

ANNUAL BUDGET OF

NGWATHE LOCAL MUNICIPALITY



2021/22 TO 2023/24

**DRAFT REVENUE AND EXPENDITURE
FORECASTS**

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Table of Contents

PART 1 – ANNUAL BUDGET	2
1.1 MAYOR’S REPORT	2
1.2 EXECUTIVE SUMMARY	2
1.3 OPERATING REVENUE FRAMEWORK	5
1.4 OPERATING EXPENDITURE FRAMEWORK	20
1.4 CAPITAL EXPENDITURE	22
2 PART 2 – SUPPORTING DOCUMENTATION	23
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS	23
2.2 OVERVIEW OF BUDGET RELATED-POLICIES	25
2.3 MUNICIPAL MANAGER’S QUALITY CERTIFICATE	26

Abbreviations and Acronyms

AMR	Automated Meter Reading	NERSA	National Electricity Regulator South Africa
ASGISA	Accelerated and Shared Growth Initiative	NGO	Non-Governmental organisations
BPC	Budget Planning Committee	NKPIs	National Key Performance Indicators
CBD	Central Business District	OHS	Occupational Health and Safety
CFO	Chief Financial Officer	OP	Operational Plan
CM	City Manager	PBO	Public Benefit Organisations
CPI	Consumer Price Index	PHC	Provincial Health Care
CRRF	Capital Replacement Reserve Fund	PMS	Performance Management System
DBSA	Development Bank of South Africa	PPE	Property Plant and Equipment
DoRA	Division of Revenue Act	PPP	Public Private Partnership
DWA	Department of Water Affairs	PTIS	Public Transport Infrastructure System
EE	Employment Equity	RG	Restructuring Grant
EEDSM	Energy Efficiency Demand Side Management	RSC	Regional Services Council
EM	Executive Mayor	SALGA	South African Local Government Association
FBS	Free basic services	SAPS	South African Police Service
GAMAP	Generally Accepted Municipal Accounting Practice	SDBIP	Service Delivery Budget Implementation Plan
GDP	Gross domestic product	SMME	Small Micro and Medium Enterprises
GDS	Gauteng Growth and Development Strategy		
GFS	Government Financial Statistics		
GRAP	General Recognised Accounting Practice		
HR	Human Resources		
HSRC	Human Science Research Council		
IDP	Integrated Development Strategy		
IT	Information Technology		
ℓ	Litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act Programme		
MIG	Municipal Infrastructure Grant		
MMC	Member of Mayoral Committee		
MPRA	Municipal Properties Rates Act		
MSA	Municipal Systems Act		
MTREF	Medium-term Revenue and Expenditure Framework		

Part 1 – Annual Budget

1.1 Purpose (Mayors Budget Speech attached)

The purpose of this report is to table the draft Medium-Term Revenue and Expenditure Framework (MTREF) for the period 2021/2022 to 2023/2024 in Council in terms of section 16 (2) of the Municipal Finance Management Act (MFMA)

1.2 Executive Summary

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

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programme's so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore items.

In Preparation of the MTREF Budget for 2021/22, 2022/23 and 2023/24, Management has considered the guideline of the National Treasury's MFMA Circular No. 88 (issued 17 December 2020), MFMA circular 107 (issued 04 December 2020) and MFMA circular 108 (issued 08 March 2022), previous circulars, the NDP and the FSGDS were used to guide the compilation of the 2021/22 MTREF.

Management has also considered the Division Of Revenue Bill for 2021, The Cabinet has considered the Division of Revenue Bill which provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2021/2022 financial year

Challenges experienced during the compilation of the 2021/22 MTREF are summarized as follows:

- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable;
- The ongoing difficulties in the national and local economy;
- Tariffs increase being guided by NERSA and inflation rate
- Wage increases for municipal staff and the need to fill critical vacancies;
- Affordability of capital projects

The following key factors and planning strategies have informed the compilation of the 2021/22 MTREF:

- The need for tariff increases versus the ability of the community to pay for services;
- Tariffs should be cost reflective to ensure sustainability of the municipality
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act; □
Municipal growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt)
- Performance trends
- The 2020/21 adjustments budget and performance against the SDBIP
- Debtor payment levels
- Loan and investment possibilities
- Improved and sustainable service delivery

The proposed revenue budget for the 2021/22 financial year is **R 882 million**, with the operational expenditure budget of **R 902 million** and a capital budget of **R157 million**. This is an increase of **R42 million** or 4.9% on the adjustments budget of **R840 million** in the 2020/2021 financial year.

The marginal increase in the budget is a result of:

- i) Trimming down of the expenditure budget to match the anticipated collection rate for the financial year.
- ii) The current collection rate is between 55% and 65%.
- iii) The municipality anticipate an increase of 10% on the current collection towards the draft budget

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

Table 1 Consolidated Overview of the 2021/22 MTREF

1.2.1. The following summary of tariffs applied for increase on 2021/22 budget,

1.2.1.1.	Water Supply	4.95%
1.2.1.2.	Electricity	20% (pending actual NERSA Approval)
1.2.1.3.	Sewerage	4.1%
1.2.1.4.	Refuse	4.1%
1.2.1.5.	Rates and Taxes	4.1% (With rebates / discount on Residential and 5% discount on business)
1.2.1.6.	Cemeteries	4.1%
1.2.1.7.	Halls	4.1%
1.2.1.8.	All Other Sundries	4.1%

The following Items are being excluded from operating expenditure as they have no cash outflow impact in the budget:

- Depreciation **R 20 million**
- Provision for bad debts **R111 million**

When compared to the 2020/21 Adjustments Budget, the major operational expenditure has decreased in the 2021/22 budget; the decrease is proposed to accommodate the following:

- Salaries 5.1% (In the absence of the agreement 2021/22, management has projected the increase based on CPIX Forecast (*CPIX Forecast 4.1%*) plus 1% with effect from 1 July 2021)
- Bulk purchase on electricity – increase of 15.63%
- Bulk purchases on water – increase of 5.8%

1.3 Operating Revenue Framework

For Ngwathe Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue is fundamental to the financial sustainability of the municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipal area and continued economic development;
- Sustainable revenue management, which aims to ensure a 75 per cent annual collection rate for property rates and other key service charges for 2021/22;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policy of the Municipality.

The following attached tables is a summary of the 2021/22 MTREF (classified by main revenue source):

Table 2 Table A4 Summary of revenue classified by main revenue source

FS203 Ngwathe - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Revenue By Source											
Property rates	2	76 080	83 414	87 260	98 826	98 826	98 826	75 786	102 878	107 405	112 238
Service charges - electricity revenue	2	137 491	156 592	210 605	258 567	258 567	258 567	169 126	326 418	355 469	387 106
Service charges - water revenue	2	63 267	89 739	75 694	75 586	75 586	75 586	56 407	78 920	82 392	86 100
Service charges - sanitation revenue	2	34 508	36 351	40 850	54 036	54 036	54 036	50 510	56 205	58 678	61 318
Service charges - refuse revenue	2	30 480	32 473	39 307	43 326	43 326	43 326	37 539	45 704	47 715	49 862
Rental of facilities and equipment		896	636	339	724	724	724	245	362	378	395
Interest earned - external investments		1 588	1 655	1 978	1 765	1 765	1 765	1 692	1 897	1 980	2 070
Interest earned - outstanding debtors		43 556	52 889	52 788	46 765	46 765	46 765	34 743	43 491	45 405	47 448
Dividends received											
Fines, penalties and forfeits		682	605	352	2 145	2 145	2 145	199	2 145	2 239	2 340
Licences and permits											
Agency services											
Transfers and subsidies		209 792	197 424	226 662	219 653	255 795	255 795	250 790	222 889	234 123	232 149
Other revenue	2	3 080	1 548	1 498	3 062	3 062	3 062	909	1 531	1 598	1 670
Gains		351	1 041	8 494	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		601 770	654 368	745 829	804 456	840 598	840 598	677 944	882 440	937 383	982 697

In the 2020/21 budget adjustment on revenue from rates and services charges totalled **R357 million**. In 2021/22 it increased to **R429 million**. The collection rate is based on the projected (75%) total of the account receivables.

The municipality's ability to fund its operations is largely based on generating its own revenue, 75% per cent is envisaged of the total municipality income in the 2021/22 financial year (70% in 2020/21). **R223 million** will be from government grants. The collection of revenue is therefore crucial to the financial well-being of the municipality. The budgeted contribution to the provision for doubtful debts is **R111 million**. The largest revenue items are electricity revenue at **R312 million**, water revenue at **R78 million**, assessment rates at **R103 million**, of the total operational revenue (i.e. excluding capital grants of **R157 million**). Revenue from electricity and water sales, government grants and

property rates remain the main income items for the MTREF period as can be seen on the table “percentage growth in revenue by main revenue source” below

Table 3 – Revenue Source percentage growth

**DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK BUDGET FOR THE
FINANCIAL PERIOD 2021/22, 2022/23 AND 2023/24**

MTREF BUDGET OPERATING REVENUE MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK						
DETAILS	MTREF Budget 2019/20 outcome	MTREF Budget 2020/21	Adjustment Budget 2020/21	MTREF Budget 2021/22	MTREF Budget 2022/23	MTREF Budget 2023/24
OPERATIONAL GRANTS & SUBSIDIES						
NAT GR - EQUITABLE SHARE	204 644 000	208 102 000	243 683 000	215 960 000	228 640 000	226 559 000
FINANCE MANAGEMENT GRANT (FMG)	2 680 000	3 000 000	3 000 000	3 000 000	3 100 000	3 100 000
EPWP INCENTIVE GRANTS	1 377 000	1 466 000	1 466 000	1 672 000	-	-
ND - MUNICIPAL INFRASTR GRANT	2 098 550	2 085 200	2 085 200	2 257 250	2 383 100	2 490 340
FS PROVINCIAL SUPPORT GRANT	8 625 000		1 000 000	-	-	-
ENERGY EFFICIENCY & DEMAND	5 745 900	5 000 000	4 500 000	-	-	-
MUNICIPAL DISASTER RELIEF GRANT	467 243					
LG Seta	258 414					
SUB-TOTAL GRANTS & SUBS OPERATING	225 896 106	219 653 200	255 734 200	222 889 250	234 123 100	232 149 340
Operational Revenue						
Property rates	87 260 076	98 826 097	98 826 097	102 877 968	107 404 599	112 237 802
Service charges - electricity revenue	210 605 350	258 567 222	258 567 222	326 417 654	355 468 826	387 105 551
Service charges - water revenue	75 694 235	75 585 804	75 585 804	78 919 923	82 392 299	86 100 057
Service charges - sanitation revenue	40 849 901	54 036 492	54 036 492	56 204 882	58 677 896	61 318 402
Service charges - refuse revenue	39 306 519	43 325 959	43 325 959	45 703 923	47 714 896	49 862 066
Rental of facilities and equipment	338 565	724 245	724 245	362 123	378 056	395 068
Interest earned - external investments	1 978 414	1 764 598	1 764 598	1 896 943	1 980 408	2 069 527
Interest earned - outstanding debtors	52 788 217	46 765 000	46 765 000	43 491 450	45 405 074	47 448 302
Fines, penalties and forfeits	352 481	2 145 000	2 145 000	2 145 000	2 239 380	2 340 152
Other revenue	1 498 440	3 062 051	3 062 051	1 531 026	1 598 391	1 670 318
Gains	8 494 475	-				
SUB-TOTAL OPERATING REVENUE	519 166 673	584 802 468	584 802 468	659 550 892	703 259 825	750 547 246
Total Revenue (excluding capital transfers)	745 062 780	804 455 668	840 536 668	882 440 142	937 382 925	982 696 586

'Other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, Interest income and Rental Income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective.

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

Table 4 Operating Transfers and Grant Receipts

FS203 Ngwathe - Supporting Table SA18 Transfers and grant receipts

Description	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
RECEIPTS:									
Operating Transfers and Grants									
National Government:	208 792	176 586	211 267	214 653	250 234	250 234	222 889	234 123	232 149
Local Government Equitable Share									
Equitable Share	160 570	174 303	204 644	208 102	243 683	243 683	215 960	228 640	226 559
Expanded Public Works Programme Integrated Grant	999	-	1 377	1 466	1 466	1 466	1 672	-	-
Local Government Financial Management Grant	2 145	2 283	2 680	3 000	3 000	3 000	3 000	3 100	3 100
Municipal Disaster Relief Grant	-	-	467	-	-	-	-	-	-
Municipal Infrastructure Grant	45 078	-	2 099	2 085	2 085	2 085	2 257	2 383	2 490
Provincial Government:	-	-	8 625	-	1 000	1 000	-	-	-
Specify (Add grant description)	-	-	8 625	-	1 000	1 000	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
Other grant providers:	-	184	258	-	61	61	-	-	-
Library Donations	-	-	-	-	-	-	-	-	-
Local Government Water and Related Service SETA	-	184	258	-	61	61	-	-	-
Total Operating Transfers and Grants	208 792	176 770	220 150	214 653	251 295	251 295	222 889	234 123	232 149
Capital Transfers and Grants									
National Government:	36 319	60 909	82 854	119 119	135 419	135 419	157 404	131 687	155 132
Energy Efficiency and Demand Side Management Grant	5 000	2 985	-	-	-	-	-	-	-
Integrated National Electrification Programme Grant	-	-	5 746	7 000	5 500	5 500	10 000	17 000	15 000
Local Government Financial Management Grant	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	-	41 164	33 584	39 619	44 919	44 919	41 983	45 280	47 215
Regional Bulk Infrastructure Grant	12 602	4 232	25 544	47 500	60 000	60 000	78 921	54 407	73 896
Water Services Infrastructure Grant	18 717	12 528	17 980	25 000	25 000	25 000	26 500	15 000	19 021
Provincial Government:	13 006	-	-	-	-	-	-	-	-
Waste Water Infrastructure	13 006	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	500	-	-	-	-	-	-
Local Government Water and Related Service SETA	-	-	500	-	-	-	-	-	-
Total Capital Transfers and Grants	49 325	60 909	83 354	119 119	135 419	135 419	157 404	131 687	155 132
TOTAL RECEIPTS OF TRANSFERS & GRANTS	258 117	237 679	303 504	333 772	386 714	386 714	380 293	365 810	387 281

The levying of rates forms part of a municipality's annual budget process as set out in Chapter 4 of the Municipal Finance Management Act. A municipality must annually at the time of its budget process review the amount in the Rand of its current rates in line with its annual budget for the next financial year. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process in line with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R30 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a minimum of 15 per cent to a maximum/total rebate of 100 per cent (calculated on a sliding scale) in line with the policy will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount as stipulated within the policy.
- Property owners must apply on a prescribed application form for a rebate as determined by the municipality.
- Registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport may also apply for property rebate.
- The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2021/22 financial year based on a 4.1 per cent increase from 1 July 2021 is contained below:

Table 5 Comparison of proposed rates to levy for the 2020/21 financial year

<u>ANNEXURE "E"</u>					
<u>PART 1 : RATES AND TAXES</u>					
	Valuation in Rands	2019/2020	2020/2021	2021/2022	Tariff Codes
Residential	0 - 30 000				
	Market Value - 30 000 (10% reduction)				
	30 001 - 999999999.99	0.0122	0.0127	0.0133	VA001
Business/Industrial/ Commercial	0 - 999999999.99	0.0200	0.0209	0.0218	VA007 & VA008
	(5% reduction)				
Agriculture	First 25% Of the Residential Tariff				
Agriculture Sectional Titles	100% Phased in terms of the MFMA	0.00305	0.0032	0.0033	VA006
Government	0 - 999999999.99	0.0200	0.0209	0.0218	VA002
Schools	0 - 999999999.99	0.0200	0.0209	0.0218	VA002

Public Service Infrastructure	First 25% Of the Residential Tariff				
	100% Phased in terms of the MFMA	0.00305	0.0032	0.0033	VA009
Vacant Stands Business					
From 2018/19	0 - 999999999.99	0.0122	0.0127	0.0133	VA000
Vacant Stands Residential	0 - 30 000				
	30 001 - 999999999.99	0.0122	0.0127	0.0133	VA000
Private own town	0 - 30 000				
	30 001 - 999999999.99	0.0122	0.0127	0.0133	VA001
Gholf Island	0 - 30 000				
	30 001 - 999999999.99	0.0122	0.0127	0.0133	VA004

1.3.2 Sale of Water and Impact of Tariff Increases

Table 6 Summary of the proposed water tariffs for households (residential) and non-residential are as follows:

Water sales for the financial year 2021/22 is projected at **R78.9 million** and represent an increase of **R1,7 million** or **4.4%** of **R75.6 million** of 2020/21 as a result of the proposed tariff increase. With the current water and electricity supply challenges facing the municipality and the country at large, since demand growth outstrips the supply. National Treasury has in the past encouraged all municipalities to carefully review the level and structure of their water tariffs.

A tariff increase of 4.95 per cent from 1 July 2021 for water is proposed. This is based on input cost assumptions of **5.8 per cent** increase in the cost of bulk water both DWS and Rand Water. 6 kℓ water per 30-day period will be granted free of charge to registered indigent households

PART 1 : SUPPLY OF WATER

						1.0495	0.15	
Schedule (b) Water			APPROVED TARIFF			DRAFT MTREF BUDGET		
Tariffs excluding VAT	Tariff Codes Services		2020/2021	VAT%	TOTAL	2021/2022	VAT%	TOTAL
Residential/Church - Conv	BW001 All Residential	Basic	54.08	8.11	62.20	56.76	8.51	65.28
0 - 6	Indigents Only	Free Cons						
0 - 20	WA001	7 - 20 Indigent Only	10.92	1.64	12.55	11.46	1.72	13.18
21 - 30	WA001	0 - 20	10.92	1.57	12.48	11.46	1.72	13.18
31 - >	WA001	21 - 30	11.08	1.59	12.67	11.62	1.74	13.37
		31 - >	11.24	1.61	12.85	11.79	1.77	13.56
Commercial / Business (per Business)	BW002	Basic	173.69	24.93	198.63	182.29	27.34	209.64
	WA002	Cons	11.24	1.57	12.80	11.79	1.77	13.56
	New-2019/20	0 - 20	11.24	1.57	12.80	11.79	1.77	13.56
		21 - 30	11.40	1.59	12.99	11.96	1.79	13.76
		31 - >	11.56	1.61	13.17	12.13	1.82	13.95
Without meters	BW002	Basic	173.69	24.93	198.63	182.29	27.34	209.64

			-	-	-			
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PART 1 : SUPPLY OF WATER

						1.0495	0.15	
Schedule (b) Water		APPROVED TARIFF				DRAFT MTREF BUDGET		
Tariffs excluding VAT	Tariff Codes Services		2020/2021	VAT%	TOTAL	2021/2022	VAT%	TOTAL
Bulk/Government/Schools	BW004	Basic	173.69	24.93	198.62	182.29	27.34	209.63
	WA004	Cons	11.24	1.57	12.80	11.79	1.77	13.56
	New-2019/20	0 - 20	11.24	1.57	12.80	11.79	1.77	13.56
		21 - 30	11.40	1.59	12.99	11.96	1.79	13.76
		31 - >	11.56	1.61	13.17	12.13	1.82	13.95
			-	-	-	-	-	-
Industrial	BW009	Basic	113.21	16.25	129.47	118.82	17.82	136.64
	WA009	Cons	11.24	1.57	12.80	11.79	1.77	13.56
	New-2019/20	0 - 20	11.24	1.57	12.80	11.79	1.77	13.56
		21 - 30	11.40	1.59	12.99	11.96	1.79	13.76

		31 - >	11.56	1.61	13.17	12.13	1.82	13.95
Small Business(Business from Home)	BW010	Basic	86.17	12.37	98.54	90.44	13.57	104.01
	WA015	Cons	11.24	1.57	12.80	11.79	1.77	13.56
	New-2019/20	0 - 20	11.24	1.57	12.80	11.79	1.77	13.56
		21 - 30	11.40	1.59	12.99	11.96	1.79	13.76
		31 - >	11.56	1.61	13.17	12.13	1.82	13.95
Municipal	BW010	Basic	173.69	24.93	198.62	182.29	27.34	209.63
Municipal	WA005	Cons	10.92	1.57	12.48	11.46	1.72	13.18
Sewerage	WA013	Cons	6.46	0.93	7.38	6.78	1.02	7.79
Unpurified	WA014	Cons	6.46	0.93	7.38	6.78	1.02	7.79
Sports Organisations	WA007	Cons	10.92	1.57	12.48	11.46	1.72	13.18
Vacant stands	BW000	Basic	114.90	16.49	131.39	120.59	18.09	138.67

1.3.3 Sale of Electricity and Impact of Tariff Increases

Table 7 A summary of the proposed electricity tariffs for households (residential) and non-residential are as follows:

- Electricity revenue for the financial year 2021/22 is projected **R326 million** and this represents an increase of **R67 million** or **26.24%** as compare to the budget projection of 2020/21, the increase informed by the tariff increase and growth in consumption based on previous trends.
- The proposed electricity tariff increase is 20% in line with the MFMA Circular 108 (issued on 08 March 2021), subject to NERSA approval. The municipality will link the online-prepaid system to collect for other services and arrear accounts by implementing the Credit Control Debt Control by law.
- Registered indigents will again be granted 50 kWh per 30-day period free of charge.

<u>PART 1 : SUPPLY OF ELECTRICITY</u>						
Schedule (a) Electricity		APPROVED TARIFFS	PROPOSED TARIFF			INCREASE
Tariffs excluding VAT	Tariff Codes	2020/2021	2021/2022	VAT	TOTAL	
Residential - Pre Paid - Non Indigent						
	EL001	2.02				0.46
		-	2.42	0.36	2.79	-
			-	-	-	
Residential - Conventional - Non Indigent		-	-	-	-	-
	EL001	2.02	2.42	0.36	2.79	0.46
		-	-	-	-	-
Residential - Pre Paid - Indigent		-	-	-	-	-
	EL001	1.33	1.60	0.24	1.84	0.31
		-	-	-	-	-

Residential - Conventional - Indigent		-	-	-	-	-
	EL011	1.33	1.60	0.24	1.84	0.31
		-	-	-	-	-
Commercial / Business (Pre-paid incl)	BE002	771.66	925.99	138.90	1,064.89	177.48
	EL002	1.93	2.31	0.35	2.66	0.44
		-	-	-	-	-
Government	BE014	915.88	1,099.05	164.86	1,263.91	210.65
	EL014	1.84	2.21	0.33	2.54	0.42
		-	-	-	-	-

PART 1 : SUPPLY OF ELECTRICITY

Schedule (a) Electricity	Tariff Codes	APPROVED TARIFFS	PROPOSED TARIFF			INCREASE
		2020/2021	2021/2022	VAT	TOTAL	
Tariffs excluding VAT						
Churches	BE015	345.92	415.10	62.27	477.37	79.56
	EL015	2.11	2.42	0.36	2.79	0.36
		-	-	-	-	-
Small Holdings	BE003	465.65	558.78	83.82	642.60	107.10
	EL003	1.93	2.31	0.35	2.66	0.44
		-	-	-	-	-
Small Business	BE016	465.65	558.78	83.82	642.60	107.10
	EL016	1.93	2.31	0.35	2.66	0.44
		-	-	-	-	-
Bulk Consumers	BE004	918.01	1,101.61	165.24	1,266.85	211.14
100KVA and Above	EL004	1.38	1.65	0.25	1.90	0.32
	EL004	196.90	236.28	35.44	271.73	45.29
		-	-	-	-	-

Municipal	BE005	779.30	935.16	140.27	1,075.44	179.24
	EL005	1.91	2.29	0.34	2.63	0.44
		-	-	-	-	-
Sundry Consumers	BE006	779.30	935.16	140.27	1,075.44	179.24
	EL006	1.91	2.29	0.34	2.63	0.44
		-	-	-	-	-
Sports Organisations	BE007	915.88	1,099.05	164.86	1,263.91	210.65
	EL007	1.84	2.21	0.33	2.54	0.42
		-	-	-	-	-
Schools/Hostels	BE008	915.88	1,099.05	164.86	1,263.91	210.65
	EL008	1.84	2.21	0.33	2.54	0.42
		-	-	-	-	-
Industrial		-	-	-	-	-
< 10kW	BE009	915.88	1,099.05	164.86	1,263.91	210.65
	EL009	1.92	2.30	0.35	2.65	0.44
		-	-	-	-	-
10kW - 29kW	BE010	915.88	1,099.05	164.86	1,263.91	210.65
	EL010	1.92	2.30	0.35	2.65	0.44
		-	-	-	-	-
30kW and more	BE011	918.01	1,101.61	165.24	1,266.85	211.14
	EL011	1.93	2.31	0.35	2.66	0.44
		-	-	-	-	-
Telkom exchange/Auto Exchange	BE012	918.01	1,101.61	165.24	1,266.85	211.14
	EL012	1.38	1.65 236.28	0.25 35.44	1.90 271.73	0.32
	EL012	196.90	-	-	-	45.29
		-	-	-	-	-
Flood Lights/ Streetlights	BE013	399.14	478.97	71.84	550.81	91.80
		1.48	1.77	0.27	2.04	0.34
		-	-	-	-	-
Vacant stands Residential	BE000	146.36	175.63	26.34	201.97	33.66
		-	-	-	-	-

Vacant stands Business and Other	BE017	146.36	175.63	26.34	201.97	33.66
			-	-	-	-

1.3.4 Sanitation and Impact of Tariff Increases

Sanitation revenue for the financial year 2021/22 is projected at **R56.2 million** and this represents an increase of **R2.2 million** or **4%** as compare to the budget projection of 2020/21 of **R54 million** as a result of the tariff increase. A tariff increase of 4.1 per cent for sanitation from 1 July 2021 is proposed. Table 8 The following table of sanitation compares the current and proposed tariffs

TABLE 8				
SERVICE CHARGE: SEWERAGE				
Debtor Type	Number of Accounts	Approved Tariff 2020/21	Proposed Tariff 2021/22	Total charges on proposed tariff
Abattoir	1	3,942.92	4,104.58	4,105
Bucket system	5,444	56.37	58.68	319,448
Bulk	1	126.06	131.23	131
BusinessChurches and Welfare	1,088	360.55	375.34	408,365
Organisation	170	138.60	144.28	24,528
Clinic	5	86.63	90.18	451
Clover	1	91,525.46	95,278.01	95,278
Domestic	23,688	111.25	115.81	2,743,412
Flats	73	140.60	146.37	10,685
Municipality	50	138.60	144.28	7,214
Resort	2	139.27	144.98	290
School (Chreches)	52	360.55	375.34	19,517
School (High school)	62	10,768.99	11,210.51	695,052
School (Primary school)	18	7,179.32	7,473.68	134,526
Small Business	81	140.60	146.36	11,855
Sports Organisation	11	157.95	164.42	1,809
Vacant	1,069	147.13	153.17	163,734
VIP Bucket system: Edenville	1,483	56.37	58.68	87,021
NO. of properties	33,299			

	Monthly billing	4,727,421
	Total projected budget (excl. VAT)	56,729,050
	VAT @ 15%	8,509,358
	Total projected budget (incl. VAT)	65,238,408
	Less: Total indigent budget (incl. VAT)	9,033,525.88
	Total projected budget (incl. VAT)	56,204,881.68

1.3.5 Waste Removal and Impact of Tariff Increases

Refuse removal revenue for the financial year 2021/22 is projected at **R45.7 million** and this represents an increase of **R2.4 million** or **5.5%** as compare to the budget projection of 2020/2021 of **R43.3 million** as a result of the tariff increase. A **4.5 per cent** increase in the waste removal tariff is proposed from 1 July 2021. Table 9 The following table compares current and proposed amounts payable from 1 July 2021.

SERVICE CHARGE: REFUSE				
Debtor Type	Number of Accounts	Approved Tariff 2020/21	Proposed Tariff 2021/22	Total charges on proposed tariff
BULK	55	879.43	915.49	50,351.78
BUSINESS	1,074	204.08	212.45	228,166.20
CHURCHES	206	105.52	109.85	22,629.22
DOMESTIC	29,803	105.99	110.34	3,288,466.55
GOVERNMENT / SCHOOLS	38	3,517.72	3,661.95	139,154.00
INDUSTRIAL	8	479.78	499.45	3,995.61
LARGE BUSINESS	15	1,770.62	1,843.22	27,648.23

MEDIUM BUSINESS	18	925.15	963.08	17,335.44
MUNICIPAL	47	81.07	84.40	3,966.57
OLD AGE	24	49.19	51.20	1,228.92
SMALL BUSINESS	76	105.52	109.85	8,348.64
SPORTS	9	34.90	36.33	327.01
NO. of properties	31,373			
		Monthly billing		3,791,618
		Total projected budget		45,499,418
		VAT @ 15%		6,824,913
		Total projected budget (incl. VAT)		52,324,331
		Less: Total indigent budget (incl. VAT)		6,620,407.10
		Total projected budget (incl. VAT)		45,703,923.50

1.3.6 Overall impact of tariff increases on households.

The following table shows the overall expected impact of the tariff increases is influenced as per the guidelines of National Treasury. The impact on the household is huge as compared with the revenue growth which does not reflect growth in the community. The rate of unemployment within the municipality is not in line with the tariff increases on the households. The majority of the Ngwathe households in terms of the income threshold are just above the indigent threshold, which means that as and when the services are increasing it will burden the households in terms of affordability.

However the municipality has put in place the indigent policy and rates taxes rebates as a relief.

Table 10 MBRR Table SA14 – Household bills/Sample Accounts

2021/22 SAMPLE CONSUMER ACCOUNT : RESIDENTIAL				
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SERVICE	DETAILS	2020-2021	2021-2022	VAT%	TOTAL	INCREASE
	0 - 400kWh					
Elec Consumption	400	R 808.59	R 970.31	R 145.55	R 1,115.85	R 161.72
Water basic	Basic Water	R 55.17	R 57.90	R 8.69	R 66.59	R 2.73
	31kl			R -	R -	
Consumption	0 - 20kl	R 222.64	R 233.66	R 35.05	R 268.70	R 11.02
	21 - 30kl	R 112.98	R 118.57	R 17.79	R 136.35	R 5.59
	31 >	R 11.46	R 12.03	R 1.80	R 13.84	R 0.57
Refuse		R 106.00	R 110.35	R 16.55	R 126.90	R 4.35
				R -	R -	
Sewerage		R 111.68	R 116.26	R 17.44	R 133.70	R 4.58
Rates						
	Market Value - R 600 000					
	R0 - 30 000					
	R 570,000					
		R 597.41	R 621.91		R 621.91	R 24.49
TOTAL		R 2,025.93	R 2,240.98	R 242.86	R 2,483.84	R 215.05

2021/22 SAMPLE CONSUMER ACCOUNT : RESIDENTIAL – INDIGENT

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SERVICE	DETAILS	2020-2021	2021-2022	VAT%	TOTAL	INCREASE
Electricity basic						
	75 kw					
Elec Consumption	0 - 50 Free					
Elec Consumption	25	R 33.24	R 39.89	R 5.98	R 45.87	R 6.65
Water basic	8 kl	R 55.17	R 57.90	R 8.69	R 66.59	R 2.73
Water Consumption	0 - 6kl Free					
	7 - 20lk					
	2	R 22.09	R 23.18	R 3.48	R 26.66	R 1.09
Refuse		R 106.00	R 110.35	R 16.55	R 126.90	R 4.35
Sewerage		R 111.68	R 116.26	R 17.44	R 133.70	R 4.58
Rates	Market Value - R 30 000					
	R0 - 30000	R -		R -	R -	R -
TOTAL		R 328.18	R 347.58	R 52.14	R 399.72	R 19.40

2021/22 SAMPLE CONSUMER ACCOUNT: CHURCH

SERVICE	DETAILS	2020-2021	2021-2022	VAT%	TOTAL	INCREASE

Electricity basic		R 345.92	R 415.10	R 62.27	R 477.37	R 69.18
Elec Consumption	400	R 843.18	R 1,011.82	R 151.77	R 1,163.59	R 168.64
Water basic		R 55.17	R 57.90	R 8.69	R 66.59	R 2.73
	31 kl					
Consumption	0 - 20kl	R 222.64	R 233.66	R 35.05	R 268.70	R 11.02
	21 - 30kl	R 112.98	R 118.57	R 17.79	R 136.35	R 5.59
	31 >	R 11.46	R 12.03	R 1.80	R 13.84	R 0.57
Refuse		R 105.53	R 109.85	R 16.48	R 126.33	R 4.33
Sewerage		R 139.13	R 144.84	R 21.73	R 166.56	R 5.70
Rates	Market Value - R 500 000	R -		R -	R -	R -
TOTAL		R 1,836.01	R 2,103.77	R 315.57	R 2,419.34	R 267.76

**2021/22 SAMPLE CONSUMER ACCOUNT :
BUSINESS**

SERVICE	DETAILS	2020-2021	2021-2022	VAT%	TOTAL	INCREASE
Electricity basic		R 771.66	R 925.99	R 138.90	R 1,064.89	R 154.33
Consumption	6 890 kwh	R 13,257.60	R 15,909.12	R 2,386.37	R 15,643.97	R 2,651.52
Water basic	115	R 177.18	R 185.96	R 27.89	R 205.08	R 8.77

Consumption	20	R 222.73	R 233.76	R 35.06	R 257.80	R 11.03
	10	R 112.99	R 118.59	R 17.79	R 130.78	R 5.59
	85	R 974.26	R 1,022.49	R 153.37	R 1,127.63	R 48.23
				R -		R -
Refuse	Fixed rate	R 234.52	R 244.14	R 36.62	R 271.14	R 9.62
				R -		R -
Sewerage		R 361.92	R 376.76	R 56.51	R 418.44	R 14.84
		R -		R -		R -
Rates	890,000.00	R 1,550.08	R 1,613.64		R 1,483.33	R 63.55
TOTAL		R 17,662.96	R 20,630.43	R 2,852.52	R 20,603.06	R 2,967.47

2021/22 SAMPLE CONSUMER ACCOUNT : AGRICULTURE

SERVICE	DETAILS	2020-2021	2021-2022	INCREASE
Rates	500000			
25% Rebate	125000.00			
Amount to be Levied after reduction	R 375,000	R 107.77	R 112.18	R 4.42
	25% Rebate			

TOTAL				

2020/21 SAMPLE CONSUMER ACCOUNT : SMALL BUSINESS						
SERVICE	DETAILS	2020-2021	2021-2022	VAT%	TOTAL	INCREASE
Electricity basic		R 465.65	R 558.78	R 83.82	R 642.60	R 93.13
Consumption	600	R 1,154.51	R 1,385.41	R 207.81	R 1,593.22	R 230.90
Water basic		R 86.17	R 90.44	R 13.57	R 104.00	R 4.27
Consumption	10	R 111.37	R 116.88	R 17.53	R 134.41	R 5.51
				R -		
				R -		
				R -		
Refuse	Fixed	R 105.52	R 109.85	R 16.48	R 126.33	R 4.33
				R -		R -
Sewerage	Fixed	R 141.13	R 146.91	R 22.04	R 168.95	R 5.79
						R -
Rates	50,000	R 60.90	R 63.40		R 63.40	R 2.50
TOTAL		R 2,125.24	R 2,471.66	R 361.24	R 2,832.90	R 346.42

2021/22 SAMPLE CONSUMER ACCOUNT : GOV			
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SERVICE	DETAILS	2020-2021	2021-2022	VAT%	TOTAL	INCREASE
Electricity basic		R 915.88	R 1,099.05	R 164.86	R 1,263.91	R 183.18
Consumption	300	R 551.31	R 639.52	R 95.93	R 735.45	R 88.21
Water basic	144	R 177.19	R 185.96	R 27.89	R 213.86	R 8.77
Consumption	20	R 222.73	R 233.76	R 35.06	R 268.82	R 11.03
	10	R 112.99	R 118.59	R 17.79	R 136.37	R 5.59
	114	R 1,306.66	R 1,371.34	R 205.70	R 1,577.04	R 64.68
Refuse	Fixed	R 3,573.90	R 3,720.43	R 558.06	R 4,278.49	R 146.53
					R -	
Sewerage	Fixed	R 7,502.39	R 7,809.99	R 1,171.50	R 8,981.49	R 307.60
TOTAL		R 14,363.05	R 15,178.63	R 2,276.79	R 17,455.42	R 815.58

TARIFF LIST 2021-2022

SERVICE	DETAILS	2020-2021	2021-2022	VAT%	TOTAL	INCREASE
Grave	Adult - Town	R 1,339.68	R 1,394.61	209.19	1,603.80	54.93
Grave	Child - Town	R 929.88	R 968.01	145.20	1,113.21	38.13
Grave	Adult - Township	R 496.87	R 517.24	77.59	594.82	20.37
Grave	Child - Township	R 307.64	R 320.25	48.04	368.29	12.61

Grave	Re-Opening	R 816.11	R 849.58	127.44	977.01	33.46
Grave	Double Grave on Top of each other	R 1,696.08	R 1,765.62	264.84	2,030.46	69.54
Fine	Tampering with Electricity and Water meters					
	Residential					
	1 st offence	R 8,549.99	R 8,900.54	1,335.08	10,235.62	350.55
	2nd offence	R 12,214.27	R 12,715.05	1,907.26	14,622.31	500.79
	3rd offence	R 24,428.54	R 25,430.11	3,814.52	29,244.63	1,001.57
	After Offence 1 to 3, then is removal of cable	R 35,544.01	R 37,001.32	5,550.20	42,551.51	1,457.30
	Tampering with Electricity and Water meters					
	Business					
	1 st offence	R 24,428.54	R 25,430.11	3,814.52	29,244.63	1,001.57
	2nd offence - then is removal of cable	R 48,857.08	R 50,860.22	7,629.03	58,489.25	2,003.14
			R -	-	-	-

TARIFF LIST 2021-2022

SERVICE	DETAILS	2020-2021	2021-2022	VAT%	TOTAL	INCREASE
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Building Plan	Building without approved Plan	R 1,400.05	R 15,000.00	2,250.00	17,250.00	13,599.95
	Removal of Builders waste	R 510.80	R 531.74	79.76	611.50	20.94
	New Plan	R 162.55	R 169.21	25.38	194.59	6.66
	Existing Plan	R 194.01	R 201.96	30.29	232.25	7.95
Double Stands	Consolidation of Stands/Subdivisions	R 485.89	R 505.81	75.87	581.68	19.92
Clearance	Clearance Certificate	R 148.56	R 154.65	23.20	177.85	6.09
	Clearance Certificate Electronic (New)	R -	R 120.00	18.00	138	120.00
	Valuation Certificates	R 83.89	R 87.33	13.10	100.43	3.44
	Valuation Roll	R 646.69	R 673.20	100.98	774.18	26.51
	Objection against valuation	R 270.91	R 282.02	42.30	324.32	11.11
	Objection against valuation after prescribed period	R 754.80	R 800.09	120.01	920	45.29
Halls	Parys Hall	R 1,387.75	R 1,444.65	216.70	1,661.35	56.90
	Forum Building	R 575.03	R 598.60	89.79	688.39	23.58
	Mosepeli Hall	R 914.10	R 951.58	142.74	1,094.32	37.48
	Schonkenville Hall	R 555.80	R 578.59	86.79	665.38	22.79
	Heilbron Hall	R 1,443.68	R 1,502.88	225.43	1,728.31	59.19
	Phiritona Hall	R 478.90	R 498.53	74.78	573.31	19.63
	Sandersville Hall	R 597.75	R 622.26	93.34	715.59	24.51
	Koppies Hall	R 1,078.39	R 1,122.61	168.39	1,291.00	44.21
	Kwakwatsi Hall	R 931.58	R 969.77	145.47	1,115.24	38.19
	Vredefort Hall	R 1,127.33	R 1,173.55	176.03	1,349.59	46.22

	Vredeshoop Hall	R 424.72	R 442.13	66.32	508.45	17.41
	Ngwathe Hall	R 593.36	R 617.69	92.65	710.34	24.33

TARIFF LIST 2021-2022						
SERVICE	DETAILS	2020-2021	2021-2022	VAT%	TOTAL	INCREASE
Resorts	Heilbron Caravan Stands	R 103.12	R 107.35	16.10	123.45	4.23
	Parys Caravan Stands	R 311.11	R 323.86	48.58	372.44	12.76
	Chaletts 1-4 per person(In Season)	R 609.98	R 634.99	95.25	730.24	25.01
Traffic	Escort of Heavy Vehicles	R 1,186.76	R 1,235.41	185.31	1,420.73	48.66
	Escort of Funerals/Summons(Per hour and part	R 207.99	R 216.52	32.48	248.99	8.53
Vote Posters	1-50 Posters	R 120.60	R 125.54	18.83	144.37	4.94
	51-100 Posters	R 241.20	R 251.09	37.66	288.75	9.89
Sewerage Blockages	House unblockage, During Office hours	R 263.92	R 274.74	41.21	315.95	10.82
	House unblockage, After Office hours	R 487.64	R 507.63	76.14	583.77	19.99
Water	Special Water Meter Reading	R 135.77	R 141.33	21.20	162.53	5.57
	Testing Water Meter Reading	R 480.69	R 500.40	75.06	575.46	19.71
Service Deposit	Water and Electricity Deposit	R 1,487.38	R 1,548.36	232.25	1,780.62	60.98

Electricity	Re-Connection Fee		R -	-	-	-
	8. Re-connection of electricity during an emergency	R 526.14	R 547.71	82.16	629.87	21.57
	Prepaid Meters Barred Reconnection Fee		R -	-	-	-
	Disconnection /Re-connection fee		R -	-	-	-
	First incident	R 366.77	R 381.80	57.27	439.08	15.04
	Second incident at reconnection X2	R 733.53	R 763.61	114.54	878.15	30.07
	Third and above incident at reconnection fee	R 846.50	R 881.21	132.18	1,013.39	34.71
	Testing Electricity Meter	R 458.99	R 477.81	71.67	549.48	18.82
	Final Reading/New connection on New Accounts	R 205.49	R 213.91	32.09	246.00	8.42
	Installation of Pre-Paid Meter	R 388.38	R 404.30	60.64	464.94	15.92

1.4 Operating Expenditure Framework

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

- The asset renewal strategy and the repairs and maintenance plan (informed by the municipal master plans);
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cashbacked reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

Table 3 Table A4 Summary of expenditure classified by main revenue source

FS203 Ngwathe - Table A4 Budgeted Financial Performance (revenue and expenditure)										
Description	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Expenditure By Type										
Employee related costs	235 483	216 081	236 874	231 587	231 587	231 587	227 963	257 342	268 665	280 754
Remuneration of councillors	14 089	14 874	15 524	17 148	17 148	17 148	14 180	17 148	17 902	18 708
Debt impairment	74 379	194 078	170 700	102 984	102 984	102 984	-	111 177	116 069	121 292
Depreciation & asset impairment	155 990	75 817	65 245	19 186	19 186	19 186	-	19 973	20 852	21 790
Finance charges	35 676	37 860	55 837	28 770	28 770	28 770	260	18 410	19 220	20 085
Bulk purchases - electricity	177 060	205 162	222 789	225 162	225 162	225 162	141 676	307 506	321 036	335 483
Inventory consumed	-	597	613	502	502	502	690	93 487	97 599	101 992
Contracted services	61 150	25 643	30 257	21 901	19 921	19 921	66 855	17 479	18 275	19 099
Transfers and subsidies	-	18 414	7 680	180	1 180	1 180	150	180	188	196
Other expenditure	32 455	56 466	34 834	81 126	74 111	74 111	26 054	59 713	62 340	65 143
Losses	-	218	115	-	-	-	-	-	-	-
Total Expenditure	786 282	845 209	840 468	728 547	720 551	720 551	477 827	902 413	942 146	984 542

The budgeted allocation for employee related costs for the 2021/22 financial year totals **R257 million**, which equals 30 per cent of the total operating expenditure. The budget for employee related costs are based on the proposed organogram. An annual increase of CPIX and in the next 2 years outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget. Remuneration of Councillors for 2020/21 is **R17 million**.

The provision of debt impairment for the 2021/22 financial year equates to **R111 million** and increased in 2021/22 to **R4.5 million**. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total **R20 million** for the 2021/22 financial year.

Finance charges consist primarily of the repayment of interest portion on overdue creditors. Finance charges has been budgeted **R18 million** for 2021/22 due Eskom arrangement with the municipality.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. The 2021/22 budget for bulk purchases is **R308 million** which is more by **R83 million** as compared with budget of 2020/21 for bulk purchases amounting to **R225 million**. The audited, current invoices and payment arrangement have been taken into consideration for the budget of 2020/21.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

1.4.1 Free Basic Services: Basic Social Services Package

A consumer qualifying for indigent support will receive the following subsidies as determined annually during the preparation of the municipality's budget, the provision amounting to **R31 million** has been made to cover the below indigents benefits-

SERVICE	INDIGENT SUBSIDY
Water	6 Kilolitres per month
Electricity (pre-paid and conventional)	50 kWh
Sewerage	100%
Refuse	100%
Assessment Rates (Category A)	100%
Assessment Rates (Category B)	R200 rebate per month If the market value of the house is R1 500 000

1.5 Capital expenditure

For 2020/21 capital budget was **R135 million** has been appropriated for the development of infrastructure. The Proposed Capital Budget for the 2021/2022 financial year amounts to **R157 million**. The breakdown of the projects will be presented in the Technical Department Committee.

Part 2 – Supporting Documentation

2.1 Overview of the Annual Budget Process

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

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2020) a time schedule that sets out the process to revise the IDP and prepare the budget. In light of the above, Council approved an Integrated Process Plan in 14 September 2017 as required by Section 21 of the Municipal Finance Management Act and section 34 of the Municipal Systems Act (MSA). The plan outlined key deadlines for the review of the Integrated Development Plan (IDP), Budget and other processes required by municipal legislation.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the honourable mayor.

The primary aims of the Budget Steering Committee are to ensure:

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

In compliance with chapters 4 and 5, Act No. 32 of 2000, the Draft IDP & Budget Documents for 2021 to 2023 will also be available for inspection for a period of 30 days as from the 1st April to the 30th April 2021. Both documents will be available at all Libraries and Municipal Satellite offices across as well as the Ngwathe Local Municipality website.

2.1.1 Overview of Alignment of the Budget with the IDP

The Municipal IDP is the principal strategic planning document, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP,

During the compilation of the 2020/21 MTREF, each department/function (at strategic planning session) had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2018/19 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detailed operating budget appropriations and three-year capital programme.

IDP Strategic Objectives

2020/21 MTREF	
1.	Improve service delivery and infrastructure development
2.	Improvement of public participation and good governance
3.	Improve institutional development and transformation
4.	Financial Viability
5.	Local economic development
6.	Spatial Planning

The Service Delivery and Budget Implementation Plan (SDBIP) of the municipality will be drafted and will be approved by the Executive Mayor after approval of the budget in June 2020.

2.2 Overview of budget related-policies

In terms of regulation 7 of the Municipal Budget and Reporting Regulations (MBRR) when annual budget is tabled it must be accompanied by any proposed amendments to policies and by-laws due to annual review process. The budget policies and by-laws were reviewed and forms part of the draft budget. Budget related policies and by-laws will be extensively be reviewed during the 2021/2022 financial year.

The following draft budget-related policies and by-laws be considered by Council for the 2021/22 – 2023/24 Medium Term Revenue and Expenditure Framework budget:

The following policies are tabled with the draft budget:

- a. Credit Control and Debt Collection Policy; By-laws
- b. Property Rates Policy;
- c. Policy on Free Basic Services;
- d. Tariff Policy
- e. Budget Policy;
- f. Supply Chain Management

- g. Transfer and Virement Policy;
- h. Funding and Reserves Policy;
- i. Asset Management Policy
- j. Banking and Investment Policy
- k. Borrowing Policy
- l. Funding and Reserves Policy
- m. Wasteful and Fruitless Expenditure
- n. Cell phone Allowance
- o. Traveling and Subsistence

2.3 Municipal Manager's Quality Certificate

I, Municipal Manager of Ngwathe Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the draft Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Ngwathe Local Municipality (FS203)

Signature _____

Date _____

