

14528

## TABLED 2021/22 MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK

*This report served before the Financial Services Portfolio Committee on 30 March 2021. The recommendations were supported.*

### PURPOSE

To submit to Council for approval, the Tabled 2021/22 Budget and Medium Term Revenue and Expenditure Framework (MTREF).

### IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial And Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliance
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all financial related policies
		5.1.1.4 Compliance with all MFMA and related local government financial legislation
	5.2.1 Sustainable Financial and supply chain Management	5.2.1.1 Provide continuous Internal Communication on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Demand and acquisition management
		5.2.1.6 Contracts and Logistics management
		5.2.1.7 Apply adequate financial management methodologies

### BACKGROUND

The Municipal Finance Management Act (MFMA), 2003 (No 56 of 2003) issues clear guidelines on the contents of the Budget Framework Plan. The Budget Framework Plan for the City of uMhlathuze has been adapted to incorporate these guidelines.

Section 17 of the Act highlights the following issues relating to the contents of the annual budget.

- “1) *The annual budget must be a schedule in the **prescribed format** which should include the following:*
- a) *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) *both 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.*
  - e) *A statement containing any other information required by Section 215(3) of the Constitution or as may be prescribed.*
- 2) *The annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed;*
- 3) *When an annual budget is tabled in terms of Section 16(2), it must be accompanied by the following documents:*
- a) *Draft resolutions-*
    - (i) *Approving the budget of the municipality;*
    - (ii) *Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and*
    - (iii) *Approving any other matter that may be prescribed;*
  - b) *measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;*
  - c) *a projection of cash flow for the budget year by revenue source, broken down per month;*
  - d) *any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of Section 34 of the Municipal Systems Act;*
  - e) *any proposed amendments to the budget-related policies of the municipality;*
  - f) *particulars of the municipality's investments;*
  - g) *any prescribed budget information on municipal entities under the sole or shared control of the municipality;*
  - h) *particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;*
  - i) *particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;*
  - j) *particulars of any proposed allocations or grants by the municipality to-*
    - (i) *other municipalities;*
    - (ii) *any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;*
    - (iii) *any other organs of state; and*

- (iv) *any organisations or bodies referred to in section 67(1);*
- k) *the proposed cost to the municipality for the budget year of the salary, allowances and benefits of-*
  - (i) *Each political office-bearer of the municipality;*
  - (ii) *councillors of the municipality; and*
  - (iii) *the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;*
- l) *the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of-*
  - (i) *each member of the entity's board of directors;*
  - (ii) *the chief executive officer and each senior manager of the entity; and*
- m) *any other supporting documentation as may be prescribed."*

National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009.

The objectives of the budget formats reforms in terms of these regulations are:

- ❖ To ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

Specifically, for the 2020/21 Budget, Circulars No 107 (**DMS 1438024**) **Annexure L1** issued on 4 December 2020 and 108 (**DMS 1451158**) issued on 8 March 2021 **Annexure L2** are included as part of this report. **These circulars need to be read thoroughly by both the Council and the Administration.**

## DISCUSSION

The **main challenges** experienced during the compilation of the 2021/22 MTREF can be summarised as follows:

- At the top of the list by far is the lack of growth in local economic activity and now exacerbated by the COVID-19 epidemic. This evidenced by a deteriorating recovery in debtors' revenue – now sitting at 92% a year ago sitting at 97%;
- As a comparison between services over all, by far the greatest concern here lies with all the services financed by Property Tax (Rates). This Tabled budget has the Rates Services sitting with a R 317 million deficit;

- The majority of domestic households in uMhlathuze are not levied Property Rates. This because the individual properties within the Ingonyama Trust land are not separately valued and not subject to the Municipal Property Rates Act. This despite the same communities enjoying most of the municipal services that are funded by Property Rates Revenue. This flaw in the current legislation is also applicable to those commercial and business activities taking place within the Ingonyama Trust area. There is a rapid increase in demand for services in these areas – roads, water, refuse, electricity, sanitation but no commensurate revenue;
- The Constitutional mandate for uMhlathuze is to provide basic municipal services in the Ingonyama Trust area, however the deployment of those services without formal town planning and engineering protocol is not only ineffective and inefficient, but the extent thereof and demand for services on such a large scale without order, that such will lead to the economic collapse of the whole Municipality;
- There is no Equitable Share allocation for properties that do not pay Property Rates. The significance here that the delivery of basic services is very dependent on Property Rates in yet there is zero allocation from the National Equitable Share allocation for Property Rates itself. This weakness in the financial structure of the Municipal MTREF needs to be addressed at a National level as it cannot be resolved at a local level. This is a National Policy matter. As an interim measure National Treasury has been requested to increase Equitable Share to the equal extent that the Municipal Property Rates Act cannot be applied to the residents of the Ingonyama Trust land as the residents there hold no legal title to the land;
- Although Council has received Level II Accreditation, the subsidisation of Housing services which is not a Constitutional mandate can be construed as an “unfunded” mandate due to the fact the Property Rates must now fund the deficit of R28,7m – refer to Table 25 for details;
- Waste Water Management Service shows a deficit of R 29 million, this is a concern and efforts will need to be made to reduce this deficit in the coming MTREF by reducing costs therefore the introduction of more efficient and effective operations;
- Waste Management is now trading at a surplus of R 2,2 million from a surplus of R16,3 million on 2020/21 Adjusted Budget;
- Although Employee related costs as a percentage of total Expenditure amounts to 26,7% and appears to be below the 30% industry standard, it is not realistic for specifically uMhlathuze Municipality to be comfortable with this figure because of the high electricity purchase cost which distorts Council’s budget figures when compared to other secondary cities. Without a properly researched formula in place, it is difficult to guide Council to a specific benchmark, but in COU situation that figure should be no more than the current 26,7% given the distortion in COU budget caused by the high Electricity Turnover. More significantly with a number of services outsourced, a more conservative approach would be to add the Contracted Services costs (8,7%) together with Employee related Costs. This figure amounts to 35,4% (26,7% + 8,7%);

The main positives that come out of compilation of the 2021/22 MTREF can be summarised as follows:

- Extensive effort has been made within the categories of tariffs to make them more equitable between the various consumer and ratepayer categories;
- All services in the municipality are cost reflective of all the relevant municipal activities applicable to those services;
- There has been no trimming of resources allocated to Infrastructure repairs and maintenance. All the best practice standards of budget allocation to the repairs and maintenance activities are met;

- Although the budgeting of deficits is not sustainable in the long term, this municipality is financially sound enough to sustain such deficits in the short and medium term;
- Although all services funded by Rates are running at a deficit, Rates revenue is now greater than the gross contribution made by electricity to the municipality's income base, which trend points in the right direction of lowering dependency on the electricity services which historically was a significant risk to the financial stability of this municipality.

The following budget principles, guidelines and assumptions directly informed the compilation of the 2021/22 MTREF:

- No organic growth in the revenue base;
- Revenue cash flow assumes a 92 recovery;
- Capital from own funding (Capital Replacement Reserve and Borrowing) allocated on a prioritized model between Functions using asset values and Income generating ability;
- The basket of municipal services tariffs collectively has been kept below 5% expected for electricity.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act; and
- Repairs and Maintenance provisions surpass the best practice parameters of 8% of PPE and are sitting at excess of 11% for the MTREF.

This report and the supporting schedules will be forwarded to National and Provincial Treasury as required in terms of Section 22 (b)(i) of the MFMA in both printed and electronic formats.

The National Treasury endeavours to ensure that municipalities prepare a budget document that provides concise and understandable financial and non-financial information which will ensure that informed decisions are made to promote effective financial management and service delivery. By ensuring that the allocation of financial resources is aligned to service delivery targets it will be clear what services are being promised when budgets are approved.

The National Treasury created a template called "Batho Pele City" as a guide for municipal officials responsible to produce their real municipal budget documents.

The aim of the "Batho Pele" Budget Guide is to provide more detailed guidance on the format and content of a municipal budget so as to ensure full compliance with both the letter and the spirit of Schedule A of the Municipal Budget and Reporting Regulations. The "Batho Pele" Budget is intended to be a template that municipal officials can use as a basis and guide for producing their own municipality's budget documents. The Chief Financial Officer has found this template to be very comprehensive and useful for many aspects of assessing financial performance and service delivery monitoring, hence subscribes to the guide fully.

## CONSOLIDATED OVERVIEW:

**Table 1 Consolidated Overview of the 2021/22 MTREF:**

Description  R thousands	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Tabled Budget 2021/22	Tabled Budget 2022/23	Tabled Budget 2023/24
Total Operating Revenue	3 454 295	3 666 899	3 920 709	4 015 715
Total Operating Expenditure	3 603 742	3 935 127	4 127 272	4 360 851
<b>Surplus/ (Deficit) for the year</b>	<b>(149 448)</b>	<b>(268 229)</b>	<b>(206 564)</b>	<b>(345 137)</b>
<b>Total Capital Expenditure</b>	<b>762 709</b>	<b>830 967</b>	<b>692 156</b>	<b>743 020</b>
<b>TOTAL OPERATING &amp; CAPITAL BUDGET</b>	<b>4 366 451</b>	<b>4 766 094</b>	<b>4 819 428</b>	<b>5 103 872</b>

**Table 2 - 2021/22 Proposed Tariff increases**

Categories	Percentage increase (%) (Average) 2021/22	Percentage increase (%) (Average) 2022/23	Percentage increase (%) (Average) 2023/24
Property rates	5,00%	5,00%	5,00%
Electricity	6,29%	8,90%	8,90%
Water	4,00%	5,00%	5,00%
Refuse	5,00%	5,00%	5,00%
Sewer	5,00%	5,00%	5,00%

The following tables summarise the expenditure and revenue budgets by category and source respectively:

**Table 3 Percentage proportion in revenue by main revenue source**

Description  R thousand	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2021/22	%	Budget Year +1 2022/23	%	Budget Year +2 2023/24	%
<b>Revenue By Source</b>								
Property rates	559 408	16.2%	617 378	16.8%	648 246	16.5%	654 976	16.3%
Service charges - electricity revenue	1 664 181	48.2%	1 790 123	48.8%	1 949 444	49.7%	2 007 927	50.0%
Service charges - water revenue	409 046	11.8%	469 986	12.8%	493 485	12.6%	508 290	12.7%
Service charges - sanitation revenue	108 195	3.1%	107 610	2.9%	110 834	2.8%	114 159	2.8%
Service charges - refuse revenue	102 477	3.0%	107 607	2.9%	112 987	2.9%	116 377	2.9%
Rental of facilities and equipment	10 055	0.3%	10 407	0.3%	10 719	0.3%	11 041	0.3%
Interest earned - external investments	58 000	1.7%	65 000	1.8%	67 000	1.7%	69 000	1.7%
Interest earned - outstanding debtors	114	0.0%	118	0.0%	122	0.0%	125	0.0%
Fines, penalties and forfeits	7 507	0.2%	10 768	0.3%	11 091	0.3%	11 424	0.3%
Licences and permits	3 407	0.1%	3 526	0.1%	3 632	0.1%	3 741	0.1%
Agency services	5 970	0.2%	6 179	0.2%	6 365	0.2%	6 556	0.2%
Transfers and subsidies	490 760	14.2%	441 914	12.1%	469 277	12.0%	473 324	11.8%
Other revenue	35 176	1.0%	36 284	1.0%	37 508	1.0%	38 777	1.0%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>3 454 295</b>	<b>100%</b>	<b>3 666 899</b>	<b>100%</b>	<b>3 920 709</b>	<b>100%</b>	<b>4 015 715</b>	<b>100%</b>
Total revenue from rates and service charges	2 843 307	82.3%	3 092 703	84.3%	3 314 996	84.6%	3 401 728	84.7%

**Table 4 Percentage proportion in revenue by main expenditure type**

Description  R thousand	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2021/22	%	Budget Year +1 2022/23	%	Budget Year +2 2023/24	%
<b>Expenditure By Type</b>								
Employee related costs	981 781	27.2%	1 050 727	26.7%	1 089 350	26.4%	1 138 431	26.1%
Remuneration of councillors	34 317	1.0%	35 116	0.9%	36 522	0.9%	38 167	0.9%
Debt impairment	90 061	2.5%	93 213	2.4%	96 475	2.3%	99 369	2.3%
Depreciation & asset impairment	418 999	11.6%	435 000	11.1%	458 000	11.1%	482 000	11.1%
Finance charges	79 943	2.2%	69 028	1.8%	65 963	1.6%	58 303	1.3%
Bulk purchases - electricity	1 027 696	28.5%	1 277 635	32.5%	1 391 344	33.7%	1 515 174	34.7%
Inventory Consumed	271 867	7.5%	298 625	7.6%	310 694	7.5%	323 777	7.4%
Contracted services	345 933	9.6%	342 802	8.7%	331 421	8.0%	342 355	7.9%
Transfers and subsidies	14 378	0.4%	14 887	0.4%	15 512	0.4%	16 195	0.4%
Other expenditure	338 767	9.4%	318 095	8.1%	331 991	8.0%	347 081	8.0%
<b>Total Expenditure</b>	<b>3 603 742</b>	<b>100%</b>	<b>3 935 127</b>	<b>100%</b>	<b>4 127 272</b>	<b>100%</b>	<b>4 360 851</b>	<b>100%</b>

The following tables represent the 2020/21 Tabled Capital Budget:

**Table 5 Proposed Capital Funding:**

Description  R thousand	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Tabled Budget 2021/22	Tabled Budget 2022/23	Tabled Budget 2023/24
<b>Funded by:</b>				
National Government	178 857	162 013	163 351	164 420
Provincial Government	8 650	10 943	10 937	10 097
<b>Transfers recognised - capital</b>	<b>187 507</b>	<b>172 956</b>	<b>174 288</b>	<b>174 517</b>
<b>Borrowing</b>	<b>89 996</b>	<b>226 138</b>	<b>154 000</b>	<b>170 000</b>
<b>Internally generated funds</b>	<b>485 205</b>	<b>431 874</b>	<b>363 868</b>	<b>398 504</b>
<b>Total Capital Funding</b>	<b>762 709</b>	<b>830 967</b>	<b>692 156</b>	<b>743 020</b>

**Table 6 - 2021/22 Medium-term capital budget per Vote:**

Description  R thousand	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Tabled Budget 2021/22	Tabled Budget 2022/23	Tabled Budget 2023/24
<b>Capital Expenditure - Functional</b>				
<b>Governance and administration</b>	<b>104 986</b>	<b>49 017</b>	<b>49 505</b>	<b>49 833</b>
Executive and council	51	127	135	140
Finance and administration	104 935	48 890	49 370	49 693
<b>Community and public safety</b>	<b>77 309</b>	<b>98 420</b>	<b>75 869</b>	<b>71 588</b>
Community and social services	33 708	36 432	23 751	23 435
Sport and recreation	36 091	60 877	50 900	46 863
Public safety	1 245	1 111	1 218	1 291
Housing	6 265	-	-	-
<b>Economic and environmental services</b>	<b>156 589</b>	<b>191 073</b>	<b>176 119</b>	<b>224 841</b>
Planning and development	6 300	58 879	30 165	56 606
Road transport	149 855	127 794	130 954	155 235
Environmental protection	434	4 401	15 000	13 000
<b>Trading services</b>	<b>423 824</b>	<b>472 958</b>	<b>373 708</b>	<b>384 758</b>
Energy sources	91 685	83 598	84 343	84 706
Water management	220 838	319 943	247 368	249 410
Waste water management	105 919	69 416	39 200	45 987
Waste management	5 382	-	2 797	4 655
<b>Other</b>	<b>-</b>	<b>19 500</b>	<b>16 955</b>	<b>12 000</b>
<b>Total Capital Expenditure - Functional</b>	<b>762 709</b>	<b>830 967</b>	<b>692 156</b>	<b>743 020</b>

The following Annexures are included under separate cover and form part of this report:

- **Annexure A (DMS 1451170)** - Budget report that has been prepared using the “Batho Pele City” template;
- **Annexure B1 - B56 (DMS 1450034)** - Municipal Annual Budget and MTREF Supporting Tables;
- **Annexure C (DMS 1430462)** - Tariffs of Charges;
- **Annexure D1 (DMS 1445993)** - Rates Policy;
- **Annexure D2 (DMS 1449649)** - Tariff Policy;
- **Annexure E (DMS 1449640)** - 2019/20 Tabled Capital Budget;
- **Annexure F (DMS 1449640)** Component 1: Monthly projections of revenue to be collected for each source;
- **Annexure G (DMS 1449640)** Component 2: Monthly projections of expenditure (operating and capital) and revenue for each Vote;
- **Annexure H1 – H9 (DMS 1449640)** Component 3: Draft annual projections of service delivery targets and performance indicators for each Vote;
- **Annexure I (DMS 1449640)** Component 4: Ward information for Capital expenditure;
- **Annexure J (DMS 1449640)** Component 4: Ward information for operating expenditure;
- **Annexure K (DMS 1449640)** Component 5: Detailed capital works plan broken down by ward over three years;
- **Annexure L1 (DMS 1438024)** - MFMA Budget Circular number 107 dated 4 December 2020; and
- **Annexure L2 (DMS 1451158)** - MFMA Budget Circular number 108 dated 8 March 2021.

## **ENVIRONMENTAL IMPLICATIONS**

No environmental implications.

## **FINANCIAL IMPLICATIONS**

This is dealt with in detail throughout the Budget Report.

## **LEGAL IMPLICATIONS**

This is dealt throughout the report with references to various Acts and Regulations.



## COMMENTS OF THE CHIEF FINANCIAL OFFICER

The recommendations are supported.

The Chief Financial Officer's comments have been provided under the Executive Summary contained in **Annexure "A" (DMS 1451170)**.

### RECOMMENDED THAT:

1. the Tabled Multi-year Medium Term Revenue and Expenditure Framework (MTREF) of the Municipality for the Financial Year 2021/22 and indicative for the projected outer years 2022/23 and 2023/24 be approved as set out in the Budget Report **(DMS 1451170)** and in the Budget tables A1 - A10 **(Annexure B1 - B13) (DMS 1450034)**;
2. the Final Integrated Development Plan (IDP) Review for 2020/21 **(DMS 1404166)** be incorporated into the Tabled 2020/21 Multi-year Medium Term Revenue and Expenditure Framework (MTREF);
3. the Tabled 2021/22 Medium Term Revenue and Expenditure Framework aligned with the IDP's Developmental Objectives and Goals and the Municipal Regulation on Standard Chart of Accounts (mSCOA) (Government Gazette 37577 dated 22 April 2014) for the City of uMhlathuze be approved as follows:

Description  R thousands	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Tabled Budget 2021/22	Tabled Budget 2022/23	Tabled Budget 2023/24
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<b>Surplus/ (Deficit) for the year</b>	<b>(149 448)</b>	<b>(268 229)</b>	<b>(206 564)</b>	<b>(345 137)</b>
Total Capital Expenditure	762 709	830 967	692 156	743 020
<b>TOTAL OPERATING &amp; CAPITAL BUDGET</b>	<b>4 366 451</b>	<b>4 766 094</b>	<b>4 819 428</b>	<b>5 103 872</b>

It be further noted that this Budget in as far as the Municipal's administration ability and financial system capability allowed, is Project based.

4. the Accounting Officer ensure that the deficits reflected in this Tabled Budget be reduced before Council approves the adopted budget in May 2021 in the following order:- 2021/22; 2022/23; 2023/24 by R118m; R110m; and R290m respectively.

5. the following table setting out the surplus/(deficit) across the services be approved:

Description R thousand	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Electricity and Energy Sources</b>				
Surplus/(Deficit) for the year	195 646	62 224	91 341	7 803
<b>Water Management</b>				
Surplus/(Deficit) for the year	13 945	13 723	31 273	11 607
<b>Waste water management</b>				
Surplus/(Deficit) for the year	510	(28 989)	3 494	(1 836)
<b>Waste management</b>				
Surplus/(Deficit) for the year	16 334	2 210	7 351	3 056
<b>Other Services</b>				
Surplus/(Deficit) for the year	(375 882)	(317 397)	(340 022)	(365 767)
<b>Total</b>				
<b>Surplus/(Deficit) for the year</b>	<b>(149 448)</b>	<b>(268 229)</b>	<b>(206 564)</b>	<b>(345 137)</b>

6. the Tabled Service Delivery and Budget Implementation Plan (SDBIP) 2021/22 (**DMS 1449640**) as submitted be approved;
7. in terms of Section 2(3) of the Local Government: Municipal Property Rates Act the following property rates for the 2021/22 financial year be approved:

Category	Proposed tariff (from 1 July 2021)	Ratio to Residential Tariff
	<b>C</b>	
Residential Properties	0,0098	1 : 1
Business / Commercial	0,0206	1 : 2,10
Industrial	0,0215	1 : 2,20
Agricultural Properties	0,0024	1 : 0,25
Public Service Purposes (State Owned)	0,0108	1 : 1,10
Public Service Infrastructure	0,0024	1 : 0,25
Public Benefit Organisation Properties	0,0024	1 : 0,25
Mining Properties	0,0225	1 : 2,30
Vacant Land	0,0206	1 : 2,10

8. on application by the relevant rate payers the following rebates be applied subject to the provisions contained in the Rates Policy:
- Agricultural properties - 5%
  - Non Profit Organisations - 20%
9. the Rates Policy as contained in **Annexure D1 (DMS 1445993)** be approved;
10. in addition to the statutory R15 000 reduction in the valuation on residential properties a further reduction of R145 000 of the valuation on all developed residential properties valued at R 480 000 and below be made;
11. in addition to the reductions in recommendation (7) above and subject to the criteria set out in the Property Rates Policy an additional R250 000 reduction in the value of the primary residential property belonging to a pensioner or a social grantee be made;
12. in accordance with the implementation of the universal approach of the indigent policy improved residential property valued at R160 000 or less will be exempted from refuse and sewer charges. The following sliding scale will be applied for charges on improved residential properties higher than R160 000 on the following basis:
- a) Properties valued between R160 001 and R200 000 will receive a rebate of 25% in respect of the sewer and refuse charges.
  - b) Properties valued at R200 001 and higher will pay the normal tariff.
13. the amendment of the Tariff of Charges as per **Annexure C (DMS 1430462)** be approved;
14. the Tariff policy as per **Annexure D2 (DMS 1449649)**;
15. any work function or tariff not accommodated in the Tariff of Charges be dealt with as cost plus 20%;
16. in addition to the free 50 units, the indigent customers to be granted additional 300 units that can be bought per month but be capped at 350 units each month;
17. the property rates and tariff adjustments as set out above be dealt in terms of Section 14 of the Local Government: Property Rates Act and Section 24 of the Municipal Finance Management Act 2003;
18. free water be increased from 6 kl a month to 10 kl a month and residential water basic charge be charged when the consumer has consumed more than 10 kl a month;

19. in terms of various policies, the following increases in allowances are submitted to Council for approval:

	Approved 2020/21 Tariffs	Proposed Tariffs - 2021/22
	R	R
Standby - Travel allowance	109	113
Standby - Subsistence allowance	71	74
<b>Subsistence allowances</b>		
Daily allowance	154	160
Overnight allowance	207	215
Own accommodation	284	295
Interview candidates	74	77
<b>Accommodation</b>		
All employees	1 292	1 342
All councillors and Section 56 employees	2 166	2 250
Municipal Manager, Mayor/ Deputy Mayor, Speaker and Municipal Chief Whip	3 613	3 754
Ward committee members	1 552	1 613
<b>Indigent Burial Assistance</b>		
Adult	2 850	2 961
Child (1 day to 15 years)	2 166	2 250
Stillborn / foetus	1 482	1 540

20. the profit on sale of all erven be allocated 100% to the Rates and General Capital Replacement Reserve account;
21. should there be any unspent conditional grants received from the National Fiscus at year end, Council hereby requests that the Municipal Manager via letters to the respective transferring officers apply for a roll-over of funds received in **2020/21** financial year to the next financial year, namely the 2021/22 financial year;
22. although Council has an approved Virement Policy, in terms of this 2021/22 MTREF Budget appropriation, a MFMA mSCOA circular no. 8 (**DMS 1402904**) be Tabled with the following:
- no virements (transfers) will be allowed out of:
    - All Repairs and Maintenance Projects unless approval has been sort jointly between the Municipal Manager and the Chief Financial Officer;
    - Purchase of Bulk Electricity and Bulk Water Projects;
  - a Project extending over/ incorporating more than one mSCOA function or sub function, then savings in the budgetary allocation in a function or sub-function may be applied across the functions and/ or sub-functions directly linked to the same Project and Funding Source;

**AMENDED PAGES : VOLUME 1 - PAGE 39 – ITEM 14528 FOR EXCO**  
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- where the Finance and Administrative function or sub function is directly linked to another Function or sub function, then savings in the linked function/ sub-function may be applied in the Finance and Administrative function or *vice versa*<sup>2</sup>. This means that virements between Rates Services and Trading Services and across Trading Service are not allowed;
  - Virements should not be permitted in relation to the revenue side of the budget;
  - Virements between functions should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);
  - Virements from the capital budget to the operating budget should not be permitted, Operational funds to the Capital Budget may be done, but only via an Adjustments budget;
  - Virements towards employee related costs should not be permitted, except where:
    - temporary/ contracted (budget for as contracted services in terms to the mSCOA Classification) staff status has changed to permanent staff; or
    - the budget savings resulted from Outsourced Services within the same function in terms of a Council delegated authority).
23. to ensure that monies are spent efficiently and effectively in the repairs and maintenance environment for both operating and capital budgets, no Repairs and Maintenance budget can be utilized unless each project for repairs and maintenance is utilized strictly in terms of the 2021/22 asset maintenance plan and captured accordingly on the Work Break-down Structure of the uM-SAP system;
24. to ensure that all capital budgets are spent efficiently and effectively, no approved tenders can proceed unless clearly defined work deliverables are documented in the Contracts module and Project systems module and captured accordingly in the Work Break- down Structure; and
25. **the cost containment policy as contained in DMS 1407523 be approved.**