

TSWELOPELE LOCAL MUNICIPALITY

FS 183

CIVIC CENTRE, BOSMAN STREET

BULTFONTEIN, 9670

051 853 1111

www.tswelopele.gov.za

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MTREF

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CIRCULARS**

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PART 1

1. Mayoral Report by Acting Mayor: Baleni

The Mayoral Speech to be presented during the Budget meeting..

2. Budget resolution by Council

The resolution to be included post the budget meeting..

3. Executive summary

Tswelopele Local Municipality serves the community of Bultfontein and Hoopstad as well as Phahameng and Tikwana.

According to *Census 2011* Tswelopele Local Municipality had 11 992 households, majority of which are poor. Section 153 of the Constitution of the Republic of South Africa outlines the developmental duties of the municipality to include; “*structuring and managing the administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community*”.

Tswelopele Local Municipality budget process started in August 2020, when the Municipal Council approved budget timelines as required by legislation. Subsequent to the approval the schedule was sent to the relevant stakeholders and the processes pertaining to the review of the IDP and compilation of the draft annual budget been undertaken as per the schedule [with immaterial deviations from the schedule as adopted by Council].

The 2021/2022 Draft Budget was tabled to council in March 2020 as per the provisions of Municipal Finance Management Act 56 of 2003; section 16 (2).

The draft budget went for public participation process in order to source inputs form the community as well as other the stakeholders. Public participation was conducted through public meetings. During these gatherings, all COVID 19 protocols were observed and all the meetings succeeded. The public participation was also conducted through district radio station, The Rock FM. Majority of the inputs from the community related mainly to service delivery and other matters affecting community.

The municipality took note of these inputs and made commitment to address them gradually depending on ‘*community needs-priority*’ and availability of resources.

Form this budget, it is evident that the municipality vastly depends on grants from national government as majority of its revenue is made up of equitable shares and some other grants, [i.e. Financial Management Grant, Lejweleputswa district municipality grant, and a grant from Public works]. Table SA 18 on the municipality annual budget tables clearly distinguishes between all this different allocations, total operating grants allocated to the municipality amount to R 84.6 million, and total capital grants allocation amount to R 29.1 million. As a result, some of the inputs gathered from the public participation remains just a wish-list as the municipality is unable to afford funding of some of the projects from its internal funding.

National Treasury MFMA Circulars were used to guide in the compilation of the 2021/2022 Medium Term revenue and expenditure framework. The following budget principles and guidelines informed the compilation of the 2020/2021 Medium Term revenue and expenditure framework:

- 2020/2021 MFMA Section 72 report – mid-term assessment report
- 2020/2021 Adjustment Budget
- Average CPI from 1 April 2021 to 31 March 2022
- National Treasury guidelines
- Inputs from stakeholders (public participation)

Total revenue is anticipated to grow in the mid-term. The growth will be informed by the increase in tariffs on service charges and increase in operational grants allocation. The municipality aligned its budget to the national and provincial priorities, mentioned below are some of the National and Provincial priorities:

- ▣ National Priorities
 - ▣ Increase access to basic services
 - ▣ Sustainable employment growth through increased public investment spending
- ▣ Provincial priorities
 - ▣ Fighting Poverty
 - ▣ Reduce Crime

Tswelopele Local Municipality prepared its budget with all these priorities in consideration [e.g. sustainable employment: job creation through MIG and EPWP and provincial priorities such as fighting poverty]. Currently the municipality has eradicated all the buckets in its jurisdiction except in new extensions.

Currently there is a project of construction of toilets in extension 7 and 8 in progress. This budget is catering for construction of toilets structures in extension 9. All households have access to water, mentioned below is the progress made to address any backlogs in the municipality:

- All households have access to water and sanitation
- All households are connected to public sewerage network

3.1. Operating revenue overview

Tswelopele Local Municipality is in process of reviewing its Revenue Enhancement Strategy. The following key components are taken in to consideration in review of the strategy:

- National Treasury MFMA Circulars
- Electricity Tariff increases as applied to National Electricity Regulator of South Africa
- Latest Valuation roll in terms of Municipal Property Rates Act, Act 6 of 2004 as amended
- Municipality's indigent policy
- Tariff Policy of the Municipality
- Tariff Increases for Water, Refuse and Sewerage
- Targeted revenue collection rate averaging over 95% of the billed revenue

The table in the next page summarises the 2021/2022 revenue by source. As it can be seen from the table below, the revenue of the Municipality will increase in the Medium term, the main contributor is revenue from National Transfers (Grants):

Description R thousand	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Revenue By Source											
Property rates	2	15 854	22 738	21 200	21 000	21 000	21 000	21 000	24 948	26 445	28 164
Service charges - electricity revenue	2	24 801	27 710	40 000	42 475	42 475	42 475	42 475	50 036	53 038	56 485
Service charges - water revenue	2	3 037	3 048	6 000	6 300	6 300	6 300	6 300	6 678	7 079	7 539
Service charges - sanitation revenue	2	4 569	4 244	6 700	7 385	7 385	7 385	7 385	7 828	8 298	8 837
Service charges - refuse revenue	2	3 022	2 665	4 500	4 920	4 920	4 920	4 920	5 215	5 528	5 887
Rental of facilities and equipment		737	608	667	590	525	525	525	593	629	669
Interest earned - external investments		654	1 025	900	1 100	1 100	1 100	1 100	1 300	1 378	1 468
Interest earned - outstanding debtors		702	197	500	500	250	250	250	265	281	299
Dividends received		20	51	104	100	100	100	100	100	106	113
Fines, penalties and forfeits		274	269	300	300	300	300	300	212	225	239
Licences and permits		28	22	25	50	50	50	50	90	95	102
Agency services		—	—	—	—	—	—	—			
Transfers and subsidies		62 528	62 602	77 206	82 114	94 521	94 521	94 521	84 620	87 562	86 265
Other revenue	2	1 160	551	1 009	1 301	1 301	1 301	1 301	1 706	1 374	1 463
Gains			324								
Total Revenue (excluding capital transfers and contributions)		117 386	126 054	159 111	168 135	180 227	180 227	180 227	183 591	192 036	197 530

Table 2: Operational Grants

FS183 Tswelopele - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2017/18	2018/19	2019/20	Current year 2020/21			2021/2022 Mediumm Term Revenue + Expenditure Frame-Work		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year + 2022/23	Budget Year + 2023/24
R thousand										
RECEIPTS:	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		62 527	69 989	76 977	77 362	91 168	91 168	84 620	87 562	86 265
Local Government Equitable Share		59 702	67 019	73 688	74 224	88 030	88 030	81 535	85 462	84 165
Finance Management		1 825	1 970	1 970	1 970	1 970	1 970	2 100	2 100	2 100
EPWP Incentive		1 000	1 000	1 319	1 168	1 168	1 168	985	-	-
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality:		50	50	50	50	50	50	50	50	50
Lejweleputswa		50	50	50	50	50	50	50	50	50
Other grant providers:		-	-	-	-	-	-	-	-	-
N/A										
Total Operating Transfers and Grants	5	62 577	70 039	77 027	77 412	91 218	91 218	84 670	87 612	86 315

Total grants received will increase in the MTREF due to increase in equitable share allocation.

However, it is a point of concern that the municipality will no longer receive the EPWP allocation. With municipality's limited resources, this suggests that municipality will have to discontinue appointing project workers for that are currently paid from this grant.

The following is the discussion of revenue from difference sources:

3.1.1. Electricity

Tswelopele Local Municipality comprises of 2 townships (Phahameng and Tikwana) and 2 towns (Bultfontein and Hoopstad), and according to the latest census 2011 result, the municipality has 11 992, out of this 11 992 households, the Municipality only sells electricity to about 1 350 households and the rest are serviced by Eskom. The Municipality buys bulk electricity from Eskom to sell to these households and businesses in Bultfontein and Hoopstad respectively.

National Energy Regulator of South Africa (NERSA) approved an average increase of 14.59% for the municipality for the year 2021/22 financial year. Tswelopele Local Municipality target indigent households as per the approved indigent register for free basic electricity. All indigent households receive 50Kwh on a monthly basis.

It is the municipality's target to install pre-paid electricity meters during 2021/2022 financial year to all households that are supplied by the municipality. This will improve municipality's collection rate on electricity and mitigate energy losses.

3.1.2. Water

The Municipality is currently billing townships on flat rate. In terms of the free basic services policy of the Municipality, each household within the municipality is entitled to get first 6 kl of water for free, and those who are hundred percent indigent gets free water for the whole month irrespective of the usage.

It is one of the municipality's long term target to bill each household on consumption-base in the future. However, the water infrastructure needs to be upgraded/fixed for this target to be achieved. Billing of townships on consumption-based will only be implemented when the water meters are fixed, which cannot be achieved in the current year due to budget constraints. The Municipality is increasing water tariff with an increase of 6% for 2021/2022 financial year.

3.1.3. Sanitation (Sewerage)

Sanitation tariff will increase with 6% from 1 July 2021. The following factors contributed to the proposed tariff:

- Sanitation charges are charged at a flat rate, irrespective of the quantity of water used / consumed

- Free Sanitation is only provided to indigent households as per the council approved Indigent register
- There is no inclining tariff structure for sanitation consumption
- Proposed tariff is in line with CPI 2021/2022

3.1.4. Waste Removal

Waste removal tariff will increase with 6%; the reason for this increase is due to the fact that this will only be the fifth financial year that these tariffs are increased. The following factors were considered for the proposed tariff increase:

- Waste removal charges are charged at a flat rate, irrespective of litres of waste removed
- The increment will also cover the wear and tear off all the trucks and vehicles used to provide this service
- Municipality also aims at procuring the new equipment for removal of waste
- Waste removal is provided for free to all the households who are indigent
- All 11992 households waste are removed once a week

3.1.5. Property rates

Property rates is a statutory tax charged on all property owners within the jurisdiction of the Municipality. The tax is imposed in accordance to section 229 of the Constitution of South Africa and Municipal Property rates act, act 6 of 2004 (MPRA). In terms of MPRA [original Act] the municipality must prepare a valuation roll after every 4 financial year. Tswelopele Local Municipality first implemented the valuation roll in accordance with MPRA prescripts on the 1st July 2009. The current valuation roll was effective from July 2017 and it is supposed to end by June 2021.

However, the municipality extended the validity period of the valuation roll with additional twelve months for it to expire by June 2022. This will enable the municipality to align its valuation roll with the amended MPRA [which now requires municipality to have a valuation roll valid for a period of five years]. The valuation date [as previously determined when the 2017 roll was implemented remains the same]. The municipality is increasing the tariffs on Property rates by 6% for all the properties for the 2021/22 financial year.

3.2. Operating Expenditure Framework

The municipality budgeted for an expenditure budget of R 216 million (including non-cash items of R33 million). This figures were informed by the following:

- Balance budget constraints – the municipality must not budget for a deficit
- Funding of the budget as based on section 18 and section 19 of Municipal Finance Management act, act 54 of 2003
- National Treasury MFMA circulars
- South African Local Government Bargaining Council collective agreement on salaries
- Average CPI from 1 April 2021 to 31 March 2022
- Inputs from stakeholders (public participation)

The table below show the total budgeted expenditure

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Expenditure By Type											
Employee related costs	2	62 639	61 913	66 136	70 300	70 300	70 300	70 300	73 464	77 608	82 652
Remuneration of councillors			5 425	6 342	6 778	6 778	6 778	6 778	7 083	7 508	7 996
Debt impairment	3	13 053	6 849	12 900	13 000	13 000	13 000	13 000	13 000	13 000	13 000
Depreciation & asset impairment	2	27 034	26 574	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000
Finance charges		4 760	7 813	3 308	2 508	2 508	2 508	2 508	1 700	1 802	1 919
Bulk purchases - electricity	2	34 144	36 438	39 100	41 309	49 709	49 709	49 709	50 311	53 330	56 796
Inventory consumed	8	7 697		7 955	8 842	11 010	11 010	11 010	9 581	10 152	10 811
Contracted services		38	960	2 000	2 150	2 500	2 500	2 500	1 700	1 802	1 919
Transfers and subsidies		-	-	-		-	-	-			
Other expenditure	4, 5	34 258	35 201	34 154	34 333	37 339	37 339	37 339	39 599	40 113	42 688
Losses		2 303	2 344	-		-	-	-			
Total Expenditure		185 927	183 516	191 895	199 219	213 143	213 143	213 143	216 437	225 313	237 782

3.3. Analysis of Capital Budget

Tswelopele Local Municipality capital budget is funded through Municipal Infrastructure Grant. The following are the major capital projects budgeted for:

Project description	Total Planned Expenditure foe 2021/2022
Phahameng/Bultfontein: Upgrading of sports facilities Phase 5 (MIS:317712)	R 810 332,92
Tikwana: Fencing of cemeteries erf 695 & 3654 (MIS:317809)	R 1 074 828,99
Phahameng/Bultfontein: Construction of Water reticulation in Ext 10 (426 sites) (MIS:356908)	R 5 312 236,25
Phahameng/Bultfontein: Construction of sewer reticulation in Ext 10 (426 sites) (MIS:356888)	R 7 015 711,45
RBIG Phase 4 (Bultfontein and Hoopstad)	R 20 000 000
WSIG Upgrading of a Pump station in Bultfontein/Phahameng	R 7 104 916.02
Construction of sewer reticulation and 476 toilet structures in Phahameng/Bultfontein Ext 9.	R 4 895 083.98 (<i>R 14 681 026.01 to be spent in 2022/23</i>)
Total	R 46 213 109.61

The above projects will mainly be funded from the conditional grants to be received from national/provincial government. During 2020/2021, the municipality purchased for service delivery bakkies. The municipality plans to procure office equipment and service delivery vehicles during 2021/2022 financial year. This will be funded from internally generated funds to be raised from various revenue sources. Possibility exists that some of the projects maybe changed during the course of the financial year to prioritise service delivery towards services that will reduce the spread of Covid 19 virus.

4. Annual budget tables

The following tables will show the main annual budget tables and the analysis thereof:

TABLE A4

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Expenditure By Type											
Employee related costs	2	62 639	61 913	66 136	70 300	70 300	70 300	70 300	73 464	77 608	82 652
Remuneration of councillors			5 425	6 342	6 778	6 778	6 778	6 778	7 083	7 508	7 996
Debt impairment	3	13 053	6 849	12 900	13 000	13 000	13 000	13 000	13 000	13 000	13 000
Depreciation & asset impairment	2	27 034	26 574	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000
Finance charges		4 760	7 813	3 308	2 508	2 508	2 508	2 508	1 700	1 802	1 919
Bulk purchases - electricity	2	34 144	36 438	39 100	41 309	49 709	49 709	49 709	50 311	53 330	56 796
Inventory consumed	8	7 697		7 955	8 842	11 010	11 010	11 010	9 581	10 152	10 811
Contracted services		38	960	2 000	2 150	2 500	2 500	2 500	1 700	1 802	1 919
Transfers and subsidies		-	-	-	-	-	-	-			
Other expenditure	4, 5	34 258	35 201	34 154	34 333	37 339	37 339	37 339	39 599	40 113	42 688
Losses		2 303	2 344	-	-	-	-	-			
Total Expenditure		185 927	183 516	191 895	199 219	213 143	213 143	213 143	216 437	225 313	237 782
Surplus/(Deficit)		(68 541)	(57 461)	(32 784)	(31 084)	(32 916)	(32 916)	(32 916)	(32 846)	(33 277)	(40 252)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		33 835	36 844	16 488	26 405	26 405	26 405	26 405	29 192	30 532	32 246
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6		500								
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		(34 706)	(20 117)	(16 296)	(4 679)	(6 511)	(6 511)	(6 511)	(3 654)	(2 745)	(8 006)
Taxation											
Surplus/(Deficit) after taxation		(34 706)	(20 117)	(16 296)	(4 679)	(6 511)	(6 511)	(6 511)	(3 654)	(2 745)	(8 006)
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(34 706)	(20 117)	(16 296)	(4 679)	(6 511)	(6 511)	(6 511)	(3 654)	(2 745)	(8 006)
Share of surplus/ (deficit) of associate	7										
0		(34 706)	(20 117)	(16 296)	(4 679)	(6 511)	(6 511)	(6 511)	(3 654)	(2 745)	(8 006)

TABLE A5

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		20 120	1 794	190	1 032	1 047	1 047	1 047	70	48	51
Vote 2 - Budget and Treasury Office		-	387	75	335	340	340	340	70	74	79
Vote 3 - Corporate Services		-	171	-	1 337	1 397	1 397	1 397	200	212	226
Vote 4 - Community and Social Services		-	-	30	-	-	-	-	50	53	56
Vote 5 - Public Safety		-	7 472	-	745	745	745	745			
Vote 6 - Sport and Recreation		-	-	742	-	-	-	-			
Vote 7 - Waste Management		-	9 131	-	12 302	12 332	12 332	12 332			
Vote 8 - Waste Water Management		2 402	5 665	20	3 492	4 392	4 392	4 392	15 362	16 316	17 146
Vote 9 - Road Transport		9 804	4 472	7 271	-	-	-	-	3 000	3 180	3 066
Vote 10 - Water		1 434	1 918	7 423	10 000	10 000	10 000	10 000	12 000	12 276	13 355
Vote 11 - Electricity		-	207	2 020	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		33 760	31 219	17 771	29 242	30 252	30 252	30 252	30 752	32 159	33 979
Total Capital Expenditure - Vote		33 760	31 219	17 771	29 242	30 252	30 252	30 252	30 752	32 159	33 979
Capital Expenditure - Functional											
Governance and administration		20 120	2 389	265	1 367	1 387	1 387	1 387	340	334	356
Executive and council		20 120	1 794	190	1 032	1 047	1 047	1 047	70	48	51
Finance and administration			594	75	335	340	340	340	270	286	305
Internal audit											
Community and public safety		-	7 643	772	2 082	2 142	2 142	2 142	50	53	56
Community and social services			171	30	1 337	1 397	1 397	1 397	50	53	56
Sport and recreation			7 472	742	745	745	745	745	-	-	-
Public safety									-	-	-
Housing											
Health											
Economic and environmental services		2 402	5 665	7 271	3 492	4 392	4 392	4 392	3 000	3 180	3 066
Planning and development											
Road transport		2 402	5 665	7 271	3 492	4 392	4 392	4 392	3 000	3 180	3 066
Environmental protection											
Trading services		11 238	15 522	9 463	22 302	22 332	22 302	22 332	27 362	28 592	30 501
Energy sources		1 434	1 918	2 020							
Water management		9 804	4 472	20	10 000	10 000	10 000	10 000	12 000	12 276	13 355
Waste water management			9 131	7 423	12 302	12 332	12 302	12 332	15 362	16 316	17 146
Waste management											
Other											
Total Capital Expenditure - Functional	3	33 760	31 219	17 771	29 242	30 252	30 252	30 252	30 752	32 159	33 979
Funded by:											
National Government		13 640	28 830	16 488	26 405	26 405	26 405	26 405	29 192	30 532	32 246
Provincial Government											
District Municipality											
Transfers recognised - capital	4	31 859	28 830	16 488	26 405	26 405	26 405	26 405	29 192	30 532	32 246
Borrowing	6										
Internally generated funds		1 901	2 389	1 283	2 837	3 847	3 847	3 847	1 560	1 627	1 733
Total Capital Funding	7	33 760	31 219	17 771	29 242	30 252	30 252	30 252	30 752	32 159	33 979

TABLE A6

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
ASSETS											
Current assets											
Cash		2 989	1 498	4 010	2 000	2 000	2 000	2 000	2 000	2 000	2 000
Call investment deposits	1	2 085	9 637	1 800	4 000	4 000	4 000	4 000	4 000	4 000	4 000
Consumer debtors	1	14 252	18 498	40 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
Other debtors		10 219	20 382	–	30 000	30 000	30 000	30 000	30 000	30 000	30 000
Current portion of long-term receivables				–							
Inventory	2	631	671	600	500	500	500	500	500	500	500
Total current assets		30 177	50 687	46 410	41 500	41 500	41 500	41 500	41 500	41 500	41 500
Non current assets											
Long-term receivables			97	–							
Investments		953	859	–							
Investment property		47 015	45 484	24 000	24 000	24 000	24 000	24 000	24 000	24 000	24 000
Investment in Associate				–							
Property, plant and equipment	3	538 004	541 535	587 781	617 053	618 063	618 063	618 063	618 063	618 063	618 063
Biological		871	1 195	1 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000
Intangible				–							
Other non-current assets				–							
Total non current assets		586 843	589 170	612 781	644 053	645 063	645 063	645 063	645 063	645 063	645 063
TOTAL ASSETS		617 019	639 857	659 191	685 553	686 563	686 563	686 563	686 563	686 563	686 563
LIABILITIES											
Current liabilities											
Bank overdraft	1			–							
Borrowing	4	2 446	981	800	700	700	700	700	700	700	700
Consumer deposits		1 051	1 022	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Trade and other payables	4	65 398	94 021	19 980	25 000	30 046	30 046	30 046	30 046	30 046	30 046
Provisions		760	1 073	–							
Total current liabilities		69 655	97 097	21 780	26 700	31 746	31 746	31 746	31 746	31 746	31 746
Non current liabilities											
Borrowing		8 914	8 937	8 937	7 000	7 000	7 000	7 000	7 000	7 000	7 000
Provisions		25 298	28 190	10 500	10 500	10 500	10 500	10 500	10 500	10 500	10 500
Total non current liabilities		34 212	37 127	19 437	17 500	17 500	17 500	17 500	17 500	17 500	17 500
TOTAL LIABILITIES		103 867	134 224	41 217	44 200	49 246	49 246	49 246	49 246	49 246	49 246
NET ASSETS	5	513 152	505 633	617 974	641 353	637 316	637 316	637 316	637 316	637 316	637 316
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		513 152	505 633	617 974	641 353	642 363	642 363	642 363	642 363	642 363	642 363
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	513 152	505 633	617 974	641 353	642 363	642 363	642 363	642 363	642 363	642 363

TABLE A7

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		13 552	16 113	19 140	21 000	21 000	21 000	21 000	24 948	26 445	28 164
Service charges		33 751	42 752	59 700	60 150	60 150	60 150	60 150	69 757	73 942	78 749
Other revenue		2 231	269	1 746	2 241	2 241	2 241	2 241	2 601	2 322	2 473
Transfers and Subsidies - Operational	1	95 728	102 089	77 692	82 114	82 114	82 114	82 114	84 620	87 562	86 265
Transfers and Subsidies - Capital	1	–		16 488	26 405	26 405	26 405	26 405	29 192	30 532	32 246
Interest		1 356	1 222	1 200	1 600	1 600	1 600	1 600	1 565	1 659	1 767
Dividends		20	51	43	100	100	100	100	100	106	113
Payments											
Suppliers and employees		(107 871)	(117 978)	(151 651)	(129 378)	(129 378)	(129 378)	(129 378)	(214 737)	(223 511)	(235 863)
Finance charges		(4 666)	(5 936)	(3 308)	(2 508)	(2 508)	(2 508)	(2 508)	(1 700)	(1 802)	(1 919)
Transfers and Grants	1			–							
NET CASH FROM/(USED) OPERATING ACTIVITIES		34 101	38 583	21 049	61 724	61 724	61 724	61 724	(3 654)	(2 745)	(8 005)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									–	–	–
Decrease (increase) in non-current receivables									–	–	–
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets		(33 659)	(31 056)	(17 798)	(26 405)	(22 558)	(22 558)	(22 558)	(30 752)	(32 159)	(33 979)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(33 659)	(31 056)	(17 798)	(26 405)	(22 558)	(22 558)	(22 558)	(30 752)	(32 159)	(33 979)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing		410	(1 466)	(830)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
NET CASH FROM/(USED) FINANCING ACTIVITIES		410	(1 466)	(830)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
NET INCREASE/ (DECREASE) IN CASH HELD		852	6 061	2 421	34 519	38 365	38 365	38 365	(35 206)	(35 704)	(42 784)
Cash/cash equivalents at the year begin:	2	4 222	5 074	1 500	4 000	4 000	4 000	4 000	4 000	(31 206)	(66 910)
Cash/cash equivalents at the year end:	2	5 074	11 135	3 921	38 519	42 365	42 365	42 365	(31 206)	(66 910)	(109 694)

FS183 Tswelopele - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Cash and investments available											
Cash/cash equivalents at the year end	1	4 221	5 074	11 135	712	3 986	3 986	–	774	(2 428)	(7 969)
Other current investments > 90 days		2 134	–	–	2 088	1 814	1 814	–	5 226	10 928	18 119
Non current assets - Investments	1	948	953	859	–	–	–	–	–	–	–
Cash and investments available:		7 304	6 027	11 995	2 800	5 800	5 800	–	6 000	8 500	10 150
Application of cash and investments											
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	17 321	43 027	56 877	(19 769)	(19 843)	(19 843)	–	(6 742)	(1 836)	4 179
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		17 321	43 027	56 877	(19 769)	(19 843)	(19 843)	–	(6 742)	(1 836)	4 179
Surplus(shortfall)		(10 017)	(37 000)	(44 882)	22 569	25 643	25 643	–	12 742	10 336	5 971

FS183 Tswelopele - Table A9 Asset Management

R thousand		Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
CAPITAL EXPENDITURE												
1		Total New Assets		32 190	65 696	67 479	15	18 945	18 945	30 812	2 544	2 709
		Roads Infrastructure		32 372	65 601	65 601	-	2 200	2 200	-	-	-
		Storm water Infrastructure		-	-	-	-	-	-	-	-	-
		Electrical Infrastructure		-	-	-	-	1 372	1 372	-	-	-
		Water Supply Infrastructure		(4)	(4)	31	0	10 030	10 030	30	-	-
		Sanitation Infrastructure		-	-	-	0	1 267	1 267	27 607	53	56
		Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
		Rail Infrastructure		-	-	-	-	-	-	-	-	-
		Coastal Infrastructure		-	-	-	-	-	-	-	-	-
		Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
		Infrastructure		32 368	65 597	65 633	0	14 868	14 868	27 387	53	56
		Community Facilities		-	-	-	-	1 307	1 307	1 075	-	-
		Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
		Community Assets		-	-	-	-	1 307	1 307	1 075	-	-
		Heritage Assets		-	-	-	-	-	-	-	-	-
		Revenue Generating		-	-	-	-	-	-	-	-	-
		Non-revenue Generating		-	-	-	-	-	-	-	-	-
		Investment properties		-	-	-	-	-	-	-	-	-
		Operational Buildings		-	-	105	-	-	-	-	-	-
		Housing		-	-	-	-	-	-	-	-	-
		Other Assets		-	-	105	-	-	-	-	-	-
		Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
		Services		-	-	-	-	-	-	-	-	-
		Licences and Rights		-	-	-	-	-	-	-	-	-
		Intangible Assets		-	-	-	-	-	-	-	-	-
		Computer Equipment		-	-	-	-	-	-	-	-	-
		Furniture and Office Equipment		(178)	99	7 898	13	450	450	230	244	260
		Machinery and Equipment		-	-	384	2	2 320	2 320	2 120	2 247	2 393
		Transport Assets		-	-	-	-	-	-	-	-	-
		Land		-	-	(5 540)	-	-	-	-	-	-
		Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
2		Total Renewal of Existing Assets		-	-	171	-	-	-	-	-	-
		Roads Infrastructure		-	-	-	-	-	-	-	-	-
		Storm water Infrastructure		-	-	-	-	-	-	-	-	-
		Electrical Infrastructure		-	-	171	-	-	-	-	-	-
		Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
		Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
		Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
		Rail Infrastructure		-	-	-	-	-	-	-	-	-
		Coastal Infrastructure		-	-	-	-	-	-	-	-	-
		Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
		Infrastructure		-	-	171	-	-	-	-	-	-
		Community Facilities		-	-	-	-	-	-	-	-	-
		Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
		Community Assets		-	-	-	-	-	-	-	-	-
		Heritage Assets		-	-	-	-	-	-	-	-	-
		Revenue Generating		-	-	-	-	-	-	-	-	-
		Non-revenue Generating		-	-	-	-	-	-	-	-	-
		Investment properties		-	-	-	-	-	-	-	-	-
		Operational Buildings		-	-	-	-	-	-	-	-	-
		Housing		-	-	-	-	-	-	-	-	-
		Other Assets		-	-	-	-	-	-	-	-	-
		Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
		Services		-	-	-	-	-	-	-	-	-
		Licences and Rights		-	-	-	-	-	-	-	-	-
		Intangible Assets		-	-	-	-	-	-	-	-	-
		Computer Equipment		-	-	-	-	-	-	-	-	-
		Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
		Machinery and Equipment		-	-	-	-	-	-	-	-	-
		Transport Assets		-	-	-	-	-	-	-	-	-
		Land		-	-	-	-	-	-	-	-	-
		Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
6		Total Upgrading of Existing Assets		(61 539)	(36 269)	(36 269)	0	11 895	11 895	1 060	265	282
		Roads Infrastructure		(15 452)	8 815	9 815	-	-	-	-	-	-
		Storm water Infrastructure		-	-	-	-	-	-	-	-	-
		Electrical Infrastructure		-	-	-	-	-	-	-	-	-
		Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
		Sanitation Infrastructure		(46 087)	(46 087)	(46 087)	0	250	250	250	265	282
		Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
		Rail Infrastructure		-	-	-	-	-	-	-	-	-
		Coastal Infrastructure		-	-	-	-	-	-	-	-	-
		Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
		Infrastructure		(61 539)	(36 269)	(36 269)	0	250	250	250	265	282
		Community Facilities		-	-	-	-	-	-	-	-	-
		Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
		Community Assets		-	-	-	-	11 645	11 645	810	-	-
		Heritage Assets		-	-	-	-	11 645	11 645	810	-	-
		Revenue Generating		-	-	-	-	-	-	-	-	-
		Non-revenue Generating		-	-	-	-	-	-	-	-	-
		Investment properties		-	-	-	-	-	-	-	-	-
		Operational Buildings		-	-	-	-	-	-	-	-	-
		Housing		-	-	-	-	-	-	-	-	-
		Other Assets		-	-	-	-	-	-	-	-	-
		Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
		Services		-	-	-	-	-	-	-	-	-
		Licences and Rights		-	-	-	-	-	-	-	-	-
		Intangible Assets		-	-	-	-	-	-	-	-	-
		Computer Equipment		-	-	-	-	-	-	-	-	-
		Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
		Machinery and Equipment		-	-	-	-	-	-	-	-	-
		Transport Assets		-	-	-	-	-	-	-	-	-
		Land		-	-	-	-	-	-	-	-	-
		Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
4		Total Capital Expenditure		(29 349)	29 427	31 381	15	30 840	30 840	31 872	2 809	2 992
		Roads Infrastructure		16 920	75 420	75 420	-	2 200	2 200	-	-	-
		Storm water Infrastructure		-	-	-	-	-	-	-	-	-
		Electrical Infrastructure		-	-	171	-	1 372	1 372	-	-	-
		Water Supply Infrastructure		(4)	(4)	31	0	10 030	10 030	30	-	-
		Sanitation Infrastructure		(46 087)	(46 087)	(46 087)	0	1 517	1 517	27 607	318	339
		Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
		Rail Infrastructure		-	-	-	-	-	-	-	-	-
		Coastal Infrastructure		-	-	-	-	-	-	-	-	-
		Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
		Infrastructure		(29 172)	29 328	29 535	0	15 178	15 178	27 637	378	359
		Community Facilities		-	-	-	-	1 307	1 307	1 075	-	-
		Sport and Recreation Facilities		-	-	-	-	11 895	11 895	810	-	-
		Community Assets		-	-	-	-	12 952	12 952	1 885	-	-
		Heritage Assets		-	-	-	-	-	-	-	-	-
		Revenue Generating		-	-	-	-	-	-	-	-	-
		Non-revenue Generating		-	-	-	-	-	-	-	-	-
		Investment properties		-	-	-	-	-	-	-	-	-
		Operational Buildings		-	-	105	-	-	-	-	-	-
		Housing		-	-	-	-	-	-	-	-	-
		Other Assets		-	-	105	-	-	-	-	-	-
		Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
		Services		-	-	-	-	-	-	-	-	-
		Licences and Rights		-	-	-	-	-	-	-	-	-
		Intangible Assets		-	-	-	-	-	-	-	-	-
		Computer Equipment		-	-	-	-	-	-	-	-	-
		Furniture and Office Equipment		(178)	99	7 898	13	450	450	230	244	260
		Machinery and Equipment		-	-	384	2	2 320	2 320	2 120	2 247	2 393
		Transport Assets		-	-	(5 540)	-	-	-	-	-	-
		Land		-	-	-	-	-	-	-	-	-
		Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
5		TOTAL CAPITAL EXPENDITURE - Asset class		(29 349)	29 427	31 381	15	30 840	30 840	31 872	2 809	2 992
ASSET REGISTER SUMMARY - PPE (WDV)												
		Roads Infrastructure		587 019	651 015	580 039	15	29 574	29 574	649 093	640 030	640 212
		Storm water Infrastructure		403 175	391 287	344 124	-	-	-	-	-	-
		Electrical Infrastructure		-	-	171	-	1 372	1 372	79 924	79 924	79 924
		Water Supply Infrastructure		(4)	(4)	31	0	10 030	10 030	44 267	44 267	44 267
</												

5. Explanatory notes to budget

Explanatory note on table A4

1. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the budgeted revenue of Tswelopele Local Municipality
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Major component of expenditure relates to employee costs.
4. Transfers recognised – capital is decreasing over the mid-term and this is due to the decrease in the population of the community of Tswelopele Local Municipality according to Census 2011 data.

Explanatory note on Table A5

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

Explanatory Notes to Table A6

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

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.

Explanation to Table A7

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

Explanatory note to table A8

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. Considering the requirements of section 18 of the MFMA, it can be concluded that the budget for 2021/2022 MTREF is funded because Municipality anticipates making a profit over the MTREF

Explanatory Note for Table A9

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

Explanatory notes to Table A10

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

PART 2

1. Municipal budget process

Municipal Financial Management Act (MFMA) mentions six (6) steps (i.e. Planning, Strategizing, Preparing, Tabling, Consulting and Finalising/ Adopting) that the municipality must follow in order to prepare the annual budget that is credible. The planning and strategizing processes started with the preparation of budget timelines as required by MFMA and IDP review process plan. 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 annual 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.

Due to the size of the municipality, the functions of the Budget Steering Committee are performed by the Finance Committee and much still needs to be done to ensure that the committee is effective throughout the financial year and exercises oversight not only on the budget but the overall financial management at the municipality and advice / recommend to Council accordingly. Furthermore, there is a need for resuscitation of the MSA section 79 committee to assist Council in playing its oversight role on the administration matters of the municipality.

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 2020) a time schedule that sets out the process to revise the IDP and prepare the annual budget. The Mayor tabled the required IDP process plan and budget timeline schedule in line with the applicable legislation. The IDP process plan and budget timeline schedule were tabled to Council during August 2020.

As per the budget timelines all the department heads were asked to give their inputs on the annual budget. The Budget & Treasury Office of the municipality under the leadership of the Chief Financial Officer prepared the draft budget, which will be tabled to Council at the end of March 2021 as stipulated in the MFMA.

Council having approved the draft budget, the municipality must embark on the public participation process. Annual budget and IDP of the municipality will be placed at municipal offices and libraries and communities and relevant stakeholders were requested to provide inputs on the tabled budget.

The Mayor, assisted by Councillors and Municipal Officials will embark on the community consultations at various wards within the municipality.

The public participation processes is used as an arena for co-management in which the community and the municipality decide together where and how the resources will be allocated. Furthermore, it is the objective of the municipality to move away from informing the community about what it plans to do, but rather to allow the community to influence development and resource allocation.

2. Overview of the alignment of annual budget with integrated development plan

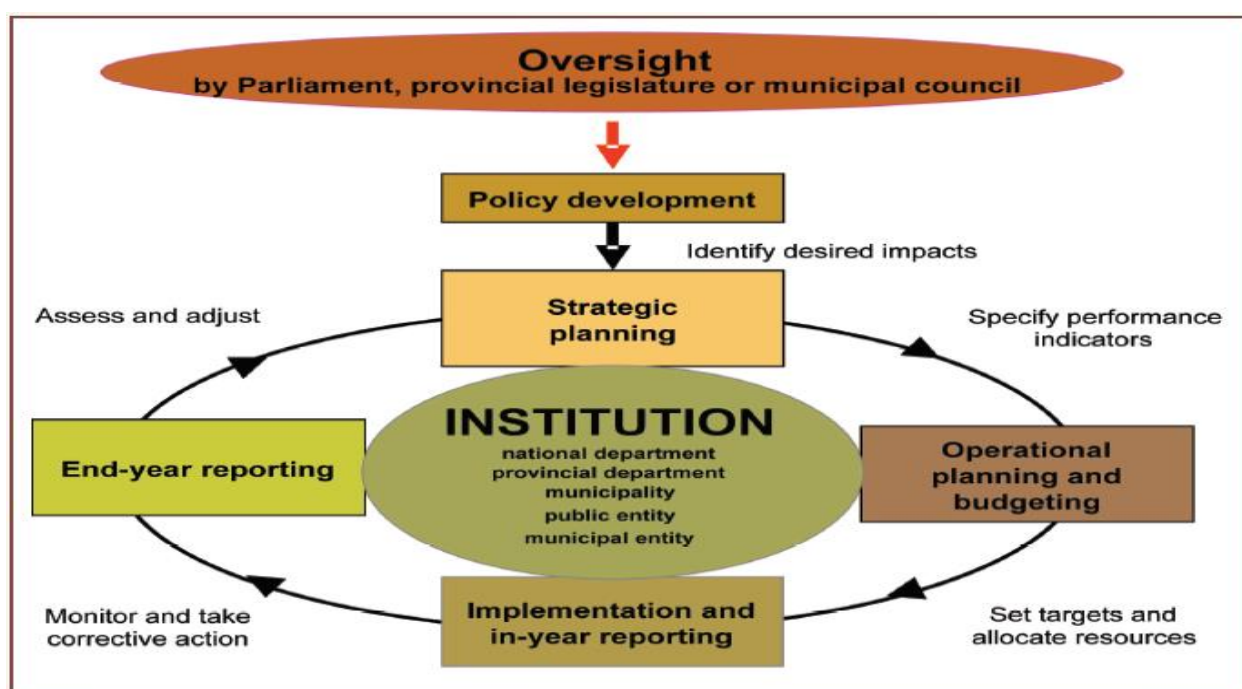
The annual review of the Integrated Development Plan is a legislative requirement in terms of section 34 of the Municipal Systems Act. It stipulates that a Municipal Council must review its integrated plan annually in accordance with an assessment of its performance measurements in terms of section 41; and to the extent that changing circumstances so demand; and may amend its integrated development plan in accordance with a prescribed process. The Annual Budget and the IDP are inextricably linked to one another, something that has been formalised through the promulgation of the Municipal Finance Management Act in 2004.

In compliance with the Municipal Structures Act and Municipal Finance Management Act the municipality's budget must be informed by and aligned to the IDP objectives. The budgetary allocations for both capital and operating expenditure need to be undertaken in a manner that will not only ensure that the IDP outcomes are achieved but also leads to the municipality's vision being realized. This ensures that the IDP directs the development and implementation of projects.

Over the years, Auditor General has been raising exceptions that the Integrated Development Plan and Annual Budget are not aligned to each other. Furthermore, the Key Performance Indicators were not measurable and with no target dates. The performance management system is also not effective at the municipality as there is no dedicated unit or official entrusted with performance management. This in essence affected the audit opinion of the Auditor General on the predetermined objectives (although this was not necessarily expressed / reported in the audit report).

For the 2021/2022 financial year, quite substantial effort has been devoted towards ensuring that the Integrated Development Plan and Annual Budget are aligned as required by the MFMA. The process of reconciling financial plan to its Integrated Development Plan created a whole new

method of budgeting at the municipality. Council will in the future ensure that priorities within the budget are focused towards its strategies and objectives.



A concentrated effort was made during the IDP review to ensure that it contains measurable performance objectives. From the measurable performance objectives, key performance indicators will be deduced to be included in the service delivery and budget implementation plan when it is submitted to the Mayor for approval (subsequent to the approval of the IDP and MTREF by Council).

In line with section 69(3) (a) of the Municipal Finance Management Act, which requires the Accounting Officer to submit a Service Delivery and Budget Implementation Plan (SDBIP) to the Mayor no later than 14 days after the approval of the budget and drafts of the performance agreement as required in terms of section 57 (1) (b) of the Municipal Systems Act, plans are in place to ensure compliance with this prescript.

The Service Delivery and Budget Implementation Plan will provide a vital link between the Mayor, Council (executive) and the Administration, and facilitates the process for holding management accountable for its performance. It is the intention of Management to properly formulate the SDBIP to ensure that appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget, performance of senior management and achievement of the strategic objectives set by council. The table below shows the performance indicators of the Municipality.

2.1. Performance indicators and Benchmarking

The following ratios are the analysis of performance of the Municipality for 2021/2022

- ***Current Ratio***

The current ratio measures the ability of the municipality to pay off its short term liability, the ratio should be 2:1, to assets.

- ***Gearing***

Gearing measures to what extend are the operation of the Municipality financed form Borrowings, and the gearing of the Municipality is zero (o), and this is a good sign, because it shows that the Municipality is not relying on borrowings

- ***Creditors Management***

The municipality anticipates that it will be in a position to pay off its 100% creditors by the due date; this is in terms of section 65 of the Municipal Finance Management Act

The anticipated performance of the municipality is on an acceptable level.

3. Overview of budget related policies

Tswelopele Budget process is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to govern and guide process and inform the projections of the medium term. The following budget related policies:

3.1. Review of credit control and debt collection policies

The Municipality aims to increase the collection rate to average 95% by the end of 2021/2022 Financial Year

Despite a credible policy that has been adopted by Municipal Council for the 2020/21 financial year, there has been a great challenge in terms of its effective implementation. Failure to adhere to the policy and ineffective procedures has led increase in debtors. Robust credit control will come handy for the municipality to collect the budgeted revenue and the current outstanding debtors.

One of the deliverables for the Municipal Manager and Senior Managers is the development of a revenue enhancement strategy with view of increasing revenue collection. However, the culture of non-payment for services has inculcated into the community. As such political will, support and buy-in will be essential to change the mind-set of the communities.

4.2. Asset Management Policy

The Municipality fully implemented generally recognised accounting principle (GRAP 17) and a policy on asset management was approved by council during 2020/2021 financial year. The Asset Management policy is considered as a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

4.3. Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council during 2007 and has been reviewed on an annual basis since then. The policy last reviewed for 2020/2021 financial year and there has been no changes to the policy.

4.4. Budget and Virement Policy

These policies are aimed at guiding the municipality in terms of compiling a credible and funded budget as required by the MFMA and also to guide the municipality in terms of shifting of funds

during the financial year. In addition to these policies, the mid-year budget assessment is used to guide and inform the mid-year performance review and adjustment budget process.

The Municipality doesn't have an adjustment budget policy as the adjustments 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.

4.5. Investment Policy

The cash management and investment policy was amended by Council for implementation during 2020/2021 financial year. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves and conditional grants that needs to be cash-backed. There are no significant changes effected to the policy.

4.6. 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 policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration that all proposed tariffs reflect the cost of providing such services. Over the years, the increase in tariffs was not always commensurate with the inflation rate. There were financial years where certain tariffs were not increased at all. This is currently having negative impact on the budget as the current tariffs are not cost-reflective. The need has aroused to increase the tariff with rate higher than the inflation to catch up with the years where increases were not implemented.

4.7. Property Rates Policy

Tswelopele Local Municipality's property rates policy provides a framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy is directly informed by section 229 of the Constitution of the Republic of South Africa and the Municipal Property Rates Act, act 6 of 2004.

4.8. Indigent Policy

The aim of the policy is to guide the municipality on the process of how to identify and register the indigent households in the Municipality. The indigent support policy was last reviewed during 2020/2021 financial year and this policy prescribes the threshold for indigent consumers as well as the free basic service component. The municipality has been experiencing problems where indigent consumers have been utilising services above the threshold thereby being unable to pay for the services, especially on water. There are no major changes to the policy other than the move to say, that only indigent household be provided with free basic electricity. There is a need for the development of free basic services policy and possible promulgation of the by-law. The policy is currently being reviewed.

4.9. Bad debt write off policy

The policy guides how and when the municipality should write off its debtors, the current debtor's book is over R 100 million and it is in the light of the above that the policy was reviewed.

4.10. Other Related Policies

Municipality has also reviewed the following policies which have direct impact on the Annual Budget of the Municipality:

- Customer Care Policy
- Deposit Policy
- Petty Cash Policy

Soft copies of the policies may be downloaded from Tswelopele local Municipality website:

www.tswelopele.gov.za

5. Overview of budget assumptions

The budget was prepared on the incremental budgeting process with the assumption that goods and services as previously budgeted will increase by a certain percentage which is more than the current CPI and zero based budgeting mainly on Petrol. The following tariffs were increased; Sewerage 6.0%, Refuse 6.0%, water 6.0%, Electricity 14.59.22% and property rates 6.0%. Salaries are budgeted for an increase of 4%, this is informed by South African Local Bargaining

Council collective agreement on salaries, the agreement as was concluded. National Treasury MFMA circulars were used for other assumptions of the budget and the following are some of the assumptions made:

1. Economic climate and poverty levels within the municipality will remain the same / constant for major part of the financial year given the limited economic activities with the vicinity;
2. Cash flow projections will be strictly maintained to ensure the municipality's ability to meet its financial obligations;
3. Operational costs will be maintained at current levels or reduced as cost containment measures and where there is material decrease in revenue collection rate, expenditure will have to be reduced at the same proportion;
4. Filling of vacant posts will be prioritised taking into account the cash flow projections of the municipality;
5. Revenue collection levels will not increase substantially due to the impact Covid 19 had on the economy.

6. Overview of the funding of the budget

MFMA section 18 states that the expenditure of the budget may only be funded from:

- Realistically anticipated revenue to be collected
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes
- Borrowed funds, but only for capital budget referred to in section 17 (2).

Tswelopele local municipality operating budget totals R 183 million and is funded from:

- Grants
- Service Charges
- Other revenue

The capital budget of the municipal totals R29.1 million, and is funded from:

- Municipal Infrastructure Grant

- Water Grant
- Internally Generated Funds

7. Expenditure on Allocations and Grant Programmes

Total Grants Allocated to Tswelopele Local Municipality are disclosed on table SA18

- **Financial Management Grant**

Total allocation to Tswelopele Local Municipality is R 2 100 000, the condition of the grant is that the municipality must appoint five (5) financial interns, the municipality has appointed Six (6) interns and the stipends will be R 720 000, the grant is used for training of the municipal budget and treasury office officials, the grant will also be used to fund Standard chart of account (SCOA) Project.

- **Municipal infrastructure grant**

The total allocation is R 17 100 000 and this amount will be spent on the following projects:

- Phahameng/Bultfontein: Upgrading of sports facilities Phase 5 (MIS:317712)
- Tikwana: Fencing of cemeteries erf 695 & 3654 (MIS:317809)
- Phahameng/Bultfontein: Construction of Water reticulation in Ext 10 (426 sites) (MIS:356908)
- Phahameng/Bultfontein: Construction of sewer reticulation in Ext 10 (426 sites) (MIS:356888)
- Construction of sewer reticulation and 476 toilet structures in Phahameng/Bultfontein Ext 9

- **Expanded Public Works Grant**

As per the division of Revenue Act, the Municipality will receive R 985 000 for EPWP projects

8. Allocations made by the municipality

Every metered household receives 6 kl of water and indigent households receive 50 kwh of electricity, and the households that are 100% indigent also receive free sanitation and free removal of refuse.

9. Councillor and board members allowance and employee benefits

The actual increase will be determined when the Government Gazette on the Upper Limits of Councillors is issued and the necessary processes as per the gazette will be followed prior to implementation. The Municipal System Act requires the Municipal Manager to develop a staff establishment for the municipality within a policy framework determined by the municipal council and subject to any applicable legislation.

The Municipal Manager must submit the staff establishment to Council for consideration and approval. The Municipal System Act further requires the Municipal Manager to provide a job description for each post on the staff establishment and to attach to those posts the remuneration and other conditions of service as may be determined in accordance with any applicable labour legislation. The increase on employee benefit was according to the South African Local Bargaining Council collective agreement. In terms of the collective agreement, the municipality must fill all critical positions.

10. Contracts having future budgetary implications

In terms of regulation to the Municipal Finance Management Act, long term contracts are contracts that are more than 3 years and as such, the municipality do not have such contracts and further does not intend to enter into contracts that have future budgetary implications. In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Budget and Treasury Office.

11. Legislation Compliance

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

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis.

2. Internship programme

Tswelopele Local Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

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

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is on a draft stage

6. Annual Report

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

7. Integrated Development Plan and approval of the annual budget

The reviewed IDP of the Municipality will be tabled to Council during March 2021 together with the Budget of the municipality. Subsequently, the public consultations will take place with the relevant stakeholders.

9. Policies and bylaws

The municipality has compiled the various policies as required by various legislations as well as the Municipal Budget and Reporting regulations. The challenge has been on implementation and adherence to such policies subsequent to their approval by Council. Bylaws are yet to be promulgated, currently at draft / compilation stage.

12. Quality Certificate



TSWELOPELE
LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

P.O. Box 3

Tel: 051 853 1111

Bultfontein

Fax: 051 853 1332

9670

e-mail: logov@tswelopele.org

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, **MRE Mogopodi**, the Municipal Manager of **TSWELOPELE LOCAL MUNICIPALITY (FS 183)**, hereby certify that the Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the act, and that the annual budget and supporting documents are consistent with the integrated development plan of the municipality.

Print Name: _____

Signature: _____

Date: _____