitate business that creates sustainable jobs
- Source funding for economic concepts/projects from public and private partners

### **ABOUT SDA (A CASE FOR DEVELOPMENT AGENCIES)**

- SDA was established in 2009 as special purpose vehicle for facilitation and implementation of LED.
- LEDA's model emerged from developed western countries in the 1950's as a preferred vehicle for implementation of local economic development as an alternative approach to traditional economic development models.
- In South Africa LEDAs emerged in the mid to late 1990's following the dawn of democracy.
- Early 2000's municipalities started establishing LEDA's supported by IDC, DBSA and DPLG.
- National LED Framework of 2006 recognised the importance of LEDA's as institutional structures for LED Implementation.

## Key Achievement

The following achievements are recorded:

- Improved audit opinions from disclaimer-qualified to unqualified
- Maintained unqualified audit opinion which augers well for investment drive (good governance)
- The Agency secured a revenue of R1, 9million from one of the partnerships which positively changed its financial position.
- The signing of Shareholder compact between the board and Executive Mayor which regulates performance & reporting
- Initiated a total of 14 Memorandum of Understanding with public-private partners to explore economic opportunities. Some of the MOU's are at the funding application stage.
- The agency is at the centre of reviving Special presidential package with a focus on roads projects especially Steelbridge replacement wherein R40 Million has been committed and bringing on SANRAL on board

## Proposed 2020/2021 Programmes “Short, Medium & Long Term”

STRATEGY (APPROACH TO ACHIEVE OBJECTIVE)	PROJECT	BACKLOG	BASELINE 2019/2020	INDICATORS	ANNUAL TARGET 2020/2021	BUDGET 2020/2021	BUDGET 2021-2022	BUDGET 2022-2023
<b>SEKHUKHUNE DEVELOPMENT AGENCY</b>								
<b>Strategic objective 1: To act as an engine for economic growth by diversifying and expanding local economic base by June 2023</b>								
By facilitating stake in Mining Input Supplier Park(MISP)	Mining Input Supplier Park	N/A	MISP report	Number of sessions conducted	2 sessions conducted with role players	R0	R0	R0
BY facilitating provisionin g of broadband connectivity as a business enabler	Digital Economy	Limited internet access	Engagem ent with Limpopo Connexion	Number of partnerships secured	1 partnership secured	R72 747	R0	R80 000
By partnering with a reputable company in	Wild-Life Empowerment programmes	Non participation of black people	MOU signed with Ekim Wildlife	Number of MOU's signed	1 MOU	R0	R100 000	R0

STRATEGY (APPROACH TO ACHIEVE OBJECTIVE)	PROJECT	BACKLOG	BASELINE 2019/2020	INDICATORS	ANNUAL TARGET 2020/2021	BUDGET 2020/2021	BUDGET 2021-2022	BUDGET 2022-2023
wild life & game farming								
By promoting tourism in the district	Tourism Route	Lack of destination marketing	Report /Tourism Guide Map	Number of facilities promoted	5 tourism destinations	R65 000	R78 000	R85 000
By facilitating strategic partnership for cotton Farming Programme	Cotton Farming Programme	N/A	Signed MOU	Number of engagements held	2 engagements	R100 000	R0	R50 000
By facilitating access to market for (Farmers)	Agri-Park	N/A	Business Plan	Number of farmers/cooperatives assisted	2 cooperatives assisted	R0	R150 000	R70 601
By facilitating high level study in mining development	Mining Research/Study	N/A	Signed MOU with MINTEK	Number of reports generated	1 report on Mining study	R0	R0	R0
By facilitating Entrepreneurship empowerment	Youth Entrepreneurship	N/A	Signed MOU with YEP	Number of proposals developed	3 Proposals developed	R150 000	R0	R85 000
By facilitating establishment of Limpopo 6000	Manufacturing of Electrical Motors	N/A	Signed MOU with strategic Partner	Number of manufacturing hub	1 Manufacturing hub established	R0	R0	R80 000
<b>Strategic objective 2: To secure a stable and sustainable financial base for the future of the agency &amp; Support Business Plan funding by June 2023</b>								
By managing contract of 3 appointed financial mobilization companies	Contract management	N/A	3 appointed companies	Number of SLA signed	3 SLA's signed	R0	R0	R0
By facilitating supply of VIP toilets	VIP sanitation supply	3000 units	Signed MOU	Number of VIP toilets supplied	3000 units	R0	R0	R0



STRATEGY (APPROACH TO ACHIEVE OBJECTIVE)	PROJECT	BACKLOG	BASELINE 2019/2020	INDICATORS	ANNUAL TARGET 2020/2021	BUDGET 2020/2021	BUDGET 2021-2022	BUDGET 2022-2023
to emerging contractors								
By signing MOU with SEDA for unlock funding	Small Business Support	Lack of funding	Signed MOU	Number of business supported	10 SMME's supported	R140 000		R75 000
By facilitating MOU with Road Agency Limpopo on road construction partnerships	RAL-MOU	N/A	Signed MOU	Number of engagements held with RAL & other partners	2 engagements	R0	R0	R0
By Construction of office park for business support	Erf 488 Portion land Development	N/A	Evaluation report	Number of private investor appointed	1 investor appointed	R40 000	R50 000	R0
<b>Strategic objective 3: To develop/facilitate businesses that create sustainable jobs by June 2023</b>								
By facilitating support to BEE Keeping cooperatives	BEE Keeping	N/A	1 Informal project	Number of cooperatives supported	1 cooperative supported	R50 000	R0	R0
By obtaining accreditation with Agri-SETA	Skills Development	N/A	Accreditation Certificate	Number of applications lodged	1 application lodged	R173 000	R104 182	R82 000
By creating partnership in manufacturing	LED lights manufacturing	N/A	Benchmarking exercise	Number of partnership created	1 LED Lights partnership created	R0	50 000	R0
By attracting investors for aquaculture	Aquaculture farming	N/A	2 Feasibility study reports	Number of applications for funding facilitated)	1 application for funding facilitated	R64 000	R50 000	R0
By facilitating studies on solar as alternative energy for	Solar Energy	N/A	(Signed SLA)	Number of proposals developed	1 Investigation/research report on solar energy	R0	R0	R0

STRATEGY (APPROACH TO ACHIEVE OBJECTIVE)	PROJECT	BACKLOG	BASELINE 2019/2020	INDICATORS	ANNUAL TARGET 2020/2021	BUDGET 2020/2021	BUDGET 2021-2022	BUDGET 2022-2023
SDM Infrastructure								
<b>Strategic Objective 4: Enhance SDA Internal Capacity</b>								
By developing corporate identity	Marketing brochure & Promotional materials	N/A	Investment booklet	Number of brochures developed	1 SDA Marketing brochure	R50 000	R44 925	R40 000
By developing SDA website	SDA website development & maintenance	Unavailability of website)	Currently accommodate on to SDM website	*Number of website developed *number of website updates	*1 functional website developed *12 website updates	R160 000	R10 000	R10 000
By holding public engagements and Annual General Meeting	Stakeholder management	N/A	2018/19 AGM Report	Number of public meetings & engagements held	1 AGM	R48 000	R50 000	R36 334

#### **Proposed 2020/2021 Programmes "Short, Medium & Long Term"**

NAME OF THE PROJECT	DESCRIPTION	PROGRESS / BASELINE
<b>VIP SANITATION SUPPLY (AMALOLOO)</b>	<ul style="list-style-type: none"> <li>Dry sanitation supply factory with SDA as implementing agent likely to generate R 3 to R 4 million annually for the agency working on 10% commission.</li> </ul>	<ul style="list-style-type: none"> <li>MoU currently signed by SDA &amp; Betrum</li> <li>SDM legal opinion recommended that it be tripartite MOU.</li> <li>For 2018/19 FY, SDA got a facilitation fee of 10% which is R 1,9 million for 5003 units supplied.</li> <li>Envisaged investment value on the project = R 12 million with 30 direct jobs and many other indirect jobs.</li> </ul>
<b>RAL-MOU</b>	<ul style="list-style-type: none"> <li>Steel bridge replacement project under Special Presidential Package with SDA as a project facilitator. Likely to generate once of revenue of minimum R</li> </ul>	<ul style="list-style-type: none"> <li>Commitment of R40 million from four (4) mining companies for steel bridge replacement. Awaiting formal order.</li> <li>Meeting held with SANRAL to support the project. Meeting</li> </ul>

	2 million consulting fee for SDA.	held with DRM and FTLM in November 2019. <ul style="list-style-type: none"> <li>SDA coordinating cost estimates for the project</li> </ul>
<b>RENEWABLE ENERGY (SOLAR ENERGY)</b>	<ul style="list-style-type: none"> <li>Renewable Energy for SDM facilities and infrastructure – 10% facilitation fee for SDA on an annual basis.</li> </ul>	<ul style="list-style-type: none"> <li>Proposal for solar project in place.</li> <li>Report on feasibility of the project in place</li> </ul>
<b>AGRI-PARK</b>	<ul style="list-style-type: none"> <li>Agri-Parks Vleesboom FPSU with SDA as management agent</li> </ul>	<ul style="list-style-type: none"> <li>There has been engagements between DRDLR, SDM and SDA on the management of the site once completed</li> </ul>
<b>GROBLERSDAL ERF 488 DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>Construction of office park for business support and office rentals</li> </ul>	<ul style="list-style-type: none"> <li>Finalisation of property transfer process at 90%</li> <li>SDA generating monthly rentals.</li> <li>Evaluation report.</li> </ul>
<b>SMALL BUSINESS SUPPORT</b>	<ul style="list-style-type: none"> <li>Professional fees for consultation on development of business plans and feasibility studies in conjunction with funding connexion with SDA generating 2% fee per successful project.</li> </ul>	<ul style="list-style-type: none"> <li>MOU with Funding connection in place</li> </ul>
<b>SKILLS DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>Training &amp; development – starting with Agri SETA programmes with service provider</li> </ul>	<ul style="list-style-type: none"> <li>Strategic partner identified and MOU signed.</li> <li>Application for funding done</li> </ul>
<b>COTTON FARMING PROGRAM</b>	<ul style="list-style-type: none"> <li>Cotton Industry revitalisation targeting marble hall and establishment of cotton spinner. Finalise MOU with Cotton SA and Loskop Cotton in January 2020 and prepare business plan before June 2020 for funding.</li> </ul>	<ul style="list-style-type: none"> <li>Finalise MOU with Cotton SA and Loskop Cotton in January 2020 and prepare business plan before June 2020 for funding.</li> </ul>
<b>LIMPOPO 6000 (MANUFACTURING OF ELECTRICAL MOTORS)</b>	<ul style="list-style-type: none"> <li>Limpopo 6000 project for establishment of factory in Tubatse to</li> </ul>	<ul style="list-style-type: none"> <li>Strategic partner Identified</li> <li>MOU signed</li> </ul>

	manufacture electrical motor tuks-tuks with SDA as project partners to generate 40% stake through equity.	
<b>LIMPOPO ARTS FOUNDATION</b>	<ul style="list-style-type: none"> <li>▪ SDA and LAF seeks to promote skills development in performing arts, facilitate performing arts interventions programmes (music, drama, comedy, dance, poetry and puppetry), entrepreneurial development and promote tourism and the heritage of Sekhukhune</li> </ul>	<ul style="list-style-type: none"> <li>▪ Event concept proposal in place</li> <li>▪ Signed MOU in place</li> <li>▪ In the process of engaging Limpopo Dept of Sports, Art&amp; Culture to endorse Da-Hoop International Jazz Festival earmarked for 28<sup>th</sup> to 31<sup>st</sup> December 2020.</li> <li>▪ Funding secured from national department for theatre play on Sekhukhune the musical which will be implemented by Limpopo Arts Foundation and SDA</li> <li>▪ Projected capital funding R 3 million for the 1<sup>st</sup> year</li> </ul>
<b>AQUACULTURE FARMING (DA-HOOP&amp; FLAG BOSHIELO DAMS)</b>	<ul style="list-style-type: none"> <li>▪ Da-Hoop resource management plan (secondary use of the dam) implementation with SDA as implementing agent.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Meeting held with SDM, DWS and draft MOU to appoint SDA as implementing agent <i>in place</i></li> </ul>
<b>NAME OF THE PROJECT</b>	<b>DESCRIPTION</b>	<b>PROGRESS / BASELINE</b>
<b>MAFOLO PARK TOWNSHIP ESTABLISHMENT</b>	<ul style="list-style-type: none"> <li>▪ Mafole Park township establishment with SDA as project facilitators.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Meeting held between SDA and Mafole park representatives and agreed that service engineering report and all the other documents be sent to SDA.</li> </ul>
<b>TOURISM ROUTE</b>	<ul style="list-style-type: none"> <li>▪ Funding for development of Tourism Route facilities (Tjate heritage site as a flagship project).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tourism Guide Map in place</li> <li>▪ Educational tour held to promote tourism in the region*</li> </ul>
<b>ERF 488 PORTION LAND DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>▪ Construction of office park for office Rentals and business support</li> </ul>	<ul style="list-style-type: none"> <li>▪ SDA generating income by monthly rentals.</li> <li>▪ Evaluation Report in place</li> <li>▪ Finalisation of property transfer process at 90%</li> </ul>

<b>DIGITAL ECONOMY</b>	<ul style="list-style-type: none"> <li>▪ Funding for ICT infrastructure through broadband network installation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Signed MOU in place</li> </ul>
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ANNUAL BUDGET 2020/2021					
Votenummer	Description	Original budget 19/20	2020/2021 Projections	2021/2022 Projections	2022/2023 Projections
	<b>REVENUE</b>				
	SDM GRANT	4 228 640	4 300 000	4 524 645	4 841 370
	IDC GRANT (Unused grants)	301 750			
	Other Income	1 950 655	1 587 107	1 500 000	1 500 000
	<b>TOTAL BUDGET</b>	<b>6 481 045</b>	<b>5 887 107</b>	<b>6 024 645</b>	<b>6 341 370</b>
1070/00/1/00/0000	<b>OPERATING EXPENDITURE</b>				
1070/00/1/01/0010	BASIC SALARIES	2 179 071	2 331 606	2 494 818	2 669 455
1070/00/1/01/0020	TRAVEL ALLOWANCE	217 769	233 012	249 323	266 776
1070/00/1/01/0050	ANNUAL BONUS	49 433	52 893	56 596	60 558
1070/00/1/03/0200	OTHER EMPLOYEE RELATED COSTS	23 013	24 623	26 347	28 191
1070/00/1/01/0170	DAILY/OVERNIGHT ALLOWANCE	10 303	11 024	11 796	12 622
1070/00/1/01/9990	<b>SUB-TOTAL EMP COST WAGES/SALARIES</b>	<b>2 479 588</b>	<b>2 653 159</b>	<b>2 838 880</b>	<b>3 037 602</b>
1070/00/1/01/0140	U.I.F	10 045	10 748	11 500	12 305
1070/00/1/03/0210	SALGBC LEVY	670	717	767	821
1070/00/1/03/0220	MEDICAL FUND	86 443	92 494	98 969	105 896
1070/00/1/03/0230	PENSION FUND	334 298	357 698	382 737	409 529
1070/00/1/03/0240	SKILLS LEVY	25 355	27 130	29 029	31 061
1070/00/1/03/9990	<b>SUB-TOTAL EMP COST - SOCIAL CONTR</b>	<b>456 810</b>	<b>488 787</b>	<b>523 002</b>	<b>559 612</b>
1070/00/1/06/9995	<b>TOTAL EMPLOYEE RELATED COST</b>	<b>2 936 398</b>	<b>3 141 946</b>	<b>3 361 882</b>	<b>3 597 214</b>
1070/00/1/08/0010	REMUNERATION OF BOARD MEMBERS	680 000	680 000	748 000	822 800
1070/00/1/08/9990	<b>SUB-TOTAL REMUNERATION BOARD</b>	<b>680 000</b>	<b>680 000</b>	<b>748 000</b>	<b>822 800</b>
1070/00/1/08/9995	<b>TOTAL EMPLOYEE AND BOARD RELATED COST</b>	<b>3 616 398</b>	<b>3 821 946</b>	<b>4 109 882</b>	<b>4 420 014</b>
1070/10/1/50/0000	<b>GENERAL EXPENSES</b>				
1070/10/1/50/1310	TRAVEL & ACCOMODATION	286 023	333 070	366 377	403 014
1070/05/1/50/1400	CATERING	36 828	44 194	48 613	53 474
1045/05/1/50/1660	AUDIT FEES EXTERNAL	329 500	362 450	398 695	438 565
1070/05/1/50/1940	BANK CHARGES	16 940	6 776	7 454	8 199
1070/05/1/50/1950	ELECTRICITY, WATER & RATES	3 265	3 265	3 592	3 951
1070/05/1/50/2450	INTER-GOV FORUMS	48 225	38 580	42 438	46 682
1045/05/1/50/2560	PROFESSIONAL FEES	71 902	65 000	71 500	78 650
1045/05/1/50/2572	PETTY CASH	7 072	-	-	-
1070/05/1/50/2180	INVENTORY	43 743	30 620	33 682	37 050
1070/05/1/50/2181	COMPUTER SOFTWARE AND HARDWARE/ FU	171 149	68 460	75 306	82 836
	<b>TOTAL GENERAL EXPENSES</b>	<b>1 014 647</b>	<b>952 414</b>	<b>1 047 655</b>	<b>1 152 421</b>
	<b>CAPITAL / CONTENT COSTS</b>				
1070/05/4/10/10007	Mining Input Supplier Park	-	-	-	-
1070/05/4/10/10008	Digital Economy	100 000	72 747		80 000
1070/05/4/10/10009	Wild-Life Empowerment programmes	-		100 000	
1070/05/4/10/10011	Fresh Produce Market	60 000			-
1070/05/4/10/10012	Agri-Park	-		150 000	70 601
1070/05/4/10/10013	Mining Research/Study	-			
1070/05/4/10/10014	Contract Management	-			
1070/05/4/90/100029	Cotton Farming	-	100 000		50 000
1070/05/4/90/100030	Youth Entrepreneurship	-	150 000		85 000
1070/05/4/90/100031	Manufacturing of Electrical Motors	-			80 000
1070/05/4/90/100016	Small Business Support	450 000	140 000		75 000
1070/05/4/90/100032	Small Business Development	-		180 000	75 000
1070/05/4/90/100017	RAL-MOU	-			-
1070/05/4/90/100019	BEE Keeping	50 000	50 000		-
1070/05/4/90/100020	Skills Development and learnerships	320 000	173 000	104 182	82 000
1070/05/4/90/100021	LED lights manufacturing	-		50 000	
1070/05/4/90/100022	Aquaculture farming (Da-Hoop& Flag Boshielo Da	150 000	64 000	50 000	
1070/05/4/90/100023	Solar Energy	-			
1070/05/4/90/100025	Marketing brochure & Promotional materials	250 000	50 000	44 925	40 000
1070/05/4/10/10010	Tourism Route	150 000	65 000	78 000	85 000
1070/05/4/90/100027	Stakeholder management	60 000	48 000	50 000	36 334
1070/05/4/90/100026	SDA website development & maintenance	160 000	160 000	10 000	10 000
1070/05/4/90/100028	Erf 488 Portion land Development	100 000	40 000	50 000	-
	<b>CAPITAL BUDGET</b>	<b>1 850 000</b>	<b>1 112 747</b>	<b>867 107</b>	<b>768 935</b>
	<b>TOTAL BUDGET</b>	<b>6 481 045</b>	<b>5 887 107</b>	<b>6 024 645</b>	<b>6 341 370</b>



SEKHUKHUNE DEVELOPMENT AGENCY - Table D5 Budgeted Cash Flow										
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
R thousands		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates, penalties & collection charges		-	-	-	-	-	-	-	-	-
Service charges		-	-	-	-	-	-	-	-	-
Other revenue		1	5	14	2 252	-	2 252	1 500	1 500	1 500
Government - operating		3 068	3 398	3 734	4 229	-	4 229	4 300	4 569	4 854
Government - capital		-	-	-	-	-	-	-	-	-
Interest		1	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-
<b>Payments</b>	2									
Suppliers and employees		(4 354)	(3 399)	(3 928)	(4 415)	-	(6 481)	(5 800)	(6 069)	(6 354)
Finance charges		0	-	-	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	-
Transfers and Grants		-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>(1 285)</b>	<b>4</b>	<b>(180)</b>	<b>2 066</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>(0)</b>	<b>0</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-
<b>Payments</b>										
Capital assets		-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans		-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-
<b>Payments</b>										
Repayment of borrowing		-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	1	<b>(1 285)</b>	<b>4</b>	<b>(180)</b>	<b>2 066</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>(0)</b>	<b>0</b>
Cash/cash equivalents at the year begin:	2	<b>3 029</b>	<b>1 744</b>	<b>1 748</b>		-	-	<b>0</b>	<b>0</b>	<b>(0)</b>
Cash/cash equivalents at the year end:	2	<b>1 744</b>	<b>1 748</b>	<b>1 568</b>	<b>2 066</b>	-	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>
<b>References</b>										
1. The end balance of Cash/cash equivalents must reconcile to detail in Table SD6										
2. Cash equivalents includes investments with maturities of 3 months or less										

## Discussions

- SDM Grants will increase by R1 360 in 2020/2021 from R4 228 640 to R 4 300 000 and will increase by 7% in 2021/2022 and 2022/2023 respectively.
- SDA has an amount of R1 587 107 in the bank for utilisation in the year 2020/2021 and project income of about R1 500 000 in the year 2021/2022 and 2022/2023.
- Employee related costs projected at an increase of 7% from R3 141 946 in 2020/2021 to R3 597 214 in 2022/2023 for the 3 year respectively.
- Remuneration of Board Members to increase by 10% from R680 000 to R822 800 for 3 years respectively.
- General expenses projected at 10% across items in the 3 financial years
- Capital projects budget to decrease from R1 112 747 in 2020/2021 to R867 107 in 2021/2022 and to R768 935 in 2022/2023

## -1.4 Capital expenditure

### Capital Budget

Capital expenditure funded from own funds is allocated **R7.3m** in the 2020/21 financial year and it decreases to **R1.2m** in the 2022/23 financial year

Included in capital expenditure from own funding is the following:

✓ Council Chamber	R 6 000 000
✓ Computers	R 500 000
✓ EAP Assets (Booths)	R 500 000
✓ Scanners	R 300 000

The total capital expenditure funded from conditional grants decreased from **R664.6m** to **R459.6m** in the 2020/21 due to decreased funding allocation from WSIG conditional grant and MIG. Funding for capital grants increases to **R510m** in the 2021/22 financial year and increases to **R533.8m** in 2022/23

The **WSIG** is allocated **R53.4m** compared to **R70m** in the previous year.

The **MIG** is allocated **R395.8m** for capital projects in the 2020/21 financial year and other funds have been budgeted for MIG overheads and VIP sanitation.

**RBIG** has been removed from the municipality's budget as it is a grant in kind.

The district is in the process of compiling an informed asset management plan that will guide the next financial year IDP/Budget process.

Municipal funding and reserve policy has also be amended to effect the budget proposal

### Asset management

Further detail relating to asset classes and proposed capital expenditure is contained in MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

**DC47 Sekhukhune - Table A1 Budget Summary**

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands										
<b>Financial Performance</b>										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	–	72 398	83 795	110 815	110 815	110 815	79 453	100 640	95 283	92 144
Investment revenue	–	2 232	2 264	2 699	14 534	14 534	6 918	13 160	13 818	14 509
Transfers recognised - operational	–	1 100 439	1 194 613	1 249 703	891 189	891 189	817 258	914 290	995 212	1 071 926
Other own revenue	–	26 130	36 772	21 396	103 460	103 460	20 045	12 145	12 747	13 380
<b>Total Revenue (excluding capital transfers and contributions)</b>	–	1 201 199	1 317 444	1 384 613	1 119 997	1 119 997	923 674	1 040 236	1 117 061	1 191 959
Employee costs	–	324 896	373 155	351 868	369 014	369 014	324 740	400 081	424 031	451 420
Remuneration of councillors	–	17 171	16 598	16 746	16 746	16 746	12 994	17 293	18 905	20 086
Depreciation & asset impairment	–	94 287	101 040	74 127	80 430	80 430	70 789	90 341	104 150	107 382
Finance charges	–	3 397	3 057	500	500	500	–	471	500	500
Materials and bulk purchases	–	158 071	238 504	144 534	142 405	142 405	118 300	152 527	170 304	186 142
Transfers and grants	–	6 587	7 416	8 245	4 233	4 233	3 558	4 300	4 494	4 696
Other expenditure	–	391 331	392 462	343 032	373 820	373 820	239 704	273 617	327 746	337 631
<b>Total Expenditure</b>	–	995 739	1 132 230	939 053	987 148	987 148	770 084	938 629	1 050 130	1 107 857
<b>Surplus/(Deficit)</b>	–	205 460	185 214	445 560	132 849	132 849	153 590	101 607	66 930	84 102
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	–	–	125 779	287 427	645 136	645 136	239 298	459 586	509 997	533 834
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)	–	152 108	697	–	–	–	543	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	–	357 569	311 690	732 987	777 985	777 985	393 432	561 193	576 927	617 936
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	–	357 569	311 690	732 987	777 985	777 985	393 432	561 193	576 927	617 936
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	–	348 038	457 493	709 125	682 273	682 273	296 130	459 586	509 997	533 834
Transfers recognised - capital	–	346 343	449 104	690 000	662 294	662 294	289 044	459 586	509 997	533 834
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	8 741	19 125	19 979	19 979	7 087	7 300	1 200	1 200
<b>Total sources of capital funds</b>	–	346 343	457 844	709 125	682 273	682 273	296 130	466 886	511 197	535 034
<b>Financial position</b>										
Total current assets	–	188 192	242 697	158 923	213 376	213 376	340 380	488 030	616 489	775 188
Total non current assets	–	3 029 327	3 417 918	4 549 495	4 529 987	4 529 987	3 872 844	3 919 066	4 127 181	4 285 473
Total current liabilities	–	393 632	489 454	98 930	119 803	119 803	583 557	184 315	227 425	304 240
Total non current liabilities	–	44 997	53 030	32 814	14 692	14 692	53 030	51 803	55 416	57 910
Community wealth/Equity	–	2 753 808	3 097 343	4 562 674	4 408 950	4 408 950	3 475 305	4 446 905	3 297 783	4 765 786
<b>Cash flows</b>										
Net cash from (used) operating	356 749	503 378	612 109	527 623	389 246	389 246	389 246	596 017	633 511	687 311
Net cash from (used) investing	(337 195)	(417 501)	(658 446)	(606 621)	(338 147)	(338 147)	(338 147)	(466 886)	(511 197)	(535 034)
Net cash from (used) financing	–	(3 809)	(969)	11 755	4 315	4 315	4 315	(4 315)	(4 509)	(4 712)
<b>Cash/cash equivalents at the year end</b>	128 989	101 019	53 714	(34 508)	126 442	126 442	126 442	251 258	369 063	516 628
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	–	103 378	112 583	71 864	199 488	199 488	414 291	251 259	369 064	516 629
Application of cash and investments	–	299 631	337 529	9 881	198 743	198 743	228 838	172 376	272 536	356 241
<b>Balance - surplus (shortfall)</b>	–	(196 253)	(224 946)	61 983	745	745	185 453	78 883	96 528	160 388
<b>Asset management</b>										
Asset register summary (WDV)	–	1 895 240	2 233 022	2 037 733	2 018 226	2 018 226	2 018 226	2 793 038	2 950 426	3 055 822
Depreciation	–	94 287	101 040	74 127	80 430	80 430	80 430	90 341	104 150	107 382
Renewal and Upgrading of Existing Assets	–	20 028	5 086	274 414	280 041	280 041	280 041	220 397	170 912	158 251
Repairs and Maintenance	–	120 470	119 285	105 529	144 809	144 809	144 809	80 244	104 124	115 726
<b>Free services</b>										
Cost of Free Basic Services provided	–	–	2 300	–	–	–	2 500	2 500	2 700	2 900
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–	–
<b>Households below minimum service level</b>										
Water:	–	–	83	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

DC47 Sekhukhune - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1									
<b>Revenue - Functional</b>										
<i><b>Governance and administration</b></i>		-	1 353 093	1 446 205	1 672 040	1 765 133	1 765 133	1 499 822	1 627 058	1 725 793
Executive and council		-	(3)	(2)	(13)	-	-	-	-	-
Finance and administration		-	1 353 096	1 446 207	1 672 053	1 765 133	1 765 133	1 499 822	1 627 058	1 725 793
Internal audit		-	-	-	-	-	-	-	-	-
<i><b>Community and public safety</b></i>		-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>		-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i><b>Trading services</b></i>		-	202	(3)	-	-	-	-	-	-
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	(3)	(3)	-	-	-	-	-	-
Waste water management		-	205	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i><b>Other</b></i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	-	1 353 295	1 446 202	1 672 040	1 765 133	1 765 133	1 499 822	1 627 058	1 725 793
<b>Expenditure - Functional</b>										
<i><b>Governance and administration</b></i>		-	455 347	510 187	453 100	481 797	481 797	473 400	535 591	557 443
Executive and council		-	121 336	151 009	136 510	136 558	136 558	135 484	170 373	182 663
Finance and administration		-	334 011	359 178	316 590	345 238	345 238	337 917	365 218	374 780
Internal audit		-	-	-	-	-	-	-	-	-
<i><b>Community and public safety</b></i>		-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>		-	13 364	14 282	14 898	14 598	14 598	14 690	24 698	24 737
Planning and development		-	13 364	14 282	14 898	14 598	14 598	14 690	24 698	24 737
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i><b>Trading services</b></i>		-	501 932	589 296	457 056	490 754	490 754	450 538	489 841	577 878
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	492 958	577 510	457 056	490 754	490 754	402 538	431 841	519 878
Waste water management		-	8 975	11 786	-	-	-	48 000	58 000	58 000
Waste management		-	-	-	-	-	-	-	-	-
<i><b>Other</b></i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	-	970 644	1 113 765	925 053	987 148	987 148	938 629	1 050 130	1 160 057
<b>Surplus/(Deficit) for the year</b>		-	382 651	332 437	746 987	777 985	777 985	561 193	576 927	565 736

References

DC47 Sekhukhune - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue by Vote</b>	1									
Vote 01 - Speakers Office		-	-	-	-	-	-	-	-	-
Vote 02 - Executive Mayor's Office		-	-	-	-	-	-	-	-	-
Vote 03 - Municipal Manager Office		-	(3)	(2)	(13)	-	-	-	-	-
Vote 04 - Budget And Treasury		-	1 353 096	1 446 223	1 672 053	1 765 133	1 765 133	1 499 822	1 627 058	1 725 793
Vote 05 - Infrastructure And Water Services		-	202	(3)	-	-	-	-	-	-
Vote 06 - Planning And Economic Development		-	-	-	-	-	-	-	-	-
Vote 07 - Community Services		-	-	(16)	-	-	-	-	-	-
Vote 08 - Sekhukhune Development Angancy		-	-	-	-	-	-	-	-	-
Vote 09 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	-	<b>1 353 295</b>	<b>1 446 202</b>	<b>1 672 040</b>	<b>1 765 133</b>	<b>1 765 133</b>	<b>1 499 822</b>	<b>1 627 058</b>	<b>1 725 793</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 01 - Speakers Office		-	35 052	35 925	36 071	38 048	38 048	39 167	43 712	46 647
Vote 02 - Executive Mayor's Office		-	33 618	32 560	32 432	32 631	32 631	31 571	37 091	42 128
Vote 03 - Municipal Manager Office		-	52 666	82 524	68 007	65 880	65 880	64 746	89 570	93 888
Vote 04 - Budget And Treasury		-	157 790	179 504	129 100	163 913	163 913	173 622	189 054	193 712
Vote 05 - Infrastructure And Water Services		-	501 932	589 296	457 056	490 754	490 754	450 538	489 841	525 678
Vote 06 - Planning And Economic Development		-	10 047	10 583	10 669	10 369	10 369	10 390	20 205	20 041
Vote 07 - Community Services		-	53 349	59 032	57 891	60 831	60 831	63 493	73 126	78 477
Vote 08 - Sekhukhune Development Angancy		-	3 317	3 699	4 229	4 229	4 229	4 300	4 494	4 696
Vote 09 - Corporate Services		-	122 872	120 643	129 599	120 495	120 495	100 801	103 037	102 591
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	-	<b>970 644</b>	<b>1 113 765</b>	<b>925 053</b>	<b>987 148</b>	<b>987 148</b>	<b>938 629</b>	<b>1 050 130</b>	<b>1 107 857</b>
<b>Surplus/(Deficit) for the year</b>	2	-	<b>382 651</b>	<b>332 437</b>	<b>746 987</b>	<b>777 985</b>	<b>777 985</b>	<b>561 193</b>	<b>576 927</b>	<b>617 936</b>

References

1. Insert 'Vote'; e.g. department, if different to functional classification structure
2. Must reconcile to Budgeted Financial Performance (revenue and expenditure)
3. Assign share in 'associate' to relevant Vote

check Surplus/(Deficit) for the year

- - - - - - - - - -

DC47 Sekhukhune - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	–	–	–	97	97	97	–	90	85	83
Service charges - water revenue	2	–	59 633	71 537	93 393	93 393	93 393	68 751	83 421	78 925	76 276
Service charges - sanitation revenue	2	–	12 765	12 257	17 325	17 325	17 325	10 703	17 129	16 273	15 785
Service charges - refuse revenue	2	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment											
Interest earned - external investments		–	2 232	2 264	2 699	14 534	14 534	6 918	13 160	13 818	14 509
Interest earned - outstanding debtors		–	17 895	21 580	19 095	9 261	9 261	15 077	9 724	10 210	10 721
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		–	10	(56)	57	57	57	63	52	50	48
Licences and permits											
Agency services											
Transfers and subsidies		–	1 100 439	1 194 613	1 249 703	891 189	891 189	817 258	914 290	995 212	1 071 926
Other revenue	2	–	11 569	14 732	1 889	93 787	93 787	4 905	1 997	2 096	2 201
<b>Gains</b>		–	(3 344)	516	355	355	355	–	372	391	410
<b>Total Revenue (excluding capital transfers and contributions)</b>		–	<b>1 201 199</b>	<b>1 317 444</b>	<b>1 384 613</b>	<b>1 119 997</b>	<b>1 119 997</b>	<b>923 674</b>	<b>1 040 236</b>	<b>1 117 061</b>	<b>1 191 959</b>
<b>Expenditure By Type</b>											
Employee related costs	2	–	324 896	373 155	351 868	369 014	369 014	324 740	400 081	424 031	451 420
Remuneration of councillors		–	17 171	16 598	16 746	16 746	16 746	12 994	17 293	18 905	20 086
Debt impairment	3	–	25 095	15 754	14 000	10 000	10 000	2 630	15 000	12 000	10 000
Depreciation & asset impairment	2	–	94 287	101 040	74 127	80 430	80 430	70 789	90 341	104 150	107 382
Finance charges		–	3 397	3 057	500	500	500	–	471	500	500
Bulk purchases	2	–	133 159	196 006	109 590	111 140	111 140	94 319	130 000	135 850	141 963
Other materials	8	–	24 912	42 497	34 944	31 264	31 264	23 981	22 527	34 454	44 179
Contracted services		–	221 863	225 863	175 158	219 817	219 817	115 682	137 760	189 151	194 784
Transfers and subsidies		–	6 587	7 416	8 245	4 233	4 233	3 558	4 300	4 494	4 696
Other expenditure	4, 5	–	144 373	146 801	153 875	144 003	144 003	121 391	120 857	126 595	132 846
<b>Losses</b>		–	–	4 044	–	–	–	–	–	–	–
<b>Total Expenditure</b>		–	<b>995 739</b>	<b>1 132 230</b>	<b>939 053</b>	<b>987 148</b>	<b>987 148</b>	<b>770 084</b>	<b>938 629</b>	<b>1 050 130</b>	<b>1 107 857</b>
<b>Surplus/(Deficit)</b>		–	<b>205 460</b>	<b>185 214</b>	<b>445 560</b>	<b>132 849</b>	<b>132 849</b>	<b>153 590</b>	<b>101 607</b>	<b>66 930</b>	<b>84 102</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		–	–	125 779	287 427	645 136	645 136	239 298	459 586	509 997	533 834
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	152 108	697	–	–	–	543	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		–	<b>357 569</b>	<b>311 690</b>	<b>732 987</b>	<b>777 985</b>	<b>777 985</b>	<b>393 432</b>	<b>561 193</b>	<b>576 927</b>	<b>617 936</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		–	<b>357 569</b>	<b>311 690</b>	<b>732 987</b>	<b>777 985</b>	<b>777 985</b>	<b>393 432</b>	<b>561 193</b>	<b>576 927</b>	<b>617 936</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		–	<b>357 569</b>	<b>311 690</b>	<b>732 987</b>	<b>777 985</b>	<b>777 985</b>	<b>393 432</b>	<b>561 193</b>	<b>576 927</b>	<b>617 936</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		–	<b>357 569</b>	<b>311 690</b>	<b>732 987</b>	<b>777 985</b>	<b>777 985</b>	<b>393 432</b>	<b>561 193</b>	<b>576 927</b>	<b>617 936</b>

References

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 01 - Speakers Office		-	-	-	-	-	-	-	-	-	-
Vote 02 - Executive Mayor's Office		-	-	-	-	-	-	-	-	-	-
Vote 03 - Municipal Manager Office		-	-	-	-	-	-	-	-	-	-
Vote 04 - Budget And Treasury		-	-	-	-	-	-	-	-	-	-
Vote 05 - Infrastructure And Water Services		-	-	-	-	9 159	9 159	6 731	11 000	26 500	29 000
Vote 06 - Planning And Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 07 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 08 - Sekhukhune Development Agency		-	-	-	-	-	-	-	-	-	-
Vote 09 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	9 159	9 159	6 731	11 000	26 500	29 000
<b>Single-year expenditure to be appropriated</b>	2										
Vote 01 - Speakers Office		-	-	-	-	-	-	-	-	-	-
Vote 02 - Executive Mayor's Office		-	-	-	-	-	-	-	-	-	-
Vote 03 - Municipal Manager Office		-	-	-	-	-	-	-	-	-	-
Vote 04 - Budget And Treasury		-	-	-	-	-	-	-	-	-	-
Vote 05 - Infrastructure And Water Services		-	348 038	457 493	709 125	673 114	673 114	289 400	455 886	484 697	506 034
Vote 06 - Planning And Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 07 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 08 - Sekhukhune Development Agency		-	-	-	-	-	-	-	-	-	-
Vote 09 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	348 038	457 493	709 125	673 114	673 114	289 400	455 886	484 697	506 034
<b>Total Capital Expenditure - Vote</b>		-	348 038	457 493	709 125	682 273	682 273	296 130	466 886	511 197	535 034
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	348 038	457 493	709 125	682 273	682 273	296 130	459 586	509 997	533 834
Energy sources		-	-	-	-	-	-	-	-	-	-
Water management		-	312 526	446 548	709 125	682 273	682 273	296 130	459 586	509 997	533 834
Waste water management		-	35 513	10 945	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	-	348 038	457 493	709 125	682 273	682 273	296 130	459 586	509 997	533 834
<b>Funded by:</b>											
National Government		-	346 343	449 104	690 000	662 294	662 294	289 044	459 586	509 997	533 834
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	-	346 343	449 104	690 000	662 294	662 294	289 044	459 586	509 997	533 834
<b>Borrowing</b>	6	-	-	8 741	19 125	19 979	19 979	7 087	7 300	1 200	1 200
<b>Internally generated funds</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	7	-	346 343	457 844	709 125	682 273	682 273	296 130	466 886	511 197	535 034

DC47 Sekhukhune - Table A6 Budgeted Financial Position

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
ASSETS											
Current assets											
Cash		–	18 248	12 160	19 875	71 028	71 028	71 028	251 258	369 063	516 628
Call investment deposits	1	–	1	1	–	–	–	1	1	1	–
Consumer debtors	1	–	59 159	119 368	64 000	65 028	65 028	132 970	113 863	118 987	124 341
Other debtors		–	84 523	88 883	47 403	47 403	47 403	98 082	92 579	96 744	101 097
Current portion of long-term receivables											
Inventory	2	–	26 261	22 284	27 645	29 917	29 917	38 299	30 329	31 694	33 120
Total current assets		–	188 192	242 697	158 923	213 376	213 376	340 380	488 030	616 489	775 188
Non current assets											
Long-term receivables											
Investments		–	85 129	58 868	51 989	51 989	51 989	287 849	–	–	–
Investment property											
Investment in Associate											
Property, plant and equipment	3	–	2 944 198	3 359 050	4 497 506	4 477 998	4 477 998	3 584 995	3 919 066	4 127 125	4 285 473
Biological											
Intangible		–	–	–	–	–	–	–	–	–	–
Other non-current assets		–	–	–	–	–	–	–	–	–	–
Total non current assets		–	3 029 327	3 417 918	4 549 495	4 529 987	4 529 987	3 872 844	3 919 066	4 127 125	4 285 473
TOTAL ASSETS		–	3 217 519	3 660 615	4 708 418	4 743 364	4 743 364	4 213 224	4 407 096	4 743 615	5 060 661
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	–	17 244	–	10 172	10 172	10 172	–	–	–	–
Consumer deposits		–	3 809	4 209	2 626	1 043	1 043	4 354	4 315	4 509	4 712
Trade and other payables	4	–	372 579	485 245	86 132	108 588	108 588	579 203	180 000	222 972	299 529
Provisions		–	–	–	–	–	–	–	–	–	–
Total current liabilities		–	393 632	489 454	98 930	119 803	119 803	583 557	184 315	227 481	304 240
Non current liabilities											
Borrowing		–	941	1 228	–	–	–	1 228	–	1 283	1 341
Provisions		–	44 055	51 803	32 814	14 692	14 692	51 803	51 803	54 134	56 570
Total non current liabilities		–	44 997	53 030	32 814	14 692	14 692	53 030	51 803	55 416	57 910
TOTAL LIABILITIES		–	438 629	542 484	131 744	134 495	134 495	636 588	236 117	282 897	362 151
NET ASSETS	5	–	2 778 890	3 118 131	4 576 674	4 608 869	4 608 869	3 576 636	4 170 979	4 460 717	4 698 511
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		–	2 753 808	3 097 343	4 562 674	4 408 950	4 408 950	3 475 305	4 446 905	3 297 783	4 765 786
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	–	2 753 808	3 097 343	4 562 674	4 408 950	4 408 950	3 475 305	4 446 905	3 297 783	4 765 786



DC47 Sekhukhune - Table A7 Budgeted Cash Flows

Description		Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
CASH FLOW FROM OPERATING ACTIVITIES													
Receipts													
Property rates			–							–	–		
Service charges			39 925	42 176	57 497	82 805	35 480	35 480	35 480	40 256	44 276	53 124	
Other revenue			1 817	2 663	5 535	3 679	3 679	3 679	3 679	2 012	2 146	2 249	
Transfers and Subsidies - Operational		1	1 117 343	684 325	790 081	815 044	891 189	891 189	891 189	914 290	995 212	1 071 926	
Transfers and Subsidies - Capital		1	–	578 623	687 346	449 681	430 136	430 136	430 136	459 586	509 997	533 834	
Interest			12 685	11 779	18 139	19 095	21 095	21 095	21 095	13 160	15 860	16 653	
Dividends				–	–		–			–	–	–	
Payments													
Suppliers and employees			(814 867)	(816 107)	(941 789)	(842 181)	(987 298)	(987 298)	(987 298)	(828 517)	(928 987)	(985 279)	
Finance charges			(154)	(81)	(1 100)	(500)	(806)	(806)	(806)	(471)	(500)	(500)	
Transfers and Grants		1		–	(3 600)		(4 229)	(4 229)	(4 229)	(4 300)	(4 494)	(4 696)	
NET CASH FROM/(USED) OPERATING ACTIVITIES				356 749	503 378	612 109	527 623	389 246	389 246	389 246	596 017	633 511	687 311
CASH FLOWS FROM INVESTING ACTIVITIES													
Receipts													
Proceeds on disposal of PPE										–	–	–	
Decrease (increase) in non-current receivables										–	–	–	
Decrease (increase) in non-current investments			–	138	–	58 060	111 968	111 968	111 968	–	–	–	
Payments													
Capital assets			(337 195)	(417 639)	(658 446)	(664 681)	(450 115)	(450 115)	(450 115)	(466 886)	(511 197)	(535 034)	
NET CASH FROM/(USED) INVESTING ACTIVITIES				(337 195)	(417 501)	(658 446)	(606 621)	(338 147)	(338 147)	(338 147)	(466 886)	(511 197)	(535 034)
CASH FLOWS FROM FINANCING ACTIVITIES													
Receipts													
Short term loans										–	–	–	
Borrowing long term/refinancing										–	–	–	
Increase (decrease) in consumer deposits			–	(3 809)	(969)	1 583	4 315	4 315	4 315	(4 315)	(4 509)	(4 712)	
Payments													
Repayment of borrowing			–		–	10 172	–	–	–	–	–	–	
NET CASH FROM/(USED) FINANCING ACTIVITIES				–	(3 809)	(969)	11 755	4 315	4 315	4 315	(4 315)	(4 509)	(4 712)
NET INCREASE/ (DECREASE) IN CASH HELD				19 553	82 068	(47 305)	(67 242)	55 414	55 414	55 414	124 816	117 805	147 565
Cash/cash equivalents at the year begin:		2	109 436	18 951	101 019	32 735	71 028	71 028	71 028	126 442	251 258	369 063	
Cash/cash equivalents at the year end:		2	128 989	101 019	53 714	(34 508)	126 442	126 442	126 442	251 258	369 063	516 628	

DC47 Sekhukhune - Table A8 Cash backed reserves/accumulated surplus reconciliation

2020/21 Medium Term Revenue & Expenditure Framework									
Description		Ref	2016/17	2017/18	2018/19	Current Year 2019/20			
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome
Cash and investments available									
Cash/cash equivalents at the year end		1	128 989	101 019	53 714	(34 508)	199 488	199 488	126 442
Other current investments > 90 days			(128 989)	(82 770)	–	54 383	0	0	1
Non current assets - Investments		1	–	85 129	58 868	51 989	0	0	287 849
Cash and investments available:			–	103 378	112 583	71 864	199 488	199 488	414 291
Application of cash and investments									
Unspent conditional transfers			–	45 019	61 053	–	61 053	61 053	61 053
Unspent borrowing			–	–	–	–	–	–	–
Statutory requirements		2	–	–	–	–	–	–	–
Other working capital requirements		3	–	254 612	276 476	9 881	115 691	115 691	145 786
Other provisions			–	–	–	–	22 000	22 000	22 000
Long term investments committed		4	–	–	–	–	–	–	–
Reserves to be backed by cash/investments		5	–	–	–	–	–	–	–
Total Application of cash and investments:			–	299 631	337 529	9 881	198 743	198 743	228 838
Surplus(shortfall)			–	(196 253)	(224 946)	61 983	745	745	185 453

References

DC47 Sekhukhune - Table A9 Asset Management

R thousand	Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
CAPITAL EXPENDITURE												
1	Total New Assets		--	328 010	452 407	434 711	402 232	402 232	246 489	340 285	376 783	
	Roads Infrastructure		--	--	--	--	--	--	--	--	--	
	Storm water Infrastructure		--	--	--	--	--	--	--	--	--	
	Electrical Infrastructure		--	--	--	--	--	--	--	--	--	
	Water Supply Infrastructure		--	7 474	57 390	426 211	399 656	399 656	245 689	340 285	376 783	
	Sanitation Infrastructure		--	319 820	394 878	8 500	1 215	1 215	--	--	--	
	Solid Waste Infrastructure		--	--	--	--	--	--	--	--	--	
	Rail Infrastructure		--	--	--	--	--	--	--	--	--	
	Coastal Infrastructure		--	--	--	--	--	--	--	--	--	
	Information and Communication Infrastructure		--	--	--	--	--	--	--	--	--	
	Infrastructure		--	327 294	452 268	434 711	400 871	400 871	245 689	340 285	376 783	
	Community Facilities		--	--	--	--	--	--	--	--	--	
	Sport and Recreation Facilities		--	--	--	--	--	--	--	--	--	
	Community Assets		--	--	--	--	--	--	--	--	--	
	Heritage Assets		--	--	--	--	--	--	--	--	--	
	Revenue Generating		--	--	--	--	--	--	--	--	--	
	Non-revenue Generating		--	--	--	--	--	--	--	--	--	
	Investment properties		--	--	--	--	--	--	--	--	--	
	Operational Buildings		--	--	--	--	--	--	--	--	--	
	Housing		--	--	--	--	--	--	--	--	--	
	Other Assets		--	--	--	--	--	--	--	--	--	
	Biological or Cultivated Assets		--	--	--	--	--	--	--	--	--	
	Services		--	--	--	--	--	--	--	--	--	
	Licences and Rights		--	--	--	--	--	--	--	--	--	
	Intangible Assets		--	--	--	--	--	--	--	--	--	
	Computer Equipment		--	716	--	--	1 091	1 091	500	--	--	
	Furniture and Office Equipment		--	--	139	--	270	270	300	--	--	
	Machinery and Equipment		--	--	--	--	--	--	--	--	--	
	Transport Assets		--	--	--	--	--	--	--	--	--	
	Land		--	--	--	--	--	--	--	--	--	
	Zoo's, Marine and Non-biological Animals		--	--	--	--	--	--	--	--	--	
	2	Total Renewal of Existing Assets		--	20 028	5 086	274 414	262 127	262 127	218 087	168 475	154 147
		Roads Infrastructure		--	--	--	--	--	--	--	--	--
		Storm water Infrastructure		--	--	--	--	--	--	--	--	--
		Electrical Infrastructure		--	--	--	--	--	--	--	--	--
		Water Supply Infrastructure		--	11 231	432	267 414	251 127	251 127	212 087	168 475	154 147
		Sanitation Infrastructure		--	8 797	4 654	--	--	--	--	--	--
		Solid Waste Infrastructure		--	--	--	--	--	--	--	--	--
		Rail Infrastructure		--	--	--	--	--	--	--	--	--
		Coastal Infrastructure		--	--	--	--	--	--	--	--	--
Information and Communication Infrastructure			--	--	--	--	--	--	--	--	--	
Infrastructure			--	20 028	5 086	267 414	251 127	251 127	212 087	168 475	154 147	
Community Facilities			--	--	--	--	--	--	--	--	--	
Sport and Recreation Facilities			--	--	--	--	--	--	--	--	--	
Community Assets			--	--	--	--	--	--	--	--	--	
Heritage Assets			--	--	--	--	--	--	--	--	--	
Revenue Generating			--	--	--	--	--	--	--	--	--	
Non-revenue Generating			--	--	--	--	--	--	--	--	--	
Investment properties			--	--	--	--	--	--	--	--	--	
Operational Buildings			--	--	--	--	--	--	--	--	--	
Housing			--	--	--	--	--	--	--	--	--	
Other Assets			--	--	--	--	--	--	--	--	--	
Biological or Cultivated Assets			--	--	--	--	--	--	--	--	--	
Services			--	--	--	--	--	--	--	--	--	
Licences and Rights			--	--	--	--	--	--	--	--	--	
Intangible Assets			--	--	--	--	--	--	--	--	--	
Computer Equipment			--	--	--	--	--	--	--	--	--	
Furniture and Office Equipment			--	--	--	7 000	7 000	7 000	6 000	--	--	
Machinery and Equipment			--	--	--	--	--	--	--	--	--	
Transport Assets			--	--	--	--	4 000	4 000	--	--	--	
Land			--	--	--	--	--	--	--	--	--	
Zoo's, Marine and Non-biological Animals			--	--	--	--	--	--	--	--	--	
6		Total Upgrading of Existing Assets		--	--	--	--	17 913	17 913	2 310	2 437	4 104
		Roads Infrastructure		--	--	--	--	4 854	4 854	2 310	2 437	2 604
		Storm water Infrastructure		--	--	--	--	--	--	--	--	--
		Electrical Infrastructure		--	--	--	--	--	--	--	--	--
		Water Supply Infrastructure		--	--	--	--	13 059	13 059	--	--	1 500
		Sanitation Infrastructure		--	--	--	--	--	--	--	--	--
		Solid Waste Infrastructure		--	--	--	--	--	--	--	--	--
		Rail Infrastructure		--	--	--	--	--	--	--	--	--
		Coastal Infrastructure		--	--	--	--	--	--	--	--	--
	Information and Communication Infrastructure		--	--	--	--	--	--	--	--	--	
	Infrastructure		--	--	--	--	17 913	17 913	2 310	2 437	4 104	
	Community Facilities		--	--	--	--	--	--	--	--	--	
	Sport and Recreation Facilities		--	--	--	--	--	--	--	--	--	
	Community Assets		--	--	--	--	--	--	--	--	--	
	Heritage Assets		--	--	--	--	--	--	--	--	--	
	Revenue Generating		--	--	--	--	--	--	--	--	--	
	Non-revenue Generating		--	--	--	--	--	--	--	--	--	
	Investment properties		--	--	--	--	--	--	--	--	--	
	Operational Buildings		--	--	--	--	--	--	--	--	--	
	Housing		--	--	--	--	--	--	--	--	--	
	Other Assets		--	--	--	--	--	--	--	--	--	
	Biological or Cultivated Assets		--	--	--	--	--	--	--	--	--	
	Services		--	--	--	--	--	--	--	--	--	
	Licences and Rights		--	--	--	--	--	--	--	--	--	
	Intangible Assets		--	--	--	--	--	--	--	--	--	
	Computer Equipment		--	--	--	--	--	--	--	--	--	
	Furniture and Office Equipment		--	--	--	--	--	--	--	--	--	
	Machinery and Equipment		--	--	--	--	--	--	--	--	--	
	Transport Assets		--	--	--	--	--	--	--	--	--	
	Land		--	--	--	--	--	--	--	--	--	
	Zoo's, Marine and Non-biological Animals		--	--	--	--	--	--	--	--	--	
	4	Total Capital Expenditure		--	348 038	457 493	709 125	682 273	682 273	466 886	511 197	535 034
		Roads Infrastructure		--	--	--	--	4 854	4 854	2 310	2 437	2 604
		Storm water Infrastructure		--	--	--	--	--	--	--	--	--
		Electrical Infrastructure		--	--	--	--	--	--	--	--	--
		Water Supply Infrastructure		--	19 705	57 822	693 625	663 843	663 843	457 776	508 760	532 430
		Sanitation Infrastructure		--	328 617	399 532	8 500	1 215	1 215	--	--	--
		Solid Waste Infrastructure		--	--	--	--	--	--	--	--	--
		Rail Infrastructure		--	--	--	--	--	--	--	--	--
		Coastal Infrastructure		--	--	--	--	--	--	--	--	--
Information and Communication Infrastructure			--	--	--	--	--	--	--	--	--	
Infrastructure			--	347 322	457 354	702 125	669 912	669 912	460 086	511 197	535 034	
Community Facilities			--	--	--	--	--	--	--	--	--	
Sport and Recreation Facilities			--	--	--	--	--	--	--	--	--	
Community Assets			--	--	--	--	--	--	--	--	--	
Heritage Assets			--	--	--	--	--	--	--	--	--	
Revenue Generating			--	--	--	--	--	--	--	--	--	
Non-revenue Generating			--	--	--	--	--	--	--	--	--	
Investment properties			--	--	--	--	--	--	--	--	--	
Operational Buildings			--	--	--	--	--	--	--	--	--	
Housing			--	--	--	--	--	--	--	--	--	
Other Assets			--	--	--	--	--	--	--	--	--	
Biological or Cultivated Assets			--	--	--	--	--	--	--	--	--	
Services			--	--	--	--	--	--	--	--	--	
Licences and Rights			--	--	--	--	--	--	--	--	--	
Intangible Assets			--	--	--	--	--	--	--	--	--	
Computer Equipment			--	716	--	--	1 091	1 091	500	--	--	
Furniture and Office Equipment			--	--	139	7 000	7 270	7 270	6 300	--	--	
Machinery and Equipment			--	--	--	--	--	--	--	--	--	
Transport Assets			--	--	--	--	4 000	4 000	--	--	--	
Land			--	--	--	--	--	--	--	--	--	
Zoo's, Marine and Non-biological Animals			--	--	--	--	--	--	--	--	--	
TOTAL CAPITAL EXPENDITURE - PPE (WDV)			--	348 038	457 493	709 125	682 273	682 273	466 886	511 197	535 034	
5		ASSET REGISTER SUMMARY - PPE (WDV)		--	1 895 240	2 233 022	2 037 733	2 018 226	2 018 226	2 793 038	2 950 426	3 055 822
		Roads Infrastructure		--	34 975	30 856	38 201	50 400	50 400	31 217	32 645	34 171
		Storm water Infrastructure		--	--	--	--	--	--	--	--	--
		Electrical Infrastructure		--	--	--	--	--	--	--	--	--
		Water Supply Infrastructure		--	1 757 903	2 111 790	1 904 684	1 874 902	1 874 902	2 666 417	2 825 190	2 924 893
		Sanitation Infrastructure		--	69 141	49 748	49 954	42 669	42 669	48 398	50 576	52 852
		Solid Waste Infrastructure		--	--	--	--	--	--	--	--	--
		Rail Infrastructure		--	--	--	--	--	--	--	--	--
	Coastal Infrastructure		--	--	--	--	--	--	--	--	--	
	Information and Communication Infrastructure		--	--	--	--	--	--	--	--	--	
	Infrastructure		--	1 862 019	2 192 394	1 992 839	1 967 971	1 967 971	2 746 032	2 908 410	3 011 916	
	Community Assets		--	38 042	35 604	40 486	40 486	40 486	35 182	36 765	38 420	

DC47 Sekhukhune - Table A10 Basic service delivery measurement

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		31 954	34 859	34 859	—	—	—	15 086 411	20 000 000	25 052 192
Piped water inside yard (but not in dwelling)		95 862	101 671	—	8 000 000	7 400 000	—	332 600 000	343 185 493	402 124 300
Using public tap (at least min.service level)	2	21 382	6 512	114 319	393 593 236	351 513 503	—	109 589 589	144 374 507	104 053 509
Other water supply (at least min.service level)	4	55 193	63 979	63 979	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		204 391	207 021	213 157	401 593 236	358 913 503	—	457 276 000	507 560 000	531 230 000
Using public tap (< min.service level)	3	—	—	—	—	—	—	—	—	—
Other water supply (< min.service level)	4	—	—	11 645	—	—	—	—	—	—
No water supply		—	—	71 629	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>		—	—	83 274	—	—	—	—	—	—
<b>Total number of households</b>	5	<b>204 391</b>	<b>207 021</b>	<b>296 431</b>	<b>401 593 236</b>	<b>358 913 503</b>	<b>—</b>	<b>457 276 000</b>	<b>507 560 000</b>	<b>531 230 000</b>
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		40 668	40 668	40 668	—	—	—	—	—	—
Flush toilet (with septic tank)		29 049	29 049	29 049	—	—	—	—	—	—
Chemical toilet		—	—	—	50 000 000	19 962 739	—	—	—	—
Pit toilet (ventilated)		53 183	61 096	61 096	—	—	—	—	—	—
Other toilet provisions (> min.service level)		167 589	159 676	159 676	9 000 000	—	—	48 000 000	58 000 000	58 000 000
<i>Minimum Service Level and Above sub-total</i>		290 489	290 489	290 489	59 000 000	19 962 739	—	48 000 000	58 000 000	58 000 000
Bucket toilet		—	—	—	—	—	—	—	—	—
Other toilet provisions (< min.service level)		—	—	—	—	—	—	—	—	—
No toilet provisions		—	—	—	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>		—	—	—	—	—	—	—	—	—
<b>Total number of households</b>	5	<b>290 489</b>	<b>290 489</b>	<b>290 489</b>	<b>59 000 000</b>	<b>19 962 739</b>	<b>—</b>	<b>48 000 000</b>	<b>58 000 000</b>	<b>58 000 000</b>
<b>Energy:</b>										
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>		—	—	—	—	—	—	—	—	—
<b>Total number of households</b>	5	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Refuse:</b>										
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>		—	—	—	—	—	—	—	—	—
<b>Total number of households</b>	5	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		—	—	—	—	—	—	—	—	—
Sanitation (free minimum level service)		—	—	—	—	—	—	—	—	—
Electricity/other energy (50kwh per household per month)		—	—	—	—	—	—	—	—	—
Refuse (removed at least once a week)		—	—	—	—	—	—	—	—	—
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		—	—	2 300	—	—	—	2 500	2 700	2 900
Sanitation (free sanitation service to indigent households)		—	—	—	—	—	—	—	—	—
Electricity/other energy (50kwh per indigent household per month)		—	—	—	—	—	—	—	—	—
Refuse (removed once a week for indigent households)		—	—	—	—	—	—	—	—	—
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		—	—	—	—	—	—	—	—	—
<b>Total cost of FBS provided</b>		<b>—</b>	<b>—</b>	<b>2 300</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2 500</b>	<b>2 700</b>	<b>2 900</b>

## **Part 2 – Supporting Documentation**

### **2.1. Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The budget steering committee of the district consist of the following members under the chairpersonship of the MMC for Budget and Treasury

- Chief finance Officer
- Senior manager: Infrastructure
- All senior managers
- All Finance Managers
- MMC responsible for Mayor's Office
- MMC responsible for Budget and Treasury

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the District's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

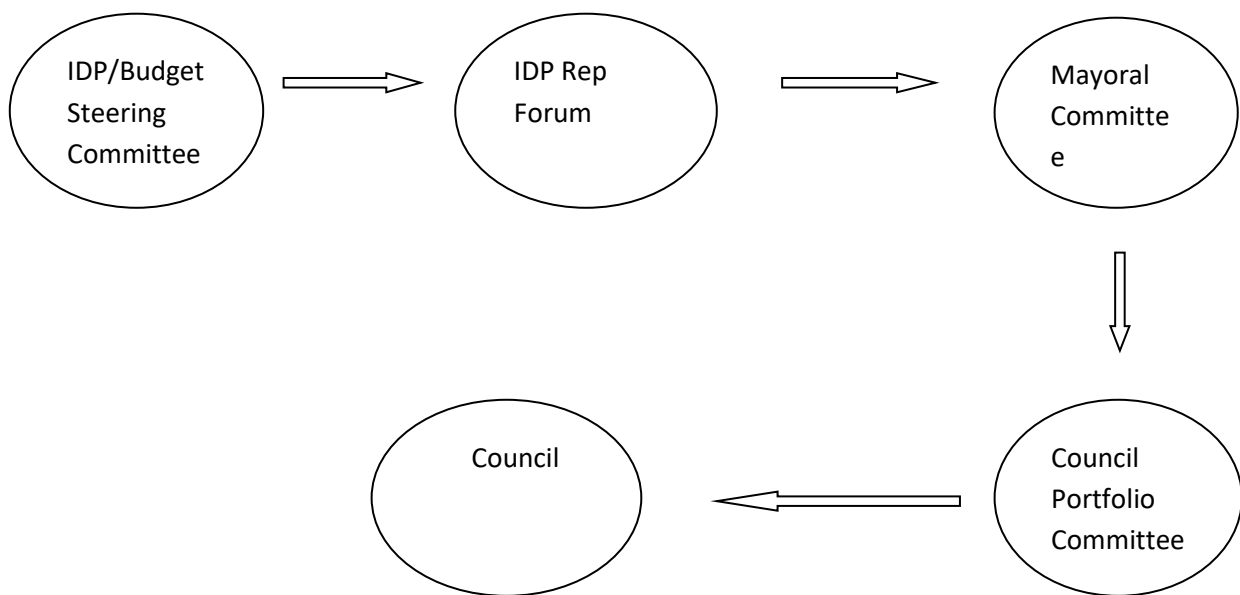
### **Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

### **Organizational structures for IDP/Budget process**

There are various structures responsible to oversee the implementation of the process plan and management of the IDP/Budget process. The IDP/Budget is developed on administrative level by the Municipal Managers and Directors responsible for planning assisted by IDP managers of municipalities and officials of relevant sector departments from the province as well as relevant parastatals /state companies, and developed further by the IDP Steering Committee. The IDP Representative Forum is a combined structure of public consultation on IDP which comprises of representatives of different constituencies of communities and institutions. The SDM Council is

the ultimate authority on the IDP - assisted by the Council portfolio committees and the Mayoral Committee.



**Table 3. IDP consultative report**

## **2020/21 IDP/Budget Public Participation Programme**

The dates of the Budget Public Participation Programme was put on hold due to the lockdown.

## **5. Inputs from IDP Consultative Meetings**

Due to covid19, the country was on lockdown immediately after adopting the draft 2020/21 MTREF budget and just before the IDP consultative meetings were to be scheduled in April 2020. The meetings were then cancelled and subsequently advertised in community platforms (Local Radios and Newspapers) for community's to give comments. Comments were received until 12h00 on the 22<sup>nd</sup> May 2020 and where possible where incorporated into the budget 2020/21 MTREF budget.

## **IDP and Service Delivery and Budget Implementation Plan**

The District's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into

objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2020/21 MTREF, based on the approved 2019/20 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2020/21 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2019/20 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **Financial Modelling and Key Planning Drivers**

The district has planned for a preparation of a 5 year financial plan. The plan will ensure that steps already taken in financial modelling is intensified.

The following key factors and planning strategies have informed the compilation of the 2020/21 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt,)
- Performance trends
- MFMA circulars
- The approved 2020/21 adjustments budget and performance against the SDBIP
- Debtor payment levels
- The need for tariff decreases versus the ability of the community to pay for services.
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars has been taken into consideration in the planning and prioritisation process.

## 2.2 Overview of alignment of annual budget with IDP and SDBIP

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

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

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

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

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

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National Development Plan
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

## **IDP Strategic Objectives**

The following are the strategic objectives of the district:

- Economic Growth, Development and job creation
- Community development and Social cohesion
- Spatial development and sustainable land use management
- Active community participation and Inter-Governmental alignment
- Effective, accountable and clean government
- Basic Service Delivery
- Financial viability

In order to ensure integrated and focused service delivery between all spheres of government it was important for the district to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the District. The five-year programme responds to the development challenges and opportunities faced by the district by identifying the key performance areas to achieve the six strategic objectives mentioned above.

In addition to the five-year IDP, the district undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. The district vision 2030. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the district so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the District's IDP, associated sectoral plans and strategies, and the allocation of resources of the City and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the revised IDP, including:

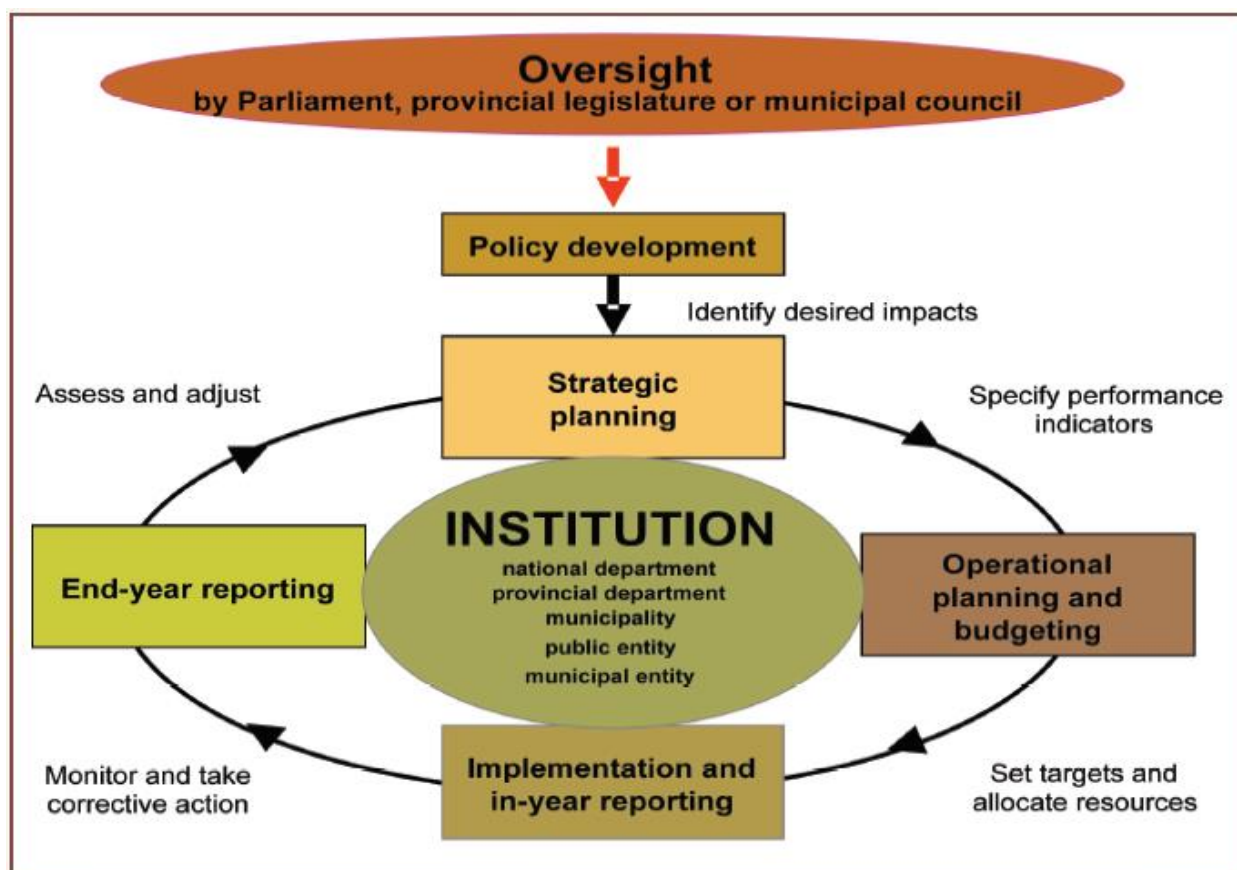
- Strengthening the analysis and strategic planning processes of the district;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.



## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the district has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



### Planning, budgeting and reporting cycle

The performance of the district relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The district therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);

- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the district in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:

### **Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. With the exception of water, only registered indigents qualify for the free basic services.

Details relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is not yet quantified as indigent register is not yet approved by council. The register is in the process of adoption by council.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc.) are also not taken into account. Therefore revenue foregone is calculated at 30% of bulk purchases

### **Providing clean water and managing waste water**

The municipality is a Water Services Authority for the entire district in terms of the Water Services Act, 1997 and has since taken over from three local municipalities that were providing water on behalf of the municipality. The municipality is purchasing bulk water from Lepelle Northern Water and Dr JS Moroka Local Municipality.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The following is briefly the main challenges facing the District in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult; hence posts in Infrastructure and Water Services were prioritised to reduce shortages.
- Electrical power supply to some of the plants are often interrupted which hampers the purification processes.

## 2.4 Overview of budget related-policies

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

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

The credit control and debt Collection Policy as approved by Council is tabled for review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

### **Asset Management Policy**

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

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation.

The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

Although the policy is considered to be up to date, it is tabled for review to ensure that it aligned with applicable standards.

### **Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in the previous year.

Key amendments identified are related to the new SCM model for procurement of infrastructure projects, management of expansion or variation of orders against the original contract and contracts cessions. A turnkey approach is also incorporated in the policy. An amended policy was tabled to Council any further review will be extensively consulted on.

## **Virement Policy**

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in May 2020.

Amendment was made as per mSCOA circular issued in April 2020.

## **Cash Management and Investment Policy**

The Cash Management and Investment Policy were approved by Council. The aim of the policy is to ensure that the district's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks. The policy is considered up to date.

## **Tariff Policies**

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

## **Subsidised Motor Vehicle**

The municipality's subsidised motor vehicle policy was reviewed with aim of reducing the cost implication it has on salary budget. Before the policy was utilising 25% of basic salary for all employees who applies for such allowance. This created discrepancies and huge cost on the allowance and now a capped amount is introduced on capital financing. The policy requires further engagement with other structures regarding the current implementation.

The policy has been reviewed to monitor travelling costs and has been tabled as such for public consultation

## **Petty Cash policy**

The petty cash policy is now stand alone policy where each depot/region will be given a petty cash allowance of R5000.00 to do maintenance work. The district is so decentralised in such a way that issuing petty cash from Head office is costly. All the reconciliations are done at head office.

**The following policies are considered to be up to date although tabled:**

- Funding and Reserve policy
- Indigent Policy
- Free Basic Water
- Budget policy

## **2.5 Overview of budget assumptions**

### **External factors**

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

### **General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2020/21 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk water; and
- The increase in the cost of remuneration.

## **Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

Collection rate is too low due to economic factors, lack of consistent water supply and ineffective credit control implementation, inaccurate billing data. A DBSA sponsored project for revenue enhancement is in progress which will address issues of data cleansing, improving revenue streams. Incentives schemes have been implemented for settlement of long outstanding debts as well as appointment of Debt Collectors for recovery of old outstanding debt.

The rate of revenue collection as at end May 2020 is at 55% of quarter three billings. In 2020/21 revenue collection is anticipated at 60%.

## **Growth or decline in tax base of the municipality**

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the district, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

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

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

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

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

## 2.6 Overview of budget funding

### Medium-term outlook: operating revenue

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The district derives most of its operational revenue from the provision of services such as water and sanitation.

The proposed tariff decrease for the 2020/21 MTREF on the water and sanitation revenue is 8% due to the fact that the municipality is in the process of having cost reflective tariffs. At the moment the tariff are not cost reflective to the community and also to give relief to customers due to the Covid19

- Operating revenue increases from **R1.1b** to **R1.050b** in the 2020/21 financial year and increases to **R1.138billion** in the 2022/23 financial year.
- Capital revenue decreases from **R664.6m** to **R459.6m** in the 2020/21 and further increases to **R533.8m** in the 2022/23 financial year
- Service charges tariffs to decrease by 8% in the current year in an endeavour to have a cost reflective tariff. All other revenue tariffs to increase by 5.3%

## 2.7 Expenditure on allocation grant programme

Total Conditional Grants	Adjustment Budget	Draft budget 2020/21	Final budget 2020/21	Draft budget 2021/22	Draft budget 2022/23
MIG	377 253 637.00	395 805 000.00	403 805 000.00	437 560 000.00	469 578 000.00
RRAMS	2 427 000.00	2 310 000.00	2 310 000.00	2 437 000.00	2 604 000.00
WSIG	70 000 000.00	53 471 000.00	53 471 000.00	70 000 000.00	61 652 000.00
RBIG	215 000 000.00	135 000 000.00			
<b>Total Capital Grants</b>	<b>664 680 637.00</b>	<b>586 586 000.00</b>	<b>459 586 000.00</b>	<b>509 997 000.00</b>	<b>533 834 000.00</b>

### Discussion

- Capital expenditure funded from own funds is allocated **R7.3m** in the 2020/21 financial year and it decreases to **R1.2m** in the 2022/23 financial year
- Included in capital expenditure from own funding is the following:
  - ✓ Capital replacement R6 000 000
  - ✓ Computers R 500 000
  - ✓ EAP Assets (Booth) R 500 000
  - ✓ Scanners R 300 000
- The total capital expenditure funded from conditional grants decreased from R664.6.8m to R459.6m in the 2020/21 due to decreased funding allocation from WSIG conditional grant, and MIG Capex. Funding for capital grants increases to R533.8m in the 2022/23 financial year due to decrease in MIG & WSIG funding.
- The **WSIG** is allocated **R53.4m** compared to **R70m** in the previous year.

- The **MIG** is allocated **R403.8m** for capital projects in the 2020/21 financial year and other funds have been budgeted for MIG overheads and VIP sanitation.
- **RBIG** is removed from the budget as this is an indirect grant.

Eight (8) percentage of the capital budget is earmarked for asset renewal. The municipality is noting the low percentage; however the strides are being made towards maximising the contributions capital replacement reserve fund that will assist in funding of assets renewal.

## 2.8 Summary of councillors allowance and employee benefits

### Salary increases

The salary percentage increment is projected at **6.25%** was applied across board pending the finalization of the wage agreement.

As part of the district's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. Prioritised posts will have to be financed by funds from abolished posts and savings realised during data cleansing (alignment of current staff to relevant departments).

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

Description	Budget 2019/2020	Final 2020/2021	2021/2022	2022/2023
Basic Salary	251 092 832.00	271 795 211.65	282 167 742.13	302 014 048.58
Cellphone Allowance	4 822 365.00	5 123 762.81	5 760 105.12	6 100 748.66
Other benefits	5 887 498.00	8 312 770.75	13 992 130.74	14 753 938.91
Housing benefits	3 146 874.00	3 343 553.63	3 552 232.15	3 760 362.33
Leave Bonus	4 083 489.00	4 838 707.06	5 140 714.54	5 436 147.26
Medical Aid Contribution	12 347 127.00	13 418 822.44	14 254 335.38	14 995 353.04
Overtime	23 245 296.00	24 966 960.42	26 441 803.07	27 592 189.94
Pension Fund Contribution	39 507 157.00	41 876 354.31	44 593 330.61	47 070 228.73
Transport Allowance	27 243 801.00	29 796 538.56	31 814 476.64	33 626 585.06
	<b>371 376 439.00</b>	<b>403 472 681.64</b>	<b>427 716 870.37</b>	<b>455 349 602.51</b>
Councillors allowance	<b>16 746 242.00</b>	<b>17 292 882.13</b>	<b>18 904 937.26</b>	<b>20 086 495.84</b>



## 2.9 Monthly targets for revenue, expenditure and cash flow

### Operating Revenue Framework

In these tough economic times strong revenue management is fundamental to the financial sustainability of the district. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality is currently looking at enhancing the revenue to ensure that the strategy is implemented in a phased-in approach. There are challenges of collecting operating revenue from communities.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Local economic development
- Efficient revenue management, which aims to ensure revenue collection is maximised
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Extend billing to villages where water supply is continuous
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the district

### **Summary of revenue classified by main revenue source**

As the district is depending on grants from the National and Provincial government for the purpose of funding the operating and capital expenditure, revenue from own sources contribute a minimal percentage to the coffers of the municipality.

The municipality is still very much Grant dependant since own revenue base a fraction of total municipal revenue and this is exacerbated by the poor collection rate. We are however busy with Revenue Enhancement Project funded by DBSA which will assist in developing new revenue streams and broaden the revenue base as well as roping in the services of Debt Collectors to improve collection. The service tariffs are reduced for the next financial year under review 2020/2021 which will encourage consumers to pay for the services and thus improve collection rate, this will be assist by simultaneous implementation of Credit Control Policy in terms of restrictions where are delays.

### Growth in revenue by revenue source

The proposed tariff decrease for the 2020/21 MTREF on the water and sanitation revenue is 8% due to the fact that the municipality is in the process of having cost reflective tariffs due to customer's complains.

- Operating revenue decreases from **R1119b to R1050b** in the 2020/21 financial year and increases to **R1.138billion** in the 2022/23 financial year.

- The decrease of 8% from the adjusted budget is due to decrease in tariffs by 8% and 5% increase in grants as per the division of revenue bill.
- Capital revenue decreases from **R664.8m** to **R459.6m** in the 2020/21 and increases to **R533.8m** in the 2022/23 financial year
- Service charges tariffs to decrease by 8% in the current year in an endeavour to have a cost reflective tariff. All other revenue tariffs to increase by 5.4%

The rates and tariff revision are undertaken after consideration of different factors relevant to the geographic spread of the municipality. The following were considered during the tariff and rates increase; local economic conditions, cost drivers, affordability of services and poverty and indigents. As the municipality is not profit driven, the breakeven of costs and revenue will be an acceptable ratio unlike providing service at a loss and an ever increasing debtor's book which will be close to impossible and costly to collect.

The percentage increases of electricity tariffs granted to Eskom has a direct impact on the water tariffs as electricity is one of the cost drivers for water tariffs and is beyond the mentioned inflation target.

The current challenge facing the district is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the district has undertaken the tariff setting process relating to service charges as follows.

### **Sale of Water and Impact of Tariff Increases**

The district is facing water supply challenges as the bulk supply projects are still under construction and the current water demand is way above the supply.

Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective. Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

### **Sanitation and Impact of Tariff Increases**

It should be noted that electricity costs contributes to waste water treatment input costs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the value of the property
- Indigent tariff for disposal of waste from VIP sanitation is proposed to registered indigents.

## **Operating Expenditure Framework**

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

- The priority focus area should be given to repairs and maintenance of water assets.
- Elimination of non-core expenses should be done. Expenses such as entertainment, gala dinners, excessive catering, etc.
- Assets management plan should be done in order to assess the conditions of our infrastructure asset. The plan will in future determine the acceptable allocations towards operations and maintenance
- Current ratio should be improved to 1:1 within the MTREF
- The departmental allocations on operating expenditure amounted to **R967.4m** which increases to **R1.1billion** over the MTREF period (2022/23 financial year). This represent a decrease in operational expenditure from the adjusted budget
- We have firstly prioritized the contractual obligations and the following are material line items that have material impact on the operating expenditure :( The amounts are shown on the detail operational expenditure schedule attached)
  - ✓ Bulk purchases – **R130m**
  - ✓ Security – **R30.0m**
  - ✓ Depreciation and impairments – **R80.1m**
  - ✓ Fleet management – **R34m**
  - ✓ Repairs and maintenance – **R29mm**
  - ✓ Eskom – **R30m**
- Included in the operating expenditure is the anticipated cost for VIP sanitation amounting to **R60m** which is wholly funded by the MIG grant
- Other operating expenditure was increased by 5.4% across the board in an endeavor to reduce the increasing operating expenditure

## **Highlights of other expense allocation**

- The amount of **R4.2m** allocated for professional fees.
- The amount of **R5m** has been allocated for legal fees
- An amount **R4.3m** is set aside for operations of SDA.
- The internal bursaries allocated at **R800k** to encourage staff empowering and **R1.2m** for external bursaries
- The amount of **R12m** allocated for lease costs (Property rentals and equipment rentals).

The provision of debt impairment was determined based on an annual collection rate. For the 2020/21 financial year this amount equates to R10 million. While this expenditure is considered to

be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 80 million for the 2020/21 financial year.

Bulk purchases are directly informed by the purchase of bulk water from Lepelle Northern Water and Dr JS Moroka Local Municipality. The annual price increases have been factored into the budget appropriations. The expenditures includes the cost of water distribution losses as the cost is included in the bulk purchases amount. The district is in the process of procuring outlet and inlet bulk meters at all reservoirs for the purpose of managing the water losses.

The bulk purchases also increased due to the anticipation of new areas receiving surface water as a result of completion of de hoop dam.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. The repairs and maintenance this group of expenditure has been prioritised to ensure sustainability of the district's infrastructure.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

### **Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the District's current infrastructure, the 2020/21 budget and MTREF provide for extensive growth in the area of asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration and purchases of materials. Considering these cost drivers operations and maintenance is still below the acceptable norm of 10% of operating budget.

Repairs and maintenance is low although it is supplemented by WSIG Grant, we will provide more budget for Repairs and Maintenance during February 2021 adjustment budget provided there are surplus funds for reallocation. O&M is at 2% we will strive to increase it in the outer years in a stepping approach

### **Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the District's Indigent Policy. The target is to register more indigent households during the MTREF, this process will be reviewed annually.

Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in MBRR A10 (Basic Service Delivery Measurement).

The municipality provides 6 kilolitre of water to indigents but is unable to account for such service because indigent register is not yet approved.

The cost of the social package of the registered indigent households will be largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

In addition the municipality is providing free diesel and fuel to all household that are supplied through boreholes.

## **2.10 Contracts having future budgetary implication**

The municipality has entered into a 10 year contract with Lepelle Northern Water to provide bulk water services.

## **2.11 Capital Expenditure details**

For 2020/21 an amount of R459.6m has been appropriated for the development of infrastructure.

The municipality has commenced in the 2019/20 financial year with ring fencing capital replacement reserve fund.

The reserve will initially be funded from interest on investment and vat refunds from conditional grants. Vide

The district is in the process of compiling an informed asset management plan that will guide the next financial year IDP/Budget process.

Municipal funding and reserve policy has also be amended to effect the budget proposal

Further detail relating to asset classes and proposed capital expenditure is contained in MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

## **2.12 Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

In year reporting

- Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

Internship programme

- The District is participating in the Municipal Financial Management Internship programme and has employed four interns undergoing training in various divisions of the Budget and

Treasury. The Municipality has eight (8) interns. The 3 interns have been appointed in the 2018/19 and the other 5 were appointed in 2019/20 financial year. Since the introduction of the Internship programme the municipality has successfully employed and trained interns through this programme and a majority of them were appointed either in the municipality or other Institutions.

#### Budget and Treasury Office

- The Budget and Treasury Office has been established in accordance with the MFMA.

#### Audit Committee

- An Audit Committee has been established and is fully functional.

#### Service Delivery and Implementation Plan

- The detail SDBIP document is still a draft, but will be finalised after approval of the 2020/21 MTREF.

#### Annual Report

- Annual report is compiled in terms of the MFMA and National Treasury requirements.

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The budget steering committee of the district consist of the following members under the chairpersonship of the MMC for Budget and Treasury and the Executive Mayor:

- Chief finance Officer
- Senior manager: Infrastructure
- All senior managers
- All finance Managers
- MMC responsible for the Mayor's Office
- MMC responsible for Planning and economic development
- MMC responsible for Infrastructure & Water Services

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the District's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

### **2.13 Annual Budget supporting schedules**

The tables are included on A Schedule sheets from SA1 to SA38

## Municipal manager's quality certificate

I **MJ Mofokeng**, Acting Municipal Manager of Sekhukhune District Municipality, hereby certify that the 2020/21 MTREF draft budget and supporting documentation have been prepared in accordance with Municipal Finance Management Act and the Regulations made under the Act, and that the draft budget and supporting documents are consistent with the Integrated Development Plan of the Municipality

Print Name \_\_\_\_\_

**Acting Municipal Manager of Sekhukhune District Municipality (DC47)**

Signature \_\_\_\_\_

Date \_\_\_\_\_ -