

**TSWELOPELE LOCAL MUNICIPALITY**

**FS 183**

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**May 2022**



# **MTREF**

## **2022/2023–2024/2025**

**PREPARED IN ACCORDANCE WITH BUDGET REGULATIONS, MFMA  
CIRCULARS**

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## **PART 1**

### **1. Mayoral Report by the Mayor**

## **BUDGET SPEECH FOR 2022/2023 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

**2022/2023 BUDGET SPEECH BY THE HONOURABLE MAYOR OF TSWELOPELE LOCAL MUNICIPALITY, COUNCILLOR KR PHUKUNTSI DELIVERED AT HOOPSTAD TOWN HALL ON TUESDAY, 31 MAY 2022**

Madam Speaker

Honourable Councillors

ANC Regional Chairperson

ANC Deployees

Leaders of All Other Political Parties

Municipal Manager

Chief Financial Officer, Director Technical Services, Director Community Services and Managers

The Leadership of Business, Labour and Civil Society

Residents of Tswelopele Local Municipality

Distinguished Guests

Acknowledge my warm and heartfelt greetings to you.

Honourable Speaker, before I proceed, allow me to acknowledge the presence of the Pastors who have graced this occasion.

### **INTRODUCTION AND OPENING REMARKS**

Thank you once again for affording me the honour to present the Medium-Term Revenue and Expenditure Framework for 2022/2023. We are honoured as Tswelopele Local Municipality to witness the collective efforts of the management team and our employees, investors and all citizens to transform the municipality to be a better place for all in these dreadful circumstances we find ourselves in.

The President of the country Matamela Cyril Ramaphosa in his address on the 4<sup>th</sup> of April 2022 has indicated that it has been 750 days that, South Africa has been in a National State of Disaster. This is an extraordinary

situation that is unprecedented in our country's history. He further indicated that the declaration of a state of disaster was a response to a global health crisis that posed a grave threat to the lives and the well-being of our people. It is thus very important to note that with the changing weather seasons, different covid-19 response adjustment levels are interchangeably implemented which are guided by several criteria, including the level of infections and rate of transmission, the capacity of health facilities, the extent of the implementation of public health interventions and the economic and social impact of continued restrictions.

We are indeed operating in a tough economic environment. The whole world is affected by this Covid\_19 pandemic, it has a very huge impact on the local economic activities and it has dictated the shifting of funds to prioritise the Covid\_19 related expenditure but we remain committed to improving the quality of lives of our people.

Honourable Speaker it is our daily responsibility as Council and Senior Management to protect our employees and to provide community members and other stakeholders, with the most seamless sustainable municipal services as possible. We are following all developments made and are constantly aligning our decisions and actions, as such we urge our community members, councillors and officials to register for vaccination and abide by the recommendations of the government.

Honourable Speaker as I deliver my Budget Speech, I would like to state that with the efforts and commitment of our employees and sector departments a thorough situational analysis was conducted which gave insights to the challenges, root-causes and solutions on the current state of municipal affairs during the strategic session held as IDP and Budget processes dictates. We also note the ever-increasing staff turnover mainly due to retirement and death, as such more efforts should be placed on filling these vacancies in order for the municipality to continue to fulfil its constitutional mandate which is provision of sustainable services.

Honourable Speaker and Councillors in the previous financial years the municipality experienced community unrests in Hoopstad Tikwana which resulted in heavy service delivery destructions and further shifting of municipal funds to momentarily attend to the circumstances. It is thus very important to state that the municipality has not fully recovered from these losses and damages but has made immense progress in ensuring that critical service delivery assets are procured. We urge our community members to stand with us and support all innovative measures to be implemented in ensuring that we are take our municipality forward.

We have also seen a drastic decrease in the community members paying for municipal services, this has negatively affected our municipal budget and increased our debtors' book. In addition to the declining financial status, we should also be mindful of the potential revenue lost due to Covid 19 pandemic, this has

aggravated the situation as the municipality is unable to generate revenue from services, rental of halls and sports facilities, etc.

In our meetings with the members of the community we have emphasised the importance of paying for municipal services. Councillors need to play a pivotal role in encouraging people to pay for municipal services, refrain from illegal connections and theft of electricity, even our equitable share and MIG are forever decreasing on a yearly basis. We also encourage those who cannot pay for municipal services to register for indigent subsidy. We call upon cooperation from our communities during these processes and commit that the fruitful results will be realised only when we work together.

Honourable Speaker and Councillors at large we need to acknowledge the challenges we are facing as the municipality. In so doing, we will speedily realise the need to develop strategies that will respond to these challenges.

## **OUR CHALLENGES**

Our immediate challenges in service delivery include:

1. Curbing water losses and electricity losses to the acceptable level
2. Meeting the current water demand
3. Informal settlements
4. Tempering of meters or theft of electricity
5. Insufficient EPWP allocation used to appoint project workers
6. Filling of critical service delivery positions
7. Prompt replacement and regular maintenance of service delivery assets
8. Sealing of potholes and rehabilitating road network
9. Sustainable waste collection on a regular basis
10. Sustainable revenue collection

These are few examples of service delivery challenges which require our urgent attention. Our efforts and response in this regard are always measured by the watchful eye of our communities. I would like to reiterate that our main aim is service delivery, local economic development and good governance; however, it is vitally important to manage the expectations of our people. Cognisance should be taken that we are a grant reliant municipality with limited resources as such all our needs and desires will never be fully fulfilled or executed in an ideal short period of time.

The culture of non-payment of services by the community has been highlighted as one of the foremost challenges facing the municipality today, which when considering that the ever-increasing costs associated with the provision of municipal services cannot be recouped.

The other challenge the municipality is faced with is increase in consumer debtors because of non-payment of services by communities. Accordingly, no Councillor should owe the municipality for services. In addressing this, management should ensure that proper communication is made to indicate arrear debt which should be paid immediately to reflect only the current account.

Note should be taken that extensive revenue collection measures are currently and will continuously be implemented to enhance the collection of revenue and minimize unacceptable financial losses.

The Integrated Development Plan (IDP) and Budget I am tabling here today for approval, are the tools that will guide us in becoming responsive to the needs of the communities we serve as well as addressing the challenges we face as the municipality.

## **BUDGET PROCESS FOR 2022-23**

The IDP and Annual Budget review process started with the approval of timelines in August 2021. The Process unfolded accordingly as per the requirements of the Municipal Systems Act and Finance Management Act, till this Council approved the Adjustment Budget and Draft Budget in February and March respectively.

The municipality exists to serve the interest of our communities. Legislation in this regard calls upon the municipality to consult communities on developmental issues within the municipal area. This is the reason why we adopted the IDP and Budget Public Consultation schedule, we needed to consult our constituencies.

Honourable Speaker, in compiling the 2022/23 annual budget...

- We have followed the Municipal Finance Management Act, the Municipal Systems Act, Municipal Property Rates Act and other legislation that regulates this process.
- We have observed the requirements of the Municipal Budget and Reporting Regulations;
- We have taken cue from the National Treasury Budget Circulars;
- We have consulted with strategic institutions such as NERSA;
- Most importantly, we have consulted the Community of Tswelopele and all stakeholders that will be affected by this budget.

## **ALIGNMENT BETWEEN NATIONAL AND PROVINCIAL PRIORITIES**

The Municipality cannot change the lives of our people and pursue the developmental agenda in isolation from the other spheres of government. In this regard, our plans and strategies must take cue from the State of the nation Address by the President as well as the State of the Province by the Premier of the Free State.

We are committed as the municipality to...

1. Improving access to sustainable basic services,
2. Fighting poverty amongst our communities
3. Creating employment opportunities through government programmes
4. Creating a conducive environment for our people to participate
5. Providing land (both business and residential purposes) to our people.

Honourable Speaker the municipality has programmes that talks directly to these objectives which are funded internally and through grants. During our session with sector departments, we have also identified programmes that are currently unfunded, however processes have been established to source funding to realise these programmes in next financial years.

Honourable Councillors and the community at large, the 2022/23 medium term budget I am presenting here today attempts to strike a balance between financial sustainability of the municipality (in light of the prevailing social and economic conditions within the municipality) as well as maintaining service delivery imperatives to ensure that basic services are provided in a sustainable manner.

In this regard, I would like to extend my sincere gratitude to all the residents and businesses who continue to sustain this municipality by paying for their services. It is my strong wish that you continue with this good practice as responsible residents of Tswelopele Municipality.

Madam Speaker, the underlying principles of this budget are as follows:

1. Strengthening financial management and accountability within the municipality;
2. Striving for financial sustainability by ensuring that the expenditure is aligned to the revenue;
3. Observe the cost containment measures and eliminate spending on non-core services;
4. Ensuring that the municipality generates enough revenue to ensure positive working capital.

### **Operating revenue budget**



Honourable Speaker, full details on allocations for each of the departments are contained in the budget book (agenda) circulated to Councillors. At a high level, the operating revenue budget of the Municipality is R 196 .6 million. This revenue is generated from the following major revenue sources:

- Property rates	R 27.9 million
- Service charges for electricity	R 53.7 million
- Service charges for water	R 5.3 million
- Service charges for sanitation	R 6.4 million
- Service charges for refuse	R 3.7 million

The municipality is also receiving about R 94 .4 million in terms of the operating grants and subsidies. Included in this amount is Equitable Share which is also used to subsidise the registered Indigent Households and Financial Management Grant which is used to build capacity within the Budget and Treasury Office including employment of the Financial Management Interns. Other revenue sources are indicated in the budget document which is before Councillors.

## **Tariff structuring**

Madam Speaker, the Municipality annually reviews its tariffs in line with the Municipality's Tariff Policy. The policy provides a broad framework within which Municipal Council can determine fair, transparent and affordable service charges that also promote the sustainability of service provision, taking into account the social, economic and financial imperatives of the Municipality.

We have learnt of the deficiencies on tariff structuring within the municipality. This has led to the municipality's tariffs not being cost reflective. The need has aroused for the municipality to gradually address this deficiency and we agree that it cannot be a once off endeavour. 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 a 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.

Accordingly, tariff increase for the 2022-22 financial year is in line with the inflation. Our tariffs will increase with 6% on trading services (water service; refuse service; sanitation). Property rates and other services will also increase with 6%. Honourable Councillors, the National National Energy Regulator of South Africa (NERSA) approved an average increase of 7.47% for the municipality for the year 2022/23 financial year.

We have made a formal application to NERSA on the new tariff structure that will try to recoup the costs associated with the provision of electricity. 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.

A detailed tariff list is attached to the budget document and I urge both Councillors and Communities to familiarise themselves with the contents therein.

### **Operating expenditure budget**

Honourable Speaker, the economic conditions within the country and specific to our municipality forces us to do more with less resources. Accordingly, I submit to this Council, an operating expenditure budget of R 226.7 million (including non-cash items of R33 million). The major components of the expenditure are as follows:

Employee related costs	R 78 .7 million
Remuneration of Councillors	R6.6 million
Bulk purchases (water and electricity)	R55 million
Finance charges	R1.5 million

Included in the total operating expenditure budget is R33 million of non-cash items (Debt impairment and depreciation at R13 million and R20 million respectively). After accounting for other expenditure, the annual budget of the municipality is funded in line with the requirements of the Municipal Finance Management Act.

## Capital expenditure and funding

- Construction of sewer reticulation in Ext 10 (426 sites) **R10 198 712,98**
- Construction of water reticulation in Ext 10 (426 sites) **R1 640 843,88**
- Fencing of cemeteries erf 695 & 3654 **R1 074 828,99**
- The construction of 2km paved road and storm water drainage (Ward 6&7)  
**R2 842 996,32**
- Upgrading of sports facilities phase 4 **R824 580,00**
- Fencing of Waste Water Treatment Plant in Tikwana **R761 237,83**
- Sewer Reticulation and 476 toilet structures in Ext 9 **R7 927 551,69**
- Refurbishment of Sewer Pump Station **R4 348 448,31**
- Upgrading of Bulk Water Supply Phase 4 - Contract A **R13 329 000,00**
- Energy Efficiency Demand Side Management Project in Both Hoopstad/Tikwana and Bultfontein/Phahameng(Street lights, Municipal Buildings, water pumping infrastructure i.e waste and water treatment plants.) **R5 000 000,00**

The above projects will mainly be funded from the conditional grants to be received from national/provincial government Municipal Infrastructure Grant. The municipality plans to procure service delivery vehicles during 2022/2023 financial year. This will be funded from internally generated funds to be raised from various revenue sources.

## ACHIEVEMENTS

Madame Speaker in the midst of the current descending economic environment with the Covid-19 pandemic with its effects, the municipality had a backlog of 2020/2021 uncompleted projects which necessitated

deferment in the 2021/2022 financial year. With the assistance of the provincial and national government the municipality is at the stage of completing construction of toilet structures (837 sites) in phahameng(95%).

The country is facing serious challenges of water shortages due to draught, our municipality was declared a draught area in the previous years. Our focus has been directed to water by fighting the leakages in our townships in order to limit the water losses. The municipality has completed the upgrading of water treatment plant in Tikwana Hoopstad. The project of water meter auditing is anticipated to be completed and the replacement of damaged water meters will unfold to enable water charge on consumption and proper monitoring of water losses.

We allocated sites to our people in the townships with the intention to eradicate informal settlement and improvement of quality life for our communities. However the municipality is still experience the emerging of informal settlements in municipal parks and area that do not have services.

The municipality has also upgraded sports facilities in Phase 5. This project aims to promote sports in our previously disadvantaged communities. This will assist in reducing crime in our arrears as the focus of our youth will be directed to sports and recreation. Sports programmes in the next financial year have also been budgeted for to revive a healthy living in the municipality.

## CONCLUSION

Madam Speaker to prepare a budget that will stand up for scrutiny requires an ability to take advises from many quarters to analyse them and test them.

Amongst the sources of ideas, is the broader public consultation and engagement in the process and taking ownership of the budget. This year all stakeholders have shared their ideas with us and can assure you their inputs have been taken into consideration. This includes:

1. Prioritising of service delivery assets
2. Filling of budgeted critical service delivery positions
3. Installation of electricity pre-paid meters
4. The rehabilitation of roads
5. Promotion of the local economy
6. Collection of revenue and implementation of collection measures
7. Curbing the losses on both water and electricity

After having considered all the proposals, I am privileged to present this annual budget as a statement of collective responsibility for Tswelopele Local Municipality

In this regard Madam Speaker allow me to extend my sincere appreciation to the entire council of Tswelopele for their undivided support. Let me also acknowledge the support provided by the Municipal Manager; Directors and every official who was involved in this process.

Honourable Speaker and Councillors at large, I hereby table 2022-23 IDP and Budget of Tswelopele Local Municipality for the fiscal year ending 30 June 2023 for your consideration and approval.

## 2. Budget resolution by Council

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### 10 / 05 BUDGET FOR THE 2022 / 2023 FINANCIAL YEAR

MINUTES : SPECIAL COUNCIL

DATE : 31 MAY 2022

#### 1. PURPOSE

This item is submitted to Council for consideration and tabling of the annual budget for the 2022 / 2023 financial year and two outer years [i.e. 2023 / 24 and 2024 / 25] as required by the Municipal Finance Management, 2000 [Act 56 of 2003].

#### 2. BACKGROUND

In terms of the Municipal Finance Management Act, 2003, section 24 (2)(a), the annual budget of the Municipality must be approved before the start of the new financial year, section 24 (2)(b), annual budget is approved by the adoption by the Council of a resolution referred to in section 17(3)(a)(i) and section 24 (2)(c) annual budget of the Municipality must be approved together with the adoption of resolutions as may be necessary.

It is crucial that the Municipal Council approves the annual budget before the start of the financial year.

#### 3. STAKEHOLDERS CONSULTED

- None.

#### 4. LEGAL IMPLICATIONS

- Compliance to the Municipal Finance Management Act, 2003 [Act 56 of 2003].
- Compliance to the Municipal Budget and Reporting Regulations.

#### 5. STAFF IMPLICATIONS

- None.

#### 6. FINANCIAL IMPLICATIONS

- Approval of the item as submitted will constitute the tabled budget for the 2022 / 2023 financial year.
- The following are the proposed tariff increases for 2022 / 2023 financial year:
  - Property Rates for all other properties : 6.0%
  - Property Rates for agricultural properties : 6.0%
  - Water : 6.0%
  - Refuse : 6.0%
  - Sanitation : 6.0%
  - Electricity : 7.47%
- All other tariff increases are per the Tariff List of the Municipality with an average increase of 6.0%.

- Formal application was made to NERSA on the electricity tariff and the Municipality is awaiting the response.
- NERSA issued a pre-approved guideline.

## 7. RISKS

- Failure to approve the "draft" budget by Municipal Council may result in the deadline for the approval of the final budget not to be met, and the results thereof will lead to all expenditure items having to be approved by the Member of the Executive Council [MEC] responsible for local government in the province prior to being incurred.
- The municipality maybe unable to render services to the community due to none availability of financial resources if the budget is not approved.
- Section 139 of the Constitution may be imposed on the Council of the Municipality.
- Non-compliance with MPRA Regulations.

## 8. ANNEXURE – SEE MEMORY STICK DOWNLOAD

- Budget Document.
- Tariffs List.
- Budget related policies.

## 9. RECOMMENDATION

1. That the annual budget of the Municipality for the financial year 2022 / 2023, 2023 / 2024 and 2024 / 2025 be approved as set out in:
  - [a] Table A1: Budgeted Summary.
  - [b] Table A2: Budgeted financial performance [revenue & expenditure by standard classification].
  - [c] Table A3: Budgeted financial performance [revenue & expenditure municipal vote].
  - [d] Table A4: Budgeted Financial performance [revenue & expenditure].
  - [e] Table A5: Budgeted capital Expenditure by vote, standard classification and funding.
  - [f] Table A6: Budgeted financial position.
  - [g] Table A7: Budgeted cash flow.
  - [h] Table A8: Cash backed reserves / accumulated surplus reconciliation.
  - [i] Table A9: Asset Management.
  - [j] Table A10: Basic Services Delivery Measurement.
2. That the operating budget as set out in Table A1 – A4 and Capital budget as set out in Table A5 be implemented with effect from 1 July 2021.
3. That property rates tariffs be approved in terms of section 14 of Municipal Property Rates Act, 2004 [Act 6 of 2004].
4. That tariffs for services charges as reflected in the tariff list be approved and implemented with effect from 1 July 2022.
5. That Council implements the electricity tariff as approved by NERSA with effect from 1 July 2022.
6. That the following budget related policies be approved and implemented with effect from 1 July 2022.

- (a) Budget policy
- (b) Virement policy
- (c) Funding and reserves policy
- (d) Banking / cash and investment policy
- (e) Credit Control and debt collection policy
- (f) Indigent support policy
- (g) Bad debt write-off policy
- (h) Property rates policy
- (i) Tariffs policy
- (j) Unallocated deposit policy
- (k) Customer deposit policy
- (l) Petty cash management policy
- (m) Supply Chain Policy.

[FOR RESOLUTION]

**Minutes: Special Council meeting: 31 May 2022**

**The Honourable Mayor delivered the 2022 / 2023 budget speech and it was well accepted. The budget speech is attached as an Annexure to the minutes.**

The Mayor proposed that the matter be resolved as follows and was seconded by Cllr Gaebee.

**RESOLVED:**

1. That the annual budget of the Municipality for the financial year 2022 / 2023, 2023 / 2024 and 2024 / 2025 was approved as set out in:
  - [a] Table A1: Budgeted Summary.
  - [b] Table A2: Budgeted financial performance [revenue & expenditure by standard classification].
  - [c] Table A3: Budgeted financial performance [revenue & expenditure municipal vote].
  - [d] Table A4: Budgeted Financial performance [revenue & expenditure].
  - [e] Table A5: Budgeted capital Expenditure by vote, standard classification and funding.
  - [f] Table A6: Budgeted financial position.
  - [g] Table A7: Budgeted cash flow.
  - [h] Table A8: Cash backed reserves / accumulated surplus reconciliation.
  - [i] Table A9: Asset Management.
  - [j] Table A10: Basic Services Delivery Measurement.
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5. That Council implements the electricity tariff as approved by NERSA with effect from 1 July 2022.
6. That the following budget related policies be approved and implemented with effect from 1 July 2022:
  - (a) Budget policy
  - (b) Virement policy



- (c) Funding and reserves policy
- (d) Banking / cash and investment policy
- (e) Credit Control and debt collection policy
- (f) Indigent support policy
- (g) Bad debt write-off policy
- (h) Property rates policy
- (i) Tariffs policy
- (j) Unallocated deposit policy
- (k) Customer deposit policy
- (l) Petty cash management policy
- (m) Supply Chain Policy.

7. That a workshop be conducted for all Councillors on the budget related policies.

### 3. Executive summary

Tswelopele Local Municipality's budget process started in August 2021, 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 annual budget has been undertaken as per the schedule [with immaterial deviations from the schedule as adopted by Council].

The 2022/2023 Draft Budget was tabled to council in March 2022 as per the provisions of Municipal Finance Management Act 56 of 2003; section 16 (2). The draft budget went through the public participation process in order to source inputs from the community as well as the other stakeholders. Public participation was conducted through public meetings.

It is still the municipality's core goal to stabilise the municipality's finances and drive quality service delivery. In this regard, the municipality's operational procedures, inputs made by the public during the public participation meetings and service delivery priorities were reviewed as part of this year's planning and budget process so as to get the most out of the limited resources of the municipality.

During the month of May 2022, the municipality held a two-day strategic plan session headed by the mayor. Invited to the strategic plan session were the representatives from the department of Roads and Transport, Human Settlement, Department of Economic, Small Tourism and Environmental Affairs and Provincial Treasury. The purpose of this session was to review and improve the municipal performance targets as well as ensuring that the budget implementation is channelled towards service delivery within the municipality. 2

The main concern at this stage is that the municipality vastly depends on grants from national government because the majority of revenue is made up of equitable shares and some other Operational Grants [i.e. Financial Management Grant, and a grant from Public works]. This is despite the fact that the municipal debt book is currently standing over R 130 million.

Table SA 18 on the municipal annual budget tables clearly distinguishes between all the different grants allocations. The total operating grants allocated to the municipality for 2022/2023 amount to R 94.4 million. This allocation has increased with R 9 million compared to 2021/2022 operating grants allocation.

In terms of statistics (*Census 2011*), Tswelopele municipality comprises 11 992 households, *this number has increased to about 13 300 in 2022* of which over 70% of these households are poor. The municipality subsidises the indigent households within the municipality with Free Basic services

on monthly basis, these free services are subsidised through the equitable share grant allocation. The challenge faced by the municipality is that some of the indigent households do not register during the indigent registration process, which leads the municipal debt book growing. Tabling together with this budget is the municipal's budget related policies, one these policies is the indigent policy which governs the indigent processes of the municipality. For 2022/2023 financial year, the indigent policy has been amendment to open for once-off registration after every three years cycle.

### **Budget Assumptions:**

National Treasury MFMA Circular 112 and 115 were used to guide in the compilation of the 2022/2023 Medium Term revenue and expenditure framework. The mSCOA version 6.6 was also introduced with the circulars and thus the budget tables were compiled and reported in terms of the said circulars.

The following budget principles and guidelines informed the compilation of the 2022/2023 Medium Term revenue and expenditure framework:

- 2021/2022 MFMA Section 72 report – mid-term assessment report
- 2021/2022 Adjustment Budget
- Average CPI from 1 April 2022 to 31 March 2023
- National Treasury Guidelines and circulars
- National and Provincial Budget priorities
- Stakeholders' inputs

Total revenue is anticipated to grow in the mid-term. The growth will be informed by the increase in tariffs on service charges as well 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 areas within the municipality. This budget is catering for construction of sewer and water reticulation in extension 10, this project is a multi-year and it kickstarted in 2021. The project is fully funded by the capital grants allocation.

All households within Tswelopele municipality have access to basic services, 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 has implemented Funding Plan Strategy with the purpose of improving revenue, addressing long outstanding debts as well as improving funding of budget in long run. The strategy served before municipality council updating municipal council on implementation progress during 2021/2022 financial year. The updated funding plan is accompanying this budget.

Extensive revenue collections strategies will also be implemented in the 2022/2023 financial year to optimize the collection of debt owed by the consumers.

The following key components were used in terms of budgeted revenue of the municipality:

- National Treasury MFMA Circulars
- Estimated Electricity Tariff increases pending the approval of the 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 2022/2023 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	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	22 365	22 334	25 445	24 948	26 195	26 195	23 176	27 867	29 400	31 164
Service charges - electricity revenue	2	39 500	40 773	43 248	46 936	49 478	49 478	31 906	53 681	56 633	60 031
Service charges - water revenue	2	5 530	5 641	5 589	4 932	4 932	4 932	4 071	5 333	5 626	5 963
Service charges - sanitation revenue	2	5 132	5 740	6 061	5 938	5 938	5 938	5 321	6 408	6 760	7 166
Service charges - refuse revenue	2	3 357	3 728	3 921	3 430	3 430	3 430	2 595	3 743	3 949	4 186
Rental of facilities and equipment		788	959	1 534	298	313	313	550	347	366	388
Interest earned - external investments		1 745	1 420	795	1 300	1 300	1 300	27	1 300	1 400	1 600
Interest earned - outstanding debtors		875	1 622	1 799	265	265	265	2 096	281	296	314
Dividends received		58	61	65	100	100	100	96	130	150	150
Fines, penalties and forfeits		332	372	529	389	499	499	431	596	628	666
Licences and permits		24	75	68	60	40	40	57	70	74	78
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		73 204	77 692	94 669	84 620	84 620	84 620	59 861	94 460	98 752	104 608
Other revenue	2	1 478	1 734	2 996	1 580	3 508	3 508	2 939	2 360	1 943	2 030
Gains		90	(29)	440	–	–	–	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>154 481</b>	<b>162 123</b>	<b>187 158</b>	<b>174 796</b>	<b>180 618</b>	<b>180 618</b>	<b>133 125</b>	<b>196 575</b>	<b>205 978</b>	<b>218 345</b>

**Table 2: Grants**

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		69 989	76 977	91 168	84 620	84 620	84 620	94 460	98 752	104 608
Local Government Equitable Share		67 019	73 688	88 030	81 535	81 535	81 535	91 219	96 652	102 508
Finance Management		1 970	1 970	1 970	2 100	2 100	2 100	2 100	2 100	2 100
EPWP Incentive		1 000	1 319	1 168	985	985	985	1 141		
Other transfers/grants [insert description]										
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	69 989	76 977	91 168	84 620	84 620	84 620	94 460	98 752	104 608

Total grants received will increase in 2023/24 and 2024/25 due to increase in equitable share allocation.

No allocation will be received for the EPWP in 2023/24 and 2024/25 financial year.

Different components of revenue will be discussed in this page

### **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 11992 households. Out of these 11992 households, the Municipality only sells electricity to about 1350 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) has issued a pre-approved tariff increase of 7.47% for the 2022-2023 financial year. Tswelopele Local Municipality target indigent households as per the approved indigent register for free basic electricity. All indigent households including those supplied by Eskom receive 50Kwh on a monthly basis.

The municipality has appointed a consultant for installation of pre-paid electricity meters in Bultfontein and Hoopstad. The consultant was appointment was only finalised towards the end of April 2022 and the project is on the commencement phase.

The municipality is intending to apply for the new tariff structure; however, the public participation process will need to be followed in order to bring the matter to the attention of the municipal residents and affected stakeholders.

### **3.1.2. Water**

The Municipality is billing townships at a flat rate, the intention is to bill them on a consumption base in the near future. However, the water infrastructure needs to be upgraded/repaired for this target to be achieved. Billing of townships on consumption-based will only be implemented when the water meters are fixed, which currently is not yet the case.

The Municipality will increase water tariff with 6%.

In terms of the free basic services policy of the municipality, all households receive the first 6kl of water per month for free.

### **3.1.3. Sanitation (Sewerage)**

The tariff will increase with 6% for sanitation from 1 July 2022. The following factors contributed to the tariff increase:

- 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 2022/2023.

### **3.1.4. Waste Removal**

The tariff increase for waste removal is 6%; the increase is in line with CPI 2022/2023. The following factors were considered for the proposed tariff increase:

- Waste removal charges are charged at a flat rate, irrespective of amount of waste removed
- The increment will also cover the wear and tear off all the trucks and vehicles used to provide this service
- Free waste removal is only provided to indigent households as per the council approved Indigent register
- 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 5 financial years. Tswelopele Local Municipality first implemented the valuation roll in accordance with MPRA prescripts on the 1<sup>st</sup> July 2009. The current valuation roll was effective from July 2017 and it will be ending by June 2022.

The process to compile the new valuation roll has been finalised, the new valuation roll will be implemented on 1 July 2022 and will be effective until June 2027.

The municipality will increase the tariffs on Property rates by 6% for all the properties for the 2023/23 financial year.



### 3.2. Operating Expenditure Framework

The municipality budgeted for an expenditure budget of R 226 720 000 (including non-cash items of R 33 000 000). The budgeted expenditure is 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 2022 to 31 March 2023.

The table below show the total budgeted expenditure:

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>	<b>1</b>										
<b>Expenditure By Type</b>											
Employee related costs	2	63 246	66 581	69 215	73 753	74 135	74 135	42 751	78 740	81 979	86 773
Remuneration of councillors		5 477	5 670	5 670	7 033	6 256	6 256	3 394	6 569	6 930	7 346
Debt impairment	3	21 211	16 205	17 699	13 000	13 000	13 000	137	13 000	13 000	13 000
Depreciation & asset impairment	2	24 289	28 246	33 259	20 000	20 000	20 000	-	20 000	20 000	20 000
Finance charges		3 645	1 662	3 591	1 700	2 700	2 700	2 208	1 500	1 583	1 677
Bulk purchases - electricity	2	33 130	36 277	38 766	49 562	43 442	43 442	26 046	55 009	58 035	61 517
Inventory consumed	8	6 078	8 046	9 521	22 039	22 866	22 866	1 538	16 459	17 364	18 406
Contracted services		10 650	14 880	20 202	9 618	21 367	21 367	18 127	26 070	25 901	27 365
Transfers and subsidies		-	-	-	10	10	10	-	15	16	17
Other expenditure	4, 5	13 876	14 212	18 884	9 997	9 822	9 822	10 126	9 358	9 802	10 348
Losses		(3 830)	3 006	473	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>177 771</b>	<b>194 785</b>	<b>217 279</b>	<b>206 711</b>	<b>213 598</b>	<b>213 598</b>	<b>104 325</b>	<b>226 720</b>	<b>234 609</b>	<b>246 448</b>

### 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:

Capital Projects for 2022/2023			
Funder	Project name	Unticipated completion	Estimate/Budget for 2021-2022
MIG	<b>Phahameng/Bultfontein:</b> Construction of sewer reticulation in Ext 10 (426 sites)	31-Sep-22	<b>R10 198 712.98</b>
MIG	<b>Phahameng/Bultfontein:</b> Construction of water reticulation in Ext 10 (426 sites)	31-Aug-22	<b>R1 640 843.88</b>
MIG	<b>Tikwana:</b> Fencing of cemeteries erf 695 & 3654 (MIS:317809)	30-Nov-22	<b>R1 074 828.99</b>
MIG	<b>Tikwana/Hoopstad:</b> The construction of 2km paved road and storm water drainage (Ward 6&7) (MIS:356848)	30-Jun-24	<b>R2 842 996.32</b>
MIG	Tikwana/Hoopstad: Upgrading of sports facilities phase 4	30-Sep-23	<b>R824 580.00</b>
MIG	Fencing of Waste Water Treatment Plant in Tikwana (Hoopsta)	30-Sep-23	<b>R761 237.83</b>
WSIG	<b>Bultfontein/Phahameng</b> Sewer Reticultion and 476 toilet structures in Ext 9	20-Dec-23	<b>R7 927 551.69</b>
WSIG	<b>Bultfontein/Phahameng</b> Refurbishment of Sewer Pump Station	30-Nov-22	<b>R4 348 448.31</b>
RBIG	Upgrading of Bulk Water Supply Phase 4 - <b>Contract A - Hoopstad</b>	31-Mar-23	<b>R13 329 000.00</b>
DMRE	Energy Efficiency Demand Side Management Project in Both Hoopstad/Tikwana and Bultfontein/Phahameng (Street lights, Municipal Buildings, water pumping infrastructure i.e waste and water treatment	30-Jun-23	<b>R5 000 000.00</b>

#### 4. Annual budget tables

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

FS183 Tswelopele - Table A1 Budget Summary

Description	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	22 365	22 334	25 445	24 948	26 195	26 195	23 176	27 867	29 400	31 164
Service charges	53 520	55 882	58 818	61 237	63 778	63 778	43 892	69 165	72 969	77 347
Investment revenue	1 745	1 420	795	1 300	1 300	1 300	27	1 300	1 400	1 600
Transfers recognised - operational	73 204	77 692	94 669	84 620	84 620	84 620	59 861	94 460	98 752	104 608
Other own revenue	3 647	4 795	7 431	2 691	4 724	4 724	6 170	3 783	3 458	3 626
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>154 481</b>	<b>162 123</b>	<b>187 158</b>	<b>174 796</b>	<b>180 618</b>	<b>180 618</b>	<b>133 125</b>	<b>196 575</b>	<b>205 978</b>	<b>218 345</b>
Employee costs	63 246	66 581	69 215	73 753	74 135	74 135	42 751	78 740	81 979	86 773
Remuneration of councillors	5 477	5 670	5 670	7 033	6 256	6 256	3 394	6 569	6 930	7 346
Depreciation & asset impairment	24 289	28 246	33 259	20 000	20 000	20 000	-	20 000	20 000	20 000
Finance charges	3 645	1 662	3 591	1 700	2 700	2 700	2 208	1 500	1 583	1 677
Inventory consumed and bulk purchases	39 208	44 323	48 286	71 600	66 308	66 308	27 583	71 468	75 399	79 923
Transfers and grants	-	-	-	10	10	10	-	15	16	17
Other expenditure	41 907	48 304	57 258	32 615	44 189	44 189	28 390	48 428	48 702	50 713
<b>Total Expenditure</b>	<b>177 771</b>	<b>194 785</b>	<b>217 279</b>	<b>206 711</b>	<b>213 598</b>	<b>213 598</b>	<b>104 325</b>	<b>226 720</b>	<b>234 609</b>	<b>246 448</b>
<b>Surplus/(Deficit)</b>	<b>(23 291)</b>	<b>(32 662)</b>	<b>(30 121)</b>	<b>(31 915)</b>	<b>(32 980)</b>	<b>(32 980)</b>	<b>28 800</b>	<b>(30 145)</b>	<b>(28 631)</b>	<b>(28 104)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	37 518	15 146	45 266	29 192	29 192	29 192	(4 209)	35 532	36 211	39 144
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)	110	118	90	-	-	-	88	100	106	112
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>14 337</b>	<b>(17 399)</b>		<b>(2 723)</b>	<b>(3 788)</b>	<b>(3 788)</b>	<b>24 679</b>	<b>5 487</b>	<b>7 686</b>	<b>11 152</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>14 337</b>	<b>(17 399)</b>	<b>-</b>	<b>(2 723)</b>	<b>(3 788)</b>	<b>(3 788)</b>	<b>24 679</b>	<b>5 487</b>	<b>7 686</b>	<b>11 152</b>
<b>Capital expenditure &amp; funds sources</b>										
Capital expenditure	29 427	(89 373)	9 597	30 182	31 442	31 442	2 444	38 430	38 030	41 102
Transfers recognised - capital	-	24	506	28 192	28 192	28 192	944	34 532	35 211	38 144
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	(334)	1 990	3 250	3 250	1 409	3 898	2 819	2 958
<b>Total sources of capital funds</b>	<b>-</b>	<b>24</b>	<b>172</b>	<b>30 182</b>	<b>31 442</b>	<b>31 442</b>	<b>2 353</b>	<b>38 430</b>	<b>38 030</b>	<b>41 102</b>
<b>Financial position</b>										
Total current assets	43 212	48 556	61 471	127 527	134 521	134 521	93 152	118 798	102 123	85 464
Total non current assets	652 957	615 728	633 430	647 403	648 663	648 663	514 978	680 332	698 362	719 464
Total current liabilities	94 397	103 609	104 094	97 041	104 361	(101 755)	123 976	98 793	92 463	85 753
Total non current liabilities	43 879	36 663	52 564	28 259	28 259	(28 259)	52 564	54 455	54 455	54 455
Community wealth/Equity	547 723	546 877	531 961	649 629	650 564	650 564	479 397	645 882	653 568	664 720
<b>Cash flows</b>										
Net cash from (used) operating	124 123	79 502	239 329	54 701	55 929	55 929	8 387	31 987	34 356	37 442
Net cash from (used) investing	309	43	(27 364)	(29 682)	(29 682)	(29 682)	(3 255)	(37 930)	(38 030)	(41 102)
Net cash from (used) financing	-	-	(15)	-	-	-	396	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>124 432</b>	<b>79 546</b>	<b>223 519</b>	<b>37 410</b>	<b>38 638</b>	<b>38 638</b>	<b>18 015</b>	<b>16 630</b>	<b>12 956</b>	<b>9 296</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	9 803	12 409	13 540	37 410	38 638	38 638	19 800	16 630	12 956	9 296
Application of cash and investments	48 662	50 844	46 697	6 783	14 090	(192 026)	46 806	(7 090)	(924)	5 366
<b>Balance - surplus (shortfall)</b>	<b>(38 859)</b>	<b>(38 435)</b>	<b>(33 158)</b>	<b>30 628</b>	<b>24 549</b>	<b>230 664</b>	<b>(27 006)</b>	<b>23 720</b>	<b>13 880</b>	<b>3 930</b>
<b>Asset management</b>										
Asset register summary (WDV)	651 015	576 556	574 214	647 403	648 663	648 663	648 663	680 332	698 362	719 464
Depreciation	24 288	28 246	32 394	20 000	20 000	20 000	20 000	20 000	20 000	20 000
Renewal and Upgrading of Existing Assets	(36 269)	(36 098)	(896)	10 094	9 894	9 894	9 894	13 301	14 087	14 976
Repairs and Maintenance	4 521	7 441	12 227	9 381	13 878	13 878	13 878	16 105	16 674	17 674

FS183 Tswelopele - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		103 869	107 928	139 007	112 321	114 716	114 716	125 776	131 285	139 170
Executive and council		1 491	75 891	94 141	83 268	83 303	83 303	93 253	97 064	102 942
Finance and administration		102 378	32 036	44 866	29 053	31 413	31 413	32 523	34 221	36 228
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		1 370	1 088	1 635	725	1 520	1 520	994	1 049	1 112
Community and social services		444	559	476	30	45	45	57	60	64
Sport and recreation		567	529	1 159	695	1 475	1 475	937	988	1 048
Public safety		198	-	-	-	-	-	-	-	-
Housing		161	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		30 401	11 910	21 898	17 529	17 509	17 509	18 651	19 677	20 857
Planning and development		189	292	133	90	70	70	110	116	123
Road transport		30 212	11 618	21 765	17 439	17 439	17 439	18 541	19 561	20 734
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		56 469	56 461	69 974	73 413	76 065	76 065	86 786	90 284	96 461
Energy sources		42 448	40 785	43 401	47 113	49 765	49 765	59 027	60 998	65 418
Water management		5 531	5 644	16 592	16 932	16 932	16 932	17 609	18 577	19 692
Waste water management		5 132	6 305	6 061	5 938	5 938	5 938	6 408	6 760	7 166
Waste management		3 357	3 728	3 921	3 430	3 430	3 430	3 743	3 949	4 186
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	<b>2</b>	<b>192 108</b>	<b>177 387</b>	<b>232 514</b>	<b>203 988</b>	<b>209 810</b>	<b>209 810</b>	<b>232 207</b>	<b>242 295</b>	<b>257 600</b>
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		68 548	83 556	96 177	87 701	91 575	91 575	89 208	90 954	94 270
Executive and council		41 069	46 793	57 055	38 220	40 845	40 845	38 095	37 860	38 897
Finance and administration		27 479	36 763	39 122	49 481	50 730	50 730	51 113	53 094	55 373
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		7 728	13 653	21 961	8 714	9 909	9 909	9 680	10 212	10 813
Community and social services		1 995	9 402	17 497	3 693	4 511	4 511	4 370	4 610	4 874
Sport and recreation		4 112	4 123	4 464	5 021	5 398	5 398	5 310	5 602	5 938
Public safety		1 621	128	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		17 948	19 429	21 462	20 840	24 331	24 331	24 773	25 083	26 558
Planning and development		5 774	7 163	7 187	5 944	7 199	7 199	7 055	6 396	6 756
Road transport		12 174	12 266	14 276	14 896	17 132	17 132	17 718	18 687	19 801
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		87 068	82 782	83 360	89 455	87 783	87 783	103 059	108 361	114 808
Energy sources		37 564	42 427	47 055	54 688	49 030	49 030	61 839	65 189	69 046
Water management		11 218	15 030	16 073	14 898	17 042	17 042	19 592	20 353	21 574
Waste water management		9 109	14 104	11 209	10 995	11 948	11 948	12 124	12 790	13 558
Waste management		29 176	11 221	9 023	8 874	9 762	9 762	9 506	10 029	10 630
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	<b>3</b>	<b>181 292</b>	<b>199 420</b>	<b>222 960</b>	<b>206 711</b>	<b>213 598</b>	<b>213 598</b>	<b>226 720</b>	<b>234 609</b>	<b>246 448</b>
<b>Surplus/(Deficit) for the year</b>		<b>10 816</b>	<b>(22 033)</b>	<b>9 554</b>	<b>(2 723)</b>	<b>(3 788)</b>	<b>(3 788)</b>	<b>5 487</b>	<b>7 686</b>	<b>11 152</b>

**FS183 Tswelopele - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>										
<b>Revenue by Vote</b>	<b>1</b>									
Vote 1 - Executive		1 967	76 399	94 651	83 298	83 333	83 333	93 293	97 106	102 987
Vote 2 - Budget and Treasury Office		79 023	7 782	17 537	3 737	4 850	4 850	4 375	4 525	4 750
Vote 3 - Community and Social Services		1 061	665	1 248	785	1 560	1 560	1 042	1 099	1 165
Vote 4 - Public Safety		-	179	-	-	-	-	-	-	-
Vote 5 - Sport and Recreation		22	29	10	-	-	-	22	23	25
Vote 6 - Waste Management		3 357	3 728	3 921	3 430	3 430	3 430	3 743	3 949	4 186
Vote 7 - Waste Water Management		5 132	6 305	6 061	5 938	5 938	5 938	6 408	6 760	7 166
Vote 8 - Road Transport		30 212	11 618	21 765	17 439	17 439	17 439	18 541	19 561	20 734
Vote 9 - Water		5 531	5 644	16 592	16 932	16 932	16 932	17 609	18 577	19 692
Vote 10 - Electricity		42 448	40 785	43 401	47 113	49 765	49 765	59 027	60 998	65 418
Vote 11 - Corporate Services		23 355	24 254	27 329	25 316	26 563	26 563	28 148	29 696	31 478
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>2</b>	<b>192 108</b>	<b>177 387</b>	<b>232 514</b>	<b>203 988</b>	<b>209 810</b>	<b>209 810</b>	<b>232 207</b>	<b>242 295</b>	<b>257 600</b>
<b>Expenditure by Vote to be appropriated</b>	<b>1</b>									
Vote 1 - Executive		46 843	53 956	64 242	44 164	48 044	48 044	45 150	44 255	45 653
Vote 2 - Budget and Treasury Office		19 355	23 097	26 474	36 377	37 996	37 996	38 346	39 625	41 096
Vote 3 - Community and Social Services		7 075	12 764	21 157	7 886	8 361	8 361	8 863	9 350	9 899
Vote 4 - Public Safety		637	838	695	761	1 283	1 283	770	812	861
Vote 5 - Sport and Recreation		17	51	109	67	265	265	47	50	53
Vote 6 - Waste Management		29 176	11 221	9 023	8 874	9 762	9 762	9 506	10 029	10 630
Vote 7 - Waste Water Management		9 109	14 104	11 209	10 995	11 948	11 948	12 124	12 790	13 558
Vote 8 - Road Transport		12 174	12 266	14 276	14 896	17 132	17 132	17 718	18 687	19 801
Vote 9 - Water		11 218	15 030	16 073	14 898	17 042	17 042	19 592	20 353	21 574
Vote 10 - Electricity		37 564	42 427	47 055	54 688	49 030	49 030	61 839	65 189	69 046
Vote 11 - Corporate Services		8 123	13 666	12 648	13 104	12 734	12 734	12 767	13 469	14 277
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>181 292</b>	<b>199 420</b>	<b>222 960</b>	<b>206 711</b>	<b>213 598</b>	<b>213 598</b>	<b>226 720</b>	<b>234 609</b>	<b>246 448</b>
<b>Surplus/(Deficit) for the year</b>	<b>2</b>	<b>10 816</b>	<b>(22 033)</b>	<b>9 554</b>	<b>(2 723)</b>	<b>(3 788)</b>	<b>(3 788)</b>	<b>5 487</b>	<b>7 686</b>	<b>11 152</b>



FS183 Tswelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand	1										
Revenue By Source											
Property rates	2	22 365	22 334	25 445	24 948	26 195	26 195	23 176	27 867	29 400	31 164
Service charges - electricity revenue	2	39 500	40 773	43 248	46 936	49 478	49 478	31 906	53 681	56 633	60 031
Service charges - water revenue	2	5 530	5 641	5 589	4 932	4 932	4 932	4 071	5 333	5 626	5 963
Service charges - sanitation revenue	2	5 132	5 740	6 061	5 938	5 938	5 938	5 321	6 408	6 760	7 166
Service charges - refuse revenue	2	3 357	3 728	3 921	3 430	3 430	3 430	2 595	3 743	3 949	4 186
Rental of facilities and equipment		788	959	1 534	298	313	313	550	347	366	388
Interest earned - external investments		1 745	1 420	795	1 300	1 300	1 300	27	1 300	1 400	1 600
Interest earned - outstanding debtors		875	1 622	1 799	265	265	265	2 096	281	296	314
Dividends received		58	61	65	100	100	100	96	130	150	150
Fines, penalties and forfeits		332	372	529	389	499	499	431	596	628	666
Licences and permits		24	75	68	60	40	40	57	70	74	78
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		73 204	77 692	94 669	84 620	84 620	84 620	59 861	94 460	98 752	104 608
Other revenue	2	1 478	1 734	2 996	1 580	3 508	3 508	2 939	2 360	1 943	2 030
Gains		90	(29)	440	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		154 481	162 123	187 158	174 798	180 618	180 618	133 125	198 575	205 978	218 345
Expenditure By Type											
Employee related costs	2	63 246	66 581	69 215	73 753	74 135	74 135	42 751	78 740	81 979	86 773
Remuneration of councillors		5 477	5 670	5 670	7 033	6 256	6 256	3 394	6 569	6 930	7 346
Debt impairment	3	21 211	16 205	17 699	13 000	13 000	13 000	137	13 000	13 000	13 000
Depreciation & asset impairment	2	24 289	28 246	33 259	20 000	20 000	20 000	-	20 000	20 000	20 000
Finance charges		3 645	1 662	3 591	1 700	2 700	2 700	2 208	1 500	1 583	1 677
Bulk purchases - electricity	2	33 130	36 277	38 766	49 562	43 442	43 442	26 046	55 009	58 035	61 517
Inventory consumed	8	6 078	8 046	9 521	22 039	22 866	22 866	1 538	16 459	17 364	18 406
Contracted services		10 650	14 880	20 202	9 618	21 367	21 367	18 127	26 070	25 901	27 365
Transfers and subsidies		-	-	-	10	10	10	-	15	16	17
Other expenditure	4, 5	13 876	14 212	18 884	9 997	9 822	9 822	10 126	9 358	9 802	10 348
Losses		(3 830)	3 006	473	-	-	-	-	-	-	-
Total Expenditure		177 771	194 785	217 279	208 711	213 598	213 598	104 325	226 720	234 809	246 448
Surplus/(Deficit)											
		(23 291)	(32 662)	(30 121)	(31 915)	(32 980)	(32 980)	28 800	(30 145)	(28 631)	(28 104)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		37 518	15 146	45 266	29 192	29 192	29 192	(4 209)	35 532	36 211	39 144
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	110	118	86	-	-	-	88	100	106	112
Transfers and subsidies - capital (in-kind - all)		-	-	4	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		14 337	(17 399)	15 235	(2 723)	(3 788)	(3 788)	24 679	5 487	7 888	11 152
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		14 337	(17 399)	15 235	(2 723)	(3 788)	(3 788)	24 679	5 487	7 888	11 152
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		14 337	(17 399)	15 235	(2 723)	(3 788)	(3 788)	24 679	5 487	7 888	11 152
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		14 337	(17 399)	15 235	(2 723)	(3 788)	(3 788)	24 679	5 487	7 888	11 152

FS183 Tswelopele - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure - to be appropriated</b>	<b>2</b>										
Vote 1 - Executive		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury Office		-	-	-	-	-	-	-	-	-	-
Vote 3 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 5 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-
Vote 6 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 7 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 8 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 9 - Water		-	-	-	-	-	-	-	-	-	-
Vote 10 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 11 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	<b>7</b>	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure - to be appropriated</b>	<b>2</b>										
Vote 1 - Executive		(46 342)	(171 859)	(4 166)	280	368	368	37	1 326	133	141
Vote 2 - Budget and Treasury Office		65 878	73 380	4 288	270	1 300	1 300	89	550	553	556
Vote 3 - Community and Social Services		-	-	-	1 075	1 075	1 075	-	1 075	-	-
Vote 4 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 5 - Sport and Recreation		-	-	0	810	810	810	-	825	925	1 025
Vote 6 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 7 - Waste Water Management		77	531	623	12 281	12 011	12 011	955	10 669	10 673	9 759
Vote 8 - Road Transport		9 818	8 189	(2 327)	1 000	1 400	1 400	1 304	4 243	5 320	6 409
Vote 9 - Water		(4)	31	10 772	14 426	14 448	14 448	58	14 683	16 363	18 146
Vote 10 - Electricity		-	171	121	-	-	-	-	5 000	4 000	5 000
Vote 11 - Corporate Services		-	184	287	40	30	30	1	60	63	67
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		29 427	(89 373)	9 597	30 182	31 442	31 442	2 444	38 430	38 030	41 102
<b>Total Capital Expenditure - Vote</b>		29 427	(89 373)	9 597	30 182	31 442	31 442	2 444	38 430	38 030	41 102
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		19 536	(96 311)	318	540	1 668	1 668	111	1 881	691	702
Executive and council		(46 342)	(171 875)	(4 257)	230	338	338	20	1 271	75	79
Finance and administration		65 878	73 564	4 575	310	1 330	1 330	91	610	616	623
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	0	1 885	1 885	1 885	-	1 899	925	1 025
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	0	1 885	1 885	1 885	-	1 899	925	1 025
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		9 818	8 295	(2 236)	1 050	1 430	1 430	1 320	4 298	5 378	6 470
Planning and development		-	16	92	50	30	30	16	55	58	62
Road transport		9 818	8 189	(2 327)	1 000	1 400	1 400	1 304	4 243	5 320	6 409
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		73	733	11 515	26 707	26 459	26 459	1 013	30 352	31 037	32 905
Energy sources		-	171	121	-	-	-	-	5 000	4 000	5 000
Water management		(4)	31	10 772	14 426	14 448	14 448	58	14 683	16 363	18 146
Waste water management		77	531	623	12 281	12 011	12 011	955	10 669	10 673	9 759
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	29 427	(89 373)	9 597	30 182	31 442	31 442	2 444	38 430	38 030	41 102
<b>Funded by:</b>											
National Government		-	24	506	28 192	28 192	28 192	944	34 532	35 211	38 144
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)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	<b>4</b>	-	24	506	28 192	28 192	28 192	944	34 532	35 211	38 144
Borrowing	<b>6</b>	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	(334)	1 990	3 250	3 250	1 409	3 898	2 819	2 958
<b>Total Capital Funding</b>	<b>7</b>	-	24	172	30 182	31 442	31 442	2 353	38 430	38 030	41 102

Reference:

FS183 Tswelopele - Table A6 Budgeted Financial Position

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand											
ASSETS											
Current assets											
Cash		(24 493)	(69 705)	(94 529)	28 903	30 131	30 131	(121 269)	7 441	3 766	107
Call investment deposits	1	33 384	81 242	107 017	8 508	8 508	8 508	140 017	9 189	9 189	9 189
Consumer debtors	1	25 860	27 868	37 997	83 937	88 421	88 421	60 845	96 084	83 084	70 084
Other debtors		8 461	9 152	10 987	6 093	6 203	6 203	11 903	5 331	5 331	5 331
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	–	–	–	87	1 259	1 259	1 656	753	753	753
Total current assets		43 212	48 556	61 471	127 527	134 521	134 521	93 152	118 798	102 123	85 464
Non current assets											
Long-term receivables		1 030	1 030	1 030	–	–	–	1 030	–	–	–
Investments		912	872	1 052	–	–	–	1 052	–	–	–
Investment property		117 438	105 411	104 999	105 411	105 411	105 411	104 999	110 039	110 039	110 039
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	532 344	507 209	525 037	540 786	542 047	582 047	406 586	568 919	586 949	608 051
Biological		1 233	1 205	1 310	1 205	1 205	1 205	1 310	1 373	1 373	1 373
Intangible		–	–	–	–	–	–	–	–	–	–
Other non-current assets		–	–	–	–	–	–	–	–	–	–
Total non current assets		652 957	615 728	633 430	647 403	648 663	688 663	514 978	680 332	698 362	719 464
TOTAL ASSETS		696 169	664 284	694 901	774 930	783 184	823 184	608 130	799 129	800 485	804 928
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	1 860	2 171	1 912	–	–	–	1 912	2 637	2 637	2 637
Consumer deposits		1 208	1 293	1 411	1 303	1 303	1 303	1 807	1 512	1 512	1 512
Trade and other payables	4	78 428	85 746	88 317	95 738	103 058	(103 058)	107 803	93 821	87 491	80 781
Provisions		12 901	14 399	12 454	–	–	–	12 454	822	822	822
Total current liabilities		94 397	103 609	104 094	97 041	104 361	(101 755)	123 976	98 793	92 463	85 753
Non current liabilities											
Borrowing		9 112	6 215	6 188	5 611	5 611	(5 611)	6 188	5 853	5 853	5 853
Provisions		34 767	30 448	46 376	22 648	22 648	(22 648)	46 376	48 602	48 602	48 602
Total non current liabilities		43 879	36 663	52 564	28 259	28 259	(28 259)	52 564	54 455	54 455	54 455
TOTAL LIABILITIES		138 276	140 271	156 658	125 300	132 620	(130 014)	176 540	153 247	146 917	140 207
NET ASSETS	5	557 893	524 013	538 242	649 629	650 564	953 198	431 590	645 882	653 568	664 720
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		547 723	546 877	531 961	649 629	650 564	650 564	479 397	645 882	653 568	664 720
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	547 723	546 877	531 961	649 629	650 564	650 564	479 397	645 882	653 568	664 720



FS183 Tswelopele - Table A7 Budgeted Cash Flows

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		15 484	18 900	16 578	24 948	24 948	24 948	10 246	28 396	29 958	31 755
Service charges		48 562	52 483	50 778	61 237	61 237	61 237	41 979	69 165	72 969	77 347
Other revenue		220	843	959	1 531	2 759	2 759	2 001	2 625	2 750	2 885
Transfers and Subsidies - Operational	1	158 691	120 501	176 519	84 620	84 620	84 620	63 314	94 560	98 858	104 720
Transfers and Subsidies - Capital	1	23 837	16 488	16 204	29 192	29 192	29 192	9 917	35 532	36 211	39 144
Interest		–	61	–	1 400	1 400	1 400	27	1 430	1 550	1 750
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(119 026)	(128 112)	(21 709)	(146 527)	(146 527)	(146 527)	(119 096)	(199 720)	(207 939)	(220 158)
Finance charges		(3 645)	(1 662)	–	(1 700)	(1 700)	(1 700)	–	–	–	–
Transfers and Grants	1	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		124 123	79 502	239 329	54 701	55 929	55 929	8 387	31 987	34 356	37 442
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		309	43	1 190	500	500	500	–	500	–	–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	(180)	–	–	–	–	–	–	–
Payments											
Capital assets		–	–	(28 374)	(30 182)	(30 182)	(30 182)	(3 255)	(38 430)	(38 030)	(41 102)
NET CASH FROM/(USED) INVESTING ACTIVITIES		309	43	(27 364)	(29 682)	(29 682)	(29 682)	(3 255)	(37 930)	(38 030)	(41 102)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	118	–	–	–	396	–	–	–
Payments											
Repayment of borrowing		–	–	(134)	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	(15)	–	–	–	396	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		124 432	79 546	211 949	25 019	26 247	26 247	5 528	(5 943)	(3 674)	(3 660)
Cash/cash equivalents at the year begin:	2	–	–	11 569	12 391	12 391	12 391	12 487	22 573	16 630	12 956
Cash/cash equivalents at the year end:	2	124 432	79 546	223 519	37 410	38 638	38 638	18 015	16 630	12 956	9 296

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

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	124 432	79 546	223 519	37 410	38 638	38 638	18 015	16 630	12 956	9 296
Other current investments > 90 days		(115 541)	(68 009)	(211 032)	-	-	-	733	-	-	-
Non current assets - Investments	1	912	872	1 052	-	-	-	1 052	-	-	-
<b>Cash and investments available:</b>		<b>9 803</b>	<b>12 409</b>	<b>13 540</b>	<b>37 410</b>	<b>38 638</b>	<b>38 638</b>	<b>19 800</b>	<b>16 630</b>	<b>12 956</b>	<b>9 296</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		565	5 046	0	5 046	5 046	(5 046)	22 664	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	48 096	45 798	46 697	1 736	9 043	(186 979)	24 142	(7 090)	(924)	5 366
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>48 662</b>	<b>50 844</b>	<b>46 697</b>	<b>6 783</b>	<b>14 090</b>	<b>(192 026)</b>	<b>46 806</b>	<b>(7 090)</b>	<b>(924)</b>	<b>5 366</b>
<b>Surplus(shortfall)</b>		<b>(38 859)</b>	<b>(38 435)</b>	<b>(33 158)</b>	<b>30 628</b>	<b>24 549</b>	<b>230 664</b>	<b>(27 006)</b>	<b>23 720</b>	<b>13 880</b>	<b>3 930</b>

FS183 Tswelopele - Table A9 Asset Management

Description		Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Machinery and Equipment			–	929	931	170	100	100	270	555	857
Transport Assets			–	(440)	(265)	1 000	1 400	1 400	2 600	4 077	5 643
Land			36 119	33 524	33 867	372 542	372 542	372 542	372 542	372 542	372 542
Zoo's, Marine and Non-biological Animals			–	–	–	–	–	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)		5	651 015	576 556	574 214	647 403	648 663	648 663	680 332	698 362	719 464
EXPENDITURE OTHER ITEMS			28 810	35 687	44 621	29 381	33 878	33 878	36 105	36 674	37 674
Depreciation	7		24 288	28 246	32 394	20 000	20 000	20 000	20 000	20 000	20 000
Repairs and Maintenance by Asset Class	3		4 521	7 441	12 227	9 381	13 878	13 878	16 105	16 674	17 674
Roads Infrastructure			1 036	1 913	2 475	2 220	3 723	3 723	5 230	5 518	5 849
Storm water Infrastructure			–	–	–	–	–	–	–	–	–
Electrical Infrastructure			495	1 113	1 549	2 400	2 648	2 648	3 975	4 193	4 445
Water Supply Infrastructure			880	889	1 385	1 000	1 850	1 850	2 150	1 952	2 069
Sanitation Infrastructure			880	993	1 819	780	1 280	1 280	1 350	1 424	1 510
Solid Waste Infrastructure			329	430	1 089	480	1 000	1 000	500	528	559
Rail Infrastructure			–	–	–	–	–	–	–	–	–
Coastal Infrastructure			–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure			–	–	–	–	–	–	–	–	–
Infrastructure			3 619	5 337	8 318	6 880	10 501	10 501	13 205	13 614	14 431
Community Facilities			21	177	–	40	–	–	50	53	56
Sport and Recreation Facilities			–	–	–	–	–	–	–	–	–
Community Assets			21	177	–	40	–	–	50	53	56
Heritage Assets			–	–	–	–	–	–	–	–	–
Revenue Generating			–	–	–	–	–	–	–	–	–
Non-revenue Generating			–	–	–	–	–	–	–	–	–
Investment properties			–	–	–	–	–	–	–	–	–
Operational Buildings			7	2	320	350	580	580	820	865	917
Housing			–	–	–	–	–	–	–	–	–
Other Assets			7	2	320	350	580	580	820	865	917
Biological or Cultivated Assets			–	–	–	–	–	–	–	–	–
Servitudes			–	–	–	–	–	–	–	–	–
Licences and Rights			–	–	–	–	–	–	–	–	–
Intangible Assets			–	–	–	–	–	–	–	–	–
Computer Equipment			0	0	4	4	186	186	3	3	3
Furniture and Office Equipment			612	872	2 689	1 327	1 332	1 332	677	714	757
Machinery and Equipment			262	1 052	897	780	1 280	1 280	1 350	1 424	1 510
Transport Assets			–	–	–	–	–	–	–	–	–
Land			–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals			–	–	–	–	–	–	–	–	–
TOTAL EXPENDITURE OTHER ITEMS			28 810	35 687	44 621	29 381	33 878	33 878	36 105	36 674	37 674

## 5. Explanatory notes to budget

### Explanatory Notes to Table A1

Table A1 is a summary of the budget of Tswelopele Local Municipality that gives an overview of the of the budget, it includes, the following key aspects

**Financial Performance:** This is a summary of income statement of the Municipality

**Capital Expenditure and funding sources:** This gives a brief overview of the capital expenditure and its funding sources

**Financial Position:** This is the balance sheet of Tswelopele Local Municipality

**Cash Flow:** This gives a brief overview of the Cash flow of the Municipality

**Asset Management:** This is the overview of the total assets of the Municipality

**Free Services:** This section gives the total amount of free basic services as provided by the municipality. This is the most important as it gives users of the budget a “snapshot” of what is going to follow in the next nine (9) main table

### Explanatory Notes to Table A2

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification.
2. Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4 as Table A4 exclude capital transfers

### Explanatory Note to Table A3

1. Table A3 is an overview of the budgeted financial performance in relation to the revenue and expenditure per municipal vote.
2. From the above it can be seen that all trading services are making surpluses, and this is attributable to the following
  - a. A 7.47% increase on electricity tariffs as pre-approved by NERSA.

- b. An increase of 6.0% on refuse, 6.0% on sewerage and 6.0% on water tariffs and 6.0% on Property rates
  - c. Cut on non-priority spending
3. Profits made on these services are used to subsidise non-trading services

### **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 2022/2023 MTREF is funded because Municipality anticipates making a profit over the MTREF. However; it should also be noted that the Eskom and Sandvet debt will be addressed through the measures that to be implemented with the funding plan.

## 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 2021) 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 was tabled to Council during August 2021.

As per the budget timelines all the department heads were requested 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 was tabled to Council at the end of March 2022 as stipulated in the MFMA.

Council having approved the draft budget, the municipality embarked 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 embarked 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.

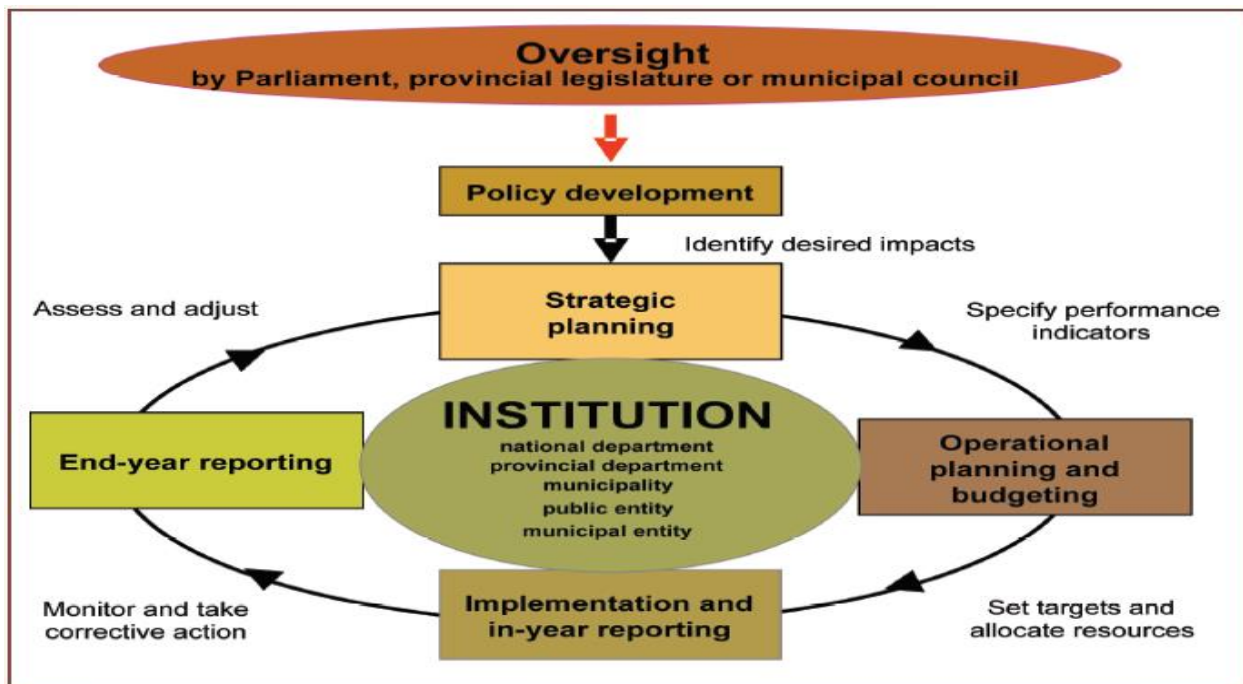
For the 2022/2023 financial year, quite substantial effort has been devoted towards ensuring that the Integrated Development Plan and Annual Budget are aligned as required by the MFMA. The process of reconciling financial plan to its Integrated Development Plan created a whole new method of budgeting at the municipality. Council will in the future ensure that priorities within the budget are focused towards its strategies and objectives.



### 3. Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the predetermined 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 reviewed and will operationalize its performance management framework. The following diagram further explains the process of planning, budgeting and reporting in Municipal environment:

**Graph - Planning and Reporting Cycle**



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.

### 3.1. Performance indicators and Benchmarking

The following ratios are the analysis of performance of the Municipality for 2022/2023

- ***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.

## **4. 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:

### **4.1. Review of credit control and debt collection policies**

The Municipality aims to increase the collection rate to average of over 95% by the end of 2022/2023 Financial Year. This can be achieved with the success of installation of pre-paid electricity meters and strict implementation of credit control collection measures.

Despite a credible policy that has been adopted by Municipal Council for the 2022/2023 financial year, there has been a great challenge in terms of its effective implementation. Inclusive of the challenges are the impact caused by COVID 19 within the Municipality. 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.

### **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 2021/2022 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. 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.

#### **4.4. Investment Policy**

The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves and conditional grants that needs to be cash-backed. There are no significant changes effected to the policy.

#### **4.5. Tariff Policies**

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

#### **4.6. 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.

#### **4.7. 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 2021/2022 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. There is a need for the development of free basic services policy and possible promulgation of the by-law.

#### **4.8. Bad debt write off policy**

The policy guides how and when the municipality should write off its debtors, the current debtor's book is approximately R140 million and it is in the light of the above that the policy was reviewed.

#### **4.9. 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](http://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 7.47% (pending NERSA approval) and property rates 6.0%. Salaries are budgeted for an increase of 6%, 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.

## **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 204 million and is funded from:

- Grants
- Service Charges
- Other revenue

The capital budget of the municipal totals R 30.5 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 their stipend is paid from this grant, 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 18 256 000 and this amount will be spent on the following projects:

Capital Projects for 2022/2023			
Funder	Project name	Unticipated completion	Estimate/Budget for 2022-2023
MIG	<b>Phahameng/Bultfontein:</b> Construction of sewer reticulation in Ext 10 (426 sites)	31-Sep-22	<b>R10 198 712.98</b>
MIG	<b>Phahameng/Bultfontein:</b> Construction of water reticulation in Ext 10 (426 sites)	31-Aug-22	<b>R1 640 843.88</b>
MIG	<b>Tikwana:</b> Fencing of cemeteries erf 695 & 3654 (MIS:317809)	30-Nov-22	<b>R1 074 828.99</b>
MIG	<b>Tikwana/Hoopstad:</b> The construction of 2km paved road and storm water drainage (Ward 6&7) (MIS:356848)	30-Jun-24	<b>R2 842 996.32</b>
MIG	Tikwana/Hoopstad: Upgrading of sports facilities phase 4	30-Sep-23	<b>R824 580.00</b>
MIG	Fencing of Waste Water Treatment Plant in Tikwana (Hoopsta)	30-Sep-23	<b>R761 237.83</b>

- **Expanded Public Works Grant**

As per the division of Revenue Act, the Municipality will receive R 1 141 000 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 2022 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.

## 12. Quality Certificate



**TSWELOPELE**  
LOCAL MUNICIPALITY  
A MUNICIPALITY IN PROGRESS

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### 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: \_\_\_\_\_