

# **JOE GQABI DISTRICT MUNICIPALITY**



## **2022/23 TO 2024/25 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

**(Draft Budget for Approval by Council)**

**31 March 2022**

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## **Part 1 – Annual Budget**

### **1.1 Mayor’s Report**

To be distributed during the Council meeting.

## 1.2 Council Resolutions

1. The Council of Joe Gqabi District Municipality, acting in terms of section 16 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) tables:
  - 1.1. The annual budget of the municipality for the financial year 2022/23 and indicative allocations for the two projected outer years 2023/24 and 2024/25; and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15.
  - 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are tabled as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 16;
    - 1.2.2. Budgeted Cash Flows as contained in Table 17; and
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23;
2. The revised Integrated Development Plan (IDP) is tabled as reflected in the agenda.
3. The Council of Joe Gqabi District Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the tariffs for the provision of water and sanitation.
4. The measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.
5. The Budget related policies including any amendments are tabled for the budget year 2022/23.

### 1.3 Executive Summary

This section contains an Executive Summary of the Joe Gqabi District Municipality's (JGDM) Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

National Treasury's MFMA Circular No. 89, 91, 94, 98, 99, 107, 108, 112 and 115 was used to guide the compilation of the 2022/23 MTREF.

The main challenges experienced during the compilation of the 2022/23 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- Wage increases is anticipated to exceed consumer inflation;
- Affordability of capital projects – Municipal Infrastructure Grant and Water Services Infrastructure Grant were allocated towards refurbishing existing and developing of new capital infrastructure assets; and
- Low collection levels and the resistance against pre-paid water meter installations;

The following budget principles and guidelines directly informed the compilation of the 2022/23 MTREF:

- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water, employee related costs and other costs drivers. In addition, tariffs need to move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- Working for Water and Department of Roads and Transports grants are not Gazetted. Income and expenditure relevant to the Department of Environmental Affairs have not been included in the budget, due to there not being a signed documentation in place at date of budget preparation. All other grant funding, allocated has been Gazetted as required by the annual Division of Revenue Bill;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2022/23 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2022/23 MTREF**

SUMMARY OF THE INCOME AND EXPENDITRE				
	Mid Year Adjustments Budget 2021/22	Draft Budget 2022/23	Draft Budget 2023/24	Draft Budget 2024/25
Total Revenue (excluding capital transfers and contributions)	647 864 903,00	667 322 604,00	708 972 364,00	740 265 374,00
Total Expenditure	678 691 809,00	636 753 998,00	662 854 188,00	687 964 768,00
<b>Surplus / (deficit) - Operational</b>	<b>(30 826 906,00)</b>	<b>30 568 606,00</b>	<b>46 118 176,00</b>	<b>52 300 606,00</b>
Total Capital Expenditure	257 352 103,00	292 133 650,00	237 206 100,00	288 296 750,00
Total Capital Funding	257 352 103,00	286 233 650,00	237 206 100,00	288 296 750,00
	-	(5 900 000,00)	-	-
<b>Surplus / (deficit) - Total</b>	<b>(30 826 906,00)</b>	<b>24 668 606,00</b>	<b>46 118 176,00</b>	<b>52 300 606,00</b>
<b>Adding back Non-Cash items:</b>				
Depreciation	118 180 879,00	-	-	-
Debt Impairment	80 950 285,00	-	-	-
<b>Surplus / (deficit) - Total Cash</b>	<b>168 304 258,00</b>	<b>24 668 606,00</b>	<b>46 118 176,00</b>	<b>52 300 606,00</b>

A Budget Committee was established to examine, review and prioritise budget proposals from departments

Over the 3 year period, the Municipality is planning to spend R817 million on capital investment for the infrastructure needs of the District. The Capital Budget for the 2022/23 Financial Year is R292 million. Operating expenditure is budgeted at R636 million. This is less than the prior year adjustments budget, due to National Treasury requiring that Depreciation be funded from Service Charges. The operating revenue is budgeted at R667 million for the 2022/23 Financial Year.

Concerns have recently been raised by National Treasury in relation to the amount of municipalities budgeting for a deficit in the Budgeted Statement of Financial Performance.

The National Treasury has requested municipalities over time via the annual MFMA Budget Circulars to consider tabling a surplus budget on the statement of operating performance to enable municipalities to augment the capital replacement fund (CCR) which can be used to contribute to the Internally Generated Funding as a source of funding for the Municipal Capital Budget.

National Treasury is also of a view that a budgeted deficit is indicative that a municipality is living above the municipality's means.

As evident from the table above, the municipality has a budgeted surplus of R24 million. This together with the supporting table SA10 – funding measurement on page 44, indicates that the budget is funded over the MTREF.

#### **1.4 Operating Revenue Framework**

JGDM is heavily reliant on grants. The service charges are not making meaningful contribution to the revenue in the short-term, which warranted the proposal of new tariffs. This should improve in the medium term.

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

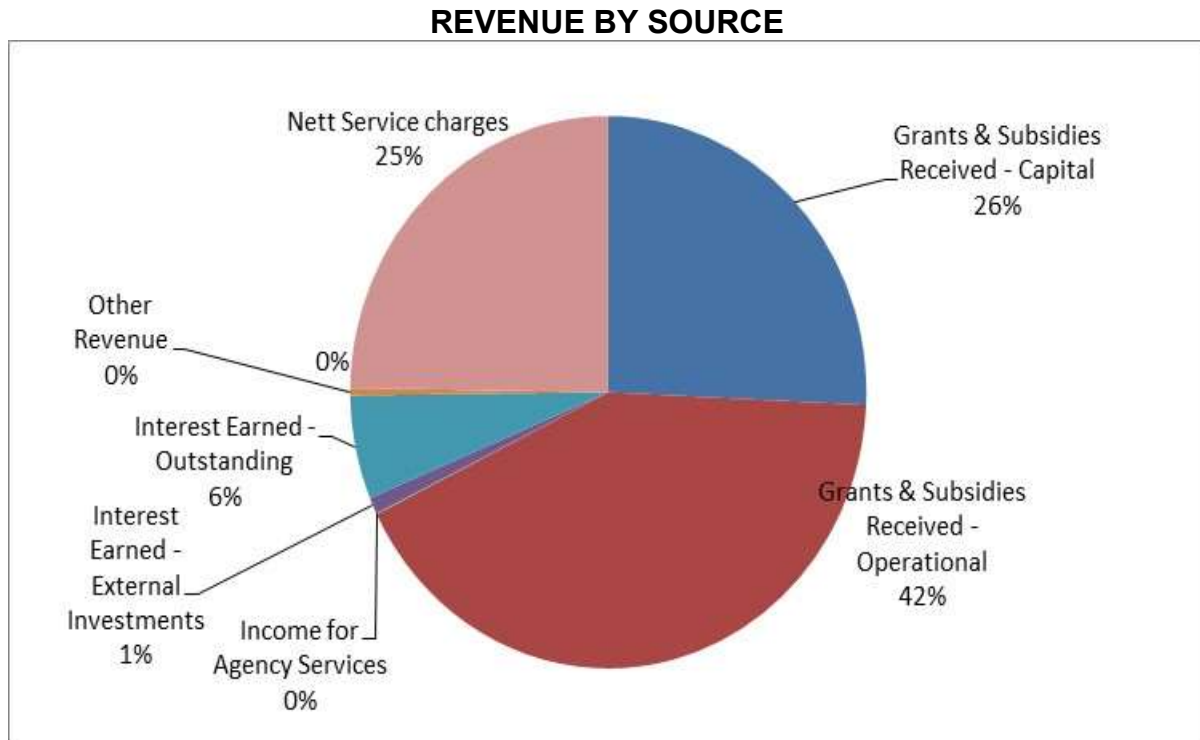
**Table 2 Summary of revenue classified by main revenue source**

Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>	1										
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	105 980	136 474	150 267	150 267	150 267	271 653	180 950	188 912	197 413
Service charges - sanitation revenue	2	-	17 295	25 530	33 597	33 597	33 597	125 870	41 437	43 260	45 207
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		-	2 400	1 935	7 694	7 694	7 694	7 694	8 708	9 091	9 500
Interest earned - outstanding debtors		-	36 585	32 808	47 890	47 890	47 890	47 890	54 692	57 077	59 623
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	17	35	80	80	80	80	89	93	97
Agency services		-	-	-	400	540	540	540	480	520	420
Transfers and subsidies		-	304 212	443 421	397 578	400 126	400 126	400 126	377 206	398 700	416 136
Other revenue	2	-	281	4 127	8 361	8 361	8 361	8 361	3 760	3 966	4 184
Gains		-	10 594	671	6 450	6 450	6 450	6 450	-	7 354	7 685
<b>Total Revenue (excluding capital transfers and contributions)</b>		-	<b>477 363</b>	<b>645 001</b>	<b>652 317</b>	<b>655 005</b>	<b>655 005</b>	<b>868 664</b>	<b>667 323</b>	<b>708 972</b>	<b>740 265</b>

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.

**Fig 1: Revenue by main revenue source**



**Table 3 Revenue by main revenue source**

Description	Mid Year Adjustments Budget 2021/22	Draft Budget 2022/23	Draft Budget 2023/24	Draft Budget 2024/25
Grants & Subsidies Received - Capital	178 650 901,00	246 233 700,00	237 206 100,00	288 296 750,00
Grants & Subsidies Received - Operational	393 126 392,00	377 206 300,00	398 699 900,00	416 136 250,00
Income for Agency Services	400 000,00	480 000,00	520 000,00	420 000,00
Interest Earned - External Investments	7 693 556,00	8 707 874,00	9 091 021,00	9 500 117,00
Interest Earned - Outstanding	47 889 822,00	54 691 617,00	57 076 576,00	59 623 071,00
Other Revenue	14 891 413,00	3 849 237,00	11 412 232,00	11 965 531,00
Nett Service charges	183 863 720,00	222 387 576,00	232 172 635,00	242 620 405,00
Service Charges	397 832 554,00	480 047 409,00	501 169 500,00	523 722 131,00
Less: Free Basic Services	(213 658 720,00)	(257 286 399,00)	(268 607 001,00)	(280 694 317,00)
Less: Revenue Foregone	(310 114,00)	(373 434,00)	(389 864,00)	(407 409,00)
<b>Grand Total</b>	<b>826 515 804,00</b>	<b>913 556 304,00</b>	<b>946 178 464,00</b>	<b>1 028 562 124,00</b>

Total Revenue increased from R826 million in the 2021/22 Adjustment Budget to R913 million in the 2022/23 Draft Budget.

The 10% increase is largely as result of the inclusion of the Regional Bulk Infrastructure Grant in the current year's budget.



The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

Choose name from list - Supporting Table SA18 Transfers and grant receipts

R thousand	Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
	<b>RECEIPTS:</b>	1.2									
	<b>Operating Transfers and Grants</b>										
	National Government:		-	277 086	383 605	374 345	368 893	368 893	350 868	370 353	392 704
	Local Government Equitable Share		-	273 796	327 882	302 992	302 992	302 992	334 540	355 541	377 446
	Finance Management		-	1 786	1 499	1 500	1 500	1 500	1 500	1 500	1 500
	Municipal Systems Improvement		-	-	-	3 031	3 031	3 031	4 262	3 640	3 640
	EPWP Incentive		-	1 504	1 647	1 599	1 599	1 599	1 314	-	-
	Infrastructure Skills Development Grant		-	-	365	186	234	234	240	240	240
	Municipal Infrastructure Grant		-	-	52 212	65 038	59 537	59 537	9 012	9 432	9 878
	Other transfers/grants [insert description]										
	Provincial Government:		-	-	-	-	-	-	24 000	26 000	21 000
	Department of Roads and Transport								24 000	26 000	21 000
	Other transfers/grants [insert description]										
	District Municipality:		-	-	-	-	-	-	-	-	-
	[insert description]										
	Other grant providers:		-	-	-	-	-	-	-	-	-
	[insert description]										
	<b>Total Operating Transfers and Grants</b>	5	-	277 086	383 605	374 345	368 893	368 893	374 868	396 353	413 704

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs, Value added tax increase and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6.45 percent. Excessive increases are likely to be counter productive, resulting in higher levels of non-payment. The municipality decided against using a blanket approach in setting tariffs. The basic charges and consumption charges on conventional meters and that on pre-paid meters were increased in line with the costs associated with the service. The increase on average amounts to an increase of 6 percent. Some services were therefore more affected than others.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities.

The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of water, petrol, diesel, chemicals, cement etc. The current challenges facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2022/23 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- 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;

The following table is a high level summary of the 2022/23 budget and MTREF (classified per main type of operating expenditure):

**Table 5 Summary of operating expenditure by standard classification item**

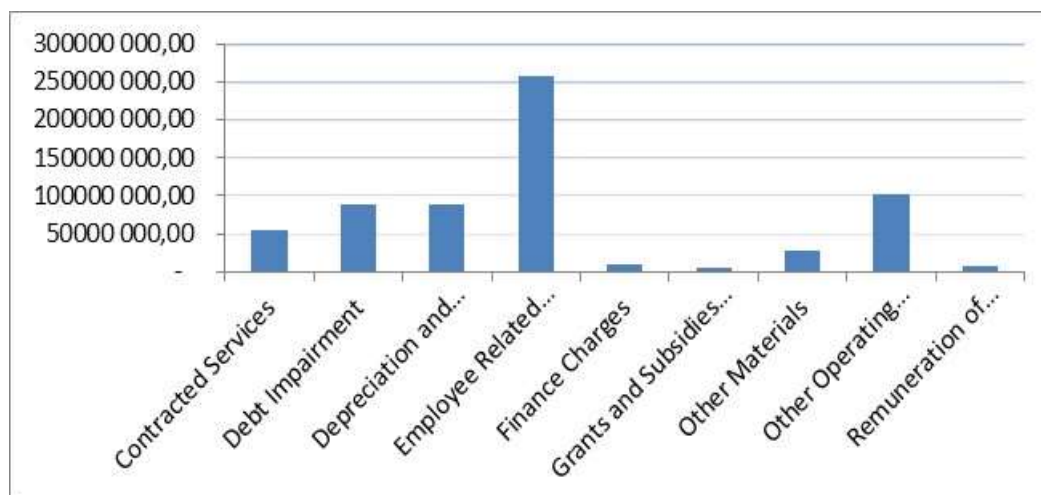
Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Expenditure By Type</b>											
Employee related costs	2	-	236 208	250 095	251 640	255 993	255 993	255 993	256 257	267 533	279 572
Remuneration of councillors		-	6 056	5 972	6 715	6 715	6 715	6 715	7 333	7 656	8 000
Debt impairment	3	-	63 821	83 000	80 950	80 950	80 950	80 950	89 045	92 963	97 147
Depreciation & asset impairment	2	-	123 916	58 424	124 465	118 181	118 181	118 181	87 807	91 664	95 789
Finance charges		-	4 328	3 631	10 658	9 956	9 956	9 956	9 670	8 140	8 507
Bulk purchases - electricity	2	-	-	-	-	-	-	-	-	-	-
Inventory consumed	8	-	14 226	13 801	27 153	26 705	26 705	26 705	27 097	30 700	31 378
Contracted services		-	129 983	111 187	114 286	97 849	97 849	97 849	52 589	69 241	71 696
Transfers and subsidies		-	6 769	7 564	5 721	5 717	5 717	5 717	5 957	5 651	5 680
Other expenditure	4, 5	-	69 526	72 210	84 926	83 767	83 767	83 767	100 999	89 306	90 196
Losses		-	-	3 224	-	0	0	0	-	0	0
<b>Total Expenditure</b>		-	<b>654 832</b>	<b>609 108</b>	<b>706 514</b>	<b>685 832</b>	<b>685 832</b>	<b>685 832</b>	<b>636 754</b>	<b>662 854</b>	<b>687 965</b>

**Table 6 Percentage growth in expenditure by main expenditure type**

Description	Mid Year Adjustments Budget 2021/22	Draft Budget 2022/23	Draft Budget 2023/24	Draft Budget 2024/25
Contracted Services	97 236 188,00	52 589 300,00	69 240 922,00	71 695 923,00
Debt Impairment	80 950 285,00	89 045 313,00	92 963 307,00	97 146 656,00
Depreciation and Amortisation	118 180 879,00	87 807 225,00	91 663 742,00	95 788 611,00
Employee Related Costs	252 092 987,00	256 257 429,00	267 532 762,00	279 571 731,00
Finance Charges	10 657 500,00	9 669 500,00	8 140 248,00	8 506 560,00
Transfers and Subsidies Paid	5 717 048,00	5 956 932,00	5 651 192,00	5 680 496,00
Other Materials	26 054 510,00	27 096 550,00	30 699 795,00	31 378 343,00
Other Operating expenditure	81 087 224,00	100 998 654,00	89 306 463,00	90 196 182,00
Remuneration of Councilors	6 715 188,00	7 333 095,00	7 655 757,00	8 000 266,00
Total	678 691 809,00	636 753 998,00	662 854 188,00	687 964 768,00

**Fig 2: Expenditure by major type**



The budgeted allocation for employee related costs for the 2022/23 financial year totals R 256 million, which equals 40 percent of the total operating expenditure. This is at the maximum point per the standard. The Budgeted Employee Related Costs increased by 4.8% per the Salary and Wage Collective Agreement. The Employee Related Costs increase from the adjustments budget to the draft budget per the table above however did not increase with 4.8% due to measures which would be implemented in order to curb overtime expenditure.

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

During the prior year's Budget Engagement process, Provincial Treasury advised that the municipality should budget for debt impairment on percentage not collected. The budgeted collection rate is 50% on consumers with conventional meters and 100% on consumers with pre-

paid water meters. As per Provincial Treasury's advice, the municipality should therefore use the remaining 50% as the provision of debt impairment. The municipality decided to only apply the 50% to residential consumers with conventional meters. The total budgeted collection rate is 60% over the MTREF. For the 2022/23 financial year this amount equates to R 89 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 87 million for the 2022/23 financial year and equates to 14 percent of the total operating expenditure.

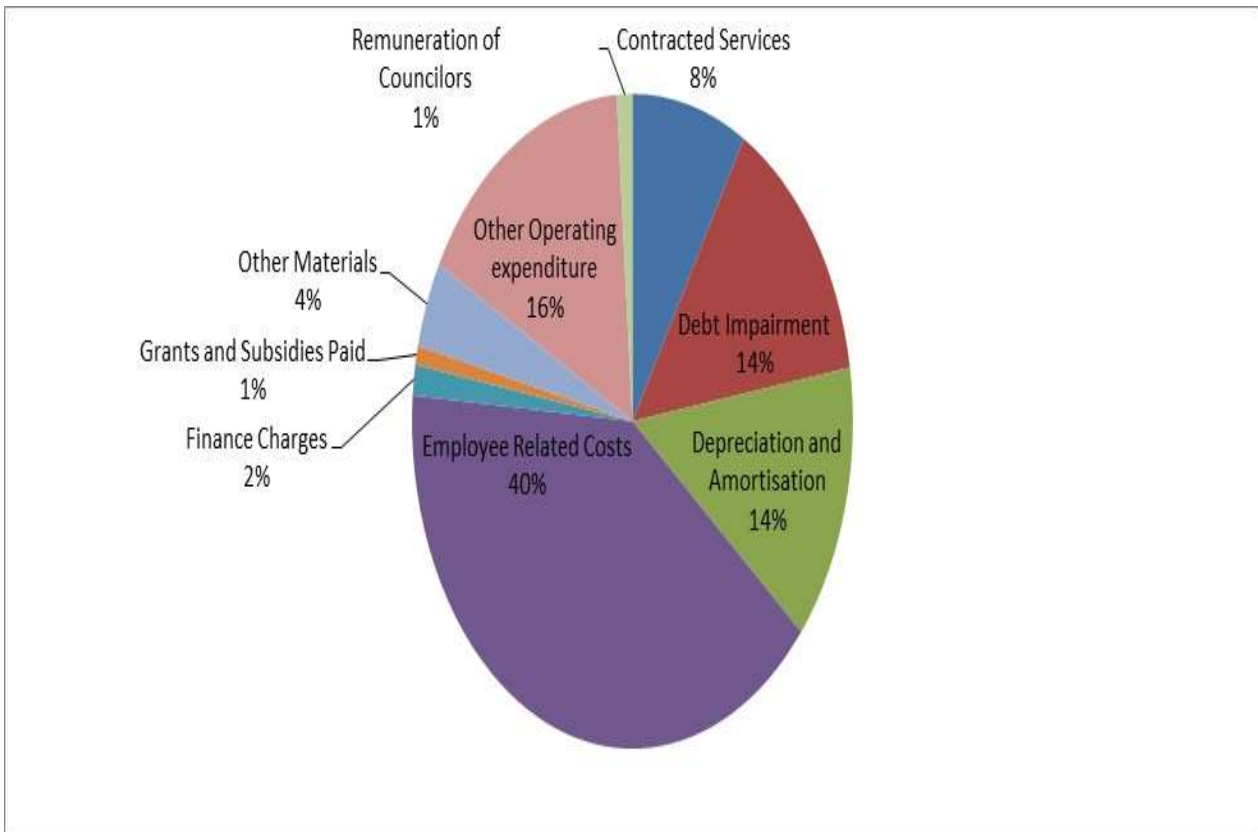
Finance charges consist primarily of the repayment of interest on long-term borrowing, frontloading and interest on non-current provisions. Finance charges (R 9 million) equates to 1.51 percent of the operating expenditure excluding annual redemption for 2022/23 financial year.

Repairs and Maintenance allocation is R 73.8 million (including the employee costs, amounting to R53 million, of departments responsible for repairs and maintenance) for the 2022/23 financial year. The portion reflective as repairs and maintenance is 11 percent of total operational expenditure. Bulk of the cost associated with repairs and maintenance comprises of employee costs.

The municipality decided to use the percentage of total operational expenditure instead of percentage of property, plant and equipment. The percentage of property, plant and equipment will require 44% of the Equitable share to be allocated to Repairs and maintenance, as evident from the table below.

Audited Property, plant and Equipment	1 837 169 826
Repairs and maintenance at 8%	146 973 586
Equitable share	334 540 000
Repairs and maintenance as a percentage of Equitable Share	44%

**Fig 3: Expenditure by major type – 2022/23**



**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 qualifying indigents will be provided with 6kl of water per month

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote, functional classification and funding:

**Table 7 2022/23 Medium-term capital budget per vote**

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	3 000	2 200	2 200	2 200	-	-	-
Vote 4 - Technical Services		-	(579 918)	99 199	187 651	193 952	193 952	193 952	186 234	199 206	227 687
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Institutional Support and Advancement		-	191	629	2 150	2 000	2 000	2 000	-	-	-
Vote 7 - Water Services Provision		-	202 083	40 942	60 000	59 000	59 000	59 000	60 000	38 000	60 610
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	(377 644)	140 770	252 801	257 152	257 152	257 152	246 234	237 206	288 297
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services		-	-	-	-	-	-	-	40 400	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Technical Services		-	11 588	9 420	-	-	-	-	-	-	-
Vote 5 - Community Services		-	-	-	-	200	200	200	3 000	-	-
Vote 6 - Institutional Support and Advancement		-	155	-	-	-	-	-	2 500	-	-
Vote 7 - Water Services Provision		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	11 743	9 420	-	200	200	200	45 900	-	-
<b>Total Capital Expenditure - Vote</b>		-	(365 901)	150 190	252 801	257 352	257 352	257 352	292 134	237 206	288 297

## **1.7 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 2022/23 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.



**Joe Gqabi District Municipality – 2022/23 DRAFT Budget MTREF (for Approval by Council)  
(31 March 2022)**

**DC14 Joe Gqabi - Table A1 Budget Summary**

Description	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>										
<b>Financial Performance</b>										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	–	–	–	183 864	183 864	183 864	397 522	222 388	232 173	242 620
Investment revenue	–	–	–	7 694	7 694	7 694	7 694	8 708	9 091	9 500
Transfers recognised - operational	–	–	–	397 578	400 126	400 126	400 126	377 206	398 700	416 136
Other own revenue	–	–	–	63 181	63 321	63 321	63 321	59 021	69 009	72 009
<b>Total Revenue (excluding capital transfers and contributions)</b>	–	–	–	652 317	655 005	655 005	868 664	667 323	708 972	740 265
Employee costs	–	–	–	251 640	255 993	255 993	255 993	256 257	267 533	279 572
Remuneration of councillors	–	–	–	6 715	6 715	6 715	6 715	7 333	7 656	8 000
Depreciation & asset impairment	–	–	–	124 465	118 181	118 181	118 181	87 807	91 664	95 789
Finance charges	–	–	–	10 658	9 956	9 956	9 956	9 670	8 140	8 507
Materials and bulk purchases	–	–	–	27 153	26 705	26 705	26 705	27 097	30 700	31 378
Transfers and grants	–	–	–	5 721	5 717	5 717	5 717	5 957	5 651	5 680
Other expenditure	–	–	–	280 162	262 566	262 566	262 566	242 633	251 511	259 039
<b>Total Expenditure</b>	–	–	–	706 514	685 832	685 832	685 832	636 754	662 854	687 965
<b>Surplus/(Deficit)</b>	–	–	–	(54 197)	(30 827)	(30 827)	182 832	30 569	46 118	52 301
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	–	–	–	174 150	178 651	178 651	178 651	246 234	237 206	288 297
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>	–	–	–	119 953	147 824	147 824	361 483	276 802	283 324	340 597
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	–	–	–	119 953	147 824	147 824	361 483	276 802	283 324	340 597
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	–	–	–	252 801	257 352	257 352	257 352	292 134	237 206	288 297
Transfers recognised - capital	–	–	–	175 150	179 751	179 751	179 751	246 234	237 206	288 297
Borrowing	–	–	–	72 501	72 501	72 501	72 501	40 000	–	–
Internally generated funds	–	–	–	5 150	5 100	5 100	5 100	5 900	–	–
<b>Total sources of capital funds</b>	–	–	–	252 801	257 352	257 352	257 352	292 134	237 206	288 297

## Explanatory notes 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 approved 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 emphasises 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 recognised 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 are 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. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.

**Table 9 MBRR NT A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Choose name from list - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Revenue - Functional</b>	1									
<b>Governance and administration</b>		–	289 018	333 140	324 433	324 482	324 482	353 458	381 778	404 639
Executive and council		–	–	–	1 000	1 000	1 000	2 500	2 650	2 809
Finance and administration		–	289 018	333 140	323 433	323 482	323 482	350 958	379 128	401 830
Internal audit		–	–	–	–	–	–	–	–	–
<b>Community and public safety</b>		–	36	2 314	360	360	360	129	134	141
Community and social services		–	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		–	36	2 314	360	360	360	129	134	141
<b>Economic and environmental services</b>		–	192 776	183 202	196 920	204 060	204 060	223 378	237 505	261 417
Planning and development		–	165 712	156 504	167 787	167 787	167 787	196 560	208 638	237 565
Road transport		–	27 064	23 225	22 633	29 773	29 773	26 818	28 867	23 852
Environmental protection		–	–	3 473	6 500	6 500	6 500	–	–	–
<b>Trading services</b>		–	249 417	264 765	304 754	304 754	304 754	336 591	326 761	362 365
Energy sources		–	–	–	–	–	–	–	–	–
Water management		–	132 877	230 792	180 858	180 858	180 858	215 574	225 059	235 187
Waste water management		–	116 540	33 973	123 896	123 896	123 896	121 017	101 702	127 178
Waste management		–	–	–	–	–	–	–	–	–
<b>Other</b>	4	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>	2	–	731 247	783 421	826 467	833 656	833 656	913 556	946 178	1 028 562
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		–	145 898	136 274	170 631	155 529	155 529	178 230	183 602	190 518
Executive and council		–	22 525	23 978	25 653	24 612	24 612	30 143	32 191	32 282
Finance and administration		–	120 157	110 726	141 205	127 547	127 547	142 618	146 862	153 482
Internal audit		–	3 216	1 569	3 773	3 370	3 370	5 469	4 549	4 754
<b>Community and public safety</b>		–	32 014	32 992	39 172	37 322	37 322	39 536	43 152	45 094
Community and social services		–	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	15 620	14 777	16 141	16 091	16 091	17 181	18 521	19 355
Housing		–	–	–	–	–	–	–	–	–
Health		–	16 394	18 215	23 031	21 231	21 231	22 355	24 630	25 739
<b>Economic and environmental services</b>		–	126 128	81 806	113 343	114 575	114 575	64 250	55 864	55 636
Planning and development		–	99 744	52 929	84 210	78 302	78 302	30 401	26 997	28 008
Road transport		–	22 673	23 925	22 633	29 773	29 773	26 818	28 867	27 628
Environmental protection		–	3 712	4 952	6 500	6 500	6 500	7 031	–	–
<b>Trading services</b>		–	350 793	356 658	383 367	378 406	378 406	354 738	380 236	396 717
Energy sources		–	–	–	–	–	–	–	–	–
Water management		–	223 652	306 642	310 752	312 277	312 277	298 436	321 545	335 385
Waste water management		–	127 141	50 016	72 615	66 129	66 129	56 302	58 691	61 332
Waste management		–	–	–	–	–	–	–	–	–
<b>Other</b>	4	–	–	–	–	–	–	–	–	–
<b>Total Expenditure - Functional</b>	3	–	654 832	607 729	706 514	685 832	685 832	636 754	662 854	687 965
<b>Surplus/(Deficit) for the year</b>		–	76 415	175 692	119 953	147 824	147 824	276 802	283 324	340 597

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Finance and Asset Management.

**Table 10 MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Choose name from list - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Revenue by Vote</b>	1									
Vote 1 - Office of Municipal Manager		-	-	3 473	7 500	7 500	7 500	2 500	2 650	2 809
Vote 2 - Financial Services		-	277 248	332 094	316 787	316 787	316 787	350 706	371 521	393 892
Vote 3 - Corporate Services		-	11 770	1 047	6 647	6 696	6 696	252	7 607	7 938
Vote 4 - Technical Services		-	192 776	179 729	190 420	197 560	197 560	223 378	237 505	261 417
Vote 5 - Community Services		-	36	2 314	360	360	360	129	134	141
Vote 6 - Institutional Support and Advancement		-	-	-	-	-	-	-	-	-
Vote 7 - Water Services Provision		-	249 417	264 765	304 754	304 754	304 754	336 591	326 761	362 365
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	-	<b>731 247</b>	<b>783 421</b>	<b>826 467</b>	<b>833 656</b>	<b>833 656</b>	<b>913 556</b>	<b>946 178</b>	<b>1 028 562</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Office of Municipal Manager		-	31 801	33 682	41 571	39 651	39 651	48 685	40 694	41 186
Vote 2 - Financial Services		-	42 659	45 361	65 195	57 183	57 183	56 940	70 626	73 804
Vote 3 - Corporate Services		-	78 252	68 217	64 663	62 896	62 896	77 046	68 692	71 543
Vote 4 - Technical Services		-	108 612	63 177	91 706	93 145	93 145	39 994	41 274	40 614
Vote 5 - Community Services		-	28 907	30 358	48 751	46 314	46 314	47 961	50 432	52 072
Vote 6 - Institutional Support and Advancement		-	22 691	21 038	34 522	30 666	30 666	34 128	33 882	35 415
Vote 7 - Water Services Provision		-	341 910	345 896	360 106	355 978	355 978	332 000	357 254	373 331
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	-	<b>654 832</b>	<b>607 729</b>	<b>706 514</b>	<b>685 832</b>	<b>685 832</b>	<b>636 754</b>	<b>662 854</b>	<b>687 965</b>
<b>Surplus/(Deficit) for the year</b>	2	-	<b>76 415</b>	<b>175 692</b>	<b>119 953</b>	<b>147 824</b>	<b>147 824</b>	<b>276 802</b>	<b>283 324</b>	<b>340 597</b>

**Explanatory notes 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 updated organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 11 MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure)**

Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	105 980	136 474	150 267	150 267	150 267	271 653	180 950	188 912	197 413
Service charges - sanitation revenue	2	-	17 295	25 530	33 597	33 597	33 597	125 870	41 437	43 260	45 207
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		-	2 400	1 935	7 694	7 694	7 694	7 694	8 708	9 091	9 500
Interest earned - outstanding debtors		-	36 585	32 808	47 890	47 890	47 890	47 890	54 692	57 077	59 623
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	17	35	80	80	80	80	89	93	97
Agency services		-	-	-	400	540	540	540	480	520	420
Transfers and subsidies		-	304 212	443 421	397 578	400 126	400 126	400 126	377 206	398 700	416 136
Other revenue	2	-	281	4 127	8 361	8 361	8 361	8 361	3 760	3 966	4 184
Gains		-	10 594	671	6 450	6 450	6 450	6 450	-	7 354	7 685
<b>Total Revenue (excluding capital transfers and contributions)</b>		-	<b>477 363</b>	<b>645 001</b>	<b>652 317</b>	<b>655 005</b>	<b>655 005</b>	<b>868 664</b>	<b>667 323</b>	<b>708 972</b>	<b>740 265</b>
<b>Expenditure By Type</b>											
Employee related costs	2	-	236 208	250 095	251 640	255 993	255 993	255 993	256 257	267 533	279 572
Remuneration of councillors		-	6 056	5 972	6 715	6 715	6 715	6 715	7 333	7 656	8 000
Debt impairment	3	-	63 821	83 000	80 950	80 950	80 950	80 950	89 045	92 963	97 147
Depreciation & asset impairment	2	-	123 916	58 424	124 465	118 181	118 181	118 181	87 807	91 664	95 789
Finance charges		-	4 328	3 631	10 658	9 956	9 956	9 956	9 670	8 140	8 507
Bulk purchases - electricity	2	-	-	-	-	-	-	-	-	-	-
Inventory consumed	8	-	14 226	13 801	27 153	26 705	26 705	26 705	27 097	30 700	31 378
Contracted services		-	129 983	111 187	114 286	97 849	97 849	97 849	52 589	69 241	71 696
Transfers and subsidies		-	6 769	7 564	5 721	5 717	5 717	5 717	5 957	5 651	5 680
Other expenditure	4,5	-	69 526	72 210	84 926	83 767	83 767	83 767	100 999	89 306	90 196
Losses		-	-	3 224	-	0	0	0	-	0	0
<b>Total Expenditure</b>		-	<b>654 832</b>	<b>609 108</b>	<b>706 514</b>	<b>685 832</b>	<b>685 832</b>	<b>685 832</b>	<b>636 754</b>	<b>662 854</b>	<b>687 965</b>
<b>Surplus/(Deficit)</b>		-	<b>(177 469)</b>	<b>35 893</b>	<b>(54 197)</b>	<b>(30 827)</b>	<b>(30 827)</b>	<b>182 832</b>	<b>30 569</b>	<b>46 118</b>	<b>52 301</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	253 884	138 419	174 150	178 651	178 651	178 651	246 234	237 206	288 297
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 contributions)		-	76 415	174 313	119 953	147 824	147 824	361 483	276 802	283 324	340 597
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		-	<b>76 415</b>	<b>174 313</b>	<b>119 953</b>	<b>147 824</b>	<b>147 824</b>	<b>361 483</b>	<b>276 802</b>	<b>283 324</b>	<b>340 597</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		-	<b>76 415</b>	<b>174 313</b>	<b>119 953</b>	<b>147 824</b>	<b>147 824</b>	<b>361 483</b>	<b>276 802</b>	<b>283 324</b>	<b>340 597</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		-	<b>76 415</b>	<b>174 313</b>	<b>119 953</b>	<b>147 824</b>	<b>147 824</b>	<b>361 483</b>	<b>276 802</b>	<b>283 324</b>	<b>340 597</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Budgeted total revenue amount to R913 million in 2022/23.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and other expenditure are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.



**Table 12 MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	3 000	2 200	2 200	2 200	-	-	-
Vote 4 - Technical Services		-	-	99 199	187 651	193 952	193 952	193 952	186 234	199 206	227 687
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Institutional Support and Advancement		-	-	629	2 150	2 000	2 000	2 000	-	-	-
Vote 7 - Water Services Provision		-	-	40 942	60 000	59 000	59 000	59 000	60 000	38 000	60 610
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	140 770	252 801	257 152	257 152	257 152	246 234	237 206	288 297
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Office of Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services		-	-	-	-	-	-	-	40 400	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Technical Services		-	-	9 420	-	-	-	-	-	-	-
Vote 5 - Community Services		-	-	-	-	200	200	200	3 000	-	-
Vote 6 - Institutional Support and Advancement		-	-	-	-	-	-	-	2 500	-	-
Vote 7 - Water Services Provision		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	9 420	-	200	200	200	45 900	-	-
<b>Total Capital Expenditure - Vote</b>		-	-	150 190	252 801	257 352	257 352	257 352	292 134	237 206	288 297
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>				629	5 150	4 200	4 200	4 200	42 900	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	629	5 150	4 200	4 200	4 200	42 900	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>				-	-	200	200	200	3 000	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	200	200	200	3 000	-	-
<b>Economic and environmental services</b>				99 616	174 651	180 952	180 952	180 952	186 234	199 206	227 687
Planning and development		-	-	99 616	174 651	180 952	180 952	180 952	186 234	199 206	227 687
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>				49 945	73 000	72 000	72 000	72 000	60 000	38 000	60 610
Energy sources		-	-	-	-	-	-	-	-	-	-
Water management		-	-	49 945	73 000	72 000	72 000	72 000	60 000	38 000	60 610
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<b>Other</b>				-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	-	-	150 190	252 801	257 352	257 352	257 352	292 134	237 206	288 297
<b>Funded by:</b>											
National Government		-	-	138 098	175 150	179 751	179 751	179 751	246 234	237 206	288 297
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	-	-	138 098	175 150	179 751	179 751	179 751	246 234	237 206	288 297
<b>Borrowing</b>	6	-	-	11 463	72 501	72 501	72 501	72 501	40 000	-	-
<b>Internally generated funds</b>		-	-	629	5 150	5 100	5 100	5 100	5 900	-	-
<b>Total Capital Funding</b>	7	-	-	150 190	252 801	257 352	257 352	257 352	292 134	237 206	288 297

## **Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R 45 million for the 2022/23 financial year.
4. Multi-year capital expenditure has been appropriated at R 246 million for the 2022/23 financial year.
5. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
6. The capital programmes are funded from national grants, external loans and internally generated funds.

**Table 13 MBRR NT A6 - Budgeted Financial Position**

Choose name from list - Table A6 Budgeted Financial Position

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		-	-	-	4 347	4 347	4 347	4 347	4 448	3 624	2 762
Call investment deposits	1	-	-	-	5 000	5 000	5 000	5 000	4 790	4 990	4 990
Consumer debtors	1	-	-	-	554 284	554 284	554 284	554 284	330 374	235 721	184 797
Other debtors		-	-	-	13 074	13 074	13 074	13 074	124 344	68 662	68 660
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	-	-	-	2 263	2 263	2 263	2 263	2 443	2 647	2 647
<b>Total current assets</b>		-	-	-	<b>578 968</b>	<b>578 968</b>	<b>578 968</b>	<b>578 968</b>	<b>466 399</b>	<b>315 644</b>	<b>263 857</b>
<b>Non current assets</b>											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	8 752	8 752	8 752	8 752	12 173	20 858	29 934
Investment property		-	-	-	2 253	2 253	2 253	2 253	2 302	2 255	2 205
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	-	-	-	1 851 234	1 855 934	1 855 934	1 855 934	2 042 639	2 170 230	2 342 789
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		-	-	-	158	8	8	8	2	1	0
Other non-current assets		-	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>		-	-	-	<b>1 862 396</b>	<b>1 871 950</b>	<b>1 871 950</b>	<b>1 871 950</b>	<b>2 057 116</b>	<b>2 193 344</b>	<b>2 374 928</b>
<b>TOTAL ASSETS</b>		-	-	-	<b>2 441 364</b>	<b>2 450 918</b>	<b>2 450 918</b>	<b>2 450 918</b>	<b>2 523 515</b>	<b>2 508 988</b>	<b>2 638 785</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	-	-	-	969	969	969	969	-	-	-
Consumer deposits		-	-	-	871	871	871	871	1 231	1 222	1 222
Trade and other payables	4	-	-	-	95 400	71 642	71 642	71 642	121 450	134 341	147 654
Provisions		-	-	-	6 542	6 542	6 542	6 542	38 052	38 052	37 236
<b>Total current liabilities</b>		-	-	-	<b>103 782</b>	<b>103 782</b>	<b>103 782</b>	<b>103 782</b>	<b>160 733</b>	<b>173 615</b>	<b>186 111</b>
<b>Non current liabilities</b>											
Borrowing		-	-	-	160 558	160 558	160 558	160 558	2 537	2 773	3 008
Provisions		-	-	-	22 622	22 622	22 622	22 622	34 023	33 950	33 874
<b>Total non current liabilities</b>		-	-	-	<b>183 180</b>	<b>183 180</b>	<b>183 180</b>	<b>183 180</b>	<b>36 560</b>	<b>36 723</b>	<b>36 883</b>
<b>TOTAL LIABILITIES</b>		-	-	-	<b>286 962</b>	<b>286 962</b>	<b>286 962</b>	<b>286 962</b>	<b>197 293</b>	<b>210 337</b>	<b>222 994</b>
<b>NET ASSETS</b>	5	-	-	-	<b>2 154 403</b>	<b>2 163 956</b>	<b>2 163 956</b>	<b>2 163 956</b>	<b>2 326 222</b>	<b>2 298 651</b>	<b>2 415 791</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		-	-	-	2 154 403	2 163 956	2 163 956	2 163 956	2 326 222	2 298 651	2 415 791
Reserves	4	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	-	-	-	<b>2 154 403</b>	<b>2 163 956</b>	<b>2 163 956</b>	<b>2 163 956</b>	<b>2 326 222</b>	<b>2 298 651</b>	<b>2 415 791</b>

## **Explanatory notes 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 14 MBRR NT A7 - Budgeted Cash Flow Statement**

Choose name from list - Table A7 Budgeted Cash Flows

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		-	-	-	-	-	-	-	-	-	-
Service charges		-	-	-	92 701	92 701	92 701	92 701	160 722	167 785	175 326
Other revenue		-	-	-	8 441	8 441	8 441	8 441	1 287	1 317	1 317
Transfers and Subsidies - Operational	1	-	-	-	397 578	397 578	397 578	397 578	378 685	401 054	418 044
Transfers and Subsidies - Capital	1	-	-	-	174 150	174 150	174 150	174 150	255 246	246 638	298 175
Interest		-	-	-	7 694	7 694	7 694	7 694	8 708	9 091	9 500
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		-	-	-	(546 035)	(541 533)	(541 533)	(541 533)	(533 084)	(540 550)	(605 376)
Finance charges		-	-	-	(10 658)	(10 658)	(10 658)	(10 658)	(8 185)	(3 022)	(3 022)
Transfers and Grants	1	-	-	-	(5 721)	(5 721)	(5 721)	(5 721)	(5 595)	(5 622)	(5 622)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	-	<b>118 151</b>	<b>122 653</b>	<b>122 653</b>	<b>122 653</b>	<b>257 784</b>	<b>276 691</b>	<b>288 342</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		-	-	-	(252 801)	(262 355)	(262 355)	(262 355)	(292 134)	(237 206)	(288 297)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	<b>(252 801)</b>	<b>(262 355)</b>	<b>(262 355)</b>	<b>(262 355)</b>	<b>(292 134)</b>	<b>(237 206)</b>	<b>(288 297)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	135 000	135 000	135 000	135 000	40 000	-	-
Increase (decrease) in consumer deposits		-	-	-	99	99	99	99	199	(109)	(1)
<b>Payments</b>											
Repayment of borrowing		-	-	-	-	-	-	-	(906)	(40 000)	(906)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	<b>135 099</b>	<b>135 099</b>	<b>135 099</b>	<b>135 099</b>	<b>39 293</b>	<b>(40 109)</b>	<b>(907)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	-	-	<b>449</b>	<b>(4 603)</b>	<b>(4 603)</b>	<b>(4 603)</b>	<b>4 943</b>	<b>(624)</b>	<b>(861)</b>
Cash/cash equivalents at the year begin:	2	-	-	-	<b>8 898</b>	<b>8 898</b>	<b>8 898</b>	<b>8 898</b>	<b>4 295</b>	<b>9 238</b>	<b>8 614</b>
Cash/cash equivalents at the year end:	2	-	-	-	<b>9 347</b>	<b>4 295</b>	<b>4 295</b>	<b>4 295</b>	<b>9 238</b>	<b>8 614</b>	<b>7 752</b>

## **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor and/or MMC for Finance.

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

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

### 2.2 Budget Process Overview

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

The Mayor tabled in Council the required IDP and budget time schedule in August 2021. In accordance with the original budget time schedule the Draft IDP and annual budget for 2022/23 to be adopted by Council on 31 March 2022. In accordance with the original budget time schedule the Final IDP and annual budget for 2022/23 have to be adopted by Council on 31 May 2022.

#### 2.2.1 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2022/23 MTREF, financial modelling to ensure affordability and long-term financial sustainability, was undertaken. The following key factors and planning strategies have informed the compilation of the 2022/23 MTREF:

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, tariff increases, household debt).
- The approved 2021/22 adjustments budget and performance against the SDBIP.
- Cash Flow Management Strategy.

- Debtor payment levels.
- Loan and investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 115 has been taken into consideration in the planning and prioritisation process. The municipality therefore have trade payables that are currently accounted for as current liabilities, the municipality however plans on repaying those creditors over a period longer than 12 months. This relate the payment arrangement in relation to historical debt owing to Department of Water and Sanitation as well as Local Municipalities

### **2.2.2 Community Consultation**

The Draft 2022/23 MTREF will be tabled before Council for community consultation. Thereafter it will be published on the municipality's website, and hard copies made available at, municipal notice boards and various municipal offices.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2022/23 MTREF

### **2.3 Overview of alignment of annual budget with IDP**

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

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

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



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

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

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

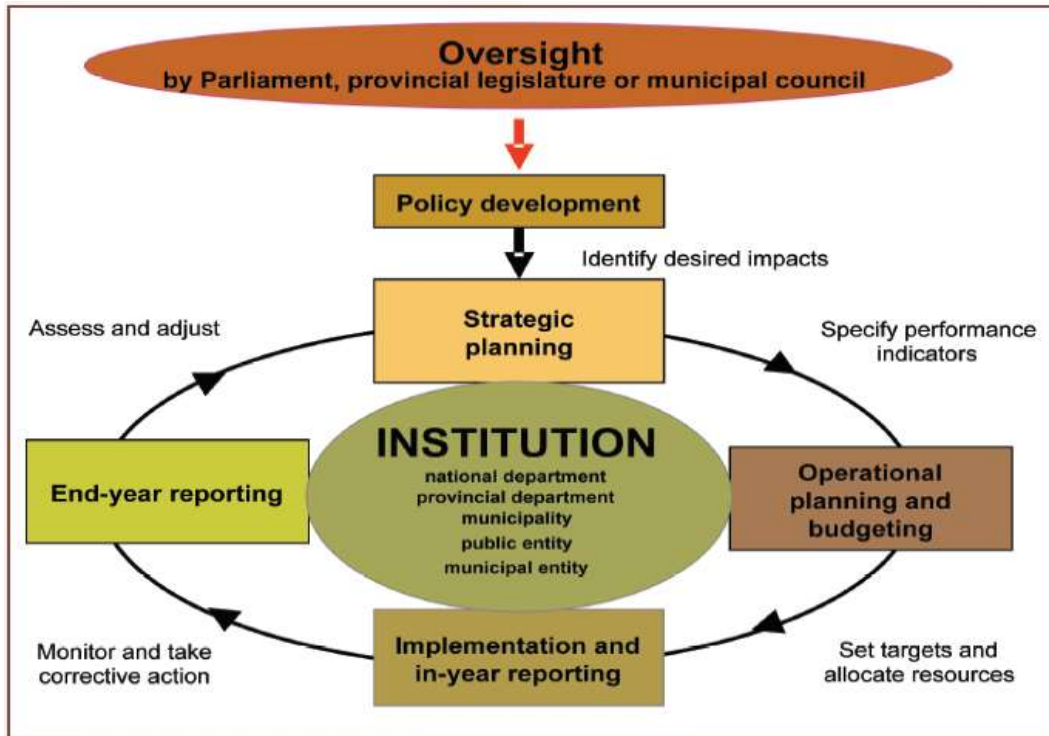
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the five key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- Spatial rationale and analysis.
- Institutional development and transformation.
- Local economic development.
- Infrastructure and service delivery.
- Good governance.
- Financial viability.

## **2.4 Measurable performance objectives and indicators**

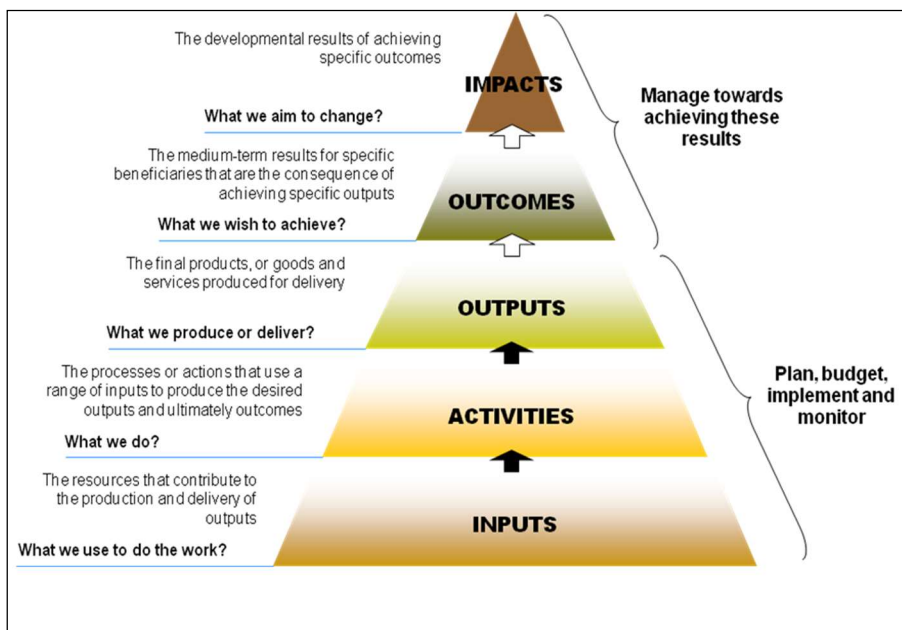
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information,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

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



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

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



The following table sets out the municipality’s main performance objectives and benchmarks for the 2022/23 MTREF.

**Table 15 MBRR NT SA8 – Performance indicators and benchmarks**

Choose name from list - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0,0%	0,9%	0,7%	1,5%	1,6%	1,6%	1,6%	1,5%	1,2%	1,2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0,0%	3,4%	2,1%	4,2%	4,3%	4,3%	2,3%	3,3%	2,6%	2,6%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0,0%	0,0%	0,0%	173,9%	174,0%	174,0%	174,0%	93,2%	0,0%	0,0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	-	22,1	12,1	78,1	78,1	78,1	78,1	12,2	8,4	(0,5)
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	-	22,1	12,1	78,1	78,1	78,1	78,1	12,2	8,4	(0,5)
Liquidity Ratio	Monetary Assets/Current Liabilities	-	4,1	0,1	1,3	1,3	1,3	1,3	0,5	0,5	(0,1)
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0,0%	0,0%	0,0%	50,4%	50,4%	50,4%	23,3%	72,3%	72,3%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			0,0%	0,0%	0,0%	50,4%	50,4%	50,4%	23,3%	72,3%	72,3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue		0,0%	86,9%	70,8%	87,0%	86,6%	86,6%	65,3%	68,1%	42,9%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments			0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	0,0%	49,5%	38,8%	38,6%	39,1%	39,1%	29,5%	38,4%	37,7%	37,8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0,0%	50,8%	39,7%	39,6%	40,1%	40,1%		39,5%	38,8%	38,8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0,0%	16,3%	5,5%	9,9%	9,0%	9,0%		1,3%	1,2%	1,2%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0,0%	26,9%	9,6%	20,7%	19,6%	19,6%	14,8%	14,6%	14,1%	14,1%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	-	286,9	26,2	29,6	29,6	29,6	53,8	31,9	32,7	34,1
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0,0%	336,5%	282,0%	308,6%	308,6%	308,6%	142,7%	204,5%	131,1%	63,3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	0,4	0,5	6,2	6,9	6,9	6,9	15,7	29,2	43,6

## 2.5 Performance indicators and benchmarks

### 2.5.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Joe Gqabi District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2022/23 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has remained unchanged at 1.5 percent. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality will eventually reach its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

#### 2.5.1.1 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. The ratio has been consistent at 0.04 percent.

#### 2.5.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2022/23 MTREF the current ratio is 2:1. The estimated levels are better than industry norms.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. A negative liquidity ratio needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will always have to be set at a minimum of 1 which will be exceeded in the MTREF.

#### 2.5.1.3 Other Indicators

- Employee costs as a percentage of operating revenue has increased from 36 percent to 38 percent for the 2022/23 financial year.

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

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

A summary of the free basic services package is set out below:

- All registered indigents, including consumers in the rural areas, will receive 6 kl of water per month fully subsidised.
- All registered indigents, including consumers in the rural areas, will only be charged a flat rate for Water and Sanitation consumption and not a step tariff.

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.

## **2.6 Overview of budget related-policies**

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

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

The Credit Control and Debt Collection Policy has been approved by Council in May 2012. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the increasing of the credit periods for the down payment of debt. In addition emphasis will be placed on latest legislation changes and court rulings to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2022/23 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 60 percent on current billings (50 percent on conventional consumers and 100 percent on pre-paid consumers). Increased to 50 percent in the 2023/24 financial year and 50 percent in the 2024/25 financial year. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

### **2.6.2 Asset Management, Infrastructure Investment and Funding Policy**

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

Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

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

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

### **2.6.3 Supply Chain Management Policy**

No changes were made to the existing Supply Chain Management Policy.

### **2.6.4 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. With the implementation of mSCOA, virements from repairs and maintenance to operating expenditure will not be possible. This is to improve the municipality's ratio to Property, plant and equipment or total operating expenditure, which has been below the recommended threshold in recent years.

### **2.6.5 Cash Management and Investment Policy**

No changes were made to the Municipality's Cash Management and Investment Policy. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

### **2.6.6 Tariff Policy**

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

## **2.7 Overview of budget assumptions**

### **2.7.1 External factors**

Owing to the economic slowdown, financial resources are limited. This has resulted in declining cash inflows. This together with the coronavirus pandemic and the uncertain costs which it might cause has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

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

There are five key factors that have been taken into consideration in the compilation of the 2022/23 MTREF:

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

### **2.7.3 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term. The Collection rate has been budgeted at 60% of the Service Charges. The debt collection policy will be reviewed in order to (after conducting public participation) to allow the municipality to deduct a percentage of pre-paid water sales as part payment towards the relevant consumers' arrears.

### **2.7.4 Salary increases**

The Budgeted Employee Related Costs increased by 4.8%, per the Salary and Wage Collective Agreement.

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

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

- Creating jobs;
- Infrastructure Development
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Strengthening financial management in public sector

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

### **2.7.6 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2022/23 MTREF of which performance has been factored into the cash flow budget. The municipality has limited funding. Programmes and Service Delivery have been prioritised.

## **2.8 Overview of budget funding**

### **2.8.1 Medium-term outlook: operating revenue**

The following table is a breakdown of the operating revenue over the medium-term:



**Table 16 Breakdown of the operating revenue over the medium-term**

Description	Mid Year Adjustments Budget 2021/22	Draft Budget 2022/23	Draft Budget 2023/24	Draft Budget 2024/25
Grants & Subsidies Received - Capital	178 650 901,00	246 233 700,00	237 206 100,00	288 296 750,00
Grants & Subsidies Received - Operational	393 126 392,00	377 206 300,00	398 699 900,00	416 136 250,00
Income for Agency Services	400 000,00	480 000,00	520 000,00	420 000,00
Interest Earned - External Investments	7 693 556,00	8 707 874,00	9 091 021,00	9 500 117,00
Interest Earned - Outstanding	47 889 822,00	54 691 617,00	57 076 576,00	59 623 071,00
Other Revenue	14 891 413,00	3 849 237,00	11 412 232,00	11 965 531,00
Nett Service charges	183 863 720,00	222 387 576,00	232 172 635,00	242 620 405,00
Service Charges	397 832 554,00	480 047 409,00	501 169 500,00	523 722 131,00
Less: Free Basic Services	(213 658 720,00)	(257 286 399,00)	(268 607 001,00)	(280 694 317,00)
Less: Revenue Foregone	(310 114,00)	(373 434,00)	(389 864,00)	(407 409,00)
<b>Grand Total</b>	<b>826 515 804,00</b>	<b>913 556 304,00</b>	<b>946 178 464,00</b>	<b>1 028 562 124,00</b>

### 2.8.2 Medium-term outlook: capital revenue

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

**Table 17 Sources of capital revenue over the MTREF**

Choose name from list - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Capital Transfers and Grants</b>										
National Government:		-	246 544	132 188	174 150	178 651	178 651	246 234	237 206	288 297
Municipal Infrastructure Grant (MIG)		-	156 868	91 649	101 150	106 651	106 651	171 234	179 206	187 687
Water Services Infrastructure Grant		-	89 676	40 539	73 000	72 000	72 000	60 000	38 000	60 610
Regional Bulk Infrastructure Grant								15 000	20 000	40 000
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	246 544	132 188	174 150	178 651	178 651	246 234	237 206	288 297
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	523 629	515 794	546 496	547 544	547 544	621 102	633 559	702 001

The capital programmes are funded from National Grants and transfers, as well as internally generated funds and Borrowings. Internally generated funds comprise of Water and Sanitation Service Charges.



### 2.8.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 18 MBRR NT A7 - Budget cash flow statement**

Choose name from list - Table A7 Budgeted Cash Flows

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		-	-	-	-	-	-	-	-	-	-
Service charges		-	-	-	92 701	92 701	92 701	92 701	160 722	167 785	175 326
Other revenue		-	-	-	8 441	8 441	8 441	8 441	1 287	1 317	1 317
Transfers and Subsidies - Operational	1	-	-	-	397 578	397 578	397 578	397 578	378 685	401 054	418 044
Transfers and Subsidies - Capital	1	-	-	-	174 150	174 150	174 150	174 150	255 246	246 638	298 175
Interest		-	-	-	7 694	7 694	7 694	7 694	8 708	9 091	9 500
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		-	-	-	(546 035)	(541 533)	(541 533)	(541 533)	(533 084)	(540 550)	(605 376)
Finance charges		-	-	-	(10 658)	(10 658)	(10 658)	(10 658)	(8 185)	(3 022)	(3 022)
Transfers and Grants	1	-	-	-	(5 721)	(5 721)	(5 721)	(5 721)	(5 595)	(5 622)	(5 622)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	-	<b>118 151</b>	<b>122 653</b>	<b>122 653</b>	<b>122 653</b>	<b>257 784</b>	<b>276 691</b>	<b>288 342</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		-	-	-	(252 801)	(262 355)	(262 355)	(262 355)	(292 134)	(237 206)	(288 297)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	<b>(252 801)</b>	<b>(262 355)</b>	<b>(262 355)</b>	<b>(262 355)</b>	<b>(292 134)</b>	<b>(237 206)</b>	<b>(288 297)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	135 000	135 000	135 000	135 000	40 000	-	-
Increase (decrease) in consumer deposits		-	-	-	99	99	99	99	199	(109)	(1)
<b>Payments</b>											
Repayment of borrowing		-	-	-	-	-	-	-	(906)	(40 000)	(906)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	<b>135 099</b>	<b>135 099</b>	<b>135 099</b>	<b>135 099</b>	<b>39 293</b>	<b>(40 109)</b>	<b>(907)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	-	-	<b>449</b>	<b>(4 603)</b>	<b>(4 603)</b>	<b>(4 603)</b>	<b>4 943</b>	<b>(624)</b>	<b>(861)</b>
Cash/cash equivalents at the year begin:	2	-	-	-	<b>8 898</b>	<b>8 898</b>	<b>8 898</b>	<b>8 898</b>	<b>4 295</b>	<b>9 238</b>	<b>8 614</b>
Cash/cash equivalents at the year end:	2	-	-	-	<b>9 347</b>	<b>4 295</b>	<b>4 295</b>	<b>4 295</b>	<b>9 238</b>	<b>8 614</b>	<b>7 752</b>

## 2.8.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 72 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 19 MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation**

Choose name from list - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	-	16 062	21 014	266 667	288 018	288 018	288 018	9 238	8 614	7 752
Other current investments > 90 days		-	79 810	(15 772)	(257 320)	(278 671)	(278 671)	(278 671)	-	-	-
Non current assets - Investments	1	-	(5 620)	3 854	8 752	8 752	8 752	8 752	8 752	8 752	8 752
<b>Cash and investments available:</b>		-	<b>90 251</b>	<b>9 096</b>	<b>18 099</b>	<b>18 099</b>	<b>18 099</b>	<b>18 099</b>	<b>17 989</b>	<b>17 365</b>	<b>16 504</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	(14 103)	(9 782)	(4)	(4)	(4)	(4)	2 198	2 198	2 198
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	-	166 124	100 924	(155 462)	(179 082)	(179 082)	(66 998)	(121 126)	(33 379)	(4 602)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		-	<b>152 020</b>	<b>91 141</b>	<b>(155 466)</b>	<b>(179 086)</b>	<b>(179 086)</b>	<b>(67 002)</b>	<b>(118 928)</b>	<b>(31 181)</b>	<b>(2 404)</b>
<b>Surplus(shortfall)</b>		-	<b>(61 769)</b>	<b>(82 045)</b>	<b>173 565</b>	<b>197 185</b>	<b>197 185</b>	<b>85 101</b>	<b>136 918</b>	<b>48 547</b>	<b>18 907</b>

## **2.8.5 Funding compliance measurement**

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

### *2.8.5.1 Cash/cash equivalent position*

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

### *2.8.5.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

### *2.8.5.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

### *2.8.5.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

**Table 20 MBRR NT SA10 - Funding compliance measurement**

Choose name from list Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	–	16 062	21 014	266 667	288 018	288 018	288 018	9 238	8 614	7 752
Cash + investments at the yr end less applications - R'000	18(1)b	2	–	(61 769)	(82 045)	173 565	197 185	197 185	85 101	136 918	48 547	18 907
Cash year end/monthly employee/supplier payments	18(1)b	3	–	0,4	0,5	6,2	6,9	6,9	6,9	0,2	0,2	0,2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	–	69 786	169 012	119 953	147 824	147 824	361 483	276 802	283 324	340 597
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(6,0%)	25,4%	7,5%	(6,0%)	(6,0%)	110,2%	15,0%	(1,6%)	(1,5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	0,0%	0,0%	0,0%	42,0%	42,0%	42,0%	22,3%	57,6%	57,6%	57,5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0,0%	51,8%	51,2%	44,0%	44,0%	44,0%	20,4%	40,0%	40,0%	40,0%
Capital payments % of capital expenditure	18(1)c,19	8	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	100,0%	100,0%	100,0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0,0%	0,0%	0,0%	173,9%	174,0%	174,0%	174,0%	87,1%	0,0%	0,0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0,0%	0,0%	0,0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	0,0%	10,1%	24,2%	0,0%	0,0%	0,0%	(19,9%)	(33,1%)	(16,7%)
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M % of Property Plant & Equipment	20(1)(v)	13	0,0%	1,3%	1,9%	3,5%	3,2%	3,2%	0,5%	0,4%	0,4%	0,4%
Asset renewal % of capital budget	20(1)(v)	14	0,0%	(15,2%)	44,1%	38,4%	38,0%	38,0%	0,0%	17,1%	45,1%	43,6%
<b>Total Operating Revenue</b>			–	477 363	645 001	652 317	655 005	655 005	868 664	667 323	708 972	740 265
<b>Total Operating Expenditure</b>			–	661 461	614 409	706 514	685 832	685 832	685 832	636 754	662 854	687 965
<b>Operating Performance Surplus/(Deficit)</b>			–	(184 097)	30 593	(54 197)	(30 827)	(30 827)	182 832	30 569	46 118	52 301
<b>Cash and Cash Equivalents (30 June 2012)</b>									9 238			
<b>Revenue</b>												
% Increase in Total Operating Revenue				0,0%	35,1%	1,1%	0,4%	0,0%	32,6%	1,9%	6,2%	4,4%
% Increase in Property Rates Revenue				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
% Increase in Electricity Revenue				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
% Increase in Property Rates & Services Charges				0,0%	31,4%	13,5%	0,0%	0,0%	116,2%	21,0%	4,4%	4,5%
<b>Expenditure</b>												
% Increase in Total Operating Expenditure				0,0%	(7,1%)	15,0%	(2,9%)	0,0%	0,0%	(7,2%)	4,1%	3,8%
% Increase in Employee Costs				0,0%	5,9%	0,6%	1,7%	0,0%	0,0%	0,1%	4,4%	4,5%
% Increase in Electricity Bulk Purchases				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Average Cost Per Budgeted Employee Position (Remuneration)				0	0	0				0		
Average Cost Per Councillor (Remuneration)				0	0	0				0		
R&M % of PPE			0,0%	1,3%	1,9%	3,5%	3,2%	3,2%		0,4%	0,4%	0,4%
Asset Renewal and R&M as a % of PPE			0,0%	(12,0%)	10,0%	14,0%	13,0%	13,0%		7,0%	10,0%	9,0%
Debt Impairment % of Total Billable Revenue			0,0%	51,8%	51,2%	44,0%	44,0%	44,0%	20,4%	40,0%	40,0%	40,0%
<b>Capital Revenue</b>												
Internally Funded & Other (R'000)			–	346	629	5 150	5 100	5 100	5 100	5 900	–	–
Borrowing (R'000)			–	4 581	11 463	72 501	72 501	72 501	72 501	40 000	–	–
Grant Funding and Other (R'000)			–	(370 827)	138 098	175 150	179 751	179 751	179 751	246 234	237 206	288 297
Internally Generated funds % of Non Grant Funding			0,0%	7,0%	5,2%	6,6%	6,6%	6,6%	6,6%	12,9%	0,0%	0,0%
Borrowing % of Non Grant Funding			0,0%	93,0%	94,8%	93,4%	93,4%	93,4%	93,4%	87,1%	0,0%	0,0%
Grant Funding % of Total Funding			0,0%	101,3%	91,9%	69,3%	69,8%	69,8%	69,8%	84,3%	100,0%	100,0%
<b>Capital Expenditure</b>												
Total Capital Programme (R'000)			–	(365 901)	150 190	252 801	257 352	257 352	257 352	292 134	237 206	288 297
Asset Renewal			–	(598 172)	101 012	193 701	184 713	184 713	184 713	128 500	215 002	204 110
Asset Renewal % of Total Capital Expenditure			0,0%	163,5%	67,3%	76,6%	71,8%	71,8%	71,8%	44,0%	90,6%	70,8%
<b>Cash</b>												
Cash Receipts % of Rate Payer & Other			0,0%	0,0%	0,0%	42,0%	42,0%	42,0%	22,3%	57,6%	57,6%	57,5%
Cash Coverage Ratio			–	0	0	0	0	0	0	0	0	0
<b>Borrowing</b>												
Credit Rating (2009/10)										0		
Capital Charges to Operating			0,0%	0,9%	0,7%	1,5%	1,6%	1,6%	1,6%	1,7%	7,3%	1,4%
Borrowing Receipts % of Capital Expenditure			0,0%	0,0%	0,0%	173,9%	174,0%	174,0%	174,0%	87,1%	0,0%	0,0%
<b>Reserves</b>												
Surplus/(Deficit)			–	(61 769)	(82 045)	173 565	197 185	197 185	85 101	136 918	48 547	18 907
<b>Free Services</b>												
Free Basic Services as a % of Equitable Share			0,0%	24,5%	11,7%	70,5%	70,5%	70,5%		76,9%	75,5%	74,4%
Free Services as a % of Operating Revenue (excl operational transfers)			0,0%	0,0%	0,0%	0,1%	0,1%	0,1%		0,1%	0,1%	0,1%
<b>High Level Outcome of Funding Compliance</b>												
Total Operating Revenue			–	477 363	645 001	652 317	655 005	655 005	868 664	667 323	708 972	740 265
Total Operating Expenditure			–	661 461	614 409	706 514	685 832	685 832	685 832	636 754	662 854	687 965
Surplus/(Deficit) Budgeted Operating Statement			–	(184 097)	30 593	(54 197)	(30 827)	(30 827)	182 832	30 569	46 118	52 301
Surplus/(Deficit) Considering Reserves and Cash Backing			–	(61 769)	(82 045)	173 565	197 185	197 185	85 101	136 918	48 547	18 907
<b>MTREF Funded (1) / Unfunded (0)</b>	15	1		0	0	1	1	1	1	1	1	1
<b>MTREF Funded ✓ / Unfunded ✗</b>	15	✓		✗	✗	✓	✓	✓	✓	✓	✓	✓

#### *2.8.5.5 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *2.8.5.6 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

#### *2.8.5.7 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

#### *2.8.5.8 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

#### *2.8.5.9 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a existing asset renewal/upgrading project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 2.9 Expenditure on grants and reconciliations of unspent funds

Table 21 MBRR SA19 - Expenditure on transfers and grant programmes

Choose name from list - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		-	145 383	95 579	163 325	144 678	144 678	107 886	113 585	117 972
Equitable Share		-	63 230	56 041	91 656	81 015	81 015	95 082	91 240	94 621
Expanded Public Works Programme Integrated Grant		-	478	-	1 599	1 599	1 599	1 314	-	-
Municipal Disaster Relief Grant		-	-	96	1 300	254	254	-	1 482	1 549
Municipal Infrastructure Grant		-	80 788	33 113	65 138	59 437	59 437	9 012	9 432	9 878
Municipal Systems Improvement Grant		-	-	-	1 400	140	140	140	-	-
Regional Bulk Infrastructure Grant		-	-	6 328	-	-	-	-	9 084	9 493
Rural Road Asset Management Systems Grant		-	887	-	2 233	2 233	2 233	2 338	2 347	2 432
Water Services Infrastructure Grant		-	18 384	20 661	-	1 000	1 000	1 000	-	-
<b>Provincial Government:</b>		-	25 497	28 877	26 900	34 040	34 040	31 511	26 520	25 196
Specify (Add grant description)		-	3 712	4 952	6 500	6 500	6 500	7 031	-	-
Specify (Add grant description)		-	21 786	23 925	20 400	27 540	27 540	24 480	26 520	25 196
Other transfers/grants [insert description]										
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	19	-	1 000	300	300	1 500	2 650	2 809
Product		-	19	-	1 000	300	300	1 500	2 650	2 809
<b>Total operating expenditure of Transfers and Grants:</b>		-	170 899	124 455	191 225	179 018	179 018	140 897	142 755	145 977
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		-	(379 123)	134 330	175 150	179 751	179 751	251 234	89 704	270 297
Municipal Infrastructure Grant		-	(592 794)	94 076	102 150	107 751	107 751	191 234	51 704	209 687
Water Services Infrastructure Grant		-	213 671	40 255	73 000	72 000	72 000	60 000	38 000	60 610
Other capital transfers/grants [insert desc]										
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total capital expenditure of Transfers and Grants</b>		-	(379 123)	134 330	175 150	179 751	179 751	251 234	89 704	270 297
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		-	(208 224)	258 786	366 376	358 769	358 769	392 131	232 459	416 274







**Joe Gqabi District Municipality – 2022/23 DRAFT Budget MTREF (for Approval by Council)**  
**(31 March 2022)**

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Total Capital Expenditure</b>	4	-	(365 901)	150 190	252 801	257 352	257 352	292 134	237 206	288 297
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	(374 300)	110 722	192 498	201 669	201 669	188 234	116 710	205 297
<i>Sanitation Infrastructure</i>		-	8 053	38 839	55 054	51 183	51 183	58 000	120 496	83 000
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	(366 247)	149 561	247 551	252 852	252 852	246 234	237 206	288 297
<i>Community Facilities</i>		-	-	-	-	-	-	-	-	-
<i>Sport and Recreation Facilities</i>		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
<i>Revenue Generating</i>		-	-	-	-	-	-	-	-	-
<i>Non-revenue Generating</i>		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		-	-	-	-	-	-	-	-	-
<i>Housing</i>		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
<i>Servitudes</i>		-	-	-	-	-	-	-	-	-
<i>Licences and Rights</i>		-	-	-	150	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	150	-	-	-	-	-
<i>Computer Equipment</i>		-	191	629	2 000	2 000	2 000	2 500	-	-
<i>Furniture and Office Equipment</i>		-	155	-	900	300	300	400	-	-
<i>Machinery and Equipment</i>		-	-	-	-	-	-	3 000	-	-
<i>Transport Assets</i>		-	-	-	2 200	2 200	2 200	40 000	-	-
<i>Land</i>		-	-	-	-	-	-	-	-	-
<i>Zoo's, Marine and Non-biological Animals</i>		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		-	(365 901)	150 190	252 801	257 352	257 352	292 134	237 206	288 297
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	4 459 823	1 304 813	1 853 645	1 852 895	1 852 895	2 044 943	2 172 486	2 344 994
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	4 343 093	1 018 034	1 516 505	1 516 505	1 516 505	1 661 788	1 806 317	1 993 441
<i>Sanitation Infrastructure</i>		-	93 108	261 196	310 854	310 854	310 854	313 734	302 059	289 860
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	4 436 201	1 279 231	1 827 359	1 827 359	1 827 359	1 975 522	2 108 377	2 283 301
<b>Community Assets</b>		-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	2 348	2 302	2 253	2 253	2 253	2 302	2 255	2 205
<b>Other Assets</b>		-	8 039	7 451	6 787	6 787	6 787	6 864	6 250	5 609
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	10	2	158	8	8	2	1	0
<i>Computer Equipment</i>		-	2 898	2 638	6 121	6 121	6 121	4 625	4 090	3 530
<i>Furniture and Office Equipment</i>		-	1 800	1 312	2 357	1 757	1 757	1 548	1 376	1 195
<i>Machinery and Equipment</i>		-	1 447	1 185	1 159	1 159	1 159	4 125	954	775
<i>Transport Assets</i>		-	5 038	8 649	5 408	5 408	5 408	47 911	47 141	46 336
<i>Land</i>		-	2 043	2 043	2 043	2 043	2 043	2 043	2 043	2 043
<i>Zoo's, Marine and Non-biological Animals</i>		-	-	-	-	-	-	-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	4 459 823	1 304 813	1 853 645	1 852 895	1 852 895	2 044 943	2 172 486	2 344 994

## 2.11 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) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and is intending to employ interns to undergo training in various divisions of the Budget and Treasury Office.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2022/23 MTREF on 31 March 2022 directly aligned and informed by the 2022/23 MTREF.
6. Annual Report  
Annual report has been compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training  
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

## 2.12 Municipal manager's quality certificate

I \_\_\_\_\_, Municipal Manager of Joe Gqabi District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 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.

Signature

\_\_\_\_\_  
ZA Williams  
Municipal Manager  
Joe Gqabi District Municipality (DC14)

Date: \_\_\_\_\_