

SUPPORTING DOCUMENTS

Part 2 contains information with reference to supporting tables SA1 to SA39.

1. OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the Municipal Finance Management Act (MFMA) requires the mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of budget. Chapter 2 of the Municipal Budget and Reporting Regulations states that the mayor of the municipality must establish a Budget Steering Committee to provide assistance to the mayor in terms of the responsibilities set out in section 53 of the MFMA.

In terms of section 21 of the MFMA the mayor is required to table in Council ten (10) months before the start of the new financial year, that is, August 2020 a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required time schedule under item SC022/03/2022 on 31 March 2022.

The key dates to the process were:

<u>Time Schedule of key deadlines for the 2022/2023 IDP review and Budget process</u>			
<u>MP313: Steve Tshwete Local Municipality</u>			
Item	Activity	Process	Responsibility
<u>August 2021</u>			
1.	Table budget preparation timetable;	Budget	Budget Office
2.	Submit roll-over budget in terms of section 28(2)(e) to be approved by Council by 25 August 2021;	Budget	Budget Office
3.	Draft schedule which includes setting out timeframes and responsibilities in relation to the community consultation programme	IDP	Strategic Support
4.	Submit a proposed community consultation programme to the Mayor and Speaker respectively;	IDP	Strategic Support
5.	Compile municipal performance feedback on the implementation of the development priorities, objectives, indicators and targets for the previous financial year	IDP	Strategic Support
6.	Finalise and submit Annual Financial Statements of 2020/21 to Auditor-General.	AFS	AFS & Assets
7.	Submit 2020/21 draft performance report and draft annual report to Auditor-General	IDP/PMS	Strategic Support

<u>September 2021</u>			
8.	Start with the process of the needs reprioritization in reference to the five year identified needs (for 2022-2027) developed past year's financial statements and performance as at 30 June 2021;	IDP (Sept 2021- Dec 2021)	Strategic Support
9.	Completion of the analysis of the existing level of development;	IDP (Sept 2021- Dec 2021)	Strategic Support
<u>October 2021</u>			
10.	The revision of the approved Human Resource budget –(include the creation and alteration of posts, any new conditions of service, post evaluations, restructuring of departments et cetera;)	Budget	Budget Office
11.	Continuation with the process of the needs reprioritization in reference to the five year identified needs (for the 2022-27) Community consultation meetings	IDP	Strategic Support
12.	Prepare budget process documentation which includes setting out timeframes and responsibilities and submit to all relevant stakeholders;	Budget	Budget Office
13.	Submit medium term budget revenue and expenditure framework to relevant stakeholders to review and adjust for next budget cycle;	Budget	Budget Office
14.	Submit three year approved capital budget to relevant stakeholders to review and adjust existing framework as well as to submit new projects for outer financial years;	Budget	Budget Office
<u>November 2021</u>			
15.	Initiate strategies that will aid in achieving the municipal identified development priorities; objectives and targets;	IDP (Sept 2021- Dec 2021)	Strategic Support
16.	Submit schedule for sundry tariffs and fines for revision and addition by all stakeholders	Budget	Budget Office
17.	Review and consolidate draft budgets of individual sections to ensure compliance with budget framework;	Budget	Budget Office
18.	Commence with the review process of budget-related policies;	Budget	Budget Office
19.	Align IDP objectives, targets and strategies the draft budget	Budget	Budget Office
20.	IDP Technical Steering Committee	IDP	Strategic Support

<u>December 2021</u>			
21.	Prepare first draft of annual budget	Budget (Dec 2021- Jan 2022)	Budget Office
22.	Assessment of submissions of operational and capital budgets	Budget	Budget Office
23.	IDP Technical Lekgotla	IDP	Strategic Support
<u>January 2022</u>			
24.	Conduct Strategic Lekgotla to align and confirm strategic and priorities for the 2022/23 financial year	IDP	Strategic Support
25.	Complete the process of identifying and employing applicable strategies that will address municipal development priorities and achieve municipal objectives and targets;	IDP	Strategic Support
26.	Introduce the process of project identification;	IDP	Strategic Support
27.	Designing project specific proposal; set project objectives, targets and indicators that are aligned to the municipal objectives and strategies;	IDP	Strategic Support
28.	Integration of projects and programmes by synergizing efforts and resources from three sphere of government;	IDP	Strategic Support
29.	Revision \ confirmation of sector plans, identify programmes and projects proposed within each sector plan to inform planning and budgeting process;	IDP	Strategic Support
30.	Screening of project proposals and confirmation thereof;	IDP	Strategic Support
31.	Consultation with all stakeholders on the proposed draft projects by all spheres of government	IDP	Strategic Support
32.	Revise financial plan for inclusion in the IDP	Budget	Budget Office
33.	Conduct mid-year review of current budget and performance of first six months and make recommendations for an adjustment budget.	Budget	Budget Office
34.	Approval of Annual Report 2020-2021	IDP	Strategic Support
<u>February 2022</u>			
35.	Completion of IDP Integration phase which will focus on the revision/ confirmation of integration components;	IDP (Feb-Mar 2022)	Strategic Support
36.	Coordinate the IDP Representative Forum	IDP (Feb-Mar 2022)	Strategic Support

37.	Table the draft IDP document to council and publish for public comments;	IDP (Feb-Mar 2022)	Strategic Support
38.	Prepare and submit adjustment budget to Council;	Budget	Budget Office
39.	Final consultations workshops on draft budget with relevant stakeholders and prepare draft budget document.	Budget	Budget Office
40.	Finalize review of budget related policies	Budget	Budget Office
41.	Oversight Report on Annual Report 2020-2021	IDP	Strategic Support
<u>March 2022</u>			
42.	Submit final draft capital and operating budgets to Budget Steering Committee;	Budget	Budget Office
43.	Prepare draft Service Delivery and Budget Implementation Plans – these plans should clearly set out the timetable for implementation and completion date of projects as well as the key milestones of the projects over the next three years;	PMS	Strategic Support
44.	Finalize budget schedules, supporting tables and charts in line with the budget regulation;	Budget	Budget Office
45.	Table draft annual budget to Council which includes rates, taxes and tariffs	Budget	Budget Office
46.	Submit tabled budget to Provincial and National Treasury and District Municipality for comments and inputs;	Budget	Budget Office
47.	Advertise public participation process on the IDP, budget and budget related policies;	Budget/IDP	Communication & Stakeholder Liaison
48.	Place tabled IDP and budget on municipal website within 5 days of approval for public inputs;	Budget/IDP	Budget Office/ Strategic Support
49.	Start public participation process immediately after the draft budget and IDP was tabled to Council.	Budget/IDP	Budget Office/ Strategic Support
<u>April 2022</u>			
50.	Incorporate inputs received from the public into the IDP;	IDP	Strategic Support
51.	Submit Draft IDP to MEC for Local Government, Provincial Treasury and the District Municipality	IDP	Strategic Support
52.	Continuation of the public participation and consultation process on tabled annual budget and budget related policies;	Budget	Budget Office
53.	Conduct a Budget Indaba;	Budget	Budget Office

May 2022			
54.	Submit section 19 (MFMA) report on the capital budget to Council for approval;	Budget	Budget Office
55.	Submit to Council 2022/23 the revised IDP document;	IDP	Strategic Support
56.	Submit a copy of the approved final 2022/23 revised IDP to the MEC within 14 days after the approval;	IDP	Strategic Support
57.	Submit a copy of the approved final 2022/23 revised IDP to the Nkangala District municipality;	IDP	Strategic Support
58.	Place the approved final 2022/23 revised IDP on the municipal website;	IDP	Strategic Support
59.	Make copies of the approved final 2022/23 revised IDP available at public libraries and main Offices;	IDP	Strategic Support
60.	Publish the approved final 2022/23 revised IDP to notify the public;	IDP	Strategic Support
61.	Distribute final IDP to all internal departments for implementation.	IDP	Strategic Support
62.	The Executive Mayor responds on public submissions and if necessary recommends amendments to the tabled Annual Budget;	Budget	Budget Office
63.	Approval of the tabled annual budget by Council and include: <ul style="list-style-type: none"> ▪ the approval of the budget schedules with reference to documentation; ▪ the approval of the proposed changes to municipal rates, taxes and tariffs; ▪ approves measurable performance objectives for each revenue source and expenditure framework; ▪ approves measurable performance objectives for capital expenditure; ▪ approves changes to IDP; ▪ approves changes to budget related policies; ▪ proposed noting of the draft SDBIP tabled with the budget. 	Budget	Budget Office
June 2022			
64.	Submit SDBIP within 14 days after approval of Annual Budget to the Executive Mayor (Section 69(3) of the MFMA);	IDP/PMS	Strategic Support
65.	Submission of final approved annual budget to SA National Treasury, Provincial Treasury, SALGA, NDM, DPLG and relevant stakeholders within 10 working days after approval of budget;	Budget	Budget Office
66.	Place approved budget with relevant documentation on municipal website within 10 working days of approval of budget;	Budget	Budget Office

67.	Accounting Officer submits draft performance agreements which are linked to measurable performance objectives for Municipal Manager and all senior Managers to the Executive Mayor no later than 14 days after approval of the annual budget;	PMS	Strategic Support
68.	Place budget related policies on the municipal website within 10 working days after approval of budget	Budget	Budget Office
69.	Approval of SDBIP by the Executive Mayor within 28 days of approval of the budget Section 53(1)(c) of MFMA;	IDP	Strategic Support
70.	Upload the budget schedules to the portal of National Treasury within 10 working days after approval of budget.	Budget	Budget Office
July 2022			
71.	Make public the approval of service delivery and budget implementation plans within 10 working days after the Mayor has approved the SDBIP;	IDP	Strategic Support
72.	Make public the performance agreements within 14 days after approval of SDBIP	Corporate Services	Communication & Stakeholder Liaison

1. The proposed key deadlines for the community participation process are as follows:

<u>Public Participation Process</u>			
<u>April – June 2022</u>			
1.	IDP Steering Committee Meeting	IDP	Strategic support
2.	IDP Representative Forum	IDP	Strategic support
3.	Budget Indaba	Budget	Municipal Manager Office
4.	Ward Community meetings on budget and IDP	Corporate Services	Communication & Stakeholder Liaison
5.	Consultation on budget with provincial treasury	Budget	Budget Office
6.	Advertise and invite comments and inputs on tabled budget and the IDP	Budget/IDP	Legal and Admin

The integrated development plan (IDP) review started in August 2021 after the tabling of the IDP process plan and is included in the budget time schedule. The IDP is the municipality's strategy blue print document which guides and informs planning and budget.

Part of the compilation of the 2022/2023 MTREF, financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2022/2023 MTREF:

- municipal growth;
- policy priorities and strategic objectives;
- asset infrastructure and maintenance;
- economic climate and trends such as inflation, Eskom increases, period price levies et cetera;
- performance trends on implementation of Opex and Capex budgets;
- the 2021/2022 adjustment budget;
- cash flow management strategy;
- debtor payment levels;
- external borrowing and investments analysis;
- the need for tariff ability to pay for services;
- back-to-basics approach to improve service delivery.

The draft 2022/2023 MTREF will be tabled to Council in March 2022 and will be published on the municipal website and a notice will be placed in the local newspaper.

All documents in the appropriate format (electronic) will be provided to National and Provincial Treasury and other stakeholders in accordance with section 23 of the MFMA to provide an opportunity for them to make inputs.

Ward committees will be utilized and capacitated to facilitate the community consultation process in April 2022, including a budget indaba.

Submissions will be reviewed during the public participation process and additional information regarding required expenditure as well as individual capital projects will be considered before the finalization of the 2022/2023 budget.

These input issues and/or concerns will be submitted with the final budget during May 2022.

2. **OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP**

The integrated development plan is the principle strategic planning instrument which guides and informs all planning budgeting, management and decision making process in the municipality. The IDP:

- Links, integrates and co-ordinates plans taking into account proposals for development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of the legislation; and

- Is compatible with national and provincial development plans and planning requirements binding on the municipality.

The process plan applicable to the final revision cycle indicated the following key IDP process and deliverables:

- *Preparation process*
- *Analysis process*

Public participation was conducted between January 2022 and March 2022 in all 29 wards.

- *Strategic phase*

Strategic mapping meetings took place from the 9th of February 2022 until the 15th of February 2022 and will be followed by a technical Lekgotla in April 2022. The strategic Lekgotla took place on the 16th of March 2022 until the 18th of March 2022.

- *Project phase*

After the Lekgotla the identified projects were prioritized in the 2022/2023 IDP.

- *Integration phase*

An IDP representative forum will take place in April 2022 with political leaders, section departments, parastatals, community and the private sector.

- *Budgeting*

Based on the IDP results and community inputs the budget is completed.

- *Approval*

The IDP will be finally approved in May 2022.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance as well as the contributions from the mines under their social responsibility.

The Constitution requires from municipalities to relate its management, budgeting and planning functions to its objectives. This gives clear indication of the intended purpose of municipal integrated development plan. Therefore, the budget must have linked to the IDP to enable the municipality to conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important to align its budget priorities with national and provincial government.

The 2022/2023 MTREF has therefore been informed by the IDP revision process.

The annual budget is linked to the four (4) main strategic goals, which are:

- Provision of sustainable and accessible basic services to all;
- Provision of a safe and healthy environment;
- Promotion of economic growth and job creation; and
- Promotion of good governance, organizational development and sustainability.

The above strategic goals are generally addressed in terms of the municipal priority issues grouped under six (6) key performance areas. According to these tables the budget provides as follows for the strategic goals in the IDP:

Strategic Goal 1 - provision of sustainable and accessible basic services to all

	Revenue	Expenditure	Capital
	R	R	R
KPA 1 Infrastructure Development & Service Delivery	(128,053,272)		
Infrastructure Development & Service Delivery	(113,831,532)	2,037,141,350	608,486,044
Sub-Total	(241,884,804)	2,037,141,350	608,486,044

Strategic Goal 2 - provision of a safe and healthy environment

KPA 2	Revenue	Expenditure	Capital
	R	R	R
Spatial & Community Development	0	14,559,531	8,450,000
Sub-Total	0	14,559,531	8,450,000

Strategic Goal 3 – promotion of economic growth and job creation

KPA 3	Revenue	Expenditure	Capital
	R	R	R
Local Economic Development	0	10,216,363	0
Sub-Total	0	10,216,363	0

Strategic Goal 4 - promotion of good governance, organizational development and financial sustainability

		Revenue R	Expenditure R	Capital R
KPA 4	Municipal Institutional Development & Transformation			
	Municipal Institutional Development & Transformation	0	98,044	110,000
	Sub Total	0	98,044	110,000
		Revenue R	Expenditure R	Capital R
KPA 5	Financial Viability & Management		456,868	
	Financial Viability & Management	(2,167,889,196)	21,686,484	99,000
	Sub Total	(2,167,889,196)	22,143,352	99,000
		Revenue R	Expenditure R	Capital R
KPA 6	Good Governance & Public Participation		4,351,188	
	Good Governance & Public Participation	0	128,422,172	26,775,000
	Sub-Total	0	132,773,360	26,775,000
	TOTAL	2,409,774,000	2,216,932,000	643,920,044

The 2022/2023 MTREF has been informed by the IDP revision process and supporting tables SA4, SA5 and SA6 provide a breakdown of all revenue, operating expenditure and capital expenditure aligned to the IDP goals and strategies on a high level.

3. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Performance management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and principles. In accordance with legislative requirements and good business practices as informed by the national framework, the municipality has developed and implemented a performance management system of which the system is constantly refined as the process unfolds.

The municipality's performance plan reflects key performance indicators (KPI's) and targets linked to the IDP. The adopted performance management framework encompasses:

- Planning (setting KPI's and targets)
- Monitoring (quarterly monitoring)
- Measurement (indicators of success)
- Review (identifying areas requiring change and improvement)

- Reporting (reporting to internal audit and audit committee, Council and annual report)
- Improvement (changes to improve where necessary)

The performance of the municipality relates directly to the extent to which it has achieved success in realizing its goals and objectives.

The performance information concepts used by the municipality in its performance management system are aligned to the National Treasury performance management framework.

These concepts and definitions are:

Impacts	What we aim to change	The developmental results of achieving specific outcomes	Manage towards achieving these results
Outcomes	What we wish to achieve	The medium term results for specific beneficiaries that are the consequences of achieving specific outputs	Manage towards achieving these results
Outputs	What we produce or deliver	The final products or goods and services produced for delivery	Plan, budget, implement and monitor
Activities	What we do	The processes and actions that use a range of inputs to produce the desired outputs and ultimately outcomes	Plan, budget, implemented and monitor
Inputs	What we use to do the work	The resources that contribute to the production and delivery of outputs	Plan, budget, implement and monitor

Supporting table SA7 provides the main measurable performance objectives the municipality undertakes to achieve this financial year. Refer to IDP/SDBIP for detailed measurable performance indicators.

Supporting table SA8 provides details on the financial indicators and benchmarks for the 2022/2023 medium term revenue and expenditure framework (MTREF).

The indicators in the table are explained as follows:

(a) *Borrowing management*

The ability of the municipality to raise additional long-term borrowings is largely dependent on its creditworthiness and financial position. The municipality's borrowing strategy is primarily informed by affordability of debt repayments.

The structure of the municipality's liability profile consists of annuity loans which are annually redeemed over a period of fifteen (15) years.

- *Capital charges to operating expenditure* measures the cost of borrowing in relation to operating expenditure and assesses the affordability of debt expenditure.

The ratio will steadily increase over the 3 year MTREF period due to additional loans to be taken up. This additional loans are to supplement the funding for the capital programme over the MTREF.

- *Capital charges to own revenue* measures the municipality's prioritization of resources and indicates the cost required to service external interest and redemption versus available funds. The increase is attributed to the raising of external loans and because the percentage is below the norm of 8% which indicates that the municipality has the capacity to take up additional funding to invest in infrastructure projects.
- *Borrowing funding of own capital expenditure* measures the degree which own capital expenditure has been funded by way of borrowing.

The municipality's debt profile informs that the use of amortizing loans leads to high debt servicing cost at the beginning of the loan which declines steadily towards the end of the loans term.

The municipality's ability to continuously meet its revenue targets and its forecasted cash flows will be critical to ensure the repayment of debt service costs is met.

(b) *Safety of capital*

- The *gearing ratio* measures long-term borrowings over funds and reserves. Due to the implementation of the mSCOA chart the municipal reserves are absorbed in the accumulated surplus. Thus the percentage can no longer be calculated.

(c) *Liquidity*

- *Current ratio* measures the municipality's ability to pay back short-term liabilities (current liabilities). The norm is set to 2:1 and the ratio should not decrease to be less than 1 otherwise the municipality will be at risk to finance operations.

For 2022/2023 the current ratio is 3,06:1 and is projected to decrease to 2,51:1 in 2024/2025. Even when the ratio is risk adjusted for debtor outstanding for more than ninety (90) days it remains at 2,3:1.

- The *liquidity ratio* measures the ability of the municipality to utilize cash and cash equivalents to pay its current liabilities immediately. The municipality has set a limit of 2 and anything below 1 indicates shortage in cash to meet short term liability obligations.

For the 2022/2023 financial year the ratio is 2,8:1 and projected to decrease to 2,33:1 in 2024/2025. These values indicate that the

municipality might experience liquidity difficulties in future years, since the ratio is dropping.

(d) *Revenue management*

As part of the municipal financial viability plan to ensure the municipality remains sustainable, revenue management and debt collection is critical.

Through continuous strict credit control measures, the payment rate is maintained above 95% for the past ten (10) years. It is expected that the payment rate may become under pressure due to the effect of COVID 19. Strict credit control needs to be implemented to ensure that the target of 95% be reached again in 2022/2023.

- *Annual debtors' collection rate (payment levels) ratio* indicates the municipality's projected collection rate, debtor level of payments as a percentage of revenue billed. It is projected that the collection rate over the medium term will become under pressure and many consumers will not be in a position to pay accounts due to the COVID 19 pandemic.
- *Outstanding debtors' to revenue* measures the percentage of debtors not collected from annual billed revenue. The higher the percentage, the more billed revenue is likely to remain uncollected for the period.

The ratio for outstanding debtors to revenue is 16,77% which is not within the norm of 8%. This is an indication that current debt will most likely not be collected within thirty (30) days.

(e) *Creditors management*

The municipality has managed to ensure that most creditors are settled within the legislated thirty (30) days of statement. Considering the liquidity ratio, sufficient cash will be available to maintain this legal obligation.

(f) *Other indicators*

- *Electricity distribution losses* indicate the percentage loss of potential revenue through the sale of electricity when compared to units of electricity purchased.

The electricity distribution losses have increased from 7,84% in 2020 to 7,03% for the financial year ending 30 June 2021.

It is expected that electricity distribution losses will remain below 10%. The municipality has also embarked on a process to audit and verify all electricity meters. This includes prepaid as well as conventional meters.

- *Water distribution losses* measure the percentage loss of potential revenue for water through kiloliters of water purchased and extracted from Middelburg Dam.

The water distribution losses have increased from 17.64% to 21,36% for the financial year ending 30 June 2021.

It is expected that the water distribution losses will decrease for the medium term due to the replacement of pipes, since the capital budget provides for increased capital expenditure to replace and upgrade ageing water infrastructure.

- *Employee cost* as a percentage of operational expenditure decreases steadily over the MTREF from 33.53% in 2022/2023 to 33.48% in 2024/2025.
- *Councillors Remuneration* as a percentage of expenditure remains constant over the MTREF from 1.35% in 2022/2023 to 1.35% in 2024/2025.
- *Repairs and maintenance* as percentage of revenue (excluding capital revenue) needs to be increased steadily to an appropriate level of 8% to ensure municipal assets are maintained.

The current ratio is averaging at 5%. It should however be noted that this percentage only represents materials and should labour be added it will be much higher. It also does not include the capital component of assets which will be upgraded.

- *Finance charges and depreciation* as percentage of expenditure is influenced by borrowings and interest rate levels. The ratio over the MTREF is 14,89% and reduces to 14,87% in 2024/25.

(g) *IDP regulation financial viability indicators*

In terms of the Local Government Municipal Planning and Performance Management Regulation, 2001, the following three (3) key performance indicators must be in the municipal performance management plan to express financial viability:

- *Debt coverage* measures the number of times debt payments are covered by operating revenue (excluding grants) and indicates the ease with which debt payments can be accommodated within a period. The coverage ratio is 15,84% in 2021/2022 and is expected to decrease to 15.53% towards 2023/2024. The norm for this ratio is 45%.
- *Outstanding service debtors' to revenue ratio* is an indication what percentage of revenue is outstanding owing by service debtors. This measures the municipality's effectiveness of its credit control and debt collection policy. The lower the ratio, the more effective is the municipal revenue management. The ratio is 8.74% for 2021/2022 and is projected to decrease to 8,55% in 2023/2024.

- *Cost coverage* measures the ability to meet at least its monthly fixed operating commitments from cash reserves if no revenue is collected during that month. The higher the ratio, the higher is the municipality's safety net to provide services and minimize the risk of insufficient cash to fund operations.

The ratio informs that the municipality will have sufficient cash to fund operations. The ratio is 0,69:1 for 2021/2022 and reduces to 0,4:6 in 2023/2024. The norm ranges between 1 and 3 months.

(h) *Basic social services package for indigent households (FBS)*

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the indigent policy. With the exception of water only registered indigents qualify for the free basic services.

For the 2021/2022 financial year ±17 800 registered indigents have been provided for in the budget.

In terms of Council's indigent policy registered indigent households are entitled to:

- 50 kWh of free electricity at a cost of R53,14 per household per month.
- 10 kl free water at a cost of R106,90 per household per month.
- Free sewerage service at a cost of R123,13 per household per month.
- Free refuse removal service at a cost of R157,42 per household per month.
- A full rebate on property rates at an average cost of R254,13 per household per month.
- In the case of a water leak, the amount, over and above the normal consumption can be paid over a three (3) to twelve (12) month period

Further detail relating to the number of households and the cost of free basic services is contained in table A10.

It should be noted that the number of households in informal areas that receive free basic services through stand pipes and boreholes are not taken into account in the table above.

4. **PROVIDING CLEAN WATER AND MANAGING WASTE WATER**

The municipality is the water service authority (WSA) in terms of the Water Services Act, 1977 and acts as the water service provider (WSP) for the following water systems:

- Middelburg / Mhluzi (water & waste water)
- Hendrina / Kwazamokuhle (water & waste water)
- Presidentsrus (water)
- Doornkop 1 & 2 (borehole system) (water)
- Bankfontein : Somapepa Village (water)
- Mafube : Sikhululiwe Village (water)

The following water service providers have been appointed to provide water on behalf of the municipality:

- Eskom Hendrina Power Station for Pullenshope (water)
- Eskom Arnot Power Station for Rietkuil (water)
- Eskom Komati Power Station for Komati (water)
- Kranspoort Occupants Association (water)
- Forever Resort Loskop Dam (water)
- Middelburg Mines (water)

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a blue drop or green drop award respectively to provide portable water treatment works and waste water treatment works that meet certain criteria of excellence.

The municipality received five (5) blue drop certificates on 8 January 2017. On average the municipality achieved a blue drop score of 97% for all water supply systems within its jurisdiction.

With regard to waste water services the municipality is the service authority for the entire municipal area. Waste water is collected through a system of sewer pump stations and four main waste water treatment plants (WWTP).

Green drop status was received for the Kwaza treatment plant in 2011.

The following are some challenges facing the municipality on water and waste water provision:

- Increased water interruptions due to ageing water pipes.
-
- High water losses due to aged water pipes.
-
- Aged infrastructure at water treatment works.
-
- Insufficient to capacity to treat the increased volume of waste water at the treatment plant.

-
- Insufficient bulk infrastructure to cater for the increasing demand.

The following programmes/plans will be implemented over the next five (5) years to address the challenges:

- Upgrade and extension of Vaalbank Water Treatment Plant to meet filter capacity problems.
- Upgrade and extension of Boskrans to meet the required standard on the final effluent.
- Replacement of old water pipes to reduce water interruptions and losses.
- New HV substation at Mhluzi.
- Smart City projects.
- Meter management and replacement plan.
- Refurbishment of plant and equipment at WWTP.
- Upgrade bulkline to reservoirs in Nasaret and Hendrina.
- Replace equipment at Middelburg Dam pump station.
- New development projects at Dennesig, Newtown, Rockdale and Rondebosch.

The estimated cost to address these challenges over the next five (5) years amounts to R1.4-billion.

5. **OVERVIEW OF BUDGET-RELATED POLICIES**

The municipality's budgeting process is guided and gazetted by relevant legislation, frameworks, strategies and related policies. The purpose of budget-related and financial policies is to provide a sound environment to manage the financial actions of the municipality with relevant legislator frameworks.

The previous year's adopted policies were reviewed as part of the budget compilation process and will be approved by Council in May 2022.

The following are key budget relating policies:

- Accounting policy – the policy prescribes the basis of presentation of the annual financial statements in accordance with the General Recognized Accounting Practices and Accounting Standards.
- Asset management policy – the objective of the policy is to prescribe the accounting and administrative procedures relating to property, plant and equipment (assets).

- Blacklisting policy – to ensure an acceptable standard of goods and services and to develop uniform criteria for barring individuals and/or businesses who engage in corrupt and/or fraudulent activities.
- Borrowing policy – this policy enables the municipality to exercise their obligation to ensure sufficient cash resources to implement the capital programme in the most cost-effective manner.
- Budget policy – this policy sets out the principles which must be followed in preparing a medium term revenue and expenditure framework budget. It further ensures that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies.
- Contractor development policy – this policy is to develop contractors to form an integral part of the economy.
- Cost containment policy – this policy is to ensure that municipal resources are used effectively, efficiently and economically. The policy relates to the implementation of cost containment measures.
- Credit control and debt collection policy – a policy required in terms of section 96 of the Municipal Systems Act, Act 32 of 2000 - to provide for credit and debt collection procedures and mechanisms to ensure that all consumers pay for the services that are supplied.
- Free basic services and indigent support policy – to provide access to and regulate free basic services to all indigent households.
- Funding and reserves policy – this policy is compiled according to section 8 of the Budget and Reporting Regulations and sets guidelines to ensure that the municipality is financially viable over the short- and long-term whilst ensuring sufficient funding to achieve its objectives through the implementation of the operating and capital budgets.
- Impairment of debtors and write-off policy – to ensure that all long outstanding debt is evaluated and debtors are not overstated in the year-end statements. The policy aims to set down principles for the writing off of bad debts.
- Investment policy – this policy was compiled in accordance with the Municipal Investment Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible.
- Pay day policy – the purpose of the policy is to regulate the date on which councillors and employees of the municipality will be paid.
- Petty cash policy – this policy governs the issuing of petty cash in terms of the supply chain management policy and the effective utilization of petty cash according to authorized processes only.
- Property rates policy – a policy required by the Municipal Property Rates Act, Act 6 of 2004. This policy provides the framework for the determining

of rates. It further ensures certainty and clarity as to amounts payable in respect of property rates.

- Short term risks and liabilities policy – the objective of the policy is to ensure the safeguarding of Council's assets and to protect Council against public liabilities.
- Supply chain management policy – this policy is developed in terms of section 111 of the Municipal Finance Management Act, Act 56 of 2003.

The principles of this policy is to give effect to a fair, equitable, transparent, competitive and cost-effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of municipal services.

- Supply chain management policy - infrastructure procurement and delivery management - this policy establishes provisions of the regulatory frameworks for procurement and supply chain management.
- Tariff policy – the policy prescribes the procedures for calculating tariffs. This policy is required in terms of section 74 of the Local Government Municipal Systems Act, Act 22 of 2000.
- Travelling and subsistence policy – this policy regulates the reimbursement of travelling and subsistence cost to officials and councilors undertaking official visits.
- Unclaimed monies policy – this policy is to provide a framework on how to deal with unknown and unclaimed monies in the municipal primary bank account.
- Methodology for the impairment of receivables policy – the purpose of this policy is to set out the methodology and work procedures for the impairment of receivables in line with the applicable accounting standards.
- Methodology for the impairment and assessment of useful lives of assets policy – the purpose of this policy is to standardize the methodology to be followed for the impairment and useful lives of assets in line with the accounting standards.
- Methodology for the classification and recognition of land policy – the purpose of the policy to set out the methodology to classified and measured land in line with the applicable accounting standards.
- Budget Virement policy to provide Flexibility in managing budgets and to act on unforeseeable expenditure and to prevent unauthorized expenditure.

These policies are open for inspection and are available on the official website of council at www.stevetshwetelm.gov.za or can be requested at the office of the Executive Director Financial Services.

All new policies and a summary of amendments to existing policies are included under part 4 of the document.

- (a) *New policies*
 - Inventory Policy
- (b) *Amended existing policies*
 - Free basic services and indigent policy.
- (c) *Unchanged policies*
 - Asset management policy
 - Budget policy.
 - Budget virement policy.
 - Blacklisting policy
 - Borrowing policy
 - Contractor development policy
 - Cost containment policy
 - Credit control and debt collection policy.
 - Funding and reserves policy
 - Investment and surplus funds policy
 - Impairment of debtors and write-off policy.
 - Methodology for the classification and treatment of land policy
 - Methodology for the impairment and assessment of useful lives of assets policy
 - Methodology for the impairment of receivable policy
 - Pay day policy.
 - Short term risk and liabilities policy
 - Tariff policy.
 - Unauthorized, irregular and wasteful expenditure policy and procedures
 - Petty cash policy.
 - Property rates policy.
 - Supply chain management policy.
 - Travelling and subsistence policy.
 - Unclaimed deposits policy.
- (d) *By-Laws*
 - Credit control by-laws
 - Customer care and revenue management by-law
 - Property rates by-laws
 - Tariff by-laws

It is recommended that the above unchanged, amended and new policies be approved and adopted for implementation from 1 July 2022.

6. **OVERVIEW OF BUDGET ASSUMPTIONS**

The 2022 budget review informs that the global economic outlook has declined due to the Covid-19 pandemic, and South Africa is still experiencing a period of protracted economic weakness which diminishes private investment. This is exacerbated by the Covid-19 pandemic.

As a result, the post pandemic average growth rate of 4,8% is predicted for 2023 which increases to 4,4% in 2023. The national budget further emphasized that the employment rate remains high and many families and businesses are under stress.

It is with this background that the budget policy framework for the next three (3) years is designed to manage risk in a constrained fiscal environment while building a foundation for economic growth, which is supported by the implementation of the national development plan (NDP).

Local Government receives the smallest portion of the division of nationally raised revenue which is 9,4%.

As a result, municipalities will have to renew their focus on core service delivery functions and reduce costs without adversely affecting basic services.

The state of the economy has an adverse effect on the consumers. Therefore, revenues and cash flow are expected to remain under pressure considering the potential closure of coal mines in the municipal area.

The preparation of the 2022/2023 budget was compiled considering the current economic indicators, increased demand for bulk infrastructure, replacement and upgrade of ageing infrastructure and the continuation of current and improved service delivery standards.

The five (5) key factors that have been taken into account are:

- national government macro-economic targets;
- the general inflationary outlook and the impact on the municipality communities;
- the impact of municipal cost drivers;
- the increase in prices for bulk water and electricity; and
- the increase cost of remuneration.

The economic projected indicators used as basis of the budget are reflected in the table below:

Economic indicators	Basis of projections	2022/2023	2023/2024	2024/2025
Projected CPI	MFMA Circular 115	4,8%	4,4%	4,5%
Prime interest rate	Current prime rate	7,5%	7,5%	7,5%
Economic growth (GDP)	South Africa budget review February 2022	1,8%	1,8%	1,8%
Bulk electricity purchases	MFMA Circular 115	9,6%	15 %	10%
Employment related cost	CPI + 1% CPI + 1% CPI + 1%	4,9%	5,2%	5,4%

Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing may only be utilized to fund capital. The municipality has engaged financial institutions through a tender process to minimize its interest rate risks by providing fixed rates for amortization loans. As part of the budget process the take up of loans over the long term will be structured to have the least impact.

Interest received through the investments of funds was calculated according to the cash flow forecasts at prime rate less 4% considering the risk profile of the municipality and markets. The municipality mostly invests surplus funds over the short term up to six (6) months.

Collection rate for revenue services

The base assumption is that tariff and rates will increase at a rate higher than CPI. It is assumed that the current economic conditions and relatively controlled inflationary conditions will continue with a possible repo rate increase over the medium term.

The rate of revenue collection is currently at 95% and is based on annual billings. Cash flow collection is projected to become under pressure over the next eighteen (18) months considering the current economic outlook. An average payment rate between 90% - 95% is predicted.

Growth in tax base of municipality and services

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, growth rate of the municipality and the average rate of tariff increases.

The main revenue source increases are:

Growth in consumption	Basis of projections	2021/2022		
Property rates	Actual trends	1%		
Electricity		-		
Waste management		1%		
Waste water management		1%		
Water		1%		
Tariff increases		2022/2023	2023/2024	2024/2025
Property rates	Cost	4,0%	4,4%	4,5%
Electricity	NERSA	8,0%	6,0%	5,0%
Waste management	Cost	4,8%	4,4%	4,5%
Waste water management	Cost	4,8%	4,4%	4,5%
Water	Cost & Eskom	4,8%	4,4%	4,5%

7. OVERVIEW OF BUDGET FUNDING

Tariff setting plays a critical role to ensure service delivery needs are met and ensuring affordable levels of revenue.

For the budget to break even additional revenue by means of tariff adjustments of R203.6-million had to be sought. The proposed tariff increases for the 2022/2023 financial year on the different revenue categories are:

		<u>% increase</u>	<u>Revenue generated</u> R
(a)	an average increase in assessment rates	of 4.0%	460 534 920
(b)	an average increase in the sewerage	of 4.8%	86 431 908
(c)	an average increase in the refuse	of 4.8%	97 254 504
(d)	an average increase in the electricity	of 8.0%	871 159 152
(e)	an average increase in the water	of 4.8%	128 379 696

A comparison on the imposing of tariffs for the 2023/2024 financial year is included under schedule 1 whilst the proposed tariffs for sundry services are included under schedule 2.

Revenue to be generated from property rates is R460,5 -million and increases to R502,4-million by 2023/2024 which represents 21,70% of the operating revenue base of the municipality.

Service charges constitute 77,0% and are the biggest component of the revenue base totaling R1,63-billion for the 2023/2024 financial year and increase to R1,6-billion by 2023/2024.

Operational grants and subsidies amount to R294,1-million, R324,4-million and R363,8-million for each of the respective financial years of the MTREF and represent 13,0% of operating revenue.

Interest on Investment revenue contributes marginally to the revenue base with a budget allocation of R40,9-million which increases to R44,6-million over the MTREF and constitute only about 1,90% of operating revenue.

Investment particulars are reflected in supporting tables SA15 and SA16 and the projected investments at the end of the 2022/2023 financial year is R404,9-million and decrease to R300-million in 2023/2024.

Capital sources of funding

The proposed capital expenditure for the next three (3) years equals R1,5-billion.

Borrowing constitutes an average over the MTREF period of 25,47% of the total funding sources, totaling R391,0-million.

Supporting table SA17 provides details of existing and new proposed borrowings to be raised over the 2021/2022 MTREF financial year. It is anticipated to take up a new external loan of R200-million in 2021/2022 and R191-million in 2022/2023 to supplement the capital programme. This will increase the long-term liabilities from 560,3-million to R951.3-million in 2023/2024.

Internally generated funds constitute 40,39% of the total capital programme. Internally generated funds contribute R619,9-million over the MTREF.

Capital grants and receipts equates to 34,14% of the total funding sources over the MTREF and amounts to R524,1-million.

Supporting table SA18 and SA19 provides details on capital transfers and receipts and expenditure on grant programmes. The municipal infrastructure grant (MIG) remains the main capital grant received.

Funding compliance measurement

Cash flow management is a critical step in determining if the budget is funded over the medium term. National Treasury requires that the financial sustainability of the municipality is assessed to ensure financial viability. Supporting table SA10 essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

- (a) “*Cash/cash equivalents*” – this is part of the budget cash flow statement, table A7. A positive cash position of R185,1-million, R137,8 -million and R181,5-million are projected for each year of the MTREF.
- (b) “*Cash plus investments less application of funds*” – this measures how the municipality has applied the available cash and investments. The detail reconciliation of the cash backed reserves and surpluses are contained in table A8. For 2022/2023 the cash balance amounts to R477,5-million and decrease to R566,1-million in 2024/2025.
- (c) “*Monthly average payments covered by cash and cash equivalents*” – the municipality aims to achieve at least one month’s cash coverage in the medium term. The indicator is less than one (1) and remains at on average of 3,8% which reduces to 0,4% in 2022/23 over the MTREF which indicates that cash resources are under pressure.
- (d) “*Surplus/deficit excluding depreciation offsets*” – the main purpose of this measure is to assess if the community is making a sufficient contribution towards the economic benefits they are consuming over the

medium term. The surplus excluding depreciation offsets, improved from R57-million in the 2021/2022 financial year to a surplus of R197,8-million in 2022/2023.

- (e) “*Service charges as a percentage increase*” – this measurement is based on increase in revenue which include the real growth assumption. From the table it can be seen that the percentage revenue growth totals are 0,70%, 0,5% and 0,6% for each of the respective financial years.
- (f) “*Cash receipts as a percentage of revenue*” – this factor basically measures the rate of funds collected. The average calculation is 95%.
- (g) “*Debt impairment as percentage of revenue*” – the ratio measures whether the provision for debt impairment is being adequately funded to offset the under collection of billed revenues. The provision has been appropriated at 1,6% over the MTREF. This provision is linked to the municipality’s collection ability of 95%.
- (h) “*Borrowing as a percentage of capital expenditure*” – this determines the proportion of own funded capital expenditure that is being funded from borrowed funds to confirm MFMA compliance. Borrowing equates to 51% in 2022/2023 and 0% in 2024/2025 of own funded capital.
- (i) “*Repairs and maintenance expenditure level*” – indicates the percentage of committed asset repairs to property, plant and equipment. Asset management and repairs and maintenance are contained in supporting table SA34C. Repair and maintenance equates 1,3% of property plant and equipment.

Although this percentage is far less than prescribed it is mainly the result of the implementation of GRAP 17 where the asset values were increased significantly.

- (j) “*Asset renewal/rehabilitation expenditure level*” – the objective of this measure is to understand the proportion of budgets being provided for new assets and asset sustainability. New Assets Constitutes 33%, Asset renewal constitutes 34%, and Upgrading of Assets constitutes 33% of the capital expenditure.

Cash-backed reserves / accumulated surplus reconciliation

Table A8 meets the requirements of MFMA circular 42 which deals with the funding of a municipal budget in accordance with section 18 and 19 of the MFMA.

The table seeks to answer three (3) key questions regarding the use and availability of cash:

- What are the predicted cash and investments available at the end of the budget year?
- How are these funds used?

- What is the net fund available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that is available in terms of section 18 of the MFMA which states that the municipal budget must be funded.

8. **EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES**

All national allocations to local government are published in the Division of Revenue Bill, 2014, per municipality for the next three (3) years, whilst provincial allocations form part of the provincial budgets.

Supporting tables SA18, SA19 and SA20 provide details of planned expenditure against each allocation and grant received. The following grants have been allocated to the municipality:

	2022/2023	2023/2024	2024/2025
	R	R	R
Equitable Share (this grant is an unconditional grant and is partially utilized for the provision of free basic services through Council's indigent support and free basic services policy)	284 699 000	319 506 000	358 779 000
Finance Management Grant	1 650 000	1 700 000	1 700 000
Energy Efficiency and Demand side Management Grant (this grant promotes and supports reform to financial management on the implementation of the MFMA and the new accounting standards)	0.00	4 000 000	4 000 000
Integrated National Electricity Programme Grant (this grant addresses the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure)	14 400 000	15 000 000	15 674 000
Integrated Urban Development Grant (to supplement the capital budget to eradicate backlogs in municipal infrastructure in providing basic services for the benefit of poor households)	76 305 000	58 924 000	61 410 000
Expanded Public Works Programme	4 780 000	-	-
Water Service Infrastructure Grant	35 000 000	45 000 000	37 239 000
Regional Bulk Infrastructure Grant	145 000 000	70 000 000	45 000 000
Total	561 834 000	514 130 000	523 802 000

9. **ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY**

Supporting table SA21 provides detail on provisions made by Council to other organizations in terms of the conditions of the grants-in-aid policy and specific Council resolutions.

The total amount granted to other organizations or bodies outside any sphere of government amounts to R1,4-million for the 2022/2023 financial year and increase to R1,6 -million in 2023/2024.

10. **COUNCILLORS ALLOWANCES AND EMPLOYEE BENEFITS**

Supporting table SA22, SA23 and SA24 provides the proposed cost to salaries, allowances and benefits, as well as personnel numbers for:

- councilors of the municipality
- municipal manager and senior managers
- other municipal staff

Employee-related cost amounts to R740,1-million and remuneration for councilors totaling R29,9-million for the 2022/2023 financial year.

11. **MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW**

Supporting table SA25 and SA27 disclose the monthly targets for operating revenue by source, operating expenditure by type as well as a consolidated projection of revenue and expenditure by vote, whilst supporting table SA29 provides monthly projections for capital expenditure by vote.

All these schedules have been included in the annual budget and SDBIP's for each internal department which is included in the annual budget document under part 3.

The SDBIP further includes the detailed capital budget by programme and shows each capital project associated within the programme and indicates the planning for each project.

Supporting table SA30 provides a consolidated projection of cash flow for the budget setting out receipts by source and payments by type, both operating and capital broken down per month for the budget year and also shown in total the following two (2) years.

The final SDBIP will be submitted for consideration no later than fourteen (14) days after approval of the annual budget.

12. CAPITAL EXPENDITURE DETAILS

Supporting table SA34 discloses capital expenditure by asset class and table SA36 provides a list of capital programmes and projects aligned to the goals of the integrated development plan. See also supporting table SA6 for reconciliation with IDP strategic objectives.

From these tables it can be seen that 86,75% of capital expenditure is allocated for infrastructure development and service delivery, 2,90% on community assets and 10,35% on other assets such as vehicles, plant and equipment, building et cetera.

Capital expenditure on new assets equates to 36,67% of the capital programme whilst 66,33% is being utilized for renewals and upgrading of existing assets.

The capital projects planned for the next three (3) years are contained in SA36 and SA37 of which the critical projects are:

Segment Desc	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
P2300009: Upgrade bulk line Vaalbank to Nasaret rese W8: WI	10,000,000	-	-	10,000,000	10,000,000
P2000181: Replace old water pipelines Middelbu/Mhl W14: WIP	12,500,000	-	-	-	-
P2100052: Replace old water network Middelburg/Mhl W15: WIP	10,000,000	-	-	-	7,000,000
P2200090: Replace old water network Midd/Mhl	41,500,000	-	-	-	7,000,000
P2300048: Replace old water network Middelbu/Mhl W11: WIP	30,500,000	-	-	-	-
P2300049: Replace old water network Middelbu/Mhl W12: WIP	51,462,880	-	-	-	-
P2200097: Upgrade Bulk waterline Pullenshope to Hen W3: WIP	-	6,999,996	6,000,004	8,000,000	8,000,000
P1800126 : Develop Stadium Kwaza W02: WIP	-	-	5,000,004	-	-
P2300006: New Storage Reservoir in Pullenshope: W5: WIP	13,000,000	-	-	-	-
P2300005: Upgrade Vliegvelde Reservoir Complex W12: WIP	22,000,000	20,000,004	-	-	-
P2100062: Replace Boskrans WWTW Equipment: W17: WIP	9,000,000	7,000,000	4,500,000	2,000,000	8,000,000

P2300007: Refurb Boskrans WWTW W17: WIP	-	24,999,996	37,239,000	-	-
P1400149: New MPCC Rockdale W8:WIP	5,000,000	-	11,000,004	-	-
P1800085 New Landfill Site Hendrina :WIP	-	-	20,000,004	-	-
P1800084-New Landfill Site Middelburg :WIP	-	-	15,000,000	-	40,000,000
P1600107: Extend Middelbrg Landfill Site W28: WIP	2,500,000	-	-	20,000,000	20,000,000
P2100058: Refurbishment and Upgrading of Vaalbank WTW: 561	145,000,000	69,999,996	45,000,000	-	-
P2200146: Supply and install Generator at Vaalbank WTW: 561	-	14,499,996	-	-	-
P2000010: Safety Equipment (Alarms & Emergency doors): 563	-	800,004	1,000,008	12,000,000	1,000,000
P0000066 Develop Cemeteries Low Income Areas :WIP	5,000,000	3,000,004	3,000,004	-	10,000,000
P2000122: Upgrade Dr Mandela Drive:WIP	-	10,000,004	10,000,004	-	20,000,000
P1200146 - Roads & Stormwater W6 :WIP	13,500,000	5,000,004	-	-	8,000,000
P1200147 - Roads & Stormwater W2 :WIP	10,000,000	5,000,004	-	6,000,000	10,000,000
P2000121: Roads Mhluzi ext 5 W27:WIP	-	2,500,004	2,999,996	6,000,000	6,000,000
P2100055: Roads & Stormwater W17 :WIP	10,000,000	3,999,996	-	-	10,000,000
P2200124: Roads & Stormwater W06: WIP	-	-	6,999,996	-	10,000,000
P2300008: Roads x49 W11: WIP	13,903,200	7,823,844	-	-	-
P0000218-Roads Kranspoort :WIP	-	999,996	3,500,004.00	5,000,000	5,000,000
P2000115: Bulk Sewer & Collection Network Den North W17:WIP	7,000,000	-	-	-	5,000,000
P2200031: New Sewer Network Mhluzi W23: 550:WIP	-	11,951,604	-	-	5,000,000
P2200032: New Sewer network : Rockdale W06: 550:WIP	5,000,000	5,000,004	4,153,596	10,000,000	-
P2000004: Kwazamokuhle Switching Station & Links W3:WIP	9,400,000	9,999,996	-	-	-
P2300021: Rondebosch Switching station & Links :W10: WIP	5,000,000	5,000,004	5,000,004	-	-

P2300050: New Dennesig Switching station W16:WIP	5,000,000	-	-	-	-
P2200119: MV Network Electrification Rondebosch W8: WIP	-	-	5,673,996	-	-
P2300013: MV Networks Electrification Kwaza W3: INEP: WIP	-	-	5,000,004	-	-
P2300014: HV links between Sipres and Mhluzi 88kV Sub: WIP	15,500,000	-	-	-	-
P2300019: Cable between Mhluzi Sub and Mandela switching WIP	-	7,000,000	-	-	8,000,000
P2300012: MV Replace Cables W11 and 12: WIP	4,000,000	-	6,500,004	-	8,000,000
P0008353 - LV Replace LT Overhead Lines - W13 :WIP	-	-	1,500,000	5,000,000	6,000,000
P1400025-Replace 88KV Cable :WIP	25,000,000	10,863,812	10,000,004	20,000,000	24,000,000
P1400145: Upgrade Doornkop (Piet Tlou) Substation W29:WIP	14,000,000	-	-	-	-
P2300016: Upgrade Verdoorn Substation: W11: WIP	-	-	20,000,004	-	-
P1900097: Stormwater Middelburg/Mhluzi W19:WIP	500,000	1,500,000	1,599,996	7,000,000	1,000,000
P2000149: Replace of Core Distribution and Access Network:12	-	4,999,996	5,199,996	-	-
P2000189: SMART City projects	23,000,000	-	-	-	-
P0900278: Replace Equipment M'burg Dam W10: WIP	-	-	-	15,000,000	-
P1200145 - Roads & Stormwater W8 :WIP	-	-	-	8,000,000	-
P2100039: New sewer network : Rockdale W 06:WIP	-	-	-	10,000,000	-
P2200098: Upgrade bulk line Vaalbank to Nasaret rese W8: WIP	-	-	-	10,000,000	-
P2000133: LV Networks Electrification Rondebosch W8: WIP	-	-	-	6,500,000	-
P2100030: LV Electrification of Node D W14:WIP	-	-	-	5,600,000	6,720,000
P1100194-Extension Civic Centre::WIP	-	-	-	10,000,000	13,201,000
P0000246: Roads Kranspoort W29: WIP	-	-	-	-	5,000,000
P2000164: Sewer Reticulation Newtown W17: 550 WIP	-	-	-	-	5,000,000

P2200033: Sewer Reticalation Newtown W17: WIP	-	-	-	-	5,000,000
P2200143: Construct N4 and Rockdale Retaining Wall: W6: WIP	-	-	-	-	8,000,000
New Aerorand Switching Station	-	-	-	-	12,000,000
P1900013 HV Substation New Middelburg South intake W11(700)	-	-	-	-	5,000,000
New offices: Kosmos Hall	-	-	-	-	5,000,000
P2000124: Construct material recovery facility W28:WIP	-	-	-	-	15,000,000

These projects constitute 79,35% of total capital expenditure planned in 2022/2023. The implementation of these projects must be fast tracked and progress monitored monthly.

13. **LEGISLATORY COMPLIANCE STATUS**

The municipality is fully committed to promote and seek to implement the basic values and principles of public administration described as per section 195(1) of the Constitution.

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

- (a) In-year reporting as prescribed in the Municipal Budget and Reporting Regulation were compiled with according to the prescribed formats.
- (b) The budget and treasury office have been established in accordance with the MFMA.
- (c) A district audit committee has been established and is fully functional.

In achieving this commitment the municipality is presently in full compliance with the stipulations of the following legislation, the principles as per circulars issued in line with the legislation as well as promulgated regulations to give effect to the stipulations of such legislation, except where a lower extent of compliance is reflected:

- Local Government : Municipal Structures Act, Act 117 of 1998 with all its amendments to date.
- Local Government : Municipal Systems Act, Act 32 of 2000 with all its amendments to date in its entirety together with regulations promulgated and applicable to high capacity municipalities.
- Local Government : Municipal Finance Management Act, Act 56 of 2004 in its entirety including regulations promulgated and applicable to high capacity municipalities.

- Compliance is also given to circulars by National Treasury in line with the Municipal Systems Act and the Municipal Finance Management Act in so far stipulations had been approved by the Council for adoption.
- Local Government : Property Rates Act, Act 6 of 2004 and its promulgated regulations in so far as a new valuation are implemented from 1 July 2009 in full compliance to legislative requirement.
- Full compliance, where sections and stipulations of sections are applicable to the municipality:
 - * Electricity Act of 1987
 - * Labour Relations Act of 1995
 - * The Constitution of South Africa, 1996
 - * Financial and Fiscal Commission Act, 1997
 - * Intergovernmental Fiscal Relations Act, 1997
 - * Water Services Act, 1997
 - * Municipal Demarcation Act, 1998
 - * National Environmental Management Act, 1998
 - * Remuneration of Political Office Bearers Act, 1998
 - * Skills Development Act, 1998
 - * National Land Transport Transition Act, 2000
 - * Preferential Procurement Policy Framework Act, 2000
 - * Intergovernmental Relations Framework Act, 2005
 - * Division of Revenue Acts as enacted annually
 - * Municipal Cost Containment Regulations, 2019

14. **OTHER SUPPORTING DOCUMENTS**

Other supporting documents included in the budget are:

- (a) Supporting detail to budgeted financial performance – supporting table SA1 – this table provides detail on specific revenue and expenditure items.
- (b) Matrix on financial performance budget – supporting table SA2 – this table provides detail on revenue by source and expenditure by type for the various main departments in the municipality.
- (c) Supporting detail to statement of financial position – supporting table SA3 which provides detail on the various financial position items.
- (d) Supporting detail on social, economic and demographic statistics and assumptions – supporting table SA9 – this table provides a high level overview of the demographics of the municipality.

15. **SERVICE STANDARDS**

MFMA circular No. 108 indicates that municipalities must formulate service level standards and be tabled with the 2021/2022 budget. The service level standards must be approved by Council.

The municipality is in a process to finalize the service standards and as an interim agreement the broad guideline was used and included in the budget documentation as supporting table SA39.

16. **mSCOA**

The Municipal Regulations on a Standard Chart of Accounts (mSCOA) was gazette by the Minister of Finance on 22 April 2014.

mSCOA stands for “*standard chart of accounts*” and provides a uniform and standardized financial transaction classification framework. In essence this means that mSCOA prescribes the method, and format that municipalities should use to record and classify all expenditure and revenues, asset, liabilities, policy outcomes and legislative responsibility.

MSCOA was implemented by 1 July 2017 by all municipalities.

A new financial system was procured for the mSCOA implementation. The tabled budget was compiled on the new mSCOA chart, however, it was realized during the project that a much high level of breakdown of information is required.

A new version of the mSCOA chart (version 6.61) is implemented for the 2022/2023 MRTEF budget cycle.

It is anticipated that for the next financial budget year the adjustments to votes will increase until all transactions are budgeted and be transacted at the level required.

The following information related to the MSCOA Regulation is available on the National Treasury’s website:

- Government Gazette 37577 – municipal regulation on standardized chart of accounts
- GFS classification framework
- project summary document
- mSCOA circulars
- segment details
- frequently asked questions

The information can be accessed at:

mfma.treasury.gov.za/Regulations/Municipal_Regulations/mSCOA

17. **MUNICIPAL MANAGER'S QUALITY CERTIFICATE**



**Steve Tshwete
Local Municipality**

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**QUALITY CERTIFICATE
2022/2023 – 2024/2025**

I, **THOKOZILE ZULU**, acting municipal manager of **STEVE TSHWETE LOCAL MUNICIPALITY**, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the integrated development plan of the municipality.

**STEVE TSHWETE LOCAL MUNICIPALITY
MP31**

SIGNATURE

**ACTING MUNICIPAL MANAGER
T.S ZULU
March 2022**