

**SEKHUKHUNE DISTRICT  
MUNICIPALITY**

**sekinfo@sekhukhune.co.za**

**013 262 7300**

**013 262 6388**

**SEKHUKHUNE DISTRICT  
MUNICIPALITY (DC 47) FINAL  
2021/2022 MTREF BUDGET  
BOOK**



**SEKHUKHUNE**  
District Municipality

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

## Table of Contents

PART 1 – ANNUAL BUDGET.....	2
1.1 Mayor’s Report .....	2
1.2 Council Resolution .....	6
1.3 Executive Summary .....	6
1.4 Capital expenditure .....	14
1.5 Budget Tables .....	15
Part 2 – Supporting Documentation.....	26
2.1. Overview of the annual budget process.....	26
2.2 Overview of alignment of annual budget with IDP and SDBIP .....	29
2.3 Measurable performance objectives and indicators .....	31
2.4 Overview of budget related-policies .....	33
2.5 Overview of budget assumptions .....	35
2.6 Overview of budget funding .....	36
2.7 Expenditure on allocation grant programme .....	37
2.8 Summary of Councillors allowance and employee benefits.....	37
2.9 Monthly targets for revenue, expenditure and cash flow .....	38
2.10 Contracts having future budgetary implication.....	42
2.11 Capital Expenditure details .....	42
2.12 Legislation compliance status.....	43
2.13 Budget adjustment supporting schedules .....	43
Municipal manager’s quality certificate .....	<b>Error! Bookmark not defined.</b> 5

## **PART 1 – ANNUAL BUDGET**

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

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

In line with the Medium-Term Revenue and Expenditure Framework (MTREF) and the provision of the Municipal Finance Management Act No. 56 of 2003, Section 16(1) that states:

1. The council of the municipality must for each financial year approve an annual budget for the municipality before the start of the financial year.

It is also a legislative requirement, in terms of section 24(1) of the municipal finance management act that the municipal council must at least 30 days before the start of the new budget year consider the approval of the annual budget.

Minister of Finance, Honourable Tito Mboweni tabled the national budget on the 3<sup>rd</sup> of March 2021. Budget tabled at a very difficult time during the Coronavirus pandemic that changed our lives. The economic growth was anticipated to be very low and not carrying any fruit for our people. The key focus of the budget speech was more on the fiscal consolidation that is to be stretched out over the next five years with a strong reliance on spending cuts. This is simply because both Real and Nominal GDP growth in 2021 are expected and revised at lower rates, however CPI inflation is still within inflation targeting of 3% to 6%.

We are delighted that government has begun with phase two of the vaccination rollout that seeks to vaccinate our elderly with over 60 years of age. Although registration to be vaccinated is entirely voluntary, we encourage our senior citizens to use this opportunity and register. As of end of March 2021, just over 10 000 people have been vaccinated in the Sekhukhune District.

Sekhukhune District Municipality like any other municipalities through Division of Revenue Act and Conditional Grants allocation to be allocated with budget from national fiscus. National fiscus that are constrained as outlined by the Minister's budget speech.



The municipality is also committed to achieving its objectives of local government as set out in the Constitution of the Republic of South Africa. This commitment will strive us to do our work efficiently and effectively to sustain service delivery in the district. The driver of our core mandate is guided by the resources that do not belong to us, but we are just a mere custodian. We therefore need to value the resources in our possession to entirely benefit people residing in the Sekhukhune District Municipality.

The people of Sekhukhune deserve the greatest value for money. This budget brings and attracts investors in our district as partners in drive to consolidate socio-economic activity. We urge all private sectors to join us in the journey of building vibrant, dynamic, and economically viable Sekhukhune district.

Financial position of the municipality is heavily reliant on grants and subsidies from the National Treasury. The total projected budget for 2021/2022 financial year amounts to R1.5 billion. This was a decrease of about 7% from 2020/2021 financial year. But it is expected to increase back to R1,6 billion and further to R1.7 billion in the 2021/2023 and 2023/2024 financial years, respectively. Tariffs have been increased by 10% to have a cost reflective tariff structure as compared to a decrease of 8% in the 2020/2021 financial year. The reduction of tariffs was motivated by the mitigation plan on the social economic recovery aiming to relieve our citizens for the purpose of the consumer confidence enhancement.

Total annual revenue budget constitutes an allocation of R1.4 billion in government grants and subsidies as well as R113 million from our own revenue sources for the 2021/2022 financial year. The Municipality's own source include the interest earned on external short-term investments at R17.5 million and service charges at R95.5 million. The main source of revenue for capital projects is funded through the R413 million in Municipal Infrastructure Grant (MIG), R2.3 million in Rural Road Asset Management Systems Grant (RRAMS) and our own revenue fund with R8.1 million. R8.1 million from our own revenue is used for the expenditure allocation of R3.9 million on purchase of water carts, R2.2 million on the purchase of offices in Elias Motsoaledi and R1 million on computer equipment.

Overall total capital expenditure from conditional grants decreased from R505 million to R424 million in the 2020/2021 and 2021/2022 financial years, respectively. The adjusted budget is due to no allocation of the Regional Bulk Infrastructure Grant in 2020/2021 budget year and R50 million in-kind allocation on Water Services Infrastructure Grant in the 2021/22 budget year.

The 2021/2022 annual expenditure budget amounts to R1,5 million which constitutes an allocation of R1.1 million in operational expenses and just over R400 million in capital expenditure. The operational expenditure, among others includes the bulk purchase of R130 million for operations and maintenance, Eskom payment of R40 million, R61.1 million for repairs and maintenance of our water infrastructure, and R100.1 million for depreciation and impairment on projects that are vandalized and destroyed. Other expenses include R6,8 million allocated for legal fees and just over a million rand for both external and internal bursaries.

As per the Treasury regulation and its standard and norms, we need to maintain the employee costs percentage at less than 40% of the total operating expenditure. The current total allocated funds for salaries are at 42% of total operational cost. We have proposed different measures that will assist in curbing our expenditure within the required range. Measures include sourcing other skills from within the institutions, sacrificing other vacant posts that are not critical and to control and supervise our spending on overtime and travelling and subsistence. The municipal council also took a resolution to repeal the Unifix policy, which was not in line with South African local government collective bargaining council.

The municipality's total operational revenue of R1, 113 billion and expenditure of R1, 103 billion including our own revenue expenditure of R8.1 million have resulted in an operational surplus of R1.4 million in the 2021/2022 financial year, which is expected to increase to R1.6 million in the next financial year 2022/2023. The surplus is anticipated to be used for future capital replacement and to cash back our retention creditor balance.

Honourable speaker, I present before this council 2021/2022 - 2023/2024 MTREF/IDP herewith the budget related policies and organogram for consideration by council.

Cllr K.S Ramaila

Executive Mayor

## 1.2 Council Resolution

Council has in its ordinary council of the 27th of May 2021 approved the 2021/22 MTREF annual budget and IDP, together with all the budget related policies, budget circulars 107 & 108 and organogram.

## 1.3 Executive Summary

The purpose of the annual budget circulars 107 & 108 is to guide municipalities with their compilation of the 2021/22 Medium Term Revenue and Expenditure Framework (MTREF). This circular is linked to the Municipal Budget and Reporting Regulations (MBRR) and the municipal Standard Chart of Accounts (*mSCOA*); and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

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

### 1. Executive Summary

In terms of section 34 of the Municipal Systems Act (2000), a Municipal Council –

- (a) must review its integrated development plan –
  - (i) annually in accordance with an assessment of its performance measurements in terms of section 4(i), and
  - (ii) to the extent that changing circumstances so demand, and
- (b) may amend its integrated development plan in accordance with a prescribed process.

### **IDP Review Roadmap**

- The IDP/Budget Framework and Process Plan for 2021-2022 was adopted by Council on the 31<sup>st</sup> August 2020.
- The Analysis Phase was done during the second quarter of 2020-2021 financial year and was presented to the IDP Rep Forum on the 09<sup>th</sup> December 2020.

- The Strategic Planning Session was held from 02 -03 March 2021.
- The Strategy Phase and Project Phase were concluded in March 2021.
- The draft IDP/Budget was noted by Council on the 30<sup>th</sup> March 2021.
- The public consultations were conducted in April 2021 and a consolidated report was compiled and utilised to inform the final IDP/Budget.

The Section 24 (1), (2) and (3) of the Local Government Municipal Finance Management Act, 2003 states,

*“(1) the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget”.*

*(2) Further states that “an annual budget must be approved before the start of the budget year”. And;*

*(3) “The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury”*

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

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

Although growth rates are likely to improve quickly as restrictions are removed, based on current projections, the output is only expected to return to pre-pandemic levels in 2024. Given South Africa's structural constraints, its recovery will be slower than many of its developing-country peers. Industrial sectors (which include mining, manufacturing, construction and utilities) lagged substantially, undermined by structural constraints

including unreliable electricity supply and weak public investment that preceded the pandemic. Over the next several years, the country requires the implementation of long-standing structural reforms to sustainably move to a higher growth path. These economic challenges will continue to exert pressure on municipal revenue generation and collection levels; hence a conservative approach is advised for revenue projections.

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

Table 1: Macroeconomic performance and projections, 2016 - 2020 Fiscal year	2019/20	2020/21	2021/22	2022/23	2023/24
CPI Inflation	4.1%	3.3%	3.9%	4.2%	4.4%

## 1) **Budget Assumptions**

### National Assumptions

- Cost containment measures as per Government Gazette No 41445 issued in February 2019.
- 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 10% 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.

### District Assumptions

1. Curbing of increasing costs for security and fleet services
2. Curbing increase of operating expenditure to 3.9% which is in line with increased revenues
3. Implementing additional cost containment measures in order to make sure that the budget for 2021/22 financial year is funded and to budget for operating surplus in outer years



4. Prioritising contractual obligations
5. Employee costs increase provided for at 6.% pending finalisation of the collective agreement

## **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 increased by 10% for municipal service and other revenue sources tariffs are also to be increased by 10%, last year tariffs were decreased by 8%, reality is that the tariffs were not cost reflective and by this increment, the municipality is trying to address this.

### **Budget Surplus**

- The municipality has budgeted for a surplus in all the 2021/22 MTREF financial years
- 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:
  - ✓ 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% while awaiting for final negotiations on the wage curve
- 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	Total Adjustment budget (Feb)	Final budget 2021/2022	2022/2023	2023/2024
3405	Service charges	- 85 580 927.00	- 95 911 202.90	- 105 502 323.19	- 116 052 555.51
3405	Interest income	- 14 160 216.00	- 17 485 843.84	- 18 235 825.51	- 19 056 437.66
3405	Other revenue	- 92 540 830.19	- 17 536 828.10	- 19 164 766.56	- 20 949 211.64
3405	Operating grants	- 997 042 853.96	- 982 113 000.00	- 1 016 668 000.00	- 1 036 432 990.00
<b>Total operating revenue</b>		<b>-1 189 324 827.15</b>	<b>-1 113 046 874.84</b>	<b>-1 159 570 915.26</b>	<b>-1 192 491 194.81</b>
<b>Total Capital Budget</b>		<b>Total Adjustment budget (Feb)</b>	<b>Final budget 2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>
	MIG	359 556 799.00	413 560 002.00	475 578 002.00	499 222 012.00
	RRAMS	2 310 000.00	2 341 000.00	2 453 000.00	2 460 000.00
	WSIG	53 471 000.00	-	61 652 000.00	64 425 000.00
	RBIG	40 221 000.00	-	-	-
<b>Total Conditional Grants</b>		<b>455 558 799.00</b>	<b>415 901 002.00</b>	<b>539 683 002.00</b>	<b>566 107 012.00</b>
	SDM	50 026 122.00	8 100 000.00	2 000 000.00	-
<b>Total Capital Grants</b>		<b>505 584 921.00</b>	<b>424 001 002.00</b>	<b>541 683 002.00</b>	<b>566 107 012.00</b>
<b>Total operating revenue</b>		<b>- 1 644 883 626.15</b>	<b>- 1 528 947 876.84</b>	<b>- 1 699 253 917.26</b>	<b>- 1 758 598 206.81</b>

- Operating revenue decreases from **R1.189 billion** to **R1.113 billion** in the 2021/22 financial year and increases to **R1.192 billion** in the 2023/24 financial year.

- The decrease from the adjusted budget is due to the once off special covid19 equitable shares received in 2020/21 of R105 million, to assist the municipality.
- Our 2019/2019 tariffs were not cost reflective, in 2020/2021 the same tariffs were reduced by 8%. In 2021/2022 tariffs were increased by 10% in real terms tariffs were increased by an average of 2% in the three years from 2019/2020 to 2021/2022. These tariffs are still not cost reflective at it cost the municipality R19.30 per kilolitre, and municipality is supplying at R13.67 per Kilolitre for the first 6kiloliters.
- The municipality has for the 2021/22 financial year been allocated R50 million in-kind by the National Treasury for the Water Services Infrastructure Grant, which was erroneously included in the total draft annual revenue budget of the municipality in March 2021, the error was rectified both in the finalization of this budget. The R50 million WSIG annual allocation has since been removed in both the total annual revenue budget and expenditure of the municipality for the 2021/22 financial year, the adjustments did not have any impact of the funding position of the municipality as the adjustment had a zero net effect on both the revenue and expenditure.
- Capital revenue decreases from **R505.8 million** to **R424 million** in the 2021/22 financial year and increases to **R566.4 million** in 2023/24 financial year.

## b) DEPARTMENTAL EXPENDITURE

Operating expenditure		Total Adjustment budget (Feb)	Final budget 2021/2022	2022/2023	2023/2024
3105	Executive Council - Speaker's office	39 166 728.00	42 272 943.82	44 051 523.74	46 584 152.09
3205	Executive Mayor's office	31 962 406.00	38 753 120.38	44 200 307.60	49 905 326.06
3305	Municipal Manager's office	86 947 191.00	73 779 906.36	92 273 958.78	81 893 697.58
3405	Budget and Treasury	206 923 230.00	200 655 146.72	209 892 934.29	220 090 798.34
3510	Infrastructure and Water Services	539 483 740.00	530 524 592.90	534 563 736.82	559 122 475.18
3605	Planning and Econ Development	10 221 262.00	16 635 057.72	22 150 561.18	20 991 794.85
3705	Community services	63 649 079.00	70 987 803.37	74 983 562.16	79 233 944.34
3805	Sekhukhune Development Agency	5 800 000.00	4 537 800.00	4 719 312.00	4 931 681.04
3905	Corporate Services	112 987 126.00	125 385 930.01	129 111 903.17	129 322 573.48
<b>Total operating expenditure</b>		<b>1 097 140 762.00</b>	<b>1 103 532 301.28</b>	<b>1 155 947 799.74</b>	<b>1 192 076 442.97</b>

- The departmental allocations on operating expenditure amounted to **R1.103 billion** in the 2021/22 and increases to **R1.192 billion** in the 2023/24 financial year.
- 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 – **R130 million**
  - ✓ Eskom- **R60 million**
  - ✓ Security – **R30 million**
  - ✓ Depreciation and impairments – **R102.5 million**
  - ✓ Fleet management – **R32.5 million**
  - ✓ Repairs and maintenance – **R61.1 million**
- Included in the operating expenditure is the anticipated cost for VIP sanitation amounting to **R70 million** which is wholly funded by the MIG grant

#### **Highlights of other expense allocation**

- The amount of **R6.8 million** has been allocated for legal fees
- An amount **R4.5 million** is set aside for operations of SDA.
- The external bursaries allocated at **R692 thousand** and internal allocated **R591 thousand** to encourage staff empowering.
- The amount of **R12 million** allocated for lease costs (Property rentals and equipment rentals).

#### **c) CAPITAL EXPENDITURE**

Total Capital Budget		Total Adjustment budget (Feb)	Final budget 2021/2022	2022/2023	2023/2024
	MIG	359 556 799.00	413 560 002.00	475 578 002.00	499 222 012.00
	RRAMS	2 310 000.00	2 341 000.00	2 453 000.00	2 460 000.00
	WSIG	53 471 000.00	-	61 652 000.00	64 425 000.00
	RBIG	40 221 000.00	-	-	-
<b>Total Conditional Grants</b>		<b>455 558 799.00</b>	<b>415 901 002.00</b>	<b>539 683 002.00</b>	<b>566 107 012.00</b>
	SDM	50 026 122.00	8 100 000.00	2 000 000.00	-
<b>Total Capital Grants</b>		<b>505 584 921.00</b>	<b>424 001 002.00</b>	<b>541 683 002.00</b>	<b>566 107 012.00</b>

- Capital expenditure funded from own funds is allocated **R8.1 million** in the 2021/22 financial year and it decreases to **R0** in the 2023/24 financial year.
- Included in capital expenditure from own funding is the following:
  - ✓ Water tankers - R3.9 million.
  - ✓ Purchasing of Offices in Elias Motswaledi - R2.2 million.
  - ✓ Computers - R2.2 million.
- The total capital expenditure funded from conditional grants decreases from **R505.6 million** to **R424 million** in the 2021/22 due to WSIG being an indirect grant (schedule 6B) caused by poor spending in the past 3 years. Funding for capital grants increases to **R566.4 million** in the 2023/24 financial year due to increase in MIG and WSIG changed to a direct grant (schedule 5B)
- The **WSIG** is changed to a R50 million indirect grant (In-kind) (schedule 6B of DoRA) in 2021 due to poor spending patterns for the past 3 years.
- The **MIG** is allocated **R 504 million** for capital projects in the 2021/22 financial year and other funds have been budgeted for MIG overheads and VIP sanitation.
- **RRAMS** is allocated **R2.3 million** in the 2021/22 and it increases to **R2.5 million** in the 2023/24 financial year.

#### d) ACCUMULATED SURPLUS AND BUDGET FUNDING

Code	Description	Total Adjustment budget (Feb)	Final budget 2021/2022	2022/2023	2023/2024
3405	Service charges	- 85 580 927.00	- 95 911 202.90	- 105 502 323.19	- 116 052 555.51
3405	Interest income	- 14 160 216.00	- 17 485 843.84	- 18 235 825.51	- 19 056 437.66
3405	Other revenue	- 92 540 830.19	- 17 536 828.10	- 19 164 766.56	- 20 949 211.64
3405	Operating grants	- 997 042 853.96	- 982 113 000.00	- 1 016 668 000.00	- 1 036 432 990.00
<b>Total operating revenue</b>		<b>-1 189 324 827.15</b>	<b>-1 113 046 874.84</b>	<b>-1 159 570 915.26</b>	<b>-1 192 491 194.81</b>
Operating expenditure		Total Adjustment budget (Feb)	Final budget 2021/2022	2022/2023	2023/2024
3105	Executive Council - Speaker's office	39 166 728.00	42 272 943.82	44 051 523.74	46 584 152.09
3205	Executive Mayor's office	31 962 406.00	38 753 120.38	44 200 307.60	49 905 326.06
3305	Municipal Manager's office	86 947 191.00	73 779 906.36	92 273 958.78	81 893 697.58
3405	Budget and Treasury	206 923 230.00	200 655 146.72	209 892 934.29	220 090 798.34

3510	Infrastructure and Water Services	539 483 740.00	530 524 592.90	534 563 736.82	559 122 475.18
3605	Planning and Econ Development	10 221 262.00	16 635 057.72	22 150 561.18	20 991 794.85
3705	Community services	63 649 079.00	70 987 803.37	74 983 562.16	79 233 944.34
3805	Sekhukhune Development Agency	5 800 000.00	4 537 800.00	4 719 312.00	4 931 681.04
3905	Corporate Services	112 987 126.00	125 385 930.01	129 111 903.17	129 322 573.48
<b>Total operating expenditure</b>		<b>1 097 140 762.00</b>	<b>1 103 532 301.28</b>	<b>1 155 947 799.74</b>	<b>1 192 076 442.97</b>
<b>SDM Funded projects</b>		<b>50 026 122.00</b>	<b>8 100 000.00</b>	<b>2 000 000.00</b>	<b>-</b>
<b>Surplus/Deficit</b>		<b>- 42 157 943.15</b>	<b>- 1 414 573.56</b>	<b>- 1 623 115.52</b>	<b>- 414 751.84</b>

- The municipality's total operational revenue is **R1.113 billion** and total operational expenditure is **R1.103 billion** resulting in an operating surplus of **R1.414 million** in 2021/22 financial year and increases to an operating surplus of **R414 thousand** in 2023/24 in financial year.
- 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.
- The municipality is expected to receive 100% of its total annual budgeted government grants and transfers.
- The annual budgeted revenue from the interest on short-term investments is also anticipated to be collected 100% in the 2021/22 financial year, plans are already in place to invest in short term investments the uncommitted amounts budgeted for expenditure later in the financial year.
- Collection on water services is also expected to increase in the 2021/22 financial year, plans are in place to implement strict revenue collection measures such as limiting the water supply to the non-paying customers.
- Collection on other income is also expected at 100% from sales of tender documents.
- The billed revenue on water services will be used to fund the non-cash items like depreciation and debt impairment.



## 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 **R4.5 million** to the agency. The funds are allocated to salaries and other operational expenses.

## -1.4 Capital expenditure

### Capital Budget

Capital expenditure funded from own funds is allocated **R8.1 million** in the 2021/22 financial year and it decreases to **R0** in the 2023/24 financial year

Included in capital expenditure from own funding is the following:

- ✓ Purchase of Water Tankers R3.9 million
- ✓ Purchase of new offices in Elias Motswaledi R2.2 million
- ✓ Computers R2 million

The total capital expenditure funded from conditional grants decreased from **R505 million** to **R424 million** in the 2021/22 due to the non-allocation of the RBIG and the R50 million in-kind allocation on WSIG. Funding for capital grants increases to **R566.4 million** in the 2023/24 financial year due to decrease in WSIG funding.

The **WSIG** is a grant in kind in the 2021/22 financial due to poor spending patterns for the past 3 years compared to **R53.4 million** in the previous year.

The **MIG** is allocated **R504 million** for capital projects in the 2021/22 financial year and other funds have been budgeted for MIG overheads and VIP sanitation.

**RRAMS** is allocated **R2.3 million** in the 2021/22 and it increases to **R2.5 million** in the 2023/24 financial year.

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.

## 1.5 Budget Tables (A1 – A10)

DC47 Sekhukhune - Table A1 Consolidated Budget Summary

Description	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	72 398	86 095	94 841	100 460	85 581	85 581	70 699	95 858	105 444	115 988
Investment revenue	2 232	2 264	9 890	13 160	14 160	14 160	12 241	17 486	18 236	19 056
Transfers recognised - operational	1 100 439	1 194 613	859 189	914 290	977 973	977 973	961 026	982 113	1 016 668	1 036 433
Other own revenue	26 117	36 754	18 655	12 145	92 541	92 541	91 959	17 590	19 223	21 013
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 201 187</b>	<b>1 319 726</b>	<b>982 574</b>	<b>1 040 056</b>	<b>1 170 255</b>	<b>1 170 255</b>	<b>1 135 924</b>	<b>1 113 047</b>	<b>1 159 571</b>	<b>1 192 491</b>
Employee costs	324 896	373 155	395 223	400 081	405 288	405 288	337 082	433 127	456 892	484 063
Remuneration of councillors	17 171	16 598	15 467	17 293	17 293	17 293	12 222	18 330	19 430	20 596
Depreciation & asset impairment	94 287	101 040	122 230	90 341	115 341	115 341	–	102 514	106 717	111 520
Finance charges	3 397	347	–	471	471	471	–	490	510	533
Inventory consumed and bulk purchases	–	12 466	25 651	4 711	4 711	4 711	21 174	177 905	185 714	194 069
Transfers and grants	6 587	7 416	3 497	4 300	5 800	5 800	1 962	758	944	992
Other expenditure	366 236	376 707	376 167	273 617	384 849	384 849	274 721	370 407	385 740	380 303
<b>Total Expenditure</b>	<b>812 573</b>	<b>887 728</b>	<b>938 234</b>	<b>790 813</b>	<b>933 752</b>	<b>933 752</b>	<b>647 162</b>	<b>1 103 532</b>	<b>1 155 948</b>	<b>1 192 076</b>
<b>Surplus/(Deficit)</b>	<b>388 613</b>	<b>431 999</b>	<b>44 340</b>	<b>249 243</b>	<b>236 503</b>	<b>236 503</b>	<b>488 763</b>	<b>9 515</b>	<b>3 623</b>	<b>415</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	–	125 779	443 917	459 586	455 559	455 559	368 431	415 901	539 683	566 107
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	152 108	697	708	–	–	–	1 208	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>540 722</b>	<b>558 475</b>	<b>–</b>	<b>708 829</b>	<b>692 062</b>	<b>692 062</b>	<b>858 402</b>	<b>425 416</b>	<b>543 306</b>	<b>566 522</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>540 722</b>	<b>558 475</b>	<b>–</b>	<b>708 829</b>	<b>692 062</b>	<b>692 062</b>	<b>858 402</b>	<b>425 416</b>	<b>543 306</b>	<b>566 522</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>348 038</b>	<b>457 493</b>	<b>390 198</b>	<b>466 886</b>	<b>505 585</b>	<b>505 585</b>	<b>345 885</b>	<b>424 001</b>	<b>541 683</b>	<b>566 107</b>
Transfers recognised - capital	<b>346 343</b>	<b>449 104</b>	<b>386 878</b>	<b>459 586</b>	<b>455 559</b>	<b>455 559</b>	<b>337 005</b>	<b>415 901</b>	<b>539 683</b>	<b>566 107</b>
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	8 741	3 320	7 300	50 026	50 026	8 879	8 100	2 000	–
<b>Total sources of capital funds</b>	<b>346 343</b>	<b>457 844</b>	<b>390 198</b>	<b>466 886</b>	<b>505 585</b>	<b>505 585</b>	<b>345 885</b>	<b>424 001</b>	<b>541 683</b>	<b>566 107</b>
<b>Financial position</b>										
Total current assets	<b>188 192</b>	<b>242 622</b>	<b>447 981</b>	<b>505 642</b>	<b>363 446</b>	<b>363 446</b>	<b>473 485</b>	<b>489 647</b>	<b>566 769</b>	<b>656 917</b>
Total non current assets	<b>3 029 327</b>	<b>3 417 918</b>	<b>3 552 764</b>	<b>3 784 066</b>	<b>3 794 805</b>	<b>3 794 805</b>	<b>4 257 816</b>	<b>3 713 221</b>	<b>3 969 050</b>	<b>4 140 851</b>
Total current liabilities	<b>393 632</b>	<b>489 443</b>	<b>526 636</b>	<b>184 315</b>	<b>233 249</b>	<b>233 249</b>	<b>550 881</b>	<b>224 315</b>	<b>194 496</b>	<b>164 689</b>
Total non current liabilities	<b>44 997</b>	<b>53 030</b>	<b>53 508</b>	<b>51 803</b>	<b>51 803</b>	<b>51 803</b>	<b>53 508</b>	<b>51 803</b>	<b>53 978</b>	<b>56 299</b>
Community wealth/Equity	<b>2 778 890</b>	<b>3 118 067</b>	<b>3 420 601</b>	<b>4 053 591</b>	<b>3 873 200</b>	<b>3 873 200</b>	<b>4 126 911</b>	<b>3 926 751</b>	<b>4 287 345</b>	<b>4 576 780</b>
<b>Cash flows</b>										
Net cash from (used) operating	–	–	–	888 308	627 640	627 640	(598 770)	478 861	593 032	614 322
Net cash from (used) investing	<b>85 129</b>	(26 261)	(177 161)	585 178	505 957	505 957	614 056	(423 591)	(541 233)	(565 611)
Net cash from (used) financing	<b>(3 809)</b>	(400)	(162)	57	–	–	(230)	–	181	193
<b>Cash/cash equivalents at the year end</b>	<b>80 833</b>	<b>(8 412)</b>	<b>(165 162)</b>	<b>1 430 901</b>	<b>1 195 978</b>	<b>1 195 978</b>	<b>15 056</b>	<b>236 446</b>	<b>288 427</b>	<b>337 331</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	<b>103 378</b>	<b>71 029</b>	<b>62 405</b>	<b>259 291</b>	<b>110 415</b>	<b>110 415</b>	<b>407 142</b>	<b>236 447</b>	<b>288 428</b>	<b>337 332</b>
Application of cash and investments	<b>362 872</b>	<b>446 861</b>	<b>469 410</b>	<b>101 333</b>	<b>95 078</b>	<b>95 078</b>	<b>250 340</b>	<b>168 812</b>	<b>143 987</b>	<b>115 700</b>
<b>Balance - surplus (shortfall)</b>	<b>(259 494)</b>	<b>(375 832)</b>	<b>(407 005)</b>	<b>157 958</b>	<b>15 337</b>	<b>15 337</b>	<b>156 802</b>	<b>67 635</b>	<b>144 441</b>	<b>221 632</b>
<b>Asset management</b>										
Asset register summary (WDV)	<b>1 895 240</b>	<b>2 233 022</b>	<b>2 388 135</b>	<b>2 658 038</b>	<b>2 668 777</b>	<b>2 668 777</b>	<b>2 668 777</b>	<b>2 587 193</b>	<b>2 795 729</b>	<b>2 917 077</b>
Depreciation	<b>94 287</b>	<b>101 040</b>	<b>122 230</b>	<b>90 341</b>	<b>115 341</b>	<b>115 341</b>	<b>115 341</b>	<b>102 514</b>	<b>106 717</b>	<b>111 520</b>
Renewal and Upgrading of Existing Assets	<b>20 028</b>	<b>5 086</b>	<b>105 684</b>	<b>85 397</b>	<b>134 487</b>	<b>134 487</b>	<b>134 487</b>	<b>34 928</b>	<b>15 605</b>	<b>11 460</b>
Repairs and Maintenance	<b>120 470</b>	<b>119 285</b>	<b>99 306</b>	<b>77 373</b>	<b>142 878</b>	<b>142 878</b>	<b>142 878</b>	<b>130 174</b>	<b>113 313</b>	<b>115 662</b>
<b>Free services</b>										
<b>Households below minimum service level</b>										
Water:	–	–	83	–	–	–	–	–	–	–

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

Functional Classification Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Revenue - Functional</b>										
<b>Governance and administration</b>		1 353 093	1 446 205	1 427 200	1 499 642	1 625 813	1 625 813	1 528 948	1 699 254	1 758 598
Executive and council		(3)	(2)	–	–	–	–	–	–	–
Finance and administration		1 353 096	1 446 207	1 427 200	1 499 642	1 625 813	1 625 813	1 528 948	1 699 254	1 758 598
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>		202	(3)	–	–	–	–	–	–	–
Energy sources		–	–	–	–	–	–	–	–	–
Water management		(3)	(3)	–	–	–	–	–	–	–
Waste water management		205	–	–	–	–	–	–	–	–
<b>Other</b>	4	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>	2	1 353 295	1 446 202	1 427 200	1 499 642	1 625 813	1 625 813	1 528 948	1 699 254	1 758 598
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		455 347	510 187	466 709	473 400	541 975	541 975	551 835	594 514	607 030
Executive and council		121 336	151 009	159 845	135 484	158 416	158 416	154 806	180 526	178 383
Finance and administration		334 011	359 178	306 864	337 917	383 559	383 559	397 029	413 988	428 647
<b>Economic and environmental services</b>		13 364	14 282	11 038	14 690	16 190	16 190	21 173	26 870	25 923
Planning and development		13 364	14 282	11 038	14 690	16 190	16 190	21 173	26 870	25 923
Road transport		–	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–
<b>Trading services</b>		501 932	589 296	587 871	450 538	539 484	539 484	530 525	534 564	559 122
Energy sources		–	–	–	–	–	–	–	–	–
Water management		492 958	577 510	569 516	450 538	539 484	539 484	530 525	534 564	559 122
Waste water management		8 975	11 786	18 354	–	–	–	–	–	–
Waste management		–	–	–	–	–	–	–	–	–
<b>Other</b>	4	–	–	–	–	–	–	–	–	–
<b>Total Expenditure - Functional</b>	3	970 644	1 113 765	1 065 618	938 629	1 097 649	1 097 649	1 103 532	1 155 948	1 192 076
<b>Surplus/(Deficit) for the year</b>		382 651	332 437	361 582	561 013	528 164	528 164	425 416	543 306	566 522

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

Vote Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 01 - Speakers Office		–	–	–	–	–	–	–	–	–
Vote 02 - Executive Mayor's Office		–	–	–	–	–	–	–	–	–
Vote 03 - Municipal Manager Office		(3)	(2)	–	–	–	–	–	–	–
Vote 04 - Budget And Treasury		1 353 096	1 446 223	1 427 200	1 499 642	1 625 813	1 625 813	1 528 948	1 699 254	1 758 598
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		–	–	–	–	–	–	–	–	–
<b>Total Revenue by Vote</b>	2	<b>1 353 295</b>	<b>1 446 202</b>	<b>1 427 200</b>	<b>1 499 642</b>	<b>1 625 813</b>	<b>1 625 813</b>	<b>1 528 948</b>	<b>1 699 254</b>	<b>1 758 598</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 01 - Speakers Office		35 052	35 925	35 236	39 167	39 167	39 167	42 273	44 052	46 584
Vote 02 - Executive Mayor's Office		33 618	32 560	31 158	31 571	32 302	32 302	38 753	44 200	49 905
Vote 03 - Municipal Manager Office		52 666	82 524	93 451	64 746	86 947	86 947	73 780	92 274	81 894
Vote 04 - Budget And Treasury		157 790	179 504	113 129	173 622	206 923	206 923	200 655	209 893	220 091
Vote 05 - Infrastructure And Water Services		501 932	589 296	587 871	450 538	539 484	539 484	530 525	534 564	559 122
Vote 06 - Planning And Economic Development		10 047	10 583	7 541	10 390	10 390	10 390	16 635	22 151	20 992
Vote 07 - Community Services		53 349	59 032	63 650	63 493	63 649	63 649	70 988	74 984	79 234
Vote 08 - Sekhukhune Development Angancy		3 317	3 699	3 497	4 300	5 800	5 800	4 538	4 719	4 932
Vote 09 - Corporate Services		122 872	120 643	130 085	100 801	112 987	112 987	125 386	129 112	129 323
<b>Total Expenditure by Vote</b>	2	<b>970 644</b>	<b>1 113 765</b>	<b>1 065 618</b>	<b>938 629</b>	<b>1 097 649</b>	<b>1 097 649</b>	<b>1 103 532</b>	<b>1 155 948</b>	<b>1 192 076</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>382 651</b>	<b>332 437</b>	<b>361 582</b>	<b>561 013</b>	<b>528 164</b>	<b>528 164</b>	<b>425 416</b>	<b>543 306</b>	<b>566 522</b>

DC47 Sekhukhune - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Revenue By Source</b>											
Property rates	2	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	–	–	–	90	–	–	–	–	–	–
Service charges - water revenue	2	59 633	73 837	81 947	83 241	73 504	73 504	60 350	82 323	90 556	99 611
Service charges - sanitation revenue	2	12 765	12 257	12 894	17 129	12 077	12 077	10 348	13 535	14 888	16 377
Interest earned - external investments		2 232	2 264	9 890	13 160	14 160	14 160	12 241	17 486	18 236	19 056
Interest earned - outstanding debtors		17 895	21 580	16 996	9 724	12 724	12 724	10 574	13 996	15 396	16 936
Fines, penalties and forfeits		10	(56)	63	52	52	52	4	108	119	130
Transfers and subsidies		1 100 439	1 194 613	859 189	914 290	977 973	977 973	961 026	982 113	1 016 668	1 036 433
Other revenue	2	11 556	14 714	1 596	1 997	79 392	79 392	81 381	3 076	3 258	3 452
Gains		(3 344)	516	–	372	372	372	–	410	450	496
Total Revenue (excluding capital transfers and contributions)		1 201 187	1 319 726	982 574	1 040 056	1 170 255	1 170 255	1 135 924	1 113 047	1 159 571	1 192 491
<b>Expenditure By Type</b>											
Employee related costs	2	324 896	373 155	395 223	400 081	405 288	405 288	337 082	433 127	456 892	484 063
Remuneration of councillors		17 171	16 598	15 467	17 293	17 293	17 293	12 222	18 330	19 430	20 596
Debt impairment	3	–	–	2 630	15 000	15 000	15 000	67	10 615	11 050	11 547
Depreciation & asset impairment	2	94 287	101 040	122 230	90 341	115 341	115 341	–	102 514	106 717	111 520
Finance charges		3 397	347	–	471	471	471	–	490	510	533
Inventory consumed	8	–	12 466	25 651	4 711	4 711	4 711	21 174	177 905	185 714	194 069
Contracted services		221 863	225 863	180 217	137 760	222 510	222 510	144 501	203 430	205 459	202 589
Transfers and subsidies		6 587	7 416	3 497	4 300	5 800	5 800	1 962	758	944	992
Other expenditure	4, 5	144 373	146 801	148 237	120 857	147 338	147 338	130 154	156 362	169 231	166 166
Losses		–	4 044	45 083	–	–	–	–	–	–	–
Total Expenditure		812 573	887 728	938 234	790 813	933 752	933 752	647 162	1 103 532	1 155 948	1 192 076
Surplus/(Deficit)		388 613	431 999	44 340	249 243	236 503	236 503	488 763	9 515	3 623	415
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		–	125 779	443 917	459 586	455 559	455 559	368 431	415 901	539 683	566 107
Transfers and subsidies - capital (in-kind - all)		152 108	697	708	–	–	–	1 202	–	–	–
Surplus/(Deficit) after capital transfers & contributions		540 722	558 475	488 965	708 829	692 062	692 062	858 402	425 416	543 306	566 522
Surplus/(Deficit) after taxation		540 722	558 475	488 965	708 829	692 062	692 062	858 402	425 416	543 306	566 522
Surplus/(Deficit) attributable to municipality		540 722	558 475	488 965	708 829	692 062	692 062	858 402	425 416	543 306	566 522
Surplus/(Deficit) for the year		540 722	558 475	488 965	708 829	692 062	692 062	858 402	425 416	543 306	566 522

**DC47 Sekhukhune - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding**

Vote Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Capital expenditure - Vote</b>											
<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	390 198	466 886	505 585	505 585	345 885	424 001	541 683	566 107
Vote 06 - Planning And Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 07 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 08 - Sekhukhune Development Angancy		-	-	-	-	-	-	-	-	-	-
Vote 09 - Corporate Services		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>348 038</b>	<b>457 493</b>	<b>390 198</b>	<b>466 886</b>	<b>505 585</b>	<b>505 585</b>	<b>345 885</b>	<b>424 001</b>	<b>541 683</b>	<b>566 107</b>
<b>Total Capital Expenditure - Vote</b>		<b>348 038</b>	<b>457 493</b>	<b>390 198</b>	<b>466 886</b>	<b>505 585</b>	<b>505 585</b>	<b>345 885</b>	<b>424 001</b>	<b>541 683</b>	<b>566 107</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>348 038</b>	<b>457 493</b>	<b>390 198</b>	<b>466 886</b>	<b>505 585</b>	<b>505 585</b>	<b>345 885</b>	<b>424 001</b>	<b>541 683</b>	<b>566 107</b>
Water management		312 526	446 548	390 198	466 886	505 585	505 585	345 885	424 001	541 683	566 107
Waste water management		35 513	10 945	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	<b>348 038</b>	<b>457 493</b>	<b>390 198</b>	<b>466 886</b>	<b>505 585</b>	<b>505 585</b>	<b>345 885</b>	<b>424 001</b>	<b>541 683</b>	<b>566 107</b>
<b>Funded by:</b>											
National Government		346 343	449 104	386 878	459 586	455 559	455 559	337 005	415 901	539 683	566 107
<b>Transfers recognised - capital</b>	4	<b>346 343</b>	<b>449 104</b>	<b>386 878</b>	<b>459 586</b>	<b>455 559</b>	<b>455 559</b>	<b>337 005</b>	<b>415 901</b>	<b>539 683</b>	<b>566 107</b>
<b>Internally generated funds</b>		-	8 741	3 320	7 300	50 026	50 026	8 879	8 100	2 000	-
<b>Total Capital Funding</b>	7	<b>346 343</b>	<b>457 844</b>	<b>390 198</b>	<b>466 886</b>	<b>505 585</b>	<b>505 585</b>	<b>345 885</b>	<b>424 001</b>	<b>541 683</b>	<b>566 107</b>



**DC47 Sekhukhune - Table A6 Consolidated Budgeted Financial Position**

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 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 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		18 248	12 160	30 717	259 290	110 414	110 414	16 286	236 446	288 427	337 331
Call investment deposits	1	1	1	149 981	1	1	1	149 981	1	1	1
Consumer debtors	1	59 159	119 368	124 776	113 891	120 559	120 559	158 683	120 559	125 622	131 024
Other debtors		84 523	88 873	110 660	92 568	92 580	92 580	116 974	92 568	96 456	100 604
Inventory	2	26 261	22 220	31 847	39 892	39 892	39 892	31 561	40 073	56 262	87 958
<b>Total current assets</b>		<b>188 192</b>	<b>242 622</b>	<b>447 981</b>	<b>505 642</b>	<b>363 446</b>	<b>363 446</b>	<b>473 485</b>	<b>489 647</b>	<b>566 769</b>	<b>656 917</b>
<b>Non current assets</b>											
Investments		85 129	58 868	(118 292)	–	–	–	240 875	–	–	–
Property, plant and equipment	3	2 944 198	3 359 050	3 671 056	3 784 066	3 794 805	3 794 805	4 016 941	3 713 221	3 969 050	4 140 851
<b>Total non current assets</b>		<b>3 029 327</b>	<b>3 417 918</b>	<b>3 552 764</b>	<b>3 784 066</b>	<b>3 794 805</b>	<b>3 794 805</b>	<b>4 257 816</b>	<b>3 713 221</b>	<b>3 969 050</b>	<b>4 140 851</b>
<b>TOTAL ASSETS</b>		<b>3 217 519</b>	<b>3 660 540</b>	<b>4 000 745</b>	<b>4 289 709</b>	<b>4 158 251</b>	<b>4 158 251</b>	<b>4 731 301</b>	<b>4 202 868</b>	<b>4 535 819</b>	<b>4 797 769</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1										
Borrowing	4	17 244	–	–	–	–	–	–	–	–	–
Consumer deposits		3 809	4 209	4 371	4 315	4 315	4 315	4 602	4 315	4 496	4 689
Trade and other payables	4	372 579	485 234	522 265	180 000	228 934	228 934	546 280	220 000	190 000	160 000
Provisions		–	–	–	–	–	–	–	–	–	–
<b>Total current liabilities</b>		<b>393 632</b>	<b>489 443</b>	<b>526 636</b>	<b>184 315</b>	<b>233 249</b>	<b>233 249</b>	<b>550 881</b>	<b>224 315</b>	<b>194 496</b>	<b>164 689</b>
<b>Non current liabilities</b>											
Borrowing		941	1 228	3 322	–	–	–	3 322	–	–	–
Provisions		44 055	51 803	50 186	51 803	51 803	51 803	50 186	51 803	53 978	56 299
<b>Total non current liabilities</b>		<b>44 997</b>	<b>53 030</b>	<b>53 508</b>	<b>51 803</b>	<b>51 803</b>	<b>51 803</b>	<b>53 508</b>	<b>51 803</b>	<b>53 978</b>	<b>56 299</b>
<b>TOTAL LIABILITIES</b>		<b>438 629</b>	<b>542 473</b>	<b>580 144</b>	<b>236 117</b>	<b>285 052</b>	<b>285 052</b>	<b>604 390</b>	<b>276 117</b>	<b>248 474</b>	<b>220 989</b>
<b>NET ASSETS</b>	5	<b>2 778 890</b>	<b>3 118 067</b>	<b>3 420 601</b>	<b>4 053 591</b>	<b>3 873 200</b>	<b>3 873 200</b>	<b>4 126 911</b>	<b>3 926 751</b>	<b>4 287 345</b>	<b>4 576 780</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		2 778 890	3 118 067	3 420 601	4 053 591	3 873 200	3 873 200	4 126 911	3 926 751	4 287 345	4 576 780
Reserves	4	–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>2 778 890</b>	<b>3 118 067</b>	<b>3 420 601</b>	<b>4 053 591</b>	<b>3 873 200</b>	<b>3 873 200</b>	<b>4 126 911</b>	<b>3 926 751</b>	<b>4 287 345</b>	<b>4 576 780</b>

**DC47 Sekhukhune - Table A7 Consolidated Budgeted Cash Flows**

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		-	-	-	372	-	-	-	-	-	-
Service charges		-	-	-	40 346	33 965	33 965	48 072	36 182	38 265	40 518
Other revenue		-	-	-	2 046	94 346	94 346	88 914	17 486	18 236	20 949
Transfers and Subsidies - Operational	1	-	-	-	914 290	997 043	997 043	4 720	982 113	1 016 668	1 036 433
Transfers and Subsidies - Capital	1	-	-	-	459 462	455 435	455 435	365 494	415 997	539 808	566 374
Interest		-	-	-	13 160	14 160	14 160	-	17 486	18 236	19 056
Dividends									-	-	-
<b>Payments</b>											
Suppliers and employees		-	-	-	(541 368)	(967 308)	(967 308)	(1 105 970)	(990 403)	(1 038 180)	(1 069 009)
Finance charges									-	-	-
Transfers and Grants	1								-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	-	888 308	627 640	627 640	(598 770)	478 861	593 032	614 322
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-	-	-	372	372	-	410	450	496
Decrease (increase) in non-current investments		85 129	(26 261)	(177 161)	118 292	-	-	359 167	-	-	-
<b>Payments</b>											
Capital assets		-	-	-	466 886	505 585	505 585	254 889	(424 001)	(541 683)	(566 107)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		85 129	(26 261)	(177 161)	585 178	505 957	505 957	614 056	(423 591)	(541 233)	(565 611)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Increase (decrease) in consumer deposits		(3 809)	(400)	(162)	57	-	-	(230)	-	181	193
<b>Payments</b>											
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		(3 809)	(400)	(162)	57	-	-	(230)	-	181	193
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		81 321	(26 662)	(177 323)	1 473 543	1 133 597	1 133 597	15 056	55 269	51 981	48 904
Cash/cash equivalents at the year begin:	2	(488)	18 249	12 161	(42 643)	62 380	62 380	-	181 177	236 446	288 427
Cash/cash equivalents at the year end:	2	80 833	(8 412)	(165 162)	1 430 901	1 195 978	1 195 978	15 056	236 446	288 427	337 331

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

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	80 833	(8 412)	(165 162)	1 430 901	1 195 978	1 195 978	15 056	236 446	288 427	337 331
Other current investments > 90 days		(62 584)	20 573	345 860	(1 171 610)	(1 085 562)	(1 085 562)	151 211	1	1	1
Non current assets - Investments	1	85 129	58 868	(118 292)	-	-	-	240 875	-	-	-
<b>Cash and investments available:</b>		<b>103 378</b>	<b>71 029</b>	<b>62 405</b>	<b>259 291</b>	<b>110 415</b>	<b>110 415</b>	<b>407 142</b>	<b>236 447</b>	<b>288 428</b>	<b>337 332</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		45 019	61 053	68 934	20 000	68 934	68 934	187 990	20 000	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	20 000	25 000	30 000
Other working capital requirements	3	317 853	385 808	400 476	81 333	6 144	6 144	62 350	98 812	88 987	55 700
Other provisions		-	-	-	-	20 000	20 000	-	30 000	30 000	30 000
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>362 872</b>	<b>446 861</b>	<b>469 410</b>	<b>101 333</b>	<b>95 078</b>	<b>95 078</b>	<b>250 340</b>	<b>168 812</b>	<b>143 987</b>	<b>115 700</b>
<b>Surplus(shortfall)</b>		<b>(259 494)</b>	<b>(375 832)</b>	<b>(407 005)</b>	<b>157 958</b>	<b>15 337</b>	<b>15 337</b>	<b>156 802</b>	<b>67 635</b>	<b>144 441</b>	<b>221 632</b>
<b>Other working capital requirements</b>											
Debtors		-	-	-	78 667	153 856	153 856	232 152	101 188	101 013	104 300
Creditors due		317 853	385 808	400 476	160 000	160 000	160 000	294 502	200 000	190 000	160 000
<b>Total</b>		<b>(317 853)</b>	<b>(385 808)</b>	<b>(400 476)</b>	<b>(81 333)</b>	<b>(6 144)</b>	<b>(6 144)</b>	<b>(62 350)</b>	<b>(98 812)</b>	<b>(88 987)</b>	<b>(55 700)</b>
<b>Debtors collection assumptions</b>											
Balance outstanding - debtors		143 681	208 241	235 436	206 459	213 139	213 139	275 657	213 127	222 078	231 628
Estimate of debtors collection rate		0.0%	0.0%	0.0%	38.1%	72.2%	72.2%	84.2%	47.5%	45.5%	45.0%

DC47 Sekhukhune - Table A9 Consolidated Asset Management										
Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	328 010	452 407	284 515	381 489	371 098	371 098	389 073	526 078	554 647
Water Supply Infrastructure		7 474	57 390	283 703	380 689	369 479	369 479	387 073	517 578	554 647
Sanitation Infrastructure		319 820	394 878	648	–	(400)	(400)	–	8 500	–
Infrastructure		327 294	452 268	284 351	380 689	369 079	369 079	387 073	526 078	554 647
Computer Equipment		716	–	163	500	1 650	1 650	2 000	–	–
Furniture and Office Equipment		–	139	–	300	369	369	–	–	–
<b>Total Renewal of Existing Assets</b>	2	20 028	5 086	93 986	83 087	123 865	123 865	32 587	9 152	9 000
Water Supply Infrastructure		11 231	432	93 986	77 087	109 938	109 938	28 687	9 152	9 000
Infrastructure		20 028	5 086	93 986	77 087	109 938	109 938	28 687	9 152	9 000
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	6 000	10 127	10 127	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	3 800	3 800	3 900	–	–
<b>Total Upgrading of Existing Assets</b>	6	–	–	11 698	2 310	10 622	10 622	2 341	6 453	2 460
Roads Infrastructure		–	–	2 091	2 310	2 310	2 310	2 341	2 453	2 460
Water Supply Infrastructure		–	–	9 606	–	8 312	8 312	–	4 000	–
Infrastructure		–	–	11 698	2 310	10 622	10 622	2 341	6 453	2 460
<b>Total Capital Expenditure</b>	4	348 038	457 493	390 198	466 886	505 585	505 585	424 001	541 683	566 107
Roads Infrastructure		–	–	2 091	2 310	2 310	2 310	2 341	2 453	2 460
Water Supply Infrastructure		18 705	57 822	387 295	457 776	487 729	487 729	415 760	530 730	563 647
Sanitation Infrastructure		328 617	399 532	648	–	(400)	(400)	–	8 500	–
Infrastructure		347 322	457 354	390 035	460 086	489 639	489 639	418 101	541 683	566 107
Computer Equipment		716	–	163	500	1 650	1 650	2 000	–	–
Furniture and Office Equipment		–	139	–	6 300	10 496	10 496	–	–	–
Transport Assets		–	–	–	–	3 800	3 800	3 900	–	–
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		348 038	457 493	390 198	466 886	505 585	505 585	424 001	541 683	566 107
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>										
	5	1 895 240	2 233 022	2 388 135	2 658 038	2 668 777	2 668 777	2 587 193	2 795 729	2 917 077
Roads Infrastructure		34 975	30 856	29 039	31 217	31 217	31 217	31 248	32 574	33 876
Water Supply Infrastructure		1 757 903	2 111 790	2 276 876	2 531 417	2 561 370	2 561 370	2 489 401	2 691 464	2 817 292
Sanitation Infrastructure		69 141	49 748	37 193	48 398	47 998	47 998	48 398	58 931	52 600
Infrastructure		1 862 019	2 192 394	2 343 109	2 611 032	2 640 585	2 640 585	2 569 047	2 782 969	2 903 768
Community Assets		38 042	35 604	34 892	35 182	35 182	35 182	35 182	36 660	38 236
Other Assets		(15 408)	(15 408)	(15 564)	(15 408)	(15 408)	(15 408)	(15 408)	(16 055)	(16 746)
Computer Equipment		–	5 483	7 840	5 983	(20 827)	(20 827)	(20 477)	(23 421)	(24 428)
Furniture and Office Equipment		8 064	4 595	4 350	10 895	15 091	15 091	4 595	4 788	4 994
Machinery and Equipment		518	3 791	3 997	3 791	3 791	3 791	3 791	3 950	4 120
Transport Assets		2 004	6 562	9 512	6 562	10 362	10 362	10 462	6 838	7 132
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	1 895 240	2 233 022	2 388 135	2 658 038	2 668 777	2 668 777	2 587 193	2 795 729	2 917 077
<b>EXPENDITURE OTHER ITEMS</b>										
		214 758	220 325	221 536	167 714	258 219	258 219	232 688	220 030	227 182
<b>Depreciation</b>	7	94 287	101 040	122 230	90 341	115 341	115 341	102 514	106 717	111 520
<b>Repairs and Maintenance by Asset Class</b>	3	120 470	119 285	99 306	77 373	142 878	142 878	130 174	113 313	115 662
Water Supply Infrastructure		34 227	36 099	19 284	21 897	37 516	37 516	45 747	48 260	49 932
Sanitation Infrastructure		86 165	81 180	76 369	54 500	103 356	103 356	81 563	62 072	62 615
Infrastructure		120 392	117 279	95 653	76 397	140 872	140 872	127 310	110 332	112 547
Operational Buildings		(702)	1 438	280	475	425	425	800	833	870
Other Assets		(702)	1 438	280	475	425	425	800	833	870
Machinery and Equipment		177	73	1	131	61	61	63	66	69
Transport Assets		603	495	3 373	370	1 520	1 520	2 000	2 082	2 176
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		214 758	220 325	221 536	167 714	258 219	258 219	232 688	220 030	227 182

DC47 Sekhukhune - Table A10 Consolidated basic service delivery measurement										
Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<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>Total revenue cost of subsidised services provided</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:

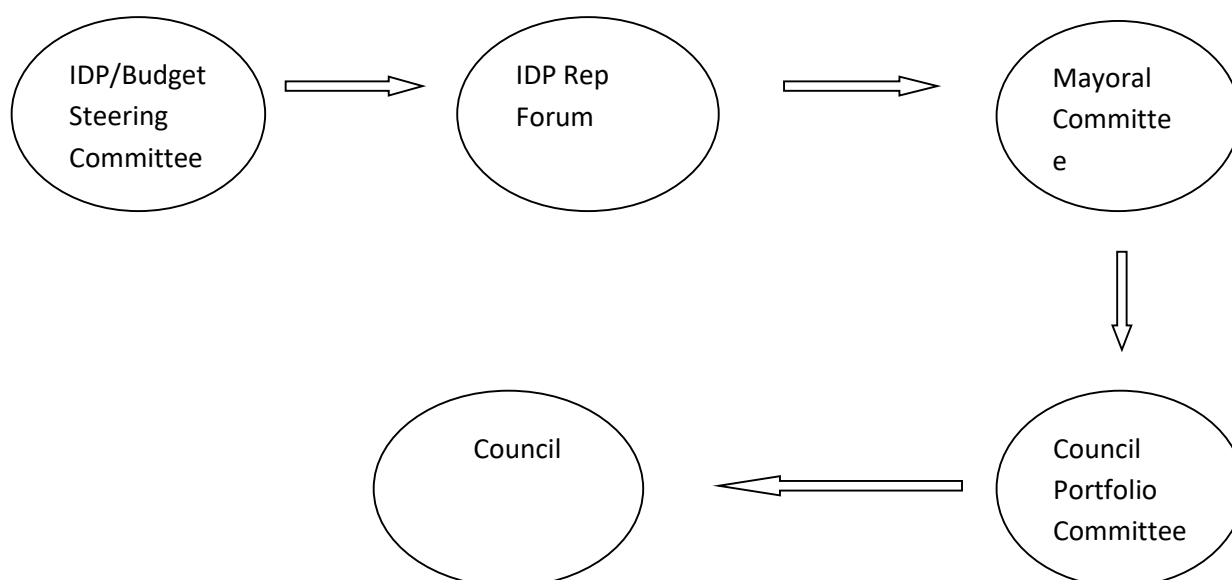
- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the District's IDP and the budget, taking into account the need to protect the financial sustainability 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**

## **2021/22 IDP/Budget Public Participation Programme**

<b>DATE</b>	<b>STAKEHOLDER</b>	<b>VENUE</b>	<b>TIME</b>
01/04/2021	Staff	Zoom Video Conferencing Platform	11h00
06/04/2021	Magoshi	Fetakgomo Chambers & Makhuduthamaga Cha	10h00
07/04/2021	Magoshi	Elias Motswaledi Chambers & Ephraim M Cha	10h00
08/04/2021	Business & Ratepayers	Zoom Video Conferencing Platform	18h00
09/04/2021	General Public - Makhuduthamaga	Sekhukhune FM, Masemola FM, Facebook live	18h00
13/04/2021	General Public – Fetakgomo-Tubatse	Tubatse FM, facebook Live broadcast	18h00
16/04/2021	General Public – Elias Motsoaledi	Thabantsho FM, Moutse FM, Facebook live	18h00
21/04/2021	General Public – Ephraim Mogale	Moutse FM, Facebook Live broadcast	18h00

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

Will be completed after the above participation programme has been concluded

### **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 2021/22 MTREF, based on the approved 2020/21 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 2021/22 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 2020/21 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 2021/22 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.

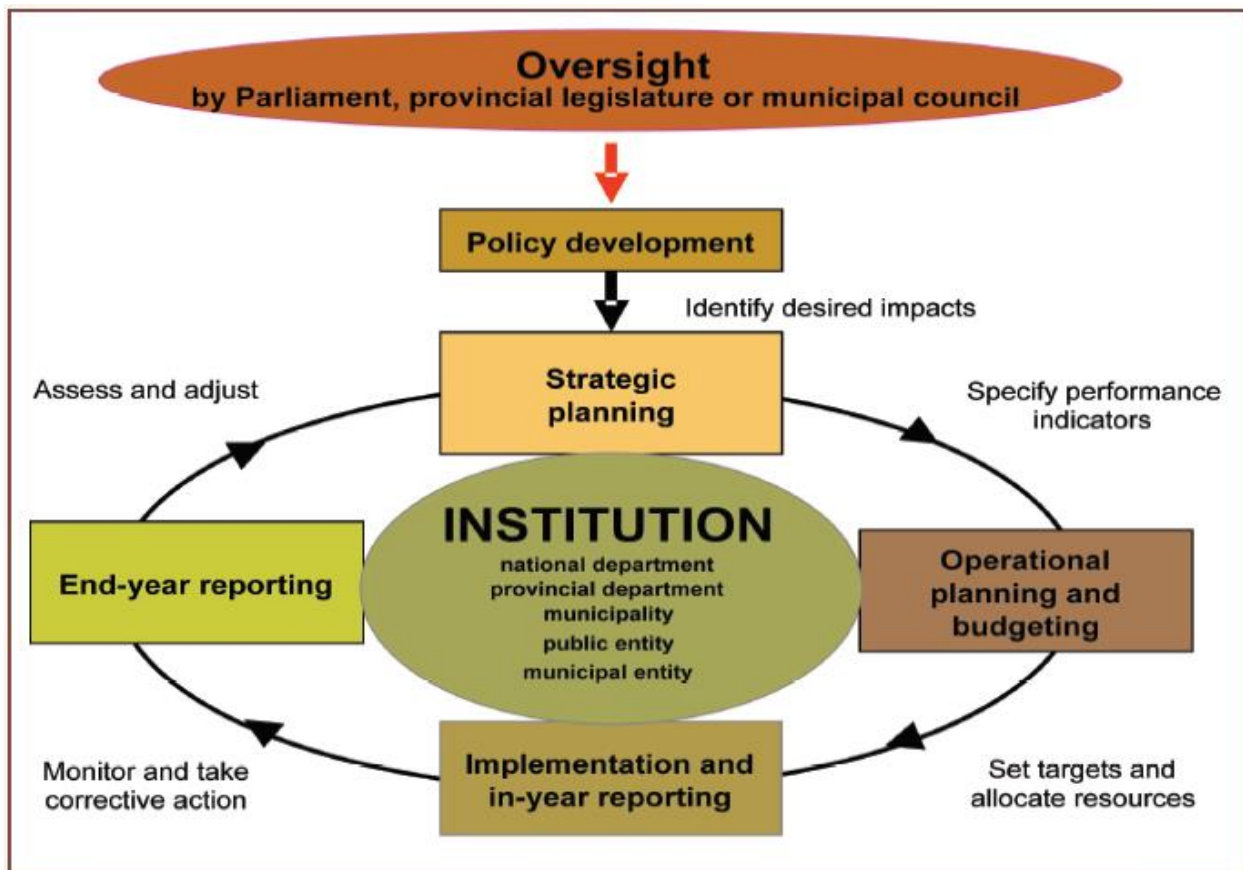
Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the revised IDP, including:

- 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 and changes are as follows:

### **66.3 ROTATION OF SUPPLIERS IN LINE WITH THE ROTATION POLICY**

- Quotations will be sourced from the existing panel of term contractors
- The Process for considering term bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids
- The threshold for evaluation shall be line with the SCM Policy 45.19
- No service Provider in the Panel of Term contractors/consultants shall be awarded more than three contracts, irrespective of the value, until other service providers have been afforded the opportunity to render the service or supply goods

### **66.4 ADDENDUM**

- In terms of the supply chain management: a guide for accounting officers of municipalities and municipal entities

Any additional information, clarification, correction of errors, or modifications of bidding documents will be sent to each recipient of the original bidding documents 7 (Seven) days from publishing date and submitted within seven (7) days before the deadline to enable the bidders to take an appropriate action. If necessary, the deadline should be extended.

#### **69.1 Bids Quotations Committee (R30 000 – R200 000.00)**

- In terms of Regulation 12 of the SCM Regulation the conditions for the procurement of goods and services through formal written price quotations as follows:
- Quotations must be obtained in writing from different service providers whose names appear on the list of accredited prospective providers of the National Treasury Central Supplier Database
- The names of Service Providers must be recorded.

#### **69.2 Procedures of procuring goods and services through formal written price quotations**

- In terms of Regulation 18 of the SCM Regulation the operational procedure for the procurement of goods or services through written price quotations or formal written price quotations are as follows:
- Specification for formal written quotations above R30 000.00 must be signed off by the relevant department/ Accounting Officer before advertisement

All requirements more than R30 000.00 vat Inclusive that are to be procured by means of formal written price quotations must be advertised for at least 7 (seven) calendar days on the website and notice boards of the Municipality.

- All quotations received above R30 000.00 VAT included should be placed

An amended policy was tabled to Council,

## **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 June 2020.

No amended made.

## **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.

## **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 Policy was amended by council in March 2021 changing from issuing of cheques to transferring to a recipient by the manager or accountant through Instant Money Transfer by issuing a unique pin to the recipient.

**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 2021/22 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.

The rate of revenue collection as at end March 2021 is at 65% of quarter three billings. In 2021/22 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 increase for the 2021/22 MTREF on the water and sanitation revenue is 10% due to the fact that the municipality is in the process of having cost reflective tariffs as the tariffs were reduced by 8% in the 2020/21. At the moment the tariff are still not cost reflective as it cost the municipality R19.30 per kilolitre to supply while the municipality charge R13.19 per kilolitre. The municipality is trying to gradually make the tariffs to be cost reflective over a period of 3 years to assist the community to also adjust slowly.

- Operating revenue decreases from **R1.189 billion** to **R1.113 billion** in the 2021/22 financial year and increases to **R1.192 billion** in the 2023/24 financial year.
- Capital revenue decreases from **R505.6 million** to **R424 million** in the 2021/22 and further increases to **R566.1 million** in the 2023/24 financial year
- Service charges tariffs to increase by 10% in the current year in an endeavour to have a cost reflective tariff. All other revenue tariffs are also to increase by 10%

## 2.7 Expenditure on allocation grant programme

Total Capital Budget	Total Adjustment budget (Feb)	Final budget 2021/2022	2022/2023	2023/2024

MIG	359 556 799.00	413 560 002.00	475 578 002.00	499 222 012.00
RRAMS	2 310 000.00	2 341 000.00	2 453 000.00	2 460 000.00
WSIG	53 471 000.00	-	61 652 000.00	64 425 000.00
RBIG	40 221 000.00	-	-	-
<b>Total Conditional Grants</b>	<b>455 558 799.00</b>	<b>415 901 002.00</b>	<b>539 683 002.00</b>	<b>566 107 012.00</b>
SDM	50 026 122.00	8 100 000.00	2 000 000.00	-
<b>Total Capital Grants</b>	<b>505 584 921.00</b>	<b>424 001 002.00</b>	<b>541 683 002.00</b>	<b>566 107 012.00</b>

## Discussion

- Capital expenditure funded from own funds is allocated **R8.1 million** in the 2021/22 financial year and it decreases to **R0** in the 2023/24 financial year
- Included in capital expenditure from own funding is the following:
  - ✓ Purchase of Water Tankers R3.9 million
  - ✓ Purchase of new offices in Elias Motswaledi R2.2 million
  - ✓ Computers R2 million
- The total capital expenditure funded from conditional grants increased from R455.5 to R415.9m in the 2021/22 due to decreased funding allocation from WSIG conditional grant and an increase of RRAMS and MIG. Funding for capital grants increases to R566.3m in the 2023/24 financial year due to increase in MIG, RRAMS, & WSIG funding.
- The **WSIG** is allocated **R0** compared to **R53.4 million** in the previous year.
- The **MIG** is allocated **R504 million** for capital projects in the 2021/22 financial year and other funds have been budgeted for MIG overheads and VIP sanitation.
- **RRAMS** is allocated **R2.3 million** in the 2021/22 and it increases to **R2.5 million** in the 2023/24 financial year.

Four (4) 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.

## **Salary increases**

The salary percentage increment is projected at **6%** 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.

## 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.

### Growth in revenue by revenue source

The proposed tariff increase for the 2021/22 MTREF on the water and sanitation revenue is 10% due to the fact that the municipality is in the process of having cost reflective tariffs due to the decrease of 8% in the previous year (2020/21).

- Operating revenue decreases from **R1.189 billion to R1.113 billion** in the 2021/22 financial year and increases to **R1.192 billion** in the 2023/24 financial year.
- The increase of 10% 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 **R455.6 million to R415.9 million** in the 2021/22 and increases to **R566.3 million** in the 2023/24 financial year
- Service charges tariffs to decrease by 10% in the current year in an endeavour to have a cost reflective tariff. All other revenue tariffs to increase by 10%



The rates and tariff revision are undertaken after consideration of different factors relevant to 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 still not 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 2021/22 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 **R1.103 billion** which increases to **R1.192billion** over the MTREF period (2023/24 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 – R130 million
  - ✓ Eskom- R40 million
  - ✓ Security – R30 million
  - ✓ Depreciation and impairments – R102.5 million
  - ✓ Fleet management – R32.5 million
  - ✓ Repairs and maintenance – R61.1 million
  - ✓ Eskom – R30 million
- Included in the operating expenditure is the anticipated cost for VIP sanitation amounting to **R70 million** which is wholly funded by the MIG grant
- Other operating expenditure was increased by 4.1% across the board in an endeavor to reduce the increasing operating expenditure

## **Highlights of other expense allocation**

- The amount of **R3.6 million** allocated for professional fees.
- The amount of **R6.8 million** has been allocated for legal fees
- An amount **R4.5 million** is set aside for operations of SDA.
- The internal bursaries allocated at **R593 thousand** to encourage staff empowering and **R692 thousand** for external bursaries
- The amount of **R12 million** allocated for lease costs (Property rentals and equipment rentals).

The provision of debt impairment was determined based on an annual collection rate. For the 2021/22 financial year this amount equates to R10.6 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 102 million for the 2021/22 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 2021/22 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 8% of operating budget.

### **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 2021/22 an amount of R424.1 million has been appropriated for the development of infrastructure.

The municipality has commenced in the 2020/21 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.

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 five (5) interns. The 5 interns have been appointed in the 2019/20. 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 finalised after approval of the 2021/22 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

- 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

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.

## 2.8 Annual Budget supporting schedules

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