



nelson mandela bay

M U N I C I P A L I T Y

PORT ELIZABETH | UITENHAGE | DESPATCH

2022/23 – 2024/25 DRAFT BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR’S FOREWORD – TABLING OF THE 2022/23 TO 2024/25 DRAFT BUDGET FOR NOTING

Section 16(2) of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) stipulates that the Mayor must table the budget to Council, at least 90 days before the start of a budget year.

On 23 February 2022, the Minister of Finance tabled the 2022/23 to 2024/25 Budget in Parliament. The budget as tabled includes various grant allocations to municipalities in terms of the requirements of the Division of Revenue Act (DORA). The municipality’s draft budget includes the following grant allocations:

ALLOCATION OF OPERATING GRANTS IN TERMS OF THE DIVISION OF REVENUE BILL (2022/2023 to 2024/25)				
GRANT NAME	GRANT TYPE (CONDITIONAL / UNCONDITIONAL)	2022/23 Year 1	2023/24 (1st Outer Year Projections)	2024/25 (2nd Outer Year Projections)
OPERATING GRANTS				
		<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
Equitable Share (Schedule 3)	Unconditional	1 288 228	1 389 940	1 499 327
Financial Management Grant	Conditional	1,000	1,000	1,000
Infrastructure Skills Development Grant (Current)	Conditional	12 750	12 750	13 500
EPWP	Conditional	9,884	-	-
Programme and Project Preparation Support Grant	Conditional	20,322	21,218	22,472
Fuel Levy Grant	Unconditional	754,473	778,420	834,102
TOTAL - OPERATING		2,086,657	2,203,328	2,370,401
CAPITAL GRANTS				
Urban Settlements Development Grant (USDG) (Schedule 4B)	Conditional	588 945	614 902	642 517
Informal Settlement Upgrading Partnership Grant	Conditional	334,876	349,635	365,337
Neighbourhood Partnership Development Grant (NDPG)	Conditional	25,581	40,000	15,000
Public Transport Network Grant	Conditional	318,543	332,128	344,814
Energy Efficiency and Demand Side Management Grant	Conditional	9,000	9,000	10,000
TOTAL - CAPITAL		1,276,945	1,345,665	1,377,668
TOTAL GRANTS (OPERATING AND CAPITAL)		3,363,602	3,548,993	3,748,069

In terms of the above table, the total Operating Grants amount to R2.09 billion, R2.20 billion and R2.37 billion for the three financial years, whilst the total Capital Grants amount to R1.28 billion, R1.35 billion and R1.38 billion over the same period.

The above allocations include the Informal Settlements Upgrading Partnership Grant (ISUPG), which has been gazetted, amounting to R334.87 million, R349.63 million and R365.34 million over the three-year period. The Human Settlements Directorate, in conjunction with the affected Service Delivery Directorates must ensure that all the projects to be funded from this grant, are in line with the Business Plan as approved by National Department for Human Settlement, to enable final approval by Council in May 2022 when the Budget would be considered and approved by Council.

It is important to note the impact of the Covid-19 pandemic, on the country's economy. This impact is keenly felt in the revenue collection performance. The revenue collection rate has declined from a projected 85%, as per the 2021/22 Original Budget, to a projected 79%, as per the 2021/22 Adjustments Budget. The average collection rate for the 2021/22 mid-term period, (i.e. July to December 2021) was 69.6%, hence the collection rate was adjusted in the 2021/22 Adjustment Budget to 79%, and for the coming three financial years the Collection Rate has been estimated at around 80%.

Council should note that section 2 of the Municipal Property Rates Act (MPRA), Act No.6 of 2004 gives municipalities the powers to levy property rates, which must be based on the market related values of the properties. Section 32(b)(i) of the MPRA limits the validity period of the valuation roll utilised for the basis of levying property rates to a period of four (4) financial years, in respect of metropolitan municipalities. Based on the above requirement of the MPRA, it must be noted that with effect from 1 July 2021 a new General Valuation Roll was meant to be implemented, however, Council successfully applied to the MEC: COGTA for the delay of the implementation of the new General Valuation Roll from 1 July 2021 to 1 July 2022. It can be confirmed that all the required legal processes have been commenced with to comply with the MPRA. Attached to this budget report is the revised Property Rates Policy, which will also be subjected to public participation processes as required in terms of section 4 of the MPRA, read in conjunction with Chapter 4 of the Municipal Systems Act, Act No.32 of 2000.

The budget is also informed by the consideration of tariff increases for various services, such as, Electricity, Water, Refuse and Sanitation and Property Rates. The proposed increases for electricity tariffs are entirely dependent on the final outcomes of the Eskom tariff application to NERSA. The proposed electricity tariff increases have been based on the communication from NERSA that has been recently issued. The proposed increases are still subject to final NERSA approval process. The proposed tariff increases for Water, Sanitation and Refuse are linked to the projected Consumer Price Index (CPI) increases.

It is to be noted that Salary and Wage Bill is a major cost driver. The current three-year Collective Agreement dated 15 September 2021, regarding salary increases for municipal employees came in effect from the current financial year (2021/22), covering the period from 1 July 2021 to 30 June 2024. To guide salary increases, the projected average CPI as projected in latest National Treasury Budget Circulars was considered. According to paragraph 7.1 of the National Treasury MFMA Circular 112 & 115, municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, to root out ghost employees.

Attached elsewhere in this report are the following documents: -

- (i) Capital Works Plan (2022/23 to 2024/25);
- (ii) Draft Ward Budget (2022/23 to 2024/25);
- (iii) National Treasury Circular 112, and
- (iv) National Treasury Circular 115.

It must be noted that the Tables contained in this report were, for the first time extracted from our own system or Tool (Financial Reporting Tool / FRT) developed by our IT / MIS Developers in conjunction with certain Budget and Treasury Directorate's staff, which is a good start with other gaps to be filled in to ensure that we fully comply with the MSCOA requirements by National Treasury as it relates to the budget preparation. It can also be confirmed that there has been no work undertaken with "external consultants" in this exercise and that will be the case in the submission of the required budget "strings" to National Treasury after the noting of this draft budget. Any other further improvements will be made in the period leading up to the final approval of the 2022/23 to 2024/25 budget (i.e. on or before end May 2022).

Lastly, let me take this opportunity to sincerely thank all role players who assisted in ensuring that the draft budget is submitted to Council for noting, leading up to the final approval of the budget on or before the end of May 2022.

I therefore table the draft budget 2022/23 to 2024/25 and the accompanying documents before Council for NOTING.

Thank You / Enkosi / Baie Dankie!!!

**COUNCILLOR E JOHNSON
EXECUTIVE MAYOR**

1.2 COUNCIL RESOLUTIONS

THE EXECUTIVE MAYOR RECOMMENDS TO COUNCIL THAT:

1. The consolidated annual budget of the Nelson Mandela Bay Municipality for the financial year 2022/23 and the indicative allocations for the projected outer years 2023/24 and 2024/25, and the multi-year and single year capital appropriations, be **noted** for the purpose of complying with Chapter 4 of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA), read in conjunction with Municipal Budget and Reporting Regulations No.32141 (dated 17 April 2009), as set out in the following tables:
 - 1.1 Consolidated Budget Summary (revenue and expenditure by standard classification); [Page 23 to 24] (A1);
 - 1.2 Consolidated Budget Financial Performance (revenue and expenditure by municipal vote); [Page 25] (A2);
 - 1.3 Budgeted Financial Performance (revenue by source and expenditure by type / municipal vote); [Page 25 to 26] (A3);
 - 1.4 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source; [Page 27 to 27];
 - 1.5 That the budgeted financial position, budgeted cash flows, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:
 - 1.6 Budgeted Financial Position; [Page 29];
 - 1.7 Budgeted Cash Flows; [Page 30];
 - 1.8 Cash backed reserves and accumulated surplus reconciliation; [Page 30 to 30];
 - 1.9 Asset Management; [Page 31 to 34]; and
 - 1.10 Basic service delivery measurement. [Page 35 to 36].
2. That the consolidated budget that includes the financial impact of the municipal entity (i.e. Mandela Bay Development Agency) as well as Capital and Operating Contributions to the MBDA (including HURP) of R111.1 million (2022/23), R118.6 million (2023/24) and R124.9 million (2024/25) respectively, be noted.
3. That Council notes that transfer of grants to the entity (i.e. MBDA) will be undertaken on a quarterly basis, based on compliance with the required conditions as per the signed service delivery agreement (SDA).
4. That Council notes that the entity will be required to submit reports on a quarterly basis to, amongst others, the Budget and Treasury Standing Committee and any other Council Committee, indicating performance on Operating and Capital Projects, that are incorporated into the approved budget, to monitor performance on a continuous basis.
5. That as previously approved by Council, any unspent amount of the grants allocated to the MBDA at financial year-end, be subjected to a Rollover Application process, to improve financial oversight by the NMBM.
6. That the ED: Human Settlements Directorate leads a process of ensuring that the breakdown of the projects to be funded from the allocated Informal Settlements Upgrading Partnership Grant (ISUPG) be finalised and be in line with the Business Plan approved by the National Department for Human Settlements on or before April 2022 for proper updating of affected projects by the Budget and Treasury Directorate.
7. That the tariffs be increased as follows with effect from 1 July 2022:

Property rates	-	5.50% (Average increase on the property rates revenue)
Water	-	6.00%
Sanitation	-	6.00%
Refuse	-	6.00%
Electricity	-	8.61% (On average (depending on the various customer categories), subject to NERSA approval).

8. That the indicative tariffs for 2022/23 and 2023/24 be increased as follows (considering the external factors impacting on Electricity and Water Services):

	2023/24	2024/25
Property Rates	6.00%	6.00%
Water	6.50%	6.50%
Sanitation	6.50%	6.50%
Refuse	6.50%	6.50%
Electricity	8.61%	8.61%

9. That Council notes the contents of National Treasury MFMA **Circulars 112 and 115** (attached to the Budget Report) for guiding the budgeting processes leading up to budget approval by the end of May 2022.
10. That in line with the requirements, relating to allocations or grants by the NMBM to any organisations/bodies referred to in section 67(1) of the MFMA, it be noted that the following allocations are made under the Sports, Recreation, Arts and Culture (SRAC) Directorate:

JOB NUMBER / ORG CODE	NAME OF ORGANISATION	2022/23	2023/24	2024/25	Authority
2018NSRA00266/7	Sport & Recreation - Sport Programs	1,490,890	1,580,343	1,675,164	Mandate
2018NSRA05836	Soccer Championship	6,000,000			SLA ends 2022/23 Fin Yr. (renewal to be sort)
2018NSRA05839	COSAFA & Swimming Pool Championship	2,500,000	2,500,000	2,500,000	Council Resolution
00648502	Support: Professional Boxing in NMB	2,500,000			SLA ends 2022/23 Fin Yr. (renewal to be sort)
00648503	Support: ABC Motsepe League Teams	763,200	808,992	857,532	Mandate
00648504	Nelson Mandela Bay Sports Summit	1,000,000	1,000,000		Council Resolution
00648535	Reunified Race	1,200,000	1,200,000		SLA ends 2023/24 (renewal to be sort)
2018NSRA05871	RICHMOND HILL FESTIVAL	250,000	250,000		Council Resolution (SLA in progress)
2018NSRA05873	SOUTH END MUSEUM	750,000	750,000		Council Resolution (SLA in progress)
2018NSRA00275	Repatriation - Reburials	296,800	314,608	333,484	Mandate
2018NSRA00381	LEVIES: SPECIAL EVENTS - 20050254 (1)	767,154	813,183	861,974	Mandate
2018NSRA05878	SPLASH FESTIVAL	3,500,000	3,500,000		SLA ends 2023/24 (renewal to be sort)
2018NSRA05879	SUMMER SEASON	4,028,000	4,269,680	4,525,861	Tender
2018NSRA05881	EP ATHLETICS	4,700,000	4,700,000		SLA ends 2023/24 (renewal to be sort)
2018NSRA05884	NELSON MANDELA BAY GOLF CHAMPIONSHIP	1,600,000	1,600,000		Council Resolution (SLA in progress)
2018NSRA05885	HERALD CYCLE TOUR	1,000,000	1,000,000		SLA ends 2023/24 (renewal to be sort)
2018NSRA05889	RIVER MILE	300,000	300,000		SLA ends 2023/24 (renewal to be sort)
2018NSRA00382	Levies: Memorial Lectures	318,000	337,080	357,305	Mandate
2018NSRA00379	Heritage Month	318,000	337,080	357,305	Mandate
2018NSRA05877	IRONMAN TRIATHLONE	8,613,440			SLA ends 2022/23 (renewal to be sort)
11148506	Lifesaving Championships	1,100,000	1,100,000		SLA ends 2023/24 (renewal to be sort)
TOTAL		42,995,484	26,360,966	11,468,624	

12. That Council notes that payments made to the various institutions as above will be in line with approved Service Level Agreements (SLA's) entered between the NMBM and the individual organisation.

1.3 EXECUTIVE SUMMARY

The key service delivery priorities, as reflected in the Integrated Development Plan (IDP), informed the development of the Budget, including the need to maintain the Municipality's financial sustainability. This budget is prepared during a time in which the Collection Rate has been reported to be at its lowest, as illustrated in other structures of Council.

Specific revenue collection strategies to improve the collection of outstanding consumer debt are being implemented by the Municipality, albeit during the tough conditions as imposed by the Covid-19 pandemic resulting to the low average Collection Rates and the impact of the pandemic to the unemployment figures. Cost containment Regulations and Policy are also being implemented to further curb costs and to improve operational efficiency, in line with the requirements of the Cost Containment Regulations (Number 42514 dated 7 June 2019), as well as the recently approved Cost Containment Policy of Council.

All National Treasury's MFMA Circulars were used to guide the compilation of the 2022/23 MTREF, including the latest MFMA Circulars 112 and 115. These two MFMA Circulars were also tabled to the meetings of the Budget and Treasury Standing Committee, 22 March 2022, as well as the EXCO meetings for their awareness.

The Municipality is faced with the following significant challenges during the compilation of the 2022/23 MTREF:

- Impact of the COVID-19 pandemic and the declining collection rate.
- Inability to budget for a surplus on the Operating Budget, due to various factors including prior year commitments with financial implications to the budget.
- Escalating Employee Related Costs, that continue to be greater than 30%, as compared to the total operating budget (after excluding the non-cash items), which is necessitated by various allowances that are paid to municipal employees.
- Ensuring that electricity and water losses are reduced to acceptable levels.
- Allocation of the required operating budget provision for newly created infrastructure and facilities, with a consequential impact on the level of property rates and tariff increases.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure, more so due to the rampant vandalism of municipal infrastructure that has recently occurred.
- The non-conclusion of the implementation of the Municipal Standard Chart of Accounts (mSCOA) budget as required in terms of the National Treasury's mSCOA Regulations, which retards the timeous conclusion of the Budget Reports to Council, as required.
- The unfunded/underfunded mandates negatively impacting on the municipality's budget, such as the Library Services which is not necessarily under the municipality in terms of the Constitution of RSA Act.
- Ensuring that the budget responds to Built Environment Performance Plan (BEPP) requirements or prioritisation.
- The vandalism to the municipal properties as reported in various structures of Council due to lacking security of the municipal assets.
- The incorporation of Covid-19 expenditure; and
- The financial commitment resulting to prior year decisions of Council which include, amongst others, insourcing of security guards, which become a permanent cost in the Payroll of the municipality and also decisions such as considering abolishing the Reconnection / Disconnection fees which will also add another burden to the ratepayers. All concerted efforts must be made when such decisions are made due to their financial impact, going forward.

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

- The declining Collection Rate, as previously alluded to.
- The priorities and targets, relating to the key strategic focus areas, as determined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- In accordance with Section 19 of the Municipal Finance Management Act (MFMA), the relevant Acting/Executive Directors must submit comprehensive reports in relation to new projects, inter alia, dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new projects.
- It is also a requirement that new projects in the budgeting process, must be accompanied by a Business Plan, Cash Flows, and a Procurement Plan.

In view of the above statements, the following table represents a **consolidated overview** (which includes the MBDA or entity budget) of the proposed 2022/23 Medium-term Revenue and Expenditure Framework:

TABLE 1 (CONSOLIDATED OVERVIEW OF THE 2022/23 MTREF)

R thousands	Original Budget 2021/22	Adjusted Budget 2021/22	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Total Operating Revenue	12,934,269	13,895,015	14,973,341	15,986,397	17,032,787
Fuel Levy allocated for capital expenditure	344,197	335,808	361,074	391,400	391,400
Actual Total Operating Revenue (Excluding Fuel Levy)	12,590,072	13,559,207	14,612,267	15,594,997	16,641,387
Total Operating Expenditure	13,344,966	14,319,226	15,466,794	16,438,943	17,510,849
Actual Surplus/(Deficit)	(754,894)	(760,019)	(854,527)	(843,946)	(869,462)
Total Capital expenditure	1,553,249	1,566,149	1,521,705	1,273,481	1,236,788

To support the 2022/23 Operating Budget, the following increase in property rates and service charges were proposed with effect from 1 July 2022:

- Property rates - 5.5% (Average increase on the property rates revenue)
- Water - 6%
- Sanitation - 6%
- Refuse - 6%
- Electricity (Average) - 8.61% (On average depending on various customer categories, subject to NERSA approval).

It is also important to note that during the new financial year (2022/23), as alluded above in the Executive Mayor's statement, there will be an implementation of the new General Valuation Roll that was postponed from the previous financial year (i.e. 2021/22), through an authority obtained from the MEC: COGTA.

The capital budget of R1.37 billion for 2021/22 is 5.38% more than the 2020/21 Adjustments Budget. The Capital Budget decreases to R1.38 billion in the 2022/23 financial year and then decreases to R1.08 billion in the 2023/24 financial year. The Capital Budget over the MTREF period will be mainly funded from government grants and subsidies.

1.4 HISTORIC PROPERTY RATES AND TARIFFS INCREASES

The following table illustrates the historic increases for the various services:

TABLE 2 (HISTORIC PERCENTAGE INCREASES FOR SERVICES)

VARIOUS SERVICES	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
	%	%	%	%	%	%	%	%	%
Electricity	8.61 (Average)	14.59 (average)	6.22 (average)	13.04	5.43 (average)	1.88	7.64	12.2	7.39
Water	6	6	6	7.5	8.5	9	9	13	12
Sanitation	6	6	6	7.5	8.5	9	9	12	12
Property Rates	5.5	6	6	7.77	5	4.4	9.5	9.5	9.5
Refuse	6	6	6	7.5	7.5	9	9	11	12

1.5 OPERATING REVENUE FRAMEWORK

The continued provision and expansion of municipal services is largely dependent on the Municipality generating sufficient revenues. Efficient and effective revenue management is thus of critical importance in ensuring the ongoing financial sustainability of the Municipality. Furthermore, in accordance with section 18(1)(a) of the Local Government: Municipal Finance Management Act (56 of 2003) (MFMA), expenditure must be limited to the realistically anticipated revenues.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard in terms of the relevant Budget Circulars.
- Tariff and Credit Control Policies.
- The Municipal Property Rates Policy as amended every financial year.
- The ATTP Policy and provision of free basic services as funded from the Equitable Share allocated in terms of the Division of Revenue Act (DORA).
- The level of property rates and tariff increases must ensure financially sustainable service delivery, bearing in mind the plight of our ratepayers that they experience due to tough economic conditions.
- The level of property rates and tariff increases to provide for the maintenance and replacement of infrastructure, including the expansion of services.
- Replenishing the Capital Replacement Reserve (CRR) to finance Capital projects, from the internal funding sources.
- Implementing Cost Containment Measures in terms of the Regulations & the NMBM's Cost Containment Policy.
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Water bulk tariff increases as approved by the Department of Water Affairs (DWA).
- Efficient revenue management, targeting the annual collection rates for property rates and service charges greater than the anticipated 80% upon implementation of certain revenue enhancement strategies.
- No growth in the revenue base.

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

TABLE 3 (SUMMARY OF MAIN REVENUE SOURCES)

Description	2018/19	2019/20	2020/21	Current Year 2021/22		2022/23 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand	Audited Outcome	Audited Outcome	Audited Outcome					
Revenue By Source								
Property rates	2,127,308	2,363,371		2,637,580	2,637,580	2,838,816	3,009,145	3,189,694
Service charges - electricity revenue	3,687,352	3,715,711		4,530,243	4,381,477	4,702,861	5,104,523	5,540,291
Service charges - water revenue	850,694	1,185,069		1,379,942	2,565,492	2,583,422	2,751,344	2,930,182
Service charges - sanitation revenue	536,186	650,335		739,928	739,928	589,323	627,629	668,425

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	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand								
Service charges - refuse revenue	192,754	247,681	report was concluded.	280,370	280,370	153,101	172,404	192,963
Rental of facilities and equipment	33,159	22,974		27,867	28,039	29,038	29,565	30,132
Interest earned - external investments	208,830	233,799		173,680	173,680	177,558	184,662	192,511
Interest earned - outstanding debtors	234,618	254,959		376,196	376,196	399,628	424,866	452,280
Dividends received								
Fines, penalties, and forfeits	216,027	224,358		193,047	67,014	94,347	94,926	96,886
Licences and permits	20,665	15,132		12,550	12,606	16,850	17,936	19,092
Agency services	3,154	3,546		3,242	3,242	3,453	3,678	3,917
Transfers and subsidies	1,860,136	1,910,644		2,425,431	1,773,158	2,654,084	2,820,686	2,935,684
Other revenue	132,161	103,308		154,184	856,222	0	0	0
Gains				510	510	0	0	0
Total Revenue (excluding capital transfers and contributions)	10,103,043	10,930,888		12,934,769	13,895,015	14,242,481	15,241,364	16,252,057
True Operating Revenue (Including Capex portion of Fuel Levy)				12,934,769	13,895,015	14,242,481	15,241,364	16,252,057

TABLE 4 (OPERATING TRANSFERS AND GRANT RECEIPTS)

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	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand								
RECEIPTS:								
Operating Transfers and Grants								
NATIONAL GOVERNMENT:	1,741,708	1,619,521		2,296,000	2,296,000	1 658 801	1 839 166	2 012 558
Local Government Equitable Share	939,530	766,246		1,143,807	1,143,807	1 288 228	1 389 940	1 499 327
EPWP Incentive	6,711	8,950		7,116	7,116	9,884	0	0
Finance Management	1,000	1,000		1,000	1,000	1 000	1 000	1 000
Urban Settlements Development Grant (USDG)	-	-		-	-	15,364	16,041	16,761
Infrastructure Skills Development	11,834	9,500		10,500	10,500	12 750	12 750	13 500
LGSETA	5,614	5,347		2,500	2,500	0	0	0
ISUP-G				134,308	134,308	254,966	234,167	317,684
Public Transport Networks Operations	152,470	138,134		165,110	165,110	152,787	160,450	138,114
Fuel Levy (Disclosed elsewhere or under another Category)	623,566	690,344		701,573	701,573	0	0	0
LGWSETA Funding	983			0	0	3,500	3,600	3,700
Programme and Project Support Grant				11,267	11,267	20,322	21,218	22,472
PROVINCIAL GOVERNMENT:	37,646	22,921		30,766	30,766	32,193	36,971	18,971
Sport and Recreation	15,870	15,870		15,870	15,870	17,297	18,075	18,075
DRPW (Maintenance of Roads	10,580	6,145		14,000	14,000	14,000	18,000	0
Marine and Coastal Development	650	325		896	896	896	896	896
Human Settlements Development	3,421	580		0	0	0	0	0
Municipal Emergency Housing	7,125			0	0	0	0	0
DISTRICT MUNICIPALITY:	-	-		-	-	0	0	0
Other grant providers:	3,312	2,708		-	-	0	0	0
Other Grants	3,312	2,708						
Total Operating Transfers and Grants	1,782,666	1,645,150		2,326,766	2,326,766	1 690 994	1 876 137	2 031 529

1.5.1 Property Rates

Property rates fund the costs associated with the provision of general services, such as recreational, library, safety & security, and roads and storm water services, etc. Further to this a Policy (i.e. Long Term Financial Management Plan Policy) was approved by Council in order to ensure that funding of the budget as required in terms of the Municipal Standard Chart of Accounts (mSCOA) is addressed and future budget circulars to Directorates are explicit on how budget funding for Directorates is split or funded from (i.e. funding sources), as demanded in terms of the MSCOA Regulations.

The following provisions in the Property Rates Policy are highlighted:

- The first R15,000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).
- 100% rebate will be granted to registered indigents in terms of the Indigent Policy / Assistance to the Poor Policy, as approved by Council.
- Pensioners, physically and mentally disabled property owners of rateable property may on submission of an application be granted a rebate. The rebate will be granted on a sliding scale basis with the income levels and corresponding percentage reductions being determined by Council in its annual budget. In this regard the following stipulations are relevant to the applicant:
 - (a) must be a natural person.
 - (b) be the owner of the property.
 - (c) occupy the property as his or her normal residence or where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.
 - (d) produce certified copy/ies of owner/s' bar-coded identity document.
 - (e) - *pensioners*: be at least 60 years of age on 1 July of the financial year concerned; or if the owner turns 60 during the year the rebate will be granted on a pro rata basis from the date on which the applicant turned 60.
- *disabled*: be in receipt of disability grant / pension and submit proof and nature of disability e.g. letter from doctor with application.
 - (f) be in receipt of a total gross annual income (as defined in Part 2 of the policy), excluding medical aid contributions and child support/grant not exceeding a value as determined by Council in its annual budget; submit pension statements, previous 3 months (or the number of months determined necessary by the Chief Financial Officer (CFO) bank statements from all bank and investment accounts of owner and spouse, and proof of total gross annual income of any other persons living on the property (not just rental received). All documents provided must clearly state who it is for – documents which do not reflect person's name or ID. No. will not be considered.
 - (g) not be in receipt of an indigent subsidy.
 - (h) provide a certified affidavit declaring any assistance from any other sources. Assistance received from family members not residing on property, will not however be included in the calculation of total household income.
 - (i) provide a certified affidavit to explain any once-off monies received e.g. gifts, donations, etc;
 - (j) ensure that his/her accounts are not in arrears (or arrangements made to pay all outstanding amounts) before applying for the rebate and continue to pay the rates account in full until rebate is granted as no interest will be reversed.
 - (k) a usufructuary will be regarded as the owner.
 - (l) the criteria of a natural person may be waived at the sole discretion of the municipality to allow for a property owned by a trust where the total number of beneficiaries meets all of the other requirements of this policy; and provided further that the gross monthly income of all persons residing on that property be added to the gross monthly income of the beneficiaries staying on that property.
 - (m) owners qualify for only one rebate per year, if financial circumstances change, they can only apply for future years.
- Sporting organisations, the sole purpose of which is to use the property owned/leased by them for sporting purposes, whether for gain or not, may qualify for a rebate, with amateur bodies being granted 100% and professional bodies 40%. Any profits earned must be invested in the betterment of the organisation and not be for private gain. Audited financial statement must be provided, if however, the sporting body does not have audited financial statement reasons therefore must be provided on the clubs' official letterhead.
- If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.
- All accounts of the applicant must be up to date or arrangements must be made to pay any outstanding balances before any rebate will be granted. The applicant must continue to pay the

rates account in full until the rebate is granted as no interest will be reversed.

An average increase of 5.5% on the property rates revenue is proposed, with effect from 1 July 2022.

The property rates increase is mainly influenced by the following:

- Employee related costs increases.
- Creating a Provision for Long Service Awards and Long Service Bonuses based on an Actuarial assessment.
- Costs of servicing existing external borrowing to fund roads and storm water infrastructure.
- Providing for debt impairment.
- Operationalisation of the IPTS, Metro Police Services as well as other previously approved commitments by Council, such as insourcing decisions of about 672 private security guards (Watchmen); and
- TASK implementation, amongst others.

1.5.2 Sale of Water and Impact of Tariff Increases

In accordance with various National Treasury's MFMA Circulars, (e.g. 51, 55, 58, 66, 70, 74, 78, 79, 85, 86, 89, 91, 93, 94, 95, 98, 99, 107, 108, 112 and 115); Municipalities are encouraged to review the level and structure of their water tariffs to ensure the following:

- Fully cost reflective water tariffs – tariffs should include the costs associated with bulk water purchases, the maintenance and renewal of purification plants, water networks and water reticulation expansion.
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In terms of paragraph 5.2 of the previously issued Circular, i.e. National Treasury Circular 78 municipalities were urged to ensure that water tariffs are fully cost reflective. In this regard in instances where tariffs are not cost recovery based, a phased-in approach must be undertaken to ensure that tariffs are fully cost reflective over the medium term.

A tariff increase of 6% is proposed, effective as from 1 July 2022 is maintained as in the previous financial year and this is also as a result of the punitive tariff burden to the ratepayers. The proposed tariff increase is mainly influenced by the following:

- The increased employee related costs necessitated by the agreement between SALGA and Labour Unions.
- Year-to-year increases in the cost of bulk water purchases.
- Costs of servicing existing external borrowing to fund water infrastructure; and
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of water consumption are progressively charged at a higher rate due to drought conditions (i.e. Punitive Tariff Structure).

1.5.3 Sale of Electricity and Impact of Tariff Increases

NERSA has indicated that the Eskom bulk electricity tariff to municipalities would increase by 8.61% as from 1 July 2022. Considering the Eskom tariff increase, the Municipality's consumer tariffs have been set at 8.61% on average, whilst awaiting NERSA approval.

The tariff increases are mainly influenced by the following:

- The increased employee related costs necessitated by the agreement between SALGA and Labour Unions.
- The cost of bulk electricity purchases as approved by NERSA.
- Costs of servicing existing external and new borrowing to fund electricity infrastructure, and
- Providing for debt impairment and taking care of prior year commitments.

1.5.4 Sanitation and Impact of Tariff Increases

In accordance with various National Treasury's MFMA Circulars, (e.g. 51, 55, 58, 66, 70, 74, 78, 79, 85, 86, 89, 91, 93, 94, 95, 98, 99, 107, 108, 112 and 115); Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion.
- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that sanitation tariffs are fully cost reflective. In this regard a phased-in approach must be undertaken to ensure that tariffs are fully cost reflective over the medium term, in case of any discrepancies. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2022/23 MTREF.

Sanitation charges are determined based on the volume of water consumed, which is appropriately reduced by the percentage of water discharged into the sewer system.

A tariff increase of 6% is proposed, effective as from 1 July 2022. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increases.
- Costs of servicing existing external and new borrowing to fund sanitation infrastructure, and
- Providing for debt impairment.

1.5.5 Refuse Collection and Disposal and Impact of Tariff Increases

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective. The tariffs should consider the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2022/23 MTREF and a phasing-in approach is recommended.

A tariff increase of 6% is proposed for the refuse collection and disposal service, effective as from 1 July 2022.

The tariff increase is mainly influenced by the following:

- Employee related costs increases.
- Costs of servicing existing external borrowing to fund refuse infrastructure & other commitments, and
- Providing for debt impairment that keeps on escalating.

Overall impact of tariff increases on households

The following tables reflect the anticipated impact of the tariff increases on a middle income and affordable range household, as well as an indigent household receiving free basic services. In respect of an Indigent Household receiving free basic services 3 tables have been provided to illustrate the benefit rendered to the indigent.

It is to be noted that the NMBM by far renders the largest benefits to the indigent consumers, compared to the other Metros. It must also be considered that only the benefits allowed, which are in accordance with the National Policy may be funded via the Equitable Share.

The basis used for calculating the municipal accounts for the different categories of households is as follows:

Description	Land Value	Electricity (kwh)	Water (kl)
Household – Middle Income	R700 000	1000 kwh	30kl
Household – Affordable Range	R500 000	500 kwh	25kl
Indigent Household receiving free services	R300 000	350 kwh	20kl

TABLE 5 (TABLE SA14 – HOUSEHOLD BILLS – MIDDLE INCOME RANGE)

Monthly Account for Household - 'Middle Income Range'	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 2022/23	Budget Year 2023/24	Budget Year 2024/25
Rates and services charges:							% incr.			
Property rates R700 000	667.04	718.87		807.72	807.72	807.72	5.5 %	852.14	903.27	957.47
Electricity: Consumption (1000 Kwh)	1,642.39	1,856.56		2,259.76	2,259.76	2,259.76	8.61%	2,454.33	2,665.64	2,895.15
0 - 350	482.68	545.62		664.12	664.12	664.12	8.61%	721.30	783.40	850.86
351 – 600	416.09	470.35		572.50	572.50	572.50	8.61%	621.79	975.33	733.47
601 - 900	552.39	624.42		760.03	760.03	760.03	8.61%	854.47	896.54	973.73
901 - 1000	191.23	216.17		263.12	263.12	263.12	8.61%	285.77	310.38	337.10
Water: Basic levy	45.02	48.40		54.38	54.38	54.38	6%	57.64	61.39	65.38
Water: Consumption (30 Kl)	433.31	465.81	Outstanding information by the time of concluding the draft report.	523.39	523.39	523.39	6%	554.79	590.85	629.26
0 – 24	329.93	354.67		398.51	398.51	398.51	6%	422.42	696.99	742.30
>24	103.38	111.13		124.87	124.87	124.87	6%	132.36	140.97	150.13
Sanitation	291.58	313.45		352.20	352.20	352.20	6%	373.33	397.60	423.44
Sanitation Availability Levy	45.02	48.40		54.38	54.38	54.38	6%	57.64	61.39	65.38
Refuse removal	109.65	117.87		132.45	132.45	132.45	6%	140.40	149.52	159.24
Sub-total	3,234.01	3,569.35		4,184.28	4,184.28	4,184.28	7.31%	4 490.27	4 829.66	5 195.32
VAT on Services (Excluding Property Rates)	385.05	427.57		506.48	506.48	506.48	15%	545.72	588.96	635.68
Total large household bill:	3,619.06	3,996.92		4,690.76	4,690.76	4,690.76	10.59%	5 035.99	5 418.62	5 830. 99
% increase/-decrease	6.42	10.44%		6.12%	6.12%	6.12%		7.36%	7.60%	7.61%

TABLE 6 (TABLE SA14 – HOUSEHOLD BILLS – AFFORDABLE RANGE)

Monthly Account for Household - 'Affordable Range'	2018/19	2019/20		Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome		Original Budget	2 nd Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Rates and services charges:							% incr.			
Property rates R500 000	472.28	508.98	Outstanding information by the time	571.88	N/A	571.88	5.5%	600.33	639.53	677.91

Monthly Account for Household - 'Affordable Range'	2018/19	2019/20		Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome		Original Budget	2 nd Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
							% incr.			
Electricity: Consumption (500 KwH)	732.34	827.84	of concluding the draft report.	1,007.62	N/A	1,007.62	8.61%	1 094.38	1 188.60	1 290.94
0 - 350	482.68	545.62		664.12	N/A	664.12	8.61%	721.30	783.40	850.86
351 -500	249.66	282.22		343.51	N/A	343.51	8.61%	373.09	405.21	440.10
Water: Basic levy	45.02	48.40		54.38	N/A	54.38	6%	57.91	61.68	65.69
Water: Consumption (25 Kl)	347.15	373.19		419.30	N/A	419.30	6%	444.46	473.35	504.12
0 – 24	329.93	354.67		398.51	N/A	398.51	6%	422.42	449.88	479.12
>24	17.22	18.51		20.80	N/A	20.80	6%	22.05	23.48	25.00
Sanitation	242.99	261.21		293.50	N/A	293.50	6%	311.11	331.33	352.87
Sanitation Availability Levy	45.02	48.40		54.38	N/A	54.38	6%	57.64	61.39	65.38
Refuse removal	109.65	117.87		132.45	N/A	132.45	6%	140.40	149.52	159.24
Sub-total	1,994.45	2,185.88		2,533.54	N/A	2,533.54	6.82%	2 706.23	2 905.40	3 116.15
VAT on Services (Excluding Property Rates)	228.33	251.54		294.25	N/A	294.25		315.89	339.88	365.74
Total small household bill:	2,222.78	2,437.42		2,827.79	N/A	2,827.79	9.36%	3 022.12	3,245.28	3 481.89
% increase/-decrease	6.67%	9.66%			N/A	6.09%		6.87%	7.38%	7.29%

In respect of Indigent Household receiving free basic services 3 tables have been provided to illustrate the benefit rendered to the indigent.

Table 7 below illustrates what would be payable by a non-ATTP qualifying consumer residing at a property with a land value of R300 000, using 350kwh of electricity and 20kl of water per month respectively.

TABLE 7 (TABLE SA14 – HOUSEHOLD BILLS – NON-ATTP SMALL RANGE)

Monthly Account for Household - 'Non-Indigent' Household receiving free basic services	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Budget Year 2020/21	2 nd Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
							% incr.			
Rates and services charges:										
Property rates R300 000	277.53	299.09	Outstanding information by the time of concluding the draft report.	336.06	N/A	336.06	5.5%	354.54	375.82	398.36
Electricity: Consumption (350KwH)	482.68	545.62		664.12	N/A	664.12	8.61%	721.30	783.40	850.86
0 -350	482.68	545.62		664.12	N/A	664.12	8.61%	721.30	783.40	850.86
Water: Basic levy	45.02	48.40		54.38	N/A	54.38	6%	57.64	61.39	65.38
Water: Consumption (20 KL)	274.94	295.56		332.09	N/A	332.09	6%	352.02	374.90	399.27
Sanitation	194.39	208.97		234.80	N/A	234.80	6%	248.89	265.07	282.30
Sanitation Availability Levy	45.02	48.40		54.38	N/A	54.38	6%	57.64	61.39	65.38
Refuse removal	109.65	117.87		132.45	N/A	132.45	6%	140.40	149.53	159.25
Sub-total	1,429.23	1,563.91		1,808.28	N/A	1,808.28	6%	1 932.43	2 071.50	2 220.80
VAT on Services	172.76	189.72		220.83	N/A	220.83		236.68	254.52	273.37
Total small household bill:	1,601.99	1,753.63		2,029.11	N/A	2,029.11	9.08%	2,169.11	2,325.85	2 494.17
% increase/-decrease	6.87%	6.87%			N/A			6.9%	7.22%	7.24%

Table 8 below illustrates what would have been payable by an ATTP qualifying consumer residing at a property with a land value of R300 000, using 350kwh of electricity (using the ATTP electricity tariff structure) and 20kl of water per month respectively.

TABLE 8 (TABLE SA14 – HOUSEHOLD BILLS – ATTP - SMALL RANGE)

Monthly Account for Household - 'Indigent' Household receiving free basic services prior to free services	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	2 nd Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
							% incr.			
Rates and services charges:			Outstanding information by the time of concluding the draft report.							
Property rates R300 000	277.53	299.09		336.06	N/A	336.06	5.50%	354.54	376.10	398.67
Electricity: Consumption (350Kwh)	337.38	381.37		464.19	N/A	464.19	8.61%	504.16	547.56	594.71
0 - 75	67.13	75.88		92.36	N/A	92.36	8.61%	100.31	108.95	118.33
75-350	270.25	305.49		371.83	N/A	371.83	8.61%	403.84	438.62	476.38
Water: Basic levy	45.02	48.40		54.38	N/A	54.38	6.00%	57.64	61.39	65.38
Water: Consumption (20 KL)	274.94	295.56		332.09	N/A	332.09	6.00%	352.02	374.90	399.26
Sanitation	194.39	208.97		234.80	N/A	234.80	6.00%	248.89	265.07	282.29
Sanitation Availability Levy	45.02	48.40		54.38	N/A	54.38	6.00%	57.64	61.39	65.38
Refuse removal	109.65	117.87		132.45	N/A	132.45	6.00%	140.40	149.53	159.25
Sub-total	1,283.93	1,399.66		1,608.35	N/A	1,608.35		1 715.29	1 835.94	1 964.94
VAT on Services	150.96	165.09		190.84	N/A	190.84		204.11	218.98	234.94
Total small household bill:	1,434.89	1,564.75		1,799.19	N/A	1,799.19		1 919.40	2 054.92	2 199.88
% increase/-decrease	7.00%	9.05%		8.41%	N/A	8.41%		6.68%	7.06%	7.05%

Table 9 below illustrates what would be payable by an ATTP qualifying consumer residing at a property with a land value of R300 000, using 350kwh of electricity and 20kl of water per month respectively after applying the NMBM ATTP policy.

TABLE 9 (TABLE SA14 – HOUSEHOLD BILLS – ATTP - SMALL RANGE)

Monthly Account for Household - 'Indigent' Household receiving free basic services – after reduction of funding from E-Share	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	2 nd Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
							% incr.			
Rates and services charges:			Outstanding information by the time of concluding the draft report.							
Property rates R300 000	-	-		-	N/A	-	5.5%	-	-	-
Electricity: Consumption (350Kwh)	270.25	305.49		371.83	N/A	371.83	8.61%	403.84	438.62	476.38
0 - 75	-	-		-	N/A	-				
75-350	270.25	305.49		371.83	N/A	371.83	8.61%	403.84	438.62	476.38
Water: Basic levy	-	-		-	N/A	-				
Water: Consumption (20 KL) less 8 kl free	164.96	177.33		199.25	N/A	199.25	6%	211.21	224.93	239.55
Sanitation less 11kl free	87.47	94.03		105.65	N/A	105.65	6%	111.99	119.27	127.02
Refuse removal	-	-		-	N/A	-	6%	-	-	-
Sub-total	522.68	576.85		676.73	N/A	676.73		727.04	782.82	842.95
VAT on Services	78.4	86.53		101.51	N/A	101.51		109.06	117.42	126.44
Total small household bill:	601.08	663.38		778.24	N/A	778.24		836.10	900.24	969.39
% increase/-decrease	7.11%	10.36%		10.55%	N/A	10.55%		7.43%	7.67%	7.68%

TABLE 10 (TABLE SA14 – HOUSEHOLD BILLS – ATTP - SMALL RANGE BASED ON THE NATIONAL TREASURY INDIGENT POLICY)

Monthly Account for Household - 'Indigent' Household receiving NT free basic services – after reduction of funding from E-Share	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	2 nd Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
							% incr.			
Rates and services charges:										
Property rates R300 000	277.53	299.09	Outstanding information by the time of concluding the draft report.	336.06	N/A	336.06	5.5%	354.54	375.82	398.36
Electricity: Consumption (350Kwh)	294.82	333.26		405.64	N/A	405.64	8.61%	440.57	478.50	519.70
0 - 50	-	-			N/A					
50 -350	294.82	333.26		405.64	N/A	405.64	8.61%	440.57	478.50	519.70
Water: Basic levy	45.02	48.4		51.3	N/A	51.3	6%	54.38	57.91	61.68
Water: Consumption (20 KL) less 6 kl free	192.45	206.89		232.46	N/A	232.46	6%	246.41	262.42	279.48
Sanitation	-	-		-	N/A	-	6%	-	-	-
Sanitation Availability	-	-		-	N/A	-	6%	-	-	-
Refuse removal	-	-		-	N/A	-	6%	-	-	-
Other					N/A			-	-	-
Sub-total	809.82	887.64		1,025.46	N/A	1,025.46		1 095.90	1 174.65	1 259.22
VAT on Services	79.84	88.28		103.41	N/A	103.41		111.20	119.82	129.13
Total small household bill:	889.67	975.92	1,128.87	N/A	1,128.87		1 207.10	1 294.47	1 388.35	
% increase/-decrease	6.38%	9.69%	9.04%	N/A	9.04%		6.93%	7.24%	7.25%	

Table 11 illustrates what an indigent consumer will pay for services delivered should the tariff structure of the Nelson Mandela Bay Municipality be applied to the National Indigent Policy of 6Kl free water, 50Kwh free electricity, free sanitation, and free refuse collection. For the 2022/23 financial year a resident will be billed in the amount of R836.10 compared to the R1,207.10 if the National Indigent Policy was enforced. Indigent residents of the municipal area receive an additional R371.00 free services than the municipality is required to provide.

1.6 OPERATING EXPENDITURE FRAMEWORK

The Municipality’s expenditure framework for the 2022/23 budget and MTREF is informed, amongst others, by the following:

- The funding of the budget over the medium-term is informed by the requirements of Sections 18 and 19 of the Local Government: Municipal Finance Management Act (56 of 2003).
- A balanced budget approach by limiting operating expenditure to the operating revenue.
- The asset renewal strategy and the repairs and maintenance plan.
- Considering budget priority / focus areas as included in the IDP document, and
- Strict adherence to the principle of “no budget allocations without a business plan, procurement plan and cash flow” as well considering or prioritising commitments from prior financial years.

The following table is a high-level summary of the 2021/22 budget and 2022/23 MTREF (classified as per main type of operating expenditure):

TABLE 11 (SUMMARY OF OPERATING EXPENDITURE BY STANDARD CLASSIFICATION ITEM)

Description	2018/19 Audited Outcome	2019/20 Audited Outcome	2020/21 Audited Outcome	Current Year 2021/22		2022/23 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand								
Expenditure By Type								
Employee related costs	3,243,639	3,114,785	Not ready by the time of concluding the report	3,918,556	3,946,389	4,209,878	4,443,705	4,801,567
Remuneration of councillors	74,229	76,474		88,818	87,303	87,809	91,322	94,975
Debt impairment	759,579	1,217,205		1,418,970	2,135,164	2,198,836	2,340,556	2,491,254
Depreciation & asset impairment	989,045	1,174,555		1,039,206	1,038,281	1,295,759	1,347,697	1,401,562
Finance charges	139,540	124,825		119,907	124,811	123,596	125,101	104,976
Bulk purchases – electricity	3,101,601	3,387,434		4,289,195	4,619,778	5,003,156	5,423,450	5,877,255
Inventory consumed	230,540	272,312		300,490	130,543	136,133	142,549	150,328
Contracted services	1,017,592	647,260		1,381,366	950,447	1,012,523	1,031,995	1,110,665
Transfers and subsidies	50,416	32,755		53,619	164,229	63,912	66,120	68,997
Other expenditure	515,462	568,021		669,172	1,133,452	1,280,363	1,344,944	1,424,192
Losses	57,134	57,399		57,679				
Total Expenditure	10,178,776	10,673,025			13,336,978	14,330,397	15,411,965	16,357,440

The total operating expenditure increased from R14.33 billion in 2021/22 revised to R17.53 billion in 2024/25 draft budget.

TABLE 12 (MIX OF MAIN EXPENDITURE TYPES)

Description	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework					
	Original Budget		Adjusted Budget		Budget Year 2022/23		Budget Year 2023/24		Budget Year 2024/25	
R thousand		%		%		%		%		%
Expenditure By Type										
Employee related costs	3,918,556	29.38%	3,946,389	27.54	4,209,878	27.32	4,443,705	27.16	4,801,567	27.39
Remuneration of councillors	88,818	0.67%	87,303	0.61	87,809	0.57	91,322	0.56	94,975	0.54
Debt impairment	1,418,970	10.64%	2,135,164	14.90	2,198,836	14.27	2,340,556	14.31	2,491,254	14.21
Depreciation & asset impairment	1,039,206	7.79%	1,038,281	7.25	1,295,759	8.41	1,347,697	8.24	1,401,562	8.00
Finance charges	119,907	0.90%	124,811	0.87	123,596	0.80	125,101	0.76	104,976	0.60
Bulk purchases - electricity	4,289,195	32.16%	4,619,778	32.24	5,003,156	32.46	5,423,450	33.15	5,877,255	33.53
Inventory consumed	300,490	2.25%	130,543	0.91	136,133	0.88	142,549	0.87	150,328	0.86
Contracted services	1,381,366	10.36%	950,447	6.63	1,012,523	6.57	1,031,995	6.31	1,110,665	6.34
Transfers and subsidies	53,619	0.40%	164,229	1.15	63,912	0.41	66,120	0.40	68,997	0.39
Other expenditure	669,172	5.02%	1,133,452	7.91	1,280,363	8.31	1,344,944	8.24	1,424,192	8.14
Losses	57,679	0.43%	0							
Total Expenditure	13,336,978	100.00	14,330,397	100.00	15,411,965	100	16,357,440	100.00	17,525,770	100.00

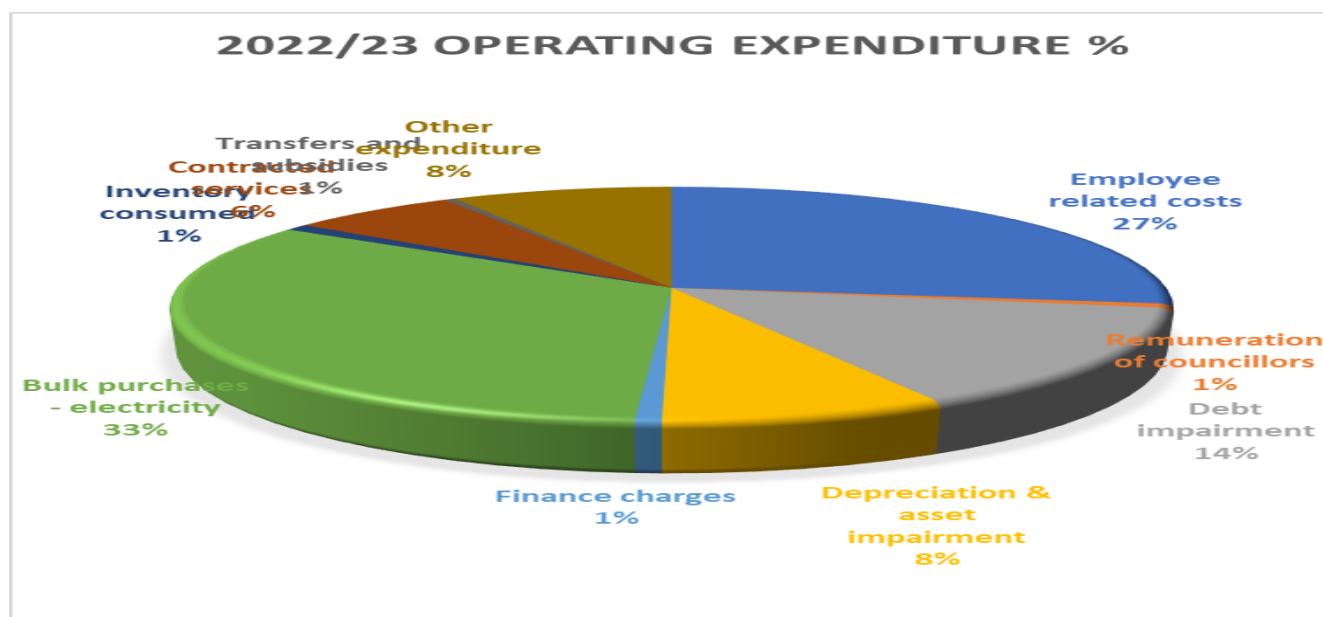


Figure 1: Operating Expenditure for the 2022/23 financial year

Below is a discussion of the main expenditure components.

Employee related costs

The 2022/23 draft budget provides for annual increments, where applicable, and a general increase in line with the three-year Collective Agreement entered into between parties (i.e. SALGA/Labour Unions).

In terms of the Council's Policy Governing the Long-Term Financial Plan, the target is to restrict personnel costs to below 30% of total expenditure. Personnel costs in the 2022/23 draft Budget represent 27.1% of total operating expenditure, including the non-cash items, however, when the non-cash items are eliminated the personnel costs to total expenditure sits at 29.7% or 30%. It must also be noted that Council approved the "harmonisation" of the conditions of service for employees as it relates to the "Long Service Bonus" for a while back. Furthermore, it must be remembered that the employee related costs are also influenced by the conversion of contracted security to permanent employees and other Council decisions relating to the absorption of contract employees such as Call Centre Staff and Tourism Board contractual staff members, now incorporated into the Economic Development, Tourism and Agriculture (EDTA) Directorate. The management of employee related costs is further exacerbated by the absence of an Overtime Policy for the institution for management to implement.

Remuneration of Councillors

The remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs (COGTA) in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been considered in preparing the budget, with some projections for increases during the 2022/23 MTREF.

Debt Impairment

The provision for debt impairment was determined based on a targeted annual collection rate of below 80% for the three financial years (i.e. 2022/23, 2023/24 & 2024/25) respectively, including ATTP subsidies. The Collection Rate is based on billed revenue (i.e. Electricity, Water, Sanitation, Property Rates and Refuse). It must be noted that this category also includes the impairment of Traffic Fines. The reason for the high or escalated increase in the debt impairment for Water Services is as a result of the Water Punitive Tariff introduced as a result of the water drought situation.

TABLE 13 (DEBT IMPAIRMENT)

Debt Impairment	2022/23	2023/24	2024/25
Impairment Loss: Other - Traffic Fines	38 559 470	36 631 500	34 799 920
Impairment Loss: Receivables from Exchange Transactions: Wastewater Management	219 610 480	233 885 170	249 087 730
Impairment Loss: Receivables from Exchange Transactions: Waste Management	118 791 950	126 513 440	134 736 820
Impairment Loss: Trade and Other Receivables from Exchange Transactions: Water	1 468 487 910	1 563 939 620	1 665 595 690
Impairment Loss: Other Receivables from Non-exchange Revenue: Property Rates	283 881 650	300 914 540	318 969 420
Impairment Loss: Trade and Other Receivables from Exchange Transactions: Electricity	108 064 120	115 303 280	122 864 270
Total Impairment of Receivables	2 198 836 110	2 340 556 050	2 491 253 930
Total Debt Impairment	2 237 395 580	2 377 187 550	2 526 053 850

Depreciation and Asset Impairment

The provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy as well as assessing the trends for prior financial years based on the annual financial statements.

Finance Charges

Finance charges consist primarily of the repayment of interest on existing borrowing and new long-term borrowing (cost of capital) that has recently been taken up in the 2020/2021 financial year.

Bulk Electricity Purchases

The Bulk Electricity Purchases Budget provided for increases in cost of 8.61% for the 2022/23, 2023/24 and 2024/25 financial years, based on the 2021/22 Original budget.

Energy consumption levels are influenced by the following:

- Significant increases in electricity prices.
- Huge losses on electricity as reported in various structures of Council.
- Consumer awareness of the need to conserve energy; and
- The implementation of energy conservation measures, including green energy.

Bulk Water Purchases

The following is an analysis of the Bulk Water Purchases.

TABLE 14 (WATER BULK PURCHASES)

Water Bulk Purchases	2021/22 Adjustments Budget	2022/23 Budget	% Increase	2023/24 Budget	% Increase	2024/25 Budget	% Increase
Water purchases	124,394,690	129,009,120	3.71	135,046,930	4.68	142,419,060	5.56

1.6.1 Priority relating to repairs and maintenance

In line with the Municipality's stated intention to preserve and maintain its existing infrastructure, the 2022/23 Budget and MTREF provide for reasonable growth in the asset maintenance budget, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality.

During the compilation of the 2022/23 MTREF operational repairs and maintenance was identified as a strategic priority in view of the aging infrastructure especially in the service delivery Directorates and certain deferred maintenance. Repairs and maintenance of municipal infrastructure though also depend on the affordability levels of the municipal budget due to direct implication to applicable tariffs. A detailed will be availed during the finalisation of budget as was the case in prior Budget reports.

1.6.2 Free Basic Services: Basic Social Services Package

The social package assists indigent households that have limited financial ability to pay for municipal services. To qualify for free basic services, the households are required to register in terms of the Municipality's Assistance to the Poor / Indigent Policy, whilst the monthly household income may not exceed two state pensions. Detail relating to free services, cost of free basic services, as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the Local Government's Equitable Share allocation, an unconditional grant received in terms of the annual Division of Revenue Act (DORA).

1.7 CAPITAL EXPENDITURE

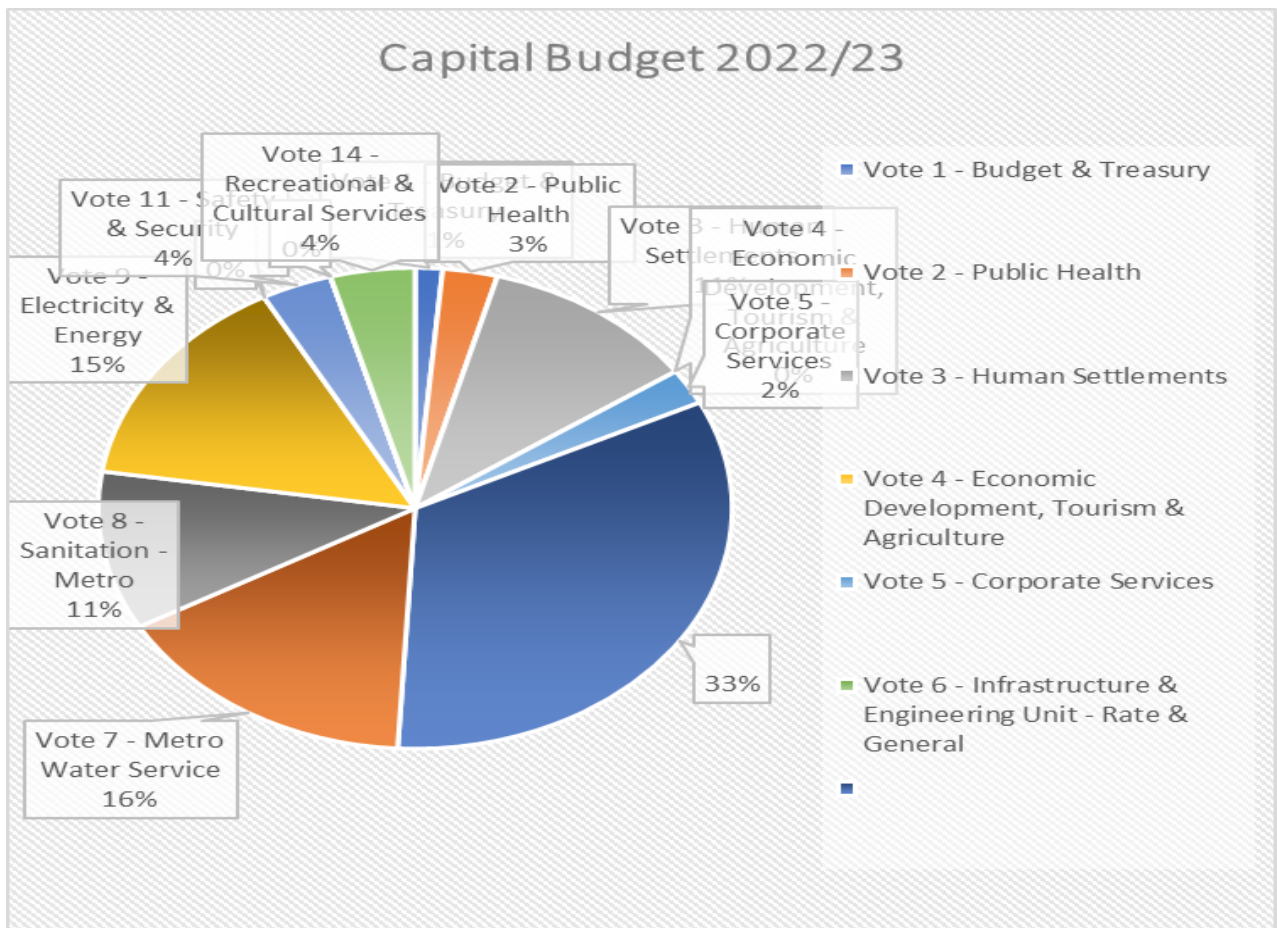
The following table provides a breakdown of budgeted capital expenditure by vote:

TABLE 17 (2021/22 MEDIUM-TERM CAPITAL BUDGET PER VOTE)

Vote Description	2018/19	2019/20	2020/21	Current Year 2021/22		2022/23 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
R thousand	Audited Outcome	Audited Outcome	Audited Outcome					
Capital expenditure - Vote								
Vote 1 - Budget & Treasury	2,391	836	Not ready by the time the report was finalised.	3,771	4,606	21,144	5,524	1,600
Vote 2 - Public Health	84,365	51,799		70,084	68,401	42,500	48,650	55,950
Vote 3 - Human Settlements	178,548	42,245		81,127	81,127	170,090	213,729	150,000
Vote 4 - Economic Development, Tourism & Agriculture	25,238	31,288		29,374	29,374	0	0	0
Vote 5 - Corporate Services	17,917	18,593		33,495	33,495	36,300	29,515	29,500
Vote 6 - Infrastructure & Engineering Unit - Rate & General	474,963	221,047		352,011	275,999	504,196	493,248	501,723
Vote 7 - Metro Water Service	345,111	204,230		517,750	590,969	242,291	149,850	164,400
Vote 8 - Sanitation - Metro	216,850	133,899		85,300	66,995	162,127	110,920	114,194
Vote 9 - Electricity & Energy	282,678	125,489		242,453	242,453	222,659	152,045	153,521
Vote 10 - Executive & Council	3,654	0		-	-	0	0	0
Vote 11 - Safety & Security	13,743	17,445		59,142	40,142	54,900	26,000	26,000
Vote 12 - Mandela Bay Stadium	1,533	-		-	-	-	-	-
Vote 13 - Special Projects and Programmes	-	-		-	-	-	-	-
Vote 14 - Recreational & Cultural Services	38,933	11,653		37,400	41,725	65,500	44,000	39,900
Total Capital Expenditure	1,685,925	858,525		1,511,907	1,475,287	1,521,705	1,273,481	1,236,788

TABLE 18 (2020/21 MEDIUM-TERM CAPITAL BUDGET PER VOTE PERCENTAGE ALLOCATION)

Vote Description	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework					
	Original Budget		Adjusted Budget		Budget Year 2022/23		Budget Year 2023/24		Budget Year 2024/25	
R thousand		%		%		%		%		%
Capital expenditure - Vote										
Vote 1 - Budget & Treasury	5,392	0.37%	4,606	0.31	21,144	1.39	5,524	0.43	1,600	0.13
Vote 2 - Public Health	34,358	2.38%	68,401	4.64	42,500	2.79	48,650	3.82	55,950	4.5
Vote 3 - Human Settlements	158,044	10.93%	81,127	5.50	170,090	11.18	213,729	16.75	150,000	12.13
Vote 4 - Economic Development, Tourism & Agriculture	60,997	4.22%	29,374	1.99	0	0	0	0	0	0
Vote 5 - Corporate Services	33,755	2.34%	33,495	2.27	36,300	2.39	29,515	2.32	29,500	2.39
Vote 6 - Infrastructure & Engineering Unit - Rate & General	374,782	25.93%	275,999	18.71	504,196	33.13	493,248	38.73	501,723	40.57
Vote 7 - Metro Water Service	361,710	25.02%	590,969	40.07	242,291	15.92	149,850	11.77	164,400	13.29
Vote 8 - Sanitation - Metro	133,729	9.25%	66,995	4.54	162,127	10.65	110,920	8.71	114,194	9.23
Vote 9 - Electricity & Energy	208,882	14.45%	242,453	16.43	222,659	14.63	152,045	11.93	153,521	12.41
Vote 10 - Executive & Council	-	0.00%	-	-	0	0	0	0	0	0
Vote 11 - Safety & Security	39,000	2.70%	40,142	2.72	54,900	3.61	26,000	2.04	26,000	2.10
Vote 12 - Mandela Bay Stadium	-	0.00%	-	-	0	0	0	0	0	0
Vote 13 - Special Projects and Programmes	-	0.00%	-	-	0	0	0	0	0	0
Vote 14 - Recreational & Cultural Services	34,900	2.41%	41,725	2.82	65,500	4.37	44,000	3.5	39,900	3.23
Total Capital Expenditure	1,445,548	100.00	1,475,287	100.00	1,521,705	100.00	1,273,481	100.00	1,236,788	100.00



1.8 ANNUAL CONSOLIDATED BUDGET TABLES

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations (32141 dated 17 April 2009), are included in this section. These tables set out the Municipality’s 2022/23 Budget and MTREF to be considered for approval by Council. Each table is accompanied by the brief *explanatory notes*. **[NB: As we have introduced the new system or Tool (FRT) together with IT Developers to prepare the required National Treasury TABLES that accompany the budget report, for the first time, it may not have been possible to aim for perfection or produce them all in the very first instance. These TABLES are to be improved from using the same system or source, without any involvement of external Consultants that come at a cost to the municipality, until we get them 100% correct. Any TABLE/S that could not be generated from the system will be disclosed in this report as such with the aim of engaging IT Developers and if necessary, an external support will be required. Also, to note the parental Tables are not attached in this report but will be availed when doing the final Consolidated Budget for on or before end May 2022 for Council’s approval.]**

TABLE 19 (TABLE A1 – CONSOLIDATED BUDGET SUMMARY)

[NB: The historic information to this Table will be brought when the final budget report is tabled to Council for approval on or before end May 2022, upon updating the system / Tool that is currently being worked on for MSCOA compliance. This comment is also applicable to other TABLES as well].

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
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	2,838,816	3,009,145	3,189,694
Service charges	-	-	-	-	-	-	-	8,559,447	9,216,220	9,924,329
Investment revenue	-	-	-	-	-	-	-	177,558	184,662	192,511
Transfers recognised - operational	-	-	-	-	-	-	-	1,951,142	2,070,549	2,125,295
Other own revenue	-	-	-	-	-	-	-	1,446,378	1,505,820	1,600,958
Total Revenue (excluding capital transfers and contributions)	-	-	-	-	-	-	-	14,973,341	15,986,397	17,032,787
Employee costs	-	-	-	-	-	-	-	4,171,228	4,403,315	4,759,593
Remuneration of councillors	-	-	-	-	-	-	-	87,809	91,322	94,975
Depreciation & asset impairment	-	-	-	-	-	-	-	1,294,834	1,346,628	1,400,493
Finance charges	-	-	-	-	-	-	-	123,596	125,101	104,976
Inventory consumed and bulk purchases	-	-	-	-	-	-	-	4,955,056	5,371,796	5,823,242
Transfers and grants	-	-	-	-	-	-	-	175,049	184,742	193,968
Other expenditure	-	-	-	-	-	-	-	4,659,222	4,916,038	5,133,603
Total Expenditure	-	-	-	-	-	-	-	15,466,794	16,438,943	17,510,849
Surplus/(Deficit)	-	-	-	-	-	-	-	(493,453)	(452,545)	(478,062)
Transfers and subsidies - capital (monetary allocations) (National /	-	-	-	-	-	-	-	662,943	710,137	682,889
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)	-	-	-	-	-	-	-	40,000	40,000	40,000
Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	-	-	-	209,490	297,592	244,827
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	-	-	-	-	209,490	297,592	244,827
Capital expenditure & funds sources										
Capital expenditure	-	-	-	-	-	-	-	1,521,705	1,273,481	1,236,788
Transfers recognised - capital	-	-	-	-	-	-	-	768,820	842,807	810,388
Borrowing	-	-	-	-	-	-	-	281,943	-	-
Internally generated funds	-	-	-	-	-	-	-	470,942	430,674	426,400
Total sources of capital funds	-	-	-	-	-	-	-	1,521,705	1,273,481	1,236,788
Financial position										
Total current assets	-	-	-	-	-	-	-	5,462,781	5,793,589	7,846,549
Total non current assets	17,688,926	17,608,770	17,959,323	18,982,168	18,717,952	18,808,168	18,571,339	19,063,109	18,967,213	18,772,971
Total current liabilities	-	-	-	-	-	-	-	2,576,188	2,363,178	4,211,751
Total non current liabilities	1,118,616	1,016,456	1,001,082	1,001,082	1,001,082	-	-	2,851,576	2,922,865	2,995,937
Community wealth/Equity	-	-	-	-	-	-	-	18,172,605	18,626,920	19,092,594
Cash flows										
Net cash from (used) operating	-	-	-	-	-	-	-	12,741,825	13,600,761	14,531,778
Net cash from (used) investing	-	-	-	-	-	-	-	(1,616,255)	(1,269,044)	(1,244,906)
Net cash from (used) financing	-	-	-	-	-	-	-	127,291	(3,866)	(3,963)
Cash/cash equivalents at the year end	-	-	-	-	-	-	-	11,648,251	23,976,103	37,259,011
Cash backing/surplus reconciliation										
Cash and investments available	-	-	-	-	-	-	-	4,109,630	4,401,843	6,415,510
Application of cash and investments	-	-	-	-	-	-	-	107,652	(64,301)	1,976,886
Balance - surplus (shortfall)	-	-	-	-	-	-	-	4,001,979	4,466,144	4,438,625
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	-	18,075,489	18,227,897	18,594,865
Depreciation	-	-	-	-	-	-	-	1,294,834	1,346,628	1,400,493
Renewal and Upgrading of Existing Assets	275,549	127,172	200	303,829	352,591	352,591	352,591	631,402	435,890	478,383
Repairs and Maintenance	415,394	278,726	143,417	477,595	487,276	487,276	487,276	588,296	628,084	666,374
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	530,739	530,739	560,258	592,344
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash, and funding compliance, as well as the Municipality's commitment to eliminating basic

service delivery backlogs. The upwards / downwards trends for certain categories of revenue / expenditure have already been previously explained (e.g. changes in Property Rates, etc.).

TABLE 20 (TABLE A2 – CONSOLIDATED BUDGET FINANCIAL PERFORMANCE)

Functional Classification Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited	Audited	Audited	Original	Adjusted	Full Year	Budget Year	Budget Year	Budget Year
R thousand	1									
Revenue - Functional										
Governance and administration		-	-	-	-	-	-	3,797,675	4,028,495	4,243,503
Executive and council		-	-	-	-	-	-	746	795	847
Finance and administration		-	-	-	-	-	-	3,796,930	4,027,699	4,242,656
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	-	-	-	1,177,394	1,272,459	1,309,565
Community and social services		-	-	-	-	-	-	45,490	46,987	47,833
Sport and recreation		-	-	-	-	-	-	4,875	4,876	5,077
Public safety		-	-	-	-	-	-	849,165	892,123	1,000,427
Housing		-	-	-	-	-	-	276,037	326,547	254,202
Health		-	-	-	-	-	-	1,828	1,926	2,027
Economic and environmental services		-	-	-	-	-	-	634,572	630,753	629,221
Planning and development		-	-	-	-	-	-	159,673	159,014	169,133
Road transport		-	-	-	-	-	-	458,757	457,336	439,818
Environmental protection		-	-	-	-	-	-	16,142	14,404	20,269
Trading services		-	-	-	-	-	-	10,024,756	10,760,358	11,526,168
Energy sources		-	-	-	-	-	-	4,995,155	5,415,468	5,878,473
Water management		-	-	-	-	-	-	3,129,167	3,322,261	3,548,643
Waste water management		-	-	-	-	-	-	1,417,667	1,518,883	1,572,963
Waste management		-	-	-	-	-	-	482,766	503,746	526,089
Other	4	-	-	-	-	-	-	41,887	44,469	47,219
Total Revenue - Functional	2	-	-	-	-	-	-	15,676,284	16,736,534	17,755,676
Expenditure - Functional										
Governance and administration		-	-	-	-	-	-	2,726,634	2,875,668	3,041,696
Executive and council		-	-	-	-	-	-	262,786	275,709	289,861
Finance and administration		-	-	-	-	-	-	2,393,507	2,516,282	2,662,817
Internal audit		-	-	-	-	-	-	70,342	83,678	89,018
Community and public safety		-	-	-	-	-	-	2,035,418	2,142,004	2,277,241
Community and social services		-	-	-	-	-	-	379,368	400,936	427,620
Sport and recreation		-	-	-	-	-	-	663,690	695,192	730,426
Public safety		-	-	-	-	-	-	653,456	689,347	730,085
Housing		-	-	-	-	-	-	226,845	238,602	264,596
Health		-	-	-	-	-	-	112,059	117,927	124,513
Economic and environmental services		-	-	-	-	-	-	931,671	968,350	966,433
Planning and development		-	-	-	-	-	-	432,039	447,026	473,610
Road transport		-	-	-	-	-	-	442,483	461,479	429,825
Environmental protection		-	-	-	-	-	-	57,149	59,845	62,998
Trading services		-	-	-	-	-	-	9,739,543	10,417,824	11,186,998
Energy sources		-	-	-	-	-	-	5,658,276	6,113,760	6,660,028
Water management		-	-	-	-	-	-	2,388,608	2,541,081	2,694,314
Waste water management		-	-	-	-	-	-	1,180,673	1,232,288	1,279,800
Waste management		-	-	-	-	-	-	511,985	530,695	552,856
Other	4	-	-	-	-	-	-	81,628	86,750	92,495
Total Expenditure - Functional	3	-	-	-	-	-	-	15,514,894	16,490,597	17,564,863
Surplus/(Deficit) for the year		-	-	-	-	-	-	161,390	245,938	190,813

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

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities. **It should be noted that the revenue by vote as reflected in this table, includes revenue attributable to capital grants.**

TABLE 21 (TABLE A3 – CONSOLIDATED 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	Audited	Audited	Original	Adjusted	Full Year	Budget Year	Budget Year	Budget Year
R thousand										
Revenue by Vote	1									
Vote 1 - Executive and Council		-	-	-	-	-	-	746	795	847
Vote 2 - Finance and Administration		-	-	-	-	-	-	3,795,326	4,025,991	4,240,836
Vote 3 - Internal Audit		-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		-	-	-	-	-	-	45,265	46,747	47,591
Vote 5 - Sport and Recreation		-	-	-	-	-	-	4,875	4,876	5,077
Vote 6 - Public Safety		-	-	-	-	-	-	849,165	892,123	1,000,427
Vote 7 - Other		-	-	-	-	-	-	317,924	371,016	301,421
Vote 8 - Health		-	-	-	-	-	-	1,828	1,926	2,027
Vote 9 - Planning and Development		-	-	-	-	-	-	159,673	159,014	169,133
Vote 10 - Road Transport		-	-	-	-	-	-	458,757	457,336	439,818
Vote 11 - Environmental Protection		-	-	-	-	-	-	16,142	14,404	20,269
Vote 12 - Energy Sources		-	-	-	-	-	-	4,995,155	5,415,468	5,878,473
Vote 13 - Water Management		-	-	-	-	-	-	3,129,167	3,322,261	3,548,643
Vote 14 - Waste Water Management		-	-	-	-	-	-	1,417,667	1,518,883	1,572,963
Vote 15 - Waste Management		-	-	-	-	-	-	482,766	503,746	526,089
Total Revenue by Vote	2	-	-	-	-	-	-	15,674,454	16,734,585	17,753,615
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive and Council		-	-	-	-	-	-	262,786	275,709	289,861
Vote 2 - Finance and Administration		-	-	-	-	-	-	1,876,908	1,968,954	2,080,949
Vote 3 - Internal Audit		-	-	-	-	-	-	70,342	83,678	89,018
Vote 4 - Community and Social Services		-	-	-	-	-	-	318,596	341,111	362,998
Vote 5 - Sport and Recreation		-	-	-	-	-	-	663,690	695,192	730,426
Vote 6 - Public Safety		-	-	-	-	-	-	653,456	689,347	730,085
Vote 7 - Other		-	-	-	-	-	-	308,473	325,352	357,091
Vote 8 - Health		-	-	-	-	-	-	112,059	117,927	124,513
Vote 9 - Planning and Development		-	-	-	-	-	-	432,039	447,026	473,610
Vote 10 - Road Transport		-	-	-	-	-	-	442,483	461,479	429,825
Vote 11 - Environmental Protection		-	-	-	-	-	-	57,149	59,845	62,998
Vote 12 - Energy Sources		-	-	-	-	-	-	5,658,276	6,113,760	6,660,028
Vote 13 - Water Management		-	-	-	-	-	-	2,388,608	2,541,081	2,694,314
Vote 14 - Waste Water Management		-	-	-	-	-	-	1,180,673	1,232,288	1,279,800
Vote 15 - Waste Management		-	-	-	-	-	-	511,985	530,695	552,856
Total Expenditure by Vote	2	-	-	-	-	-	-	14,937,523	15,883,443	16,918,372
Surplus/(Deficit) for the year	2	-	-	-	-	-	-	736,931	851,142	835,243

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

The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality’s organisational structure, to assign responsibility for the revenue and expenditure recorded against these votes to the Acting / City Manager and Executive Directors concerned. Operating revenue and expenditure is thus presented by ‘vote’. A ‘vote’ is defined in terms of section 1 of the MFMA as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

TABLE 22 (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	Audited	Audited	Original	Adjusted	Full Year	Pre-audit	Budget Year	Budget Year	Budget Year
R thousand	1										
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	2,838,816	3,009,145	3,189,694
Service charges - electricity revenue	2	-	-	-	-	-	-	-	4,758,722	5,168,448	5,613,451
Service charges - water revenue	2	-	-	-	-	-	-	-	2,719,422	2,896,184	3,084,436
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	784,323	835,304	889,599
Service charges - refuse revenue	2	-	-	-	-	-	-	-	296,980	316,284	336,842
Rental of facilities and equipment		-	-	-	-	-	-	-	29,038	29,565	30,132
Interest earned - external investments		-	-	-	-	-	-	-	177,558	184,662	192,511
Interest earned - outstanding debtors		-	-	-	-	-	-	-	399,628	424,866	452,280
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	94,347	94,926	96,886
Licences and permits		-	-	-	-	-	-	-	16,850	17,936	19,092
Agency services		-	-	-	-	-	-	-	3,453	3,678	3,917
Transfers and subsidies		-	-	-	-	-	-	-	1,951,142	2,070,549	2,125,295
Other revenue	2	-	-	-	-	-	-	-	903,062	934,849	998,651
Gains		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	-	-	-	-	-	14,973,341	15,986,397	17,032,787
Expenditure By Type											
Employee related costs	2	-	-	-	-	-	-	-	4,171,228	4,403,315	4,759,593
Remuneration of councillors		-	-	-	-	-	-	-	87,809	91,322	94,975
Debt impairment	3	-	-	-	-	-	-	-	2,237,396	2,377,188	2,526,054
Depreciation & asset impairment	2	-	-	-	-	-	-	-	1,294,834	1,346,628	1,400,493
Finance charges		-	-	-	-	-	-	-	123,596	125,101	104,976
Bulk purchases - electricity	2	-	-	-	-	-	-	-	4,705,312	5,110,439	5,550,448
Inventory consumed	8	-	-	-	-	-	-	-	249,744	261,357	272,794
Contracted services		-	-	-	-	-	-	-	1,620,729	1,700,168	1,722,069
Transfers and subsidies		-	-	-	-	-	-	-	175,049	184,742	193,968
Other expenditure	4, 5	-	-	-	-	-	-	-	730,442	762,803	803,372
Losses		-	-	-	-	-	-	-	70,655	75,880	82,108
Total Expenditure		-	-	-	-	-	-	-	15,466,794	16,438,943	17,510,849
Surplus/(Deficit)		-	-	-	-	-	-	-	(493,453)	(452,545)	(478,062)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	-	-	-	-	-	-	662,943	710,137	682,889
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	40,000	40,000	40,000
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & Taxation		-	-	-	-	-	-	-	209,490	297,592	244,827
Surplus/(Deficit) after taxation		-	-	-	-	-	-	-	209,490	297,592	244,827
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		-	-	-	-	-	-	-	209,490	297,592	244,827
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		-	-	-	-	-	-	-	209,490	297,592	244,827

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

Revenue

The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, to assess performance.

TABLE 23 (TABLE A5 – CONSOLIDATED BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING SOURCE)

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited	Audited	Audited	Original	Adjusted	Full Year	Pre-audit	Budget Year	Budget Year	Budget Year
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Budget & Treasury		-	-	-	-	-	-	-	17,768	4,274	-
Vote 2 - Public Health		-	-	-	-	-	-	-	11,950	22,150	17,350
Vote 3 - Human Settlements		-	-	-	-	-	-	-	145,539	151,228	150,000
Vote 4 - Economic Development, Tourism & Agriculture		-	-	-	-	-	-	-	-	-	-
Vote 5 - Corporate Services		-	-	-	-	-	-	-	4,200	8,500	6,000
Vote 6 - Infrastructure & Engineering Unit - Rate & General		-	-	-	-	-	-	-	377,602	347,145	355,973
Vote 7 - Metro Water Service		-	-	-	-	-	-	-	217,541	117,000	127,500
Vote 8 - Sanitation - Metro		-	-	-	-	-	-	-	158,377	107,170	112,194
Vote 9 - Electricity & Energy		-	-	-	-	-	-	-	204,632	135,219	136,825
Vote 10 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 11 - Safety & Security		-	-	-	-	-	-	-	7,612	7,700	14,300
Vote 12 - Mandela Bay Stadium		-	-	-	-	-	-	-	-	-	-
Vote 13 - Special Projects and Programmes		-	-	-	-	-	-	-	-	-	-
Vote 14 - Recreational & Cultural Services		-	-	-	-	-	-	-	64,500	43,500	17,250
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	1,209,721	943,886	937,393
Single-year expenditure to be appropriated	2										
Vote 1 - Budget & Treasury		-	-	-	-	-	-	-	3,375	1,250	1,600
Vote 2 - Public Health		-	-	-	-	-	-	-	30,550	26,500	38,600
Vote 3 - Human Settlements		-	-	-	-	-	-	-	24,551	62,500	-
Vote 4 - Economic Development, Tourism & Agriculture		-	-	-	-	-	-	-	-	-	-
Vote 5 - Corporate Services		-	-	-	-	-	-	-	32,100	21,015	23,500
Vote 6 - Infrastructure & Engineering Unit - Rate & General		-	-	-	-	-	-	-	126,594	146,104	145,750
Vote 7 - Metro Water Service		-	-	-	-	-	-	-	24,750	32,850	36,900
Vote 8 - Sanitation - Metro		-	-	-	-	-	-	-	3,750	3,750	2,000
Vote 9 - Electricity & Energy		-	-	-	-	-	-	-	18,026	16,826	16,696
Vote 10 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 11 - Safety & Security		-	-	-	-	-	-	-	47,288	18,300	11,700
Vote 12 - Mandela Bay Stadium		-	-	-	-	-	-	-	-	-	-
Vote 13 - Special Projects and Programmes		-	-	-	-	-	-	-	-	-	-
Vote 14 - Recreational & Cultural Services		-	-	-	-	-	-	-	1,000	500	22,650
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	311,985	329,595	299,396
Total Capital Expenditure - Vote		-	-	-	-	-	-	-	1,521,705	1,273,481	1,236,788
Capital Expenditure - Functional											
Governance and administration		-	-	-	-	-	-	-	168,716	138,664	102,230
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	-	-	-	-	-	168,716	138,664	102,230
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	-	-	-	-	99,850	82,750	85,450
Community and social services		-	-	-	-	-	-	-	61,300	49,500	31,900
Sport and recreation		-	-	-	-	-	-	-	26,400	17,400	31,600
Public safety		-	-	-	-	-	-	-	9,900	12,400	18,500
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	2,250	3,450	3,450
Economic and environmental services		-	-	-	-	-	-	-	443,488	425,985	457,420
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	443,488	425,985	457,420
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	-	-	-	-	-	-	801,651	626,082	591,688
Energy sources		-	-	-	-	-	-	-	217,159	149,245	151,521
Water management		-	-	-	-	-	-	-	275,335	201,267	187,332
Waste water management		-	-	-	-	-	-	-	301,107	270,569	237,835
Waste management		-	-	-	-	-	-	-	8,050	5,000	15,000
Other		-	-	-	-	-	-	-	8,000	-	-
Total Capital Expenditure - Functional	3	-	-	-	-	-	-	-	1,521,705	1,273,481	1,236,788
Funded by:											
National Government		-	-	-	-	-	-	-	728,820	802,807	770,388
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)		-	-	-	-	-	-	-	40,000	40,000	40,000
Transfers recognised - capital	4	-	-	-	-	-	-	-	768,820	842,807	810,388
Borrowing	6	-	-	-	-	-	-	-	281,943	-	-
Internally generated funds		-	-	-	-	-	-	-	470,942	430,674	426,400
Total Capital Funding	7	-	-	-	-	-	-	-	1,521,705	1,273,481	1,236,788

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

Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote; 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.

TABLE 24 (TABLE A6 – CONSOLIDATED BUDGETED FINANCIAL POSITION)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited	Audited	Audited	Original	Adjusted	Full Year	Pre-audit	Budget Year 2022/23	Budget Year	Budget Year
R thousand											
ASSETS											
Current assets											
Cash		-	-	-	-	-	-	-	4,109,630	4,401,843	2,717,756
Call investment deposits	1	-	-	-	-	-	-	-	-	-	3,697,755
Consumer debtors	1	-	-	-	-	-	-	-	441,842	366,508	283,487
Other debtors		-	-	-	-	-	-	-	668,177	684,885	702,012
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	-	-	-	-	-	-	-	243,131	340,352	445,540
Total current assets		-	-	-	-	-	-	-	5,462,781	5,793,589	7,846,549
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	112,780	115,600	118,490
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		89,659	99,143	152,119	156,291	156,291	156,291	-	152,119	155,922	159,820
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	17,599,268	17,509,627	17,702,550	18,684,586	18,481,124	18,571,339	18,571,339	18,768,838	18,658,367	18,492,662
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		-	-	104,655	141,291	80,537	80,537	-	29,372	37,325	2,000
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		17,688,926	17,608,770	17,959,323	18,982,168	18,717,952	18,808,168	18,571,339	19,063,109	18,967,213	18,772,971
TOTAL ASSETS		17,688,926	17,608,770	17,959,323	18,982,168	18,717,952	18,808,168	18,571,339	24,525,890	24,760,802	26,619,520
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	-	-	-	-	-	-	-	990,167	1,014,921	1,040,294
Consumer deposits		-	-	-	-	-	-	-	154,652	158,518	162,481
Trade and other payables	4	-	-	-	-	-	-	-	1,233,968	987,440	2,801,735
Provisions		-	-	-	-	-	-	-	197,401	202,299	207,241
Total current liabilities		-	-	-	-	-	-	-	2,576,188	2,363,178	4,211,751
Non current liabilities											
Borrowing		1,118,616	1,016,456	1,001,082	1,001,082	1,001,082	-	-	196,369	201,278	206,310
Provisions		-	-	-	-	-	-	-	2,655,207	2,721,587	2,789,627
Total non current liabilities		1,118,616	1,016,456	1,001,082	1,001,082	1,001,082	-	-	2,851,576	2,922,865	2,995,937
TOTAL LIABILITIES		1,118,616	1,016,456	1,001,082	1,001,082	1,001,082	-	-	5,427,764	5,286,043	7,207,688
NET ASSETS	5	16,570,311	16,592,313	16,958,241	17,981,086	17,716,870	18,808,168	18,571,339	19,098,126	19,474,759	19,411,832
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		-	-	-	-	-	-	-	18,058,931	18,510,404	18,973,165
Reserves	4	-	-	-	-	-	-	-	113,675	116,516	119,429
TOTAL COMMUNITY WEALTH/EQUITY	5	-	-	-	-	-	-	-	18,172,605	18,626,920	19,092,594

Explanatory notes to Table A6 - Budgeted Financial Position

The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity, i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.

Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is directly informed by forecasting the statement of financial position.

TABLE 25 (TABLE A7 – CONSOLIDATED BUDGET CASH FLOW STATEMENT)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited	Audited	Audited	Original	Adjusted	Full Year	Pre-audit	Budget Year	Budget Year	Budget Year
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	-	-	-	-	3,429,260	3,641,912	3,836,767
Service charges		-	-	-	-	-	-	-	9,746,109	10,448,864	9,461,098
Other revenue		-	-	-	-	-	-	-	1,923,729	2,036,005	2,051,180
Transfers and Subsidies - Operational	1	-	-	-	-	-	-	-	-	-	-
Transfers and Subsidies - Capital	1	-	-	-	-	-	-	-	728,820	802,807	770,388
Interest		-	-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		-	-	-	-	-	-	-	(12,086,093)	(14,828,827)	(14,587,655)
Finance charges		-	-	-	-	-	-	-	(123,597)	(125,101)	(104,976)
Transfers and Grants	1	-	-	-	-	-	-	-	(175,049)	(184,742)	(193,968)
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	-	-	-	-	3,443,180	1,790,918	1,232,834
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	112,780	2,820	2,890
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	-	-	-	-	(1,729,035)	(1,271,863)	(1,247,796)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(1,616,255)	(1,269,044)	(1,244,906)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	281,943	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	(154,652)	(3,866)	(3,963)
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	127,291	(3,866)	(3,963)
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	-	-	-	1,954,216	518,008	(16,035)
Cash/cash equivalents at the year begin:	2	-	-	-	-	-	-	-	395,390	2,349,606	2,867,614
Cash/cash equivalents at the year end:	2	-	-	-	-	-	-	-	2,349,606	2,867,614	2,851,579

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.

It reflects the expected cash in-flows versus cash outflows that is likely to result from the implementation of the budget.

TABLE 26 (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	Audited	Audited	Original	Adjusted	Full Year	Pre-audit	Budget Year	Budget Year	Budget Year
Cash and investments available											
Cash/cash equivalents at the year end	1	-	-	-	-	-	-	-	2,349,606	2,867,614	2,851,579
Other current investments > 90 days		-	-	-	-	-	-	-	1,760,025	1,534,229	2,063,931
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		-	-	-	-	-	-	-	4,109,630	4,401,843	4,915,510
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	35,000	45,000	40,000
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	350,000	380,000	450,000
Other working capital requirements	3	-	-	-	-	-	-	-	203,630	383,327	390,000
Other provisions		-	-	-	-	-	-	-	780,000	790,000	900,000
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	900,000	950,000	1,200,000
Total Application of cash and investments:		-	-	-	-	-	-	-	2,268,630	2,548,327	2,980,000
Surplus(shortfall)		-	-	-	-	-	-	-	1,841,000	1,853,516	1,935,510

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. The table assesses the funding levels of the budget by firstly forecasting the cash and investments at year-end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2022/23 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the Local Government: Municipal Finance Management Act (56 of 2003).
4. Provisions to be cash backed incorporate all current provisions as well as the provision for the rehabilitation of landfill sites.
5. Reserves to be cash backed incorporate the COIDA, Self-Insurance Fund (SIF) and the Capital Replacement Reserve.

TABLE 27 (TABLE A9 - ASSET MANAGEMENT)

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
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	538,997	698,558	326,953	902,054	968,199	968,199	890,303	837,592	758,405
<i>Roads Infrastructure</i>		261,897	228,029	141,510	189,772	146,930	146,930	237,004	226,649	258,177
<i>Storm water Infrastructure</i>		26,962	23,523	4,076	14,182	14,182	14,182	20,935	21,741	20,911
<i>Electrical Infrastructure</i>		44,763	33,118	37,000	136,215	136,815	136,815	126,871	73,176	74,055
<i>Water Supply Infrastructure</i>		111,946	179,337	77,293	243,817	445,127	445,127	148,335	125,767	89,332
<i>Sanitation Infrastructure</i>		42,072	27,816	7,256	29,139	31,160	31,160	63,372	126,391	88,730
<i>Solid Waste Infrastructure</i>		–	–	–	36,826	36,826	36,826	4,050	–	7,000
<i>Rail Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Coastal Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Information and Communication Infrastructure</i>		302	–	12,046	2,500	4,500	4,500	3,000	6,000	5,000
Infrastructure		487,942	491,824	279,180	652,452	815,540	815,540	603,567	579,724	543,205
Community Facilities		51,055	7,633	–	26,890	13,018	13,018	25,700	40,500	9,500
Sport and Recreation Facilities		–	8,367	9,068	2,000	13,800	13,800	1,000	1,000	–
Community Assets		51,055	16,001	9,068	28,890	26,818	26,818	26,700	41,500	9,500
Heritage Assets		–	–	862	5,316	12,879	12,879	200	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	24	–	–	–	–	–	–
Investment properties		–	–	24	–	–	–	–	–	–
Operational Buildings		–	39,890	2,013	10,087	7,855	7,855	43,591	31,274	21,800
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	39,890	2,013	10,087	7,855	7,855	43,591	31,274	21,800

Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	47,253	1,640	17,469	18,719	18,719	33,631	37,325	2,000	
Intangible Assets	47,253	1,640	17,469	18,719	18,719	33,631	37,325	2,000	
Computer Equipment	8,753	5,908	7,900	12,152	12,152	23,672	17,015	25,300	
Furniture and Office Equipment	1,131	1,086	2,750	16,950	16,950	5,700	4,700	2,500	
Machinery and Equipment	75,709	13,513	60,574	32,607	32,607	61,643	39,500	49,900	
Transport Assets	17,998	13,280	48,268	24,679	24,679	91,600	86,554	104,200	
Land	-	377	68,349	-	-	-	-	-	
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	
Total Renewal of Existing Assets	275,549	127,172	200	303,829	352,591	352,591	281,839	203,298	198,448
<i>Roads Infrastructure</i>	67,273	18,145	-	54,023	64,218	64,218	54,700	59,700	62,500
<i>Storm water Infrastructure</i>	4,594	4,920	-	10,500	7,700	7,700	10,000	10,000	10,000
<i>Electrical Infrastructure</i>	77,368	7,130	-	52,100	51,900	51,900	59,439	53,898	52,898
<i>Water Supply Infrastructure</i>	67,509	91,541	-	155,380	140,550	140,550	108,000	29,500	36,000
<i>Sanitation Infrastructure</i>	52,373	3,719	-	13,500	26,380	26,380	33,000	35,000	25,000
<i>Solid Waste Infrastructure</i>	-	-	-	-	11,726	11,726	-	-	-
<i>Rail Infrastructure</i>	-	777	-	11,726	7,394	7,394	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	269,117	126,232	-	297,229	309,868	309,868	265,139	188,098	186,398
Community Facilities	4,057	596	-	2,700	14,972	14,972	9,800	9,200	5,050
Sport and Recreation Facilities	1,969	-	200	200	23,721	23,721	4,000	2,000	4,000
Community Assets	6,027	596	200	2,900	38,693	38,693	13,800	11,200	9,050
Heritage Assets	-	-	-	1,500	2,420	2,420	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	405	309	-	2,200	1,400	1,400	2,900	2,000	3,000
Housing	-	35	-	-	210	210	-	-	-
Other Assets	405	344	-	2,200	1,610	1,610	2,900	2,000	3,000
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	2,000	-
Transport Assets	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	-	-	-	-	-	-	349,563	232,591	279,935
<i>Roads Infrastructure</i>	-	-	-	-	-	-	76,284	60,283	49,043

Storm water Infrastructure	-	-	-	-	-	-	57,000	32,437	30,000	
Electrical Infrastructure	-	-	-	-	-	-	17,906	19,972	21,568	
Water Supply Infrastructure	-	-	-	-	-	-	17,000	42,500	58,000	
Sanitation Infrastructure	-	-	-	-	-	-	109,500	33,500	54,694	
Solid Waste Infrastructure	-	-	-	-	-	-	3,000	3,000	6,000	
Rail Infrastructure	-	-	-	-	-	-	-	-	-	
Coastal Infrastructure	-	-	-	-	-	-	-	-	-	
Information and Communication Infrastructure	-	-	-	-	-	-	2,000	2,000	3,000	
Infrastructure	-	-	-	-	-	-	282,690	193,691	222,305	
Community Facilities	-	-	-	-	-	-	51,750	26,350	42,000	
Sport and Recreation Facilities	-	-	-	-	-	-	4,100	2,100	10,800	
Community Assets	-	-	-	-	-	-	55,850	28,450	52,800	
Heritage Assets	-	-	-	-	-	-	-	-	-	
Revenue Generating	-	-	-	-	-	-	-	-	-	
Non-revenue Generating	-	-	-	-	-	-	-	-	-	
Investment properties	-	-	-	-	-	-	-	-	-	
Operational Buildings	-	-	-	-	-	-	7,723	9,450	3,830	
Housing	-	-	-	-	-	-	-	-	-	
Other Assets	-	-	-	-	-	-	7,723	9,450	3,830	
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-	
Servitudes	-	-	-	-	-	-	-	-	-	
Licences and Rights	-	-	-	-	-	-	1,800	-	-	
Intangible Assets	-	-	-	-	-	-	1,800	-	-	
Computer Equipment	-	-	-	-	-	-	1,500	1,000	1,000	
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-	
Machinery and Equipment	-	-	-	-	-	-	-	-	-	
Transport Assets	-	-	-	-	-	-	-	-	-	
Land	-	-	-	-	-	-	-	-	-	
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-	
Total Capital Expenditure	4	814,545	825,730	327,153	1,205,883	1,320,790	1,320,790	1,521,705	1,273,481	1,236,788
Roads Infrastructure		329,169	246,175	141,510	243,795	211,148	211,148	367,988	346,632	369,720
Storm water Infrastructure		31,556	28,443	4,076	24,682	21,882	21,882	87,935	64,179	60,911
Electrical Infrastructure		122,131	40,249	37,000	188,315	188,715	188,715	204,216	147,045	148,521
Water Supply Infrastructure		179,454	270,878	77,293	399,197	585,677	585,677	273,335	197,767	183,332
Sanitation Infrastructure		94,445	31,535	7,256	42,639	57,540	57,540	205,872	194,891	168,423
Solid Waste Infrastructure		-	-	-	36,826	48,552	48,552	7,050	3,000	13,000
Rail Infrastructure		-	777	-	11,726	7,394	7,394	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		302	-	12,046	2,500	4,500	4,500	5,000	8,000	8,000
Infrastructure		757,058	618,056	279,180	949,681	1,125,408	1,125,408	1,151,396	961,513	951,908
Community Facilities		55,112	8,230	-	29,590	27,990	27,990	87,250	76,050	56,550
Sport and Recreation Facilities		1,969	8,367	9,268	2,200	37,521	37,521	9,100	5,100	14,800
Community Assets		57,082	16,597	9,268	31,790	65,511	65,511	96,350	81,150	71,350

Heritage Assets			862	6,816	15,299	15,299	200		
Revenue Generating									
Non-revenue Generating			24						
Investment properties			24						
Operational Buildings	405	40,199	2,013	12,287	9,255	9,255	54,214	42,724	28,630
Housing		35			210	210			
Other Assets	405	40,234	2,013	12,287	9,464	9,464	54,214	42,724	28,630
Biological or Cultivated Assets									
Servitudes									
Licences and Rights		47,253	1,640	17,469	18,719	18,719	35,431	37,325	2,000
Intangible Assets		47,253	1,640	17,469	18,719	18,719	35,431	37,325	2,000
Computer Equipment		8,753	5,908	7,900	12,152	12,152	25,172	18,015	26,300
Furniture and Office Equipment		1,131	1,086	2,750	16,950	16,950	5,700	4,700	2,500
Machinery and Equipment		75,709	13,513	60,574	32,607	32,607	61,643	41,500	49,900
Transport Assets		17,998	13,280	48,268	24,679	24,679	91,600	86,554	104,200
Land			377	68,349					
Zoo's, Marine and Non-biological Animals									
TOTAL CAPITAL EXPENDITURE - Asset class	814,545	825,730	327,153	1,205,883	1,320,790	1,320,790	1,521,705	1,273,481	1,236,788
ASSET REGISTER SUMMARY - PPE (WDV)	5						18,075,489	18,227,897	18,594,865
<i>Roads Infrastructure</i>							460,988	425,923	464,920
<i>Storm water Infrastructure</i>							60,598	48,241	48,911
<i>Electrical Infrastructure</i>							214,659	146,045	147,521
<i>Water Supply Infrastructure</i>							275,335	199,767	187,332
<i>Sanitation Infrastructure</i>							211,209	198,391	168,423
<i>Solid Waste Infrastructure</i>							8,050	5,000	15,000
<i>Rail Infrastructure</i>									
<i>Coastal Infrastructure</i>									
<i>Information and Communication Infrastructure</i>							9,000	10,000	10,000
Infrastructure							1,239,839	1,033,367	1,042,108
Community Assets							89,400	78,000	63,000
Heritage Assets									
Investment properties							152,119	155,922	159,820
Other Assets							16,494,987	16,867,234	17,270,237
Biological or Cultivated Assets									
Intangible Assets							29,372	37,325	2,000
Computer Equipment							7,772	2,450	2,300
Furniture and Office Equipment							2,700	3,400	2,000
Machinery and Equipment							39,700	20,500	19,900
Transport Assets							19,600	29,700	33,500
Land									
Zoo's, Marine and Non-biological Animals									

TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	-	-	-	18,075,489	18,227,897	18,594,865
EXPENDITURE OTHER ITEMS		415,394	278,726	143,417	477,595	487,276	487,276	1,883,130	1,974,711	2,066,867
Depreciation	7	-	-	-	-	-	-	1,294,834	1,346,628	1,400,493
Repairs and Maintenance by Asset Class	3	415,394	278,726	143,417	477,595	487,276	487,276	588,296	628,084	666,374
<i>Roads Infrastructure</i>		35,469	23,125	-	33,476	65,448	65,448	72,036	72,853	75,070
<i>Storm water Infrastructure</i>		38,049	10,671	-	17,347	17,347	17,347	27,064	28,221	29,134
<i>Electrical Infrastructure</i>		34,149	4	-	47,478	45,686	45,686	64,180	68,104	72,113
<i>Water Supply Infrastructure</i>		66,982	64,820	67,927	67,927	95,557	95,557	105,146	110,418	116,991
<i>Sanitation Infrastructure</i>		59,229	40,050	72,303	72,303	68,283	68,283	76,255	81,745	88,191
<i>Solid Waste Infrastructure</i>		-	(47)	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	95	3,187	3,187	2,187	2,187	2,285	2,413	2,541
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		259	-	-	370	370	370	500	530	562
Infrastructure		234,138	138,718	143,417	242,089	294,878	294,878	347,465	364,283	384,603
Community Facilities		12,106	8,158	-	14,390	15,270	15,270	22,739	24,306	26,766
Sport and Recreation Facilities		7,613	3,741	-	7,764	14,039	14,039	7,587	8,152	8,716
Community Assets		19,719	11,899	-	22,155	29,309	29,309	30,325	32,458	35,482
Heritage Assets		708	119	-	961	911	911	616	638	662
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		11,999	10,743	-	33,736	33,704	33,704	59,180	63,322	66,484
Housing		5,515	1,693	-	3,021	4,621	4,621	4,623	3,787	4,079
Other Assets		17,514	12,437	-	36,757	38,325	38,325	63,804	67,109	70,563
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		3,339	3,134	-	4,779	4,779	4,779	5,176	5,480	5,803
Intangible Assets		3,339	3,134	-	4,779	4,779	4,779	5,176	5,480	5,803
Computer Equipment		6,244	3,549	-	7,864	7,156	7,156	7,559	8,075	8,658
Furniture and Office Equipment		522	414	-	3,661	3,439	3,439	3,562	3,772	3,956
Machinery and Equipment		96,373	74,921	-	118,484	69,288	69,288	86,596	91,814	98,221
Transport Assets		36,838	33,534	-	40,844	39,190	39,190	43,193	54,454	58,426
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		415,394	278,726	143,417	477,595	487,276	487,276	1,883,130	1,974,711	2,066,867
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		33.8%	15.4%	0.1%	25.2%	26.7%	26.7%	41.5%	34.2%	38.7%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	48.8%	32.4%	34.2%
<i>R&M as a % of PPE</i>		2.4%	1.6%	0.8%	2.6%	2.6%	2.6%	3.1%	3.4%	3.6%
<i>Renewal and upgrading and R&M as a % of PPE</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.0%	6.0%	6.0%

Explanatory notes to Table A9 - Asset Management

The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and reflects the relevant asset categories. The associated repairs and maintenance and depreciation is also reflected.

It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE.

TABLE 28 (TABLE A10 – CONSOLIDATED BASIC SERVICE DELIVERY MEASUREMENT)

[NB: Due to the improvements required in the budgeting Tool this table could not be concluded and will be fully populated leading to the finalisation of the 2022/23 MTREF Budget and some information required is manually driven].

Description	2017/18	2018/19	2019/20	2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Household service targets								
Water:								
Piped water inside dwelling	342,909	--	--	366,108	366,108	--	--	--
Piped water inside yard (but not in dwelling)	--	--	--	--	--	--	--	--
Using public tap (at least min.service level)	35,215	--	--	40,000	40,000	--	--	--
Other water supply (at least min.service level)	--	--	--	--	--	--	--	--
<i>Minimum Service Level and Above sub-total</i>	<i>378,124</i>	<i>--</i>	<i>--</i>	<i>406,108</i>	<i>406,108</i>	<i>--</i>	<i>--</i>	<i>--</i>
Using public tap (< min.service level)	--	--	--	--	--	--	--	--
Other water supply (< min.service level)	--	--	--	--	--	--	--	--
No water supply	--	--	--	--	--	--	--	--
<i>Below Minimum Service Level sub-total</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Total number of households	378,124	--	--	406,108	406,108	--	--	--
Sanitation/sewerage:								
Flush toilet (connected to sewerage)	338,968	--	--	362,306	362,306	--	--	--
Flush toilet (with septic tank)	3,568	--	--	3,802	3,802	--	--	--
Chemical toilet	216	--	--	1,700	1,700	--	--	--
Pit toilet (ventilated)	158	--	--	167	167	--	--	--
Other toilet provisions (> min.service level)	--	--	--	--	--	--	--	--
<i>Minimum Service Level and Above sub-total</i>	<i>342,910</i>	<i>--</i>	<i>--</i>	<i>367,975</i>	<i>367,975</i>	<i>--</i>	<i>--</i>	<i>--</i>
Bucket toilet	23,758	--	--	5,000	5,000	--	--	--
Other toilet provisions (< min.service level)	--	--	--	--	--	--	--	--
No toilet provisions	--	--	--	--	--	--	--	--
<i>Below Minimum Service Level sub-total</i>	<i>23,758</i>	<i>--</i>	<i>--</i>	<i>5,000</i>	<i>5,000</i>	<i>--</i>	<i>--</i>	<i>--</i>
Total number of households	366,668	--	--	372,975	372,975	--	--	--
Energy:								
Electricity (at least min.service level)	22,062	--	--	22,852	22,852	--	--	--
Electricity - prepaid (min.service level)	240,309	--	--	293,651	293,651	--	--	--
<i>Minimum Service Level and Above sub-total</i>	<i>262,371</i>	<i>--</i>	<i>--</i>	<i>316,503</i>	<i>316,503</i>	<i>--</i>	<i>--</i>	<i>--</i>
Electricity (< min.service level)	--	--	--	--	--	--	--	--
Electricity - prepaid (< min. service level)	--	--	--	--	--	--	--	--
Other energy sources	--	--	--	--	--	--	--	--
<i>Below Minimum Service Level sub-total</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Total number of households	262,371	--	--	316,503	316,503	--	--	--
Refuse:								
Removed at least once a week	302,410	--	--	245,978	245,978	--	--	--
<i>Minimum Service Level and Above sub-total</i>	<i>302,410</i>	<i>--</i>	<i>--</i>	<i>245,978</i>	<i>245,978</i>	<i>--</i>	<i>--</i>	<i>--</i>
Removed less frequently than once a week	302,410	--	--	--	--	--	--	--
Using communal refuse dump	41,268	--	--	12,100	12,100	--	--	--
Using own refuse dump	15,765	--	--	--	--	--	--	--
Other rubbish disposal	6,852	--	--	6,852	6,852	--	--	--
No rubbish disposal	853	--	--	5,731	5,731	--	--	--
<i>Below Minimum Service Level sub-total</i>	<i>367,148</i>	<i>--</i>	<i>--</i>	<i>24,683</i>	<i>24,683</i>	<i>--</i>	<i>--</i>	<i>--</i>
Total number of households	669,558	--	--	270,661	270,661	--	--	--
Households receiving Free Basic Service								
Water (6 kilolitres per household per month)	99,597	--	--	71,873	71,873	68,266	68,266	68,266
Sanitation (free minimum level service)	100,753	--	--	72,198	72,198	69,251	69,251	69,251
Electricity/other energy (50kwh per household per month)	--	--	--	62,463	62,463	53,921	53,921	53,921
Refuse (removed at least once a week)	94,903	--	--	63,043	63,043	59,352	59,352	59,352

Description	2017/18	2018/19	2019/20	2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Cost of Free Basic Services provided - Formal Settlements (R'000)								
Water (6 kilolitres per indigent household per month)	107,898	102,194	76,019	119,092	146,787	172,500	184,575	198,418
Sanitation (free sanitation service to indigent households)	210,763	196,031	153,437	145,951	171,245	170,000	181,900	195,543
Electricity/other energy (50kwh per indigent household per month)	37,894	333	30,517	36,696	42,370	37,240	40,612	44,295
Refuse (removed once a week for indigent households)	114,183	111,548	82,657	135,097	135,097	143,879	153,950	165,496
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	-	-	-	-	-	-	-	-
Total cost of FBS provided	470,737	410,106	342,630	436,836	495,500	523,619	561,038	603,752
Highest level of free service provided per household								
Property rates (R value threshold)	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Water (kilolitres per household per month)	8	8	8	8	8	8	8	8
Sanitation (kilolitres per household per month)	11	11	11	11	11	11	11	11
Sanitation (Rand per household per month)	99	99	99	125	125	125	125	125
Electricity (kwh per household per month)	75	75	75	75	75	75	75	75
Refuse (average litres per week)	240	240	240	240	240	240	240	240
Revenue cost of subsidised services provided (R'000)								
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)								
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	112,048	149,380	130,435	129,054	147,360	51,049	55,052	59,647
Water (in excess of 6 kilolitres per indigent household per month)	53,949	50,335	37,442	59,133	72,885	57,500	61,525	66,139
Sanitation (in excess of free sanitation service to indigent households)	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)	18,947	164	15,031	18,348	21,185	18,620	20,306	22,148
Refuse (in excess of one removal a week for indigent households)	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates								
Housing - top structure subsidies								
Other								
Total revenue cost of subsidised services provided	184,944	199,878	182,907	206,535	241,430	127,169	136,884	147,934

Explanatory notes to Table A10 - Basic Service Delivery Measurement

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

1.9 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The annual tables at a parental level are used to accompany the Budget Report and not for noting or approval of a budget. At the final budget submission for the 2022/23 MTREF the Tables at a parental level will be prepared or populated to accompany the budget report. The purpose of the first ten Tables is the same as the top ten Consolidated Tables already discussed above.

1.10 CONSOLIDATED BUDGET SUPPORTING TABLES

The relevant supporting Tables that could be prepared are attached elsewhere to this Budget Report and other outstanding Tables will accompany the Budget Report when the final Budget is tabled to Council on or before end May 2022, for approval.

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The 2022/23 Budget process was incorporated in the Multi-Year timetable that was approved by Council around August 2018 incorporating other plans, such as IDP/ BEPP, etc. and as such has informed the process of guiding the preparation of the 2022/23 to 2024/25 Operating and Capital Budgets.

The Multi-Year timetable prepared in conjunction with the Office of the Chief Operating Officer (COO) provides broad timeframes for the IDP, BEPP and Budget preparation process. It allows for consultation with stakeholders,

such as the elected public representatives, employees of the Municipality, Civil Society, State departments (e.g. National / Provincial Treasuries), business and labour, during the period April to May 2022. The main aim of the timetable is to ensure that a revised IDP and a balanced Budget are tabled to Council on or before end March 2022 for noting and on or before end May 2022 for approval.

After the approval, the approved budget will be submitted to National Treasury in compliance with Chapter 4 of the Municipal Finance Management Act, Act No.56 of 2003, as well as being publicised on the municipality’s website, followed by vigorous public participation processes.

2.1.1 IDP & Budget Timetable 2022/23 to 2024/25

The preparation of the 2022/23 to 2024/25 IDP and Budget was guided by the following Multi-Year Time Schedule of key deadlines.

2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP, in accordance with the Municipal Systems Act (32 of 2000), was guided and informed by the following principles:

- Achievement of the five strategic priorities of the NMBM.
- Focusing on service delivery backlogs and the maintenance of infrastructure.
- Addressing community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2022/23 to 2024/25 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- (a) Municipal transformation and development
- (b) Service delivery and infrastructure development
- (c) Local economic development
- (d) Financial sustainability and viability
- (e) Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

2.2.1 Alignment with National and Provincial Priorities

The Municipality’s priorities are aligned to those of the National and Provincial Governments.

The matrix below shows the alignment with National and Provincial Government priorities

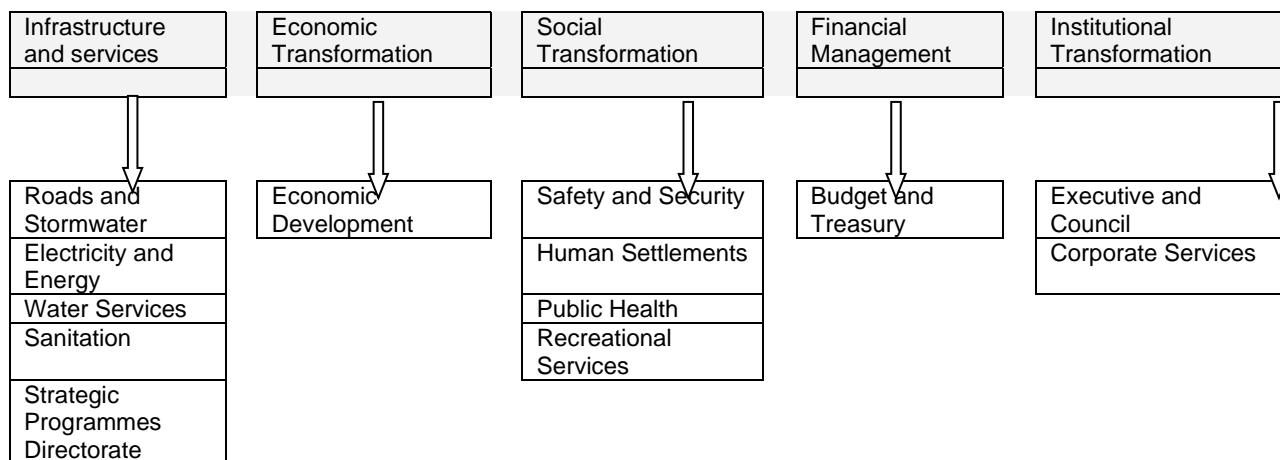


Figure 4: Alignment with National and Provincial Priorities

The above is an indication of NMBM's alignment to the National and Provincial Key Performance Areas and how Directorates are aligned thereto. It should, however, be noted that in terms of implementation all Directorates are focusing on the five areas. To monitor and evaluate service delivery and financial performance, key performance indicators are included in all Executive Directors' performance agreements and are monitored through the monitoring system under the Chief Operating Officer's (COO's) office, accordingly.

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

This section contains the key performance indicators.

TABLE 29 (MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS)

Description of financial indicator	Basis of calculation	2018/19	2019/20	2020/21	2021/22		2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2022/23	Budget Year 2023/24	Budget Year 2024/25
Borrowing Management									
Credit Rating		Aaa.za	Aaa.za		Aaa.za	Aaa.za	Aaa.za	Aaa.za	Aaa.za
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2.2%	2.0%		2.4%	2.4%	2.4%	2.2%	2.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2.7%	2.4%		3.0%	3.0%	3.0%	2.8%	2.5%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%		36.6%	36.6%	36.6%	39.8%	0.0%
Safety of Capital									
Gearing	Long Term Borrowing/ Funds & Reserves	6.49%	5.58%		7.08%	7.08%	7.08%	5.93%	4.93%
Liquidity									
Current Ratio	Current assets/current liabilities	1.8	2.1	NB: Not ready by the time the report was concluded.	1.9	1.9	1.9	1.8	1.7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.8	2.1		1.9	1.9	1.9	1.8	1.7
Liquidity Ratio	Monetary Assets/Current Liabilities	1.1	1.0		0.9	0.9	0.9	0.9	0.7
Revenue Management									
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		94.0%	79.8%		85.0%	79.0%	79.0%	79.0%	79.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	23.7%	31.6%		24.2%	24.2%	24.2%	23.5%	23.0%
Creditors Management									
Creditors to Cash and Investments		56.1%	57.9%		63.6%	63.6%	63.6%	69.6%	69.2%
Other Indicators									
Employee costs	Employee costs/(Total Revenue - capital revenue)	32.1%	28.5%		30.3%	30.3%	30.0%	30.0%	30.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	32.8%	29.2%		31.0%	31.0%	30.0%	30.0%	30.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.1%	2.5%		3.9%	3.9%	3.9%	3.8%	3.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11.2%	11.9%		9.0%	9.0%	9.0%	8.7%	8.4%
IDP regulation financial viability indicators									
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	25.5	29.1		14.7	14.7	14.7	15.6	17.2
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	31.1%	41.5%		32.0%	32.0%	32.0%	30.8%	29.6%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	4.3	4.2		3.1	3.1	3.1	2.7	2.0

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources, and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and

financial position. The following financial performance indicators formed part of the compilation of the 2022/23 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure.

2.3.1.2 Liquidity

- The *current ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1.5.
- The *liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meet its current liabilities. A liquidity ratio of 1 should be maintained.

2.3.2 Drinking Water Quality and Waste-Water Management

The Municipality performs the dual roles of a Water Service Authority (WSA) and a Water Service Provider (WSP), in managing the provision of drinking water and the treatment of wastewater.

As consistently reported to the Infrastructure, Electricity and Engineering Portfolio Committee (IEEC) the water supplied to the communities of NMBM is 100% compliant with SANS241, except for the recent developments in late 2021 and early 2022.

Similarly, as reported to the IEEC the treated wastewater treated at the various Wastewater Treatment Works on average complies with the required standards.

The detailed reports relating to the above are available for any required scrutiny.

2.3.3 Basic social services package for indigent households

The Constitution of the Republic of South Africa (1996) stipulates that a municipality must structure and manage its administration, budgeting and planning to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, because of adverse social and economic conditions.

The Municipality utilises the Equitable Share allocation towards assisting the poor. The National Treasury has allocated the following amounts towards the Equitable Share in terms of the Division of Revenue Act (DORA) for this purpose: -

2022/23 = R 1,288,228,000,
2023/24 = R 1,389,940,000, and
2024/25 = R 1,499,327,000.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The Local Government: Municipal Finance Management Act (MFMA) (56 of 2003) and the Local Government: Municipal Budget and Reporting Regulations (MBRR) require budget related policies to be reviewed, and where applicable, be updated on an annual basis. This process will be concluded as we lead to the final approval of the budget on or before end May 2022. The 2022/23 Draft Property Rates Policy, which appears elsewhere as an Annexure to this Agenda, will be considered by Council for approval, where after it will be subjected to public participation.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets. The circulars issued by National Treasury (latest being Circulars 112 & 115) guiding municipalities on budget processes are considered.

The municipal fiscal environment is influenced by a variety of macroeconomic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Budget through the Circulars mentioned in the previous paragraph, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk

electricity tariff increases and the Department of Water & Sanitation Affairs (DWSA) regulates bulk water tariff increases. As alluded to previously the Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining (SALGA) Council. Various government departments also affect municipal service delivery through the level of grants and subsidies availed to the NMBM, such as Library Subsidies, etc.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets, relating to the key strategic focus areas, as determined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to consider the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- No budget allocations have been made to programmes and projects unless the respective programme and project plans / procurement plans / cash flows have been submitted by the relevant Acting/Executive Directors.
- An assessment of the relative human resources capacity to implement the Budget.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.

The Municipality faced the following significant challenges in preparing the 2022/23 – 2024/25 Budget:

- The COVID19 pandemic and its impact on the municipality's financial resources as evidenced by the declining Collection Rate.
- Inability to budget for a surplus on the Operating Budget.
- Fully implementing cost containment measures and removing non-core expenditure items.
- Maintaining electricity and water losses at acceptable levels.
- Allocation of the required operating budget provision for newly created infrastructure and facilities, with a consequential impact on the level of rates and tariff increases.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure.
- The delayed / non-implementation of the fully-fledged Municipal Standard Chart of Accounts (MSCOA) system that should have been concluded a number of years ago after the failed attempt by the appointed service provider in late 2018 (i.e. SEBATA). This situation compromises the credibility and accuracy of our financial information and requires urgent attention.
- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the Budget, taking the municipality's declining cash position into account.
- The continuous drought situation that requires more financial backing to deal with the urgent demands.
- The rampant vandalism of the municipal buildings / infrastructure due to security issues placing strain to the limited financial resources, as it is doubted whether there will be success in any insurance claim as these vandalisms may be blamed on carelessness from the institution's side, and
- Financial implications of implementing certain Council resolutions that may have been taken without proper due diligence, resulting in a negative impact on property rates increases.

The multi-year budget is therefore underpinned by the following assumptions, as approved by Council:

TABLE 30 (BUDGET ASSUMPTIONS)

The multi-year Budget is underpinned by the following assumptions, however, due to certain factors some of these percentages had to be amended:

Financial targets for the period 2021/22 to 2025/26:

Income Category	PROJECTED TARIFFS % INCREASES - REVENUE					
	Approved 2020/21 [Baseline]	2021/2022	2022/2023	2023/2024	2024/ 2025	2025/2026
Fines, Penalties and Forfeits	7.50	7.00	5.50	6.00	6.00	6.50
Interest, Dividend and Rent on Land	6.80	5.50	5.50	6.00	6.00	6.50
Licences or permits	7.50	7.00	5.50	6.00	6.00	6.50
Operational Revenue	7.50	7.00	5.50	6.00	6.00	6.50
Property Rates	6.00	6.50	5.50	6.00	6.00	6.00
Rental from Fixed Assets	7.50	7.00	7.00	7.50	7.50	7.80

Sales of Goods and Rendering of Services	7.50	7.00	7.00	7.00	7.50	7.80
Electricity	6.22	7.22	8.61	8.61	8.61	8.61
Waste Management	6.00	6.50	6.00	6.5	6.5	6.5
Wastewater Management	6.00	6.50	6.00	6.5	6.5	6.5
Water	6.00	6.50	6.00	6.5	6.5	6.5
Income for Agency Services	7.50	7.50	7.50	8.0	8.0	8.50
Transfers and Subsidies (OPERATIONAL)	5.00	5.00	5.50	6.00	6.50	6.50
Bulk Purchases - Electricity	6.9	10.0	8.61	8.61	8.61	8.61
Bulk Purchases - Water	5.30	9.7	10	10	10	10
Contracted Services	5.00	5.00	5.00	5.00	5.50	5.50
Employee Related Cost (Subject to Three Year agreement re Salary Negotiation for 2021/22 to 2023/24)	9.85	6.35	6.35	7.35	7.35	7.35
Inventory Consumed	5.0	0.0	5.1	5.0	5.5	6.0
Repairs and Maintenance	8.0	7.0	7.0	7.0	7.5	8.0
Operating Leases	7.0	7.0	7.0	7.0	7.0	7.0
Operational Cost	5.0	0.0	0.0	5.0	5.5	6.0
Remuneration of Councillors	5.1	5.0	4.5	4.5	4.5	4.5
Transfers and Subsidies	5.0	6.5	6.5	7.0	7.0	6.5
Depreciation and Amortisation	6.5	6.5	6.5	6.5	6.5	6.5

It must be noted that the above increases were used for preparing the budget and some of them have since been amended resulting from other external factors. The following Table reflects the parameters as applied during the preparation of the Draft 2022/23 MTREF (after tariffs being amended).

TABLE 31 (BUDGET ASSUMPTIONS APPLIED IN 2021/22 MTREF)

Income Category	PROJECTED TARIFFS % INCREASES - REVENUE					
	Approved 2020/21 [Baseline]	2021/2022	2022/2023	2023/2024	2024/ 2025	2025/2026
Fines, Penalties and Forfeits	7.50	7.00	5.50	6.00	6.00	6.50
Interest, Dividend and Rent on Land	6.80	5.50	5.50	6.00	6.00	6.50
Licences or permits	7.50	7.00	5.50	6.00	6.00	6.50
Operational Revenue	7.50	7.00	5.50	6.00	6.00	6.50
Property Rates	6.00	6.00	5.50	6.00	6.00	6.00
Rental from Fixed Assets	7.50	7.00	7.00	7.50	7.50	7.80
Sales of Goods and Rendering of Services	7.50	7.00	7.00	7.00	7.50	7.80
Electricity	6.22	14.59	8.61	8.61	8.61	8.61
Waste Management	6.00	6.00	6.00	6.5	6.5	6.5
Wastewater Management	6.00	6.00	6.00	6.5	6.5	6.5
Water	6.00	6.00	6.00	6.5	6.5	6.5
Income for Agency Services	7.50	7.50	7.50	8.0	8.0	8.50
Transfers and Subsidies (OPERATIONAL)	5.00	5.00	5.50	6.00	6.50	6.50
Bulk Purchases - Electricity	6.9	17.8	8.61	8.61	8.61	8.61
Bulk Purchases - Water	5.30	9.7	10	10	10	10
Contracted Services	5.00	5.00	5.00	5.00	5.50	5.50
Employee Related Cost (Subject to Three Year agreement re Salary Negotiation for 2021/22 to 2023/24)	9.85	6.35	6.35	7.35	7.35	7.35
Inventory Consumed	5.0	0.0	5.1	5.0	5.5	6.0
Repairs and Maintenance	8.0	7.0	7.0	7.0	7.5	8.0
Operating Leases	7.0	7.0	7.0	7.0	7.0	7.0
Operational Cost	5.0	0.0	0.0	5.0	5.5	6.0
Remuneration of Councillors	5.1	5.0	4.5	4.5	4.5	4.5
Transfers and Subsidies	5.0	6.5	6.5	7.0	7.0	6.5
Depreciation and Amortisation	6.5	6.5	6.5	6.5	6.5	6.5

2.6 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

The list of all grants (Conditional / Unconditional) to be transferred to the NMBM is reflecting under the Executive Mayor's Statement and incorporated in the budget.

2.7 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The list of all grants (Conditional / Unconditional) to be transferred to the NMBM is reflecting under the Executive Mayor's Statement and incorporated in the budget. All Conditional Grants must be incurred or spent in line with their conditions as per the Division of Revenue Act (DORA).

2.8 COUNCILLORS AND BOARD MEMBERS ALLOWANCES AND EMPLOYEE BENEFITS

The salaries and allowances paid to Councillors are in terms of the Remuneration of Office Bearer's Act and the Board of Directors' emoluments are paid based on approval by the parent municipality of the applicable rates.

2.9 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS – DIRECTORATES

In terms of section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) constitutes a detailed plan for implementing the Municipality's delivery of services and its annual budget, which must include the following:

- (a) Monthly projections of
 - Revenue to be collected, by source; and
 - Operational and capital expenditure, by vote.
- (b) Service delivery targets and performance indicators for each quarter.

In accordance with Section 53 of the MFMA, the Executive Mayor is required to approve the SDBIP within 28 days after the final approval of the budget. Furthermore, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators, as set out in the SDBIP, are made public within 14 days after the approval of the SDBIP.

The SDBIP gives effect to the IDP and Budget of the Municipality. It includes the service delivery targets and performance indicators for each quarter, which forms the basis for the performance agreements of the Executive Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the City Manager to monitor the performance of the Executive Directors, the Executive Mayor/Council to monitor the performance of the City Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2022/23 financial year must be approved by the Executive Mayor, following the approval of the Budget, on or before end May 2022.

2.10 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Below the schedule of contracts impacting on future budgets:

TABLE 32 (CONTRACTS IMPACTING ON THE MUNICIPALITY'S REVENUE)

Description	Preceding Years	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework			Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31	Total Contract Value
	Total	Original Budget	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Parent Municipality:													
Revenue Obligation By Contract													
<i>Contract 1</i>													-
Total Operating Revenue Implication	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditure Obligation By Contract													
<i>Absa Bank Costs</i>	9,946	5,425	5,750	6,095	0	0							27,216
Total Operating Expenditure Implication	9,946	5,425	5,750	6,095	0	-0	-	-	-	-	-	-	27,216
Capital Expenditure Obligation By Contract													
<i>Contract 1</i>													-
Total Capital Expenditure Implication	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Parent Expenditure Implication	9,946	5,425	5,750	6,095	0	0	-	-	-	-	-	-	27,216
Entities:													

Revenue Obligation By Contract													
<i>Contract 1</i>													
Total Operating Revenue Implication	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditure Obligation By Contract													
<i>Contract 1 Banking Service Contract</i>													
	44	24	25	27	28	30	32	34	36	38	0	0	318
Total Operating Expenditure Implication	44	24	25	27	28	30	32	34	36	38	0	0	318
Capital Expenditure Obligation By Contract													
<i>Contract 1</i>													
Total Capital Expenditure Implication	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Entity Expenditure Implication	44	24	25	27	28	30	32	34	36	38	0	0	318

Contracts Impacting on the Municipality's Expenditure

No contracts exceeding the R5 million limit in respect of MFMA section 33 expenditure except for the case of a contract of nine-years entered into with the Vehicle Operating Company (VOCA) under the IPTS Uni (I&E).

TABLE 33 (SECTION 33 EXPENDITURE)

No	Description of lease	Start of contract	End of contract	Escalation %	Period	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
1	ABSA Bank Ltd – Primary Bank account	01-09-18	30-08-23		5 years						

2.11 LEGISLATION COMPLIANCE STATUS

Below a discussion of the Municipality's progress relating to the implementation of the Local Government: Municipal Finance Management Act (MFMA) (56 of 2003):

Implementation of the MFMA

The municipality has been implementing the provisions of the MFMA since its inception. The municipality monitors its implementation status on an ongoing basis through reporting via its various committees as created by Council, including the following:

- The City Manager's Executive Management Team which includes the Chief Finance Officer (CFO), Chief Operating Officer (COO) and all the Executive Directors, which meets on a regular basis.
- The Budget and Treasury Standing Committee – a standing committee of the Council established in terms of Section 79 of the Municipal Structures Act, which meets every six weeks. The committee considers specific MFMA implementation issues and reports via the Mayoral Committee to Council.
- The NMBM has also established an MPAC (Municipal Public Accounts Committee) as well as the operational Audit Committee which both play an oversight role in as far as all other overarching issues that include legal compliance matters, amongst others.
- The municipality also makes use of Internal Audit for certain areas of legal compliance, amongst others.

The following reflects the status of implementation of some of the key MFMA areas:

IDP

The Municipal Systems Act (32 of 2000) requires that Council must approve a five-year Integrated Development Plan (IDP), and as such the IDP document that guides the budgeting process is also subjected to the review due to the establishment of new Council that came into being after the Local Government Elections dated 1st November 2021.

Budget

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements as guided by the National Treasury Circulars (i.e. Circulars 112 and 115) into account. All attempts are always being made to ensure that Budgets as well as any other compliance related documents are being tabled and approved within the required legislated timeframes. The only main reasons for delays lately are the MSCOA demands that we cannot fully meet leading to the Budget Reports being concluded late in the process for submission to Council in time. The institution must conclude the delay in finalising the sourcing of a new systems vendor or upgrading the current legacy system, that is currently in use, to meet the MSCOA demands as the failure thereto places the credibility of the financial information at risk.

In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements. The latest SCM Policy was reviewed and approved by Council in around 2021.

All the required SCM committee structures (or Bid Committees) are in place. Whilst the municipality is working at making these processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines as it relates to these matters.

Budget and Treasury

A Budget and Treasury Office (BTO) / Directorate has been established in accordance with Chapter of the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO. The BTO is split into the following Directorates: -

- (i) Budget and Financial Accounting.
- (ii) Expenditure Management.
- (iii) Revenue Management & Customer Care.
- (iv) Office of the Treasury & Financial Support, and
- (v) Supply Chain Management (SCM).

Audit Committee

An Audit Committee (AC) has been established and meets on a quarterly basis.

Internal Audit Function

The Municipality has an Internal Audit sub-directorate reporting to the City Manager and operating in accordance with an audit plan.

Financial Internship Programme

The Finance Interns program is funded from National Treasury's Finance Management Grant (a conditional grant) and are rotated within various Sub Directorates of Budget and Treasury to capacitate them. So far, the institution has been able to recruit many of the Interns into fulltime positions due to their relevant work exposure and relevant qualifications, and such is beneficial to both parties (i.e. NMBM and the Finance Interns). Finance Interns also undertake the training program in the form of the applicable Unit Standards as part of training and development strategy.

2.12 CAPITAL EXPENDITURE DETAILS

A detailed capital budget per Directorate and per funding source is attached as an Annexure to this Budget Report for more information. Also attached as a separate Annexure to this is the Ward Allocation (the first draft) and the National Treasury Circulars (112 and 115). There will be some more work that will have to be undertaken immediately after the budget is tabled to Council relating to the Ward Allocation, to ensure that Directorates are in support of the listed projects and to further unpack any projects appearing requiring more attention.

2.13 ACTING CITY MANAGER'S QUALITY CERTIFICATE

I, **Dr Noxolo L Nqwazi**, Acting City Manager of the Nelson Mandela Bay Metropolitan Municipality, hereby certify that the budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act (56 of 2003) and the Municipal Budget and Reporting Regulations (32141 dated 17 April 2009) made under that Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name : **Dr NL Nqwazi**

Acting City Manager of Nelson Mandela Bay Municipality (EC000)

Signature : _____

Date : **28 March 2022**