

## **2022/23 DRAFT BUDGET MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

**File No. /s:** 3/2/2/22

**Responsible Official:** R Ontong

**Directorate:** Financial Services

**Portfolio:** Financial Services

### **Purpose**

The purpose of this submission is to present the 2022/23 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 2022/23 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**)

Demand Management Plan (**Annexure F**)

# **DRAFT MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK 2022/2023 – 2024/2025**



**BREED VALLEY**  
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

**31 MARCH 2022**

## **TABLE OF CONTENTS**

### **PART 1 – Annual Budget**

1. Mayors' Report
2. Resolutions
3. Executive Summary
4. Annual Budget Tables

### **PART 2 – Supporting Documentation**

5. Overview of annual budget process
6. Overview of alignment of annual budget with IDP
7. Measurable performance objectives and indicators
8. Overview of budget related policies
9. Overview of budget assumptions
10. Overview of budget funding
11. Expenditure on allocations and grant programmes
12. Allocations on grants made by the municipality
13. Councillor allowances and employee benefits
14. Monthly targets for revenue, expenditure and cash flow
15. Contracts having future budgetary implications
16. Capital expenditure details
17. Legislation compliance status
18. Other supporting documents
19. Annual budgets of municipal entities attached to the annual budget

## Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated 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 Area
KPI	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 2022/23 MTREF, and outer financial years that council approves the 2022/23 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

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.

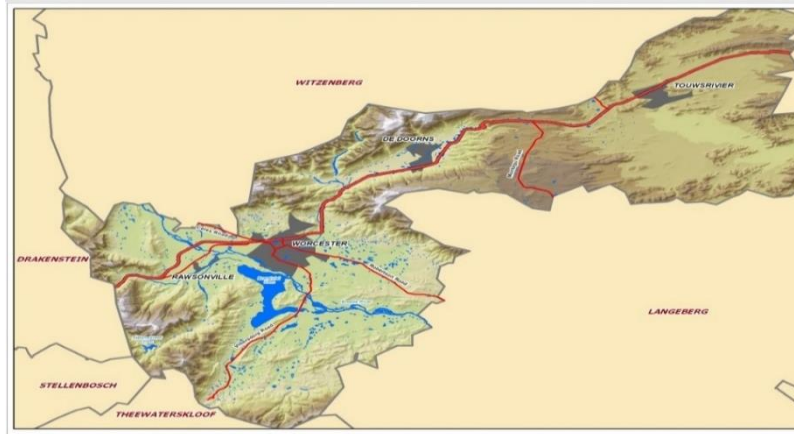
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period 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”

## **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	
<b>OPPORTUNITY</b>	Breede Valley Municipality strives to provide an opportunity for every resident to have access to all basic services and to live in a safe, caring and well-managed municipal environment.
<b>SAFETY</b>	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.
<b>CARING</b>	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.
<b>INCLUSIVE</b>	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.
<b>WELL-RUN MUNICIPALITY</b>	Breede Valley Municipality continues to build on being a well-run municipality, with strong and committed administration upholding the principles of good governance, 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	
<b>SO 1</b>	To provide and maintain basic services and ensure social upliftment of the Breede Valley community
<b>SO 2</b>	To create an enabling environment for employment and poverty and poverty eradication through proactive economic development and tourism
<b>SO 3</b>	To ensure a safe, healthy, clean and sustainable external environment for all Breede Valley's people
<b>SO 4</b>	To provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local
<b>SO 5</b>	To ensure a healthy and productive workforce and an effective and efficient work environment
<b>SO 6</b>	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 2022/23 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 socio-economic needs of the community.

#### **Affordability**

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

The 2022/2023 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 2022/23 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 2022/23 aims to address the service delivery needs within the municipal area, given the available resources internally and externally. The main source of funding are external loans, conditional grant allocations from National and Provincial government departments, followed by either internal funding.

### 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			
<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 and older R0 - R4 500	100%	100%	100%	100%
Max Valuation	R 270 000			
<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 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. There are currently two approved SRAs, Worcester Improvement District and Langerug Special Rating Area. There is currently an application that Council needs to consider for the Fairway Heights Special Rating Area.

## 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 2022/23 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 discretionary 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 2022/23 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 current valuation roll.

**Service Charges:** The 2022/23 projected revenue for service charges is based on the current performance and anticipated trends over the MTREF.

**Interest on External Investments:** This budget is informed by the municipality's current investment portfolio, and the anticipated return on investments to be made over the MTREF.

**Fines:** Fines are projected in accordance with the anticipated issues for the 2022/23 MTREF.

**Transfers Recognised – Operational:** This revenue item is based on the operational transfers (conditional and unconditional) as per the 2022/23 budget year allocations.



### 3.5.2 Operating Expenditure

The table below reflects the operating expenditure in relation to the current year and 2022/23 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 2021/22 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 opposed 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 2022/23 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. This amount includes the finance charges in respect of the new external loan to be acquired.

**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 2022/23 MTREF.

**Other materials and Contracted Services:** The budget for other materials is also based on the 2021/22 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 amendment in other expenditure is due to the cost containment not being increased and also the conservative approach applied by the municipality, while also attending to operational expenditure that is needed to effectively and efficiently conduct municipal operations.

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.

#### Capital Projects

The list below represents the major / significant capital projects.

Description	Finance Source	Ukey	2022/23 Financial Year	2023/24 Financial Year	2024/25 Financial Year
<b><u>Engineering Services and Public Services</u></b>					
<b><u>Not Allocated to Wards</u></b>					
<b><u>Stettynskloof Water Supply (Worcester/Rawsonville)</u></b>	-	-			
Upgrading of Stettynskloof Supply Pipe Line - Phase 3 (MIG 164422)	8,0	MIG	3 421 924	0	0
Increase dam Level (Stetteynskloof Dam)	1,1	Loans	5 000 000	20 000 000	25 000 000
<b><u>Rawsonville WwTW</u></b>					
Extension of WwTW (0,24 Ml/day)	1,1	Loans	27 000 000	0	0
-	-	-			
<b><u>Klipvlakte/ Transhex Residential Development (13 000 erven)</u></b>	-	-			
Electrical Reticulation	8,2	INEP	15 000 000	38 000 000	39 706 000
<b><u>Reservoirs</u></b>					
Pre-loads	8,0	MIG	18 481 271	0	0
Pre-loads	1,1	Loans	55 000 000	0	0
<b><u>Upgrading of Sewer Network</u></b>					
External Loan	1,1	Loans	18 000 000	0	0
CRR	3,0	CRR / Own Funding	0	10 000 000	10 000 000
<b><u>Touws River: Waste Water Treatment Works (WwTW) Augmentation</u></b>					
MIG	8,0	MIG	500 000	2 000 000	26 000 000
MIG Counter Funding (CRR)	3,2	CRR / Own Funding	0	0	18 000 000
WSIG	8,8	WSIG	0	17 000 000	0

<b><u>Touws River: Water Treatment Works (WTW) Augmentation</u></b>					
MIG	8,0	MIG	0	2 000 000	1 000 000
<b><u>Touws River : Water Network Upgrades to Affordable Housing Project</u></b>					
MIG	8,0	MIG	0	500 000	0
MIG Counter Funding (CRR)	3,2	CRR / Own Funding	0	175 000	0
<b><u>Touws River : Sewer Network Upgrades to Affordable Housing Project</u></b>					
MIG	8,0	MIG	0	500 000	0
MIG Counter Funding (CRR)	3,2	CRR / Own Funding	0	175 000	0
<b><u>Upgrading of Gravel Roads</u></b>					
Breede Valley: Roads	3,0	CRR / Own Funding	2 000 000	2 000 000	2 000 000
<b><u>Resealing of Roads</u></b>					
Resealing of Municipal Roads - Rawsonville	3,2	CRR / Own Funding	500 000	500 000	0
<b><u>Resealing of Municipal Roads - Worcester</u></b>					
MIG	8,0	MIG	13 353 593	26 614 000	15 346 000
CRR	3,0	CRR / Own Funding	2 000 000	3 000 000	3 000 000
Resealing of Municipal Roads - Avian Park	8,0	MIG	0	0	0
<b><u>Resealing of Municipal Roads - De Doorns</u></b>					
MIG	8,0	MIG	0	1 500 000	0
<b><u>Resealing of Municipal Roads - Touws River</u></b>					
Resealing of Municipal Roads - Touws River	8,0	MIG	0	500 000	0
<b><u>Traffic Circles</u></b>					
Traffic Circles: (High and Louis Lange)	3,0	CRR / Own Funding	6 000 000	0	0
Traffic Circles: (De La Bat / Roux / Heyns Street)	3,0	CRR / Own Funding	0	5 500 000	0
<b><u>Networks</u></b>					
Replacement of Water Network (Roll-over)	3,0	CRR / Own Funding	3 000 000	3 000 000	3 000 000
<b><u>Electricity (8112)</u></b>					
Refurbishment of electrical system	3,0	CRR / Own Funding	5 000 000	0	0
Refurbishment of Touwsriver Substation and Safeguarding	1,1	Loans	0	4 000 000	4 000 000
Robertson Road Substation	1,1	Loans	5 000 000	0	0
Alternative Electricity Supply Zwelethemba	1,1	Loans	10 000 000	0	0
RMU/ Main Sub Switchgear Replacements De Doorns	1,1	Loans	0	0	3 000 000
RMU/Main Sub Switchgear replacements Touwsrivier	1,1	Loans	0	0	3 000 000
Roux Park capacity/equipment upgrade	1,1	Loans	5 000 000	0	0

Zwelethemba removal of mid-blocks	3,0	CRR / Own Funding	2 000 000	6 000 000	0
Office and Storage Space Upgrade	3,0	CRR / Own Funding	500 000	0	0
66KV Ripple Control	1,1	Loans	6 900 000	0	0
Upgrading of High Mast Lights	8,7	EEDMG	1 400 000	1 400 000	0
Upgrading of Street Lights	8,7	EEDMG	2 600 000	2 600 000	0
<b>Refurbishment of electrical system (NERSA)</b>					
Altona new Electrical Substation	1,1	Loans	20 000 000	0	0
Electricity - Machinery and Equipment	3,0	CRR / Own Funding	600 000	600 000	0
<b>Civil Engineering</b>					
Survey Equipment	3,0	CRR / Own Funding	400 000	0	0
Office Furniture	3,0	CRR / Own Funding	100 000	0	0
<b>SOLID WASTE MANAGEMENT</b>					
<b>WORCESTER</b>					
Wheeliebins	3,0	CRR / Own Funding	1 000 000	1 000 000	1 000 000
Solid Watse - Radios	3,0	CRR / Own Funding	150 000	0	0
Solid Waste - Furniture and Office Equipment	3,0	CRR / Own Funding	50 000	0	0
<b>Ward Priorities</b>					
Speed Humps	3,0	CRR / Own Funding	500 000	0	0
Fencing of Substations	3,0	CRR / Own Funding	250 000	0	0
<b>Ward 1</b>					
	-	-			
Rehabilitation of Bok River Pipe Line - Phase 6	8,0	MIG	0	7 000 000	0
Touws River: Bok River Solar System	8,0	MIG	500 000	0	0
Augmentation of Water treatment works (MIG Counter funding)	8,8	WSIG	2 557 000	0	0
<b>Ward 2</b>					
	-	-			
New Retention Ponds - De Doorns: South of N1 (MIG Number 202347)	8,0	MIG	956 814	0	0
De Doorns Water Purification Works : Augmentation of DAF Unit (MIG funding)	8,0	MIG	7 773 398	0	0
De Doorns WWTW Reactor	8,8	WSIG	2 550 000	0	0
<b>Ward 8</b>					
	-	-			
Upgrading of Gravel Roads	3,0	CRR / Own Funding	3 000 000	3 000 000	0
	-	-			
<b>Erosion Protection of Hex River (Zweletemba)</b>					
Erosion Protection of Hex River : Phase 2 ( 300m @ R13,333.33/m)	1,1	Loans	0	30 000 000	30 000 000
<b>Ward 12</b>					
	-	-			
Upgrading of Routes (Visually Impaired)	3,0	CRR / Own Funding	1 000 000	0	0
<b>Ward 21</b>					
	-	-			

Upgrading of gravel roads	3,0	CRR / Own Funding	3 000 000	3 000 000	3 000 000
<b><u>SERVICE CONNECTIONS (Depending on Public Contr)</u></b>					
Sewer Connections	3,3	CRR / Own Funding	1 120 000	1 120 000	1 120 000
Electricity Connections	3,3	CRR / Own Funding	1 000 000	1 000 000	1 000 000
Water Connections	3,3	CRR / Own Funding	2 719 200	2 719 200	2 719 200
Water - Machinery and Equipment	3,0	CRR / Own Funding	2 000 000	2 000 000	0
<b><u>Waste Water Treatment Works</u></b>					
WWTW - Mobile Generator	3,0	CRR / Own Funding	0	800 000	800 000
Fencing and safeguarding of WWTW and pumpstations	3,0	CRR / Own Funding	2 000 000	2 000 000	2 000 000
Pump station upgrading and refurbishment	3,0	CRR / Own Funding	2 000 000	2 000 000	2 000 000
Pump station upgrading and refurbishment	1,1	Loans	2 000 000	0	0
<b><u>Parks and Cemeteries</u></b>					
Parks - Machinery and Equipment	3,0	CRR / Own Funding	1 100 000	0	0
Fencing of Cemeteries - Aan De Doorns	3,0	CRR / Own Funding	1 000 000	0	0
Fencing of Cemeteries - De Wet Str.	3,0	CRR / Own Funding	100 000	0	0
<b><u>Water and Sewerage</u></b>					
Upgrading of Offices (Fairbairn Street)	3,0	CRR / Own Funding	1 500 000	0	0
Water - Furniture and Office Equipment	3,0	CRR / Own Funding	0	30 000	0
<b><u>ROADS AND STORMWATER</u></b>					
Roads - Machinery and Equipment	3,0	CRR / Own Funding	1 000 000	500 000	500 000
<b><u>Land Infill Developments</u></b>					
Avian Park Industrial - Water	1,1	Loans	146 043	146 043	0
Avian Park Industrial - Sewer	1,1	Loans	438 005	438 005	0
Avian Park Industrial - Stormwater	1,1	Loans	94 928	94 928	0
Avian Park Industrial - Electricity	1,1	Loans	990 000	990 000	0
Avian Park Industrial - Sewer Pumpstation	1,1	Loans	9 000 000	10 000 000	0
Somerset Park – Water	1,1	Loans	146 043	0	0
Somerset Park – Sewer	1,1	Loans	438 005	0	0
Somerset Park - Stormwater	1,1	Loans	94 928	0	0
Somerset Park - Electricity	1,1	Loans	990 000	0	0
<b><u>Municipal Manager</u></b>					
<b><u>Admin -0603</u></b>					
Furniture and Equipment	3,0	CRR / Own Funding	5 000	5 000	5 000
<b><u>RISK MANAGEMENT</u></b>					

Risk Management - Furniture and Office Equipment	3,0	CRR / Own Funding	50 000	0	0
<b><u>Community Services</u></b>					
<b><u>ADMIN - 0903</u></b>					
Furniture & Equipment	4,0	CRR / Own Funding	5 000	5 000	5 000
<b><u>COMMUNITY DEVELOPMENT</u></b>					
Youth Café - Furniture and Office Equipment	3,0	CRR / Own Funding	200 000	0	0
<b><u>SWIMMING Pool: De Doorns</u></b>					
New Swimming Pool	3,0	CRR / Own Funding	500 000	15 000 000	15 000 000
<b><u>SPORT: Boland Park - 5130</u></b>					
Replacement of fence perimeter	3,0	CRR / Own Funding	0	6 000 000	0
<b><u>SPORT: Esselen Park</u></b>					
Replacement of fence perimeter	3,0	CRR / Own Funding	6 000 000	0	0
<b><u>SPORT: Zwelthemba</u></b>					
Replacement of fence perimeter	3,0	CRR / Own Funding	0	0	6 000 000
<b><u>WATERLOO LIBRARY - 4506</u></b>					
Waterloo Library - Airconditioners	3,0	CRR / Own Funding	48 000	0	0
Upgrade ramp	6,1	Libraries Grant	100 000	0	0
ICT Equipment	6,1	Libraries Grant	144 000	0	0
<b><u>TRAFFIC</u></b>					
<b><u>Buildings</u></b>					
Machinery and Equipment	3,0	CRR / Own Funding	358 000	0	0
Traffic - Furniture and Office Equipment	3,0	CRR / Own Funding	89 600	0	0
Traffic – Generator	3,0	CRR / Own Funding	400 000	0	0
Upgrading of Cash Office	3,0	CRR / Own Funding	250 000	0	0
Queuing System	3,0	CRR / Own Funding	150 000	0	0
<b><u>FIRE DEPARTMENT: ADMIN - 4203</u></b>					
Major Fire Engine (Pumper)	3,0	CRR / Own Funding	5 000 000	5 000 000	5 000 000
Equipment for Fire Engine	3,0	CRR / Own Funding	1 500 000	1 000 000	1 000 000
Fire Services – Radios	3,0	CRR / Own Funding	55 000	0	0
Fire Services - Furniture and Office Equipment	3,0	CRR / Own Funding	200 000	0	0
De Doorns Communication Equipment	3,0	CRR / Own Funding	350 000	0	0
Fire Services - Airconditioners	3,0	CRR / Own Funding	50 000	0	0
Fire Services - Machinery and Equipment	3,0	CRR / Own Funding	34 000	0	0
<b><u>FINANCIAL SERVICES</u></b>					
<b><u>Admin</u></b>					
Furniture and Equipment	4,0	CRR / Own Funding	25 000	5 000	5 000

<b>Financial Planning</b>					
Safeguarding of Assets	12,0	Insurance Reserve	400 000	400 000	400 000
Insurance claims	12,0	Insurance Reserve	400 000	400 000	400 000
Financial Planning - Upgrading of Buildings	3,0	CRR / Own Funding	200 000	0	0
<b>Revenue</b>					
Revenue - Upgrading of Municipal Building	3,0	CRR / Own Funding	200 000	0	0
Credit Control - Upgrading of Municipal Building -	3,0	CRR / Own Funding	100 000	0	0
Revenue – Airconditioners	3,0	CRR / Own Funding	200 000	0	0
Revenue - Machinery and Equipment	3,0	CRR / Own Funding	400 000	0	0
Revenue - Furniture and Office Equipment	3,0	CRR / Own Funding	50 000	0	0
<b>COUNCIL &amp; MAYCO</b>					
<b>MAYORAL OFFICE – 0306</b>					
Furniture and Equipment	3,0	CRR / Own Funding	5 000	5 000	5 000
<b>STRATEGIC SUPPORT SERVICES</b>					
<b>STRATEGIC SUPPORT - ADMIN - 2103</b>					
Furniture and Equipment	4,0	CRR / Own Funding	5 000	5 000	5 000
<b>Local Economic Development</b>					
LED - Furniture and Office Equipment	4,0	CRR / Own Funding	20 000	0	0
Zwelethemba Economic Facility	3,0	CRR / Own Funding	1 000 000	0	0
Zwelethemba Economic Facility	6,4	RSEP	800 000	0	0
<b>Other Buildings</b>					
Supply and Installation of Load Shedding Solution and Solar PV	3,0	CRR / Own Funding	13 420 000	12 884 000	6 807 000
<b>WORCESTER TOWN HALL</b>					
Airconditioner	3,0	CRR / Own Funding	3 420 000	0	0
<b>INFORMATION TECHNOLOGY - 2114</b>					
ICT - Computer Equipment	3,0	CRR / Own Funding	12 000 000	0	0
Call Center & Telephone (PBX) System	3,0	CRR / Own Funding	150 000	0	0
Biometric system	3,0	CRR / Own Funding	150 000	0	0
Airconditioner (DR Site)	3,0	CRR / Own Funding	50 000	0	0

Kindly refer to SA36 for the detail capital budget.

In addition to the projects as per the table above, the municipality is also in the process of looking into alternative finance options for vehicles and specialised equipment.



The municipality has earmarked R10 million in respect of ward priorities (capital and operating). These priorities are currently being considered and after the reprioritization process will be included as part of the Final 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 2021
2	IDP Meetings – inputs from Ward Councilors & Ward Committees	Oct 2021
3	First IDP/ Budget Steering Committee Meeting	Nov 2021
4	Departmental inputs on Draft allocations	Nov & Dec 2021
5	2 <sup>nd</sup> Budget Steering Committee – Consider Adjustment budget	Jan 2022
6	Draft Budget input captured and Budget balanced	March 2022
7	Draft IDP & Budget tabled in Council	March 2022
8	IDP & Budget workshop - Council	April 2022
9	Public Consultation	April 2022
10	Finalise Sector / Dept Strategy Plan / Budget - IDP	April 2022
11	Consideration of Comments received	April 2022
12	Tabling of Final MTREF	End May 2022



### Process Plan

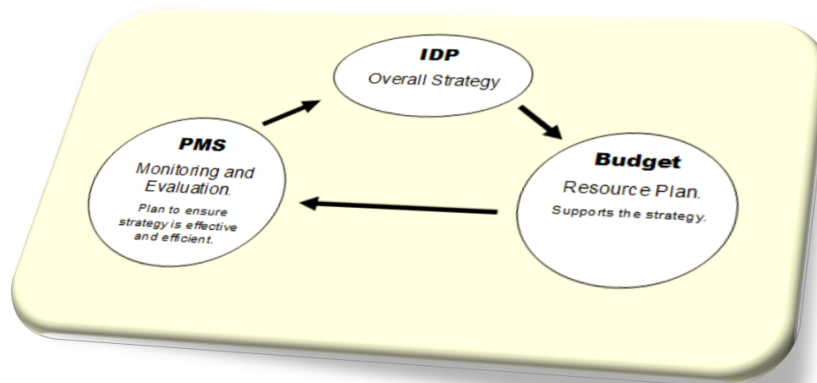
	STEP	PROCESS
1.	Planning	Schedule key dates, establish consultation forums, review previous processes
2.	Strategising	Review IDP, Determine priorities, set service delivery targets and objectives for the next three years, consult on tariffs, indigent, credit control, free basic services, etc and consult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

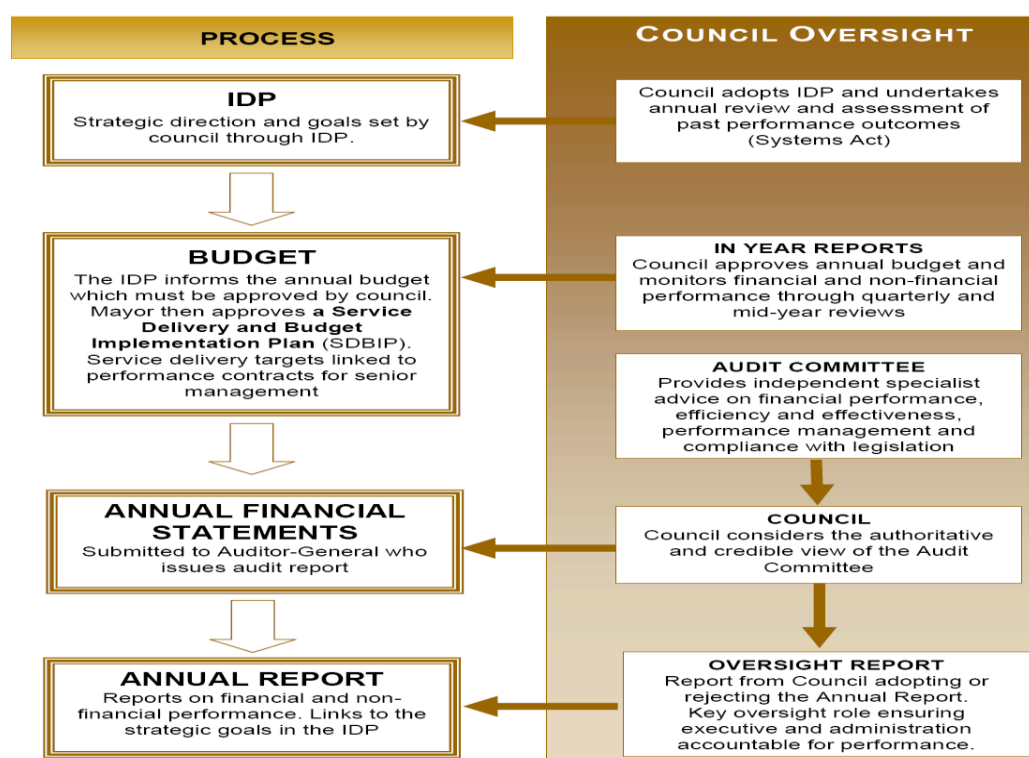
The IDP / Budget process plan was consulted with all relevant stakeholders, whom are:

- 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 2022/23 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 2022/23 MTREF:

- Tariff increases:

Service	Percentage Increase (%)
Electricity	NERSA final guideline
Water	5.45% - 5.76%
Sewerage	5.60%
Refuse	5.44%
Rates	5.43%

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

- CPIX = Approximately 5% (MFMA budget circular)
- Employee related cost is based collective agreement
- Government Grant will be received as gazetted by National and Provincial Government.
- Electricity bulk purchases in line with NERSA guideline.

- 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 90 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** – Recommendation supported

## **TABLING OF DRAFT RESOLUTIONS**

That in respect of the 2022/23 Draft Budget discussed by Council at the Council Meeting of 31 March 2022:

1. Council approves the tabling of 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 tabling of the Quality Certificate to the draft budget signed by the Accounting Officer, as per Annexure B.
3. Council approves the tabling of revised budget related policies as per Annexure C.
4. Council approves the tabling of the draft tariffs, tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D

**Unanimously resolved by Council.**

## **RESOLVED**

**C34/2022**

In respect of

## **2022/23 DRAFT BUDGET MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

discussed by Council at the Council Meeting of 31 March 2022:

1. Council approves the tabling of 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 tabling of the Quality Certificate to the draft budget signed by the Accounting Officer, as per Annexure B.
3. Council approves the tabling of revised budget related policies as per Annexure C.
4. Council approves the tabling of the draft tariffs, tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D.
5. The above tabled draft budget and tariffs maybe amended after the public participation process and the workshop of council is held.