



Dr. Beyers Naudé

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# **ANNUAL BUDGET 2021/2022 – 2023/24**

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# PART 1 – ANNUAL BUDGET

## 1.1 MAYOR'S REPORT

Madam Speaker  
Councillors

The South African economy contracted by an estimated 7.2 per cent in 2020 compared with the 7.8 per cent contraction projected in the 2020 Medium Term Budget Policy Statement (MTBPS). The revised estimate results from easing lockdown restrictions in the third quarter and a faster-than-expected resumption of global growth, especially in China. The National Treasury projects real economic growth of 3.3 per cent in 2021, following an estimated contraction of 7.2 per cent in 2020. Real GDP growth is expected to moderate to 1.9 per cent in 2022 and 2023.

The outlook remains highly uncertain, and the economic effects of the pandemic are far-reaching. There were 1.7 million fewer jobs by the third quarter of 2020 compared to the same period in 2019. Rising unemployment and income losses have entrenched existing inequalities. GDP is only expected to recover to pre-pandemic levels in late 2023. High-frequency data for the third quarter, such as the volume of electricity distributed, mining and manufacturing output, business confidence and the ABSA Purchasing Managers' Index (PMI) shows evidence of a limited economic rebound.

Although growth rates are likely to improve quickly as restrictions are removed, based on current projections, the output is only expected to return to pre-pandemic levels in 2024. Given South Africa's structural constraints, its recovery will be slower than many of its developing-country peers. Industrial sectors (which include mining, manufacturing, construction, and utilities) lagged substantially, undermined by structural constraints including unreliable electricity supply and weak public investment that preceded the pandemic. Over the next several years, the country requires the implementation of long-standing structural reforms to sustainably move to a higher growth path.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels; hence a conservative approach is advised for revenue projections.

### **Key focus areas for the 2020/21 municipal budget process**

Over the next three years, municipalities will have to adjust to significant changes in expenditure plans while improving accountability. The 2021 Budget protects transfers that focus on infrastructure, service delivery and COVID-19 spending while reducing those spent less effectively. The 2021 Budget includes funding for initiatives to improve municipal revenue collection and support financially distressed municipalities.

Local government receives the smallest share of the division of nationally raised revenue because it has significant own revenue-raising powers. Transfers to local government over the medium-term account for 9.4 per cent of nationally raised funds after providing for debt-service costs, the contingency reserve, and provisional allocations. Local government's share of revenue has risen in relative terms because reductions to the public-service wage bill affect only national and provincial government.

### **Local government grants and municipal revenue strength**

The conditional grants to municipalities have been reduced and most conditional grants have been reduced as part of efforts to limit growth in government expenditure and ensure that public debt is sustainable. In 2021, government will expand the scope of the municipal infrastructure grant to allow municipalities to use up to 5 per cent of their allocation to develop infrastructure asset management plans. This change addresses poor asset management in municipalities.

### **Revenue budget**

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. Municipalities are required to justify all increases more than the projected inflation target for 2020/21 in their budget narratives.

### **Expenditure budget**

The bulk purchases of electricity increased by R6.9 million, from R109.1 million in 2020/21 to R115.9 million in 2021/22.

NERSA has approved a 17.8% increase in the Eskom bulk tariff for the 2021/22 financial year. The municipality is currently in negotiations with Eskom to review the tariffs used for bulk charges as it was discovered that the municipality could move to a more economical tariff.

The 2021/22 budget has general increase of 0%. A 3-year salary and wage negotiation has not been concluded for 2021/22. The total budget provision of R169.2 million has been allocated for the 2021/22 financial year. Employee related costs in the 2021/22 Budget, represent 35% of the total operating expenditure

The placement process is in its finalisation stages. Filling of vacant positions and a review of the municipal organisational structure is required to deal with the sustainability of employee related cost and operational requirements. A moratorium will be placed on unfunded positions. All processes to be followed will be conducted through consultation with all stakeholders as prescribed by the law.

The employee related cost budget will be capped as approved by council.

Repairs and maintenance for 2021/22 amounts to R27.2 million and equates to 6% of the total operating expenditure. The municipality anticipates increasing this amount over the MTREF as an improvement in revenue is noted.

### **Capital budget**

The total capital spending planned for the 2021/21 financial year is R86,898,300. The total amount to be funded by capital grants of R71,848,300 and the remainder of R15,050,000 by way of an external loan.

<b>DEVELOPMENT PRIORITIES</b>	<b>AMOUNT</b>
COMMUNITY DEVELOPMENT	8 979 939
INFRASTRUCTURE DEVELOPMENT	61 155 861
INSTITUTIONAL DEVELOPMENT	16 702 500
SOUND FINANCIAL MANAGEMENT	60 000
<b>TOTAL</b>	<b>86 898 300</b>

As noted above, most of the funding source is from external capital grants with the following being the key projects:

- A total of R47,5million attributable to various water projects within the Dr. Beyers Naude area funding by regional bulk infrastructure and water services infrastructure grants
- New pump stations and electric standby generators to the value of R9,6m
- Upgrading of the sports stadium (collie Koeberg) to the value of R8,9m paid for out municipal infrastructure grant
- R4m to be spent on upgrading infrastructure in the refuse removal department funded by municipal infrastructure grant.
- A combined institutional development of R1,6m funded by FMG for the continuous improvement of the financial systems and equipment

The municipality has been under severe pressure with the ageing and poor condition of vehicles. An overhaul of the fleet is long overdue, and the external loan is necessary to purchase outright fleet to assist with service delivery as follows:

- 1 bulldozer, 1 compactor truck, 1 tipper truck and 5 single cab bakkies in the refuse removal department
- 8 single cab bakkies to assist with provision of water services and a further 6 in the public works department assisting with stormwater drainage
- 1 cherry picker, 6 ladder racks and 6 light delivery bakkies in the electricity department

### **Predetermined Objectives**

The revised Integrated Development Plan (IDP) for the period 2017 to 2022 was compiled in conjunction with all communities. Both draft IDP and Budget was open for public inspection and the public participation process commenced in April 2021. No material changes were made to the budget after the consultation processes.

The preparation of the 2021/22 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 22 August 2020.

Activity	Date
IDP/Budget Schedule approved by Council	25 August 2020
Tabling of draft IDP and Budget in Council	29 March 2021
Public Participation	April to May 2021
Final adoption of IDP and Budget by Council	27 May 2021

Linkage between the annual budget and IDP is illustrated in the following table:

					BACK TO BASICS		
	INFRASTRUCTURE DEVELOPMENT	COMMUNITY DEVELOPMENT	INSTITUTIONAL DEVELOPMENT	LOCAL ECONOMIC DEVELOPMENT	GOOD GOVERNANCE & PUBLIC PARTICIPATION	SOUND FINANCIAL MANAGEMENT	TOTAL
CAPITAL EXPENDITURE	R61 155 861	R8 979 939	R16 702 500	R0	R0	R60 000	R86 898 300
OPERATIONAL EXPENDITURE	R273 187 611	R59 505 578	R54 714 530	R0	R12 695 092	R83 901 417	R484 004 228

### **Public participation process**

The budget consultation process took a series of meetings to be held throughout the municipal area with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings was referred to the relevant Directorates for their attention.

Written input was received from the public and community representative forums which was considered. The following main issues were raised:

- Service delivery not satisfactory
- Water quality
- Illegal dumping sites not attended

## **Conclusion**

The COVID-19 pandemic has introduced new dimensions of volatility, uncertainty, complexity, and ambiguity to the task of financial stewardship across all spheres of government. Public policy decision-makers at all levels of government must act with vision, understanding, clarity and agility in responding to the crisis in a resilient manner. This will require a fundamental strategic rethink of the way in which we currently conduct our planning, budgeting, and implementation processes.

The vision of this municipality is to be “***A responsive, developmental and unifying Local Government, providing quality services to its citizens in a safe, healthy and well managed environment, with equal opportunities for all***”

**The indigent support is also available to assists indigent households that have limited financial ability to pay for municipal services. Please visit our municipal offices for applications.**

I would like to thank all residents, ward committees, sector departments and stakeholder groups who actively participated in the review of the IDP and preparation of the budget.

We look forward to building on our relationship with all stakeholders and continually improving on the municipality's planning processes.

CLR DEON DE VOS  
MAYOR

## 1.2 COUNCIL RESOLUTIONS

(a) The mayor recommends that the Council resolves that:

1 The annual budget of the Dr Beyers Naude Municipality for the financial year 2021/22 and the indicative allocations for the projected outer years 2022/23 and 2023/24; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 24 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, as set out in the following tables:

1.1 Consolidated Budget Summary – Schedule A1

1.2 Budgeted Financial Performance (revenue and expenditure by standard classification) – Schedule A2

1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote) – Schedule A3

1.4 Budgeted Financial Performance (revenue by source and expenditure by type) – Schedule A4

1.5 and multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source – Schedule A5

2 The budgeted financial position, budgeted cash flows, cash-backed reserves/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:

2.1 Budgeted Financial Position – Schedule A6

2.2 Budgeted Cash Flows – Schedule A7

2.3 Cash backed reserves and accumulated surplus reconciliation – Schedule A8

2.4 Asset management – Schedule A9

2.5 Basic service delivery measurement – Schedule A10

3 The service tariffs and property rates be increased as per the tariffs schedule with effect from 1 July 2021

4 The indicative tariffs for 2021/2022 to 2023/2024 be increased as follows:

	2021/2022	2022/2023	2023/2024
Property rates	3.9%	4.2%	4.4%
Water	3.9%	4.2%	4.4%
Sanitation	3.9%	4.2%	4.4%
Refuse	3.9%	4.2%	4.4%
Electricity	16%	8.9%	8.9%

5 That the detailed capital budget as per Annexure C be approved

6 That the tariffs, fees, and charges as reflected on the tariff list, in terms of Section 30 (2) and 93 4) of the Local Government: Municipal Structures Act, Act No: 117 of 1998 (as amended), read with Chapter 4 of the Local Government: Municipal Finance Management Act, Act 56 of 2003, be approved with effect 1 July 2020

7. That the following reviewed budget related policies be approved:

- (a) Credit control and debt collection
- (b) Tariff policy
- (c) Supply Chain Management Policy
- (d) Asset management policy
- (e) Cash management, banking & investment policy
- (f) Budget policy
- (g) Virement policy
- (h) Funding and reserve policy
- (i) Borrowing policy
- (j) Indigent support policy
- (k) Rates Policy
- (l) Contract Management Policy
- (m) Unauthorised, Fruitless & Wasteful and Irregular Expenditure policy
- (n) Rewards, gifts, and favours policy
- (o) Inventory management policy
- (p) Transport and fleet management policy

8. That the following new budget related policies be approved

- (a) Cost containment policy
- (b) Long term financial planning policy

9. That the following reviewed by-laws be approved

- (a) Tariff by-law
- (b) Credit control and debt collection by-law
- (c) Rates by-law



### 1.3 EXECUTIVE SUMMARY

The key service delivery priorities, as outlined in the IDP, informed the development of the Budget, including the need to maintain and improve the Municipality's financial sustainability. Furthermore, cost containment measures are being implemented to curb costs and to improve operational efficiency.

National Treasury's MFMA Circulars No. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75, 78, 79, 85, 86, 89, 91, 93, 94, 98, 99, 107 and 108 were used to guide the compilation of the 2020/21 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2021/22 MTREF:

- Maintaining revenue collection rates at the targeted levels.
- Maintaining electricity and water losses at acceptable levels.
- Fully implementing cost containment measures.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure; and
- Maintaining an acceptable cost coverage ratio.
- Drought conditions currently faced by the municipality and surrounding areas.
- The impact of Covid-19 regulations, circulars and guidelines issued by government.

The following budgeting principles and guidelines directly informed the compilation of the 2021/22 MTREF:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The level of property rates and tariff increases to consider the need to address maintenance and infrastructural backlogs.
- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- The need to enhance the municipality's revenue base.
- Implementation of the cost containment regulations.
- Loan funding is available to support the Capital Budget, in view of financial affordability considerations and improved audit opinion.

In view of the above mentioned, the following table represents an overview of the 2021/22 Medium-term Revenue and Expenditure Framework:

**Table 1 (Overview of the 2021/22 MTREF)**

	Current Year	2020/21 Medium Term Revenue and Expenditure		
	Adjusted Budget 2020/21 R	Budget Year 2021/22 R	Budget Year +1 2022/23 R	Budget Year +2 2023/24 R
Total Revenue	667 970 071	610 968 189	595 327 913	626 847 849
Total Expenditure	509 925 437	484 004 228	492 558 509	503 844 525
Surplus/(Deficit)	158 044 634	126 963 961	102 769 404	123 003 324
Capital Expenditure	49 903 250	86 898 300	130 104 012	122 819 653

Total operating revenue has decreased by 8.5% or R57 million for the 2021/22 financial year, compared to the 2020/21 Adjustments Budget.

The decrease is because of the decrease in anticipated proceeds from sale of land in comparison to the prior year. There is a general increase in revenue, with exception to the above-mentioned sale of land, as result of tariff increases and continued implementation of cost reflective tariffs.

The municipality completed investigations into cost of supply and a baseline tariff was established for each service in 2019. Thorough investigations were also concluded on electricity tariffs, the effect of the wheeling agreement with Eskom and management has completed physical verification of bulk consumer meters. The intention of the physical verification was to ensure that all possible tampering is identified for these users, correct meters are installed and are functional and to ensure that each user is linked to the correct tariff. This process is anticipated to be completed by end of 2021/2022.

For the two outer years, operational revenue increases by 0.7% and 3.5% respectively.

Total operating expenditure for the 2021/22 financial year amounts to R484 million, resulting in a budgeted surplus of R99.7 million. Compared to the 2020/21 Adjustments Budget, operational expenditure decreased by 5.1% in the 2021/22 Budget. The municipality is currently struggling financially, and cost containment measures are implemented. Cost containment measures include a monthly curb on overtime, acting allowances and travel expenses. It also includes the stopping of non-essential procurement.

For the two outer years, operational expenditure increases by 1.8% and 2.3% respectively. The 2022/23 and 2023/24 budgets reflect operating surpluses of R102 million and R123 million, respectively.

The major operating expenditure items for 2021/22 are employee related costs (35%), bulk electricity purchases (24%), depreciation (10%), Repairs and Maintenance (6%) and other expenditure (25%).

Funding for the 2021/22 Operating Budget is funded from various sources, the major sources being service charges such as electricity, water, sanitation and refuse collection (44%), property rates (8%), Other revenue (18%), grants and subsidies received from National and Provincial Governments (30%).

To fund the 2020/21 Operating Budget, the following increases in property rates and service charges will be applicable with effect from 1 July 2021:

Property rates:	Increase with 3.9%
Water:	Increase with 3.9%
Refuse:	Increase with 3.9%
Sewerage:	Increase with 3.9%
Sanitation:	Increase with 3.9%
Electricity:	Electricity tariff will increase with 16%. Please note that the increase is subject to approval by NERSA and this percentage may vary as the approved guideline increase is 14.59%. The due date for applications is 25 June 2021.

The municipality has conducted a cost of supply study on all tariffs in 2019. The study revealed that almost all the services are currently being rendered at below cost which puts enormous strain on the cash flow of the municipality. It was therefore imperative that these tariffs be changed to include baseline tariffs. Due to the poor economic conditions and covid-19 revenue and tariffs could not be increased with more than the proposed 3.9% by National Treasury.

The original capital budget of R86.9 million for 2021/22 is R37 million or 74.1% higher than the 2020/21 Adjustments Budget, this is due to more capital allocations from national government and a loan of R15 million to be raised in 2021/22. The Capital Budget over the MTREF will be mainly funded from government grants and subsidies, as limited internal funding is available. Capital expenditure for 2022/23 will amount to R130.1 million.

The budget provides for assistance to the poor and includes the following social package:

- Water – 6 kl free
- Electricity – 50 kwh free
- Refuse – 100% of monthly cost free
- Sanitation – 100% of monthly cost free
- Property Rates- 100% of assessed rates

All budget related policies have been reviewed and new policies were workshopped with Councillors and top management.

## 1.4 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 vital importance in ensuring the ongoing financial sustainability of the Municipality. Furthermore, in accordance with the 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.
- Tariff Policies.
- Property Rates Policy.
- Indigent Policy and provision of free basic services.
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to consider the maintenance and replacement of infrastructure, including the expansion of services.
- Determining fully cost reflective tariffs for trading services.
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Efficient revenue management, targeting a 95% annual collection rate for property rates and service charges.

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

**Table 2 (Summary of main revenue sources)**

Refer to budget table A1

In the 2020/21 financial year, rates and service charges amounted to R292.9 million. This increases to R317.7 million in 2021/22 and increases to R338.3 million and R360.8 million in the 2022/23 and 2023/24 financial years, respectively.

The following continued efforts to increase the revenue base were introduced in 2019:

- Implementation of a new valuation roll with increased market values
- Implementation of cost reflective tariffs after a cost of supply study was conducted
- Implementation of drought tariff
- Introduction of environmental levy

The service charges as stated above are main source of funding for the municipality with a contribution of R317.7 million or 46% of the total budget. The individual service contribution to service charges is as follows:

- Electricity 58%
- Water 17%
- Refuse 12%
- Sanitation 13%

The following table provides a breakdown of the various government grants and subsidies allocated to the Municipality over the medium term:

	2021/22	2022/23	2023/24
<b>DORA GRANTS</b>			
<b>Operational grants</b>			
Equitable share	99 316 000	103 983 000	102 434 000
Local Government Financial Management Grant	3 100 000	3 100 000	3 100 000
Expanded Public Works Programme Integrated Grant for Municipalities	1 552 000	-	-
<b>Infrastructure grants</b>			
Municipal Infrastructure Grant	28 564 000	23 010 000	23 874 000
Integrated National Electrification Programme (Municipal) Grant	-	5 800 000	55 000 000
Water Services Infrastructure Grant	12 000 000	15 939 000	20 000 000
<b>Indirect grants (Allocations in kind)</b>			
Integrated National Electrification Programme (Eskom) Grant	2 248 000	1 290 000	3 309 000
Regional Bulk Infrastructure Grant	41 000 000	52 000 000	18 000 000
<b>SBDM GRANTS</b>			
Fire services subsidy	1 864 270	1 864 270	1 864 270
Environmental affairs subsidy	2 020 000	2 020 000	2 020 000
<b>Department of sports, recreation, arts and culture</b>			
Library subsidy	2 308 000	2 308 000	2 308 000
<b>Other grants</b>			
SETA	333 120	333 120	333 120
	<b>194 305 390</b>	<b>211 647 390</b>	<b>232 242 390</b>

### 1.4.1 Property Rates

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).
- 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.
- Indigents receives 100% subsidy on the rates levied for the year.

The property rates tariff is standardised to ensure all owners in a category pays the same rate in all the towns in the municipality's jurisdiction. The prescribed ratio is applied.

The property rates increase is mainly influenced by the following:

- Employee related costs
- Providing for debt impairment.
- Increasing the revenue to ensure non-profit divisions are properly subsidised,

The amalgamated valuation roll has been implemented from 1 July 2019.

### 1.4.2 Sale of Water and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 89, 91, 93, 94, 98, 99, 107 and 108:

Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- 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.

National Treasury has urged municipalities to ensure that water tariffs are fully cost reflective by 2014/15. In this regard a cost of supply study was conducted, and the new baseline tariff will be introduced as the first step tariff. Dr Beyers Naude is a municipality which was formed through the amalgamation of 3 former municipalities. As a result of the amalgamation the municipality is also faced with trying to standardise tariffs within the different towns.

The prevailing drought makes it difficult to improve revenue generation from this service. It is now more important to improve demand management, infrastructure maintenance, loss management, meter reading and tariff setting in respect of water services.

Ongoing accurate monitoring and reporting of municipal Non-Revenue Water (NRW) and water loss performance against set targets and baselines has become more critical. The municipality is currently monitoring water losses monthly but are faced with a huge number of metres that are faulty. This contributes to the inaccurate billing and collection of water tariffs. Grant funding has been received to conduct a study on all faulty metres and areas of water losses. The project started during the 2017/18 financial year and was completed in the 2019/20 financial year.

The tariff will be increased with 3.9% from 1 July 2021. The proposed tariff increase is mainly influenced by the following:

- Employee related costs
- Repairs and maintenance of water infrastructure
- Providing for debt impairment.
- Implementation of cost reflective tariffs
- The prevailing drought

The water tariff structure is designed in such a manner that higher levels of water consumption are progressively charged at a higher rate. The drought tariff will also be implemented during the time of drought as currently experienced.

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

On 12 March 2021, the National Energy Regulator of South Africa (Nersa) approved Eskom's 17.8% (15.06% from 1 April to 30 June 2021) increase for municipalities which will be implemented on 1 July 2021. Nersa has calculated the guideline increase percentage of 14.59% for municipalities. Considering the Eskom tariff increase, the Municipality's consumer tariffs will be increased by 16% on average to offset the additional electricity bulk purchase costs as from 1 July 2021.

The difference between Eskom's increase of 15.06% and that of the municipalities of 17.8% is due to the MFMA time lag (the municipalities' implementation date is 1 July, whereas Eskom's financial year starts on 1 April). Due to the requirements of the MFMA, Eskom can only increase its prices to municipalities from 1 July 2021 and not 1 April 2021. This time lag leads to an under-recovery by Eskom from sales to municipalities, which requires a higher price increase to municipalities. The higher price increase results from the fact that the outstanding revenue must be recovered within a nine-month period instead of twelve months.

The tariff increases are mainly influenced by the following:

- Employee related costs
- The cost of bulk electricity purchases
- Repairs and maintenance of electricity infrastructure
- Providing for debt impairment
- Implementing cost reflective tariffs

The population of the municipality is relatively stagnant and minimal growth is expected over the MTREF. It is thus estimated that the revenue will only grow with percentage of price increases.

The proposed electricity tariff increases, still require approval by NERSA.

#### **1.4.4 Sanitation and Impact of Tariff Increases**

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 89, 91, 93, 94, 98, 99, 107 and 108: 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 by 2014/15. In this regard the municipality conducted a cost of supply study to determine a new baseline tariff that was introduced in 2019/20. Dr Beyers Naude is a municipality which was formed through the amalgamation of 3 former municipalities. As a result of the amalgamation the municipality is also faced with trying to standardise tariffs within the different towns. The tariff policy of the municipality makes provision to phase in the standardised tariffs over a period of 3 years

As a result, the tariff will increase of 3.9% as from 1 July 2021. The tariff increase is mainly influenced by the following:

- Employee related costs
- Repairs and maintenance of sanitation infrastructure
- Providing for debt impairment
- Implementing cost reflective tariffs

#### **1.4.5 Refuse Collection and Impact of Tariff Increases**

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective by 2014/15. The tariffs should consider the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites.

The revenue generated from refuse collection is not sufficient to ensure proper service delivery. The municipality is facing challenges with regards to infrastructure, fleet, and tools of trade.

A tariff increases of 3.9% for refuse collection will thus be implemented as described above.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs
- Implementation of environmental levy
- Providing for debt impairment
- Provision for landfill sites
- Tariff not cost reflective

### **1.5 OPERATING EXPENDITURE FRAMEWORK**

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

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA.
- A balanced budget approach by limiting operating expenditure to the operating revenue.

The following table is a high-level summary of the 2020/21 budget and MTREF (classified per main type of operating expenditure):



## **Table 4 (Summary of operating expenditure by standard classification item)**

Refer to budget table A4

The total operating expenditure decreased by R25.9 million (5.1%) from R509.9 million in 2020/21 to R484 million in 2021/22. Below is a discussion of the main expenditure components.

### **Employee related costs**

The 2021/22 budget has general increase of 0%. A 3-year salary and wage negotiation has not been concluded for 2021/22. The total budget provision of R169.2 million has been allocated for the 2021/22 financial year.

Employee related costs in the 2021/22 Budget, represent 35% of the total operating expenditure

### **Remuneration of Councillors**

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 considered in preparing the budget.

### **Debt Impairment**

The provision for debt impairment was determined based on a targeted annual collection rate of 95%.

While this expenditure represents a non-cash flow item, it is considered in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

### **Depreciation and Asset Impairment**

It is anticipated that depreciation will remain the same as in 2020/21 at a total cost from R46 million.

### **Finance Charges**

Finance charges consist primarily of the repayment of interest on outstanding trade creditors. The municipality is currently facing severe cash flow problems and is unable to pay creditors within the 30 days as required by legislation.

Provision is made in the 2021/22 budget for interest and redemption, as well as on the Capital budget for a loan of only R15 000 000. The long-term debt is to be procured in line with section 46 of the MFMA.

### **Bulk Electricity Purchases**

The bulk purchases of electricity increased by R6.9 million, from R109.1 million in 2020/21 to R115.9 million in 2021/22.

NERSA has approved a 17.8% increase in the Eskom bulk tariff for the 2021/22 financial year. The municipality is currently in negotiations with Eskom to review the tariffs used for bulk charges as it was discovered that the municipality could move to a more economical tariff.

## Repairs and Maintenance

Repairs and maintenance for 2021/22 amounts to R27.2 million and equates to 6% of the total operating expenditure. The municipality anticipates increasing this amount over the MTREF as an improvement in revenue is noted.

Per National Treasury circular number 71 of 2014 on uniform Financial Ratios and Norms, Repairs and Maintenance as a % of Property, Plants and Equipment and Investment Property (Carrying Value) for the 2021/22 budget is 3%.

The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. Repairs and maintenance of municipal assets is required to ensure the continued provision of services. The norm is 8%.

A ratio below the norm is a reflection that insufficient monies are being spent on repairs and maintenance to the extent that it could increase impairment of useful assets. An increasing expenditure trend may be indicative of high asset-usage levels, which can prematurely require advanced levels of Repairs and Maintenance or a need for Asset Renewal / Replacements. Also, should an increasing expenditure trend suddenly drop to lower levels without an increase in the fixed asset value, this may be indicative of challenges in spending patterns. This may also indicate that the Municipality is experiencing cash flow problems and therefore unable to spend at appropriate levels on its repairs to existing assets or purchase of new assets thus impacting negatively on service delivery.

## Contracted Services

In the 2021/22 financial year, the budget provision amounts to R6.4 million and equates to 1% of the total operating expenditure.

## Transfers and Subsidies

In the 2021/22 financial year, the budget provision amounts to R30 thousand and includes transfers to the local SPCA (R20 thousand).

## Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. The expenditure increased by R9.6 million or 11% for 2020/21 and equates to 19% of the total operating expenditure.

Other expenditure includes the following:

Expenditure Type	Annual BUDGET 21/22	2022/2023	2023/2024
28 - GENERAL EXPENSES - OTHER	84 787 676.50	83 061 176.50	83 017 976.50
40 - VEHICLE EXPENSES	5 560 143.00	5 560 143.00	5 560 143.00

### 1.5.1 Priority relating to repairs and maintenance

The repairs and maintenance expenditure in the 2020/21 financial year is R48.2 million, compared to 2019/20 (R6 million) an increase of R42.2 million because of the development of Repairs and maintenance plans.

R27.2 million has been allocated in 2021/22. The sale of old, dilapidated, and redundant assets will result in a significant reduction in repairs and maintenance, as well as the procurement of new fleet with maintenance plans.

In relation to the total operating expenditure, repairs and maintenance constitutes 6% for the 2021/22 financial year and 6% for the 2020/21 and 6% for the 2021/22 financial years, respectively.

### **1.5.2 Free Basic Services: Indigent Support**

The indigent support assists indigent households that have limited financial ability to pay for municipal services. To qualify for free services, the households are required to register in terms of the Municipality's 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 indigent support of the registered indigent households is largely financed by national government through the local government equitable share allocation, received in terms of the annual Division of Revenue Act.

## **1.6 CAPITAL EXPENDITURE**

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

### **Table 6 (2021/22 Medium-term capital budget per vote)**

Refer to budget table A5

Of the total amount of R86.9 million for 2021/22, an amount of R61.1 million has been budgeted for the development of infrastructure, which represents 70% of the total capital budget.

## CAPITAL PROJECTS

IDP	PROJECT NAME	PROJECT DESCRIPTION	QUA	AREA DESCRIPTION	BRANCH DESCRIPTION	SOURCE OF FUNDING	WARD/INST	2021/22
312	Vehicle	Bakkie	3	FINANCIAL SERVICES	DIRECTOR : FINANCIAL FMG		Institutional	800 000,00
345	Upgrade of Jansenville cashier office	Cash register	1	FINANCIAL SERVICES	DIRECTOR : FINANCIAL FMG		Institutional	5 000,00
330	Upgrade of Jansenville cashier office	Counter	1	FINANCIAL SERVICES	DIRECTOR : FINANCIAL FMG		Institutional	10 000,00
331	Upgrade of Jansenville cashier office	Office equipment	7	FINANCIAL SERVICES	DIRECTOR : FINANCIAL FMG		Institutional	45 000,00
352	Computers	Desk top computers	5	FINANCIAL SERVICES	DIRECTOR : FINANCIAL FMG		Institutional	50 000,00
352	Computers	Laptop computers	10	FINANCIAL SERVICES	DIRECTOR : FINANCIAL FMG		Institutional	200 000,00
345	Office equipment	Shredder	1	FINANCIAL SERVICES	DIRECTOR : FINANCIAL FMG		Institutional	20 000,00
330	Office furniture	Filing cabinets	2	FINANCIAL SERVICES	DIRECTOR : FINANCIAL FMG		Institutional	20 000,00
330	Office furniture	Office chairs	10	FINANCIAL SERVICES	DIRECTOR : FINANCIAL FMG		Institutional	50 000,00
201	Upgrading of Collie Koeberg Sport Complex	Upgrading of security fence, lightning and buildi	COMMUNITY SERVICES PARKS RECREATION	COMMIG		2 - 7 & 14		8 979 939,08
122	Upgrading of Graaff Reinet Sewer Pump Stati	New pump stations and electric standby genera	TECHNICAL SERVICES: I SEWERAGE SERVICE	COMMIG		2 - 6 & 14		9 655 860,92
116	New Bulk Water Reticulation Steel Pipeline t	New Bulk Reticulation Line	TECHNICAL SERVICES: I WATER SERVICE	COMMIG		8, 9 & 13		4 500 000,00
131	Steytlerville Solid Waste Site	Neww Cells, weight bridge and recycling facility	COMMUNITY SERVICES REFUSE REM WASTE	COMMIG		12,13		4 000 000,00
114	Ikwezi BWS & Graaff Reinet Emergency BWS	New borehole development, storage reservoirs	TECHNICAL SERVICES: I WATER SERVICE	RBIG		10 & 11		15 000 000,00
117	Graaf-Reinet Emergency Water Supply Scheme (WSS)		TECHNICAL SERVICES: I WATER SERVICE	RBIG		2 - 7 & 14		16 000 000,00
116	Graaff Reinet Emergency BWS Phase 2	New borehole development, electricity, teleme	TECHNICAL SERVICES: I WATER SERVICE	WSIG		2 - 7 & 14		12 000 000,00
315	Vehicle	Cherry Picker	1	TECHNICAL SERVICES: I ELECTRICITY DISTRIBU	Loan		Institutional	760 000,00
313	Vehicle	LDV 4X4	6	TECHNICAL SERVICES: I ELECTRICITY DISTRIBU	Loan		Institutional	1 920 000,00
319	Vehicle	Ladder Racks / canopys	6	TECHNICAL SERVICES: I ELECTRICITY DISTRIBU	Loan		Institutional	300 000,00
312	Vehicle	Single cab bakkie	8	TECHNICAL SERVICES: I WATER SERVICE	Loan		Institutional	2 560 000,00
352	Computers	Laptops	4	TECHNICAL SERVICES: I WATER SERVICE	PMU		Institutional	60 000,00
313	Vehicle	Single cab bakkie	6	TECHNICAL SERVICES: I PUBLWORKS: STORMV	Loan		Institutional	1 920 000,00
330	Office equipment	Office Furniture	MUNICIPAL MANAGER INTERNAL AUDITING	FMG			Institutional	42 500,00
315	Vehicle: Truck (specialised)	H100 Tipper Trucks 1.3	1	COMMUNITY SERVICES REFUSE REM WASTE	Loan		Institutional	400 000,00
315	Vehicle: Truck (specialised)	Compactor Truck	1	COMMUNITY SERVICES REFUSE REM WASTE	Loan		Institutional	1 600 000,00
317	Vehicle	Bulldozer	1	COMMUNITY SERVICES REFUSE REM WASTE	Loan		Institutional	3 900 000,00
352	IT Hardware	Laptops 10 operations	CORPORATE SERVICES ADMINISTRATION	FMG			Institutional	200 000,00
352	IT Hardware	Computers 10 operations	CORPORATE SERVICES ADMINISTRATION	FMG			Institutional	200 000,00
353	IT Infrastructure	Wireless Internet Kplt	CORPORATE SERVICES ADMINISTRATION	FMG			Institutional	10 000,00
312	Vehicle Bakkie	2 x Bakkie for ICT	1	CORPORATE SERVICES ADMINISTRATION	Loan		Institutional	190 000,00
312	Vehicle	Bakkies Single Cab	5	COMMUNITY SERVICES REFUSE REM WASTE	Loan		Institutional	1 500 000,00
								<b>86 898 300,00</b>

### 1.7 ANNUAL BUDGET TABLES

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2021/22 Budget and MTREF to be considered for approval by Council.

Refer to budget table (Annexure to this budget document)

## PART 2 – SUPPORTING DOCUMENTATION

### 2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget process started in September 2020 after the approval of a timetable to guide the preparation of the 2021/22 to 2023/24 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business, and labour, during April/May 2021. The main aim of the timetable was to ensure that an IDP and a balanced Budget are tabled in May 2021.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

The budget was considered by the Budget Steering Committee under the direction of the mayor. The Budget Steering Committee consist of the Mayor, the Chairperson of the Budget and Treasury Standing Committee, the Municipal Manager, and senior officials. The primary aims of the Committee are to ensure that:

- The budget compilation process complies with legislation.
- There is proper alignment between the service delivery priorities as set out in the Municipality's IDP and the Budget, considering the need to maintain the financial sustainability of the Municipality.
- The Municipality's revenue and tariff determination strategies generate sufficient cash resources to deliver services; and
- The various spending priorities of the different municipal directorates are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 IDP & Budget Timetable 2021/22

The preparation of the 2021/22 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 22 August 2020.

Activity	Date
IDP/Budget Schedule approved by Council	25 August 2020
Tabling of draft IDP and Budget in Council	29 March 2021
Public Participation	April to May 2021
Final adoption of IDP and Budget by Council	21 June 2021

### 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, was guided and informed by the following principles:

- Achievement of the five strategic priorities of the municipality.
- 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 2021/22 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The budget consultation process took a series of meetings to be held throughout the municipal area with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings was referred to the relevant Directorates for their attention.

Below is a table, which illustrates the link between the Budget and the IDP.

#### BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

					BACK TO BASICS		
	INFRASTRUCTURE DEVELOPMENT	COMMUNITY DEVELOPMENT	INSTITUTIONAL DEVELOPMENT	LOCAL ECONOMIC DEVELOPMENT	GOOD GOVERNANCE & PUBLIC PARTICIPATION	SOUND FINANCIAL MANAGEMENT	TOTAL
CAPITAL EXPENDITURE	R61 155 861	R8 979 939	R16 702 500	R0	R0	R60 000	R86 898 300
OPERATIONAL EXPENDITURE	R273 187 611	R59 505 578	R54 714 530	R0	R12 695 092	R83 901 417	R484 004 228

#### IDP PRIORITIES



### **2.3 OVERVIEW OF BUDGET RELATED POLICIES**

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

All budget related policies have been reviewed and/or developed. Policies will be workshopped extensively with Council and Top Management and will further be workshopped with all relevant stakeholders.

The following policies are now in place:

• Credit control and debt collection	-	reviewed
• Tariff policy	-	reviewed
• Supply Chain policy	-	reviewed
• SCM Infrastructure Procurement	-	reviewed
• Asset management policy	-	reviewed
• Subsistence and Travel policy	-	reviewed
• Cash management, banking & investment policy	-	reviewed
• Budget policy	-	reviewed
• Virement policy	-	reviewed
• Funding and reserve policy	-	reviewed
• Borrowing policy	-	reviewed
• Rate's policy	-	reviewed
• Indigent support policy	-	reviewed
• Cost containment policy	-	developed
• Long term financial planning policy	-	developed

The following promulgated by-laws were reviewed:

- Tariff by-law
- Credit control and debt collection by-law
- Rate's by-law

### **2.4 OVERVIEW OF BUDGET ASSUMPTIONS**

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

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

- The priorities and targets, relating to the key strategic focus areas, as outlined 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.
- Raising of loan funding should be considered to address critical needs.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.

- Restructuring of major trade creditors over long term periods to ensure financial sustainability and a funded budget
- Restructuring of tariffs to uniform tariffs and ensuring baseline tariff as per cost of supply study

The Municipality faced the following significant challenges in preparing the 2021/22 – 2023/24 Budget:

- Fully implementing cost containment measures.
- Maintaining revenue collection rates at the targeted levels.
- Maintaining electricity and water losses at acceptable levels.
- Dealing with an unfunded budget of the past and measures to address this in the future
- Different tariff structures in the different towns and converting this to uniform tariffs
- Creditors inherited from former municipalities which is still placing financial strain on the cash flow and hence the restructuring of creditors over long term period
- Introducing cost reflective tariffs
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure.
- Maintaining an acceptable cost coverage ratio.
- Covid-19

The multi-year budget is therefore underpinned by the following assumptions:

	2020/21	2020/21	2021/22
<b>Income</b>	%	%	%
Tariff Increases for water	3.9	4.2	4.4
Tariff Increases for sanitation	3.9	4.2	4.4
Tariff Increases for refuse	3.9	4.2	4.4
Property rates increase	3.9	4.2	4.4
Electricity tariff increase (on average)	16	8.9	8.9
Revenue collection rates	95	95	95
<b>Expenditure increases allowed</b>			
Salary increases	Not available	Not available	Not available
Increase in bulk purchase of electricity costs	17.8	8.9	8.9



## **2.5 OVERVIEW OF BUDGET FUNDING**

### **2.5.1 Medium-term outlook: operating revenue**

The following table provides a breakdown of operating revenue over the medium-term:

**Table 7 (Breakdown of the operating revenue over the medium-term)**

Refer to budget table A4

### **2.5.2 Medium-term outlook: capital revenue**

The following table provides a breakdown of the funding components of the 2021/22 medium-term capital programme:

**Table 8 (Sources of capital revenue over the MTREF)**

Refer to budget table A5

### **2.5.3 Medium-term outlook: Borrowing**

The municipality is considering raising loans for capital items required from own funds as well as buying vehicles instead of leasing.

A loan of R15 million has been budgeted for 2021/22.

### **2.5.4 Medium-term outlook: Working towards a funded budget**

The municipality managed to table a funded budget. The funded budget is based on the following:

- Restructuring of debt owed to major creditors over long term period
- Implementing cost reflective tariffs – phase 2&3 – Introduction and implementation of secondary tariffs
- Raising loans for capital items required from own funds as well as buying vehicles instead of leasing

The municipality has addressed the following issues to ensure a positive move towards becoming financially sustainable:

- Replacing the faulty meters within all areas thus limiting losses and increasing revenue
- Standardising tariffs in all areas
- Calculating cost reflective tariffs and implementation thereof over 3 years
- Implementing a merged valuation roll for Dr Beyers Naude with effect 1 July 2019
- Continuing to implement cost containment measures

## 2.6 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The municipality will be making the following allocations:

- SPCA - R20 000
- Pauper burials - R10 000

## 2.7 COUNCILLORS AND EMPLOYEE BENEFITS

### DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

The following tables set out the allowances and employee benefits budgeted for the 2021/22 budget year:

The municipality has twenty-seven (27) councillors, consisting of one fulltime Mayor and Speaker, four EXCO Members also chairpersons of sec. 79 committees and one MPAC chairperson of which the allowances are set out in table below.

Grade	Councillor(s)	Number	Salary p/p	Salary	Allowance	Total remuneration
3	Mayor (full-time)	1	860 859	860 859	44 400	905 259
	Speaker (Full-time)	1	688 688	688 688	44 400	733 088
	Exco Members (part time)	4	360 193	1 440 772	177 600	1 618 372
	S79 Committee Chairperson (part-time)	1	349 618	349 618	44 400	394 018
	Part-time Councillors	20	272 430	5 448 600	888 000	6 336 600
	<b>TOTAL</b>	<b>27</b>		<b>8 788 537</b>	<b>1 198 800</b>	<b>9 987 337</b>

Disclosure of Salaries, Allowances & Benefits	Salary	Allowances	Performance Bonuses	Total Package (Rand per annum)
<b><u>Senior Managers of the Municipality</u></b>				
Municipal Manager (MM)	1 436 545	40 800		1 477 345
Chief Finance Officer	1 174 258	40 800		1 215 058
Director Corporate Services	1 174 258	40 800		1 215 058
Director Community Services	1 174 258	40 800		1 215 058
Director Infrastructure	1 269 889	40 800		1 310 689

## **2.8 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 Mayor is required to approve the SDBIP within 28 days after the approval of the budget. Furthermore, the 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 Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the Directors, the Executive Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2021/22 financial year will be approved by the Mayor during June 2021, following the approval of the Budget.

## **2.9 LEGISLATION COMPLIANCE STATUS**

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

### **IDP**

A revised 2021/22 IDP has been developed, which will be considered at a Council meeting to be held on 27 May 2021. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.

### **Budget**

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

### **Annual Report**

The Annual Report could not be developed considering the MFMA and NT extension of submission of annual financial statements. The draft annual report has been completed and tabled to council and is now currently undergoing public participation.

### Oversight Report

The Municipal Public Accounts Committee has not considered the Annual report due the reasons mentioned above.

### In-Year Reporting

The municipality submits the various reports required to the 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.

All the required committee structures are in place. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

### Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

### Audit Committee

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

### Internal Audit Function

The Municipality's Internal Audit Function is performed in-house and reports to the Municipal Manager and is operating in accordance with an audit plan.

In relation to the 2021/22 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Working towards an unqualified audit status.

### Internship Programme

The municipality had appointed five new interns in June 2019. One subsequently resigned in December 2019. The municipality has finalised the recruitment process and made an appointment, the intern will commence on 1 July 2021.

### Municipal Standard Chart of Accounts (mSCOA)

The municipality has made significant progress on compliance. Data strings are uploaded monthly, and a "green" status has been maintained for several months now. All legislative required information has been submitted. The municipality is continuously working on reaching full compliance. The budget schedules are generated from the financial system.

## 2.10 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

### Quality Certificate

I, EDWARD MARTIN RANKWANA, Municipal Manager of Dr Beyers Naude 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 Integrated Development Plan of the Municipality.

Print Name : EDWARD MARTIN RANKWANA

MUNICIPAL MANAGER OF DR BEYERS NAUDE MUNICIPALITY (EC101)

Signature : 

Date : \_\_\_\_\_