# 2021/22 DRAFT BUDGET MEDIUM TERM REVENUE AND EXPENDITURE FRAMWORK

File No. /s: 3/2/2/21 Responsible Official: R Ontong

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

#### **Purpose**

The purpose of this submission is to present the 2021/22 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 2021/22 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 2021/2022 – 2023/2024



30 MARCH 2021

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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

ℓ 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 Breede Valley 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 in planning for anticipated future developments / realizations. The current reality that we are facing has to date had devastating effects on our communities and those in surrounding municipalities through the loss income, work and lives. This COVID 19 Pandemic changed the way in which we conduct our daily lives and how we interact with each other, posing new and unprecedented challenges to us demanding solutions in order for us to survive and progress to our vision of a 'A unique and caring Valley of service excellence, opportunity and growth'.

Breede Valley Municipality will continue to address service delivery backlogs and will prioritise where needed to ensure the most urgent matters are catered for. We will continue striving for improvement on all levels 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 2021/22 MTREF, and outer financial years that council approves the 2021/22 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:

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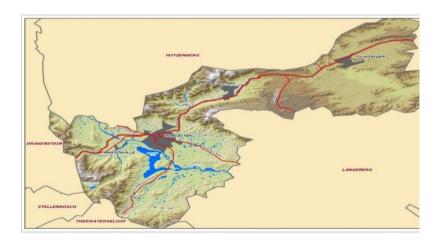
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
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#### Contents of annual budgets and supporting documents

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  - (d) Setting out
    - (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.



### Strategic Framework, Pillars and Objectives of the Municipality



Breede Valley Municipality developed five strategic pillars that are underpinned by, which underpin six strategic objectives. The strategic objectives have been developed to address the challenges identified during the IDP development process and are linked to service areas and predetermined objectives.

	STRATEGIC PILLARS						
	Breede Valley Municipality strives to provide an opportunity for every resident to						
OPPORTUNITY	have access to all basic services and to live in a safe, caring and well-managed						
	municipal environment.						
SAFETY	Breede Valley Municipality aims to partner with the community, other government departments and community organisations to provide a safe environment in which						

	communities, especially women and children, can thrive in pursuit of good community values.					
CARING	Breede Valley Municipality will provide care to all vulnerable groups and encourage social investment with a focus on youth development and opportunities for the youth to play a meaningful role in developing a better and caring Breede Valley community.					
INCLUSIVE	Breede Valley plans, in consultation with all residents and partners, to create and stimulate social cohesion, to restore hope and to break down social divisions.					
	Breede Valley Municipality continues to build on being a well-run municipality, with					
WELL-RUN	strong and committed administration upholding the principles of good governance,					
MUNICIPALITY	maintaining a good credit rating, providing basic services to all and improving our solid productivity rating.					

#### STRATEGIC OBJECTIVES

Section 24 of the Municipal Systems Act states:

- (1) The planning undertaken by a municipality must be aligned with, and complement, the development plans and strategies of other affected municipalities and other organs of state so as to give effect to the principles of cooperative government contained in Section 41 of the Constitution.
- (2) Municipalities must participate in national and provincial development programmes as required in Section 153(b) of the Constitution."

	STRATEGIC OBJECTIVES
SO 1	To provide and maintain basic services and ensure social upliftment of the Breede Valley community
SO 2	To create an enabling environment for employment and poverty and poverty eradication through proactive economic development and tourism
SO 3	To ensure a safe, healthy, clean and sustainable external environment for all Breede  Valley's people
SO 4	To provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local
SO 5	To ensure a healthy and productive workforce and an effective and efficient work environment
SO 6	To assure a sustainable future through sound financial management, continuous revenue growth, corporate governance and risk management practices

#### 3.3 Budget Principles and Criteria

The 2021/22 MTREF was compiled based on the following principles and criteria taken into account, the impact of the COVID 19 pandemic and on the economy:

#### Credibility

- Planned Activities must be consistent with the IDP and vice versa.
- Financial viability of municipality should not be 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 2021/2022 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 include 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 2021/22 MTREF are as follow:

- COVID 19 Pandemic
- Amendments to mSCOA:
- Effect of electricity supply (ESKOM) on the revenue generation
- 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
- 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 2021/22 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 2021/22 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. The 2021/22 MTREF is not funded by any external loan funding at this stage.

#### 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
R0 - R4 500	50%	50%	50%	100%
Max. Valuation	R 270 000			
Free Basic Services				
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 270 000			
Free Basic Services				
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 R180 000.00 rebate on the calculation of their property rates bill. This overall rebate is capped at R270 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

#### **COVID 19 Pandemic – Impact on the Budget**

The COVID 19 pandemic had a major influence on the planning and budgeting process for the Medium-Term Revenue and Expenditure Framework for the current financial year and will continue to do so in the 2021/22 MTREF. The current reality brought high levels of uncertainty relating to projection of the anticipated financial performance and position of the municipality in ensuring that the budget to be approved by Council adheres the requirements of credibility and sustainability.

The current situation forces us to remain prudent and continue with applying resources in a well-balanced manner.

The pandemic also brought about a reduction in the collection rate which is largely contributed by the suspension of economic activity. Given the various levels of restrictions and activities allowed within each respective level, many households, businesses, and other rate payers were negatively affected which influenced their ability to settle the municipal accounts. This results in business closing and workers

losing employment, having an adverse effect on the municipality's cash position and contributes to increases in the debt portfolio and indigent portfolio.

Municipal spending of discretional nature remains at the bare minimum to continue honouring non-discretionary commitments. The utilization of both financial and non-financial resources are being monitored to promote the effective and efficient utilization of these resources. This requires the municipality to continuously adapt and re-design where needed in order to continue implementing its constitutional mandate.

#### 3.5.1 Operating Revenue

The table below reflects the operating revenue in relation to the current year and 2021/22 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 and NERSA guideline consultation paper. 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 2020/21 financial year and anticipated revenue based on the new valuation roll to be implemented 1 July 2021.

**Service Charges**: The 2021/22 projected revenue for service charges is based on the current performance and anticipated trends over the MTREF.

**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 2021/22 financial year.

**Fines:** Fines are projected in accordance with the anticipated issues for the 2021/22 MTREF.

**Transfers Recognised – Operational:** This revenue item is based on the operational transfers (conditional and unconditional) as per the 2021/22 budget year allocations.

#### 3.5.2 Operating Expenditure

The table below reflects the operating expenditure in relation to the current year and 2021/22 MTREF.

#### Please refer to Annexure A.

The operational expenditure budget was adjusted in order to accommodate the projected operational expenditure to be incurred over the MTREF. These amendments/adjustments are based on the 2020/21 Adjustment Budget.

Further, additional amendments given the COVID 19 pandemic are still in place. These amendments are informed by the following principles:

- No additional positions to be funded. Current structure and funding mix to remain as is.
- No new positions
- No new temporary contracts
- EPWP workers to be used as alternative to counter staff shortages where needed
- Review of standby and overtime
- No and/or limited travel and subsistence
- Efficient and effective utilization of internal staff apposed to using external contractors
- Hiring of plant and equipment limited to extreme cases

The principles underpin the renewed approach to service delivery in these unprecedented times. The municipality established various committees to explore creative and innovative ways to add value to the respective functional areas across the municipality. The committees will address issues pertaining to:

- Costing and expenditure control, including cost containment
- Revenue recovery enhancement
- Financial aspects with focus on Ratio's
- Supporting SCM and compliance
- Prioritization of expenditures to assure essential services and impact on revenue enhancement
- Local economic development,
- Spatial planning integration

**Employee related cost:** Employee related cost is based on the current staff structure.

**Debt Impairment:** The fines and corresponding write-off will be managed within the available budgets. These amounts will be reviewed with the 2021/22 adjustments budget if needed.

**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:** 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 bulk purchases and is based on the current consumption patterns in terms of usage. The increase in this expenditure item is based on the NERSA guideline consultation paper issued in terms of budgeting for the 2021/22 MTREF.

Other materials and Contracted Services: The budget for other materials is also based on the 2019/20 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 conservative approach applied by the municipality.

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 municipality implemented quarterly budget engagements where performance of the capital budget & Grant funding is tracked.

## **Technical Services Capital Projects**

The list below represents the major / significant capital projects included in the Final MTREF

Description	Finance Source	Finance Source Desc.	2021/22 Draft Budget	2022/23 Draft Budget	2023/24 Draft Budget
Technical Services					
Not Allocated to Wards					
Worcester WwTW	-	_			
<u>Stettynskloof Water Supply (Worcester/Rawsonville)</u> Upgrading of Stettynskloof Supply Pipe Line - Phase 3 (MIG 164422)	- 8,0	_ MIG		3 421 924	
Rawsonville WwTW					
Extension of WwTW (0,24 MI/day)	8,0	MIG	6 296 742		
Klipvlakte/ Transhex Residential Development (13 000 erven)	-	-			
Electrical Reticulation	8,2	INEP	21 000 000	38 000 000	38 000 000
Reservoirs					
Pre-loads	8,0	MIG		18 481 271	
Touws River: Waste Water Treatment Works (WwTW) Augmentation					
MIG	8,0	MIG			2 000 000
Touws River: Water Treatment Works (WTW)  Augmentation  MIG	8,0	MIG			2 000 000
Touws River : Water Network Upgrades to Affordable Housing Project					

MIG	8,0	MIG			500 000
Touws River : Sewer Network Upgrades to Affordable					
Housing Project					
MIG	8,0	MIG			500 000
Upgrading of Gravel Roads					
Breede Valley: Roads	3,0	CRR		10 000 000	10 000 000
Resealing of Roads					
Resealing of Municipal Roads - Rawsonville	3,2	CRR	500 000	500 000	500 000
Resealing of Municipal Roads - Worcester					
MIG	8,0	MIG	25 776 248	7 432 593	26 614 000
CRR	3,0	CRR	2 000 000	2 000 000	5 000 000
Resealing of Municipal Roads - Avian Park	8,0	MIG	1 124 263		
Resealing of Municipal Roads - Zwelethemba	8,0	MIG		420 000	
Resealing of Municipal Roads - De Doorns					
MIG	8,0	MIG			1 500 000
CRR	3,0	CRR	1 000 000		
Resealing of Municipal Roads - Touws River					
Resealing of Municipal Roads - Touws River	8,0	MIG			500 000
Traffic Circles					
Traffic Circles: (High and Louis Lange)	3,0	CRR	6 000 000	6 000 000	
Traffic Circles: (De La Bat / Roux / Heyns Street)	3,0	CRR			5 500 000
<u>Networks</u>					
Replacement of Water Network (Roll-over)	3,0	CRR	1 000 000	1 000 000	1 000 000
Electricity (8112)					
Refurbishment of electrical system	3,0	CRR	4 500 000	5 000 000	8 200 000
Cherry Picker vehicles	3,0	CRR	3 860 114		
Refurbishment of electrical system (NERSA)					
2) Quality of supply data loggers and monitoring equipment.	3,0	CRR	1 000 000		
Altona new Electrical Substation	3,0	CRR	6 000 000	15 000 000	
Electricity - Vehicles Electricity - Machinery and Equipment	3,0 3,0	CRR CRR	750 000	750 000	750 000
Electricity - Macrimery and Equipment	3,0	UNN	500 000	750 000	750 000
Civil Engineering					
LDV	3,0	CRR	250 000		
Survey Equipment	3,0	CRR	50 000		
Office Furniture	3,0	CRR	30 000		
SOLID WASTE MANAGEMENT					

WORCESTER			1		
Wheeliebins	3,0	CRR	1 000 000	1 000 000	1 000 000
Ward Priorities					
Speed Humps	3,0	CRR	2 000 000		
High Mast lights	3,0	CRR	4 500 000		
Development of Playparks	3,0	CRR	1 000 000		
Fencing of Substations	3,0	CRR	250 000		
Bus Stop / Shelter	3,0	CRR	100 000		
Ward 1					
Rehabilitation of Bok River Pipe Line - Phase 6	8,0	MIG			7 000 000
Touws River: Bok River Solar System	8,0	MIG		500 000	1 000 000
·					
Ward 2	-	-			
De Doorns : Transfer Station	8,0	MIG	516 145		
New Retention Ponds - De Doorns: South of N1 (MIG Number 202347)	8,0	MIG		956 814	
De Doorns Water Purification Works : Augmentation of DAF	8,0	MIG			
Unit (MIG funding)	0,0	IIII O	2 546 602	7 773 398	
Ward 8					
Upgrading of Gravel Roads	3,0	CRR	3 000 000	3 000 000	3 000 000
opgrading of Graver Roads	0,0	Or ar c	3 000 000	3 000 000	3 000 000
Erosion Protection of Hex River (Zweletemba)	=	-			
Erosion Protection of Hex River : Phase 2 ( 300m @	2.0	CRR			
R13,333.33/m)	<u>3,0</u>	CKK	3 150 000		
Ward 12					
Upgrading of Gravel Road	-	- CDD			
opgrading of Graver Road	3,0	CRR	6 000 000		
Ward 21	_	_			
Upgrading of gravel roads	3,0	CRR	1 000 000	1 000 000	1 000 000
	-,-		1 000 000	1 000 000	1 000 000
SERVICE CONNECTIONS (Depending on Public Contr)					
Sewer Connections	3,3	CRR	1 120 000	1 120 000	1 120 000
Water Connections	3,3	CRR	2 719 200	2 719 200	2 719 200
Machinery and Equipment	3,0	CRR	1 000 000	2 000 000	2 000 000
Municipal Vehciles (LDV)	3,0	CRR	1 500 000		
ROADS AND STORMWATER					
Machinery and Equipment	3,0	CRR	1 000 000	2 000 000	2 000 000
Public Services - Vehicles	3,0	CRR	1 500 000	1 500 000	1 500 000
	_,•	·· ·	1 300 000	1 000 000	1 300 000
Town Planning and Building Control					
Land Infill Developments					
Johnsons Park - Water	3,0	CRR	292 085		
	ı -,-		202 000	I	l

	3,0		876 009		
Johnsons Park - Stormwater	3,0	CRR	189 856		
Johnsons Park - Electricity	3,0	CRR	1 980 000		
Avian Park Industrial - Water	3,0	CRR		146 043	146 043
Avian Park Industrial - Sewer	3,0	CRR		438 005	438 005
Avian Park Industrial - Stormwater	3,0	CRR		94 928	94 928
Avian Park Industrial - Electricity	3,0	CRR		990 000	990 000
Avian Park Industrial - Sewer Pumpstation	3,0	CRR	1 000 000	9 000 000	10 000 000
Somerset Park - Water	3,0	CRR	50 000	146 043	
Somerset Park - Sewer	3,0	CRR	50 000	438 005	
Somerset Park - Stormwater	3,0	CRR	100 000	94 928	
Somerset Park - Electricity	3,0	CRR	50 000	990 000	
SWIMMING POOL: Zwelethemba - 5125					
Zwelethemba - New Swimming Pool	3,0	CRR	15 000 000		
Municipal Manager					
Admin -0603					
	3,0	CRR	5 000	5 000	5 000
Community Services					
ADMIN - 0903	4.0	CDD			
Furniture & Equipment	4,0	CRR	5 000	5 000	5 000
HOUSING					
<u>Unallocated DoRA projects - TRANSHEX</u> <u>SWIMMING Pool: Zweletemba - 5125</u>					
SWIMMING Pool: De Doorns					
	3,0	CRR		500 000	15 000 000
SPORT: Boland Park - 5130					
	3,0	CRR		6 000 000	
SPORT: Esselen Park					
	20	CRR	0.000.000		
replacement of letice perimeter	3,0	UNK	6 000 000		
SPORT: Zwelthemba					
Replacement of fence perimeter	3,0	CRR			6 000 000
SPORT: Steenvliet					
Machinery and Equipment	3,0	CRR	100 000		
WATERLOO LIBRARY - 4506					

		CRR	30 000		
Replace equipment	6,1	Libraries	100 000		
TRAFFIO					
TRAFFIC					
Buildings		CDD			
Machinery and Equipment	3,0	CRR	100 000		
Traffic - Vehicles	3,0	CRR	500 000		
FIRE DEPARTMENT: ADMIN - 4203					
Machinery and Equipment	3,0	CRR	500 000		
FINANCIAL SERVICES					
Admin					
Furniture and Equipment	4,0	CRR	5 000	5 000	5 000
Financial Planning					
Safeguarding of Assets	12,0		400 000	400 000	400 000
Insurance claims	12,0		400 000	400 000	400 000
COUNCIL & MAYCO					
MAYORAL OFFICE - 0306					
Furniture and Equipment	3,0	CRR	5 000	5 000	5 000
CTDATEOUS CURRORT CERVICES					
STRATEGIC SUPPORT SERVICES					
STRATEGIC SUPPORT - ADMIN - 2103		000			
Furniture and Equipment	4,0	CRR	5 000	5 000	5 000
WORCESTER TOWN HALL					
CIVIC CENTRE WORCESTER - 3903					
Solar pannel - conversion	3,0	CRR	500 000		
INFORMATION TECHNOLOGY - 2114					
ICT - Computer Equipment	3,0	CRR	3 000 000		
Call Center & Telephone (PBX) System	3,0	CRR	2 500 000		
Biometric system	3,0	CRR	150 000		
Fire Alarm (DR site)	3,0	CRR	150 000		
Infrastructure Replacement & Upgrades (Servers, Storage and Connectivity)	3,0	CRR		10 000 000	
Airconditioner (DR Site)	3,0	CRR	50 000	11 300 000	

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 No	ISSUE	TIMEFRAME
1	IDP/Budget Process Plan/Timetable approved by council	Aug 2020
2	IDP Meetings – inputs from Ward Councilors & Ward Committees	Oct 2020
3	First IDP/ Budget Steering Committee Meeting	Nov 2020
4	Departmental inputs on Draft allocations	Nov & Dec 2020
5	2 <sup>nd</sup> Budget Steering Committee – Consider Adjustment budget	Jan 2021
6	Draft Budget input captured and Budget balanced	March 2021
7	Draft IDP & Budget tabled in Council	March 2021
8	IDP & Budget workshop - Council	April 2021
9	Public Consultation	April 2021
10	Finalise Sector / Dept Strategy Plan / Budget - IDP	April 2021
11	Consideration of Comments received	April 2021
12	Tabling of Final MTREF	End May 2021



## Process Plan

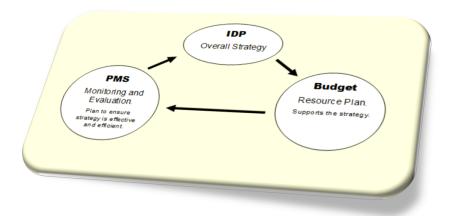
	STEP	PROCESS
1.	Planning	Schedule key dates, establish consultation forums, review previous processes
2.	Strategising	Review IDP, Determine priorities, set service delivery targets and objectives for the next three years, consult on tariffs, indigent, credit control, free basic services, etc and consult 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

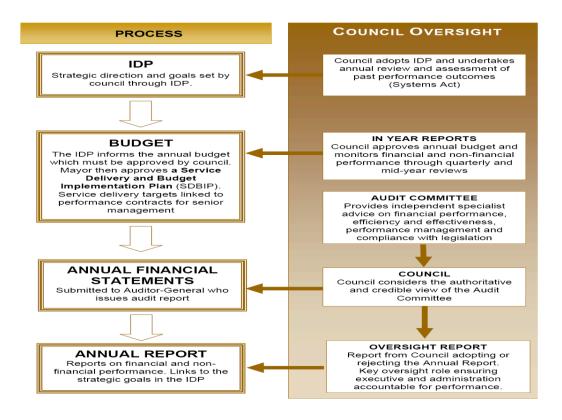
The IDP / Budget process plan was consulted with all relevant stakeholders, whom are:

- 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 municipality's main performance objectives and benchmarks for the 2021/22 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
- Cost Containment 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 2021/22 MTREF:

#### Tariff increases:

Service	Percentage Increase (%)
Electricity	15.9% pending NERSA final guideline
Water	5%
Sewerage	5%
Refuse	5%

Rates	New General
	Valuation

\*Kindly refer to Annexure E for the complete list of tariffs

- CPIX = 3.9 percent (MFMA budget circular)
- Employee related cost is based on the 5% increase
- Government Grant will be received as gazetted by National and Provincial Government.
- Electricity bulk purchases in line with NERSA guideline consultation paper (17.8 per cent for 2021/22, 8.9 per cent for the outer years).
- Minimal growth in revenue base. Mostly related to low cost housing.
- No / limited increases applied on cost containment items.
- Indigent households is anticipated be in the region of 10 000 households (formal)
- Budgeted collection rate equals to 85 percent
- Conditional grant will be fully spent
- 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 in recent years.

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 4 interns being employed under this programme.
- 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 Engineering Services** – Recommendation supported

**Director Public Services (Acting)** – Recommendation supported

#### RECOMMENDATION

That in respect of the 2021/22 Draft Budget discussed by Council at the Council Meeting of 30 March 2021:

- 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.
- Council approves the draft tariffs, tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D

C28/2021

#### **RESOLVED**

That in respect of the

#### 2021/22 Draft Budget

discussed by Council at the Council Meeting of 30 March 2021:

- Council notes 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 notes the Quality Certificate to the draft budget signed by the Accounting Officer, as per Annexure B.
- 3. Council notes the revised budget related policies as per Annexure C.
- 4. Council notes the draft tariffs, tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D
- 5. The draft budget and supporting documents as tabled, to be referred to a workshop by councillors to be held on 13 April 2021 and submitted to council for final consideration and adoption on 25 May 2021.