# 2020/21 DRAFT BUDGET MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

File No. /s: 3/2/2/20 Responsible Official: R Ontong

**Directorate:** Financial Services **Portfolio**: Financial Services

# **Purpose**

The purpose of this submission is to present the 2020/21 MTREF Draft Budget.

#### **Legal Framework**

Section 16 of the Municipal Finance Management Act states:

# "Annual budgets

- 16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
  - (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
  - (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

#### Contents of annual budgets and supporting documents

- 17. (1) An annual budget of a municipality must be a schedule in the prescribed format
  - (a) setting out realistically anticipated revenue for the budget year from each revenue source;
  - (b) Appropriating expenditure for the budget year under the different votes of the municipality;
  - (c) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
  - (d) Setting out
    - (i) Estimated revenue and expenditure by vote for the current year; and

- (ii) Actual revenue and expenditure by vote for the financial year preceding the current year; and
- (e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed"

# **Financial Implications**

The financial implications of the 2020/21 MTREF draft budget is captured in the Budget Report.

#### Annexures

Municipal Budget and Reporting Regulations Schedule-A Budget tables (Annexure A)

Quality Certificate (Annexure B)

Revised Budget Related Policies (Annexure C)

- Credit Control and Debt Collection Policy
- Funding and Reserves Policy
- Insurance Management Policy
- Long Term Financial Plan Policy
- Property Rates Policy
- Tariff Policy
- Write-off Policy
- Asset Management Policy
- Borrowing Policy
- Budget Implementation and Management Policy
- Budget Virement Policy
- Costing Policy
- Supply Chain Management Policy
- Infrastructure Investment And Capital Projects Policy

Municipal Tariffs (Annexure D)

Municipal Finance Management Act Budget Circulars (Annexure E)

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# DRAFT MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK 2020/2021 – 2022/2023



26 MARCH 2020

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#### **Abbreviations and Acronyms**

AMR Automated Meter Reading

ASGISAAccelerated and Shared Growth Initiative

BPC Budget Planning Committee CBD Central Business District

CFO Chief Financial Officer

CPI Consumer Price Index

CRRF Capital Replacement Reserve Fund DBSA Development Bank of South Africa

DoRA Division of Revenue Act
DWA Department of Water Affairs

EE Employment Equity

**EEDSM Energy Efficiency Demand Side Management** 

EM Executive Mayor FBS Free basic services

GAMAP Generally Accepted Municipal Accounting Practice

GDP Gross domestic product

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

kl kilolitre km kilometre

KPA Key Performance AreaKPI Key Performance Indicator

kWh kilowatt-hour

ł litre

LED Local Economic Development

MEC Member of the Executive Committee MFMA Municipal Financial Management Act

MIG Municipal Infrastructure Grant

MM Municipal Manager

MMC Member of Mayoral Committee MPRA Municipal Properties Rates Act

MSA Municipal Systems Act

MTEF Medium-term Expenditure Framework

MTREF Medium-term Revenue and Expenditure Framework

NERSA National Electricity Regulator South Africa

NGO Non-Governmental organisations NKPIs National Key Performance Indicators OHS Occupational Health and Safety

OP Operational Plan

PBO Public Benefit Organisations

PHC Provincial Health Care

PMS Performance Management System
PPE Property Plant and Equipment

PPP Public Private Partnership

PTIS Public Transport Infrastructure System

RG Restructuring Grant

RSC Regional Services Council

SALGA South African Local Government Association

SAPS South African Police Service

SDBIP Service Delivery Budget Implementation Plan

SMME Small Micro and Medium Enterprises

#### **Glossary**

**Adjustments Budgets –** Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.

Allocations - Money received from Provincial and National Treasury.

**Budget –** The financial plan of a municipality.

**Budget related policy –** Policy of a municipality affecting or affected by the budget.

**Capital Expenditure –** Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

**Cash Flow Statement –** A statement showing when actual cash will be received and spent by the Municipality, and the month end balances of cash and short-term investments.

**DORA –** Division of Revenue Act. The annual piece of legislation that indicate the allocations from National Government to Local Government.

**Equitable Share –** A general grant paid to municipalities. It is predominantly targeted to assist with free basic services.

**GDFI -** Gross Domestic Fixed Investment

**GFS** – Government Finance Statistics. An internationally recognized classification system that facilitates comparisons between municipalities.

**IDP** – Integrated Development Plan. The main strategic planning document of a Municipality.

**KPI –** Key Performance Indicators. Measures of service output and/or outcome.

**LM** – Breede Valley Municipality.

**MFMA -** Municipal Finance Management Act (No 53 of 2003). The principle piece of legislation relating to municipal financial management.

mSCOA – Municipal Standard Chart of Accounts

**MTREF** – Medium Term Revenue and Expenditure Framework as prescribed by the MFMA sets out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level.

**Operating Expenditure –** Spending on the day to day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

Rates - Local Government tax based on assessed valuation of a property.

**TMA –** Total Municipal Account

**SDBIP** – Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**Strategic Objectives –** The main priorities of a municipality as set out in the IDP Budgeted spending must contribute towards achievement of these strategic objectives.

**Vote –** One of the main segments into which a budget is divided, usually at department level.

# PART 1 - Annual Budget

# 1. Mayor's Report

The Breede Valley Municipality remains committed to the cause of bringing respectable services to all households. We as a municipality acknowledge the fact that households are faced with numerous difficulties, ranging from social to economic challenges. We view our role as integral in addressing these challenges to improve quality of life, and will therefore continue to play our part by creating a conducive environment for job creation and social development in our community. It should be understood that not all plans will be completed within the timeframes due to various unforeseen challenges, but we as a municipality is committed in ensuring that all projects commenced are completed.

This budget serves the purpose of outlining future service delivery objectives by reflecting on the past financial years and anticipation in anticipation for future advances.

Breede Valley municipality has made significant progress in fighting service delivery backlogs, but also acknowledges that there is still a lot to be done. We will continue with the good work and improve wherever improvement is needed to ensure that this municipality better the quality of life for the people within Breede Valley municipal area.

#### 2. Resolutions

It is recommended to council that in respect of the 2020/21 MTREF, and outer financial years that council approves the 2020/21 MTREF budget in terms of section 24 of the Municipal Finance Management Act.

# 3. Executive Summary

#### 3.1 Legislative Background

Section 16 of the Municipal Finance Management Act states:

"Annual budgets

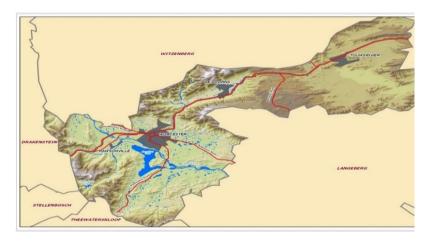
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# Contents of annual budgets and supporting documents

- 17. (1) An annual budget of a municipality must be a schedule in the prescribed format
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    - (i) Estimated revenue and expenditure by vote for the current year; and
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  - (e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed"

# 3.2 Municipal General Overview

The map below outlines the geographical area of Breede Valley Municipality. As per the map Breede Valley Municipality serves the towns of De Doorns, Rawsonville, Touwsrivier and Worcester. Surrounding municipalities include Drakenstein Municipality, Langeberg Municipality, Laingsburg Municipality, Stellenbosch Municipality, Theewaterskloof and Witzenberg Municipality. All the mentioned municipalities, including Breede Valley Municipality forms part of the Cape Winelands District Municipality.



Strategic Framework, Pillars and Objectives of the Municipality



# Strategic Pillars and Objectives

Strategic Pillars	Strategic Objectives
Opportunity	To create a unique and caring Valley of service excellence, opportunity and growth
Safety	To ensure a safe, healthy, clean and sustainable external environment for all Breede Valley's People
Caring	To create and enabling environment for employment and poverty eradication through pro-active economic development and tourism
Inclusive	To provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local government
Well-run municipality	To assure a sustainable future through sound financial management, continuous revenue growth, corporate governance and risk management practises

# 3.3 Budget Principles and Criteria

The 2020/21 MTREF was compiled based on the following principles and criteria:

# Credibility

- Planned Activities must be consistent with the IDP and vice versa.
- Financial viability of municipality should not jeopardised.
- Ensure Capacity to spend the budget.

# Sustainability

- Financial sustainability/ overall financial health of Municipality.
- Revenue/ Expenditure budgeted must be realistic.

#### Responsiveness

- To the needs of the community / public.
- Alignment of IDP, LED Strategies with Budget to give effect to provincial and national priorities.
- Budget must be responsive to economic growth objectives and the socioeconomic needs of the community.

# **Affordability**

 Tariffs must not be increased unreasonably and consumers must be able to afford tariffs.

The 2020/2021 budget is compiled in line with chapter 4 of the Municipal Finance Management Act, MFMA Budget Circulars and other relevant circulars and / or guidelines from National Treasury and Provincial Treasury. The budget strives to be consistent with the financial norms and ratios as per the MFMA Circular 71 to ensure sound and sustainable management of financial affairs of the municipality. The budget is also consistent with the Long Term Financial Plan to ensure synergy between long term planning and implementation of planning. Other important principles includes addressing the need of access to basic services and the efficient capacitation of the municipality, which is in many instances a challenge given limited financial resources.

The main challenges experienced with the compilation of the 2020/21 MTREF are as follow:

- Amendments to mSCOA;
- Effect of water crisis and electricity supply (ESKOM) on the revenue generation;
- Re-categorization of properties leading to decrease in property rates revenue;
- Consumers exploring alternative energy sources and using less municipal electricity
- Direct effect of the current state of the economy on larger municipalities relying on progressive economic activity;
- Vandalism to strategic infrastructure assets;
- Ageing infrastructure and increasing service delivery backlogs; and
- Increasing cost of bulk purchases versus the electricity tariff increases, resulting in pressure to maintain a balance between sustainability, growth and affordability of services.

Service charges and other revenue sources are prepared in accordance with planned activities / initiatives / developments and past performance trends to ensure that the budgeted amounts are realistic and do not negatively affect the credibility of the budget and the financial position of the municipality.

The operating expenditure budget compilation process was done in line with the MFMA budget circulars. In instances of inconsistencies, appropriate reasons for the corresponding deviations are provided.

MFMA circular 70 highlighted examples of non-priority spending that need to be addressed by municipalities. Breede Valley Municipality remains commitment to the elimination of these non-priority items from the 2015/16 MTREF and applying zero percent increases on related items where elimination or a decrease in the 2019/20 MTREF budget is not possible.

Further, MFMA circular 82 on cost containment measures was also taken into consideration with the aim of promoting section 62(1)(a) of the MFMA through the effective, efficient and economical use of municipal resources.

The capital budget for 2020/21 aims to address the service delivery needs within the municipal area, given the available resources internally and externally. The main source of funding remains conditional grant allocations from National and Provincial government departments, followed by either internal funding or external loans (when applicable). The 2020/21 MTREF is not funded by any external loan funding at this stage. External loan funding may however be rolled over from the current financial year in the event where projects funded from this funding source are not fully implemented and budgets fully spent by 30 June 2020.

#### 3.4 Rebates

Rebates relating to Unemployed, Indigent and Pensioners (under and over 70 years of age) are displayed below:

# 3.4.1 Rebates: Unemployed and Indigent

Household Income	Rates	Sewer	Refuse	Rental
RO - R4 500	50%	50%	50%	100%
Max. Valuation	R 150 000			
<u>Free Basic Services</u>				
Electricity	50 Units			
Water	10 Kilolitre			

#### 3.4.2 Rebates: Pensioner

Household Income	Rates	Sewer	Refuse	Rental
Government Pension &				
Disability / Pensioners 60				
years aand older				
RO - R4 500	100%	100%	100%	100%
Max Valuation	R 150 000			
<u>Free Basic Services</u>				
Electricity	50 Units			
Water	10 Kilolitre			

# 3.4.3 Rebates: Pensioner 70 years and older

Pensioners falling in this category are eligible for an additional R65 000.00 rebate on the calculation of their property rates bill. This overall rebate is capped at R150 000.00

# 3.4.4 Special Rating Area (SRA)

In terms of Section 22 of the Municipal Property Rates Act a municipality may by resolution of its Council determine an area within that Municipality as a Special Rating Area (SRA) and levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area. The SRA must submit a budget to the Council annually in terms of the Special Rating Areas By-law.

# 3.5 Budget Overview

The budget overview provides insight pertaining to the operating and capital budgets over the MTREF

The 2020/21 MTREF has a strong focus on the following areas

- Building / upgrading / resealing of municipal roads
- Swimming Pools
- Implementation of the EPWP plan service delivery projects
- Maintenance / improvement of flats / rental units
- Chemical toilets
- Relocation of outside toilets for the vulnerable (elderly, disabled etc.)
- Ward based projects
- Security and safeguarding of municipal assets and infrastructure
- Erosion protection of Zwelethemba bridge
- Upgrading of water networks Pipe cracking project
- Solar conversion for the administrative head office
- Youth Café

#### 3.5.1 Operating Revenue

The table below reflects the operating revenue in relation to the current year and 2020/21 MTREF.

Please refer to Annexure A

Based on the current economic climate within the Breede Valley municipal area, tariffs were kept in line with the guidelines as per MFMA budget circular. This inflation linked increase in tariffs aim to promote sustainability of the revenue, other than the counterproductive method of increasing tariffs to such an extent that the collection rate deteriorates.

The figures represented in this section are the accrued amounts and not actual cash receipts; in other words, the amounts billed for property rates; service charges and interest as it become due.

**Property Rates**: Budgeted revenue is based on the current performance realised during the 2019/20 financial year.

**Service Charges**: The 2019/20 performance on service charges are in line with projected estimations, which informs the 2020/21 Draft Budget figures. The current years' performance anticipated growth in the within the municipal boundaries strongly suggests an conservative approach in revenue generation. This is supported by the increase in income inequality and low GDP per capita as highlighted by the Socio-Economic Profile Report (2019).

**Interest on External Investments:** This 2020/21 budget is informed by the municipality's current investment portfolio, and the anticipated return on investments to be made during the 2020/21 financial year.

**Fines:** The municipality appointed a service provider in the current (2019/20) financial year which will have a positive effect on this revenue source. This increase, together with the collection of monies can yield significant results which can contribute to improved cash position and funding mix of municipal expenditure and savings for future spending.

**Transfers Recognised – Operational:** This revenue item is based on the operational transfers (conditional and unconditional) as per the 2020/21 budget year allocations.

# 3.5.2 Operating Expenditure

The table below reflects the operating expenditure in relation to the current year and 2020/21 MTREF.

Please refer to Annexure A.

The operational expenditure budget was adjusted in order to accommodate the projected operational revenue to be generated over the MTREF. These amendments were mainly effected during the 2019/20 Adjustment Budget, which was used as basis for the 2020/21 MTREF.

**Employee related cost:** Employee related cost is based on the Salary and Wage Collective Agreement and amendments in terms of the staff structure.

The personnel budget is calculated for the full 12 months of the financial year, regardless of when the post are to be filled. The savings that arise from filling vacancies later than the start of the financial year, are then used during the adjustment budget to finance other priorities and as contributions to the CRR.

In the 2019/20 MTREF, the municipality reprioritised other operational expenditures to finance additional positions within the Technical Services directorate. These positions are mainly service delivery related with the aim of improving the level of service to communities.

**Debt Impairment:** The fines and corresponding write-off will be managed within the available budgets. These amounts will be reviewed with the 2020/21 adjustments budget if needed. This budgeted amount is also reflective

**Depreciation and asset impairment:** Depreciation is calculated based on the useful lives of assets, which are currently being reviewed. The commission date of the majority of capital projects are more to the end of the financial year (based on past trends), resulting in new additions not having a full year's depreciation, but only a part thereof.

**Finance charges:** No borrowings will be taken up in 2020/21. The finance charges are calculated based on the municipality's borrowing portfolio. It should also be noted that the interest portion of the repayment decreases over the term of the loan.

**Bulk Purchases:** This item comprises of electricity and water bulk purchases and is based on the current consumption patterns in terms of usage. The municipality also have boreholes that is making a significant contribution in terms of decreasing water bulk purchases.

Other materials and Contracted Services: The budget for other materials is also based on the 3019/20 Mid-year Adjustments Budget. The municipality placed significant emphasis on the funding of temporary workers that will be targeting high priority areas such as area cleaning and basic service delivery aspects where a temporary need exists. Further, maintenance of rental units / flats, relocation of outside toilets for the vulnerable, ward-based projects and maintenance of chemical toilets are projects to received high priority in terms of funding. The implementation of these projects will be closely monitored given the importance and impact it will have on the beneficiaries.

**Other expenditure:** The low percentage increase in other expenditure is due to the cost containment not being increased and also the decreased revenue as mentioned.

Please refer to SA1 for the detail.

#### 3.5.3 Capital budget

MBRR Table A5 - Budgeted Capital Expenditure by standard classification and funding source

Please refer to Annexure A

The majority of funding is allocated to trading services which will ultimately promote service delivery and revenue generation.

The municipality implemented quarterly budget engagements where performance of the capital budget & Grant funding are tracked. Grant funding is planned to be 100% implemented in the current financial year.

# **Technical Services Capital Projects**

The list below represents the major capital projects included in the Draft MTREF

Description	Finance Source	2020/21 Draft Budget	2021/22 Draft Budget	2022/23 Draft Budget
Not Allocated to Wards				
Worcester WwTW	-			
	-			
Rawsonville WwTW	8,0	0	7 470 005	0
Extension of WwTW (0,24 MI/day)	0,0	0	7 473 685	0
- Klipvlakte/ Transhex Residential Development (13 000 erven)	-			
External Stormwater pipeline (MIG)	8,0	6 948 409	8 055 266	0
New Bus Route (Local Distributor Class 4) Transhex	8,0	11 646 365	0 000 200	0
Electrical Reticulation	8,2	22 097 000	37 000 000	38 000 000
New High Mast Lighting - Worcester: Zweletemba Housing Project (MIG number 207755)	8,0	7 871	0	0
Reservoirs				
Langerug	8,0	0	484 571	0
Pre-loads	8,0	12 053 101	12 940 864	0
Upgrading of Gravel Roads				
Breede Valley: Roads	3,0	15 000 000	0	3 000 000
Resealing of Roads				
Resealing of Municipal Roads - Rawsonville	3,2	500 000	500 000	500 000
Resealing of Municipal Roads - Worcester				
External Loan	1,2			
MIG	8,0	0	2 173 396	9 500 000
CRR	3,0	9 500 000	7 326 604	0
Resealing of Municipal Roads - De Doorns				
External Loan	1,2	0	0	0

MIG	8,0	0	0	1 500 000
CRR	3,0	1 000 000	1 500 000	0
Resealing of Municipal Roads - Touws River	8,0	0	0	500 000
Resealing of Municipal Roads - Touws River	3,2	500 000	500 000	0
Speed Humps				
Speed Humps	3,0	700 000	0	0
<u>Traffic Circles</u>				
Traffic Circles: (High and Louis Lange)	3,0	0	0	6 000 000
Traffic Circles: (De La Bat / Roux / Heyns Street)	3,0	500 000	5 500 000	0
Naturalia				
Networks Replacement of Water Network (Roll-over)	3,0	1 000 000	1 000 000	1 000 000
replacement of Water Network (Non-over)	0,0	1 000 000	1 000 000	1 000 000
Electricity (8112)				
Refurbishment of electrical system	3,0	0	9 500 000	8 200 000
Cherry Picker vehicles	3,0	3 860 114	0	0
2) Quality of supply data loggers and monitoring equipment.	3,0	1 000 000	0	0
Area Lighting	11,0	1 147 275		
Alca Lighting	11,0	1 147 275		
SOLID WASTE MANAGEMENT				
WORCESTER				
Refuce Compactor Trucks (19m³)	3,0	0	0	5 247 019
Playparks				
Playparks - All wards	3,0	720 000	0	0
	,,,	120 000	· ·	
Ward 1	_			
Rehabilitation of Bok River Pipe Line - Phase 6	3,2	3 000 000	4 000 000	7 000 000
Augmentation of Water treament works (MIG Counter funding)	3,2	0	2 500 000	7 500 000
		0	0	0
Ward 2		0	0	0
De Doorns : Transfer Station	8,0	0	388 269	0
New Retention Ponds - De Doorns: South of N1 (MIG Number 202347)	8,0	372 512	431 852	0
De Doorns Water Purification Works : Augmentation of DAF Unit (MIG funding)	8,0			
	0,0	3 211 741	5 023 972	0
Stormwater : New Retention Ponds (MIG 202347 - Counter funding)	3,2	1 500 000	1 000 000	1 500 000
Bus Route (MIG 201624 - Counter funding)	3,2	1 500 000 0	1 000 000	1 500 000 11 359 746
	0,2	U	U	11 339 /40
Ward 8	_			
Abbotoir Street Rehabilitation	<u>3,0</u>	0	1 700 000	0
Upgrading of Gravel Roads	<u>3,0</u>	3 000 000	3 000 000	3 000 000

	_			
Erosion Protection of Hex River (Zweletemba)  Erosion Protection of Hex River: Phase 2 ( 300m @ R13,333.33/m)	<u>-</u> <u>3,0</u>	3 000 000	9 000 000	24 000 000
21031011 1 10tection of 11ex (11vel : 1 11d3c 2 ( 000111 @ 1110,000.00111)	<u>0,0</u>	3 000 000	9 000 000	24 000 000
Ward 12	_			
Upgrading of Gravel Road	3,0	5 000 000	0	0
Ward 16				
High mast (flood) lighting	8,0	0	9 125	0
High mast (flood) lighting	3,0	500 000	0	0
Ward 20				
Extension of WwTW (0,561 MI/day extention) (MIG )	3,2	3 000 000	2 000 000	2 353 894
Ward 21				
Upgrading of gravel roads	3,0	1 000 000	1 000 000	1 000 000
SERVICE CONNECTIONS (Depending on Public Contr)				
Sewer Connections	3,3	1 120 000	1 120 000	1 120 000
Water Connections	3,3	2 719 200	2 719 200	2 719 200
Others				
Jet Vac trok	3,0	3 500 000	0	0
Machinery and Equipment	3,0	0	675 000	0
Road and Safety signs	3,0	0	60 000	0
Municipal Vehciles (LDV)	3,0	0	630 000	0
5 Ton trok	3,0	0	890 000	0
Crane Truck	3,0	0	700 000	0
Upgrading of Builing and Facilities	3,0	0	350 000	0
Waste Water Treatment Works				
Lockers (10 x 2 tier)	3,0	0	5 000	0
Office furniture chairs and table	3,0	0	200 000	0
Machinery and Equipment	3,0	0	50 000	0
Lockers (10 x 2 tier)	3,0	0	10 000	0
Office furniture	3,0	0	10 000	0
TOUWSRIVER				
Upgrading of the WWTW	3,0	500 000	9 500 000	0
RAWSONVILLE				
Generator	3,0	0	500 000	0
Laboratory				
Machinery and Equipment	3,0	0	195 000	0

Description	Finance Source	2020/21 Draft Budget	2021/22 Draft Budget	2022/23 Draft Budget
Municipal Managar				
Municipal Manager				
Admin -0603	2.0			
Furniture and Equipment	3,0	5 000	5 000	5 000
Project Management -0615				
Play parks Touwsrivier	6,4	240 000	0	0
Upgrade of soccer pitch in Rawsonville	6,4	420 000	0	0
De Doorns tar-surfaced netball court	6,4	330 000	0	0
Upgrading of playparks in Avian Park, Riverview, Roodewal and Zwelethemba	6,4	260 000	0	0
Sewer connection for neighbourhood centre in Riverview	6,4	450 000	0	0
Upgrade of rugby field in Stofland	6,4	200 000	0	0
Community Services ADMIN - 0903				
Furniture & Equipment	4,0	5 000	5 000	5 000
Youth Café	3,0	600 000	0	0
TOTAL				
HOUSING				
<u>Unallocated DoRA projects - TRANSHEX</u>				
Water Reticulation	20,0	6 000 000	0	0
Sewer Reticulation	20,0	6 000 000	0	0
Roads	20,0	6 000 000	0	0
Stormwater	20,0	6 000 000	0	0
SWIMMING Pool: Zweletemba - 5125				
New Swimming Pool	3,0	16 600 000	0	0
SWIMMING Pool: De Doorns				
New Swimming Pool	3,0	500 000	8 000 000	0
SPORT: Boland Park - 5130				
Replacement of fence perimeter	3,0	0	6 000 000	0
SPORT: Esselen Park				

Replacement of fence perimeter	3,0	6 000 000	0	0
WATERLOO LIBRARY - 4506		0	0	0
Replace equipment	3,0	0	0 30 000	0
Tropiuse equipment	0,0	U	30 000	U
AVIANPARK LIBRARY - 4524				
replace equipment at all libraries (vacuum cleaners, laminators)				
TOTAL				
TRAFFIC				
<u>Buildings</u>				
Municipal Court Furniture and Equipment	3,0	250 000	0	0
Municipal Court Airconditioners	3,0	0	0	0
Upgrading of building - Municipal Court	3,0	300 000	0	0
FIRE DEPARTMENT: ADMIN - 4203				
Vehicle - 4x4 Response	3,0	1 500 000	500 000	0
Fire Engine Chassis	3,0	0	0	1 800 000
Fire Station - De Doorns (Ward 3) (MIG Form ID 228572, Counter Funding)	3,2	0	2 772 618	000 000
The oldion be booms (ward o) (Mio i offin b 220072, odditer i diding)	,		2112010	o
FINANCIAL SERVICES				
Admin	4.0			
Furniture and Equipment	4,0	5 000	5 000	5 000
Financial Planning				
Safeguarding of Assets	12,0	500 000	400 000	400 000
Insurance claims	12,0	500 000	400 000	400 000
	12,0	300 000	400 000	400 000
COUNCIL & MAYCO				
MAYORAL OFFICE - 0306				
Furniture and Equipment	3,0	5 000	5 000	5 000
Tarintaro and Equipment	0,0	0 000	0 000	0 000
STRATEGIC SUPPORT SERVICES				
STRATEGIC SUPPORT - ADMIN - 2103				
Furniture and Equipment	4,0	5 000	5 000	5 000
. s.ma.o and Equipmont	7,0	3 000	0 000	0 000
WORCESTER TOWN HALL				
Airconditioner	3,0	3 423 650	0	0
TOTAL				
CIVIC CENTRE WORCESTER - 3903				
Solar pannel - conversion	3,0	2 500 000	500 000	0

Kindly refer to SA36 for the detail capital budget.

# 4. Annual Budget Tables

The budget tables prepared in accordance with the Municipal Finance Management Act, and Municipal Budget and Reporting Regulations are listed in below:

- **Table A1** Budget Summary
- **Table A2** Budgeted Financial Performance (Revenue and Expenditure by standard classification)
- Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- **Table A4** Budgeted Financial Performance (revenue and expenditure)
- Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
- Table A6 Budgeted Financial Position
- Table A7 Budgeted Cash Flows
- Table A8 Cash Backed Reserves / Accumulated Surplus Reconciliation
- Table A9 Asset Management
- Table A10 Basic Service Delivery Measurement

Kindly refer to Appendix A for the detailed Schedule A tables.

Breede Valley Municipality do not have any entities, therefore, no consolidation of budget information and tables are presented in the document and other supporting documentation.

# **PART 2 – Supporting Documentation**

# 5. Overview of Annual Budget Process



	STEP	PROCESS
1.	Planning	Schedule key dates, establish consultation forums, review previous processes
2.	Strategising	Review IDP, Determine priorities, set service delivery targets and objectives for the next three years, consult on tariffs, indigent, credit control, free basic services, etc and consult local, provincial, and national issues, previous years performance and current economic and demographic trends.
3.	Preparing	Prepare budget, revenue, expenditure projections, draft budget policies, consult and consider local, provincial and national priorities.
4.	Tabling	Table draft budget, IDP and budget related policies before the council, consult and consider formal local, provincial, and national inputs and responses.
5.	Approving	Council approves budget and related policies.
6.	Finalising/ Implementation	Publish and approve SDBIP and annual Performance agreements and indicators. Publish Budget in terms of sect.22 MFMA



ISSUE	TIMEFRAME
IDP/Budget Process Plan/Timetable approved by council	August 2019
IDP Meetings – Inputs from Ward Councilors & Ward Committees	Oct - Nov 2019
First IDP/ Budget Steering Committee Meeting	Oct-November 2019
Departmental inputs on Draft allocations	Nov & Dec 2019
Second Budget Steering Committee - Consider Adjustment budget	January 2019
IDP Rep Forum Consultation	November 2019 March 2020
Draft Budget Input captured and Budget balanced	March 2020
Draft IDP & Budget tabled in Council	March 2020
IDP & Budget workshop - Council	April 2020
Public Consultation	April 2020
LGMTEC 3	May 2020
Finalise Sector / Dept Strategy Plan / Budget - IDP	April 2020
Consideration of Comments received	April 2020
Tabling of Final MTREF	End May 2020

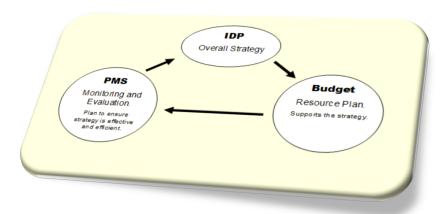
The IDP / Budget process plan was consulted with all relevant stakeholders, whom are:

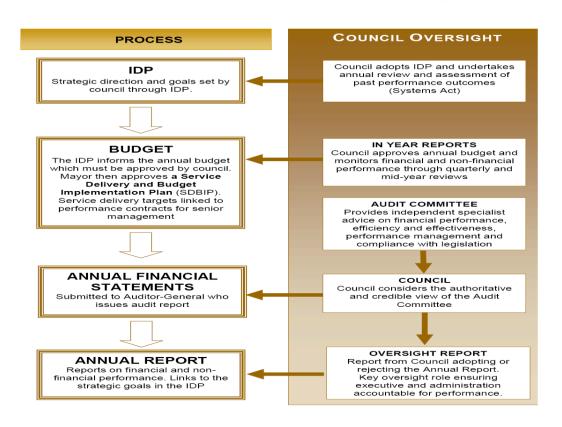
- Council
- Executive Mayor and Mayoral Committee
- Accounting Officer

- Management
- Institutional Committees
- District Municipality (Cape Winelands District Municipality)
- Intergovernmental (National Treasury, Provincial Treasury and Department of Local Government)
- Ward councillors, ward committees and community in wards

# 6. Overview of alignment of annual budget with Integrated Development Plan

The below diagrams illustrates the link between the municipality's IDP and Budget





# MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Please refer to Annexure A

# MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Please refer to Annexure A

# MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Please refer to Annexure A

# 7. Measurable performance objectives and indicators

SA7 provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Please refer to Annexure A

#### 8. MBRR Table SA8 - Performance indicators and benchmarks

The following table sets out the municipalities main performance objectives and benchmarks for the 2019/20 MTREF.

Please refer to Annexure A

# 9. Overview of Budget Related Policies

The following budget related policies are in use:

- Asset Management Policy
- Borrowing Policy
- Budget Policy
- Budget Virement Policy
- Costing Policy
- Credit Control and Debt Collection Policy
- Funding and Reserves Policy
- Insurance Management Policy
- Long Term Financial Plan Policy
- Property Rates Policy
- Tariff Policy
- Write-off Policy
- Supply Chain Management Policy.

Please refer to annexure D for the budget related policies.

# 10. Overview of Budget Assumptions

The following budget assumptions were used as basis for compilation of the 2020/21 MTREF:

#### Tariff increases:

Service	Percentage Increase (%)
Electricity	As per NERSA guideline
Water	6% - 7%
Sewerage	6% - 7%
Refuse	6% - 7%
Rates	6% - 7%

<sup>\*</sup>Kindly refer to Annexure E for the complete list of tariffs

- CPIX = 4.5 percent (MFMA budget circular)
- Employee related cost is based on the Salary and Wage Collective Agreement.
- Government Grant will be received as gazetted by National and Provincial Government.
- Electricity bulk purchases in line with NERSA guideline (8.1 per cent for 2020/21, 5.2 per cent 2021/22 and 8.9 per cent for 2022/23).
- Minimal growth in revenue base. Mostly related to low cost housing.
- No / limited increases applied on cost containment items.
- Indigent households is anticipated to remain in the region of 8000 households (formal)
- Budgeted collection rate equals to 95 percent
- Conditional grant will be fully spent
- No borrowings to be undertaken over the MTREF
- Credit rating: Baa1.za

# 11. Overview of Budget Funding

#### Funding sources of operating expenditure budget.

This overview provides the funding for operating expenditure to be incurred in future financial years.

Please refer to table A1 of Annexure A

# Funding sources of capital expenditure budget

Similar to the operating revenue, the capital funding indicates how the capital programme of the municipality will be financed in future years. Based on the above table, it is clear that the municipality is largely grant dependant when external funding (loans) are not being taken up. However, it should be noted that significant progress was made with regards to the contribution of own resources to the capital programme.

Internal funding in the form of the Capital Replacement Reserve (CRR) is cash backed and sufficient to cover the related capital expenditure projects for the budget year. The municipality remains committed in growing the CRR by making contributions to this reserve to enable better service delivery in the form of capital expenditure. Projects funded from the CRR will be closely monitored to aid implementation and where adjustments are required due to implementation challenges, funds will be directed or reprioritised as per the prerogative of management, through the guidance of the IDP and / or the municipality's financial status.

# 12. Expenditure on allocations and grant programmes

MBRR SA19 - Expenditure on transfers and grant programmes

Kindly refer to table SA19 of Annexure A.

13. Allocations or grants made by the municipality

MBRR SA21- Transfers and grants made by the municipality

Kindly refer to table SA21 of Annexure A.

14. Councillors and board members allowances and employee benefits

MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Kindly refer to table SA23 of Annexure A.

15. Monthly targets for revenue, expenditure and cash flow

MBRR SA25 - Budgeted monthly revenue and expenditure

Please refer to table SA25 of annexure A.

16. Contracts having future budgetary implications

MBRR SA33 – Contracts having future budgetary implications

Please refer to table SA33 of annexure A.

17. MBRR SA35 - Future financial implications of the capital budget

Please refer to table SA35 of annexure A.

# 18. Capital expenditure details

# MBRR SA36 - Detailed capital budget per municipal vote

Please refer to table SA36 of annexure A.

#### 19. Legislation compliance status

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

- **In-year reporting**: Reporting to National Treasury and Provincial Treasuries are done in line with the legislated prescripts.
- Internship programme: This programme is fully functional within the municipality with 5 interns being employed under this programme. Four of the interns are currently rotating within the Finance Directorate, and one being developed in our Internal Audit section / unit.
- **Budget and Treasury Office**: The Budget and Treasury Office has been established in accordance with the MFMA.
- Audit Committee: An Audit Committee has been established and is fully functional.
- Service Delivery and Implementation Plan
- Annual Report: Annual report is compiled in terms of the MFMA and National Treasury requirements.
- MFMA Training
- Policies

#### 20. Other supporting documents

Please refer to annexures E for MFMA budget circular

#### 21. Annual budgets of municipal entities attached to the annual budget

No municipal entities.

#### **COMMENTS BY OTHER DIRECTORATES**

Municipal Manager – Recommendation supported

**Director Strategic Services** – Recommendation supported

**Director Community Services** – Recommendation supported

**Director Technical Services** – Recommendation supported

#### RECOMMENDATION

That in respect of the 2020/21 Draft Budget discussed by Council at the Council Meeting of 26 March 2020:

- Council approves the draft annual budget tables and annual budget supporting tables as prescribed by the Municipal Budget and Reporting Regulations, as set out in Annexure A.
- 2. Council approves the Quality Certificate to the draft budget signed by the Accounting Officer, as per Annexure B.
- 3. Council approves the revised budget related policies as per Annexure C.
- Council approves the draft tariffs, tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D

RESOLVED C22/2020

That in respect of the 2020/21 Draft Budget discussed by Council at the Council Meeting of 26 March 2020:

- 1. Council approves the draft annual budget tables and annual budget supporting tables as prescribed by the Municipal Budget and Reporting Regulations, as set out in Annexure A.
- 2. Council approves the Quality Certificate to the draft budget signed by the Accounting Officer, as per Annexure B.
- 3. Council approves the revised budget related policies as per Annexure C.
- 4. Council approves the draft tariffs, tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D