



# **ANNUAL BUDGET FOR 2021/2022 MTREF**

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**2021/22 to 2023/24**

**Medium Term Revenue and Expenditure  
Framework (MTREF)**

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## Glossary

**Adjustments Budget** – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

**Allocations** – Money received from Provincial or National Government or other municipalities.

**AFS**- Annual Financial Statements

**Assessment Rates** - Local Government tax based on the assessed value of a property.

To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

**Budget** – The financial plan of the Municipality.

**Budget Related Policy** – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

**Capital Expenditure** - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of

Financial Performance.

**CRR** – Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

**Cash Flow Statement** – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**CFO** - Chief Financial Officer

**DORA** – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

**Equitable Share** – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**EPWP** – Expanded Public Works Programme.

**FFC** – Financial and Fiscal Commission.

**Fruitless and wasteful expenditure** – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GIS** – Geographic Information System.

**GFS** – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GGP** – Gross Geographic Product

**GRAP** – Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

**IDP** – Integrated Development Plan. The main strategic planning document of the Municipality

**ISDF** – Integrated Strategic Development Framework - The 20-year framework linking technical, financial and economic planning.

**KPI's** – Key Performance Indicators. Measures of service output and/or outcome.

**MEC** – Minister in Executive Committee (Province).

**MFMA** – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

**MTREF** – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

**MPAC** – Municipal Public Accounts Committee.

**MSCOA** – Municipal Standard Chart of Accounts

**NERSA** – National Electricity Regulator of South Africa.

**NT** – National Treasury.

**NDPG** – Neighbourhood Development Partnership Grant.

**Net Assets** – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or

Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

**Operating Expenditure** – Spending on the day to day expenses of the Municipality such as salaries and wages.

**R&M** – Repairs and maintenance on property, plant and equipment.

**SDBIP** – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**Strategic Objectives** – The main priorities of the Municipality as set out in the IDP.

Budgeted spending must contribute towards the achievement of the strategic objectives.

**SCM** – Supply Chain Management.

**Unauthorised expenditure** – Generally, spending without, or in excess of, an approved budget.

**Virement** – A transfer of budget.

**Virement Policy** - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by

Council through an Adjustments Budget.

**Vote** – One of the main segments into which a budget is divided. In Kgatelopele Local Municipality this means at directorate level.

**THE SPEECH OF THE MAYOR ON THE OCASSION OF THE APPROVAL OF  
IDP REVIEW 2017/18,  
THE ANNUAL BUDGET FOR 2021/22 MEDIUM TERM REVENUE AND EXPENDITURE  
FRAMEWORK,  
BUDGET POLICIES AND PROPOSED TARIFF INCREASES FOR 2021/22  
31 MAY 2021**

**SALUTATION**

Honourable councillors  
Municipal Manager  
Senior Managers reporting to the municipal manager  
Municipal Staff  
Members of the public, Ladies and Gentleman

Honourable councillors, as we are approaching the end of our term of office, it is also important to reflect on the performance of the Kgatelopele Local Municipal Council since its inception in office in the year 2016 after the Local Government General Elections.

We are meeting again to prepare for the adoption of the Budget as per Chapter 4, Section 16 (1) & 24 (1) of the Local Government Municipal Finance Management Act (MFMA) 56 of 2003 before the start of the financial year. We must ensure that when we leave office later during the year 2021, that we leave behind a well balanced and acceptable budget for our people.

Firstly, It is important to reflect on some of the challenges and achievements unfolded during our tuner in office

**COUNCILLOR TERM OF OFFICE**

After the Local Government General Elections in August 2016, this council was officially Inaugurated on the 1<sup>st</sup> September 2016, after missing several originally Scheduled Inaugural Council Meetings in August 2016. The Kgatelopele Local Municipal Council is a Plenary Type System, with 7 seats occupied by 3 councillors from the African National Congress (ANC), 2 from the Democratic Alliance (DA) and 2 from Kgatelopele Community Forum (KCF), and the Mayor is full time.

As per Section 79 of the Local Government Municipal Structures Act No 117 of 1998 Council Committees were established and are the Finance Committee, Corporate Services Committee, Technical, Infrastructure and Community Services Committee, Institutional Committee and the Municipal Public Accounts Committee (MPAC) and all councillors were appointed to serve on the committees as mentioned.

At the beginning of our term, it was not a smooth sailing in to council, council was faced with lot of challenges and some were inherited from the previous council, It is important to mention the pain that council had to go through as a result of the demise of two councillors, who are the Late

Councillor elect Johannes Baatjie in August 2016 and the late councillor Arthur Adams in January 2018, and may their souls rest in eternal peace and we once more send our heartfelt condolences to their beloved families.

Council had to deal with a challenge of continuous failures to establish ward committees in the year 2016 till mid 2017 as a result of poor planning and in some instances the community meetings were disrupted by some elements in the community. Council meetings were failing to form a quorum as a result of poor attendance by some councillors including council standing committees and some councillors staging a walkout in the middle of a council meetings due to heated debates and disagreements amongst councillors, that in itself hampered the smooth running of the council and of the municipality in general.

The vacancy rate in key senior positions also added salt to the bleeding wound. Theft of municipal equipment and ill-discipline of some workers are common factors that also aggravated the already problematic situation of the municipality, the culture of non payment of municipal accounts by communities, and that in itself does not help the municipality

The other factor that contributed to this challenges, was the political instability in council during that period of 2016/2017 and political intolerance amongst councillors which resulted in council instituting a Vote of No Confidence in the Mayor. Unemployment is still remain a challenge, that we still committed to solve.

## **ACHIEVEMENTS**

Honourable councillors despite all challenges that we faced, we managed to pull through, I can proudly and confidently report to you that, in the year 2018 all vacant key senior management positions were filled with qualified and capable man and woman.

The ward committees were successfully established in all 4 wards in 2017 and are up and running, council meetings are now running smooth without any impediments, today it is evident that the relationship amongst councillors has improved for the better and that resulted in a coherent and a united force forged between council and the administration led by the Municipal Manager. Honourable Councillors it important to give credit to the Municipal Manager and his team in all departments, that today that this council can report confidently so, to the communities in all wards that the municipality has achieve the following to improve on service delivery to our communities.

When it comes to machinery, the following machinery were purchased

- 2 Refuse Trucks were purchased towards the end of 2017, but unveiled in 2018 to collect refuse and 20 permanent jobs opportunities were created in the waste collection section and the municipality is saving more than R 500 000 a year since the outsourcing of refuse collection was taken back to the municipality.
- The TLB was purchased, addition job created for the TLB operator.
- Tipper Truck was purchased,
- Polo Classic sedan vehicle.
- Nissan Bakkie for the admin section
- Cherry picker for the electrical section.

Honourable councillors, one cannot ignore the fact that when it came to projects, we collectively achieved the following projects in the year 2016/2017.

- The erection of the Recreational Facility to the value of R363 771.00 ( three hundred and sixty-three thousand, seven hundred and seventy-one rand),
- The repairs to municipal roads infrastructure to the value of R540 930.00 (five hundred and forty thousand, nine hundred and thirty rand ),
- Replacement of Electrical poles R191 570.00 (one hundred and ninety-one thousand, five hundred and seventy rand) was spend in this project.
- The Danielskuil bulk water supply project to the value of R 30 096 286.60 ( thirty million and ninety six thousand, two hundred and eighty six rand),
- Electrical Maintenance 3 to the value of R 500 067.36 (five hundred and sixty seven rand)
- War on water leaks to the value of R1 724 735.40 (one million, seven hundred and twenty four thousand, seven hundred and thirty five rand)
- The construction of a Flat Roof Carport at the Library to the value of R179 286.51 (one hundred and seventynine thousand, two hundred and eighty six rand),
- The Installation of water pipes in Tlhakalatlou, and Maranteng to the value of R542 986.70 (five hundred and forty two thousand, nine hundred and eighty six rand)

## **2017/2018 projects**

- Refurbishment of water Infrastructure funded by DWS & Finsch Diamond Mine to the amount of R 5,500,000.00 and the project created 30 temporary jobs and ward 1, 2 &3 benefited in that project.
- Fencing of the old landfill site funded by EPWP to the value of R399 886.68 (three hundred and ninety nine thousand, eight hundred and eighty six rand) and 11 jobs opportunities were created.
- Maintenance and Repairs to Municipal Properties funded by EPWP to the value of R516 631 (five hundred and sixteen thousand, six hundred and thirty one) and 4 jobs opportunities were created
- Repairs to Municipal Roads Infrastructure including building of speed humps funded by EPWP to the amount of R369 990.42 ( three hundred and sixty nine thousand, nine hundred and ninety rand) and 8 jobs opportunities were created in this project.

## **SLP PROJECTS**

### **Local Mines**

- The Upgrading and Refurbishment of Electrical Network: Phase 3 funded by PPC, Idwala, and Finsch Diamond Mines to the amount of R 5,000,067 (five million and sixty seven rand) and 11 job opportunities were created
- The Reconstruction of Roux Street funded by IDWALA Lime R 1,336,720 (one million, three hundred and thirty six thousand, seven hundred and twenty rand) was spend in that project with 16 job opportunities created.
- The Renovation of Kuilsville Swimming Pool phase 1 funded by IDWALA Lime to the value of R 969,846 (nine hundred and sixty nine thousand, eight hundred and forty six rand) and job opportunities created.
- Extension of Existing Waste Water Treatment Works funded by MIG & Finsch Diamond Mine to the value of R 26,099,000 (twenty six million and ninety-nine thousand rands))



### **Solar Reserve Companies Projects**

- Repairing 5 High mast Lights funded by Lesedi Solar to the amount of R 323 205 (three hundred and twenty three thousand, two hundred and five rand)
- The Installation of 19 Street Lights and the repositioning of 37 Battery in Streetlights funded by R 1,149,643 (one million, one hundred and forty nine thousand, six hundred and forty three rand) with 7 job opportunities created
- The Sports Ground (Soccer Field) at the Danielskuil Intermediate School in Tlhakalatlou were funded by Jasper and Lesedi Solar Reserve Company and PPC Lime Mine.
- Micro-Retail Park funded by Lesedi Solar which created 7 job opportunities.
- Honourable councillor, ladies and gentleman it must be noted that all the above-mentioned projects were implemented successfully and has created up job opportunities.

### **2019/2020 Projects**

- The Upgrading of Ouplaas Substation Phase 1 funded by INEP & FDM to the value of R 1. 3 Million (one point three million rand)
- Refurbishment of Water Infrastructure Phase 4 funded by DWS and FDM to the value of R4 724 428 ( four million, seven hundred and twenty four thousand, four hundred and twenty eight rand)
- Upgrading the Oxidation Ponds in Danielskuil funded by the Municipal Infrastructure Grand (MIG) and FDM to the value of R37,4 Million (thirty seven point four million rand)
- Construction of the Solid Waste Disposal Site funded by MIG & FDM to the value of R5.1 Million (five point one million rand)
- Supply delivery and installation of 122 conventional meters to pre-paid to the value of R139 518 (one hundred and thirty nine thousand, five hundred and eight-teen rand)
- Refurbishment Of Pump Stations In Danielskuil, Kuilsville And Tlhakalatlou for the amount of R679 979 (six hundred and seventy nine thousand, nine hundred and seventy nine rand)
- Refurbishment of the existing electrical network (replacement of 60 poles) to the value of R792 973 ( seven hundred and ninety two thousand, none hundred and seventy three rand)

We have come a long way honorable councillors, the municipality was in a better financial situation as compared to how we found it before. The global pandemic has had a negative impact on the current cashflow of the municipality. It is worth sharing that our area was not an exception to the pandemic as we also experienced infection rates and Covid related deaths, may their souls rest in peace. The global pandemic and more so the national lockdown has had a negative impact on the livelihoods of our community members. Some have lost their jobs, others had to close their businesses, this has had a negative effect on our collection ability and this had been factored into the budget. Assumptions made in the budget also bare in mind our current situation and the possibility of a 3<sup>rd</sup> wave.

Financially we have achieved a lot during our tenure, from procuring yellow fleet, trucks and vehicles to finally having a vehicle for the traffic department for them to exercise their duties. One of our greatest achievements worth mentioning is paying off our Eskom debt, we are amongst a few municipalities that do not owe Eskom.

For the 2021/2022 MTREF

The municipality's budget excluding capital grant, the revenue for the 2021/2022 financial year is estimated at one hundred and twenty-eight million, four hundred and sixteen thousand, five hundred and sixty-six rand. There is a four percent growth in 2022/2023 and 2023/2024 financial year. Capital expenditure is estimated at ninety million, five hundred and ninety-four thousand for the 2021/2022 financial year. Our capital grant funded expenditure is as follows:

GRANT	AMOUNT	PROJECT
Municipal Infrastructure Grant	R 20 227 000	Establishment of new landfill site & Sports facility
Water Services Infrastructure Grant	R 5 000 000	Planning and design reticulation
Energy Efficiency & Demand Side Management	R 3 000 000	Public lighting
Expanded Public Works Program	R 1 000 000	Municipal property repairs
Regional Bulk Infrastructure Grant	R 62 367 000	Waste water treatment works

It is unfortunate that the municipality does not have the necessary cash reserves to not implement increases on the services they are providing to the municipality. However, the increases as guided by National Treasury are minimal excluding electricity with is guided by NERSA.

Tariff will be increasing as follows:

- Increase Rates and taxes by 4.1%
- Increase Water by 4,1%
- Increase Sanitation by 4,1%
- Increase Refuse removal 4,1%
- Increase Electricity 14,59%

To give relief to the community, the municipality has reduced interest on outstanding debt from 8,5% to 3%. This will assist the community to reduce the rate their outstanding debt is growing. In additional, the Property Rates Policy has made provision for rebates to be given on property rates to the following categories that are social and related to tourism, which are the most affected during the lockdown:

- Child-headed households receives a 100% rebate on property rates
- Indigents households receive 100% rebate on property rates
- Guesthouses and game farms that don't qualify as agriculture will receive a 10% rebate.

- Small holdings where the municipality does not provide any or limited services will be getting a 20% rebate as they have been over the years.
- 10% rebate will continue being applicable to privately owned town as it has been over the year since the municipality doesn't provide any services or limited services.

Honorable councilors the following are projects in the planning phase as per the IDP 2021/2022 Financial Year

#### **PROJECTS IN PLANNING PHASE 2021/2022 FY**

- Water Supply To The New Municipal Stands
- Upgrading of all Internal Roads from gravel to paved roads In Kgatelopele area of jurisdiction
- The Installation of internal sewer networks and house connections to 391 households In Kgatelopele Local Municipality
- Replacement of High Mast Lighting

It is our mandate as council to create a better life for our community and provide quality services, this we strive to constantly achieve. We need the community to bring their part in paying for their municipal accounts. We need to constantly engage with our communities. Let us continue to work together and make Kgatelopele Local Municipality great.

Thank you honourable councillors and the community at large.

## **1. COUNCIL RESOLUTIONS**

1. The Council of Kgatelopele Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1 The annual budget of the municipality for the financial year 2021/22 and the multi-year and single-year capital appropriations as set out in the following tables:

- 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
- 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
- 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as

- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Financial Position
- 1.2.2. Budgeted Cash Flows
- 1.2.3. Cash backed reserves and accumulated surplus reconciliation
- 1.2.4. Asset management
- 1.2.5. Basic service delivery measurement

2. The Council of Kgatelopele Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2021:

- 2.1. the tariffs for property rates
- 2.2. the tariffs for electricity
- 2.3. the tariffs for the supply of water
- 2.4. the tariffs for sanitation services
- 2.5. the tariffs for solid waste services

3. The Council of Kgatelopele Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2021 the tariffs for other services, as set out in to respectively.

4. To give proper effect to the municipality's annual budget, the Council of Kgatelopele Local Municipality approves:

4.1 That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

The following budget principles and guidelines directly informed the compilation of the

- The 2020/21 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2021/22 draft annual budget; where appropriate a zero-base approach has been to some extent used.
- Tariff and property rate 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 refuse removal and the continued escalation in the fuel price. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Circular 82 of National Treasury's guidelines on cost containment, the following cost saving measures were applied:
  - Restructuring of the personnel structure to decrease consultant fees and overtime costs.
  - Integrating position to decrease employee related costs
  - No borrowing initiatives taken;
  - Principle of 0% increase in non-core general expenses unless valid motivations dictate.
  - Subsistence and travel cost
  - Catering and entertainment

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

**Table 1 Consolidated Overview of the 2021/2022 MTREF**

	<b>Adjustment Budget year 2020/21</b>	<b>Draft Budget year 2021/2022</b>	<b>Draft Budget year +1 2022/2023</b>	<b>Draft Budget year +2 2023/2024</b>
<b>Total Operating Revenue</b>	R 116 715 269	R 128 416 566	R 138 859 614	R 140 663 103
<b>Total Operating Expenditure</b>	R 116 205 235	R 126 308 455	R 136 315 300	R 133 178 038
<b>Surplus</b>	<b>R 510 033</b>	<b>R 2 108 111</b>	<b>R 2 544 314</b>	<b>R 7 485 065</b>
<b>Total Capital Expenditure</b>	R 53 345 000	R 90 594 000	R 131 612 000	R 157 462 000

Total operating revenue has grown by 9% from the 2020/21 financial year's total revenue, from R 116 715 million for the 2020/21 financial year to R 128 416 million when compared to the 2021/2022. For the two outer years, operational revenue will increase by 8% and by 1% respectively, equating to a total revenue growth of R 23,948 million over the MTREF when compared to the 2020/21 financial year adjusted budget.

Total operating expenditure for the 2021/22 financial year has been appropriated at R 126, 268 million and translates into a budgeted surplus of R 2 108 111 before taking into consideration capital transfers. When compared to the 2020/21 Adjustments Budget, operational expenditure has grown by 8% in the 2021/22 budget. The surplus will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The budget for Kgatelopele Local Municipality amounts is estimated at R 219 011 million. This constitutes R 90,594 million for capital expenditure and R 128,416 million for operating revenue.

#### **4. OPERATING REVENUE FRAMEWORK**

For Kgatelopele Local Municipality to continue improving the quality of life of its communities through the delivery of quality services, it is necessary to generate sufficient revenue from rates and service charges. It is also important to ensure that all billable revenue is firstly correctly charged and secondly adequately collected. At the beginning of the financial year the municipality changed financial systems to ensure that we have a financial system that operates correctly including billing correctly and allocating payments correctly. The prevailing economic circumstances are adding to the difficulties in collecting the revenue due to the municipality and additional savings initiatives will need to be implemented in the MTREF to ensure the financial sustainability of the municipality. The expenditure required to address the needs of the community will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues

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

- National Treasury's guidelines and macroeconomic policy;
- Revenue enhancement and maximizing the revenue base;
- Efficient revenue management, which aims to ensure 85% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Moving towards cost reflective tariff increases for water, sanitation and refuse collection;
- Budgeting for a moderate surplus to ensure availability of cash reserves to back statutory funds and provisions.
- Fully subsidizing all indigent households in terms of the relief offered by the municipality
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); Increased pressure to deliver and maintain services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality

The following table is a summary of the 2021/22 MTREF (classified by main revenue source).

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

Budget Items	Adjusted Budget 2020/2021 (2nd Adjusted)	Draft Budget 2021/2022	Draft budget 2022/2023	Draft budget 2023/2024
Property rates	20,474,248	<b>21,605,417</b>	22,556,055.06	23,571,077.53
Service charges - electricity revenue	33,198,457	<b>35,404,599</b>	36,997,805.69	38,662,706.95
Service charges - water revenue	8,545,681	<b>15,760,479</b>	16,469,700.29	17,210,836.80
Service charges - sanitation revenue	4,373,919	<b>8,003,981</b>	8,364,113.65	8,740,498.77
Service charges - refuse revenue	8,247,158	<b>10,433,334</b>	10,902,833.73	11,393,461.25
Service charges - other	-	-	-	-
Rental of facilities and equipment	359,646	<b>361,404</b>	374,184.12	387,584.11
Interest earned - external investor	829,089	<b>367,780</b>	384,329.79	401,624.63
Interest earned - outstanding debt	2,453,334	<b>2,021,363</b>	1,534,625.86	1,603,684.02
Dividends received	-	-	-	-
Fines, penalties and forfeits	608,660	<b>1,188,988</b>	850,030.54	811,469.16
Licences and permits	730,879	<b>948,650</b>	991,339.01	1,035,949.26
Agency services	392,378	<b>415,921</b>	434,637.11	454,195.78
Transfers and subsidies	32,372,000	<b>30,350,000</b>	37,203,000	34,543,000.00
Other revenue	3,678,460	<b>1,554,652</b>	1,796,959.16	1,847,015.16
Gains on disposal of PPE	451,360	-	-	-
<b>TOTAL</b>	<b>116,715,269</b>	<b>128,416,566</b>	<b>138,859,614</b>	<b>140,663,103</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.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. The increase in revenue of 9% represents the tariff increase for water, sanitation and refuses revenue and electricity. Rates and service charge revenues comprise 70% of the total operating revenue mix. In the 2021/2022 financial year, revenue from rates and services charges totalled R 91,207 million which is an increase from 2020/21 financial year's R 74,893 million. At the beginning of the financial year, the municipality migrated to a new financial system, the process assisted us in verifying our revenue data and do data cleansing. A number of discoveries were made including properties that were not billed services, these properties were billed during the financial year 2020/2021. The most affected service was water and sanitation, the 46% and 45% respective increase from the previous financial year is impacted by this correction in billing.



The second largest source is operational grants from national and provincial government, after service charges, property rates is the third largest revenue source which has shown growth over the MTREF, mainly grants for capital expenditure. Conditional grants such as the Finance Management Grant, Equitable share and Library grant have been a great contributor to the municipality's cashflow over the years and cannot survive without these grants. The Equitable Share is used to subsidise indigents and municipal running costs. There has been a drastic growth in the number of indigents in the 2020/2021 financial year which was fuelled by the effects of the national lockdown on the livelihood of many South Africans. The municipality has left the indigent registration open throughout the year as circumstance may change.

**NC086 Kgatelopele - Table A4 Budgeted Financial Performance  
(revenue and expenditure)**

Description  R thousand	R ef  1	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b><u>Revenue By Source</u></b>											
Property rates	2	–	–	12 588	20 474	20 474	20 474	15 138	21 605	22 556	23 571
Service charges - electricity revenue	2	–	–	16 468	33 198	33 198	33 198	22 205	35 405	36 998	38 663
Service charges - water revenue	2	–	–	3 626	8 546	8 546	8 546	15 050	15 760	16 470	17 211
Service charges - sanitation revenue	2	–	–	7 376	4 374	4 374	4 374	6 546	8 004	8 364	8 740
Service charges - refuse revenue	2	–	–	9 142	8 247	8 247	8 247	10 309	10 433	10 903	11 393
Rental of facilities and equipment	–	–	–	120	599	360	360	183	361	374	388
Interest earned - external investments	–	–	–	732	829	829	829	183	368	384	402
Interest earned - outstanding debtors	–	–	–	3 633	2 044	2 453	2 453	3 064	2 021	1 535	1 604
Dividends received	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits	–	–	–	65	609	609	609	(764)	1 191	850	811
Licences and permits	–	–	–	775	353	731	731	955	949	991	1 036
Agency services	–	–	–	–	392	392	392	(13)	416	435	454
Transfers and subsidies	–	–	–	26 939	28 749	32 372	32 372	27 617	30 350	37 203	34 543
Other revenue	2	–	–	3 482	4 598	3 678	3 678	243	1 554	1 797	1 847
Gains	–	–	–	–	451	451	451	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		–	–	<b>84 947</b>	<b>113 465</b>	<b>116 715</b>	<b>116 715</b>	<b>100 715</b>	<b>128 418</b>	<b>138 860</b>	<b>140 664</b>

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

**Table 3 – Operational and Capital grants**

The table below illustrates the capital and operational grants the municipality will be receiving as per the DORA for 2021/2022.

<b>DORA ALLOCATION 2021 - 2021</b>			
<b>Operational Grants</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Equitable Share	23,834,000.00	25,560,000.00	25,833,000.00
Special Support for Council Remunerations	1,679,000.00	1,731,000.00	1,798,000.00
Financial Management Grant	2,850,000.00	3,000,000.00	3,000,000.00
Library	912,000.00	912,000.00	912,000.00
Expanded Public Works Programme Integrated Grant	1,075,000.00	-	-
<b>Sub-Total Operational Grants</b>	<b>30,350,000.00</b>	<b>31,203,000.00</b>	<b>31,543,000.00</b>
<b>Capital Grant</b>			
Municipal Infrastructure Grant	20,227,000	8,510,000	8,678,000
Energy Efficiency & Demand Side Management Grant	3,000,000	4,000,000	-
Integrated National Electrification Programme Grant	-	2,000,000	3,000,000
Regional Bulk Infrastructure Grant	62,367,000	105,102,000	132,809,000
Water Services Infrastructure Grant	5,000,000	12,000,000	12,975,000
<b>Sub-Total Infrastructure Grant</b>	<b>90,594,000.00</b>	<b>131,612,000.00</b>	<b>157,462,000.00</b>
<b>Total Operational &amp; Capital</b>	<b>120 032 000</b>	<b>161 903 000</b>	<b>188 093 000</b>

The municipality's infrastructure projects are all grant funded, for the past 3 years the municipality has managed to spend its full MIG and WSIG allocation within the financial year it was allocated. The funding will be used to improve and create new infrastructure assets. The municipality's main source of funding for capital assets is through government grants.

Due to the effects of the COVID-19 pandemic and the lockdown, the municipality released an increase in the interest on outstanding debtors as the collection rate dropped and households no longer were able to pay for municipal services as before. This has resulted in an increase in outstanding debtors.

A proposed decrease in the interest rate which was prime plus 1 to only 3% is made in the budget to assist both the municipality and consumers. This will reduce the growing debtor's book which is growing based on the interest charged. Furthermore, interest will be waived for consumers that enter into a payment arrangement and actually stick to the payment arrangement.

Lastly 'other revenue' which consists of various items such as income received from rental fees, permits and licenses, sale of land, connection fees, advertisement fees etc. Departments delivering these services have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

## **Tariff Setting and Tariff Implications of the Annual Budget**

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 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 within CPI. Municipalities should justify in their budget documentation all increases in excess of the CPI upper boundary of the South African Reserve Bank's inflation target. Circular 72 stated that, if municipalities continue to act in this manner that increase tariff above inflation, the National Treasury will have no other option but to set upper limits of tariff increases for property rates and service charges to which municipalities will have to conform.

Excessive increases are likely to be counterproductive to economic growth and development, resulting in higher levels of non-payment. The 4,1 percent increases in the average for services and property rates and electricity is at 14.59%.

Other factors contributing to the rising cost include the anticipated collectively agreed upon wage increase which is above upper boundary, the excessive increase in the price of petrol and diesel as well as chemicals, spares and other materials that collectively contribute to the extent that tariffs need to be increased annually.

### **4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. In the 2019/20 financial year, the municipality implemented the first year of the general valuation roll that would replace the current 2013 general valuation roll. A large number of properties were identified in the new valuation roll as compared to the 2013 general valuation roll. Property value increased by R 300 million in the 2019 general valuation roll

as compared to the 2013 general valuation roll. The municipality will be implementing its first supplementary roll from this general valuation roll. All property that was built from the 1<sup>st</sup> July 2018 until the date of the supplementary contribute to the increase in the property rates and the correction and omission of property values. The supplementary roll includes newly build properties, new improvements made and changes as per the act the Municipal Property Rates Act.

As per the Municipal Property Rates Act, the municipality phased in the increase in the rates to cushion the shock to the property owners.

During the 2018/19 financial year, the municipality embarked in a project to updated its Spatial Development Plan and its Land Use Scheme, during this project it was identified that 220 ervens that were sold, valued in 2013, that are still under the municipality's name. This poses a challenge as the municipality cannot bill itself on property rates of those ervens. Efforts have been made to request the respective buyers to do the transfer of these properties.

During the abovementioned project, it became evident that there is a high number of land use transgressions and building violations without any action taken, even when there is a transgression fine on the tariff list.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is exempted from the rate-able value (Section 17(h) of the MPRA). Additionally, the Municipality also further provide for residential properties an R 15 000 as non-ratable, therefore the total non-ratable value for residential properties is R 30 000.
- An additional R 10 000 rebate will be granted to registered indigents in terms of the Indigent Policy, based on the maximum usage as contained in the policy.
- The Municipality may also award a 100% rebate on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work and public benefit organizations as defined in the property rates policy of the municipality. The owner of such a property must apply to the Chief Financial Officer in the prescribed format and at the prescribed date in order to qualify for the relief.
- The municipality will also be awarding a rebate on property rates to properties in the tourism industry such as guesthouses and game farms. The owner of such a

property must apply to the Chief Financial Officer in the prescribed format and at the prescribed date in order to qualify for the relief.

- Exclusion of 'State owned properties' and "government properties' from the property rates tariff and the valuation roll. Which brings rise to inclusion of a tariff for 'public service use'. These are properties such as state-owned hospitals, schools, etc.
- Inclusion of property rates for a category for multiple use, for properties that are used for more than one use. This is normally properties that are residential and business.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2021/22 financial year to be implemented the 1<sup>st</sup> July 2021 is contained below.

**Table 4 Comparison of 2020/2021 levied to proposed rates for 2021/22**

KGATELOPELE LOCAL MUNICIPALITY						
TARIFFS 2021/2022						
		UNIT				
			Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2020/2021 (Excl VAT) R c	Tariff 2020/2021 (Inc VAT) R c	Tariff 2021/2022 (Excl VAT) R c	Tariff 2021/2022 (Inc VAT) R c
PROPERTY RATES						
Residential properties		Stand	0,0081		0,0084	
Industrial Properties		Stand	0,0162		0,0168	
Business & Commercial Properties		Stand	0,0121		0,0126	
Farm Properties used for:			-		-	
Agricultural purpose		Farm	0,0003		0,0003	
Business & commercial purpose		Farm	0,0259		0,0269	
Residential purpose		Farm	0,0081		0,0084	
Other purpose		Farm	0,0259		0,0269	
Farm Properties not used for any purpose		Farm	0,0259		0,0269	
State owned properties		Stand	0,0065		-	
Public Service Purpose		Stand			0,0067	
Municipal properties - Exempted		Stand	-		-	
Public Service Infrastructure - Exempted		Stand	-		-	
Privately owned towns serviced by the owner		Stand	0,0065		0,0084	
Formal & informal Settlements		Stand	-		-	
Communal Land (S1 Communal Land Right Act 2004)		Stand	-		-	
State Trust Land		Stand	-		-	
Properties acquired through Provision of Land Assistance Act 126 of 1993, or Restitution of Land Rights Act 22 of 1994 which is subject to the communal Property Associations Act 28 of 1996			-		-	
			-		-	
Listed Protected Areas - Exempted		Stand	-		-	
Properties on which National Monuments are Proclaimed - Exempted on approval of application		Stand	-		-	
Properties owned by Public Benefit Organisations used for benefit of listed in the 9th schedule to income tax act		Stand	-		-	
			-		-	
Blocks of Flats		Block	0,0081		0,0084	
Mining			0,0162		0,0168	
Multipurpose		Stand			0,0105	
Churches - Exempted		Stand	-		-	
Small Holdings		Stand	0,0065		0,0084	

The municipality also corrected the property rates for small holdings and privately owned towns as per Section 19 which does not permit different rates for residential properties. However, included in the Property Rates Policy is the rebate that is awarded to these properties as the municipality does not provide them with full services.

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

Kgatelopele Local Municipality has been fortunate to have a natural supply of water that it can extract to provide water to the community. This source has received blue drop status in the past and is tested bi-weekly to ensure that the quality of water is good to be consumed. Parts of South Africa have been declared disaster areas due to drought, with water being a scarce resource, Kgatelopele Local Municipality strives in trying to curb water losses and ensuring there is sufficient water supply for its residence. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

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

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective, which Kgatelopele Local Municipality is working towards. Maintenance of infrastructure and cost-reflective tariffs will ensure that the supply is managed in future to ensure sustainability. With the introduction of prepaid meters, community members will be more aware of their water usage and reduce excessive water usage and losses. The municipality has not started with creating cost reflective tariffs exercise as yet. However, we have tried to address the losses through the war on leaks project, which gave rise to prepaid water meters.

Proposed tariff increases as from 1 July 2021 are indicated in Table 5. The 6 kℓ free water per 30-day period has since 2014 only been granted to registered indigents. Our informal settlement received jojo tanks to provide them with water as part of the measures put in place for COVID 19. Areas such as small holdings that have residential properties received communal taps in 2018, as they did not have any infrastructure for normal household taps, the scatteredness of the properties contributed to the need for communal taps.

A summary of the proposed tariffs for households (residential) are as follows:

**Table 5 Proposed Water Tariffs for the 2021/2022 financial year**

KGATELOPELE LOCAL MUNICIPALITY						
TARIFFS 2021/2022						
		UNIT	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2020/2021 (Excl VAT) R c	Tariff 2020/2021 (Inc VAT) R c	Tariff 2021/2022 (Excl VAT) R c	Tariff 2021/2022 (Inc VAT) R c
			-		-	
<b>WATER</b>						
<b>Domestic households</b>						
Tariffs Applied for:						
Block 1 (0-6 kl) 6	1+	kL	7,50	8,63	7,83	9,00
Block 2 (7.-25 kl) 18	1 +	kL	8,40	9,66	8,77	10,09
Block 3 (26 - 50 kl) 24	1+	kL	9,65	11,10	10,07	11,59
Block 4 (>51 kl)	1+	kL	11,47	13,19	11,98	13,77
Basic Charge (inclusive of basic charge per borehole)		Stand	93,75	107,81	97,88	112,56
Basic Charge (Indigents) (0-6 kl)	0 - 6 kL Free	Stand	-	0,00	-	-
Basic Charge (Vacant)		Stand	281,27	323,46	293,64	337,69
Installation of prepaid meters	Indigents	Stand				
Installation of prepaid meters	Residential	Stand	-	0,00	COST + 15%	COST + 15%
			-	-	-	-
<b>Business</b>						
Tariffs Applied for:						
Block 1 (0-6 kl)	1+	kL	9,38	10,79	9,80	11,26
Block 2 (7.-25 kl)	1 +	kL	10,51	12,09	10,97	12,62
Block 3 (26 - 50 kl)	1+	kL	12,05	13,86	12,58	14,47
Block 4 (>51 kl)	1+	kL	14,33	16,48	14,96	17,21
Basic Charge (inclusive of basic charge per borehole)		Stand	281,27	323,46	293,64	337,69
Basic Charge (Vacant)		Stand	843,79	970,36	880,92	1 013,05
			-		-	-

The tariff structure of the 2021/22 financial year has not been changed, with the exception of an inclusion of basic charge for boreholes which was introduced in the 2020/21 financial year. In the fight to assist our indigents to better manage their accounts, the municipality rolled out a conversion of conventional water meters to prepaid water meters. Due to the cost of these prepaid meters, the municipality had to phase it out over a number of years. Indigents will not be disadvantaged by the prepaid water meter as the tap will not run dry at any point. Prepaid water meters will be able to detect when there is a leakage and will assist curb water losses. Based on the success of the prepaid meter and the sense of control one gets with having a prepaid water meter, the municipality has received a number of requests to have the project rolled out to non-indigent households at a fee per installation of prepaid meters. A tariff has been included in the tariff list for the installation of prepaid water meters for non-indigent households.

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

NERSA announced the revised bulk electricity pricing structure, with Eskom being awarded an increase of 17.28% for 2021/22 financial year. The NERSA guideline framework for municipalities to levy to consumers was used to determine the increase of 14.59% on electricity tariff for the budget for implementation on the 1<sup>st</sup> July 2021. The municipality is currently rendering the service at a loss due to the wage bill, general expenditure and increased maintenance and losses incurred due to theft and the aging infrastructure in the department. The increase awarded to Eskom by NERSA will further place immense pressure on the budget and the affordability of the service for the consumers and the municipality.

Alternative way to decrease the dependency on Eskom generated energy has to be is currently being explored to decrease this burden. The municipality has embarked on a project in the 2019/20 financial year to reduce its own electricity consumption as a pilot project using solar electricity. The project will demonstrate the revenue enhancement strategy using solar energy. During the 2020/21 financial year, the municipal building has not experienced any load shedding due to the solar panels the municipality installed at the main building, which provided electricity during periods where load shedding was scheduled. In addition, the municipality has utilised its solar supply as a main source of electricity and only utilising the Eskom electricity when the battery is running low to allow it time to recharge. This is the vision the municipality has for the whole town, to reduce the reliance on the Eskom grid.

During the pandemic the municipality experienced an increase in tempering of prepaid electricity meters as the municipality implemented credit control. This required the municipality to vigorous like do inspections on low and zero purchasing households to reduce loses. The municipality adopted a zero tolerance to policy for tampering of electricity boxes, a fine and criminal case will be levied. Tempering of electricity meter boxes has been one of the major contributors to our electricity losses.

A total of 195 households received electricity connections which was funded through the INEP grant. This is new connections that addressed the backlog the municipality had, notwithstanding the increase in demand for electricity especially in the informal settlements that have mushroomed over the years. Most of these areas are sitting on dolomitic land, which makes it difficult to prioritise them for formalising the area as a residential area.



The following table shows the impact of the proposed increases in electricity tariffs for domestic consumers:

**Table 6 Comparison between current electricity charges and increases**

KGATELOPELE LOCAL MUNICIPALITY						
TARIFFS 2021/2022						
		UNIT				
			Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2020/2021 (Excl VAT) R c	Tariff 2020/2021 (Inc VAT) R c	Tariff 2021/2022 (Excl VAT) R c	Tariff 2021/2022 (Inc VAT) R c
ELECTRICITY					-	
Domestic Households (Prepaid)					-	
Tariffs Applied for:					-	
Block 1 (0-50 kWh)	1+	kWh	1.0916	1.26	1.2508	1.44
Block 2 (51-350 kWh)	1+	kWh	1.4026	1.61	1.6072	1.85
Block 3 (351-600 kWh)	1+	kWh	1.9878	2.29	2.2778	2.62
Block 4 (>600 kWh)	1+	kWh	2.3349	2.69	2.6755	3.08
Basic Charges		Per Meter	21.0833	24.25	24.1594	27.78
Basic Charges (Indigent) - Only for first prepaid meter	0 kWh free unit	Per Meter	FREE	FREE	FREE	FREE
Basic Charges (Indigent) - Second, third, etc. prepaid meter	No free units	Per Meter	21.0833	24.25	24.1594	27.78
			-		-	
Business (Commercial)			-		-	-
Business Prepaid Single Phase	1 +	kWh	2.4295	2.79	2.78	3.20
Business Prepaid Three Phase	1+	kWh	2.4295	2.79	2.78	3.20
Business Conventional Single Phase	1+	kWh	2.4296	2.79	2.78	3.20
Business Conventional Three Phase	1+	kWh	2.4296	2.79	2.78	3.20
Demand KVA Meters (per KVA)		KVA	-	0.00	-	-
Basic charge Conventional		Stand	316.5959	364.09	362.79	417.21
Basic charge Prepaid		Per Meter	316.5959	364.09	362.79	417.21
Basic Charge on Vacant Stands		Stand	931.5455	1071.28	1,067.46	1,227.58
			-		-	-
Industrial			-		-	-
Energy	1 +	kWh	1.9147	2.20	2.19	2.52
Demand KVA Meters (per KVA)	1 +	KVA	176.1900	202.62	201.90	232.18
Basic Charge Conventional & Prepaid		Stand	607.5000	698.63	696.13	800.55
Basic Charge on Vacant Stands		Stand	607.5000	698.63	696.13	800.55
			-		-	-
Schools, Public Benefit Organisation, Own use			-		-	-
Energy	1 +	kWh	1.9856	2.28	2.28	2.62
Demand KVA Meters (per KVA)		KVA	285.4336	328.25	327.08	376.14
Basic Charge Conventional		Stand	283.7365	326.30	325.13	373.90
Basic Charge Prepaid		Per Meter	283.7365	326.30	325.13	373.90

The tariff structure which is a block tariff structure for households remains unchanged.

## Sanitation and Impact of Tariff Increases

A tariff increases of 4.1% for sanitation is proposed from 1<sup>st</sup> July 2021.

This is based on tariff increases related to inflation increases as mentioned earlier in the budget. The municipality embarked on capital project to upgrade the sewage system in the 2016/2017 financial year which was concluded at the end of the 2019/20 financial year, through grant funding. The next step is to reticulate the households and businesses that are currently using septic tanks. Grant funding has been made available to start this process of reticulation. After this is done the municipality will be able to start the exercise on developing cost reflective tariff as the maintenance cost has to be included.

The following factors are being considered in developing a cost reflective tariff:

- The percentage water discharged during the process;
- Differential tariff that will ensure that our tariff is favourable and fair to all consumers

Free sanitation will be applicable to registered indigents, a small number of them are using septic tanks. In 2019 the municipality installed communal toilets with the assistance of Jasper Solar Park as part of their community uplift, these communal toilets are situated in the informal settlement areas as they do not have access to services which are currently being serviced by the municipality. There is an average of 45 households that are using pit toilets in the jurisdiction of the municipality that needs to be connected to the main line and provided proper sanitation services.

The following table compares the current and proposed tariffs:

**Table 7 Comparison between current sanitation charges and increases**

KGATELOPELE LOCAL MUNICIPALITY						
TARIFFS 2021/2022						
		UNIT	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2020/2021 (Excl VAT) R c	Tariff 2020/2021 (Inc VAT) R c	Tariff 2021/2022 (Excl VAT) R c	Tariff 2021/2022 (Inc VAT) R c
			-		-	
<b>SEWERAGE</b>			-		-	
Residential / Government / Churches / PBO		Point	149,26	171,65	155,83	179,20
Flats		Unit	149,26	171,65	155,83	179,20
Business / Guesthouses / Hotels / Industrial	The Greater of Per 100m <sup>2</sup>	100m <sup>2</sup>	255,43	293,75	266,67	306,67
	or	Point	255,43	293,75	266,67	306,67
	or	Unit	255,43	293,75	266,67	306,67
Septic Tank		per month	149,26	171,65	155,83	179,20
		ad-hoc	471,35	542,05	492,09	565,90
Sewerage Connection New		Connection	COST + 15 %	COST + 15 %	COST + 15 %	COST + 15 %
			-		-	-

## Waste Removal and Impact of Tariff Increases

Services relevant to refuse removal, refuse dumps and solid waste disposal mechanisms must comply with stringent legislative requirements such as the National Environmental Management: Waste Act, No 59 of 2008. This service will receive further revision of the solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The current landfill site has reached its capacity in terms of servicing the municipality, the municipality has started the process of establishing a new landfill site to accommodate the current demand.

An increase of 4.1% in the waste removal tariff is proposed from 1 July 2021.

Changes are proposed for the new financial year which resulted in a split tariff for businesses between low capacity (small businesses with low waste output) and high capacity (grocery stores that have a high waste output).

The management of the landfill site is still outsourced until the municipality builds adequate capacity to render that service itself after the new landfill site is established.

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

**Table 8 Comparison between current waste removal fees and increases**

KGATELOPELE LOCAL MUNICIPALITY						
TARIFFS 2021/2022						
	UNIT		Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2020/2021 (Excl VAT) R c	Tariff 2020/2021 (Inc VAT) R c	Tariff 2021/2022 (Excl VAT) R c	Tariff 2021/2022 (Inc VAT) R c
			-		-	
			-		-	
			-		-	
<b>REFUSE REMOVAL</b>						
Basic Charge Residential	Stand/unit		127.46	146.58	133.07	153.03
Basic Charge for additional units on stands	Unit				66.53	76.51
Basic Charge Residential (Indigent)	Stand		-		-	-
Basic Charge Business - unit - low capacity	Stand		269.08	309.45	280.92	323.06
Basic Charge Business - unit - high capacity	Stand				1 123.70	1 292.25
Basic Charge Industrial	Stand		269.08	309.45	280.92	323.06
Basic Charge Government	Stand		269.08	309.45	280.92	323.06
Garden Refuse Removal	load		157.56	181.19	164.49	189.16
Building Rubble / construction material	per ton		469.13	539.50	489.77	563.23
Illegal Dumping			370.56	426.14	386.86	444.89
Basic Charge Residential (Vacant)	Stand		382.39	439.74	399.21	459.09
Basic Charge Business and Other (Vacant)	Stand		807.24	928.33	842.76	969.17
Clearing of vacant stands	Stand				2 000.00	2 300.00
Churches - exempt			-		-	-

## 5. OPERATING EXPENDITURE FRAMEWORK

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

- Balanced budget constraint (cash operating expenditure should not exceed cash operating revenue) unless there are sound reasons for utilising existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the MTREF as informed by Section 18 and 19 of the MFMA;
- Introduction of integrated posts to reduce the personnel budget
- Provision made for COVID -19
- Implementing operational gains and efficiencies;
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation will be made; and
- Taking cognisance of cost containment guidelines and assessing the status of current measures included in the Cost Containment Strategy of the municipality.

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

**Table 9 Summary of operating expenditure by functional classification item**

Budget Items	Adjusted Budget 2020/2021 (2nd Adjusted)	Draft Budget 2021/2022	Draft budget 2022/2023	Draft budget 2023/2024
Employee related costs	38,311,603	<b>42,525,201</b>	45,003,814.36	47,633,196.22
Remuneration of councillors	2,607,550	<b>3,546,917</b>	3,702,981.35	3,869,615.51
Debt impairment	5,589,859	<b>4,471,887</b>	5,366,264.64	7,512,770.50
Depreciation & asset impairment	12,535,184	<b>13,974,823</b>	19,742,205.38	11,174,484.09
Finance charges	199,450	<b>162,628</b>	130,102.57	91,071.80
Bulk purchases	21,050,682	<b>25,754,369</b>	26,887,560.76	28,097,501.00
Other materials	3,055,323	<b>2,789,876</b>	2,229,849.25	2,484,527.75
Contracted services	14,155,482	<b>15,244,326</b>	14,760,385.99	13,104,824.75
Transfers and subsidies	150,000	-	-	-
Other expenditure	18,550,102	<b>17,838,429</b>	18,492,135.78	19,210,046.36
Loss on disposal of PPE	-	-	-	-
<b>TOTAL</b>	<b>116,205,235</b>	<b>126,308,455</b>	<b>136,315,300</b>	<b>133,178,038</b>

The budgeted allocation for employee related costs and remuneration of councillors for the 2021/22 financial year totals R 46,072 million which equals 36.4% of the total operating expenditure and within the NT norm of 25 – 40 per cent. A three-year collective SALGBC salary agreement that came into effect on 1 July 2018 will be ending June 2021. This salary determination and annual notch increases for qualifying personnel have been factored into the budget for the 2021/22 financial year at estimated at 6.5% for employee related cost and 0% for remuneration of councillors and senior manager as per section 56 and 57 of the Municipal Systems Act. The new salary increases will be communicated before the beginning of the new financial year.

Only funded vacancies are for critical posts that affect service delivery and finance posts that will assist the municipality in credit control and ensuring billing is done correctly and accurately. A new department called Roads and Stormwater is budgeted for as this was seen a crucial need during the natural disaster that high the Kgatelopele Local Municipality which included flooding of street due to blocked stormwater pipes and poor drainage systems. The department will also prioritise sealing of potholes and maintaining our roads.

In order to ensure economic viability and to not overstretch the already limited financial resources, cash management this percentage of employee related cost in relation to total budget need to be maintained at less than 40%. This had forced management to relook and develop a Human Resource Strategy, this also included looking at an approach to integrate job descriptions to customise the positions for a municipality this size and catering for its unique needs. During the 2018/19 financial year all senior management position were filled with performance plans. There are no vacancies in the senior management positions of the municipality.

Minister of Co-operative Governance has not promulgated any changes to the determine of total remuneration packages payable to any new employees to the posts of Municipal Manager and Section 57 Employees (Directors). No increase allocation for remuneration of section 57 managers has been budgeted as per the gazette released. The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

The Municipal Demarcation Board has gazetted the new demarcation for municipalities and the number of wards and councillors per ward. The increase of councillors from 7 to 11 has been gazetted for Kgatelopele Local Municipality. This results in a significant increase in the remuneration of councillors by 26%, from R 2 607 550 to R 3 546 917.

The provision of debt impairment and write-off of bad debts for consumer accounts has been determined based on the Debt Write-off Policy of the Municipality. For the 2021/22 financial year this amount equates to R 4, 472 million. An incentive approach was tabled to council as a motivation to encourage indigent households to maintain their accounts and provide relief on the indigent households. A 30% of the indigent debt is written off at the end of the financial year, only for those qualifying indigents. This approach will motivate households to pay their municipal accounts and have the municipality meet them half way as most of the debt has reached this stage due to lack of credit control in the past. This has also given rise to the amendment of the Write Off Policy and the Indigent Policy in relation to the write off that will be permitted limited to the amount budgeted for.

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 of asset consumption. Budget appropriations in this regard total R 13, 974 million for the 2021/22 financial year and equates to 10% increase from the previous financial year and 11% of the total operating expenditure.

The budget includes a total of R 162 628 in relation to finance charges for the 2021/2022 financial year which is the interest charged on the Auditor General account. The municipality has remained on the current account in relation to the Eskom account. The municipality does not have any current borrowings and does not plan on taking on any loan for the 2021/2022 financial year.

Bulk purchases equate to 20% of the total expenditure and are directly informed by the purchase of electricity from Eskom and the increase on bulk supply based on the guideline for NERSA increases. The expenditures accounts for the 17.8% increase Eskom received and distribution losses which is currently within the norm.

Contracted services also include expenditure relating to the provision of services by means of the appointment of service providers where the necessary in-house skills are not available or have not yet been adequately developed. One of the major contributors to consultant fees is the financial system change and the upgrading of the internet connectivity for a smarter city. Contracted services comprise mainly of accounting services

for the implementation of the financial system which went live in the 2020/2021 financial year and the cost to ensure enough training is provided for the remainder of the modules that need implementation. Also included under accounting services and consultancy is the Immovable Infrastructure portion of the asset register and the supplementary valuation roll.

Others contracted services include the purchase of materials and spares for maintenance and actual repair and maintenance done by a service provider. In line with Kgatelopele Local Municipality's repairs and maintenance priorities this group of expenditure has been prioritized to ensure sustainability of Kgatelopele Local Municipality's infrastructure. Sewerage section remains the highest contributor to repair and maintenance expenditure, with the upgrading of the sewerage network this should decrease the cost of repairs and maintenance in that section.

For the 2021/22 financial year a prepaid meter audit project is budgeted for to ensure that the meters are functioning properly, not tempered and adjusted for the new token changes that will be effective from 2023.

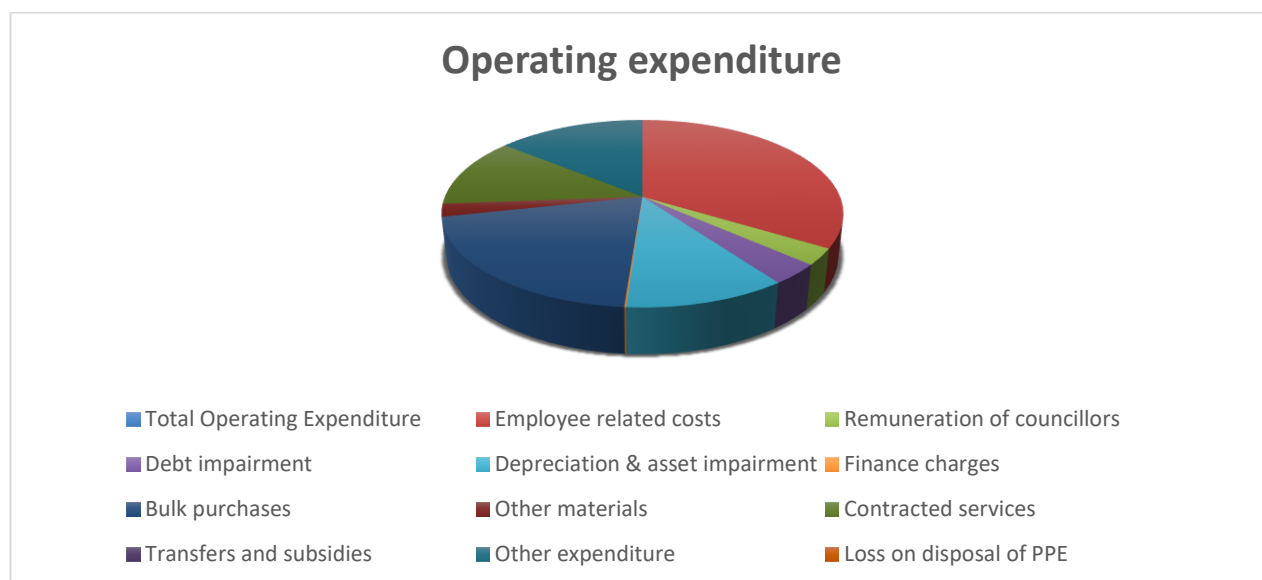
Certain functions also require the contracting of specialist knowledge contracted from time to time due to the fact that the municipality cannot afford to employ experts on a full-time basis. Contracted services have been identified as an area for the municipality to implement efficiencies. As part of the compilation of the 2021/22 MTREF this group of expenditure was critically evaluated and operational efficiencies are being enforced. In the 2021/22 financial year, this group of expenditure is budgeted at a total of R 15, 244 million, which equate to 12% of total operating budget, which is a 7% increase as compared to the previous financial year.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The decrease in other expenditure due to the implementation of cost containment, in line with circular 82, other expenditure amounts to 14% for the 2021/22 financial year and has decreased by 4%.

Other material has decreased from 3,005 million to 2,789 million, which is mostly inventory store items which is used for service delivery. Included is the provision for the Roads and Stormwater departments needs to ensure the department operates effectively and yields the desired objective. As repairs and maintenance is included under contracted services.

In the 2020/2021 financial year budget the municipality had budgeted R 150 000 for transfers and subsidies which was Covid-19 related assistance for the Quarantine site, this provision is not available in the current financial year due to cost constraints.

The following graph gives a breakdown of the main expenditure categories for the 2021/22 financial year.



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

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2021/22 budget and MTREF provide for continuing in the area of asset maintenance, as informed by the asset maintenance strategy and repairs and maintenance plan of the Municipality.

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance. Since the implementation of mSCOA, expenditure is recorded through its nature and not function. Repairs and maintenance form part of contracted services and general expenditure.



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

The social package assists households that are indigent/poor or face other circumstances that limit their ability to pay for services. To receive these free/subsidised services the households are required to register in terms of the Municipality's Indigent Policy. The budgeted indigent households for 2021/22 remains at an estimate of 1750 and will be reviewed monthly.

The municipality budgeted a total of R 11 404 763 for the indigent relief as follows:

- Water – R 2 924 375
- Electricity – R 534 787
- Refuse – R 3 038 116
- Sanitation – R 3 669 250
- Property rate – R 1 238 235

The cost of the social package of the registered indigent households is fully covered by the local government equitable share received in terms of the annual Division of Revenue Act and that portion relating to a specific service has been apportioned as revenue to that specific service.

The following is an extract from NT Budget Circular 85:

*“The change in the treatment of cost of free basic services indicates that municipalities must not disclose the support to indigents on table SA21 “Transfers and grants.”*

## 6. CAPITAL EXPENDITURE

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

**Table 11 2021/22 Medium-term capital budget per vote**

DORA ALLOCATION 2021 - 2024	2021/2022	2022/2023	2023/2024
<b>Capital Grant</b>			
Municipal Infrastructure Grant	20,227,000	8,510,000	8,678,000
Energy Efficiency & Demand Side Management Grant	3,000,000	4,000,000	-
Intergrated National Electrification Programme Grant	-	2,000,000	3,000,000
Regional Bulk Infrastructure Grant	62,367,000	105,102,000	132,809,000
Water Services Infrastructure Grant	5,000,000	12,000,000	12,975,000
<b>Sub-Total Infrastructure Grant</b>	<b>90,594,000.00</b>	<b>131,612,000.00</b>	<b>157,462,000.00</b>

For 2021/22 an amount of R 90,594 million has been appropriated for the development of infrastructure which represents 95% of the total capital budget of R 94,494 million. In the outer years this amount totals R 131,612million and R 157,462 million, respectively for each of the outer financial years.

SA34a, b, c & e provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Our internally funded project are as follows

1. Furniture – R 800 000
2. Technical equipment – R 1 050 000
3. IT equipment – R 400 000

### **3.2 Future operational cost of new infrastructure**

Furthermore, a long-term financial plan implementation policy has been developed to encompass costs over the long term. It needs to be noted that as part of the 2021/2022 MTREF, this expenditure has been factored into the two outer years of the operational budget.

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## ANNUAL BUDGET TABLES

The following twenty pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2020/21 annual budget and MTREF to be approved and/or noted by the Council. Each table is accompanied by explanatory notes on the facing page.

### Table 12 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 service delivery and commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasise 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 stable indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that the cash increases over the MTREF.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic

Services and the revenue cost of free services provided by the municipality continues to increase.

**Table 13 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification)**

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification) - mSCOA – Function/Sub Function**

**NC086 Kgatelopele - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

Functional Classification Description  R thousand	R ef	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Revenue - Functional</b>										
<b><i>Governance and administration</i></b>				45						
		–	–	667	56 587	59 202	59 202	54 638	63 169	61 581
				1						
Executive and council		–	–	614	1 684	1 684	1 684	1 858	1 919	1 995
Finance and administration		–	–	44	54 903	57 518	57 518	52 780	61 250	59 586
		–	–	053						
Internal audit		–	–	–	–	–	–	–	–	–
<b><i>Community and public safety</i></b>										
		–	–	(440)	1 672	1 929	1 929	2 028	955	957
Community and social services		–	–	(460)	1 662	1 919	1 919	1 995	921	921
		–	–							
Sport and recreation		–	–	21	10	10	10	32	34	35
		–	–							
Public safety		–	–	–	–	–	–	–	–	–
		–	–							
Housing		–	–	–	–	–	–	–	–	–
		–	–							
Health		–	–	–	–	–	–	–	–	–
<b><i>Economic and environmental services</i></b>										
		–	–	843	822	1 199	1 199	1 441	1 505	1 573
Planning and development		–	–	–	26	26	26	26	27	28
		–	–							
Road transport		–	–	843	796	1 173	1 173	1 415	1 478	1 545
		–	–							
Environmental protection		–	–	–	–	–	–	–	–	–
		–	–	57						
<b><i>Trading services</i></b>										
		–	–	991	72 405	76 231	76 231	160 906	206 843	237 015
		–	–	24						
Energy sources		–	–	674	35 218	35 218	35 218	39 114	45 494	45 208
		–	–	6						
Water management		–	–	015	16 546	16 546	16 546	83 127	133 572	162 995
Waste water management		–	–	3	12 394	16 219	16 219	28 231	16 874	17 418
		–	–	502						
Waste management		–	–	23	8 247	8 247	8 247	10 433	10 903	11 393
		–	–	799						
<b><i>Other</i></b>	4	–	–	–	–	–	–	–	–	–
				104						
<b>Total Revenue - Functional</b>	2	–	–	061	131 485	138 561	138 561	219 012	272 472	301 126
<b>Expenditure - Functional</b>										
<b><i>Governance and administration</i></b>	-									
		–	–	667	45 723	47 927	47 927	48 742	52 246	53 864
		–	–	7						
Executive and council		–	–	696	8 484	8 304	8 304	7 344	6 680	7 093
Finance and administration		–	–	28	36 022	38 406	38 406	39 792	43 873	44 983
		–	–	186						
Internal audit		–	–	785	1 218	1 218	1 218	1 606	1 694	1 787
		–	–							

<b>Community and public safety</b>				6						
	-	-	322	3	8 130	9 555	9 555	6 101	5 681	5 884
Community and social services	-	-	921	2	6 542	7 518	7 518	4 993	5 130	5 289
Sport and recreation	-	-	401		1 588	1 528	1 528	1 109	551	594
Public safety	-	-	-		-	-	-	-	-	-
Housing	-	-	-		-	-	-	-	-	-
Health	-	-	-		-	510	510	-	-	-
<b>Economic and environmental services</b>				5						
Planning and development	-	-	224		8 431	8 604	8 604	9 087	10 213	8 759
	-	-	539		917	1 392	1 392	1 449	1 117	1 055
Road transport	-	-	685	4	7 514	7 213	7 213	7 638	9 096	7 704
Environmental protection	-	-	-		-	-	-	-	-	-
<b>Trading services</b>				35						
	-	-	652	25	51 006	50 301	50 301	62 379	68 174	64 672
Energy sources	-	-	083		29 127	28 819	28 819	33 865	36 254	34 978
Water management	-	-	983	2	7 296	7 246	7 246	7 457	9 025	8 481
Waste water management	-	-	915	3	7 486	7 140	7 140	10 116	11 363	9 992
Waste management	-	-	670	3	7 097	7 097	7 097	10 941	11 532	11 221
<b>Other</b>	4	-	-		-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	-	-	83	113 290	116 388	116 388	126 309	136 315	133 178
<b>Surplus/(Deficit) for the year</b>		-	-	20	18 195	22 173	22 173	92 703	136 156	167 947

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification. The modified GFS functional classification, now Function/Sub Function, 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 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.

**Table 14 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

**NC086 Kgatelopele - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description  R thousand	R ef	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Revenue by Vote</b>	1									
Vote 1 - Executive and Council		–	–	1 614	1 614	1 614	1 614	1 679	1 731	1 798
Vote 2 - Office of the Municipal Manager		–	–	–	70	70	70	179	188	197
Vote 3 - Finance Services		–	–	44 053	54 903	57 518	57 518	52 766	61 235	59 570
Vote 4 - Corporate Services		–	–	–	–	–	–	14	15	16
Vote 5 - Technical and Community Services		–	–	58 371	74 899	79 359	79 359	164 374	209 302	239 545
Vote 6 - Technical and Community Services2		–	–	23	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
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	–	–	104 061	131 485	138 561	138 561	219 012	272 472	301 126
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Executive and Council		–	–	4 954	4 599	4 599	4 599	5 277	4 792	4 976
Vote 2 - Office of the Municipal Manager		–	–	3 541	5 102	4 922	4 922	4 391	4 243	4 710
Vote 3 - Finance Services		–	–	19 189	23 454	25 172	25 172	28 029	29 449	29 497
Vote 4 - Corporate Services		–	–	8 986	12 568	13 234	13 234	11 421	14 161	15 103
Vote 5 - Technical and Community Services		–	–	44 031	61 616	61 551	61 551	71 294	76 412	73 159
Vote 6 - Technical and Community Services2		–	–	3 164	5 951	6 909	6 909	5 896	7 258	5 734
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
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	-	-	83 865	113 290	116 388	116 388	126 309	136 315	133 178
<b>Surplus/(Deficit) for the year</b>	2	-	-	20 196	18 195	22 173	22 173	92 703	136 156	167 947

## Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote) – mSCOA – Own Segment

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

**Table 15 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

### NC086 Kgatelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	R ef	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Revenue By Source</b>											
Property rates	2	-	-	12 588	20 474	20 474	20 474	15 138	21 605	22 556	23 571
Service charges - electricity revenue	2	-	-	16 468	33 198	33 198	33 198	22 205	35 405	36 998	38 663
Service charges - water revenue	2	-	-	3 626	8 546	8 546	8 546	15 050	15 760	16 470	17 211
Service charges - sanitation revenue	2	-	-	7 376	4 374	4 374	4 374	6 546	8 004	8 364	8 740
Service charges - refuse revenue	2	-	-	9 142	8 247	8 247	8 247	10 309	10 433	10 903	11 393
Rental of facilities and equipment	-	-	-	120	599	360	360	183	361	374	388
Interest earned - external investments	-	-	-	732	829	829	829	183	368	384	402
Interest earned - outstanding debtors	-	-	-	3 633	2 044	2 453	2 453	3 064	2 021	1 535	1 604
Dividends received	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	65	609	609	609	(764)	1 191	850	811
Licences and permits	-	-	-	775	353	731	731	955	949	991	1 036
Agency services	-	-	-	-	392	392	392	(13)	416	435	454
Transfers and subsidies	-	-	-	26 939	28 749	32 372	32 372	27 617	30 350	37 203	34 543
Other revenue	2	-	-	3 482	4 598	3 678	3 678	243	1 554	1 797	1 847
Gains	-	-	-	-	451	451	451	-	-	-	-
<b>Total Revenue (excluding capital)</b>		-	-	84 947	113 465	116 715	116 715	100 715	128 418	138 860	140 664

transfers and contributions)											
<b>Expenditure By Type</b>	-										
Employee related costs	2	-	-	33 840	37 752	38 312	38 312	29 876	42 525	45 004	47 633
Remuneration of councillors		-	-	2 703	2 608	2 608	2 608	1 983	3 547	3 703	3 870
Debt impairment	3	-	-	-	5 590	5 590	5 590	-	4 472	5 366	7 513
Depreciation & asset impairment	2	-	-	-	12 535	12 535	12 535	361	13 975	19 742	11 174
Finance charges		-	-	450	133	199	199	96	163	130	91
Bulk purchases - electricity	2	-	-	22 247	21 051	21 051	21 051	15 018	25 754	26 888	28 098
Inventory consumed	8	-	-	452	3 332	3 055	3 055	1 242	2 790	2 230	2 485
Contracted services		-	-	13 254	11 910	14 155	14 155	13 884	15 244	14 760	13 105
Transfers and subsidies		-	-	-	-	150	150	95	-	-	-
Other expenditure	4, 5	-	-	9 201	18 380	18 550	18 550	6 015	17 839	18 492	19 210
Losses		-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		-	-	<b>82 145</b>	<b>113 290</b>	<b>116 205</b>	<b>116 205</b>	<b>68 570</b>	<b>126 309</b>	<b>136 315</b>	<b>133 178</b>
<b>Surplus/(Deficit)</b>		-	-	<b>2 802</b>	<b>175</b>	<b>510</b>	<b>510</b>	<b>32 145</b>	<b>2 109</b>	<b>2 544</b>	<b>7 485</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	-	24 196	18 020	21 845	21 845	-	90 594	133 612	160 462
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-

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

1. Total operating revenue was R 128,418 million in 2021/2022 and indicates an increase to R 140,664 million in 2023/24.
2. Revenue to be generated from property rates is R 21,605 million in the 2021/22 financial year and increases to R 23,571 million by 2023/24 which represents 4% of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. The new General Valuation roll was implemented in the 2019/20 financial year. First supplementary valuation roll to be implemented 1<sup>st</sup> July 2021.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R 69,602 million for the 2021/22 financial year and indicates an increase to R 76,007 million by 2023/24. This is also a result of the change in budget presentation for free basic



services, explained in this report. For the 2021/22 financial year services charges amount to 54% of the operating revenue base.

4. Transfers recognised – operating grants includes the local government equitable share and other operating grants from national and provincial government.
5. Bulk purchases have slightly increased over the years period escalating from R 21,050 million to R 25,754 million. These increases can be attributed to the increase of 20%.
6. Employee related costs and bulk purchases 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 16 MBRR Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding source**

Vote Description R thousand	R ef	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Capital expenditure - Vote Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Finance Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Technical and Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Technical and Community Services2		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive and Council		-	-	684	359	359	359	684	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-

Vote 3 - Finance Services	-	-	148	-	-	-	2 660	-	-	-
Vote 4 - Corporate Services	-	-	65	1 900	1 800	1 800	6 489	270	308	355
Vote 5 - Technical and Community Services	-	-	24 271	20 400	24 225	24 225	51 380	93 294	131 612	157 462
Vote 6 - Technical and Community Services2	-	-	-	-	200	200	-	-	-	-
Vote 7 - [NAME OF VOTE 7]	-	-	-	-	-	-	-	-	-	-
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>	-	-	<b>25 169</b>	<b>22 659</b>	<b>26 584</b>	<b>26 584</b>	<b>61 213</b>	<b>93 564</b>	<b>131 920</b>	<b>157 817</b>
<b>Total Capital Expenditure - Vote</b>	-	-	<b>25 169</b>	<b>22 659</b>	<b>26 584</b>	<b>26 584</b>	<b>61 213</b>	<b>93 564</b>	<b>131 920</b>	<b>157 817</b>
<b>Capital Expenditure - Functional</b>										
<b>Governance and administration</b>	-	-	<b>898</b>	<b>2 259</b>	<b>2 159</b>	<b>2 159</b>	<b>9 833</b>	<b>270</b>	<b>308</b>	<b>355</b>
Executive and council	-	-	684	359	359	359	684	-	-	-
Finance and administration	-	-	214	1 900	1 800	1 800	9 149	270	308	355
Internal audit	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	-	-	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	-	-	-	<b>100</b>	<b>300</b>	<b>300</b>	-	-	-	-
Planning and development	-	-	-	-	200	200	-	-	-	-
Road transport	-	-	-	100	100	100	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	-	-	<b>24 271</b>	<b>20 300</b>	<b>24 125</b>	<b>24 125</b>	<b>51 380</b>	<b>93 294</b>	<b>131 612</b>	<b>157 462</b>
Energy sources	-	-	2 714	3 030	3 030	3 030	3 969	5 700	6 000	3 000
Water management	-	-	3 704	8 000	8 000	8 000	14 477	67 367	117 102	145 784
Waste water management	-	-	-	250	250	250	1 216	-	-	-
Waste management	-	-	17 853	9 020	12 845	12 845	31 718	20 227	8 510	8 678
<b>Other</b>	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	-	<b>25 169</b>	<b>22 659</b>	<b>26 584</b>	<b>26 584</b>	<b>61 213</b>	<b>93 564</b>	<b>131 920</b>	<b>157 817</b>
<b>Funded by:</b>										

National Government		-	-	21 040	18 020	21 845	21 845	46 933	90 594	131 612	157 462
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	-	-	21 040	18 020	21 845	21 845	46 933	90 594	131 612	157 462
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	-	3 980	4 639	4 739	4 739	11 620	2 970	308	355
<b>Total Capital Funding</b>	7	-	-	25 020	22 659	26 584	26 584	58 553	93 564	131 920	157 817

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 functional 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. The capital expenditure amounts to R 90,594 million in 2021/22. Due to our MIG allocation which normally less than the project value, our projects are commonly multi-year projects.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality.
4. The capital programme is funded from national and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from previous year surpluses. For 2021/22, capital transfers totals R 90,594 million, internally generated funding totalling R 2,970 million. These funding sources are further discussed in detail in paragraph 2.6 (Overview of Budget Funding).

**Table 17 MBRR Table A6 - Budgeted Financial Position**

**NC086 Kgatelopele - Table A6 Budgeted Financial Position**

Description R thousand	R ef	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		–	–	(3 155)	15 579	13 945	13 945	1 625	21 439	29 251	37 918
Call investment deposits	1	–	–	56	10	10	10	9 936	–	–	–
Consumer debtors	1	–	–	65 970	(541)	(541)	(541)	(541)	26 746	92 773	97 289
Other debtors		8 593	7 538	(44 171)	–	9 009	9 009	(35 723)	535	559	584
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	–	–	2 004	–	–	–	1 989	5 132	5 358	5 354
<b>Total current assets</b>		<b>8 593</b>	<b>7 538</b>	<b>20 704</b>	<b>15 049</b>	<b>22 425</b>	<b>22 425</b>	<b>(22 713)</b>	<b>53 852</b>	<b>127 940</b>	<b>141 145</b>
<b>Non current assets</b>											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		–	–	–	–	–	–	–	51 845	53 867	56 130
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	–	–	26 111	48 549	50 504	50 504	61 053	412 490	463 788	503 939
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		–	–	5	–	–	–	1 950	191	199	207
Other non-current assets		–	–	–	–	–	–	–	1 151	1 196	1 246
<b>Total non current assets</b>		<b>–</b>	<b>–</b>	<b>26 117</b>	<b>48 549</b>	<b>50 504</b>	<b>50 504</b>	<b>63 003</b>	<b>465 678</b>	<b>519 050</b>	<b>561 522</b>
<b>TOTAL ASSETS</b>		<b>8 593</b>	<b>7 538</b>	<b>46 821</b>	<b>63 598</b>	<b>72 929</b>	<b>72 929</b>	<b>40 290</b>	<b>519 530</b>	<b>646 990</b>	<b>702 666</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	–	–	–	–	–	–	–	–	–	–
Consumer deposits		–	–	1 597	–	–	–	1 605	1 525	1 584	1 651
Trade and other payables	4	8 593	7 538	25 169	21 307	21 582	21 582	(77 328)	34 276	31 594	32 965
Provisions		–	–	–	–	–	–	–	–	–	–
<b>Total current liabilities</b>		<b>8 593</b>	<b>7 538</b>	<b>26 766</b>	<b>21 307</b>	<b>21 582</b>	<b>21 582</b>	<b>(75 723)</b>	<b>35 801</b>	<b>33 178</b>	<b>34 616</b>
<b>Non current liabilities</b>											
Borrowing		–	–	–	–	–	–	–	–	–	–
Provisions		–	–	–	–	–	–	–	–	–	–
<b>Total non current liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>		<b>8 593</b>	<b>7 538</b>	<b>26 766</b>	<b>21 307</b>	<b>21 582</b>	<b>21 582</b>	<b>(75 723)</b>	<b>35 801</b>	<b>33 178</b>	<b>34 616</b>

<b>NET ASSETS</b>	5	-	-	20 055	42 291	51 347	51 347	116 013	483 729	613 813	668 051
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		-	-	(142)	42 291	51 384	51 384	(152 096)	483 729	613 813	668 051
Reserves	4	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	-	-	(142)	42 291	51 384	51 384	(152 096)	483 729	613 813	668 051

### Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice and improves understand ability for councillors 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 largely 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. Table 19 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. 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.
5. 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 18 MBRR Table A7 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

NC086 Kgatelopele - Table A7  
Budgeted Cash Flows

Description  R thousand	R ef	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		–	–	–	19 584	19 451	19 451	–	18 905	19 755	20 644
Service charges		–	–	–	51 921	51 647	51 647	–	60 902	63 277	66 125
Other revenue		–	–	–	7 607	7 654	7 654	–	4 471	4 454	4 543
Transfers and Subsidies - Operational	1	–	–	–	28 749	32 372	32 372	–	30 350	31 203	31 543
Transfers and Subsidies - Capital	1	–	–	–	18 020	21 845	21 845	–	90 594	131 612	157 462
Interest		–	–	–	–	–	–	–	368	384	402
Dividends		–	–	–	–	–	–	–	–	–	–
<b>Payments</b>											
Suppliers and employees		–	–	(23 217)	(95 032)	(97 548)	(97 548)	23 217	(107 400)	(110 763)	(114 078)
Finance charges		–	–	–	(133)	(199)	(199)	–	(163)	(130)	(91)
Transfers and Grants	1	–	–	–	–	–	–	–	–	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		–	–	(23 217)	30 716	35 221	35 221	23 217	98 028	139 792	166 550
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		–	–	–	451	451	451	–	–	–	–
Decrease (increase) in non-current receivables									–	–	–
Decrease (increase) in non-current investments									–	–	–
<b>Payments</b>											
Capital assets		–	–	–	(19 300)	(26 584)	(26 584)	(121)	(93 564)	(131 920)	(157 817)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		–	–	–	(18 849)	(26 133)	(26 133)	(121)	(93 564)	(131 920)	(157 817)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	(1 525)	(59)	(67)
<b>Payments</b>											
Repayment of borrowing		–	–	–	–	–	–	–	–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		–	–	–	–	–	–	–	(1 525)	(59)	(67)
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		–	–	(23 217)	11 867	9 088	9 088	23 095	2 939	7 813	8 667
Cash/cash equivalents at the year begin:	2	–	–	4 430	3 712	4 857	4 857	4 430	18 500	21 439	29 251
Cash/cash equivalents at the year end:	2	–	–	(18 786)	15 579	13 945	13 945	27 525	21 439	29 251	37 918

**Table 19 Cash backed reserves/accumulated surplus reconciliation**

NC086 Kgatelopele - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description  R thousand	R ef	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	–	–	(18 786)	15 579	13 945	13 945	27 525	21 439	29 251	37 918
Other current investments > 90 days		–	–	15 688	10	10	10	(15 964)	–	–	–
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		–	–	(3 099)	15 590	13 956	13 956	11 561	21 439	29 251	37 918
<b>Application of cash and investments</b>											
Unspent conditional transfers		–	–	(3 402)	5 710	5 196	5 196	(51 526)	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	8 593	7 538	21 446	16 110	1 196	1 196	(14 900)	10 743	(49 032)	(51 569)
Other provisions		–	–	–	–	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		8 593	7 538	18 044	21 820	6 392	6 392	(66 426)	10 743	(49 032)	(51 569)
<b>Surplus(shortfall)</b>		(8 593)	(7 538)	(21 143)	(6 230)	7 564	7 564	77 987	10 696	78 284	89 487

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

### Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The 2021/22 financial year budget is funded with R 10,696 million.
4. As part of the budgeting and planning guidelines that informed the compilation of the 2021/22 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
5. As can be seen the budget has been modelled to ensure that the budget is funded.

**Table 20 MBRR Table A9 - Asset Management**

**NC086 Kgatelopele - Table A9 Asset Management**

Description  R thousand	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>CAPITAL EXPENDITURE</b>										
<b><u>Total New Assets</u></b>	1	-	-	20 400	14 659	18 384	18 384	88 564	119 920	144 842
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	1 780	2 000	2 000	2 000	3 000	6 000	3 000
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	62 367	105 102	132 809
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	15 597	8 020	11 845	11 845	20 227	8 510	8 678
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	17 376	10 020	13 845	13 845	85 594	119 612	144 487
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	359	359	359	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	359	359	359	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	65	1 300	1 300	1 300	270	308	355
Furniture and Office Equipment		-	-	702	700	600	600	-	-	-
Machinery and Equipment		-	-	-	2 030	2 030	2 030	2 700	-	-
Transport Assets		-	-	2 256	250	250	250	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b><u>Total Renewal of Existing Assets</u></b>	2	-	-	3 704	8 000	8 000	8 000	5 000	12 000	12 975



<i>Roads Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	-	-	3 704	8 000	8 000	8 000	5 000	12 000	12 975
<i>Sanitation Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	-	-	<b>3 704</b>	<b>8 000</b>	<b>8 000</b>	<b>8 000</b>	<b>5 000</b>	<b>12 000</b>	<b>12 975</b>
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>	-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>	-	-	-	-	-	-	-	-	-
<b>Land</b>	-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>	-	-	-	-	-	-	-	-	-
<b><u>Total Upgrading of Existing Assets</u></b>	6	-	-	<b>1 065</b>	-	<b>200</b>	<b>200</b>	-	-
<i>Roads Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-

Coastal Infrastructure Information and Communication Infrastructure		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
Infrastructure		-	-	-	-	-	-	-	-	
Community Facilities		-	-	-	-	-	-	-	-	
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	
Community Assets		-	-	-	-	-	-	-	-	
Heritage Assets		-	-	-	-	-	-	-	-	
Revenue Generating		-	-	-	-	-	-	-	-	
Non-revenue Generating		-	-	-	-	-	-	-	-	
Investment properties		-	-	-	-	-	-	-	-	
Operational Buildings		-	-	1 065	-	-	-	-	-	
Housing		-	-	-	-	-	-	-	-	
Other Assets		-	-	1 065	-	-	-	-	-	
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	
Servitudes		-	-	-	-	-	-	-	-	
Licences and Rights		-	-	-	-	-	-	-	-	
Intangible Assets		-	-	-	-	-	-	-	-	
Computer Equipment		-	-	-	-	-	-	-	-	
Furniture and Office Equipment		-	-	-	-	-	-	-	-	
Machinery and Equipment		-	-	-	200	200	-	-	-	
Transport Assets		-	-	-	-	-	-	-	-	
Land		-	-	-	-	-	-	-	-	
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	
	4	-	-	25 169	22 659	26 584	26 584	93 564	131 920	157 817
Total Capital Expenditure		-	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	1 780	2 000	2 000	2 000	3 000	6 000	3 000
Water Supply Infrastructure		-	-	3 704	8 000	8 000	8 000	67 367	117 102	145 784
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	15 597	8 020	11 845	11 845	20 227	8 510	8 678
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	21 080	18 020	21 845	21 845	90 594	131 612	157 462
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-

Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	1 065	359	359	359	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	<b>1 065</b>	<b>359</b>	<b>359</b>	<b>359</b>	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	65	1 300	1 300	1 300	270	308	355
Furniture and Office Equipment		-	-	702	700	600	600	-	-	-
Machinery and Equipment		-	-	-	2 030	2 230	2 230	2 700	-	-
Transport Assets		-	-	2 256	250	250	250	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		-	-	<b>25 169</b>	<b>22 659</b>	<b>26 584</b>	<b>26 584</b>	<b>93 564</b>	<b>131 920</b>	<b>157 817</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	-	26 117	48 549	50 504	50 504	465 678	519 050	561 522
Roads Infrastructure		-	-	-	12 800	10 200	10 200	34 352	35 692	37 191
Storm water Infrastructure		-	-	-	-	-	-	97 079	100 865	105 102
Electrical Infrastructure		-	-	2 714	10 520	10 890	10 890	47 990	52 969	52 083
Water Supply Infrastructure		-	-	3 744	8 000	8 000	8 000	119 077	171 087	202 198
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	15 597	8 020	11 845	11 845	23 858	12 283	12 610
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	<b>22 055</b>	<b>39 340</b>	<b>40 935</b>	<b>40 935</b>	<b>322 356</b>	<b>372 896</b>	<b>409 183</b>
<b>Community Assets</b>		-	-	1 013	5 570	5 830	5 830	52 168	54 230	56 541
<b>Heritage Assets</b>		-	-	-	-	-	-	1 151	1 196	1 246
<b>Investment properties</b>		-	-	-	-	-	-	51 845	53 867	56 130
<b>Other Assets</b>		-	-	-	359	359	359	7 795	8 099	8 439
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	5	-	-	-	191	199	207

Computer Equipment		-	-	13	300	300	300	449	469	490
Furniture and Office Equipment		-	-	684	700	600	600	355	371	388
Machinery and Equipment		-	-	90	2 030	2 230	2 230	12 667	10 355	10 790
Transport Assets		-	-	2 256	250	250	250	3 349	3 497	3 654
Land		-	-	-	-	-	-	13 351	13 871	14 454
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>26 117</b>	<b>48 549</b>	<b>50 504</b>	<b>50 504</b>	<b>465 678</b>	<b>519 050</b>	<b>561 522</b>
<b>EXPENDITURE OTHER ITEMS</b>		-	-	-	<b>12 535</b>	<b>12 535</b>	<b>12 535</b>	<b>13 975</b>	<b>19 742</b>	<b>11 174</b>
<u>Depreciation</u>	7	-	-	-	12 535	12 535	12 535	13 975	19 742	11 174
<u>Repairs and Maintenance by Asset Class</u>	3	-	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-

Land Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		-	-	-	12 535	12 535	12 535	13 975	19 742	11 174
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		0,0%	0,0%	18,9%	35,3%	30,8%	30,8%	5,3%	9,1%	8,2%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		0,0%	0,0%	0,0%	63,8%	65,4%	65,4%	35,8%	60,8%	116,1%
<i>R&amp;M as a % of PPE</i>		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>		0,0%	0,0%	18,0%	16,0%	16,0%	16,0%	1,0%	2,0%	2,0%

### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal/upgrading of existing assets, as well as spending on repairs and maintenance by asset class.
2. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF

### Table 21 MBRR Table A10 - Basic Service Delivery Measurement

The A10 is not populating our indigent information.

### Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Good progress is being made with the eradication of current services backlogs. Housing remains a challenge.
  - Electricity services – the current backlog has provisionally been eliminated.
3. The budget provides for 1 700 households to be registered as indigent in 2021/22, and therefore entitled to receiving Free Basic Services. The number is set to increase over the MTREF, especially by poor people seeking economic opportunities.
4. It is anticipated that the cost of these Free Basic Services will amount to R 11,419 million in 2021/22. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, other rates rebate also applies to households.

## **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 Full-time Councillors, Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

*The primary aims of the Budget Steering Committee are 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.

#### ***2.1.1 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 (i.e. in August 2016) a time schedule that sets out the process to prepare the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 28 August 2016.

Key dates applicable to the process were:

### *Round 1 of public participation*

Due to the Covid pandemic it was impossible for community participations to sit.

Kgatelopele Municipality will then embark on the 2<sup>nd</sup> round of its community engagement in order to give feedback on the progress made towards the needs of the community and their inputs to the budget. The 2<sup>nd</sup> round of community engagement are planned for the month of April 2021. The dates for the 2<sup>nd</sup> round of consultative meetings are planned as follows:

DATE	WARD NUMBER	TIME	VENUE

However, due to the Corona Virus Pandemic, consultation will be done by means of pamphlets will be issued for inputs. Ward committee members will facilitate this process.

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

This is the first year of the new generation IDP (2017/2022) to be considered and adopted by Council in May 2021. The Final IDP process started in January 2018 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2021/22 MTREF. The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions.

Service Delivery and Budget Implementation Plan. The Process Plan applicable to the Final IDP cycle included the following key IDP processes and deliverables:

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

The IDP will be taken into a business and financial planning process leading up to the 2021/22 MTREF, based on the approved 2020/2021 MTREF, mid-year review and

adjustments budget. The business planning process was subsequently refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2021/22 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2020/2021 Departmental Service Delivery and Budget. Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

#### Financial Modelling and Key Planning Drivers

As part of the compilation of the 2021/22 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2021/22 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate (trends, inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2020/2021 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- 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 Circulars 91 were taken into consideration in the planning and prioritisation process.

#### *Community Consultation on the Final Budget*

The Final 2021/22 MTREF, will be tabled in Council in May 2021 and will be made available to the community as follows:



Copies of the document can be viewed:

- At the offices of all Area Managers
- All public libraries within the municipality
- Municipal website

All documents in the appropriate format (electronic and printed) will be provided to National Treasury and Provincial Treasury in accordance with section 23 of the MFMA, to provide an opportunity for comment.

## **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 realised 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 new five-year IDP cycle is 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.

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

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan

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

The following table highlights the IDP's five strategic objectives for the 2019/20 MTREF and further planning refinements that have directly informed the compilation of the budget:

#### IDP Strategic Objectives

*SO, 1: To ensure the provision of sustainable basic services to our communities*

- Electricity: To provide all planned “households “with electricity energy connection and promote use of other alternative energy.
- Water & Sewer: Address the provision and maintenance of municipal service such as water and sewage removal.
- Roads & Storm water: Address the provision and maintenance of municipal services such as roads and storm water
- Housing: To facilitate the provision of sustainable human settlement, which promote human habitation.

*SO, 2: Conservation of the environment*

- Parks & Cemetery: Address the provision and maintenance of parks and cemeteries.
- Waste Removal: External provision, to ensure proper management of the service provider contracted to provide the service.

*SO, 3: To promote a conducive environment for economic development*

- Local Economic Development: To promote a conducive environment for enterprise support and development, and foster partnership that contributes to economic development.

*SO, 4: To ensure an effective and efficient financial viable municipality*

- Supply Chain Management: To ensure a credible process of procuring goods and service for the municipality.
- Expenditure: To ensure the timeous payment of all creditors within 30 days of the creditor’s statement, as prescribed in Chapter 8 of the municipal Finance Management act no 56 of 2003.
- Revenue: To ensure the timeous distribution of accurate service accounts and ensure that all money owed to the municipality are collected within 30 days.
- Budget & Treasury: Ensuring that the municipality produces a credible budget and ensuring adherence to the budget structure.
- Asset Management: To ensure the safekeeping, of all municipal assets, and ensure proper management over all assets to obtain the maximum financial benefit from these assets.

- Financial Systems: Ensuring the effective efficient management of the financial system in order to maintain accurate financial information.

*SO, 5: Democratic and accountable government*

- Council: To ensure good and accountable governance, that promotes the objectives of local government as enshrined in the RSA Constitution, Chapter 7, Section 152.
- Portfolio Committees: To ensure effective and efficient Council operation and enable oversight role of Council.
- Ward Committees: To ensure effective community participation in the affairs of local government so as to deepen democracy.

*SO, 6: Municipal Transformation and Organisational Development*

- Risk Management: Is to be responsible for enterprise risk management and fraud prevention management within the Kgatelopele Municipality. This entails development of policies, strategy & processes, development of fraud prevention, facilitating and advising on risk management issues. While promoting a culture of risk management amongst managers.
- Internal Auditing: To provide independent, objective assurance and consulting services design to add value and improve Kgatelopele Municipality operations. Driven by the following values; honesty, integrity, professionalism, accountability, objectivity and empathy, while ensuring good governance.
- Integrated Development Plan: To ensure formulation/development of a credible and realistic IDP.
- Performance Management System: To ensure the implementation of performance management system and promote a performance orientated organizational culture.
- Communication & Media Relation: To enhance & promote the role of the municipality and its operations in its area of jurisdiction in ways that contribute to the process of deepening democracy by: promoting awareness of economic opportunities, improve the culture of service delivery in the public service, build & promote partnership through public participation and communicate policies & information.
- Council Secretariat: To ensure efficient and effective operation of Council, and the record keeping thereof.

- Human Resource: Promote organizational cohesion. Effective human resource development and performance development and employment equity.
- Administration: Key systems, processes and structures to support governance and operational efficiency
  - o Housing: To provide sustainable human settlement suitable for human habitation.
  - o Land: Development of erven as informed by the Spatial Development Framework
  - o Library Services: Sufficient library service delivered to the community
  - o Traffic Services: Efficient traffic service regarding vehicle registration, learner's licenses and law enforcement
  - o Information Technology: Improved organizational stability and sustainability

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.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

Provision of quality basic services and infrastructure which includes, amongst others:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;
- Provide housing;
- Provide roads and storm water;
- Provide municipality planning services; and
- Maintaining the infrastructure of the Municipality.

Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for the Municipality;
- Ensuring planning processes function in accordance with set timeframes;
- Facilitating the use of labour-intensive approaches in the delivery of services and the building of infrastructure.

Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Extending waste removal services and ensuring effective municipality cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure maintenance strategy and the repairs and maintenance plan

Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organisational structure to optimize the use of personnel;

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

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years for infrastructure planning. This process is aimed at influencing the development path to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. It provides direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the new IDP of the 2017/2022 cycle, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area-based interventions, within the overall holistic framework;

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

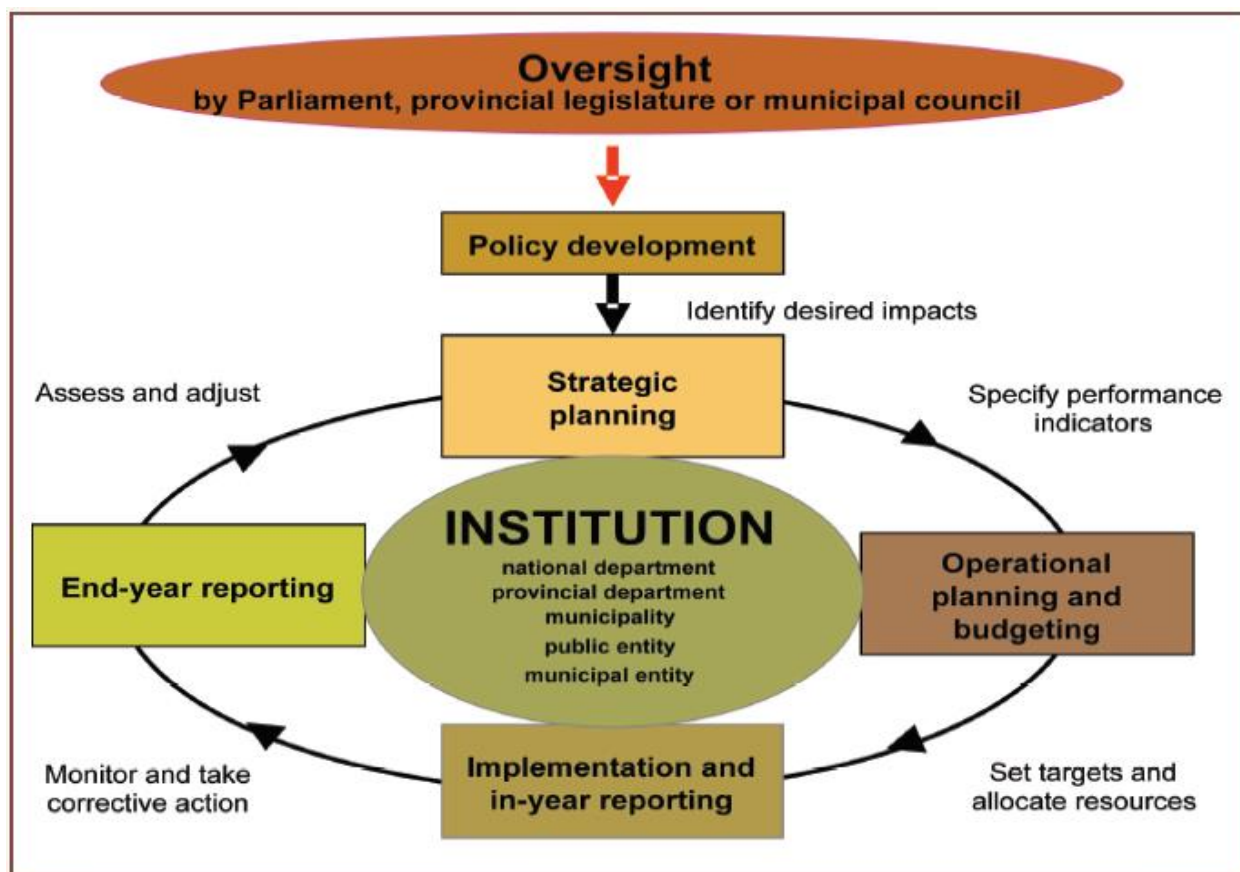
The 2021/22 MTREF has therefore been directly informed by the new Final five-year IDP process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

### **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 targets, 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 at each quarter, 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:



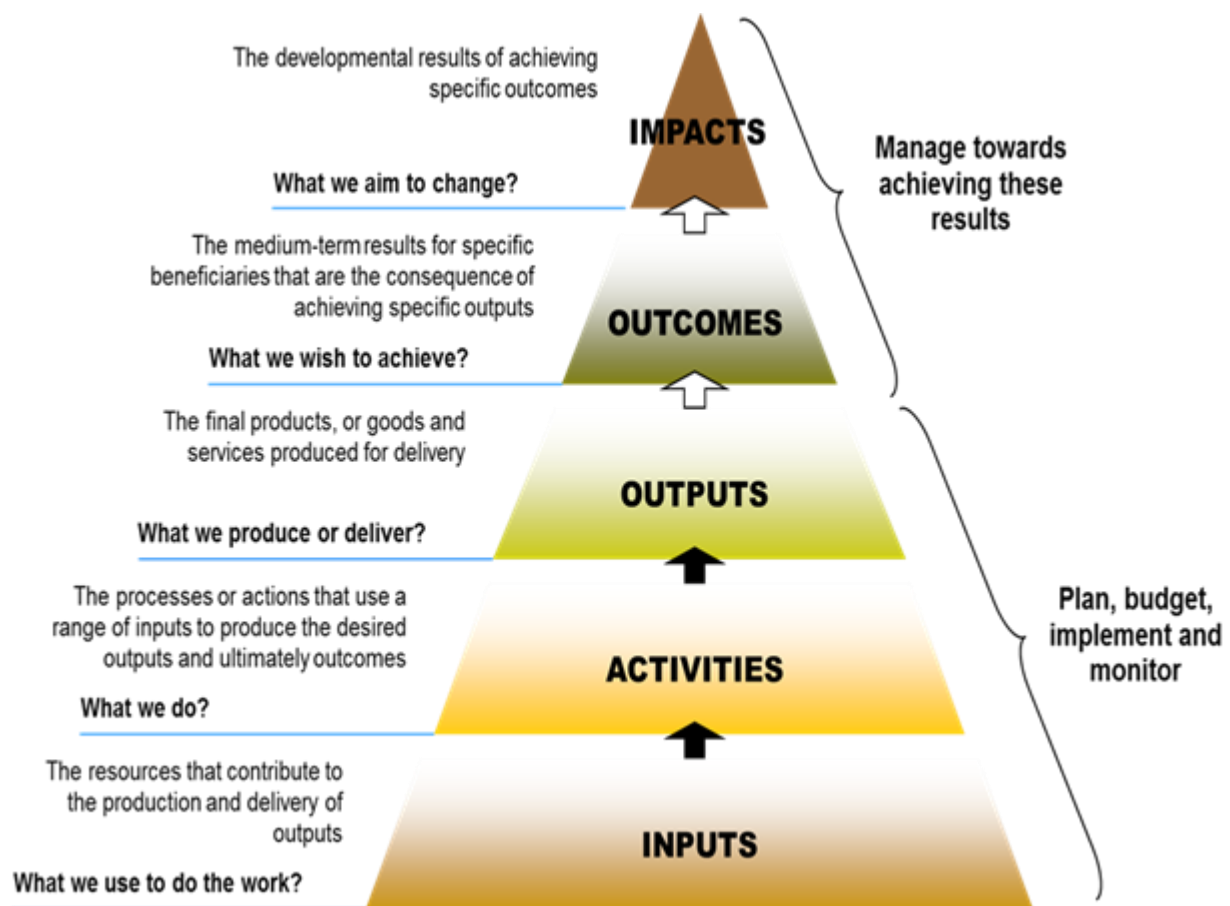


**Figure 5 Planning, budgeting and reporting cycle**

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 Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

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



**Figure 6 Definition of performance information concepts**

## Performance indicators and benchmarks

### *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, Kgatelopele'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. For the 2021/2022 financial year the municipality has no intention of

entering into any long term borrowings due affordability. The municipality also does not have any current long-term loans that need to be serviced.

The following financial performance indicators have formed part of the compilation of the 2021/22 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 remains steady. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality.

### **Indicators and ratios**

The key financial indicators and ratios mentioned below are disclosed in 'Supporting Table SA8: Performance indicators and benchmarks':

- Borrowing management
- Safety of capital
- Liquidity
- Debtors' and creditors' management
- Mix of expenditure types
- Mix of revenue sources
- Unaccounted for losses in respect of services rendered

Funding measure ratios are disclosed in 'Supporting Table SA10: Funding measurement'.

### **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.

For the 2021/22 financial year 1 700 registered indigents have been provided for in the budget with this figured increasing from the actual registered indigents of 2021/22. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, sanitation service charge and free waste removal once a week, as well as a rebate on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 23 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

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

The municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The municipality bulk water provides the service by making use of its own water sources, such as boreholes. An additional reservoir was concluded in the 2016/2017 financial year.

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

Upgrading of the existing sewerage system is part of the multi-year project that started in the current financial year, to be concluded in the 2017/2018 financial, this will aid the municipality to meet the minimum Green Drop certification standards.

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

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- The municipality has almost reached its electricity capacity.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan through registered MIG projects;
- The filling of key personnel vacancies has commenced
- Project cost estimate has been received from Eskom for the increasing of the current capacity

## **OVERVIEW OF BUDGET RELATED POLICIES**

### *Overview of budget related-policies*

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

### *Budget Policy*

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

### *Property rate Policy*

Changes in the property rates policy include the addition of rebates for game farms, guesthouses and small holdings. The exclusion of the category 'State Owned' and inclusion of 'Public Service Purpose'.

### *Virement Policy*

The 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.

### *Tariff Policy*

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The decreasing of interest rate from prime plus 1 to 3%. The municipality included a tariff for clearing of sites, penalty for electricity tempering done by businesses.

Changes in the tariff policy was the exemption of churches from refuse charges. The ratio of agricultural use of land was aligned with the Local Municipality Property Tax Rates Act.

The following policies have also been subject to review:

- Indigent Policy;
- Property Rates Policy;
- Tariff Policy;
- SCM Policy;
- Bad Debt Policy;
- Credit Control Policy;

## **OVERVIEW OF BUDGET ASSUMPTIONS**

### External factors

The assumption are made taking into consideration the current challenges and opportunities the municipality is facing. The effects of the national lockdown and the pandemic on the livelihood of our consumers is also factored into the anticipated indigent target, the collection rate and billing. Upwards pressure of the national lockdown on the economy is also evident in the inflation rate and the Rand continues to weaken against leading currencies.

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

There are five key factors that have been taken into consideration in the compilation of the 2021/22

### MTREF:

- Effects of the global pandemic
- 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 electricity and fuel; and
- The increase in the cost of remuneration. Employee related costs comprise 37 per cent of total operating expenditure in the 2021/22 MTREF and therefore increases above inflation places a disproportionate upward pressure on the expenditure budget

### *Collection rate for revenue services*

The base assumption is that tariff and rating increases will increase at a rate linked to CPI over the medium term. It is also assumed that current economic conditions, and relative inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (87 per cent) of annual billings. Cash flow is assumed to be 87 per cent of billings from an increased collection of arrear debt. Currently the municipality is collecting more than what it is billing per month, however, money collected is first allocated to the arrears, those who don't have arrears the money they pay is allocated to current, taking this into consideration the current collection rate will always look lower, this includes the collection per month on the total debtor's book, (R4 million average per month on the R70million owed)

The Municipality has in place a fair but rigorous credit control policy. The municipality has also put in place additional measures to ensure convenient payment of services by creating payment point at local grocery stores, emailing and SMSing municipal accounts. Furthermore, its policy on indigent support means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt, the indigent process is kept open through out the year to accommodate the change in lifestyle.

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

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

The revised headline CPI forecasts from National Treasury for 2021/22, 2021/22 and 2022/23 are 4.1%, 4.4% and 4.5% respectively. The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies. NT has communicated that any rate or tariff increase above CPI must be fully communicated to the community.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for



servicing the household exist, but that no consumer revenue is derived as the 'poor household' mainly limits consumption to the level of free basic services.

### *Salary increases*

The new collective agreement regarding salaries/wages has not been signed for the 1<sup>st</sup> July 2021. An assumption is made that the increase will be 6.5% based on the current financial year.

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

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

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

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

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

It is estimated that a spending rate of at least 80 per cent could be achieved on operating expenditure and 100 per cent on the capital programme for the 2021/22 MTREF.

## OVERVIEW OF BUDGET FUNDING

### Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer to Section 4, 'Table A8: Cash backed reserves/accumulated surplus reconciliation' and Annexure 2, 'Supporting Table SA10: Funding measurement'.

### *Fiscal Overview of Kgatelopele Municipality*

Kgatelopele Municipality has over recent years facing cash-flow constraints and being grant depended. The municipality has also strived to have a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management. Kgatelopele has received a qualified audit report in the 2019/2020 financial year. Kgatelopele Municipality is on the pathway to meet the deadline for implementing National Treasury's MSCOA Chart of Accounts effective 1 July 2017 and will be amongst other municipalities in South Africa to do so.

The table below is a breakdown of the operating revenue A4

**Table 22 MBRR SA22 - Summary councillor and staff benefits**
**NC086 Kgatelopele - Supporting Table SA22 Summary councillor and staff benefits**

Summary of Employee and Councillor remuneration  R thousand	R ef	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b><u>Councillors (Political Office Bearers plus Other)</u></b>	1	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages		–	–	2 389	2 316	2 316	2 316	3 247	3 390	3 542
Pension and UIF Contributions		–	–	–	–	–	–	–	–	–
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance		–	–	–	–	–	–	–	–	–
Cellphone Allowance		–	–	314	291	291	291	300	313	327
Housing Allowances		–	–	–	–	–	–	–	–	–
Other benefits and allowances		–	–	–	–	–	–	–	–	–
<b>Sub Total - Councillors</b>		–	–	<b>2 703</b>	<b>2 608</b>	<b>2 608</b>	<b>2 608</b>	<b>3 547</b>	<b>3 703</b>	<b>3 870</b>
<b>% increase</b>	4		–	–	(3,5%)	–	–	<b>36,0%</b>	<b>4,4%</b>	<b>4,5%</b>
<b><u>Senior Managers of the Municipality</u></b>	2									
Basic Salaries and Wages		–	–	1 977	1 635	1 635	1 635	1 610	1 189	1 261
Pension and UIF Contributions		–	–	(20)	5	5	5	8	9	9
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	–	–	321	383	383	383	376	398	422
Cellphone Allowance	3	–	–	165	163	163	163	–	–	–
Housing Allowances	3	–	–	351	383	383	383	537	569	603
Other benefits and allowances	3	–	–	393	354	354	354	296	314	332
Payments in lieu of leave		–	–	–	33	33	33	–	–	–
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
<b>Sub Total - Senior Managers of Municipality</b>		–	–	<b>3 187</b>	<b>2 954</b>	<b>2 954</b>	<b>2 954</b>	<b>2 826</b>	<b>2 479</b>	<b>2 628</b>
<b>% increase</b>	4		–	–	(7,3%)	–	–	<b>(4,3%)</b>	<b>(12,3%)</b>	<b>6,0%</b>
<b><u>Other Municipal Staff</u></b>										
Basic Salaries and Wages		–	–	21 222	23 942	23 935	23 935	22 090	21 765	23 079
Pension and UIF Contributions		–	–	3 788	4 458	4 549	4 549	8 636	12 102	12 440
Medical Aid Contributions		–	–	1 943	2 149	2 240	2 240	4 941	4 965	5 259
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	1 692	1 824	1 824	1 824	2 070	1 914	2 024

Motor Vehicle Allowance	3	–	–	84	84	84	84	84	89	95
Cellphone Allowance	3	–	–	14	10	10	10	10	10	11
Housing Allowances	3	–	–	66	118	118	118	16	16	17
Other benefits and allowances	3	–	–	1 803	1 321	1 797	1 797	1 264	1 039	1 419
Payments in lieu of leave		–	–	34	887	887	887	572	606	642
Long service awards		–	–	64	4	4	4	17	18	19
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
<b>Sub Total - Other Municipal Staff</b>		–	–	<b>30 710</b>	<b>34 797</b>	<b>35 449</b>	<b>35 449</b>	<b>39 699</b>	<b>42 525</b>	<b>45 006</b>
<b>% increase</b>	4		–	–	13,3%	1,9%	–	12,0%	7,1%	5,8%
<b>Total Parent Municipality</b>		–	–	<b>36 600</b>	<b>40 359</b>	<b>41 010</b>	<b>41 010</b>	<b>46 072</b>	<b>48 707</b>	<b>51 503</b>
			–	–	10,3%	1,6%	–	12,3%	5,7%	5,7%

## MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

**Table 23 MBRR SA25 - Budgeted monthly revenue and expenditure**

**NC086 Kgatelopele - Supporting Table SA25 Budgeted monthly revenue and expenditure**

Description	R e f	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
		July	Aug ust	Sept .	Octo ber	Nov emb er	Dece mbe r	Janu ary	Febr uary	Marc h	April	May	June	Budg et Year 2021/ 22	Budg et Year +1 2022/ 23	Budg et Year +2 2023/ 24
<b>Revenue By Source</b>	–															
Property rates		1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	21 605	22 556	23 571
Service charges - electricity revenue		2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	35 405	36 998	38 663
Service charges - water revenue		1 313	1 313	1 313	1 313	1 313	1 313	1 313	1 313	1 313	1 313	1 313	1 313	15 760	16 470	17 211
Service charges - sanitation revenue		667	667	667	667	667	667	667	667	667	667	667	667	8 004	8 364	8 740
Service charges - refuse revenue		869	869	869	869	869	869	869	869	869	869	869	869	10 433	10 903	11 393
Rental of facilities and equipment		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Interest earned - external investments		30	30	30	30	30	30	30	30	30	30	30	30	361	374	388
Interest earned - outstanding debtors		31	31	31	31	31	31	31	31	31	31	31	31	368	384	402
Dividends received		168	168	168	168	168	168	168	168	168	168	168	168	2 021	1 535	1 604
Fines, penalties and forfeits		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Licences and permits		99	99	99	99	99	99	99	99	99	99	99	99	1 191	850	811
Agency services		79	79	79	79	79	79	79	79	79	79	79	79	949	991	1 036
		35	35	35	35	35	35	35	35	35	35	35	35	416	435	454

Transfers and subsidies	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	30 350	37 203	34 543
Other revenue	130	130	130	130	130	130	130	130	130	130	130	130	1 554	1 797	1 847
Gains	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>10 701</b>	<b>128 418</b>	<b>138 860</b>	<b>140 664</b>
<b>Expenditure By Type</b>	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Employee related costs	3 544	3 544	3 544	3 544	3 544	3 544	3 544	3 544	3 544	3 544	3 544	3 544	42 525	45 004	47 633
Remuneration of councillors	296	296	296	296	296	296	296	296	296	296	296	296	3 547	3 703	3 870
Debt impairment	373	373	373	373	373	373	373	373	373	373	373	373	4 472	5 366	7 513
Depreciation & asset impairment	1 165	1 165	1 165	1 165	1 165	1 165	1 165	1 165	1 165	1 165	1 165	1 165	13 975	19 742	11 174
Finance charges	14	14	14	14	14	14	14	14	14	14	14	14	163	130	91
Bulk purchases - electricity	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	25 754	26 888	28 098
Inventory consumed	232	232	232	232	232	232	232	232	232	232	232	232	2 790	2 230	2 485
Contracted services	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	15 244	14 760	13 105
Transfers and subsidies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	17 839	18 492	19 210
Losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total Expenditure</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>126 309</b>	<b>136 315</b>	<b>133 178</b>
<b>Surplus/(Deficit)</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>2 109</b>	<b>2 544</b>	<b>7 485</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	90 594	133 612	160 462
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>92 703</b>	<b>136 156</b>	<b>167 947</b>
Taxation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Attributable to minorities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit)</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>1 7 725</b>	<b>92 703</b>	<b>136 156</b>	<b>167 947</b>

**Table 24 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

**NC086 Kgatelopele - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)**

Description	R e f	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Revenue by Vote</b>	–															
Vote 1 - Executive and Council		140	140	140	140	140	140	140	140	140	140	140	140	1 679	1 731	1 798
Vote 2 - Office of the Municipal Manager		15	15	15	15	15	15	15	15	15	15	15	15	179	188	197
Vote 3 - Finance Services		4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	52 766	61 235	59 570
Vote 4 - Corporate Services		1	1	1	1	1	1	1	1	1	1	1	1	14	15	16
Vote 5 - Technical and Community Services		13 698	13 698	13 698	13 698	13 698	13 698	13 698	13 698	13 698	13 698	13 698	13 698	164 374	209 302	239 545
Vote 6 - Technical and Community Services2		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
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>		<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>219 012</b>	<b>272 472</b>	<b>301 126</b>
<b>Expenditure by Vote to be appropriated</b>	–															
Vote 1 - Executive and Council		440	440	440	440	440	440	440	440	440	440	440	440	5 277	4 792	4 976
Vote 2 - Office of the Municipal Manager		366	366	366	366	366	366	366	366	366	366	366	366	4 391	4 243	4 710
Vote 3 - Finance Services		2 336	2 336	2 336	2 336	2 336	2 336	2 336	2 336	2 336	2 336	2 336	2 336	28 029	29 449	29 497
Vote 4 - Corporate Services		952	952	952	952	952	952	952	952	952	952	952	952	11 421	14 161	15 103
Vote 5 - Technical and Community Services		5 941	5 941	5 941	5 941	5 941	5 941	5 941	5 941	5 941	5 941	5 941	5 941	71 294	76 412	73 159
Vote 6 - Technical and		491	491	491	491	491	491	491	491	491	491	491	491	5 896	7 258	5 734

Community Services2																
Vote 7 - [NAME OF VOTE 7]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>126 309</b>	<b>136 315</b>	<b>133 178</b>	
<b>Surplus/(Deficit) before assoc.</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>92 703</b>	<b>136 156</b>	<b>167 947</b>	
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/(deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1 7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>92 703</b>	<b>136 156</b>	<b>167 947</b>	

**Table 25 MBRR SA27 - Budgeted monthly revenue and expenditure (functional classification)**

**NC086 Kgatelopele - Supporting Table SA27 Budgeted monthly revenue and expenditure (functional classification)**

Description	R e f	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Revenue - Functional</b>	-															
<b>Governance and administration</b>		4 553	4 553	4 553	4 553	4 553	4 553	4 553	4 553	4 553	4 553	4 553	4 553	54 638	63 169	61 581
Executive and council		155	155	155	155	155	155	155	155	155	155	155	155	1 858	1 919	1 995
Finance and administration		4 398	4 398	4 398	4 398	4 398	4 398	4 398	4 398	4 398	4 398	4 398	4 398	52 780	61 250	59 586
Internal audit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		169	169	169	169	169	169	169	169	169	169	169	169	2 028	955	957
Community and social services		166	166	166	166	166	166	166	166	166	166	166	166	1 995	921	921
Sport and recreation		3	3	3	3	3	3	3	3	3	3	3	3	32	34	35
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>1 441</b>	<b>1 505</b>	<b>1 573</b>
Planning and development	2	2	2	2	2	2	2	2	2	2	2	2	26	27	28
Road transport	118	118	118	118	118	118	118	118	118	118	118	118	1 415	1 478	1 545
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>13 409</b>	<b>160 906</b>	<b>206 843</b>	<b>237 015</b>
Energy sources	3 260	3 260	3 260	3 260	3 260	3 260	3 260	3 260	3 260	3 260	3 260	3 260	39 114	45 494	45 208
Water management	6 927	6 927	6 927	6 927	6 927	6 927	6 927	6 927	6 927	6 927	6 927	6 927	83 127	133 572	162 995
Waste water management	2 353	2 353	2 353	2 353	2 353	2 353	2 353	2 353	2 353	2 353	2 353	2 353	28 231	16 874	17 418
Waste management	869	869	869	869	869	869	869	869	869	869	869	869	10 433	10 903	11 393
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue - Functional</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>18 251</b>	<b>219 012</b>	<b>272 472</b>	<b>301 126</b>
<b>Expenditure - Functional</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Governance and administration</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>4 062</b>	<b>48 742</b>	<b>52 246</b>	<b>53 864</b>
Executive and council	612	612	612	612	612	612	612	612	612	612	612	612	7 344	6 680	7 093
Finance and administration	3 316	3 316	3 316	3 316	3 316	3 316	3 316	3 316	3 316	3 316	3 316	3 316	39 792	43 873	44 983
Internal audit	134	134	134	134	134	134	134	134	134	134	134	134	1 606	1 694	1 787
<b>Community and public safety</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>6 101</b>	<b>5 681</b>	<b>5 884</b>
Community and social services	416	416	416	416	416	416	416	416	416	416	416	416	4 993	5 130	5 289
Sport and recreation	92	92	92	92	92	92	92	92	92	92	92	92	1 109	551	594
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>9 087</b>	<b>10 213</b>	<b>8 759</b>
Planning and development	121	121	121	121	121	121	121	121	121	121	121	121	1 449	1 117	1 055
Road transport	636	636	636	636	636	636	636	636	636	636	636	636	7 638	9 096	7 704
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>5 198</b>	<b>62 379</b>	<b>68 174</b>	<b>64 672</b>
Energy sources	2 822	2 822	2 822	2 822	2 822	2 822	2 822	2 822	2 822	2 822	2 822	2 822	33 865	36 254	34 978
Water management	621	621	621	621	621	621	621	621	621	621	621	621	7 457	9 025	8 481
Waste water management	843	843	843	843	843	843	843	843	843	843	843	843	10 116	11 363	9 992



Waste management		912	912	912	912	912	912	912	912	912	912	912	912	10 941	11 532	11 221
<i>Other</i>		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total Expenditure - Functional</b>		<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>10 526</b>	<b>126 309</b>	<b>136 315</b>	<b>133 178</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>92 703</b>	<b>136 156</b>	<b>167 947</b>
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>7 725</b>	<b>92 703</b>	<b>136 156</b>	<b>167 947</b>

**Table 26 MBRR SA29 - Budgeted monthly capital expenditure (functional classification)**

**NC086 Kgatelopele - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)**

Description	R e f	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Capital Expenditure - Functional</b>	<b>1</b>															
<b>Governance and administration</b>																
Executive and council		23	23	23	23	23	23	23	23	23	23	23	23	270	308	355
Finance and administration		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Internal audit		23	23	23	23	23	23	23	23	23	23	23	23	270	308	355
<b>Community and public safety</b>																
Community and social services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>																
Planning and development		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Road transport		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Trading services</b>		<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>7 775</b>	<b>93 294</b>	<b>131 612</b>	<b>157 462</b>
Energy sources		475	475	475	475	475	475	475	475	475	475	475	475	5 700	6 000	3 000
Water management		5 614	5 614	5 614	5 614	5 614	5 614	5 614	5 614	5 614	5 614	5 614	5 614	67 367	117 102	145 784

Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		1 686	1 686	1 686	1 686	1 686	1 686	1 686	1 686	1 686	1 686	1 686	1 686	20 227	8 510	8 678
<b>Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>2</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>93 564</b>	<b>131 920</b>	<b>157 817</b>
<b>Funded by:</b>																
National Government		7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	90 594	131 612	157 462
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>		<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>7 550</b>	<b>90 594</b>	<b>131 612</b>	<b>157 462</b>
<b>Borrowing Internally generated funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		248	248	248	248	248	248	248	248	248	248	248	248	2 970	308	355
<b>Total Capital Funding</b>		<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>7 797</b>	<b>93 564</b>	<b>131 920</b>	<b>157 817</b>

**Table 27 MBRR SA30 - Budgeted monthly cash flow**

**NC086 Kgatelopele - Supporting  
Table SA30 Budgeted monthly  
cash flow**

MONTHLY CASH FLOWS	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Cash Receipts By Source</b>															
Property rates	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	18 905	19 755	20 644
Service charges - electricity revenue	2 582	2 582	2 582	2 582	2 582	2 582	2 582	2 582	2 582	2 582	2 582	2 582	30 979	32 187	33 636

Service charges - water revenue	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	13 790	14 328	14 973
Service charges - sanitation revenue	584	584	584	584	584	584	584	584	584	584	584	584	7 003	7 277	7 604
Service charges - refuse revenue	761	761	761	761	761	761	761	761	761	761	761	761	9 129	9 485	9 912
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	30	30	30	30	30	30	30	30	30	30	30	30	361	374	388
Interest earned - external investments	31	31	31	31	31	31	31	31	31	31	31	31	368	384	402
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	99	99	99	99	99	99	99	99	99	99	99	99	1 191	850	811
Licences and permits	79	79	79	79	79	79	79	79	79	79	79	79	949	991	1 036
Agency services	35	35	35	35	35	35	35	35	35	35	35	35	416	435	454
Transfers and Subsidies - Operational	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	2 529	30 350	31 203	31 543
Other revenue	130	130	130	130	130	130	130	130	130	130	130	130	1 555	1 803	1 854
<b>Cash Receipts by Source</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>9 583</b>	<b>114 996</b>	<b>119 074</b>	<b>123 257</b>
<b>Other Cash Flows by Source</b>															
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	7 550	90 594	131 612	157 462
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on Disposal of Fixed and Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(1 525)	(59)	(67)
Decrease (increase) in non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Receipts by Source</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>17 005</b>	<b>204 065</b>	<b>250 626</b>	<b>280 652</b>
<b>Cash Payments by Type</b>															
Employee related costs	3 839	3 839	3 839	3 839	3 839	3 839	3 839	3 839	3 839	3 839	3 839	3 839	46 072	48 707	51 503
Remuneration of councillors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance charges	14	14	14	14	14	14	14	14	14	14	14	14	163	130	91
Bulk purchases - electricity	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	2 146	25 754	26 888	28 098

Acquisitions - water & other inventory	207	207	207	207	207	207	207	207	207	207	207	207	2 490	1 916	2 162
	-	-	-	-	-	-	-	-	-	-	-	-			
Contracted services	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	1 270	15 244	14 760	13 105
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	1 487	17 839	18 492	19 210
<b>Cash Payments by Type</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>8 964</b>	<b>107 562</b>	<b>110 893</b>	<b>114 169</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	7 797	7 797	7 797	7 797	7 797	7 797	7 797	7 797	7 797	7 797	7 797	7 797	93 564	131 920	157 817
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Payments by Type</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>16 761</b>	<b>201 127</b>	<b>242 814</b>	<b>271 985</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>2 939</b>	<b>7 813</b>	<b>8 667</b>
Cash/cash equivalents at the month/year begin:	18 500	18 745	18 990	19 235	19 480	19 724	19 969	20 214	20 459	20 704	20 949	21 194	18 500	21 439	29 251
Cash/cash equivalents at the month/year end:	18 745	18 990	19 235	19 480	19 724	19 969	20 214	20 459	20 704	20 949	21 194	21 439	21 439	29 251	37 918

## Final Annual budgets and SDBIP

The SDBIP was tabled in Council meeting held on 31 May 2021

### Capital Expenditure Details

Capital details are shown in Annexure 1 and 2 on following tables:

- 'Main Table A5: Capex (capital expenditure)'
- Main Table A9: Asset Management (capital expenditure, Asset Register, Depreciation, and R&M)'
- 'Supporting Table SA6: Reconciliation of IDP strategic objectives and budget (capital expenditure)'
- 'Supporting Table SA28: Monthly Capital Expenditure by Municipal Vote (capital expenditure)'
- 'Supporting Table SA29: Monthly Capital Expenditure by GFS and Funding Source (capital expenditure)'
- 'Supporting Table SA34a: Capital expenditure on new assets by asset class'

- 'Supporting Table SA34b: Capital expenditure on the renewal of existing assets by asset class'
- 'Supporting Table SA36: Detailed capital budget'

## **LEGISLATION COMPLIANCE STATUS**

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities, including progress made or delays experienced in implementation.

### *Municipal Finance Management Act - No 56 of 2003*

The MFMA became effective on 1st July 2004. It covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

### *The MFMA and the budget*

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA. The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed deficit funds from the previous year and borrowings (the latter for capital items only).

### *Other Legislation*

In addition to the MFMA, the following legislation also influences Municipality budgeting;

### The Division of Revenue Act and Provincial Budget Announcements

Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations. Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget.

Section 18 of the MFMA states, “annual budgets may only be funded from reasonably anticipated revenues to be collected”. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

### The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy. Section 20 – Other supporting documents.

## **Other supporting documents**

Various supporting documents are attached to enable the reader a fuller understanding of the various processes involved. These are the following:

### **Annexure 1 – 2020-2021 MTREF Main Budget Tables version 6.3**

Tables A1 to A10

### **Annexure 2 – 2020-2021 MTREF Supporting Budget Tables version 6.3**

Supporting Tables SA1 to SA37

**Annexure 3 – Three prior years outcome and current year main  
Supporting Budget Tables**

**Annexure 4 –2021/2022 NT Circular and guidelines**  
Circular 82, 99

**Annexure 5 – Tariffs\*, Charges and Fees for 2021/2022**

**Annexure 5 – Policies**

- Tariff

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