

**DRAFT ANNUAL BUDGET OF**

# **MBIZANA LOCAL MUNICIPALITY**



**2021/22 TO 2023/24**

## **MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

**Copies of this document can be viewed:**

- **In the mayor's office, and office of the Municipal Manager**
- **Municipal library**
- **At [www.mbizana.gov.za](http://www.mbizana.gov.za)**

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## Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

## Part 1 – Annual Budget

### 1.1 Mayor's Report

The council of Mbizana Local Municipality, as elected during the 2016 Local Government Elections and now at the end of its term, has a responsibility of ensuring that basic service delivery is provided for all within its jurisdiction. This is the provision of the Constitution of the Republic of South Africa which is the supreme law of the land. The Municipal Finance Management Act No. 56 of 2003, section 16, provides that a municipality must compile an annual budget before the start of the financial year. A draft budget must be tabled 90 days before the start of the budget year, which means that for a 2021/22 Annual Budget, the draft budget must be tabled to council by March 31, 2021. This draft budget is in response and compliance to the afore-mentioned prescripts. This budget will then be taken to communities for consultation where comments will be solicited and incorporated when the final budget is being prepared for council to approve at least 30 days before the start of the budget year.

The municipality's development priorities are basic service delivery (Roads, storm water management, electrification, housing, land use management, educational facilities, community services, recreational facilities and related matters) and Local Economic Development (agriculture, farming, forestry, tourism development, SMME support, Business, trade and manufacturing).

#### a) Water and sanitation backlogs

The estimated backlog for water service delivery is 44 479 households with no access to tap water, and 5% have access to tap water below RDP standard while 3.1% households have access to water on RDP standard and above.

The Alfred Nzo District Municipality as reported in the previous budgets has taken proactive action to develop a strategy and plan for water and sanitation backlog eradication. The success of this strategy relies largely on active participation of all stakeholders to achieve its intended objectives.

The Alfred Nzo District Municipality is currently implementing a number of projects to eradicate water and sanitation backlog within the District which also affects Mbizana Local Municipality.

The following tables illustrate the projects that are currently on feasibility and implementation stage in order to eradicate water and sanitation backlogs.

Funding	Project Name	Status	Comments
MIG	Mbizana Town Sewer	Implementation Phase	
MIG	Mbizana Wards 13	Project Approved but not funded (funding constraints)	Detailed Designs Completed
MIG	Mbizana Ward 27	Implementation Phase	
MIG	Mbizana Wards 21,23 & 24	Planning stage	Technical Reports submitted to DWS
MIG	Mbizana Wards 11,14 & 16	Planning stage	Technical Reports submitted to DWS
MIG	Mbizana Wards 29 & 30	Planning stage	Technical Reports submitted to DWS



The Greater Mbizana Water Supply project is divided into 17 supply zones. The estimated cost for the bulk water supply (including secondary bulk) for the entire Mbizana is R 3.5 billion. The estimated Phase 1 reticulation cost is R 848 million, broken down into Phase 1 A at R 353 Million and Phase 1 B at R 495 Million. Phase 1 reticulation will cover 9 supply zones out of 17 supply zones.

b) Road Maintenance backlogs

Due the bad conditions of access roads in the entire municipal area, the municipality moved towards insourcing the maintenance of these roads by acquiring two sets of own plant. This was an attempt to maximize the available resources to ensure we maintain as much roads as possible while creating enough capacity within the municipality. Over the past two years the municipality has received substantial amounts of rains which have also caused more damage on our gravel access roads. This has increased the demand while lowering community's tolerance levels. The municipality has allocated over R18.8 million within the next year to support the municipal plant in the maintenance of road infrastructure.

EPWP contract labourers to maintain the storm water drainage and also to fix the small to medium potholes within our CBD roads are being utilized with the municipality supplying the necessary equipment and material.

It is planned that a total of 200m<sup>2</sup> of pothole patching will be completed by the end of the current financial year as the service provider was appointed earlier in the month.

In 2021/22 financial year, 100m<sup>2</sup> is planned to be maintained using both service providers and internal plant.

c) Electrification backlogs and planning

In conjunction with Eskom the Municipality has managed to reduce electricity backlogs from 19000 (39 %) households in 2011 to 8947 (20%) in 2018. The backlog has decreased to 1836 with the completion of 2019/20 electrification projects which consisted of 1 667 households on both Schedule 5 and 5B. This backlog figure will further decrease to 679 on completion of the 2020/21 5A & 5B project schedules. The municipality and Eskom did a 5 year electrification master plan which when completed the municipality would have reached universal access within its area of Jurisdiction.

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There is a general increase of electricity demand in Mbizana as new households are constructed at a rapid pace than would have been anticipated. It is against this that the INEP Allocation for 2021/22 will be utilized to complete two projects that are currently being implemented by the municipality (Mabhenguteni and Bhekela to Mdatya villages electrification) where additional households are anticipated to popup as experience over the years has taught us, together with electrification of Xolobeni, Mgungundlovu and Dumasi village, Lower Ethridge and Msarhweni Villages, Electrification of ward 22 and ward 31 pre-engineering, and Upgrade of low voltage lines. The municipality's electrical capacity has also been under pressure in the past financial years hence the construction or upgrade of our MVA line during the 2019/20 and 21 financial year to 8MVA. The project initially did not move as anticipated due to some challenges in getting some approvals from Eskom. It is however, a pleasure to report that the project been completed in the current year.

d) Environmental, coastal and waste management

The municipality as a coastal municipality has a responsibility to develop an Integrated Coastal Management Program (ICMP) which has been developed and adopted by the councils, both Mbizana Local Municipality and Alfred Nzo District Municipality.

Integrated Waste Management Plan was completed and adopted by Council and has been sent to MEC for approval. The municipality gazetted refuse Removal & sanitary by-laws which are currently being reviewed as per the NEMWA.

The Mbizana Local Municipality has adopted a climate change strategy which has been included in the IDP.

Waste management service is being provided in businesses at an interval of 4 days a week utilising 3 compactor trucks, two 1Ton trucks, 1 Skip truck, permanent employees and EPWP and a total 557 billed businesses and households as well as 989 households receiving our free refuse collection services.

The municipality provides refuse removal service to 1546 households in town, 204 small businesses and 52 big businesses including government departments. The services has also been extended outside the CBD i.e in Governmental institutions and businesses such as Greenville hospital, Mzamba Police Station, Ku bha Service Station, Wild Coast taxi rank, Red Hub Business Emagusheni centre, Zamokuhle Special school, Nompumalanga Special School, Vukuzenzela Special School, Siteto TVET, Seaview business hub Some of the institutions like clinics have hired private service providers for collection but they are obliged to use a municipal dumping site for disposal Planned projects programmes. There is 1 licensed landfill site (GSB type) which is still under construction.

1 Dumping site which will be rehabilitated for closure as soon as the Majazi landfill site is operational which is still under construction after some delays due to contractual disagreements between the implementing agent and the service provider appointed. That process has since been finalized and a new service provider was appointed and introduced to the municipality, however the construction has not commenced due to social issues within the area that are still being attended to.

The municipality supports recycling initiatives in town while the refuse and sanitary by-laws are under review in preparation for the 2021/22 budget year.

e) Local economic development

The following plans were developed, adopted by council and are being implemented:

- LED strategy
- Tourism Plan
- Agricultural Plan
- Spatial Development Framework.

The municipality initiated and implemented a Contractor Development programme in the previous years which proved to be fruitful and helpful to the emerging contractors even though the project was discontinued due to a number of teething challenges identified. There is however a plan to revive the programme or similar, while addressing the issues that lead to it being discontinued.

A total of 16 enrolled contractors were provided with job opportunities, 12 contractors graduated from Grade 1 to different grades up to Grade 6, 40 contractors were trained on Project

## Management, Tendering Processes, Quality Management Systems, Occupational Health and Safety, and Contracts Management

### LED Successes

- O. R. Tambo Garden of Remembrance Construction Project Completed
- Khananda Hill Grave Site completed
- Received General Budget Support Grant from National Treasury for Manufacturing Hub
- Agric -park programme about 28 projects benefited
- 30 New cooperatives registered
- Boat launching site approved
- 35 cooperatives assisted with production inputs
- 50 Cooperative and SMMEs have been trained on basic financial management and cooperative governance by SANAMI
- 20 Enterprises benefited in the Business Incubation Programme
- Dept. of Sport, Recreation Arts & Culture (DSRAC) sponsored Artist with a Complete set of Music system
- 15 crafters benefited from Resident Fashion Designer Program facilitated by Alfred Nzo District Municipality (ANDM) working with Alfred Nzo Development Agency (ANDA)

### LED CHALLENGES HINDERING ECONOMIC DEVELOPMENT

- Infrastructure
- Access to market opportunities
- Land tenure
- Financial Constrains

### RED HUB:

This was funded by ECRDA and Facilitated by Mbizana Local Municipality and Alfred Nzo District Municipality. The RED HUB has planted 638ha on the 2020/2021 planting season and each farmer contributed R1500 per hectares.

This is an Agro-processing business that has 14 primary Cooperatives and one secondary with 759 Beneficiaries and has employed 54 people in various Departments.

The CWP programme is implemented in 19 wards with 1564 participants and the funding allocated for this programme was R16 518 296.00.

The following wards (04,05,06,07,08,12,13,15,17,18,19,20,22,23,26,27,29,30 and 31) have Agriculture, construction and social sectors.

#### f) Tourism and Agriculture

The tourism plan was developed, executed and is currently being reviewed to ensure relevance with the current tourism trends and opportunities.

Mbizana Municipality in partnership with ECPTA, Wild Coast Sun and South Coast Tourism have signed a MOU for the promotion and marketing of tourism.

The Municipality purchased paddle boats and mountain bikes for Mzamba Ndikini tours which is operating in Mzamba area as part of tourism development.

On an annual basis the municipality identifies a number of projects in the area with the potential to grow the local economy and create employment. These are assessed to identify the support that the municipality may be able to provide to ensure they are sustainable. Below is the list of projects and activities identified and are currently being assisted by the municipality.

#### AGRICULTURAL MUNICIPAL FUNDED PROJECTS

No.	Project Name	Ward	Activities
01	Ndunge Soycow Cooperative	7	Soya milk
02	Moonlight Glass & Alluminium	01	Aluminium products
03	Blatter's Panel beaters	20	Mechanic
04	Mcmiya (Pty) LTD	24	Mechanic
05	Njilo Kabalisa Agric Co-op	08	Vegetable & Maize Production
06	Lecolin Green	04	Potatoes & Vegetable production
07	Slimdo Pty Ltd	18	Poultry
08	Fula's elect and welding	22	Vegetable Production
09	Masiqhubekeni Project	23	Poultry
10	Amahomba Co-op	05	Vegetable production
11	Mzamba Pig & Poultry co-op	24	Piggery and Poultry
12	Sigidi Development	28	Vegetable production & Small stock
13	Mbizana Wool Growers association	all wards	Sheep and Wool Production
14	Mbizana Fruit & Veg Secondary Co-op (association)	all wards	Potatoes, Maize & Vegetable production
15	Mbizana Poultry farmers (association)	all wards	Poultry Production
	<b>TOTAL EXPENDITURE</b>		<b>R1 935 295.00</b>

#### g) Land use and spatial planning

Settlement patterns in Mbizana still reflect, to a large extent, spatial planning of the Apartheid past.

The current structure and spread of rural settlements and households therein makes it difficult for the municipality to provide services in an effective and efficient manner.



The municipality has made strides in redressing the imbalances of Apartheid spatial planning in identifying and providing basic services in those areas that were ignored in the past

Land claims still poses a challenge in development of some areas in town but municipality is in talks with CPAs to resolve those issues.

#### h) Electrification of villages

The Mbizana Local Municipality has in the recent past strived to ensure that electricity is rolled out to a number of villages. This has seen the electrification of the following villages in the 2019/20 financial period which were completed:-

Project Name	Allocated amount	Funding Source
Matwebu Village	R 2 800 000.00	INEP
Ludeke Village	R 8 787 906.00	INEP
Mdikisweni , Ukhalo , Pelepele	R 3 200 000.00	INEP
Sigodlwani , Mandlobe . Madada , Diphini	R 3 700 000.00	INEP
8 MVa Backbone line	R 7 984 802.00	INEP
2020/21 Pre-Engineering Planning	R 1 752 094.00	INEP
<b>TOTAL</b>	<b>R 31 240 000.00</b>	

This was still however less that the amounts required to complete projects with the municipality topping up with its own resources to ensure these are completed within stipulated times.

This resulted in the electrification of 1250 households when the projects were completed.

In the current financial year (2020/21) Mbizana municipality received R 26 020 000 INEP funding allocation to implement three (3) projects as per the table below.

Project Name	Allocated Amount	Funding Source
Mabhenguteni Electrification	R 11 639 008.82	INEP
Bhekela/Mdatya Electrification	R 13 257 000.00	INEP
Sidanga Electrification	R 4 752 405.27	INEP
<b>TOTAL</b>	<b>R 29 648 414.09</b>	

For the next three years the municipality will continue to depend on the INEP electrification grant to implement the projects prioritized to strive towards universal access within the municipality. The allocations for the next budget year have been prioritized according to the following projects which are all anticipated to be completed by the end of 2021/22:

Project Name	Allocated amount	Funding Source
Completing of Mabhekuteni Village	R 7 145 237.00	INEP
Completion of Bhekela to Mdatya Villages	R 4 400 495.00	INEP
Xolobeni, Mgungundlovu and Dumasi village	R 9 907 268.00	INEP
Lower Ethridge and Msarhweni Villages	R 5 500 000.00	INEP
Electrification of ward 22 and ward 31 pre-engineering	R 1 500 000.00	INEP
<b>TOTAL</b>	<b>R 28 453 000</b>	

The implementation of these projects in conjunction with Eskom projects is expected to reduce the backlogs drastically bringing the municipality very close to universal access which is anticipated to be achieved by 2022/23.

i) Infrastructure development

The municipality also receives a Municipal Infrastructure Grant for the construction of infrastructure assets that enhance service delivery to all communities. The total amount to be received of just above R 51 million has been allocated as follows:

NAME OF PROJECT	BUDGETED AMOUNT	
Construction of Mqonjwana to Greenville AR(MIG)	R 900 000.00	MIG
Mbizana Civic Center	R 28 402 021.00	MIG
Construction of VAV Memorial College AR	R 2 025 926.00	MIG
Construction of Simakade AR	R 3 025 926.00	MIG
Construction of Mapheleni Access Road	R 3 225 926.00	MIG
Construction of Sidanga Bridge	R 650 000.00	MIG
Construction of Sigingqi to Marina AR with Bridge	R 250 000.00	MIG
Construction of Tshongweni AR	R 250 000.00	MIG
Construction of Sixhaseni AR	R 250 000.00	MIG
Construction of Tshuze to Philisweni AR	R 250 000.00	MIG
Construction of WARD 4 Community Hall	R 3 500 000.00	MIG
Construction of WARD 20 Community Hall	R 3 500 000.00	MIG
Construction of Lubekele AR (MIG)	R 742 050.00	MIG
Construction of Ebumnandin to Nqabeni S.S.S AR(MIG)	R 1 500 000.00	MIG
<b>R 48 471 849.00</b>		

The compilation of the 2021/22 annual budget has also taken into consideration the following key considerations that impact directly to our communities:-

**Repairs and Maintenance of Infrastructure and other municipal assets:** The municipality has the understanding that at least 8% of its budget must be set aside for the repairs and maintenance of the existing infrastructure. As part of its drive to ensure that road infrastructure assets are maintained adequately, earthmoving plant has been acquired over the past three years so that the municipality would be able to carry out its own repairs and maintenance. Planned maintenance of rural roads and CBD roads has also been planned to be done internally using labor intensive methods while budgeting for procurement of materials and tools to carry out this task. There is however an additional allocation to supplement the internal mechanisms to fast track rural and CBD road maintenance of up to R18.8 million. A further R4 million has been set aside for the maintenance of municipal buildings and another R3.4 million for the maintenance of municipal vehicles and plant.

**Legacy programmes :** The municipality prides itself of being the home of the legendary struggle icons for the freedom of the people of South Africa, Oliver Reginald Tambo and Winnie Madikizela-Mandela. It is a live conviction of this council to ensure that their legacy lives for the generations to come. It is not the wish of this council to only celebrate through events but tangible legacy projects that will ensure that our claim and ownership of these international icons is validated. A budget allocation of R1 million has been provided for these important activities.

**Public participation:** Municipality will continue to embark on community education programs in all wards in order to capacitate our communities on their role during public participation/ hearings on municipal documents. Capacitation of ward committees will also continue getting attention in an attempt to ensure coordinated servicing of our communities as structures closer to people. Program of revival and support of ward war rooms will continue this financial year as part of strengthening community and stakeholder involvement on government programs. An amount of R6.3 million has been set aside for this.

**IDP and performance management:** Council will continue to ensure that our IDP maintains its high credibility status through enhancing maximum public participation of all role players. We will continue to ensure that our mission of promoting and ensuring a culture of performance excellence is achieved at all costs. Although resources are very limited, these important planning and monitoring tools have been budgeted for at R1.1 million.

**Special Programs and Sport Development:** Council will always contribute in changing lives of our special groups, our focus will be towards improving education in our region through supporting educational improving initiatives, we will also be strengthening capacity to community based structures that assist particularly in fighting violence and crimes targeting our elderly, children and women. We will continue to ensure that our council educates our communities on rights of people with disabilities and support initiatives that combats discrimination against them. An amount of just above R3.8 million has been set aside for these special groups.

**Implementation of SPLUMA:** Implementation of the act and running of the municipal tribunal and payment of the members to sit in the tribunal. The municipal council taken a decision to continue utilizing the district tribunal. The tribunal will consider development applications that will in turn increase the revenue base. We trust that the R146 thousand set aside as well for this purpose will be sufficient.

**Geographic Information System (GIS):** Acquisition tool to assist to improve the immovable asset. It is the compliance issue for spatial analysis. This will also assist in the identification of municipal assets and their locations. An amount of just above R280 thousand has been set aside for this.

The Annual Budget as compiled by the municipality seeks to address the imperatives as set out in the Integrated Development Plan and the indicated Delivery Agreement – outcome 9, which is to ensure a responsive, accountable, effective and efficient local government system so as to restore the confidence of citizens in the local government sphere. As such municipalities need to ensure that the basic needs of communities are met; build clean, effective, efficient, responsive and accountable local government; improve performance and professionalism and strengthen partnerships between local government, communities and civil society. The Outcome consists of seven outputs which need to be achieved, viz.

- Implement a differentiated approach to municipal financing, planning and support;
- Improve access to basic services;
- Implementation of the Community Work Programme;
- Actions supportive of the human settlement outcome;
- Deepen democracy through a refined Ward Committee Model;
- Improve administrative and financial capability;
- A single window of coordination.

The Mbizana Local Municipality annual budget and the Integrated Development Plan therefore seeks to ensure that the service delivery priorities as mandated by the constitution like electricity, roads, solid waste removal are provided to the communities. This is done at the same time whilst ensuring co-ordination of other organs of state like the District Municipality for the provision of water and sanitation and other provincial departments for respective services to the communities.

## 1.2 Council Resolutions

The Council of Mbizana Local Municipality sat on the 30<sup>th</sup> of March 2021 to consider the annual budget tabled by the Mayor at least 90 days before the start of the financial year 2022/22 and the Medium Term Revenue and Expenditure Framework. The council must then consider the following resolutions which will become final when the budget is adopted.

The Mayor of Mbizana Local Municipality, acting in terms of section 16(2)(1) of the Municipal Finance Management Act, (Act 56 of 2003) tabled the draft budget in a council meeting which adopts:

- a. The draft annual budget of the municipality for the financial year 2021/22 and the multi-year and single-year capital appropriations as set out in the following tables:
  - i) Budgeted Financial Performance (revenue and expenditure by functional classification);
  - ii) Budgeted Financial Performance (revenue and expenditure by municipal vote);
  - iii) Budgeted Financial Performance (revenue by source and expenditure by type); and
  - iv) Multi-year and single-year capital appropriations by municipal vote and functional classification and associated funding by source.



- b. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables:
- i. Budgeted Financial Position;
  - ii. Budgeted Cash Flows;
  - iii. Cash backed reserves and accumulated surplus reconciliation;
  - iv. Asset management; and
  - v. Basic service delivery measurement.
- c. The Council of Mbizana Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopts the following proposed tariffs with effect from 1 July 2021:
- i) the tariffs for property rates
  - ii) the tariffs for electricity
  - iii) the tariffs for solid waste services
  - iv) Other municipal charges
- d. The Council of Mbizana Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopts the proposed tariffs with effect from 1 July 2021 the tariffs for other services, as set out in the paragraphs on tariffs;
- e. To give proper effect to the municipality's annual budget, the Council of Mbizana Local Municipality adopts:
- i) That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed.
- f. To enable the proper implementation of the municipality's budget, the council of Mbizana Local Municipality adopts the following budget related policies;
- i) The IDP and Budget Policy
  - ii) Credit control and debt collection policy
  - iii) Property Rates Policy
  - iv) Supply Chain Management Policy
  - v) Tariff Policy
  - vi) Asset Management Policy
  - vii) Supply Chain Policy for Infrastructure Procurement and Delivery Management
  - viii) Cash Management and Investment Policy
  - ix) Contract Management policy
  - x) Debtors write-off policy

- xi) Indigent policy
- xii) Contract Management policy
- xiii) Retention policy
- xiv) Cost Containment Management policy

### 1.3 Executive Summary

The municipality continues to find itself highly dependent on grants from the national fiscus which make it impossible to contribute to the development and service delivery needs as these allocations do not depend on the municipality. Despite the municipality having implemented a number of incentives for property rates within the past four years where property rates tariffs remained unchanged, collection levels on household and business debt have not improved putting a strain on the limited resources required to deliver services. Monthly reports continue to show growth in the amounts owed to the municipality while resources are required to deliver services in the town area to keep it attractive for business investments. This unfortunately means that the municipality continues to utilise the grants allocated to assist the poor to deliver services in areas that are expected to be able to fund their own development. The report shows over R42 million decrease in the equitable share allocation to the municipality in the next year. This coupled with difficulties in collecting debt owed to the municipality may result in well over R50 million shortfall in funding to fund the municipal programmes. This then requires a serious balancing act that is coupled with realistic analysis of affordability.

#### Previous years audit outcomes

The municipality has, in the recent years, ensured that there are improved audit outcomes. This has been a concerted effort between the municipality's council and the management in ensuring that there are improved internal controls, historical issues and disparities in the reported information are dealt with and cleared, and that accounting records and procedures are carried out at appropriate intervals. This has seen the municipality receiving unqualified audit opinions since 2015/16 to 2019/20 financial years. The municipality seeks to improve on these achievements and avoid regression at all costs including the formation of a clean audit committee that is tasked with monitoring the implementation of the audit action plan as proposed by management and adopted by council.

#### mSCOA Implementation

The National Treasury issued a government gazette in 2014, directing that a Municipal Standard Chart of Accounts – mSCOA – would be used by all municipalities from July 01, 2017. This meant that all municipalities will have a common set of accounts from which to choose from, instead of each municipality having its own chart of accounts. This will result in a seamless reporting regime where information from all municipalities can be compared. The introduction of the business reform has meant that management needed to acquaint itself with the requirements and legislations that were meant to ensure implementation of mSCOA by July 01, 2017. The municipality complied with this requirement and the migration from the old system to the new system was done seamlessly with the assistance of the municipality's system vendors.

It is important to note that this did not represent a new system, but rather an introduction of a more detailed and streamlined way of doing business, starting from planning, where it guides you to do proper planning, informed by adequate costing. mSCOA also encourages revenue and expenditure items to be identified for what they really are and not grouped together with no detailed planning and calculation behind. We will now be able to identify the true cost of the projects that the municipality engages on, and be able to identify, from early on, the communities that stand to benefit from those projects.

Mbizana Local Municipality is no different and has ensured that measures are put in place to ensure compliance. It is therefore important to note that we have made all efforts to ensure that the budget that will be approved is mSCOA compliant.

### **The impact of mSCOA on the virement policy**

Earlier treasury circulars highlighted the principles that must be incorporated into municipal virement policies. Those principles are still applicable and relevant. The only difference is that a transaction in mSCOA relates to six regulated segments, therefore all segments must be considered when making a virement. As a result of this we have had to review and update our reference to "vote" to align to the function segment and indicate the funding applicable to the item being transferred in relation to the funding segment. This therefore means that with the implementation of mSCOA, virements can only take place within a function or sub-function and the same source of funding. The creation of new projects and savings across functions can only take place through an adjustment budget. Virements are not permitted from the repairs and maintenance project in the project segment.

### **Clarification of core and non-core functions**

Core functions provides for the matters in terms of section 156 (1) of the Constitution. These are functions performed by local government and constitutionally assigned to local government in terms of Part B of Schedule 4 and Part B of Schedule 5. Non-core functions performed by local government that are constitutionally assigned to provincial government in terms of section 156(4) of the Constitution. Local government are compensated for delivering these functions on behalf of provincial government and typically receive a management fee from the provincial department.

### **Version changes**

Version 6.5 is released with this circular, will be effective from 2021/22 and must be used to compile the 2021/22 MTREF and is available on the NT website;

By now, all municipalities should:

Have acquired, upgraded and maintain the hardware, software and licences required to be and remain mSCOA compliant;

Budget, transact and report on all six (6) legislated mSCOA segments and directly on the core financial system and submit the required data strings directly from this system to the LG Portal;

Lock down the budget adopted by Council on the core municipal financial system before submitting the budget (ORGB) data string to the LG portal;

Closed the core financial system at month-end as required in terms of the MFMA before submitting the monthly data string to the LGportal; and

Generate regulated Schedules (A, B, C) directly from the core municipal financial systems.

Municipality that have not achieved the above level of implementation as yet, should do the following:

A road map must be provided to the National and respective provincial treasury to indicate how the municipality will become mSCOA compliant;

The municipality's mSCOA Project Steering Committee (chaired by the Accounting Officer) must meet at least monthly (if not more often) to track the progress against the road map and take corrective action where required;

Provincial treasury should be invited to the mSCOA Project Steering Committee meeting; and



Progress against the road map should be presented at the Mid-Year Budget and Performance and Budget Benchmark engagements.

Municipalities are reminded to follow the required due diligence processes in terms of MFMA Circulars No. 80 and 93 and mSCOA Circulars No. 5 and 6 when they procure a core financial system. If the procured system will impose financial obligations on the municipality beyond the three years covered in the MTREF budget, then the provisions of Section 33 of the MFMA should be adhered to.

SLAs with system vendors must also be managed properly.

The NT will conduct independent audits on all municipal core financial systems in 2020 to determine to what extent these systems comply with the functionality requirements and 15 business processes required in terms of mSCOA. These results will also inform the new transversal tender for the procurement of municipal financial and internal control systems

### **Balance sheet and Cashflow budgeting**

A budgeted balance sheet is a report that management uses to predict the levels of assets, liabilities and equity based on the planned revenue and expenditure the current accounting period. The budgeted balance sheet shows where all of the accounts would be at the end of the period if actual performance matched the budgeted estimates. All revenue and expenditure impacts on the Financial Position of the municipality.

Accurate cash flow information will assist the municipality to calculate the cash available using the historical trends.

The following should be considered when preparing estimations for balance sheet budgeting:

- The estimated revenue billings per month. Importantly, assumptions must be based on historical performance, projected growth, cost drivers and economic factors;
- Information on outstanding debtors, debt impairment and actual debt write offs;
- The roll forward movement accounts to establish opening balances; and
- Historical trends the sale of bulk electricity and water inform the estimation for bulk purchases.

Municipalities must not spend what they do not have available in the bank. It is important to link all revenue and expenditure to a funding source through the Fund segment when budgeting and transacting. The Fund segment must be used correctly for cash receipts and payments (i.e. FD001 and FD002). This will enable budgeting, transacting and reporting on the same data string and the identification of the actual cash available per funding source that can be utilised for service delivery. Non funding should not be used.

Furthermore, budgeting, transacting and reporting must be done directly in and from the integrated ERP system solution on the relevant posting levels to sure that the built-in controls are triggered to prevent unauthorised expenditure. The high levels of unauthorized expenditure reported by the Auditor-General is evident that a number of municipalities are still working outside of their ERP systems and bypassing budget control functionality.

Municipalities are required to implement balance sheet budgeting and movement accounting to ensure that the cash flow for the 2021/2022 MTREF is populated correctly. If the cash flow is not budget for correctly, transactions will be a challenge.

Municipalities should also ensure that the cash flow linkages to the regulated schedules and the Local Government Database and the municipal financial systems are aligned for the 2021/22 MTREF. The changes to mSCOA chart version 6.5 must be utilised when preparing the 2021/22 MTREF. The changes to mSCOA chart version 6.5 was communicated in MFMA Circular 107 on 04 December 2020.

## 1.4 The South African Economy and Inflation Targets

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

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

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

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

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

Transfers to local government over the medium-term account for 9.4 per cent of nationally raised funds after providing for debt-service costs, the contingency reserve and provisional allocations. Local government's share of revenue has risen in relative terms because reductions to the public-service wage bill affect only national and provincial government. Local government transfers grow by an annual average of 5.2 per cent over the MTEF; the equitable share declines by 4.4 per cent and conditional grants grow by 7.3 per cent. As part of government's fiscal consolidation policies over the medium term, transfers to local government are reduced by R19.4 billion, including R14.7 billion from the local government equitable share, R2.7 billion from the general fuel levy and R2 billion in direct conditional grants. Conditional grants to be utilized for the intended purpose, within timeframes specified in the annual Division of Revenue Bill. Unspent funds to be returned to the fiscus and requests for rollovers will only be considered in extenuating circumstances.

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

have successfully launched public transport systems. Indirect conditional grants are reduced by R286 million over the period.

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

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

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

Government is also working with municipalities to increase their revenue raising potential. The Municipal Fiscal Powers and Functions Amendment Bill, which will be tabled shortly, will standardise the regulation of development charges.

DoE will complete an electrification master plan to guide the future allocation of funds between the Eskom, municipal, and non-grid components of the INEP. The Department of Transport will establish a national database for all road traffic and condition data to inform the prioritisation and monitoring of road maintenance across all roads.

The main risks to the economic outlook are continued policy uncertainties and deterioration in the finances of state-owned entities. These factors, alongside continued high unemployment and slow growth will continue to exert pressure on municipal revenue generation and collection levels hence a conservative approach is advised for municipal revenue projections. Municipalities affected by the drought should also consider its impact on revenue generation. In this context, municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

### Budget Assumptions

As the municipality provides services to the communities, a significant amount of costs are incurred and these must be recovered somehow from the consumers. This is where the issue of tariff setting comes in, and we have in this regard been guided by the municipality's performance in the previous financial years, and the guidelines set by the National Treasury in numerous circulars, last of which was MFMA Treasury Circular No. 107 and 108. According to this circular, municipalities must consider the following consumer price index or inflationary indications:

Fiscal year	2021 Estimate	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Consumer Price Inflation - CPI	3.3%	3.9%	4.2%	4.4%

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

The following are the key budget assumptions used to prepare the draft budget with the guidance of National Treasury, NERSA, and SALGBC –

- a) 6.9% increase on electricity tariffs
- b) 15.6% increase on Electricity Bulk purchases
- c) 0% increase on property rates
- d) 6% provision for employee costs in the absence of a formal wage agreement that is currently being negotiated.
- e) 4% increase on the remuneration of councilors
- f) 3.9% for all other expenses, and
- g) 6.9% for other revenue municipal Tariffs

### **Revenue budgeting**

There is a need for municipalities to focus on collecting revenues owed to them, and eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.

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

Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this has been identified as a fundamental reason for municipalities not attaining their desired collection rates.

It is essential that municipalities pay attention to reconciling the valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are accurate.

### **Setting Cost reflective Tariffs**

Cost reflective tariff setting is a requirement of Section 74(2) of the Municipal Systems Act, 2000 (Act No.32 of 2000) which states that tariffs must "reflect the costs reasonably associated with rendering the service".



An exercise was undertaken by NT to bring certainty when setting tariffs - tool and guide has been developed and it caters for all categories of municipalities. The emphasis is on setting tariffs for the four trading services namely water, sanitation, electricity and solid waste.

The National Treasury Municipal Costing Guide is available on the link below on the National Treasury website.

Setting cost reflective tariffs is the start to improved budgeting and financial sustainability.

Many municipalities have very high levels of Non-Revenue Water (NRW), and some also have high levels of Non-Revenue Electricity (NRE). NRW and NRE can be broken down into 'technical' and 'non-technical' losses\*.

Reducing technical losses can reduce the tariffs required because the cost of supplying the service will be reduced

### **Eskom Bulk tariff Increases**

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

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

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

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

### **The Public Consultations**

As detailed in the later paragraphs, the municipality will consult with the communities in relation to this budget and their inputs incorporated before finalization and final approval by council. The draft annual budget as compiled for the 2021/22 financial year and the MTREF therefore addresses priorities as per the IDP consultation processes, bearing in mind the limited resources that the municipality has at its disposal. As indicated in earlier paragraphs, the leading need by the communities is electrification and access roads, the budget is biased towards these. The budget also endeavors to allocate resources for construction and maintenance of access roads that ensure communities have access to schools, clinics and other basic necessities. Sport development is crucial for social cohesion, and central to this is the construction of infrastructure that would ensure that youths in the communities have access to sporting facilities. The budget therefore allocates resources to such, as prioritized by communities.

## **Policy Review**

The municipal council has reviewed a number of policies, proposing amendments to these policies and these are detailed in the later paragraphs in more detail. Most of the adjustments that have been proposed are necessitated by developments and changes in the requirements of key regulatory institutions like the National Treasury and the South African Revenue Services.

The preparation of the budget has relied mainly on the statistics as provided in the Community Survey of 2016 and the recent release. Although this has been the basis, we have kept in mind the growth of communities we serve within the municipality through recent community surveys. The assumptions utilized in the compilation of this budget have also been based on the guidance provided by the National Treasury on the inflationary indicators to be utilized. The guidance has also touched on the requirements and expectations from the National Energy Regulator of South Africa (NERSA) on the percentage increase that can be effected on electricity tariffs.

## **Measureable Performance Objectives and Indicators**

As part of the IDP and budget compilation process, management has identified the strategic objectives and performance indicators that would enable the municipality to achieve on the mandated powers and functions. These have been set out in the IDP with measureable performance indicators, and the budgeted amounts for the 2021/22 financial year and the two outer years. This information has further been detailed more in the draft Service Delivery Budget Implementation Plan for the 2021/22 financial year which must be approved by the Mayor at least 28 days after the adoption of the budget. The objectives have further been provided with projects that will be implemented to achieve the set targets and these projects have been supported by project implementation plans for each of the projects.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2021/22 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2021/22 MTREF

EC443 Mbizana - Table A4 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		
		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
R thousand	1									
Revenue By Source										
Property rates	2	19 597	18 967	21 251	25 189	25 189	25 189	26 171	27 271	28 470
Serv ice charges - electricity revenue	2	29 507	31 229	33 884	32 578	32 578	32 578	35 942	38 687	41 676
Serv ice charges - water revenue	2	—	—	—	—	—	—	—	—	—
Serv ice charges - sanitation revenue	2	—	—	—	—	—	—	—	—	—
Service charges - refuse revenue	2	1 324	4 456	4 490	4 437	4 566	4 566	4 665	4 861	5 075
Rental of facilities and equipment		656	2 224	5 097	2 851	2 851	2 851	3 093	3 314	3 389
Interest earned - ex ternal investments		7 435	8 772	9 660	10 364	10 364	10 364	10 047	10 469	10 929
Interest earned - outstanding debtors		3 707	4 047	4 912	4 404	4 404	4 404	5 133	5 348	5 584
Dividends received		—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		1 646	1 038	2 066	948	850	850	938	971	1 007
Licences and permits		2 296	2 257	2 237	2 756	2 756	2 756	2 756	2 756	2 756
Agency services		1 150	1 271	1 021	1 218	1 218	1 218	1 265	1 319	1 377
Transfers and subsidies		205 435	235 250	269 065	282 528	354 940	354 940	295 190	306 152	298 723
Other revenue	2	8 165	1 362	738	1 470	1 398	1 398	1 466	1 485	1 506
Gains		338	19 024	7 526	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		281 258	329 895	361 946	368 742	441 112	441 112	386 666	402 631	400 491
Expenditure By Type										
Employee related costs	2	85 788	107 255	104 852	119 133	119 313	119 313	126 854	132 216	137 964
Remuneration of councillors		22 485	23 223	23 970	25 036	25 036	25 036	26 007	27 099	28 292
Debt impairment	3	1 456	4 266	8 570	4 500	8 600	8 600	9 600	9 600	9 600
Depreciation & asset impairment	2	38 841	41 890	39 437	52 581	52 681	52 681	52 682	54 894	57 310
Finance charges		834	66	11	150	150	150	150	156	163
Bulk purchases - electricity	2	27 761	30 025	33 255	31 896	34 616	34 616	40 016	41 696	43 531
Inventory consumed	8	5 932	5 250	8 162	7 677	7 898	7 898	7 663	7 985	8 336
Contracted services		63 541	49 149	50 929	110 404	93 396	93 396	98 991	86 461	90 192
Transfers and subsidies		738	702	1 418	1 835	7 018	7 018	5 907	6 155	6 426
Other expenditure	4, 5	48 266	52 805	44 470	69 979	64 020	64 020	65 599	67 985	71 478
Losses		41 798	7 462	55 402	—	36 277	36 277	—	—	—
Total Expenditure		337 440	322 093	370 477	423 190	449 003	449 003	433 468	434 248	453 291
Surplus/(Deficit)		(56 182)	7 802	(8 531)	(54 449)	(7 891)	(7 891)	(46 802)	(31 617)	(52 800)
Transfers and subsidies - capital (monetary allocations) (National / Prov incial and District)		108 381	85 899	78 881	77 335	80 557	80 557	99 296	112 858	92 433
Transfers and subsidies - capital (monetary allocations) (National / Prov incial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (in-kind - all)		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633
Taxation		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after taxation		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633
Attributable to minorities		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) attributable to municipality		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633
Share of surplus/ (deficit) of associate	7	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633

The table above shows the summary of the draft budget for the 2021/22 financial period with the outer years. The table shows that the expected revenue for the 2021/22 financial year adds up to just above R485 million.

The above table continues to show greater dependency of the municipality on the national fiscus through grants as these make up 81.22% of the municipality's anticipated revenues which is an increase from 80.85% in the prior year with other sources anticipated to generate only 18.78% which means the municipality has very little resources to spend without prescribed conditions. This has a potential to limit the municipality in terms of the programmes it would like to implement to improve the lives of the people

of Mbizana. The overall decrease in revenue is more than 6.85% taking the tune from the national performance as well where the country has seen no growth and negative in some sectors. This will unfortunately continue as the world at large continues to experience situations that have a potential of collapsing economies due to the outbreak of Covid-19 and its continued surge.

**a. Revenue**

The above table continues to show greater dependency of the municipality on the national fiscus through grants as these make up 81.22% of the municipality's anticipated revenues which is an increase from 80.85% in the prior year with other sources anticipated to generate only 18.78% which means the municipality has very little resources to spend without prescribed conditions. This has a potential to limit the municipality in terms of the programmes it would like to implement to improve the lives of the people of Mbizana. The overall decrease in revenue is more than 6.85% taking the tune from the national performance as well where the country has seen no growth and negative in some sectors. This will unfortunately continue as the world at large continues to experience situations that have a potential of collapsing economies due to the outbreak of Covid-19 and its continued surge

**b. Operating expenditure**

**i. Non-cash items**

These are expenditure items where no cash will be required to flow as these relate to the accounting for wear and tear of the municipal assets and impairment of portions of debtors considered to be irrecoverable based on the behaviour of individual debtors and their credit profile. These make up 14.37% of the municipality's operating expenditure.

**ii. Employee Related Cost**

Below are vacant positions that are included in the calculations of these draft budget amounts that have been agreed on with Corporate Services to ensure these are on the municipality's current organisational structure. In line with the national government's call to manage the public sector wage bill the municipality's employee costs budget plus remuneration of councillors makes up 35.26% of the operating budget excluding non-cash items which is very close to reaching the maximum limit permitted of 40%. Below are the details of vacant positions included in the draft budget.

**Municipal Manager**

- Manager: Municipal Operations
- Monitoring and Evaluation Officer
- Senior Internal Auditor
- VIP Protector

**Budget and Treasury**

- Manager: Assets and Stores
- Accountant: Reporting

**Corporate Services**

- IT Technician
- Labour Relations Officer
- Fleet Management Officer
- Senior Human Resource Officer
- Receptionist

**Community Services**

- Environmental Officer
- 2 X Examiners
- 2 X Wardens
- 2 X Security Guards
- Store Keeper
- 8 X General Assistants
- 2 X Drivers
- Administrative Clerk
- Cleansing Supervisor

**Development Planning**

- Manager: Planning and Land use
- Town Planner

**Engineering Services**

- Plant Operator
- Truck Driver
- Metering Technician
- Artisan

The above positions include those where recruitment processes have already commenced or concluded but the successful incumbents have not resumed duties yet. This is to ensure that all these are catered for in the municipal budget.

No new positions are proposed to be added on the municipality's organisational structure for the next three financial years.

**iii. Remuneration of councilors**

An increase of 4% was used to accommodate any adjustments that might need to be implemented during the year once a new gazette on the remuneration of office bearers has been issued and also ensuring that we have catered for the grade 4 position of the municipality. The formula for the allocation of the Equitable share includes an allocation to support councillor remuneration and ward committees. This allocation for the budget year is R13.7 million requiring the municipality to also fund the remuneration of councillors from revenues internally generated.

**iv. Contracted Services**

This item relates to services and goods that can only be provided through the use of external service providers such as catering, hiring of transport, consultants, prepaid electricity vendors, professional services etc. This draft budget includes but not limited to the following allocations:

- R8 million for outsourced security services
- R7.1 million for completion of Mabhekuteni electrification
- R5.5 million for legal services
- R4.4 million for completion of Bhekela to Mdatya electrification
- R4 million for maintenance of municipal buildings

- R4 million for casual labour for refuse removal
- R2.2 million for security casual labour
- R18.8 million for maintenance of roads and CBD
- R3.5 million for EPWP implementation
- R3.6 million for maintenance of electrical infrastructure
- R3.6 million on catering which is a reduction from R4.1 million in the current year
- R3.4 million on repairs of municipal vehicles

There are other municipal programmes included as review of asset register, survey of municipal land, maintenance of dumping site, servicing of Skip bins, internal audit co-sourcing and all other programmes.

#### **v. Other Expenditure**

These are all other operational expenses of the municipality such as advertising, travel and subsidies, seminar and workshops etc. The following are some of the items that may require special mention when it comes to these expenditures even though the list does not mean these are the only allocated expenditures:

- R5.5 million for free basic services and indigent support
- R6.9 million for maintenance of IT systems and rentals thereof
- R3.9 million for communication in the form of telephone, fax and cellphones
- R5.2 million for external audit fees
- R4.9 million for accommodation of Municipal Officials and Councillors which is a decrease from R5.2 million in the current year
- R4.1 million for Accident liability and Workman's compensation
- R3.3 million for SALGA levies and tuitions fees for training and development

There are other smaller items budgeted for that are not included on the explanations above due to their values being small individually



EC443 Mbizana - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

EC443 Mbizana - Table A3 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
R thousand										
Revenue by Vote	1									
Vote 1 - Executive and Council		-	150	-	-	-	-	-	-	-
Vote 2 - Corporate Services		249	288	352	280	280	280	293	309	326
Vote 3 - Budget Treasury Office		239 291	286 287	311 534	296 215	350 379	350 379	309 070	324 413	317 703
Vote 4 - Community Services		9 130	11 387	15 605	11 811	12 932	12 932	13 243	9 956	10 265
Vote 5 - Development Planning		62	316	110	25 621	42 680	42 680	46 467	50 589	28 954
Vote 6 - Engineering Services		140 907	117 367	113 226	112 149	115 396	115 396	116 889	130 241	135 677
Vote 7 - Null		-	-	-	-	-	-	-	-	-
Vote 8 - Null		-	-	-	-	-	-	-	-	-
Vote 9 - Null		-	-	-	-	-	-	-	-	-
Vote 10 - Null		-	-	-	-	-	-	-	-	-
Vote 11 - Null		-	-	-	-	-	-	-	-	-
Vote 12 - Null		-	-	-	-	-	-	-	-	-
Vote 13 - Null		-	-	-	-	-	-	-	-	-
Vote 14 - Null		-	-	-	-	-	-	-	-	-
Vote 15 - Null		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	389 639	415 795	440 828	446 077	521 669	521 669	485 961	515 489	492 924
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive and Council		67 542	75 333	69 498	83 121	81 128	81 128	82 788	86 642	90 890
Vote 2 - Corporate Services		40 227	44 200	48 181	57 123	56 612	56 612	59 154	61 634	64 342
Vote 3 - Budget Treasury Office		65 675	25 305	26 759	30 707	35 467	35 467	38 517	39 398	40 682
Vote 4 - Community Services		43 703	54 695	62 453	74 211	74 925	74 925	78 225	76 388	79 731
Vote 5 - Development Planning		42 173	17 546	16 060	25 425	31 488	31 488	29 061	30 282	31 614
Vote 6 - Engineering Services		78 119	105 014	147 526	152 604	169 383	169 383	145 722	139 903	146 032
Vote 7 - Null		-	-	-	-	-	-	-	-	-
Vote 8 - Null		-	-	-	-	-	-	-	-	-
Vote 9 - Null		-	-	-	-	-	-	-	-	-
Vote 10 - Null		-	-	-	-	-	-	-	-	-
Vote 11 - Null		-	-	-	-	-	-	-	-	-
Vote 12 - Null		-	-	-	-	-	-	-	-	-
Vote 13 - Null		-	-	-	-	-	-	-	-	-
Vote 14 - Null		-	-	-	-	-	-	-	-	-
Vote 15 - Null		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	337 440	322 093	370 477	423 190	449 003	449 003	433 468	434 248	453 291
Surplus/(Deficit) for the year	2	52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633

## b. REVENUE

Anticipated revenues have drastically decreased compared to the 2020/21 budget and this is due to mainly a decrease in grants as may be seen on the table above indicating the grants that have been confirmed for the municipality especially the Equitable share.

This is a worrying picture though considering that the municipality's demands have grown more than the anticipated resources. This is probably one of the most challenging budgets that the municipality will ever produce in the current economic climate.

## a. EXPENDITURE

### MM's Office and Council expense

This has taken into account submissions made during the budget sessions and these have been taken into account using the set limits for the overall expenditures and then using those to reprioritise.

### Budget and Treasury

The major contributors are depreciation, external audit fees. Significant projects in the department are those of the review of the infrastructure fixed assets register, implementation of the contract management findings and action plan thereof.

### Corporate Services

The major expenditures relate to repairs of municipal vehicles, fuel and oil, ICT licenses, SALGA levies, website maintenance, insurance for municipal assets and employees including councillors, telephone and fax as well as other operational expenses.

### Development Planning

The department has made provisions for valuation services, Spluma, Tourism, agricultural events and development of SMME's including any support that is provided by the municipality to those. There are also provisions for surveying of municipal properties including the legal fees involved in the process.

### Community and Social Services

The department has made provision for the rehabilitation of the landfill site, provision of security services, public safety awareness campaigns, the operation and maintenance of the municipal pound, provision of free basic energy, protective clothing and other uniforms. The department on top of the EPWP grant funded casuals has made a provision for more casual labour to assist in the refuse removal services of the municipality. They have also requested overtime to be allocated more funds to cater for public holidays and other special events.

### Road Engineering

The allocations made relate to the day to day operations of the department. There are also allocations for fuel and oil for the municipal plant which will be used to maintain some of the roads within the municipality. A provision of R18.8 million has been made to cater for external road maintenance and CBD maintenance, and R4 million for maintenance of municipal buildings.

### Electricity

The department's biggest allocation has gone to the electricity purchases which is paid to Eskom for the supply of electricity. There are also allocations of over R3.6 million that are made for purchase of electrical material and maintenance of electrical infrastructure. In addition to these there is an allocation of over R11.5 million for electrification in the two wards indicated earlier when dealing with contracted services.

## **1.5 Operating Revenue Framework**

Mbizana Local Municipality strives to provide its communities with the required services and for it to succeed in doing that, it has to ensure that it has an operating revenue framework that ensures that it is able to fund its operations. This talks to the fact that there must be strategies in place to maximize the collection of revenue from the streams that already exist, but as well identify new revenue streams to augment the existing ones. A revenue enhancement strategy that was approved by the council in 2014 has been reviewed and is accompanied by a proposed implementation plan to ensure implementability which was a big miss on the initial strategy.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipal area and continued economic development;
- Efficient revenue management;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);



- 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;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) as amended;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

In preparing the budgets, realistically anticipated revenues have been considered, and as has been indicated several times earlier, the tough economic conditions reflect on the reduces anticipated revenues. Electricity and refuse removal show a slight increase and the main consideration has been the declining trend over the past few years, coupled with the weak performance of the said items in terms of revenue collection.

## 1.6 Reconciliation of grants allocations

Reconciliation of Mbizana Local Municipality allocations for 21/22 MTREF					
	Revised 2020/21	Change	2021/22	2022/23	2023/24
<b>National Allocations</b>					
<i>Operational</i>	<b>353 835 316</b>	<b>-38 825 816</b>	<b>315 009 500</b>	<b>306 152 000</b>	<b>298 723 000</b>
Equitable Share	332 422 000	-42 802 000	289 620 000	304 052 000	296 623 000
Financial Management Grant	2 000 000	-	2 000 000	2 100 000	2 100 000
Municipal Disaster Management Grant	5 474	-5 474	-	-	-
Expanded Public Works Programme	2 389 000	1 181 000	3 570 000	-	-
Municipal Infrastructure Grant	-	-	-	-	-
Government Support Grant	17 018 842	2 800 658	19 819 500		
<i>Capital</i>	<b>80 556 589</b>	<b>-1 080 589</b>	<b>79 476 000</b>	<b>90 038 000</b>	<b>85 433 000</b>
Municipal Infrastructure Grant	48 049 000	2 974 000	51 023 000	55 038 000	57 433 000
Integrated National Electrification	32 507 589	-4 054 589	28 453 000	35 000 000	28 000 000
		-			
<b>Provincial Allocations</b>					
<i>Operational</i>	<b>1 104 438</b>	<b>-1 104 438</b>	-	-	-
Green Municipality Grant	401 905	-401 905	-	-	-
Library Grant	702 533	-702 533	-	-	-
		-	-	-	-
		-	-	-	-
<b>TOTAL ALLOCATIONS</b>	<b>435 496 343</b>	<b>-41 010 843</b>	<b>394 485 500</b>	<b>396 190 000</b>	<b>384 156 000</b>

**Table 2 Summary of revenue classified by main revenue source**

EC443 Mbizana - Table A4 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		
		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
R thousand	1									
Revenue By Source										
Property rates	2	19 597	18 967	21 251	25 189	25 189	25 189	26 171	27 271	28 470
Service charges - electricity revenue	2	29 507	31 229	33 884	32 578	32 578	32 578	35 942	38 687	41 676
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	1 324	4 456	4 490	4 437	4 566	4 566	4 665	4 861	5 075
Rental of facilities and equipment		656	2 224	5 097	2 851	2 851	2 851	3 093	3 314	3 389
Interest earned - external investments		7 435	8 772	9 660	10 364	10 364	10 364	10 047	10 469	10 929
Interest earned - outstanding debtors		3 707	4 047	4 912	4 404	4 404	4 404	5 133	5 348	5 584
Dividends received		–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		1 646	1 038	2 066	948	850	850	938	971	1 007
Licences and permits		2 296	2 257	2 237	2 756	2 756	2 756	2 756	2 756	2 756
Agency services		1 150	1 271	1 021	1 218	1 218	1 218	1 265	1 319	1 377
Transfers and subsidies		205 435	235 250	269 065	282 528	354 940	354 940	295 190	306 152	298 723
Other revenue	2	8 165	1 362	738	1 470	1 398	1 398	1 466	1 485	1 506
Gains		338	19 024	7 526	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		281 258	329 895	361 946	368 742	441 112	441 112	386 666	402 631	400 491

• **Table 3 Percentage growth in revenue by main revenue source**

EC443 Mbizana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Table 1: Budgeted + material + 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	% Change	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Revenue By Source											
Property rates	2	19 597	18 967	21 251	25 189	25 189	25 189	4%	26 171	27 271	28 470
Service charges - electricity revenue	2	29 507	31 229	33 884	32 578	32 578	32 578	10%	35 942	38 687	41 676
Service charges - water revenue	2	-	-	-	-	-	-		-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-		-	-	-
Service charges - refuse revenue	2	1 324	4 456	4 490	4 437	4 566	4 566	2%	4 665	4 861	5 075
Rental of facilities and equipment		656	2 224	5 097	2 851	2 851	2 851	8%	3 093	3 314	3 389
Interest earned - external investments		7 435	8 772	9 660	10 364	10 364	10 364	-3%	10 047	10 469	10 929
Interest earned - outstanding debtors		3 707	4 047	4 912	4 404	4 404	4 404	17%	5 133	5 348	5 584
Dividends received		-	-	-	-	-	-		-	-	-
Fines, penalties and forfeits		1 646	1 038	2 066	948	850	850	10%	938	971	1 007
Licences and permits		2 296	2 257	2 237	2 756	2 756	2 756	0%	2 756	2 756	2 756
Agency services		1 150	1 271	1 021	1 218	1 218	1 218	4%	1 265	1 319	1 377
Transfers and subsidies		205 435	235 250	269 065	282 528	354 940	354 940	-17%	295 190	306 152	298 723
Other revenue	2	8 165	1 362	738	1 470	1 398	1 398	5%	1 466	1 485	1 506
Gains		338	19 024	7 526	-	-	-	0%	-	-	-
Total Revenue (excluding capital transfers and contributions)		281 258	329 895	361 946	368 742	441 112	441 112	-12%	386 666	402 631	400 491

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

The own revenue generation of the municipality is pillared mainly by electricity distribution and levying of property rates. Although the municipality to a larger extent relies on grants, these own revenue sources remain very important and all efforts need to be made to ensure that maximum returns are realized on them.

Property Rates depend on the availability of the updated valuation roll to be levied. A valuation roll that has been finalized is coming to an end of its validity although it is under constant challenge from the rate payers. The availability of the valuation roll has meant that a detailed and involved process is followed to determine the tariff to be levied instead of using unreliable methods of calculations. The latest valuation roll, updated with the supplementary valuations was utilized in arriving at the possible amounts that can be raised out of property rates.

Electricity distribution forms a significant part of the own funding by the municipality. The performance of this stream of revenue has been under considerable strain over the past few years, and it has become difficult to expect an immediate change out of it, however measures implemented over the past financial year and during the year have begun to show some positive results which still need to be monitored closely.



Table 4 Operating Transfers and Grant Receipts

EC443 Mbizana - Supporting Table SA18 Transfers and grant receipts										
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
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		235 531	267 685	290 700	311 814	369 324	369 324	323 643	341 152	333 723
Local Government Equitable Share		197 681	230 525	260 384	278 139	332 422	332 422	289 620	304 052	296 623
Finance Management		2 145	2 215	2 215	2 000	2 000	2 000	2 000	2 100	2 100
EPWP Incentive		1 704	2 335	2 452	2 389	2 389	2 389	3 570	–	–
Energy Efficiency and Demand Management		34 001	32 610	24 934	29 286	32 508	32 508	28 453	35 000	35 000
		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
Disaster Grant		–	–	715		5	5	–	–	–
Provincial Government:		850	448	3 130	–	1 104	1 104	–	–	–
Sport and Recreation		350	448	246	–	703	703	–	–	–
		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
Greenest Municipality		500	–	2 884	–	402	402	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–	–	–	–
Total Operating Transfers and Grants	5	236 381	268 133	293 830	311 814	370 429	370 429	323 643	341 152	333 723
Capital Transfers and Grants										
National Government:		59 678	59 416	48 362	48 049	65 068	65 068	70 843	77 858	57 433
Municipal Infrastructure Grant (MIG)		59 678	59 416	48 362	48 049	48 049	48 049	51 023	55 038	57 433
Neighbourhood Development Partnership		–	–	–	–	17 019	17 019	19 820	22 820	–
		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert desc]		–	–	–	–	–	–	–	–	–
Provincial Government:		21 277	–	–	–	–	–	–	–	–
Provincial Electrification Grant		21 277	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–	–	–	–
Total Capital Transfers and Grants	5	80 955	59 416	48 362	48 049	65 068	65 068	70 843	77 858	57 433
TOTAL RECEIPTS OF TRANSFERS & GRANTS		317 336	327 549	342 192	359 863	435 496	435 496	394 486	419 010	391 156

Table 4 shows the operating grants that the municipality has been allocated for the 2021/22 financial period and the MTREF. The Equitable Share has decreased to R289 million and the municipality revenue has grant funding in the excess of R394million. It is important to note though that the INEP allocation has also decreased putting more pressure on the municipal resources when it comes to funding of the capital budget.

- **Financial Management Grant (FMG):** This grant is meant to assist in ensuring that financial management systems of the municipality are functioning and that the staff complement at the Budget and Treasury Office is adequately capacitated in terms of skill and understanding of accounting and municipal finance.

- **Municipal Infrastructure Grant (MIG) (Operational):** The MIG is meant for the development of infrastructure within the municipality, but then 5% of that is utilized for project management, payment of salaries of specific staff members and planning for those infrastructure projects.
- **Department of Sport and Culture – Library:** The grant is meant to assist in the running of the library, including ensuring that the library is appropriately stocked with books.
- **Expanded Public Works Program Grants:** This is meant to assist municipalities and the government to create labour intensive employment opportunities for the previously disadvantaged communities.
- **Integrated National Electrification Program Grant:** This is meant to assist in the eradication of electricity infrastructure backlogs in the rural communities.

- **Tariff Setting for the 2021/22 and MTREF Period**

As part of generating own revenue, the municipality needs to set tariffs for the revenue streams for which it has been made responsible for in terms of various legislations. For example the Municipal Property Rates Act empowers the municipality to levy rates on all ratable properties.

A number of considerations have been taken into consideration in setting up the tariffs to be utilized from July 01, 2021 as indicated in earlier paragraphs. The municipality has not been immune to the adverse economic conditions that are currently experienced throughout the country and more so as a result of Covid-19 economic disruptions. These conditions have been taken into consideration as the tariffs were being set and all the input costs that go into providing the specific services.

#### **1.6.1.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. In determining the tariff, the municipality has considered the values of properties on which the municipality will levy rates, the amounts desirable from rates for budget purposes, and the historic tariffs of the previous financial years.

The Property Rates policy is one of the most important documents that we utilise in the determination of property rates. It should be kept in mind though that the Municipal Property Rates Act remains the reference point for this policy.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R40 000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy. This is maintained from the previous financial year as there has not been any significant changes to the values of the properties;
- Details of further rebates and reductions are provided in the municipality's Property Rates Policy and the Indigent Policy.

The tariff structure has basically changed for residential properties as shown in the table below. However, it was brought into our attention by the National CoGTA that we had in the previous financial years unfairly charge government departments a higher rate than all other properties whilst these are not in the business of making profits. The vacant land has been raised higher to discourage hoarding of pieces of land that have not been developed. We have therefore taken these into consideration in arriving at the tariff as shown below

**Table 5 Comparison of proposed rates to be levied for the 2021/22 financial year**

<b>PROPERTY RATES</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>
	R/c	R/c	R/c	R/c
Residential	0.0067	0.0067	0.0069	0.0072
Business	0.0133	0.0133	0.0138	0.0144
Government	0.0120	0.0120	0.0125	0.0130
Vacant Land	0.0100	0.0100	0.0104	0.0108

### 1.6.1.2 Sale of Electricity and Impact of Tariff Increases

The municipality distributes electricity in the town area of Mbizana and to do this, a service charge must be levied in order to recover the costs incurred. There has been a noticeable increase in the revenue generated from electricity as a result of projects undertaken that has seen losses reduced. However there is still a lot of work to be done to ensure that this service is at least able to sustain itself, and at some point be able to provide enough revenue for other service delivery imperatives.

As guided by National Treasury Circular 107 & 108, there has been very minimal increase in the electricity tariffs and this is informed by the percentage increase that has been considered for all other services while a decision is awaited from NERSA. We have therefore applied a 6.9% maximum increase. We have however made a provision of a higher increase of 15.6% increase on electricity purchases budget. This is what has been factored in and the tariffs are as follows:-

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

<b>ELECTRICITY SERVICES - PRE-PAID AND CONVENTIONAL</b>				
<b>UNDER 60A HOUSEHOLD / COMMERCIAL</b>	2020/2021	2021/2022	2022/2023	2023/2024
An energy charge equivalent to Eskom kW hour charge of	R	R	R	R
KWH PER UNIT - 0 - 50	1.0982	1.2584	1.3113	1.3690
KWH PER UNIT - 51 - 350	1.4120	1.6180	1.6860	1.7601
KWH PER UNIT - 351 - 600	1.9873	2.2772	2.3729	2.4773
KWH PER UNIT - >600	2.3402	2.6816	2.7943	2.9172
<b>Time of use meters (Night Save Rural tariffs): with a supply not exceeding 100 KVA (<math>\geq 60A</math> &amp; <math>\leq 100A</math>)</b>				
A service charge	473.74	529.64	711.04	956.00
A maximum demand charge	0	0	0	0
<b>Energy charge per kW: Single phase</b>				
<i>High (June to August)</i>				
Peak	2.0782	2.0001	2.6851	3.6102
Standard		1.3334	1.7901	2.4068
Off peak		1.3334	1.7901	2.4068
<i>Low (September to May)</i>				
Peak	2.0782	2.0001	2.6851	3.6102

<b>ELECTRICITY SERVICES - PRE-PAID AND CONVENTIONAL</b>				
Standard		1.3334	1.7901	2.4068
Off peak		1.3334	1.7901	2.4068
Excess reactive energy charge				
Excess reactive energy rebate factor				
Transmission surcharge with a minimum of the service charge fee with a supply not exceeding 100 KVA as in above				
<b>Time of use meters (Night Save Rural tariffs): with a supply exceeding 100 KVA but not exceeding 180 KVA (<math>\geq 100A</math> &amp; <math>\leq 180A</math>)</b>				
A service charge	886.94	529.64	711.04	956.00
A maximum demand charge	0	0	0	0
Energy charge per kW: Single phase				
<i>High (June to August)</i>				
Peak	1.9810	2.0001	2.6851	3.6102
Standard		1.3334	1.7901	2.4068
Off peak		1.3334	1.7901	2.4068
<i>Low (September to May)</i>				
Peak	1.9810	2.0001	2.6851	3.6102
Standard		1.3334	1.7901	2.4068
Off peak		1.3334	1.7901	2.4068
Excess reactive energy charge				
Excess reactive energy rebate factor				
Transmission surcharge with a minimum of the service charge fee with a supply not exceeding 100 KVA as in above				
<b>**EXCLUDING VAT (15%)</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>



<b>ELECTRICITY SERVICES - PRE-PAID AND CONVENTIONAL</b>				
<b>Time of use meters (Night Save Rural tariffs):with a supply exceeding 180 KVA</b>	R	R	R	R
A service charge	1 474.01	366.32	491.79	661.21
A maximum demand charge (KVA)	254.93	229.56	308.19	414.36
Energy charge per kW: Single phase				
<i>High (June to August)</i>				
Peak	0.9625	2.0001	2.6851	3.6102
Standard		1.3334	1.7901	2.4068
Off peak		1.3334	1.7901	2.4068
<i>Low (September to May)</i>				
Peak	0.9625	2.0001	2.6851	3.6102
Standard		1.3334	1.7901	2.4068
Off peak		1.3334	1.7901	2.4068
Excess reactive energy charge				
Excess reactive energy rebate factor				
Transmission surcharge with a minimum of the service charge fee with a supply not exceeding 100 KVA as above				
<b>**EXCLUDING VAT (15%)</b>				
<b>Security deposit:-</b>	1 500.00	1 500.00	1 500.00	1 500.00
Every applicant for the supply of electricity within the Municipality shall pay a deposit sufficient to cover the estimated cost of three months supply of electricity to the premises concerned with a minimum deposit of :-				

## Other Electricity Related Tariffs

<b>ELECTRICITY SERVICES - PRE-PAID AND CONVENTIONAL</b>				
<b>NEW CONNECTION FEES</b>	2020/2021	2021/2022	2022/2023	2023/2024
20 Amps ( Single Phase)	2 292	2 381	2 481	2 591
60 Amps ( Single Phase)	4 506	4 682	4 878	5 093
100 Amps ( 3 Phase)	5 989	6 223	6 484	6 769
Per Kva	6 529	6 784	7 069	7 380

<b>ELECTRICITY SERVICES - PRE-PAID AND CONVENTIONAL</b>				
<b>Inspection and testing of installation:- (new)</b>				
To inspect and/or test consumer's installation for the first test	0	316	329	344
Thereafter				
To inspect and/or test consumer's installation per inspection, per visit.	0	316	329	344
<b>Testing of meters:-</b>				
For the testing of a meter at the consumer's request, per meter, and a refund should the meter prove to be faulty				
<b>Connection fee:-</b>				
The connection fee in respect of any temporary supply, per connection	473	491	512	535
The connection fee / Administration fee in respect of any disconnection and reconnection of services cutt-offs	473	491	512	535
Meter movement fee in respect of meter relocation and redirecting the cable from 1 point to the other	488	507	528	552
<b>Hardware costs</b>				
Meter keypad replacement	612	636	663	692
Meter replacement :20 Amps ( Single Phase)	737	766	798	833
Meter replacement :60 Amps ( Single Phase)	866	900	938	979
Meter replacement :100 Amps ( 3 phase)	2006	2084	2172	2267
<b>Tampering fine (Illegal connection) (no VAT)</b>				
First temper	15 000	17 500	18 500	20 000
Second temper	20 000	22 500	25 000	27 500
Third temper(permanent disconnection )	25 000	27 500	30 000	32 500

<b>ELECTRICITY SERVICES - PRE-PAID AND CONVENTIONAL</b>				
Plus Cost of New meter - Cost + 10% Admin Fee + vat				
<p><i>Any additional offence will constitute the removal of the supply to the premises concerned inclusive of cable and meters to be replaced at cost + 10% + vat payable in advance provided that any reconnection fee or penalty has to be paid prior to the supply being reconnected. The offences mentioned above will be deemed to be from date of application to date of termination of the electrical supply to the premises in question</i></p>				
<p><i>Any additional offence will constitute the removal of the supply to the premises concerned inclusive of cable and meters to be replaced at cost + 10% + vat payable in advance provided that any reconnection fee or penalty has to be paid prior to the supply being reconnected.</i></p>				

### 1.6.1.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

The following table compares current and proposed amounts payable from 1 July 2021:

**Table 6 Comparison between current waste removal fees and increases**

REFUSE - RESIDENTIAL	2020/2021	2021/2022	2022/2023	2023/2024
	R	R	R	R
Category 1	163	170	177	185
Category 2	328	341	356	372
Category 3	410	427	445	466
Category 4	657	683	714	746
Category 5	738	768	802	838
Category 6	492	512	535	559
Category 7	163	170	177	185
Category 8	309	322	336	351
Category 9	77	80	83	87
Category 10	451	469	490	512
Category 11	632	658	687	718
Category 12	629	655	683	714

REFUSE - COMMERCIAL	2020/2021	2021/2022	2022/2023	2023/2024
	R	R	R	R
Category 1	162	169	177	184
Category 2	440	458	478	500
Category 3	1320	1375	1435	1500
Category 4	1651	1718	1794	1875
Category 5.1	3851	4009	4186	4374

<b>REFUSE - COMMERCIAL</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>
Category 5.2	2751	2864	2990	3124
Category 5.3	1258	1309	1367	1428
Category 5.4	629	655	683	714
Category 6	340	353	369	386
<b>**EXCLUDING VAT (15%)</b>				

<b>DUMPING SITE TARRIFS</b>				
	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>
Disposal	R	R	R	R
Bakki per load	79	82	86	90
Truck per load(4 ton)	136	143	150	156
Truck per load(8 ton and above)	240	240	251	261
Clean Rubble (clean Rubble)	0	0	0	0

### Hiring of municipal facilities

	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>
<b>HALL HIRE: URBAN AREA</b>	R	R	R	R
Daily rate	869	910	952	994
Hourly rate	145	152	159	166
Monthly rate	21 741	22 757	23 804	24 851
IEC Tarrifs Daily	527	553	578	603
IEC Tarrifs Monthly	7 500	7 504	7 507	7 837
Security	1 261	1 321	1 382	1 443
<b>HALL HIRE: RURAL AREA</b>				
Daily rate	869	910	952	994
Hourly rate	145	152	159	166
Monthly rate	10 271	10 276	10 281	10 734
IEC Tarrifs Daily	250	250	250	261
IEC Tarrifs Monthly	6 500	6 503	6 507	6 793
Security	614	644	674	704

	2020/2021	2021/2022	2022/2023	2023/2024
<b>COMMUNITY PARKS AND OPEN SPACE</b>				
Group Entertainment	0	1 500	1 501	1 567

	2020/2021	2021/2022	2022/2023	2023/2024
<b>POUND FEES</b>	R	R	R	R
Cattle, Horses, Donkeys and any other animal of similar size per day	67	67	67	67
Goats, sheep and other animals of the same size per day	40	40	40	40
If captured by SAPS(e.g. recovered stolen animals)	40	40	40	40
Motor vehicles	282	282	282	282
Other goods	48	48	48	48
Admission of guilt/Animal (large stock)	265	265	265	265
Admission of guilt/Animal (small stock)	106	106	106	106
<i>Where there are more than five animals impounded, from the sixth animal, 50% of the daily rate will be charged. This charge will apply for animals belonging to one owner.</i>				

#### 1.6.1.4 Other Municipal Tariffs

The municipality has other tariffs that are proposed to increase as follows:

##### Development Planning Tariffs

<b>BUSINESS LICENSING FEES FORMAL INFORMAL BUSINESS TARIFF</b>			
<b>VENDING AND HAWKING TARRIFS</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Registration for permit	R 162,92	R 174.16	R 186.18
Hawker with stall renewal	R 312,64	R 334.21	R 357.27
Hawker without stall renewal	R 125,06	R 133.69	R 142.91

BUSINESS LICENSING FEES FORMAL INFORMAL BUSINESS TARIFF					
VENDING AND HAWKING TARRIFS		2020/21	2021/22	2022/23	
Registration of permit for bakkies		R 389,33	R 416.19	R 444.91	
Renewal of permit for bakkies		R 648,87	R 693.64	R741.50	
Hawkers outside of town without stall (once off)		R 62,52	R 66.83	R 71.45	
Registration for hawkers with stalls outside town		R 125,06	R 133.69	R 142.91	
Renewal for hawkers with stalls outside town		R 125,06	R 133.69	R 142.91	
BUSINESS LICENSING FEES FORMAL BUSINESS TARIFF					
Registration fee (once off) for the above items shall be as follow					
			2020/21	2021/22	Draft 2022/23
1.	Sale and supply of meals	R	28,09	R 30.03	R 32.10
2.	Health and entertainment	R	28.09	R 30.03	R 32.10
3.	Mechanical electrical apparatus or devices (games) 3 or more	R	28,09	R 30.03	R 32.10
NOTE: These fees are only registration fee and not the license fee,					
Increase is based on the average increase as per NT 2021/22 MTREF circular 107&108 guideline					
Annual License fees (One year fee)					
			2020/21	2021/22	2022/23
1.	Sale and supply of meals	R	252.81	R 270.25	R 288.90
2.	Health and entertainment	R	252.81	R 270.25	R 288.90
3.	Mechanical electrical apparatus or devices (games) 3 or more	R	252.81	R 270.25	R 288.90
Increase is based on the average increase as per NT 21/22 MTREF circular 107&108 guideline					

**Town Planning Tariffs**

<b>DEVELOPMENT AND PLANNING SERVICES</b>				
<b>**EXCLUDING VAT (15%)</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>
Rezoning Application per m2	R	R	R	R
Erven 0 – 2500m2	2 465	2 268	2 368	2 474
Erven 2501 – 5000m2	4 587	4 220	4 406	4 604
Erven 5001 0 – 1 Ha	9 030	8 308	8 673	9 063
Erven 1, 0001Ha – 5Ha	11 877	10 927	11 408	11 921
Erven over 5Ha	16 252	14 952	15 610	16 312
Special Consent / Temporary Departure Application m2				
Erven 0 – 2500m2	2 002	1 842	1 923	2 009
Erven 2501 – 5000m2	4 123	3 793	3 956	4 138
Erven 5001 0 – 1 Ha	8 630	7 940	8 289	8 662
Erven 1, 0001Ha – 5Ha	11 679	10 744	11 217	11 722
Erven over 5Ha	15 390	14 159	14 782	15 447
Subdivision Application				
Erven 1-2	2 583	2 376	2 481	2 593
Erven 1-3	3 445	3 169	3 309	3 458
Erven 1-4	4 306	3 962	4 136	4 323
Erven 1-5	4 871	4 481	4 678	4 889
Erven 1-6	6 027	5 545	5 789	6 049
Erven 1-7	6 890	6 339	6 343	6 629
Erven 1-8	7 752	7 131	7 445	7 780
Erven 1-9	8 613	7 924	8 273	8 645
Erven 1-10	9 474	8 716	9 010	9 509
Erven more than 10	17 225	15 847	16 544	17 289
Departure Application from the scheme ( Building Lines, height, coverage etc)				
Erven 0 – 530m2	1 622	1 492	1 558	1 628
Erven 531– more	2 868	2 639	2 755	2 879
Application for the Removal of Restrictions	12 262	11 281	11 777	11 782



<b>DEVELOPMENT AND PLANNING SERVICES</b>				
<b>**EXCLUDING VAT (15%)</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>
Zoning Certificate	159	146	153	160
Town Planning Scheme	398	366	382	399
Spatial Development Framework	663	610	637	665
Application for Consolidation of Erven	2 651	2 439	2 546	2 661
SG Diagram	1 326	1 219	1 273	1 330
Amendment of the Subdivisional Plan	3 419	3 146	3 284	3 432
Extension of Validity	5 842	5 375	5 611	5 864
Sale or Lease of Land( Application fees)	5 894	5 422	5 661	5 915
Contravention Fines and Penalties				
Newspaper(s) and government gazette Advertising Daily dispatch or Gov Gazette Tariff to be borne by the applicant				
Offences for contravention of Zoning: Uses not under Primary Use in terms of section 3 of the Mbizana Municipality Land Use Scheme Regulations and Uses not in column 2 of the Mbizana Land Use Scheme Regulations				
Special Residential	2 500	2 300	2 401	2 509
General Residential	3 000	2 760	2 881	3 011
General Business	2 500	2 760	2 881	3 011
Special Business	3 000	2 760	2 881	3 011
Commercial	3 000	2 760	2 881	3 011
Industrial	3 000	2 760	2 881	3 011
Institutional	3 500	3 220	3 362	3 513
Educational	3 000	2 760	2 881	3 011
Municipal	3 000	2 760	2 881	3 011
Government	3 500	3 220	3 362	3 513
Public Garage	3 000	2 760	2 881	3 011
Open Space	2 500	2 300	2 401	2 509
Agricultural	2 500	2 300	2 401	2 509
Special	2 500	2 300	2 401	2 509
Undetermined	2 500	2 300	2 401	2 509
Proposed New Road and	5 000	4 600	4 802	5 019

<b>DEVELOPMENT AND PLANNING SERVICES</b>				
<b>**EXCLUDING VAT (15%)</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>
Offences for contravention of Coverage: of the Transkei Standard Town Planning Scheme				
Contravention of section 25	4 000	3 680	3 842	4 015
Offences for contravention of Height: of the Transkei Standard Town Planning Scheme				
Contravention of section 26	4 000	3 680	3 842	4 015
Offences for contravention of Parking: Contravention of section 4 of the Mbizana Municipality Land Use Scheme read with section 4.12 of the Mbizana Spatial Planning Bylaw				
Special and General Residential	2 500	2 300	2 401	2 509
Business and Commercial Zones	4 000	3 680	3 842	4 015
Other zones	4 000	3 680	3 842	4 015
Offences for contravention of Building Lines: of the Transkei Standard Town Planning Scheme				
Offences for contravention:				
Contravention of s(10)& s(11)	3 500	3 220	3 362	3 513
Contravention of s(17); (18); (19); (20); (21); (22); (23); (24); (28); (29); (30); (31) and (32)	5 000	4 600	4 802	5 019

**GIS Tariffs**

Size of Paper	Full Ink		Line Map	
	2020/21	2021/22	2020/21	2021/22
A2	R56.23	R 60.11	R28.12	R 30.06
A1	R84.35	R 90.17	R44.94	R 48.04
A0	R112.47	R 120.23	R56.23	R 60.11

## 1.7 Operating Expenditure Framework

The Municipality's expenditure framework for the 2021/22 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2021/22 budget and MTREF (classified per main type of operating expenditure):

EC443 Mbizana - Table A4 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		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	% Change	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	1										
<b>Expenditure By Type</b>											
Employee related costs	2	85 788	107 255	104 852	119 133	119 313	119 313	6%	126 854	132 216	137 964
Remuneration of councillors		22 485	23 223	23 970	25 036	25 036	25 036	4%	26 007	27 099	28 292
Debt impairment	3	1 456	4 266	8 570	4 500	8 600	8 600	12%	9 600	9 600	9 600
Depreciation & asset impairment	2	38 841	41 890	39 437	52 581	52 681	52 681	0%	52 682	54 894	57 310
Finance charges		834	66	11	150	150	150	0%	150	156	163
Bulk purchases - electricity	2	27 761	30 025	33 255	31 896	34 616	34 616	16%	40 016	41 696	43 531
Inventory consumed	8	5 932	5 250	8 162	7 677	7 898	7 898	-3%	7 663	7 985	8 336
Contracted services		63 541	49 149	50 929	110 404	93 396	93 396	6%	98 991	86 461	90 192
Transfers and subsidies		738	702	1 418	1 835	7 018	7 018	-16%	5 907	6 155	6 426
Other expenditure	4, 5	48 266	52 805	44 470	69 979	64 020	64 020	2%	65 599	67 985	71 478
Losses		41 798	7 462	55 402	-	36 277	36 277		-	-	-
<b>Total Expenditure</b>		<b>337 440</b>	<b>322 093</b>	<b>370 477</b>	<b>423 190</b>	<b>449 003</b>	<b>449 003</b>	<b>-3%</b>	<b>433 468</b>	<b>434 248</b>	<b>453 291</b>

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

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

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

Below are vacant positions that are included in the calculations of these draft budget amounts that have been agreed on with Corporate Services to ensure these are on the municipality's current organisational structure. In line with the national government's call to manage the public sector wage bill the municipality's employee costs budget plus remuneration of councillors makes up 35.26% of the operating budget excluding non-cash items which is very close to reaching the maximum limit permitted of 40%. Below are the details of vacant positions included in the draft budget.

#### **Municipal Manager**

- Manager: Municipal Operations
- Monitoring and Evaluation Officer
- Senior Internal Auditor
- VIP Protector

#### **Budget and Treasury**

- Manager: Assets and Stores
- Accountant: Reporting

#### **Corporate Services**

- IT Technician
- Labour Relations Officer
- Fleet Management Officer
- Senior Human Resource Officer
- Receptionist

#### **Community Services**

- Environmental Officer
- 2 X Examiners
- 2 X Wardens
- 2 X Security Guards
- Store Keeper
- 8 X General Assistants
- 2 X Drivers
- Administrative Clerk

- Cleansing Supervisor

**Development Planning**

- Manager: Planning and Land use
- Town Planner

**Engineering Services**

- Plant Operator
- Truck Driver
- Metering Technician
- Artisan

The above positions include those where recruitment processes have already commenced or concluded but the successful incumbents have not resumed duties yet. This is to ensure that all these are catered for in the municipal budget.

No new positions are proposed to be added on the municipality's organisational structure for the next three financial years.

- **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 Municipality's Indigent Policy.

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



Table 9 Summary of operating expenditure by functional classification item

EC443 Mbizana - Table A2 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>										
<i>Governance and administration</i>		239 540	286 725	311 887	321 684	375 849	375 849	335 534	351 992	346 499
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration		239 540	286 725	311 887	321 684	375 849	375 849	335 534	351 992	346 499
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		5 616	4 597	5 779	4 942	5 546	5 546	4 979	5 065	5 159
Community and social services		525	135	328	181	883	883	181	181	181
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		5 091	4 463	5 451	4 761	4 663	4 663	4 798	4 884	4 978
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		59 861	53 646	54 440	48 612	65 697	65 697	71 475	78 494	58 073
Planning and development		160	357	307	563	17 648	17 648	20 452	23 456	640
Road transport		59 701	53 289	54 133	48 049	48 049	48 049	51 023	55 038	57 433
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		84 621	70 825	68 722	70 839	74 577	74 577	73 973	79 938	83 193
Energy sources		81 107	64 036	58 896	63 969	67 191	67 191	65 709	75 047	78 087
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		3 514	6 789	9 826	6 870	7 386	7 386	8 264	4 891	5 106
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	389 639	415 795	440 828	446 077	521 669	521 669	485 961	515 489	492 924
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		174 748	151 698	154 836	184 624	186 835	186 835	195 801	203 654	212 591
Executive and council		52 972	56 846	54 296	63 018	60 829	60 829	62 138	64 703	68 052
Finance and administration		119 154	91 957	97 700	116 150	120 555	120 555	128 518	133 165	138 559
Internal audit		2 622	2 894	2 841	5 457	5 451	5 451	5 144	5 787	5 979
<i>Community and public safety</i>		21 997	25 959	29 327	30 879	30 775	30 775	31 625	32 471	33 891
Community and social services		6 333	6 825	8 044	12 117	11 534	11 534	11 967	11 993	12 518
Sport and recreation		6 812	7 723	7 497	2 769	3 039	3 039	2 853	2 972	3 103
Public safety		8 536	11 295	13 777	15 014	15 222	15 222	15 769	16 425	17 142
Housing		315	116	9	980	980	980	1 037	1 080	1 128
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		60 876	75 511	68 983	100 216	108 171	108 171	105 923	110 462	115 295
Planning and development		45 391	21 194	19 309	28 221	34 695	34 695	31 356	32 729	34 125
Road transport		13 222	50 453	47 085	69 641	71 202	71 202	72 029	75 087	78 408
Environmental protection		2 263	3 863	2 589	2 353	2 275	2 275	2 539	2 645	2 762
<i>Trading services</i>		77 875	65 992	115 111	103 891	119 886	119 886	96 266	83 646	87 323
Energy sources		67 277	51 464	96 839	77 927	93 174	93 174	68 314	59 153	61 755
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		10 598	14 528	18 271	25 964	26 712	26 712	27 952	24 493	25 568
<i>Other</i>	4	1 945	2 934	2 220	3 580	3 336	3 336	3 853	4 015	4 192
<b>Total Expenditure - Functional</b>	3	337 440	322 093	370 477	423 190	449 003	449 003	433 468	434 248	453 291
<b>Surplus/(Deficit) for the year</b>		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633

The table above gives an overview of the operational expenditure per functional classification or by functional areas within the municipality.



- **Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the Municipality'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, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 10 Operational repairs and maintenance**

Repairs and Maintenance	8								
Employee related costs		–	–	–	–	–	–	–	–
Inventory Consumed (Project Maintenance)		4 069	12	377	57	57	57	63	69
Contracted Services		6	5 796	12 422	30 986	33 442	33 442	33 748	36 765
Other Expenditure		–	–	–	12	–	–	–	–
<b>Total Repairs and Maintenance Expenditure</b>	<b>9</b>	<b>4 075</b>	<b>5 809</b>	<b>12 799</b>	<b>31 055</b>	<b>33 499</b>	<b>33 499</b>	<b>33 812</b>	<b>36 834</b>

An amount of R33.8 million has been set aside in the 2021/22 financial period for the maintenance of municipal assets. The amount is lower than the recommended treasury percentages, the municipality has taken a decision to rather purchase municipal plant and machinery which will be used to repair road infrastructure. This will ensure that there is improved access to all the wards in the municipality. There is also an increased need to repair other infrastructure assets like the municipal offices, community halls and the municipal vehicles.

**Table 11 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

EC443 Mbizana - Table A8 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
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	94 528	123 463	173 644	210 467	197 895	197 895	810 174	187 608	197 102	192 056
Other current investments > 90 days		0	–	–	–	–	–	(486 726)	(0)	0	0
Non current assets - Investments	1	–	–	–	–	–	–	8	–	–	–
Cash and investments available:		94 528	123 463	173 644	210 467	197 895	197 895	323 455	187 608	197 102	192 056
Application of cash and investments											
Unspent conditional transfers		–	6 687	8 116	–	–	–	29 272	0	0	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	(19 989)	(61 399)	(16 434)	(57 596)	(42 778)	(42 778)	(2 390 905)	(64 843)	(61 778)	(67 198)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(19 989)	(54 712)	(8 318)	(57 596)	(42 778)	(42 778)	(2 361 634)	(64 843)	(61 778)	(67 198)
Surplus(shortfall)		114 517	178 175	181 962	268 062	240 673	240 673	2 685 089	252 451	258 880	259 254

The table above shows the budgeted cash reserves and these are based on the current cash reserves in the municipality. As indicated by the table, there is a need to ensure that these reserves are preserved and built up again. This is after these reserves have been made available for infrastructure development within the municipality.

## 1.8 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Vote Description R thousand	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>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget Treasury Office		-	-	2 304	2 100	2 000	2 000	-	-	-	-
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Development Planning		-	-	-	-	-	-	-	-	-	-
Vote 6 - Engineering Services		-	23 458	22 483	18 172	39 331	39 331	-	40 902	15 000	-
<b>Capital multi-year expenditure sub-total</b>	7	-	23 458	24 787	20 272	41 331	41 331	-	40 902	15 000	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive and Council		-	-	-	50	110	110	-	-	-	-
Vote 2 - Corporate Services		5 481	4 295	2 630	10 210	10 768	10 768	4 218	7 028	5 116	6 886
Vote 3 - Budget Treasury Office		96	-	-	-	-	-	1 258	-	-	-
Vote 4 - Community Services		2 027	926	5 164	5 401	5 970	5 970	1 035	3 150	1 900	3 300
Vote 5 - Development Planning		-	-	-	1 100	1 600	1 600	483	21 420	24 320	1 800
Vote 6 - Engineering Services		68 204	70 178	55 009	38 775	92 272	92 272	33 568	44 527	92 870	89 721
<b>Capital single-year expenditure sub-total</b>		75 808	75 399	62 803	55 537	110 720	110 720	40 561	76 125	124 205	101 708
<b>Total Capital Expenditure - Vote</b>		75 808	98 857	87 590	75 808	152 051	152 051	40 561	117 027	139 205	101 708

### Corporate services

The department has budgeted for the purchase of IT equipment, IT infrastructure and office furniture for the Civic Center.

### Development Planning

The department has budgeted for the construction of manufacturing hubs, a market place to assist with the cleaning and regulation of trading in the town area.

### Community & Social Services

The department has budgeted for fencing of recreational facilities, and pound equipment.

### Refuse Removal

The department has budgeted for the purchase of grass cutting machines.

### Road works and Engineering

The following are the projects budgeted for implementation based on the available resources:

- Mphuthumi Mafumbatha Stadium R 1 500 000
- Mbizana Civic Center R 28 402 021
- Upgrade of taxi rank R 11 000 000
- Lubekelale Access Road R 742 050
- Ebumnandini to Nqabeni Access Road R 1 500 000
- Mqonjwana to Greenville Access Road R 900 000
- VAV Memorial Access Road R 2 025 926

• Simakade Access Road	R 3 025 926
• Mapheleni Access Road	R 3 225 926
• Sidanga Bridge	R 650 000
• Siginqi to Marina Access Road with Bridge	R 250 000
• Construction of Tshongweni Access Road	R 250 000
• Sixhaseni Access Road	R 250 000
• Tshuze to Philisweni Access Road	R 250 000
• Ward 4 community hall	R 3 500 000
• Ward 20 community hall	R3 500 000
• Ward 1 ECDC	R 3 500 000

### Electricity

Included in the electricity budget are the following projects as per the available resources for the next financial year:

• Xolobeni, Mgungundlovu and Dumasi village electrification	R 9 907 268.00
• Lower Ethridge and Msarhweni Villages	R 5 500 000.00
• Electrification of ward 22 and ward 31 pre-engineering	R 1 500 000.00
• Upgrade of low voltage lines	R 2 900 000.00
• Fencing of high mast lights	R 150 000.00



**Table 12 2021/22 Medium-term capital budget by vote, functional classification and funding**

Vote Description R thousand	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>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget Treasury Office		-	-	2 304	2 100	2 000	2 000	-	-	-	-
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Development Planning		-	-	-	-	-	-	-	-	-	-
Vote 6 - Engineering Services		-	23 458	22 483	18 172	39 331	39 331	-	40 902	15 000	-
<b>Capital multi-year expenditure sub-total</b>	7	-	23 458	24 787	20 272	41 331	41 331	-	40 902	15 000	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive and Council		-	-	-	50	110	110	-	-	-	-
Vote 2 - Corporate Services		5 481	4 295	2 630	10 210	10 768	10 768	4 218	7 028	5 116	6 886
Vote 3 - Budget Treasury Office		96	-	-	-	-	-	1 258	-	-	-
Vote 4 - Community Services		2 027	926	5 164	5 401	5 970	5 970	1 035	3 150	1 900	3 300
Vote 5 - Development Planning		-	-	-	1 100	1 600	1 600	483	21 420	24 320	1 800
Vote 6 - Engineering Services		68 204	70 178	55 009	38 775	92 272	92 272	33 568	44 527	92 870	89 721
<b>Capital single-year expenditure sub-total</b>		75 808	75 399	62 803	55 537	110 720	110 720	40 561	76 125	124 205	101 708
<b>Total Capital Expenditure - Vote</b>		75 808	98 857	87 590	75 808	152 051	152 051	40 561	117 027	139 205	101 708
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		13 070	9 277	5 265	12 760	13 279	13 279	5 476	7 028	5 316	7 086
Executive and council		-	-	-	50	110	110	-	-	-	-
Finance and administration		13 070	9 277	5 265	12 710	13 169	13 169	5 476	7 028	5 316	7 086
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		7 048	2 408	1 902	3 191	3 660	3 660	940	2 450	1 500	2 200
Community and social services		7 048	2 408	160	1 300	1 900	1 900	780	1 650	1 400	2 000
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	1 742	1 891	1 760	1 760	160	800	100	200
<b>Economic and environmental services</b>		22 170	22 397	57 899	55 747	103 179	103 179	28 131	85 891	91 604	56 361
Planning and development		-	-	26 486	25 272	68 499	68 499	17 815	72 822	39 320	1 800
Road transport		22 170	22 397	31 413	30 475	34 680	34 680	10 316	13 070	52 284	54 561
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		33 520	64 775	22 524	4 110	31 933	31 933	6 014	21 657	40 786	36 060
Energy sources		33 520	64 775	19 592	2 300	30 023	30 023	5 919	20 957	40 586	35 160
Waste management		-	-	2 932	1 810	1 910	1 910	95	700	200	900
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	75 808	98 857	87 590	75 808	152 051	152 051	40 561	117 027	139 205	101 708
<b>Funded by:</b>											
National Government		59 628	69 652	64 682	45 647	72 597	72 597	25 796	85 199	110 104	89 561
Transfers recognised - capital	4	59 628	69 652	64 682	45 647	72 797	72 797	25 796	85 199	110 104	89 561
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		16 180	29 205	22 908	30 162	79 254	79 254	14 765	31 828	29 102	12 146
<b>Total Capital Funding</b>	7	75 808	98 857	87 590	75 808	152 051	152 051	40 561	117 027	139 205	101 708

For the 2021/22 Annual budget, there is an increase in the capital budget of the municipality. This accounts for about R117 million of the budget and this is mainly funded from the MIG for roads, community facilities and Sport facilities, GBS grant for Manufacturing Hubs and INEP for electrification. It is important though to note that even though the budget seems to have a gradual increase over the medium-term, the municipality's own funding of the capital budget decreases.

It must be understood though that local government is heading for elections which will see new five year plans being developed and implemented.

The above table shows that the municipality's anticipated total capital budget is R117 million for the 2021/22 financial year which increases in the following year as a result of the increases in the grants allocation for infrastructure development. A summary of proposed allocations is as follows only highlighting the major line items allocated:

- Road infrastructure R 13 million
- Electricity infrastructure R 20 million
- Community Facilities R 74 million
  - Mbizana Civic Center R28.4 million
  - Mphuthumi Mafumbatha Stadium R1.5 million
  - Mbizana Taxi Rank R11 million
  - Community Halls (Ward 4 & 20) R7 million
  -
- Transport Assets R 700 thousand
- Furniture and Office Equipment R6.2 million
- Machinery and Equipment R 300 thousand
- Computer Equipment R 1.2 million

These are funded from conditional grants and internal funds which shows the municipality's commitment into delivering services

## 1.9 Annual Budget Tables

The following pages present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2021/22 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory adopts* on the facing page.



Table 13 MBRR Table A1 - Budget Summary

EC443 Mbizana - Table A1 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	19 597	18 967	21 251	25 189	25 189	25 189	21 918	26 171	27 271	28 470
Service charges	30 831	35 685	38 374	37 015	37 144	37 144	3 019	40 607	43 547	46 751
Investment revenue	7 435	8 772	9 660	10 364	10 364	10 364	4 783	10 047	10 469	10 929
Transfers recognised - operational	205 435	235 250	269 065	282 528	354 940	354 940	265 704	295 190	306 152	298 723
Other own revenue	17 959	31 222	23 596	13 646	13 476	13 476	8 212	14 651	15 193	15 618
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>281 258</b>	<b>329 895</b>	<b>361 946</b>	<b>368 742</b>	<b>441 112</b>	<b>441 112</b>	<b>303 636</b>	<b>386 666</b>	<b>402 631</b>	<b>400 491</b>
Employee costs	85 788	107 255	104 852	119 133	119 313	119 313	70 594	126 854	132 216	137 964
Remuneration of councillors	22 485	23 223	23 970	25 036	25 036	25 036	15 968	26 007	27 099	28 292
Depreciation & asset impairment	38 841	41 890	39 437	52 581	52 681	52 681	28 193	52 682	54 894	57 310
Finance charges	834	66	11	150	150	150	1	150	156	163
Inventory consumed and bulk purchases	33 693	35 276	41 417	39 573	42 513	42 513	22 506	47 678	49 681	51 867
Transfers and grants	738	702	1 418	1 835	7 018	7 018	1 139	5 907	6 155	6 426
Other expenditure	155 061	113 681	159 372	184 883	202 292	202 292	58 293	174 190	164 046	171 270
<b>Total Expenditure</b>	<b>337 440</b>	<b>322 093</b>	<b>370 477</b>	<b>423 190</b>	<b>449 003</b>	<b>449 003</b>	<b>196 694</b>	<b>433 468</b>	<b>434 248</b>	<b>453 291</b>
<b>Surplus/(Deficit)</b>	<b>(56 182)</b>	<b>7 802</b>	<b>(8 531)</b>	<b>(54 449)</b>	<b>(7 891)</b>	<b>(7 891)</b>	<b>106 942</b>	<b>(46 802)</b>	<b>(31 617)</b>	<b>(52 800)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	108 381	85 899	78 881	77 335	80 557	80 557	43 801	99 296	112 858	92 433
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)	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>52 199</b>	<b>93 702</b>	<b>70 350</b>	<b>22 886</b>	<b>72 666</b>	<b>72 666</b>	<b>150 743</b>	<b>52 494</b>	<b>81 241</b>	<b>39 633</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>52 199</b>	<b>93 702</b>	<b>70 350</b>	<b>22 886</b>	<b>72 666</b>	<b>72 666</b>	<b>150 743</b>	<b>52 494</b>	<b>81 241</b>	<b>39 633</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>75 808</b>	<b>98 857</b>	<b>87 590</b>	<b>75 808</b>	<b>152 051</b>	<b>152 051</b>	<b>40 561</b>	<b>117 027</b>	<b>139 205</b>	<b>101 708</b>
Transfers recognised - capital	59 628	69 652	64 682	45 647	72 797	72 797	25 796	85 199	110 104	89 561
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	16 180	29 205	22 908	30 162	79 254	79 254	14 765	31 828	29 102	12 146
<b>Total sources of capital funds</b>	<b>75 808</b>	<b>98 857</b>	<b>87 590</b>	<b>75 808</b>	<b>152 051</b>	<b>152 051</b>	<b>40 561</b>	<b>117 027</b>	<b>139 205</b>	<b>101 708</b>
<b>Financial position</b>										
Total current assets	178 180	204 603	279 015	288 379	300 480	300 480	466 188	267 175	293 444	294 766
Total non current assets	606 659	675 090	679 499	708 556	742 592	742 592	705 291	788 659	808 604	768 670
Total current liabilities	49 851	51 366	58 261	36 636	70 154	70 154	89 033	49 724	53 420	47 188
Total non current liabilities	4 319	3 920	5 495	3 920	5 495	5 495	7 071	5 495	5 495	5 495
Community wealth/Equity	730 669	824 407	894 758	956 378	967 423	967 423	1 056 556	1 000 615	1 043 133	1 010 753
<b>Cash flows</b>										
Net cash from (used) operating	118 799	121 501	136 178	65 440	147 906	147 906	864 776	132 510	146 136	100 428
Net cash from (used) investing	(75 023)	(92 567)	(85 996)	(70 114)	(123 698)	(123 698)	(59 424)	(118 546)	(136 641)	(105 474)
Net cash from (used) financing	(16 274)	-	-	-	43	43	(447)	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>94 528</b>	<b>123 463</b>	<b>173 644</b>	<b>210 467</b>	<b>197 895</b>	<b>197 895</b>	<b>810 174</b>	<b>187 608</b>	<b>197 102</b>	<b>192 056</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	94 528	123 463	173 644	210 467	197 895	197 895	323 455	187 608	197 102	192 056
Application of cash and investments	(19 989)	(54 712)	(8 318)	(57 596)	(42 778)	(42 778)	(2 361 634)	(64 843)	(61 778)	(67 198)
<b>Balance - surplus (shortfall)</b>	<b>114 517</b>	<b>178 175</b>	<b>181 962</b>	<b>268 062</b>	<b>240 673</b>	<b>240 673</b>	<b>2 685 089</b>	<b>252 451</b>	<b>258 880</b>	<b>259 254</b>
<b>Asset management</b>										
Asset register summary (WDV)	606 659	675 090	679 499	653 909	614 062	614 062	614 062	655 289	651 510	649 576
Depreciation	38 841	41 890	39 437	52 581	52 681	52 681	52 681	52 682	54 894	57 310
Renewal and Upgrading of Existing Assets	-	23 458	22 731	28 172	72 916	72 916	72 916	43 802	18 016	-
Repairs and Maintenance	4 075	5 809	12 799	31 055	33 499	33 499	33 499	33 812	35 265	36 834
<b>Free services</b>										
Cost of Free Basic Services provided	1 475	1 561	1 819	1 901	1 901	1 901	1 156	1 156	1 207	1 260
Revenue cost of free services provided	302	292	-	(121)	(121)	(121)	(126)	(126)	(131)	(137)
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	6	6	6	6	6	6	5	5	4	3
Refuse:	48	48	48	48	48	48	49	49	49	51



**Explanatory adopts to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts for possible approval by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognized is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. Efforts have been made in compiling the budget to ensure that the budget is cash backed. This is reflected by the positive cash flows that the municipality has. This requires the municipality to maintain its prudence to ensure that positive cash flows are maintained over the long term whilst ensuring that there is spending on projects that make a difference to people's livelihoods.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

**Table 14 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification)**

EC443 Mbizana - Table A2 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		
		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>										
<i>Governance and administration</i>		239 540	286 725	311 887	321 684	375 849	375 849	335 534	351 992	346 499
Executive and council		—	—	—	—	—	—	—	—	—
Finance and administration		239 540	286 725	311 887	321 684	375 849	375 849	335 534	351 992	346 499
Internal audit		—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		5 616	4 597	5 779	4 942	5 546	5 546	4 979	5 065	5 159
Community and social services		525	135	328	181	883	883	181	181	181
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		5 091	4 463	5 451	4 761	4 663	4 663	4 798	4 884	4 978
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		59 861	53 646	54 440	48 612	65 697	65 697	71 475	78 494	58 073
Planning and development		160	357	307	563	17 648	17 648	20 452	23 456	640
Road transport		59 701	53 289	54 133	48 049	48 049	48 049	51 023	55 038	57 433
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		84 621	70 825	68 722	70 839	74 577	74 577	73 973	79 938	83 193
Energy sources		81 107	64 036	58 896	63 969	67 191	67 191	65 709	75 047	78 087
Water management		—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		3 514	6 789	9 826	6 870	7 386	7 386	8 264	4 891	5 106
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
<b>Total Revenue - Functional</b>	2	389 639	415 795	440 828	446 077	521 669	521 669	485 961	515 489	492 924
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		174 748	151 698	154 836	184 624	186 835	186 835	195 801	203 654	212 591
Executive and council		52 972	56 846	54 296	63 018	60 820	60 820	62 138	64 703	68 062
Finance and administration		119 154	91 957	97 700	116 150	120 555	120 555	128 518	133 165	138 559
Internal audit		2 622	2 894	2 841	5 457	5 451	5 451	5 144	5 787	5 979
<i>Community and public safety</i>		21 997	25 959	29 327	30 879	30 775	30 775	31 625	32 471	33 891
Community and social services		6 333	6 825	8 044	12 117	11 534	11 534	11 967	11 993	12 518
Sport and recreation		6 812	7 723	7 497	2 769	3 039	3 039	2 853	2 972	3 103
Public safety		8 536	11 295	13 777	15 014	15 222	15 222	15 769	16 425	17 142
Housing		315	116	9	980	980	980	1 037	1 080	1 128
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		60 876	75 511	68 983	100 216	108 171	108 171	105 923	110 462	115 295
Planning and development		45 391	21 194	19 309	28 221	34 695	34 695	31 356	32 729	34 125
Road transport		13 222	50 453	47 085	69 641	71 202	71 202	72 029	75 087	78 408
Environmental protection		2 263	3 863	2 589	2 353	2 275	2 275	2 539	2 645	2 762
<i>Trading services</i>		77 875	65 992	115 111	103 891	119 886	119 886	96 266	83 646	87 323
Energy sources		67 277	51 464	96 839	77 927	93 174	93 174	68 314	59 153	61 755
Water management		—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		10 598	14 528	18 271	25 964	26 712	26 712	27 952	24 493	25 568
<i>Other</i>	4	1 945	2 934	2 220	3 580	3 336	3 336	3 853	4 015	4 192
<b>Total Expenditure - Functional</b>	3	337 440	322 093	370 477	423 190	449 003	449 003	433 468	434 248	453 291
<b>Surplus/(Deficit) for the year</b>		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633

**Explanatory adopts to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification)**

The above table shows the allocations made by the municipality to the different classes or functions within the municipality and the contributions that will be made per standard class. It is pleasing to note that the table shows that the municipality's bigger share is allocated to service deliver functions as well as governance and administration. These are complementary in nature hence the allocations.

**Table 15 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

EC443 Mbizana - Table A3 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
R thousand										
Revenue by Vote	1									
Vote 1 - Executive and Council		-	150	-	-	-	-	-	-	-
Vote 2 - Corporate Services		249	288	352	280	280	280	293	309	326
Vote 3 - Budget Treasury Office		239 291	286 287	311 534	296 215	350 379	350 379	309 070	324 413	317 703
Vote 4 - Community Services		9 130	11 387	15 605	11 811	12 932	12 932	13 243	9 956	10 265
Vote 5 - Development Planning		62	316	110	25 621	42 680	42 680	46 467	50 569	28 954
Vote 6 - Engineering Services		140 907	117 367	113 226	112 149	115 396	115 396	116 889	130 241	135 677
Vote 7 - Null		-	-	-	-	-	-	-	-	-
Vote 8 - Null		-	-	-	-	-	-	-	-	-
Vote 9 - Null		-	-	-	-	-	-	-	-	-
Vote 10 - Null		-	-	-	-	-	-	-	-	-
Vote 11 - Null		-	-	-	-	-	-	-	-	-
Vote 12 - Null		-	-	-	-	-	-	-	-	-
Vote 13 - Null		-	-	-	-	-	-	-	-	-
Vote 14 - Null		-	-	-	-	-	-	-	-	-
Vote 15 - Null		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	389 639	415 795	440 828	446 077	521 669	521 669	485 961	515 489	492 924
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive and Council		67 542	75 333	69 498	83 121	81 128	81 128	82 788	86 642	90 890
Vote 2 - Corporate Services		40 227	44 200	48 181	57 123	56 612	56 612	59 154	61 634	64 342
Vote 3 - Budget Treasury Office		65 675	25 305	26 759	30 707	35 467	35 467	38 517	39 398	40 682
Vote 4 - Community Services		43 703	54 695	62 453	74 211	74 925	74 925	78 225	76 388	79 731
Vote 5 - Development Planning		42 173	17 546	16 080	25 425	31 488	31 488	29 061	30 282	31 614
Vote 6 - Engineering Services		78 119	105 014	147 526	152 604	169 383	169 383	145 722	139 903	146 032
Vote 7 - Null		-	-	-	-	-	-	-	-	-
Vote 8 - Null		-	-	-	-	-	-	-	-	-
Vote 9 - Null		-	-	-	-	-	-	-	-	-
Vote 10 - Null		-	-	-	-	-	-	-	-	-
Vote 11 - Null		-	-	-	-	-	-	-	-	-
Vote 12 - Null		-	-	-	-	-	-	-	-	-
Vote 13 - Null		-	-	-	-	-	-	-	-	-
Vote 14 - Null		-	-	-	-	-	-	-	-	-
Vote 15 - Null		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	337 440	322 093	370 477	423 190	449 003	449 003	433 468	434 248	453 291
Surplus/(Deficit) for the year	2	52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633

Listed in the table above are the revenue and expenditure classifications for all the departments within the municipality.

Explanatory adopts to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.



Table 16 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

EC443 Mbizana - Table A4 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		
		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
R thousand	1									
Revenue By Source										
Property rates	2	19 597	18 967	21 251	25 189	25 189	25 189	26 171	27 271	28 470
Service charges - electricity revenue	2	29 507	31 229	33 884	32 578	32 578	32 578	35 942	38 687	41 676
Service charges - water revenue	2	—	—	—	—	—	—	—	—	—
Service charges - sanitation revenue	2	—	—	—	—	—	—	—	—	—
Service charges - refuse revenue	2	1 324	4 456	4 490	4 437	4 566	4 566	4 665	4 861	5 075
Rental of facilities and equipment		656	2 224	5 097	2 851	2 851	2 851	3 093	3 314	3 389
Interest earned - external investments		7 435	8 772	9 660	10 364	10 364	10 364	10 047	10 469	10 929
Interest earned - outstanding debtors		3 707	4 047	4 912	4 404	4 404	4 404	5 133	5 348	5 584
Dividends received		—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		1 646	1 038	2 066	948	850	850	938	971	1 007
Licences and permits		2 296	2 257	2 237	2 756	2 756	2 756	2 756	2 756	2 756
Agency services		1 150	1 271	1 021	1 218	1 218	1 218	1 265	1 319	1 377
Transfers and subsidies		205 435	235 250	269 065	282 528	354 940	354 940	295 190	306 152	298 723
Other revenue	2	8 165	1 362	738	1 470	1 398	1 398	1 466	1 485	1 506
Gains		338	19 024	7 526	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		281 258	329 895	361 946	368 742	441 112	441 112	386 666	402 631	400 491
Expenditure By Type										
Employee related costs	2	85 788	107 255	104 852	119 133	119 313	119 313	126 854	132 216	137 964
Remuneration of councillors		22 485	23 223	23 970	25 036	25 036	25 036	26 007	27 099	28 292
Debt impairment	3	1 456	4 266	8 570	4 500	8 600	8 600	9 600	9 600	9 600
Depreciation & asset impairment	2	38 841	41 890	39 437	52 581	52 681	52 681	52 682	54 894	57 310
Finance charges		834	66	11	150	150	150	150	156	163
Bulk purchases - electricity	2	27 761	30 025	33 255	31 896	34 616	34 616	40 016	41 696	43 531
Inventory consumed	8	5 932	5 250	8 162	7 677	7 898	7 898	7 663	7 985	8 336
Contracted services		63 541	49 149	50 929	110 404	93 396	93 396	98 991	86 461	90 192
Transfers and subsidies		738	702	1 418	1 835	7 018	7 018	5 907	6 155	6 426
Other expenditure	4, 5	48 266	52 805	44 470	69 979	64 020	64 020	65 599	67 985	71 478
Losses		41 798	7 462	55 402	—	36 277	36 277	—	—	—
Total Expenditure		337 440	322 093	370 477	423 190	449 003	449 003	433 468	434 248	453 291
Surplus/(Deficit)		(56 182)	7 802	(8 531)	(54 449)	(7 891)	(7 891)	(46 802)	(31 617)	(52 800)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		108 381	85 899	78 881	77 335	80 557	80 557	99 296	112 858	92 433
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (in-kind - all)		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633
Taxation		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after taxation		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633
Attributable to minorities		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) attributable to municipality		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633
Share of surplus/ (deficit) of associate	7	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year		52 199	93 702	70 350	22 886	72 666	72 666	52 494	81 241	39 633

**Table 17 MBRR Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding source**

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	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget Treasury Office		-	-	2 304	2 100	2 000	2 000	-	-	-	-
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Development Planning		-	-	-	-	-	-	-	-	-	-
Vote 6 - Engineering Services		-	23 458	22 483	18 172	39 331	39 331	-	40 902	15 000	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	<b>-</b>	<b>23 458</b>	<b>24 787</b>	<b>20 272</b>	<b>41 331</b>	<b>41 331</b>	<b>-</b>	<b>40 902</b>	<b>15 000</b>	<b>-</b>
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Executive and Council		-	-	-	50	110	110	-	-	-	-
Vote 2 - Corporate Services		5 481	4 295	2 630	10 210	10 768	10 768	4 218	7 028	5 116	6 886
Vote 3 - Budget Treasury Office		96	-	-	-	-	-	1 258	-	-	-
Vote 4 - Community Services		2 027	926	5 164	5 401	5 970	5 970	1 035	3 150	1 900	3 300
Vote 5 - Development Planning		-	-	-	1 100	1 600	1 600	483	21 420	24 320	1 800
Vote 6 - Engineering Services		68 204	70 178	55 009	38 775	92 272	92 272	33 568	44 527	92 870	89 721
<b>Capital single-year expenditure sub-total</b>		<b>75 808</b>	<b>75 399</b>	<b>62 803</b>	<b>55 537</b>	<b>110 720</b>	<b>110 720</b>	<b>40 561</b>	<b>76 125</b>	<b>124 205</b>	<b>101 708</b>
<b>Total Capital Expenditure - Vote</b>		<b>75 808</b>	<b>98 857</b>	<b>87 590</b>	<b>75 808</b>	<b>152 051</b>	<b>152 051</b>	<b>40 561</b>	<b>117 027</b>	<b>139 205</b>	<b>101 708</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		<b>13 070</b>	<b>9 277</b>	<b>5 265</b>	<b>12 760</b>	<b>13 279</b>	<b>13 279</b>	<b>5 476</b>	<b>7 028</b>	<b>5 316</b>	<b>7 086</b>
Executive and council		-	-	-	50	110	110	-	-	-	-
Finance and administration		13 070	9 277	5 265	12 710	13 169	13 169	5 476	7 028	5 316	7 086
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		<b>7 048</b>	<b>2 408</b>	<b>1 902</b>	<b>3 191</b>	<b>3 660</b>	<b>3 660</b>	<b>940</b>	<b>2 450</b>	<b>1 500</b>	<b>2 200</b>
Community and social services		7 048	2 408	160	1 300	1 900	1 900	780	1 650	1 400	2 000
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	1 742	1 891	1 760	1 760	160	800	100	200
<b>Economic and environmental services</b>		<b>22 170</b>	<b>22 397</b>	<b>57 899</b>	<b>55 747</b>	<b>103 179</b>	<b>103 179</b>	<b>28 131</b>	<b>85 891</b>	<b>91 604</b>	<b>56 361</b>
Planning and development		-	-	26 486	25 272	68 499	68 499	17 815	72 822	39 320	1 800
Road transport		22 170	22 397	31 413	30 475	34 680	34 680	10 316	13 070	52 284	54 561
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>33 520</b>	<b>64 775</b>	<b>22 524</b>	<b>4 110</b>	<b>31 933</b>	<b>31 933</b>	<b>6 014</b>	<b>21 657</b>	<b>40 786</b>	<b>36 060</b>
Energy sources		33 520	64 775	19 592	2 300	30 023	30 023	5 919	20 957	40 586	35 160
Waste management		-	-	2 932	1 810	1 910	1 910	95	700	200	900
<b>Other</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>75 808</b>	<b>98 857</b>	<b>87 590</b>	<b>75 808</b>	<b>152 051</b>	<b>152 051</b>	<b>40 561</b>	<b>117 027</b>	<b>139 205</b>	<b>101 708</b>
<b>Funded by:</b>											
National Government		59 628	69 652	64 682	45 647	72 597	72 597	25 796	85 199	110 104	89 561
Transfers recognised - capital	<b>4</b>	59 628	69 652	64 682	45 647	72 797	72 797	25 796	85 199	110 104	89 561
Borrowing	<b>6</b>	-	-	-	-	-	-	-	-	-	-
Internally generated funds		16 180	29 205	22 908	30 162	79 254	79 254	14 765	31 828	29 102	12 146
<b>Total Capital Funding</b>	<b>7</b>	<b>75 808</b>	<b>98 857</b>	<b>87 590</b>	<b>75 808</b>	<b>152 051</b>	<b>152 051</b>	<b>40 561</b>	<b>117 027</b>	<b>139 205</b>	<b>101 708</b>

**Explanatory adopts to Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding source**

The table above shows capital expenditure by vote and functional classification as well as funding for the expenditure forecasted.

This shows how the municipality's capital budget funding is highly dependent on grant funding.



Table 18 MBRR Table A6 - Budgeted Financial Position

EC443 Mbizana - Table A6 Budgeted Financial Position										
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
R thousand										
ASSETS										
Current assets										
Cash		2	3 962	3 611	3 476	27 862	27 862	8 902	3 165	3 873
Call investment deposits	1	94 526	119 501	170 033	206 991	170 033	170 033	178 706	193 937	188 184
Consumer debtors	1	39 178	35 907	35 526	32 970	33 517	33 517	40 645	58 023	64 539
Other debtors		44 025	43 963	67 802	43 763	67 886	67 886	37 398	37 394	37 438
Current portion of long-term receivables		—	—	—	—	—	—	—	—	—
Inventory	2	449	1 271	2 042	1 179	1 182	1 182	1 524	924	732
Total current assets		178 180	204 603	279 015	288 379	300 480	300 480	267 175	293 444	294 766
Non current assets										
Long-term receivables		—	—	—	—	—	—	—	—	—
Investments		—	—	—	—	—	—	—	—	—
Investment property		6 132	25 097	32 436	25 097	32 436	32 436	32 436	32 436	32 436
Investment in Associate		—	—	—	—	—	—	—	—	—
Property, plant and equipment	3	598 522	648 433	645 633	682 178	708 716	708 716	754 809	774 779	734 871
Biological		—	—	—	—	—	—	—	—	—
Intangible		774	329	198	—	98	98	73	48	22
Other non-current assets		1 231	1 231	1 231	1 281	1 341	1 341	1 341	1 341	1 341
Total non current assets		606 659	675 090	679 499	708 556	742 592	742 592	788 659	808 604	768 670
TOTAL ASSETS		784 838	879 693	958 514	996 934	1 043 072	1 043 072	1 055 834	1 102 048	1 063 436
LIABILITIES										
Current liabilities										
Bank overdraft	1	—	—	—	—	—	—	—	—	—
Borrowing	4	—	—	—	—	—	—	—	—	—
Consumer deposits		610	529	503	460	503	503	503	503	503
Trade and other payables	4	39 319	32 366	37 805	17 705	49 697	49 697	29 268	32 963	26 731
Provisions		9 922	18 471	19 953	18 471	19 953	19 953	19 953	19 953	19 953
Total current liabilities		49 851	51 366	58 261	36 636	70 154	70 154	49 724	53 420	47 188
Non current liabilities										
Borrowing		—	—	—	—	—	—	—	—	—
Provisions		4 319	3 920	5 495	3 920	5 495	5 495	5 495	5 495	5 495
Total non current liabilities		4 319	3 920	5 495	3 920	5 495	5 495	5 495	5 495	5 495
TOTAL LIABILITIES		54 170	55 286	63 756	40 556	75 649	75 649	55 219	58 915	52 683
NET ASSETS	5	730 669	824 407	894 758	956 378	967 423	967 423	1 000 615	1 043 133	1 010 753
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		730 669	824 407	894 758	956 378	967 423	967 423	1 000 615	1 043 133	1 010 753
Reserves	4	—	—	—	—	—	—	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY	5	730 669	824 407	894 758	956 378	967 423	967 423	1 000 615	1 043 133	1 010 753

**Explanatory adopts to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 19 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

EC443 Mbizana - Table A8 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>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	94 528	123 463	173 644	210 467	197 895	197 895	810 174	187 608	197 102	192 056
Other current investments > 90 days		0	-	-	-	-	-	(486 726)	(0)	0	0
Non current assets - Investments	1	-	-	-	-	-	-	8	-	-	-
<b>Cash and investments available:</b>		<b>94 528</b>	<b>123 463</b>	<b>173 644</b>	<b>210 467</b>	<b>197 895</b>	<b>197 895</b>	<b>323 455</b>	<b>187 608</b>	<b>197 102</b>	<b>192 056</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	6 687	8 116	-	-	-	29 272	0	0	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(19 989)	(61 399)	(16 434)	(57 596)	(42 778)	(42 778)	(2 390 905)	(64 843)	(61 778)	(67 198)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>(19 989)</b>	<b>(54 712)</b>	<b>(8 318)</b>	<b>(57 596)</b>	<b>(42 778)</b>	<b>(42 778)</b>	<b>(2 361 634)</b>	<b>(64 843)</b>	<b>(61 778)</b>	<b>(67 198)</b>
<b>Surplus(shortfall)</b>		<b>114 517</b>	<b>178 175</b>	<b>181 962</b>	<b>268 062</b>	<b>240 673</b>	<b>240 673</b>	<b>2 685 089</b>	<b>252 451</b>	<b>258 880</b>	<b>259 254</b>

### Explanatory adopts to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

The above table shows how the municipality's funding will be applied and the targets set for cash backed reserves over the medium. This is informed by anticipated year end targets as well as the plans to be implemented over the medium-term, especially on the revenue management, debt collection as well as expenditure management.



Table 19 MBRR Table A7 – Budgeted Cash Flows

EC443 Mbizana - Table A7 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	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		10 903	13 841	12 522	26 341	22 853	22 853	56 951	40 839	36 120
Service charges		30 831	35 685	19 124	36 579	34 838	34 838	29 346	32 114	34 880
Other revenue		6 773	23 357	2 142	11 515	11 443	11 443	11 896	12 448	12 669
Transfers and Subsidies - Operational	1	202 583	237 464	270 716	282 528	354 538	354 538	295 190	306 152	298 723
Transfers and Subsidies - Capital	1	111 138	83 685	78 660	77 335	80 557	80 557	99 296	112 858	92 433
Interest		11 143	12 820	14 572	10 364	10 364	10 364	10 047	10 469	10 929
Dividends		–	–	–	–	–	–	–	–	–
Payments										
Suppliers and employees		(252 999)	(284 583)	(261 547)	(379 171)	(366 636)	(366 636)	(370 167)	(368 691)	(385 272)
Finance charges		(834)	(66)	(11)	(50)	(50)	(50)	(50)	(52)	(54)
Transfers and Grants	1	(738)	(702)	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		118 799	121 501	136 178	65 440	147 906	147 906	132 510	146 136	100 428
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		785	96	196	–	–	–	–	–	–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–	–
Payments										
Capital assets		(75 808)	(92 663)	(86 192)	(70 114)	(123 698)	(123 698)	(118 546)	(136 641)	(105 474)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(75 023)	(92 567)	(85 996)	(70 114)	(123 698)	(123 698)	(118 546)	(136 641)	(105 474)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	43	43	–	–	–
Payments										
Repayment of borrowing		(16 274)	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(16 274)	–	–	–	43	43	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD										
Cash/cash equivalents at the year begin:	2	67 026	94 528	123 463	215 140	173 644	173 644	173 644	187 608	197 102
Cash/cash equivalents at the year end:	2	94 528	123 463	173 644	210 467	197 895	197 895	187 608	197 102	192 056

Table 20 MBRR Table A10 – Basic Service Delivery Measurement

EC443 Mbizana - Table A10 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		-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		-	-	-	-	-	-	-	-	-
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Energy:</b>										
Electricity (at least min.service level)		200	200	200	287	287	287	290	325	330
Electricity - prepaid (min.service level)		22 346	22 346	22 346	22 346	22 346	22 346	23 886	25 531	27 290
<i>Minimum Service Level and Above sub-total</i>		22 546	22 546	22 546	22 633	22 633	22 633	24 176	25 856	27 620
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		6 000	6 000	6 000	6 000	6 000	6 000	5 000	4 200	3 150
<i>Below Minimum Service Level sub-total</i>		6 000	6 000	6 000	6 000	6 000	6 000	5 000	4 200	3 150
<b>Total number of households</b>	5	28 546	28 546	28 546	28 633	28 633	28 633	29 176	30 056	30 770
<b>Refuse:</b>										
Removed at least once a week		800	800	800	800	800	800	850	880	900
<i>Minimum Service Level and Above sub-total</i>		800	800	800	800	800	800	850	880	900
Removed less frequently than once a week		157	157	157	157	157	157	169	172	180
Using communal refuse dump		250	250	250	250	250	250	260	280	290
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		3	3	3	3	3	3	3	3	3
No rubbish disposal		47 480	47 480	47 480	47 480	47 480	47 480	48 480	48 499	50 123
<i>Below Minimum Service Level sub-total</i>		47 890	47 890	47 890	47 890	47 890	47 890	48 912	48 954	50 596
<b>Total number of households</b>	5	48 690	48 690	48 690	48 690	48 690	48 690	49 762	49 834	51 496
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		1 475	1 561	1 819	1 901	1 901	1 901	1 156	1 207	1 260
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>										
<b>Total cost of FBS provided</b>		1 475	1 561	1 819	1 901	1 901	1 901	1 156	1 207	1 260
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		302	292	-	(121)	(121)	(121)	(126)	(131)	(137)
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
<b>Total revenue cost of subsidised services provided</b>	6	302	292	-	(121)	(121)	(121)	(126)	(131)	(137)

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

A budget and IDP process plan was tabled to the municipal council 10 months before the start of the 2021/22 financial year as required by the Municipal Finance Management Act. The process plan sets out a road map with timeframes and tasks clearly set with responsible officials or institutions. The process plan in part of the IDP document and efforts have been made to ensure that these timelines are adhered to the latter. The process involves the consultation with the communities which was done during November and December 2020. These consultations inform the inputs into the IDP and the Budget.

A draft budget will be tabled to council on 30 March 2021. Inputs will then be sought from all stakeholders within the communities and therefore community consultations will be carried out in April and May 2021. The final budget adoption will have to take into consideration these inputs.

Other inputs were received from the Provincial Treasury after having received the draft, and an engagement between the Provincial Treasury and the Municipality took place. A review document was produced by the Provincial Treasury and concerns raised in this document and the engagement have been, as far as possible, taken into consideration in the final compilation.

### 2.2 Overview of budget related-policies

The budget preparation process cannot be separated from the review of related policies that enable the implementation of the budget. The following is a brief look at the budget related policies and where applicable, changes that have been proposed during the budget review:-

#### *2.2.1 Review of credit control and debt collection policy*

- It is vital to the long term financial viability of the Mbizana Local Municipality that it collects the revenues (such as service charges, rates and taxes) due to it for services rendered. In terms of s96 of the Systems Act, a municipality:
- must collect all money that is due and payable to it subject to this Act and any other applicable legislation; and
- For this purpose, must adopt, maintain and implement a credit control and debt collection policy, which is consistent with rates and tariff policies and complies with the provisions of this Act. This means that appropriate credit control and debtors mechanisms must be maintained. The services provided by the Mbizana Local Municipality include electricity, refuse removal and other municipal services.

#### *2.2.2 Supply Chain Management Policy*

The SCM policy aims to ensure that Mbizana Local Municipality procures goods and services in a manner that is efficient, timely and cost-effective, ensures customer satisfaction, pursues socio-economic objectives through a preference system and demonstrates compliance with the constitution and all relevant legislation.

A few changes have been proposed to the SCM Policy and these have been necessitated mainly by changes introduced by the National Treasury as well as the South African Revenue Services.

**Central Supplier Database:** The National Treasury has introduced a requirement that all service provider purporting to do business with government institutions must be registered in a

central database maintained by the National Treasury. Important information that relates to the registration of all companies and compliance with various requirements of various institutions is monitored through this database. Our policy should therefore make reference to this.

**SARS Pin:** The SARS has in the past made use of the tax clearance certificate, valid for a year, to confirm the good standing of companies that do business with the municipality. All companies have now been issued with a SARS pin which enables organs of state to directly enquire on the status of the companies at any given time. This has made the submission of the tax certificate not compulsory, but that of the SARS Pin. This development must again be reflected in the SCM policy of the municipality.

**Preferential Procurement Regulations, 2017:** The Minister of Finance, in terms of section 5 of the Preferential Procurement Policy Framework Act, 2000, made the regulations set out in the schedule, and issued in terms of a government gazette in January 2017. The Preferential Procurement Regulations 2017 therefore set out a number of regulations that must be implemented by all organs of the state from April 01, 2017. Some of the regulations set out affect the municipality's Supply Chain Management policy, and as such the policy must be amended to give effect to those.

The following are some of the major changes that the regulations present:-

- **Pre-qualification criteria for preferential procurement:** Where an organ of state decides to apply pre-qualification criteria to advance certain designated groups, an organ of state must advertise the tender with specific tendering condition that one or more of the type of tenderers may respond. These include amongst others:-
  - A tenderer having a stipulated minimum B-BBEE status level of contributor;
  - An EME (exempt micro enterprise) or QSE (qualifying small business);
  - A tenderer subcontracting a minimum of 30% to:-
    - An EME or QSE which is at least 51% owned by black people;
    - An EME or QSE which is at least 51% owned by black people who are youth;
    - An EME or QSE which is at least 51% owned by black people who are women; and a number of other criteria as stated in the regulations.
- **80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million:** This point scoring system is now applicable to all procurement from R30 000 to R50 million where as it before only up to R1 million.
- **90/10 preference point system for acquisition of goods or services for Rand value above R50 million:** The point scoring system that used to be applicable from the Rand value of R1 million is now only applicable from a Rand value of more than R50 million.
- **Subcontracting after award of tender:** The regulations make specific considerations relating to subcontracting after the award and the following points are important:
  - A person awarded a contract may only enter into a subcontracting arrangement with the approval of the state;
  - A person awarded a contract may not subcontract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned, unless the contract is subcontracted to an EME that has the capability and ability to execute the subcontract.



- Emergency procurement
  - This is to facilitate a standard approach in procurement processes to respond to emergency situations including saving of lives
  - To assist formalize the processes followed especially in the municipality's fleet maintenance processes

### ***2.2.3 Budget Policy***

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget, and
- To establish and maintain procedures to ensure adherence to Mbizana's IDP review and budget processes.

This policy also needs to see a number of changes which are necessitated by the introduction of mSCOA. The various segments introduced with mSCOA have meant that the levels of authority cannot be left unchanged as some transfers and virements require a higher level of authorization, up to a level where council must take a decision.

### ***2.2.4 Cash Management and Investment Policy***

An Accounting Officer has an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible. Effective cash management and competitive investment ensures both short-term and long-term viability and sustainability of the municipality. Hence, it is critical for the Mbizana Local Municipality to have its own Cash Management and Investment Policy located within the local government legislative framework.

The primary and ultimate goal of the investment of funds is to secure the safety, integrity and wholeness of the invested capital, managing liquidity requirements and ensuring the earning of the highest possible return on invested capital at minimum risk (i.e. whilst not risking the partial or total loss of invested capital), within the parameters of authorised instruments as per the MFMA.

### ***2.2.5 Tariff Policies***

In terms of section 62 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003, the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that, inter alia, the municipality has and implements a tariff policy referred to in section 74 of the Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended.

In terms of section 74 of the Municipal Systems Act the municipal council hereby adopts a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

### ***2.2.6 Property rates policy***

This policy guides the annual setting (or revision) of property rates tariffs. It does not necessarily make specific property rates tariff proposals. Details pertaining to the applications of the various property rates tariffs are annually published in the Provincial Gazette and the municipality's schedule of tariffs, which must be read in conjunction with this policy.

In imposing the rate in the rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

### **2.2.7 Asset management policy**

The objective of this Asset Management Policy is to ensure that the municipality:

- has consistent application of asset management principles;
- implements accrual accounting;
- complies with the MFMA and other related legislation;
- correctly accounts for Assets under the GRAP accounting framework;
- safeguards and controls the assets of the municipality; and
- Optimizes asset usage.

During the review it was identified that the Asset Management committee did not include the councilors responsible for asset management and this was the proposed change to the policy.

### **2.2.8 SCM Policy for Infrastructure Procurement and Delivery Management**

The National Treasury issued a circular in October 2015 in relation to the introduction of this policy. The intention of the circular was to a policy that would enable a municipality to separate the supply chain management requirements for general goods and services from those for infrastructure delivery. The infrastructure delivery encompasses a whole range of competencies including planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.

## **2.3 Overview of budget assumptions**

The budget compilation has been driven by a few assumptions based on the information available to the municipality. As indicated in the earlier paragraphs, the MFMA Treasury Budget Circulars have been used as a basis for the assumptions made. The inflationary outlook as per the circulars is as follows:

<b>Fiscal year</b>	<b>2021 Estimate</b>	<b>2021/22 Forecast</b>	<b>2022/23 Forecast</b>	<b>2023/24 Forecast</b>
Consumer Price Inflation - CPI	3.3%	3.9%	4.2%	4.4%

The following are the key budget assumptions used to prepare the draft budget with the guidance of National Treasury, NERSA, and SALGBC –

- a) 6.9% increase on electricity tariffs
- b) 15.6% increase on Electricity Bulk purchases
- c) 0% increase on property rates
- d) 6% provision for employee costs in the absence of a formal wage agreement that is currently being negotiated.
- e) 4% increase on the remuneration of councilors
- f) 3.9% for all other expenses, and

g) 6.9% for other revenue municipal Tariffs

## 2.4 Councilor and employee benefits

**Table 21 MBRR SA22 - Summary of councilor and staff benefits**

EC443 Mbizana - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	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
		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages		13 812	12 290	12 740	13 318	13 318	13 318	13 837	14 418	15 052
Pension and UIF Contributions		—	1 024	1 062	1 110	1 110	1 110	1 153	1 202	1 254
Medical Aid Contributions		—	1 025	1 062	1 110	1 110	1 110	1 153	1 202	1 254
Motor Vehicle Allowance		4 933	5 121	5 309	5 549	5 549	5 549	5 765	6 008	6 272
Cellphone Allowance		2 753	3 764	3 798	3 950	3 950	3 950	4 098	4 271	4 459
Housing Allowances		—	—	—	—	—	—	—	—	—
Other benefits and allowances		987	—	—	—	—	—	—	—	—
<b>Sub Total - Councillors</b>		22 485	23 223	23 970	25 036	25 036	25 036	26 007	27 099	28 292
<b>% increase</b>	4		3.3%	3.2%	4.4%	—	—	3.9%	4.2%	4.4%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		4 718	4 030	4 908	5 273	5 273	5 273	5 261	5 481	5 723
Pension and UIF Contributions		—	—	85	91	91	91	91	94	99
Medical Aid Contributions		—	—	416	442	442	442	441	459	479
Overtime		—	—	—	—	—	—	—	—	—
Performance Bonus		—	—	—	—	—	—	—	—	—
Motor Vehicle Allowance	3	1 301	1 365	1 517	1 733	1 733	1 733	1 608	1 676	1 750
Cellphone Allowance	3	—	—	124	261	261	261	131	137	143
Housing Allowances	3	—	—	430	592	592	592	456	475	496
Other benefits and allowances	3	1 482	1 226	—	—	—	—	—	—	—
Payments in lieu of leave		—	—	—	—	—	—	—	—	—
Long service awards		—	—	—	—	—	—	—	—	—
Post-retirement benefit obligations	6	—	—	—	—	—	—	—	—	—
<b>Sub Total - Senior Managers of Municipality</b>		7 501	6 621	7 481	8 392	8 392	8 392	7 987	8 323	8 689
<b>% increase</b>	4		(11.7%)	13.0%	12.2%	—	—	(4.8%)	4.2%	4.4%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		54 468	62 091	63 982	71 455	71 318	71 318	77 216	80 535	84 053
Pension and UIF Contributions		5 462	6 969	8 624	10 079	10 079	10 079	11 108	11 574	12 084
Medical Aid Contributions		3 465	4 427	4 368	5 552	5 552	5 552	5 685	5 924	6 185
Overtime		937	1 833	2 488	3 001	3 251	3 251	3 048	3 170	3 302
Performance Bonus		4 621	4 633	4 648	5 212	5 212	5 212	5 653	5 890	6 150
Motor Vehicle Allowance	3	5 262	5 932	5 958	6 961	6 994	6 994	7 469	7 782	8 125
Cellphone Allowance	3	398	399	612	898	898	898	958	964	971
Housing Allowances	3	3 014	3 099	3 232	3 814	3 814	3 814	4 118	4 291	4 480
Other benefits and allowances	3	281	2 308	4 799	3 770	3 805	3 805	3 611	3 762	3 926
Payments in lieu of leave		—	8 305	—	—	—	—	—	—	—
Long service awards		378	638	—	—	—	—	—	—	—
Post-retirement benefit obligations	6	—	—	—	—	—	—	—	—	—
<b>Sub Total - Other Municipal Staff</b>		78 287	100 634	98 711	110 740	110 920	110 920	118 867	123 893	129 275
<b>% increase</b>	4		28.5%	(1.9%)	12.2%	0.2%	—	7.2%	4.2%	4.3%
<b>Total Parent Municipality</b>		108 273	130 479	130 161	144 168	144 348	144 348	152 861	159 315	166 256
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		108 273	130 479	130 161	144 168	144 348	144 348	152 861	159 315	166 256
<b>% increase</b>	4		20.5%	(0.2%)	10.8%	0.1%	—	5.9%	4.2%	4.4%
<b>TOTAL MANAGERS AND STAFF</b>	5,7	85 788	107 255	106 191	119 133	119 313	119 313	126 854	132 216	137 964

**a. Employee costs**

Below are vacant positions that are included in the calculations of these draft budget amounts that have been agreed on with Corporate Services to ensure these are on the municipality's current organisational structure. In line with the national government's call to manage the public sector wage bill the municipality's employee costs budget plus remuneration of councillors makes up 35.26% of the operating budget excluding non-cash items which is very close to reaching the maximum limit permitted of 40%. Below are the details of vacant positions included in the draft budget.

**Municipal Manager**

- Manager: Municipal Operations
- Monitoring and Evaluation Officer
- Senior Internal Auditor
- VIP Protector

**Budget and Treasury**

- Manager: Assets and Stores
- Accountant: Reporting

**Corporate Services**

- IT Technician
- Labour Relations Officer
- Fleet Management Officer
- Senior Human Resource Officer
- Receptionist

**Community Services**

- Environmental Officer
- 2 X Examiners
- 2 X Wardens
- 2 X Security Guards
- Store Keeper
- 8 X General Assistants
- 2 X Drivers
- Administrative Clerk
- Cleansing Supervisor

**Development Planning**

- Manager: Planning and Land use
- Town Planner

**Engineering Services**

- Plant Operator
- Truck Driver



- Metering Technician
- Artisan

The above positions include those where recruitment processes have already commenced or concluded but the successful incumbents have not resumed duties yet. This is to ensure that all these are catered for in the municipal budget.

No new positions are proposed to be added on the municipality's organisational structure for the next three financial years

#### b. Remuneration of councillors and Senior Managers

An increase of 4% was used to accommodate any adjustments that might need to be implemented during the year once a new gazette on the remuneration of office bearers has been issued and also ensuring that we have catered for the grade 4 position of the municipality. The formula for the allocation of the Equitable share includes an allocation to support councillor remuneration and ward committees. This allocation for the budget year is R13.7 million requiring the municipality to also fund the remuneration of councillors from revenues internally generated

EC443 Mbizana - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4		463 610	77 276	276 205			817 091
Chief Whip			434 634	72 440	261 718			768 792
Executive Mayor			579 513	96 578	334 157			1 010 248
Deputy Executive Mayor			–	–	–			–
Executive Committee			3 372 781	562 132	2 147 713			6 082 626
Total for all other councillors			8 986 348	1 497 732	6 844 047			17 328 127
<b>Total Councillors</b>	8	–	13 836 886	2 306 158	9 863 840			26 006 884
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)			955 949	111 700	502 472			1 570 121
Chief Finance Officer			768 229	1 784	513 415			1 283 428
Senior Manager - Engineering			768 230	117 303	397 895			1 283 428
Senior Manager - Corporate Services			768 230	108 703	406 495			1 283 428
Senior Manager - Community Services			768 230	95 868	419 332			1 283 430
Senior Manager - Development Planning			768 230	95 868	419 332			1 283 430
<b>Total Senior Managers of the Municipality</b>	8,10	–	4 797 098	531 226	2 658 941	–		7 987 265
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	10	–	18 633 984	2 837 384	12 522 781	–		33 994 149

## Table 22 MBRR SA19 – Expenditure on transfers and grant programmes

Table 22 MBRR SA19 – Expenditure on transfers and grant programmes

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Table 23 MBRR SA20 – Reconciliation of transfers, grant receipts and unspent funds

EC443 Mbizana - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds										
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
R thousand										
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		–	–	–	–	5	5	–	–	–
Current year receipts		204 585	235 250	265 988	282 528	354 232	354 232	295 190	306 152	298 723
Conditions met - transferred to revenue		204 585	235 250	265 935	282 528	354 237	354 237	295 190	306 152	298 723
Conditions still to be met - transferred to liabilities			–	53	–	–	–	–	–	–
Provincial Government:										
Balance unspent at beginning of the year		–	112	560	–	703	703	–	–	–
Current year receipts		850	448	3 786	–	–	–	–	–	–
Conditions met - transferred to revenue		850	–	3 130	–	703	703	–	–	–
Conditions still to be met - transferred to liabilities			560	1 216	–	–	–	–	–	–
District Municipality:										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
Other grant providers:										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
Total operating transfers and grants revenue		205 435	235 250	269 065	282 528	354 940	354 940	295 190	306 152	298 723
Total operating transfers and grants - CTBM	2	–	560	1 269	–	–	–	–	–	–
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		–	–	6 127	–	6 306	6 306	–	–	–
Current year receipts		59 628	75 779	65 403	45 647	66 491	66 491	99 296	112 858	92 433
Conditions met - transferred to revenue		59 628	69 652	64 682	45 647	72 797	72 797	99 296	112 858	92 433
Conditions still to be met - transferred to liabilities		–	6 127	6 847	–	–	–	–	–	–
Provincial Government:										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
District Municipality:										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
Other grant providers:										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
Total capital transfers and grants revenue		59 628	69 652	64 682	45 647	72 797	72 797	99 296	112 858	92 433
Total capital transfers and grants - CTBM	2	–	6 127	6 847	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE		265 063	304 902	333 748	328 175	427 737	427 737	394 486	419 010	391 156
TOTAL TRANSFERS AND GRANTS - CTBM		–	6 687	8 116	–	–	–	–	–	–

Table 24 MBRR SA24 – Summary of personnel numbers

EC443 Mbizana - Supporting Table SA24 Summary of personnel numbers											
Summary of Personnel Numbers		Ref	2019/20			Current Year 2020/21			Budget Year 2021/22		
Number		1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>											
Councillors (Political Office Bearers plus Other Councillors)			62	–	62	62	–	62	62	–	62
Board Members of municipal entities	4										
<b>Municipal employees</b>											
Municipal Manager and Senior Managers	5										
Other Managers	3		6	6	–	6	6	–	6	6	–
Professionals	7		19	19	–	20	20	–	19	19	–
Finance			8	8	–	8	8	–	8	8	–
Spatial/town planning			3	3	–	3	3	–	3	3	–
Information Technology			1	1	–	1	1	–	1	1	–
Roads			2	2	–	2	2	–	2	2	–
Electricity			1	1	–	1	1	–	1	1	–
Water			–	–	–	–	–	–	–	–	–
Sanitation			–	–	–	–	–	–	–	–	–
Refuse			1	1	–	1	1	–	1	1	–
Other			–	–	–	–	–	–	–	–	–
Technicians			18	18	–	18	18	–	18	18	–
Finance			7	7	–	7	7	–	7	7	–
Spatial/town planning			–	–	–	–	–	–	–	–	–
Information Technology			2	2	–	2	2	–	2	2	–
Roads			5	5	–	5	5	–	5	5	–
Electricity			2	2	–	2	2	–	2	2	–
Water			–	–	–	–	–	–	–	–	–
Sanitation			–	–	–	–	–	–	–	–	–
Refuse			2	2	–	2	2	–	2	2	–
Other			–	–	–	–	–	–	–	–	–
Clerks (Clerical and administrative)			104	99	–	104	99	–	104	104	–
Service and sales workers			–	–	–	–	–	–	–	–	–
Skilled agricultural and fishery workers			–	–	–	–	–	–	–	–	–
Craft and related trades			–	–	–	–	–	–	–	–	–
Plant and Machine Operators			–	9	4	–	9	4	5	5	–
Elementary Occupations			118	112	–	118	112	–	118	118	–
<b>TOTAL PERSONNEL NUMBERS</b>		9	335	271	66	336	272	66	340	278	62
<b>% increase</b>						0.3%	0.4%	–	1.2%	2.2%	(6.1%)



EC443 Mbizana - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	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
		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>										
Basic Salaries and Wages	1	13 812	12 290	12 740	13 318	13 318	13 318	13 837	14 418	15 052
Pension and UIF Contributions		–	1 024	1 062	1 110	1 110	1 110	1 153	1 202	1 254
Medical Aid Contributions		–	1 025	1 062	1 110	1 110	1 110	1 153	1 202	1 254
Motor Vehicle Allowance		4 933	5 121	5 309	5 549	5 549	5 549	5 765	6 008	6 272
Cellphone Allowance		2 753	3 764	3 798	3 950	3 950	3 950	4 098	4 271	4 459
Housing Allowances		–	–	–	–	–	–	–	–	–
Other benefits and allowances		987	–	–	–	–	–	–	–	–
<b>Sub Total - Councillors</b>		<b>22 485</b>	<b>23 223</b>	<b>23 970</b>	<b>25 036</b>	<b>25 036</b>	<b>25 036</b>	<b>26 007</b>	<b>27 099</b>	<b>28 292</b>
<b>% increase</b>	4		3.3%	3.2%	4.4%	–	–	3.9%	4.2%	4.4%
<b>Senior Managers of the Municipality</b>										
Basic Salaries and Wages	2	4 718	4 030	4 908	5 273	5 273	5 273	5 261	5 481	5 723
Pension and UIF Contributions		–	–	85	91	91	91	91	94	99
Medical Aid Contributions		–	–	416	442	442	442	441	459	479
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	1 301	1 365	1 517	1 733	1 733	1 733	1 608	1 676	1 750
Cellphone Allowance	3	–	–	124	261	261	261	131	137	143
Housing Allowances	3	–	–	430	592	592	592	456	475	496
Other benefits and allowances	3	1 482	1 226	–	–	–	–	–	–	–
Payments in lieu of leave		–	–	–	–	–	–	–	–	–
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
<b>Sub Total - Senior Managers of Municipality</b>		<b>7 501</b>	<b>6 621</b>	<b>7 481</b>	<b>8 392</b>	<b>8 392</b>	<b>8 392</b>	<b>7 987</b>	<b>8 323</b>	<b>8 689</b>
<b>% increase</b>	4		(11.7%)	13.0%	12.2%	–	–	(4.8%)	4.2%	4.4%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		54 468	62 091	63 982	71 455	71 318	71 318	77 216	80 535	84 053
Pension and UIF Contributions		5 462	6 969	8 624	10 079	10 079	10 079	11 108	11 574	12 084
Medical Aid Contributions		3 465	4 427	4 368	5 552	5 552	5 552	5 685	5 924	6 185
Overtime		937	1 833	2 488	3 001	3 251	3 251	3 048	3 170	3 302
Performance Bonus		4 621	4 633	4 648	5 212	5 212	5 212	5 653	5 890	6 150
Motor Vehicle Allowance	3	5 262	5 932	5 958	6 961	6 994	6 994	7 469	7 782	8 125
Cellphone Allowance	3	398	399	612	898	898	898	958	964	971
Housing Allowances	3	3 014	3 099	3 232	3 814	3 814	3 814	4 118	4 291	4 480
Other benefits and allowances	3	281	2 308	4 799	3 770	3 805	3 805	3 611	3 762	3 926
Payments in lieu of leave		–	8 305	–	–	–	–	–	–	–
Long service awards		378	638	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
<b>Sub Total - Other Municipal Staff</b>		<b>78 287</b>	<b>100 634</b>	<b>98 711</b>	<b>110 740</b>	<b>110 920</b>	<b>110 920</b>	<b>118 867</b>	<b>123 893</b>	<b>129 275</b>
<b>% increase</b>	4		28.5%	(1.9%)	12.2%	0.2%	–	7.2%	4.2%	4.3%
<b>Total Parent Municipality</b>		<b>108 273</b>	<b>130 479</b>	<b>130 161</b>	<b>144 168</b>	<b>144 348</b>	<b>144 348</b>	<b>152 861</b>	<b>159 315</b>	<b>166 256</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>108 273</b>	<b>130 479</b>	<b>130 161</b>	<b>144 168</b>	<b>144 348</b>	<b>144 348</b>	<b>152 861</b>	<b>159 315</b>	<b>166 256</b>
<b>% increase</b>	4		20.5%	(0.2%)	10.8%	0.1%	–	5.9%	4.2%	4.4%
<b>TOTAL MANAGERS AND STAFF</b>	5,7	<b>85 788</b>	<b>107 255</b>	<b>106 191</b>	<b>119 133</b>	<b>119 313</b>	<b>119 313</b>	<b>126 854</b>	<b>132 216</b>	<b>137 964</b>



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

EC443 Mbizana - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
	Budget Year 2021/22												Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
	July	August	Sept.	October	November	December	January	February	March	April	May	June			
<b>Cash Receipts By Source</b>															
Property rates	14 982	3 815	3 815	3 815	3 815	3 815	3 815	3 815	3 815	3 815	3 815	3 815	56 951	40 839	36 120
Service charges - electricity revenue	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	20 308	25 771	29 341
Service charges - water revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Service charges - sanitation revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Service charges - refuse revenue	753	753	753	753	753	753	753	753	753	753	753	753	9 038	6 343	5 540
Rental of facilities and equipment	508	508	508	508	508	508	508	508	508	508	508	508	6 093	6 536	6 686
Interest earned - external investments	(1 074)	(1 074)	837	837	837	837	837	837	837	837	837	4 660	10 047	10 469	10 929
Interest earned - outstanding debtors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends received	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Licences and permits	230	230	230	230	230	230	230	230	230	230	230	230	2 756	2 756	2 756
Agency services	105	105	105	105	105	105	105	105	105	105	105	105	1 265	1 319	1 377
Transfers and Subsidies - Operational	130 329	2 694	118	118	1 606	86 885	118	1 070	72 405	118	118	0	295 190	306 152	298 723
Other revenue	118	118	118	118	118	118	118	118	118	118	118	118	1 419	1 438	1 459
<b>Cash Receipts by Source</b>	<b>147 673</b>	<b>9 072</b>	<b>8 090</b>	<b>8 090</b>	<b>9 696</b>	<b>94 975</b>	<b>8 090</b>	<b>9 159</b>	<b>80 495</b>	<b>8 090</b>	<b>8 090</b>	<b>11 913</b>	<b>403 431</b>	<b>402 021</b>	<b>393 322</b>
<b>Other Cash Flows by Source</b>															
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	16 847	5 946	11 097	—	13 547	13 736	—	14 336	23 787	—	—	—	99 296	112 858	92 433
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Proceeds on Disposal of Fixed and Intangible Assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Short term loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Borrowing long term/refinancing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease (increase) in non-current receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease (increase) in non-current investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total Cash Receipts by Source</b>	<b>164 520</b>	<b>15 017</b>	<b>19 186</b>	<b>8 090</b>	<b>23 243</b>	<b>108 710</b>	<b>8 090</b>	<b>23 496</b>	<b>104 282</b>	<b>8 090</b>	<b>8 090</b>	<b>11 913</b>	<b>502 726</b>	<b>514 879</b>	<b>485 755</b>
<b>Cash Payments by Type</b>															
Employee related costs	10 571	10 571	10 571	10 571	10 571	10 571	10 571	10 571	10 571	10 571	10 571	10 571	126 854	132 216	137 964
Remuneration of councillors	2 167	2 167	2 167	2 167	2 167	2 167	2 167	2 167	2 167	2 167	2 167	2 167	26 007	27 099	28 292
Finance charges	—	5	—	—	18	—	—	—	—	12	—	16	50	52	54
Bulk purchases - electricity	3 335	3 335	3 335	3 335	3 335	3 335	3 335	3 335	3 335	3 335	3 335	3 335	40 016	41 696	43 531
Acquisitions - water & other inventory	639	639	639	639	639	639	639	639	639	639	639	639	7 663	7 985	8 336
Contracted services	8 249	8 249	8 249	8 249	8 249	8 249	8 249	8 249	8 249	8 249	8 249	8 249	98 991	86 461	90 192
Transfers and grants - other municipalities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers and grants - other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenditure	5 394	5 394	5 394	5 394	5 394	5 394	5 394	5 394	5 394	5 394	5 394	11 301	70 636	73 234	76 958
<b>Cash Payments by Type</b>	<b>30 355</b>	<b>30 359</b>	<b>30 355</b>	<b>30 355</b>	<b>30 373</b>	<b>30 355</b>	<b>30 355</b>	<b>30 355</b>	<b>30 355</b>	<b>30 367</b>	<b>30 355</b>	<b>36 277</b>	<b>370 217</b>	<b>368 743</b>	<b>385 327</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	4 443	4 437	7 451	3 265	8 945	7 387	8 669	13 275	13 275	16 396	13 275	17 728	118 546	136 641	105 474
Repayment of borrowing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other Cash Flows/Payments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total Cash Payments by Type</b>	<b>34 798</b>	<b>34 796</b>	<b>37 806</b>	<b>33 620</b>	<b>39 317</b>	<b>37 742</b>	<b>39 024</b>	<b>43 630</b>	<b>43 630</b>	<b>46 763</b>	<b>43 630</b>	<b>54 005</b>	<b>488 763</b>	<b>505 384</b>	<b>490 801</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>129 722</b>	<b>(19 779)</b>	<b>(18 619)</b>	<b>(25 530)</b>	<b>(16 074)</b>	<b>70 968</b>	<b>(30 935)</b>	<b>(20 135)</b>	<b>60 652</b>	<b>(38 673)</b>	<b>(35 541)</b>	<b>(42 092)</b>	<b>13 963</b>	<b>9 494</b>	<b>(5 046)</b>
Cash/cash equivalents at the month/year begin:	173 644	303 366	283 587	264 968	234 438	223 363	294 332	283 387	243 262	303 914	285 241	229 700	173 543	187 608	197 102
Cash/cash equivalents at the month/year end:	303 366	283 587	264 968	234 438	223 363	294 332	263 397	243 262	303 914	285 241	229 700	187 608	187 608	197 102	192 056







Table 26 MBRR SA26 – Budgeted monthly revenue and expenditure (municipal vote)

EC443 Mbizana - Supporting Table SA25 Budgeted monthly revenue and expenditure (municipal vote)																	
Description	Ref	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24	
Revenue by Vote																	
Vote 1 - Executive and Council		24	24	24	24	24	24	24	24	24	24	24	24	24	253	309	326
Vote 2 - Corporate Services		25 756	25 756	25 756	25 756	25 756	25 756	25 756	25 756	25 756	25 756	25 756	25 756	25 756	309 070	324 413	317 703
Vote 3 - Budget Treasury Office		1 104	1 104	1 104	1 104	1 104	1 104	1 104	1 104	1 104	1 104	1 104	1 104	1 104	13 243	9 956	10 265
Vote 4 - Community Services		3 872	3 872	3 872	3 872	3 872	3 872	3 872	3 872	3 872	3 872	3 872	3 872	3 872	46 467	50 569	28 954
Vote 5 - Development Planning		9 741	9 741	9 741	9 741	9 741	9 741	9 741	9 741	9 741	9 741	9 741	9 741	9 741	116 889	130 241	135 677
Vote 6 - Engineering Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote		40 497	40 497	40 497	40 497	40 497	40 497	40 497	40 497	40 497	40 497	40 497	40 497	40 497	485 961	515 489	492 924
Expenditure by Vote to be appropriated																	
Vote 1 - Executive and Council		6 899	6 899	6 899	6 899	6 899	6 899	6 899	6 899	6 899	6 899	6 899	6 899	6 899	82 788	86 642	90 890
Vote 2 - Corporate Services		4 929	4 929	4 929	4 929	4 929	4 929	4 929	4 929	4 929	4 929	4 929	4 929	4 929	59 154	61 634	64 342
Vote 3 - Budget Treasury Office		3 210	3 210	3 210	3 210	3 210	3 210	3 210	3 210	3 210	3 210	3 210	3 210	3 210	38 517	39 398	40 682
Vote 4 - Community Services		6 519	6 519	6 519	6 519	6 519	6 519	6 519	6 519	6 519	6 519	6 519	6 519	6 519	78 225	76 388	79 731
Vote 5 - Development Planning		2 422	2 422	2 422	2 422	2 422	2 422	2 422	2 422	2 422	2 422	2 422	2 422	2 422	29 061	30 282	31 614
Vote 6 - Engineering Services		12 143	12 143	12 143	12 143	12 143	12 143	12 143	12 143	12 143	12 143	12 143	12 143	12 143	145 722	139 903	146 032
Vote 7 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote		36 122	36 122	36 122	36 122	36 122	36 122	36 122	36 122	36 122	36 122	36 122	36 122	36 122	433 468	434 248	453 291
Surplus/(Deficit) before assoc.		4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	52 494	81 241	39 633
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	4 374	52 494	81 241	39 633







**Table 28 MBRR SA28 – Budgeted monthly capital expenditure (municipal vote)**

EC443 Mbizana - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)																	
R thousand	Description	Ref	Budget Year 2021/22										Medium Term Revenue and Expenditure Framework				
			July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
	Multi-year expenditure to be appropriated	1															
	Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 3 - Budget Treasury Office		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 4 - Community Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 5 - Development Planning		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 6 - Engineering Services		2 658	2 152	4 618	-	1 639	-	-	6 106	2 894	13 635	7 200	-	40 902	15 000	-
	Vote 7 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 8 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 9 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 10 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 11 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 12 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 13 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 14 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 15 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Capital multi-year expenditure sub-total	2	2 658	2 152	4 618	-	1 639	-	-	6 106	2 894	13 635	7 200	-	40 902	15 000	-
	Single-year expenditure to be appropriated																
	Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 2 - Corporate Services		-	-	-	1 248	-	2 000	780	-	-	-	1 000	-	7 028	5 116	6 886
	Vote 3 - Budget Treasury Office		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 4 - Community Services		-	500	1 499	950	-	-	100	101	-	-	-	-	3 150	1 900	3 300
	Vote 5 - Development Planning		1 785	1 785	286	-	1 785	1 785	1 785	1 785	1 785	1 785	1 785	5 069	21 420	24 320	1 800
	Vote 6 - Engineering Services		-	-	1 048	1 067	5 521	3 602	6 004	5 263	1 953	976	3 290	15 803	44 527	92 870	89 721
	Vote 7 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 8 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 9 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 10 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 11 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 12 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 13 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 14 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 15 - Null		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Capital single-year expenditure sub-total	2	1 785	2 285	2 833	3 265	7 306	7 387	8 669	7 149	5 738	2 761	6 075	20 872	76 125	124 205	101 708
	Total Capital Expenditure	2	4 443	4 437	7 451	3 265	8 945	7 387	8 669	13 255	8 632	16 396	13 275	20 872	117 027	139 205	101 708

Table 29 MBRR SA29 – Budgeted monthly capital expenditure (functional classification)

EC443 Mbizana - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)		Budget Year 2021/22												Medium Term Revenue and Expenditure Framework			
R thousand	Ref	Description	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
	1	<b>Capital Expenditure - Functional</b>															
		<i>Governance and administration</i>															
		Executive and council	-	-	-	1 248	-	2 000	780	-	2 000	-	1 000	-	7 028	5 316	7 086
		Finance and administration	-	-	-	1 248	-	2 000	780	-	2 000	-	1 000	-	7 028	5 316	7 086
		Internal audit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<i>Community and public safety</i>	-	-	1 400	950	-	-	100	-	-	-	-	-	2 450	1 500	2 200
		Community and social services	-	-	1 400	250	-	-	-	-	-	-	-	-	1 650	1 400	2 000
		Sport and recreation	-	-	-	-	-	-	100	-	-	-	-	-	-	-	-
		Public safety	-	-	-	700	-	-	-	-	-	-	-	-	800	100	200
		Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<i>Economic and environmental services</i>	4 443	3 937	4 904	1 067	7 300	3 240	1 028	9 954	5 555	16 396	8 985	19 083	85 891	91 604	56 361
		Planning and development	4 443	3 937	4 904	-	3 424	1 208	-	8 754	4 679	15 420	8 985	17 067	72 822	39 320	1 800
		Road transport	-	-	-	1 067	3 876	2 031	1 028	1 200	876	976	-	2 016	13 070	52 284	54 561
		Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<i>Trading services</i>	-	500	1 147	-	1 645	2 147	6 762	3 301	1 077	-	3 290	1 789	21 657	40 786	36 060
		Energy sources	-	-	1 048	-	1 645	2 147	6 762	3 200	1 077	-	3 290	1 789	20 957	40 586	35 160
		Water management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Waste management	-	500	99	-	-	-	-	101	-	-	-	-	700	200	900
		<i>Other</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2	<b>Total Capital Expenditure - Functional</b>	4 443	4 437	7 451	3 265	8 945	7 387	8 669	13 255	8 632	16 396	13 275	20 872	117 027	139 205	101 708
		<b>Funded by:</b>															
		National Government	2 638	2 132	4 347	1 267	7 140	3 582	6 984	8 349	4 827	12 591	10 470	20 872	85 199	110 104	89 561
		Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Transfers and subsidies - capital (monetary allocations) (National / Provincial)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<b>Transfers recognised - capital</b>	2 638	2 132	4 347	1 267	7 140	3 582	6 984	8 349	4 827	12 591	10 470	20 872	85 199	110 104	89 561
		<b>Borrowing</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<b>Internally generated funds</b>	1 805	2 305	3 104	1 998	1 805	3 805	1 685	4 906	3 805	3 805	2 805	-	31 828	29 102	12 146
		<b>Total Capital Funding</b>	4 443	4 437	7 451	3 265	8 945	7 387	8 669	13 255	8 632	16 396	13 275	20 872	117 027	139 205	101 708



[illegible]

## 2.7 Contracts having future budgetary implications

EC443 Mbizana - Supporting Table SA35 Future financial implications of the capital budget

Vote Description R thousand	Ref	2021/22 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Present value
<b>Capital expenditure</b>	1							
Vote 1 - Executive and Council		-	-	-				
Vote 2 - Corporate Services		7 028	5 116	6 886				
Vote 3 - Budget Treasury Office		-	-	-				
Vote 4 - Community Services		3 150	1 900	3 300				
Vote 5 - Development Planning		21 420	24 320	1 800				
Vote 6 - Engineering Services		85 429	107 870	89 721				
Vote 7 - Null		-	-	-				
Vote 8 - Null		-	-	-				
Vote 9 - Null		-	-	-				
Vote 10 - Null		-	-	-				
Vote 11 - Null		-	-	-				
Vote 12 - Null		-	-	-				
Vote 13 - Null		-	-	-				
Vote 14 - Null		-	-	-				
Vote 15 - Null		-	-	-				
<i>List entity summary if applicable</i>								
<b>Total Capital Expenditure</b>		<b>117 027</b>	<b>139 205</b>	<b>101 708</b>	-	-	-	-

In terms of the municipality's Supply Chain Management policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial management comments and budget confirmation from the Budget and Treasury office.





## 2.9 Capital Expenditure details

**Table 31 MBRR SA34a – Capital expenditure on new assets by asset class**

EC443 Mbizana - Supporting Table SA34a Capital expenditure on new assets by asset class

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
R thousand	1									
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		55 690	63 714	50 758	30 775	58 830	58 830	30 677	89 854	89 721
Roads Infrastructure		22 170	22 397	31 165	28 475	29 880	29 880	13 070	52 284	54 561
Roads		22 170	22 397	31 165	28 475	29 880	29 880	13 070	52 284	54 561
Electrical Infrastructure		33 520	41 317	19 592	2 300	28 950	28 950	17 357	37 570	35 160
MV Networks		33 520	41 317	19 592	–	26 950	26 950	16 907	35 000	–
LV Networks		–	–	–	2 300	2 000	2 000	450	2 570	160
Solid Waste Infrastructure		–	–	–	–	–	–	250	–	–
Waste Drop-off Points		–	–	–	–	–	–	250	–	–
<b>Community Assets</b>		7 048	2 408	4 003	1 100	2 383	2 383	13 500	2 900	3 800
Community Facilities		4 657	2 408	4 003	1 100	2 383	2 383	13 500	2 900	3 800
Halls		4 657	–	4 003	–	783	783	8 400	1 400	2 000
Crèches		–	2 408	–	–	–	–	3 500	–	–
Markets		–	–	–	1 100	1 600	1 600	1 600	1 500	1 800
Sport and Recreation Facilities		2 391	–	–	–	–	–	–	–	–
Outdoor Facilities		2 391	–	–	–	–	–	–	–	–
<b>Heritage assets</b>		–	–	–	50	110	110	–	–	–
Other Heritage		–	–	–	50	110	110	–	–	–
<b>Investment properties</b>		–	–	–	–	–	–	–	–	–
<b>Other assets</b>		169	–	1 289	2 500	3 000	3 000	19 820	22 820	–
Operational Buildings		169	–	1 289	2 500	3 000	3 000	19 820	22 820	–
Municipal Offices		169	–	–	–	–	–	–	–	–
Yards		–	–	1 289	2 500	3 000	3 000	–	–	–
Manufacturing Plant		–	–	–	–	–	–	19 820	22 820	–
<b>Computer Equipment</b>		1 221	1 762	3 400	6 800	8 200	8 200	1 248	1 303	1 362
Computer Equipment		1 221	1 762	3 400	6 800	8 200	8 200	1 248	1 303	1 362
<b>Furniture and Office Equipment</b>		1 768	785	1 170	1 650	1 750	1 750	6 280	4 013	3 047
Furniture and Office Equipment		1 768	785	1 170	1 650	1 750	1 750	6 280	4 013	3 047
<b>Machinery and Equipment</b>		6 524	3 933	2 625	2 101	2 692	2 692	300	300	600
Machinery and Equipment		6 524	3 933	2 625	2 101	2 692	2 692	300	300	600
<b>Transport Assets</b>		3 388	2 796	1 614	2 660	2 168	2 168	1 400	–	3 178
Transport Assets		3 388	2 796	1 614	2 660	2 168	2 168	1 400	–	3 178
<b>Total Capital Expenditure on new assets</b>	1	75 808	75 399	64 860	47 637	79 134	79 134	73 225	121 189	101 708



**Table 32 MBRR SA34b – Capital Expenditure on upgrading of Existing Assets by asset class**

EC443 Mbizana - Supporting Table SA34e Capital expenditure on the upgrading of existing assets by asset class

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
R thousand	1									
<b>Capital expenditure on upgrading of existing assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		-	-	248	2 000	4 800	4 800	2 900	3 016	-
Roads Infrastructure		-	-	248	2 000	4 800	4 800	-	-	-
Roads		-	-	248	2 000	4 800	4 800	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	2 900	3 016	-
LV Networks		-	-	-	-	-	-	2 900	3 016	-
<b>Community Assets</b>		-	23 458	21 941	20 172	59 502	59 502	29 902	-	-
Community Facilities		-	10 901	16 058	11 251	25 557	25 557	28 402	-	-
Halls		-	10 901	16 058	11 251	25 557	25 557	28 402	-	-
Sport and Recreation Facilities		-	12 557	5 884	8 921	33 945	33 945	1 500	-	-
Outdoor Facilities		-	12 557	5 884	8 921	33 945	33 945	1 500	-	-
<b>Total Capital Expenditure on upgrading of existing assets</b>	1	-	23 458	22 189	22 172	64 302	64 302	32 802	3 016	-

Table 33 MBRR SA34c – Repairs and maintenance by asset class

EC443 Mbizana - Supporting Table SA34c Repairs and maintenance expenditure by asset class

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
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		961	3 530	7 707	21 908	23 544	23 544	24 263	25 316	26 447
Roads Infrastructure		937	3 378	6 196	18 408	20 044	20 044	20 663	21 564	22 531
Roads		31	271	259	596	596	596	616	641	670
Road Structures		724	2 879	5 877	17 400	18 836	18 836	19 548	20 402	21 317
Road Furniture		183	228	59	413	613	613	500	521	544
Electrical Infrastructure		24	152	1 511	3 500	3 500	3 500	3 600	3 751	3 916
MV Networks		24	152	1 511	3 500	3 500	3 500	3 600	3 751	3 916
Community Assets		156	383	20	523	1 193	1 193	943	983	1 026
Community Facilities		156	383	20	523	1 193	1 193	943	983	1 026
Halls		156	383	20	223	223	223	300	313	326
Libraries		–	–	–	–	350	350	223	232	243
Parks		–	–	–	300	620	620	420	438	457
Other assets		2 482	1 330	3 963	4 427	4 377	4 377	4 439	4 626	4 829
Operational Buildings		2 482	1 330	3 963	4 427	4 377	4 377	4 439	4 626	4 829
Municipal Offices		2 482	1 330	3 963	4 219	4 169	4 169	4 231	4 409	4 603
Yards		–	–	–	208	208	208	208	217	226
Computer Equipment		0	102	27	112	62	62	100	104	109
Computer Equipment		0	102	27	112	62	62	100	104	109
Furniture and Office Equipment		–	–	–	12	–	–	–	–	–
Furniture and Office Equipment		–	–	–	12	–	–	–	–	–
Machinery and Equipment		476	464	1 082	709	959	959	570	594	620
Machinery and Equipment		476	464	1 082	709	959	959	570	594	620
Transport Assets		–	–	–	3 363	3 363	3 363	3 496	3 643	3 803
Transport Assets		–	–	–	3 363	3 363	3 363	3 496	3 643	3 803
Total Repairs and Maintenance Expenditure	1	4 075	5 809	12 799	31 055	33 499	33 499	33 812	35 265	36 834
R&M as a % of PPE		0.7%	0.9%	2.0%	4.6%	4.7%	4.7%	5.1%	4.7%	4.8%
R&M as % Operating Expenditure		1.2%	1.8%	3.5%	7.3%	7.5%	7.5%	17.2%	8.1%	8.5%

**Table 34 MBRR SA34c – Depreciation by asset class**

EC443 Mbizana - Supporting Table SA34d Depreciation by asset class

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
<u>Depreciation by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		30 814	33 343	29 533	39 751	39 751	39 751	39 754	41 424	43 247
Roads Infrastructure		30 237	32 685	28 729	38 934	38 934	38 934	38 934	40 569	42 354
Roads		30 237	32 685	28 729	38 934	38 934	38 934	38 934	40 569	42 354
Storm water Infrastructure		85	97	93	121	121	121	121	126	131
Drainage Collection		85	97	93	121	121	121	121	126	131
Electrical Infrastructure		342	390	545	485	485	485	488	508	530
HV Transmission Conductors		–	189	181	235	235	235	235	245	256
MV Substations		–	19	18	24	24	24	24	25	26
MV Switching Stations		–	32	31	40	40	40	43	45	47
MV Networks		313	82	251	102	102	102	102	106	111
LV Networks		28	68	65	84	84	84	84	88	92
Solid Waste Infrastructure		150	171	167	212	212	212	212	221	231
Landfill Sites		150	171	167	212	212	212	212	221	231
<u>Community Assets</u>		2 051	2 108	2 233	3 018	2 740	2 740	2 755	2 871	2 997
Community Facilities		826	2 108	2 233	3 018	2 740	2 740	2 755	2 871	2 997
Halls		812	1 117	1 092	1 343	1 343	1 343	1 358	1 415	1 478
Centres		–	977	1 128	1 657	1 379	1 379	1 379	1 437	1 500
Cemeteries/Crematoria		13	14	13	17	17	17	17	18	19
Sport and Recreation Facilities		1 226	–	–	–	–	–	–	–	–
Outdoor Facilities		1 226	–	–	–	–	–	–	–	–
<u>Other assets</u>		839	1 011	727	1 128	1 128	1 128	1 128	1 175	1 227
Operational Buildings		839	1 011	727	1 128	1 128	1 128	1 128	1 175	1 227
Municipal Offices		839	1 011	727	1 128	1 128	1 128	1 128	1 175	1 227
<u>Intangible Assets</u>		593	445	131	–	100	100	100	104	109
Licences and Rights		593	445	131	–	100	100	100	104	109
Computer Software and Applications		593	445	131	–	100	100	100	104	109
<u>Computer Equipment</u>		201	335	315	400	400	400	400	417	436
Computer Equipment		201	335	315	400	400	400	400	417	436
<u>Furniture and Office Equipment</u>		1 941	2 359	2 636	3 141	3 141	3 141	3 174	3 308	3 453
Furniture and Office Equipment		1 941	2 359	2 636	3 141	3 141	3 141	3 174	3 308	3 453
<u>Machinery and Equipment</u>		1 565	846	2 497	2 951	3 229	3 229	3 179	3 312	3 458
Machinery and Equipment		1 565	846	2 497	2 951	3 229	3 229	3 179	3 312	3 458
<u>Transport Assets</u>		837	1 444	1 365	2 191	2 191	2 191	2 191	2 283	2 384
Transport Assets		837	1 444	1 365	2 191	2 191	2 191	2 191	2 283	2 384
<b>Total Depreciation</b>	<b>1</b>	<b>38 841</b>	<b>41 890</b>	<b>39 437</b>	<b>52 581</b>	<b>52 681</b>	<b>52 681</b>	<b>52 682</b>	<b>54 894</b>	<b>57 310</b>

## 2.10 Legislation compliance status

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

1. 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) is improving.

## 2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the interns trained over the years 11 were absorbed within the municipality's budget and treasury office while 3 have found employment in other municipality's and are now at managerial level. Since the introduction of the Internship programme the Municipality has successfully employed and trained 24 interns through this programme.

## 3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA headed by the Chief Financial Officer. The department has the following sections, each with its own head:

- Supply Chain Management
- Revenue and Expenditure
- Budgeting and Reporting
- Asset Management

## 4. Audit Committee

An Audit Committee has been established and is fully functional. This is despite resignation that has happened during the financial year, the council is yet to appoint a replacement member at the moment. Efforts are however being made to ensure that this completed before the end the financial year.

## 5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalized after approval of the 2021/22 MTREF in May 2021 directly aligned and informed by the 2021/22 MTREF.

## 6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements and taking into account the Covid-19 enforced extensions.

## 7. mSCOA

The municipality has been implementing mSCOA like all municipalities in the country as a business reform since its introduction from 1 July 2017. This was introduced to address among other things ensuring standardisation of treatment of transactions and reporting across all municipalities, to encourage proper planning and put controls in terms of revenue and expenditure management. Introduction of new and improved versions of the mSCOA chart has proven to present problems that sometimes make it impossible to operate normally requiring some extra effort to be put into the operations of the municipality to fulfil its service delivery mandate.

**2.11 Municipal manager's quality certificate**

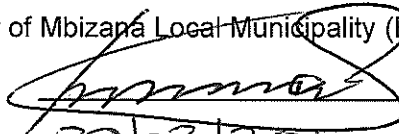
I, LUVISO MAHLAKA municipal manager of Mbizana Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name

L. MAHLAKA

Municipal manager of Mbizana Local Municipality (EC443)

Signature



Date

30/03/2021