

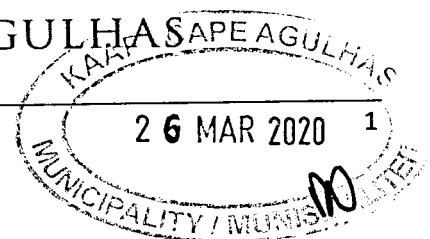
CAPE AGULHAS MUNICIPALITY

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2020/2021 TO 2022/2023



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
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March 2020

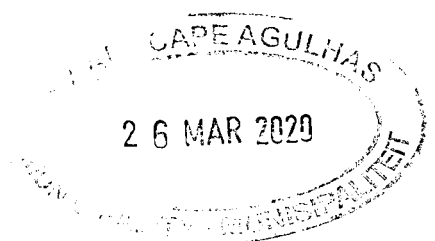


ANNUAL BUDGET OF
CAPE AGULHAS
MUNICIPALITY

2019/20 TO 2021/22
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Vision & Mission

Our Vision

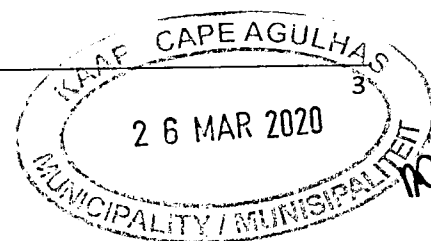
Together for excellence

Saam vir uitnemendheid

Sisonke siyagqwesa

Our Mission

March 2020



To render excellent services through good governance, public ownership and partnership in order to create a safer environment that will promote socio-economic growth and ensure future financial sustainability in a prosperous southernmost community

This will be achieved through:

- Fairness
- Integrity
- Accountability and responsibility
- Transparency
- Innovativeness
- Responsiveness
- Empathy

1.2 Mayor's Report

In terms Section 152 of the Constitution of the Republic of South Africa, the objectives of local government are as follows:

- a) To provide democratic and accountable government for local communities;
- b) To ensure the provision of services to communities in a sustainable manner;
- c) To promote social and economic development;
- d) To promote a safe and healthy environment; and
- e) To encourage the involvement of communities and community organisations in the matters of Local Government.

A municipality must strive, within its financial and administrative capacity, to achieve these objective set out in Section 152.

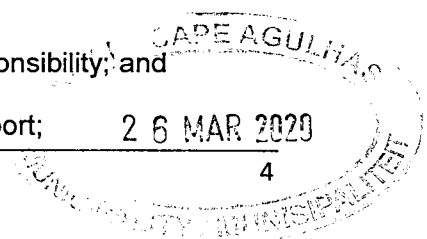
As Mayor and Council we are committed to the following major focus areas:

- Youth Development
- Development and upgrading of Recreational Facilities
- Social Development and related projects
- Local Economic Development (LED)
- Beautification of Communities
- Sport Development
- Uplift and support elderlies
- Safety and Security of the Community

In order to achieve our goals in the focus areas identified, it is imperative that we:

- Spend at least 95% of our budget allocations;
- Tighten our oversight responsibility in each and every department (Financial monitoring and reporting);
- Be open minded, responsive and caring;
- Work closer as a collective and respect one another's job and responsibility; and
- Employ capable officials who can contribute to service delivery.
- Ensure sustained financial viability for maximum development support;

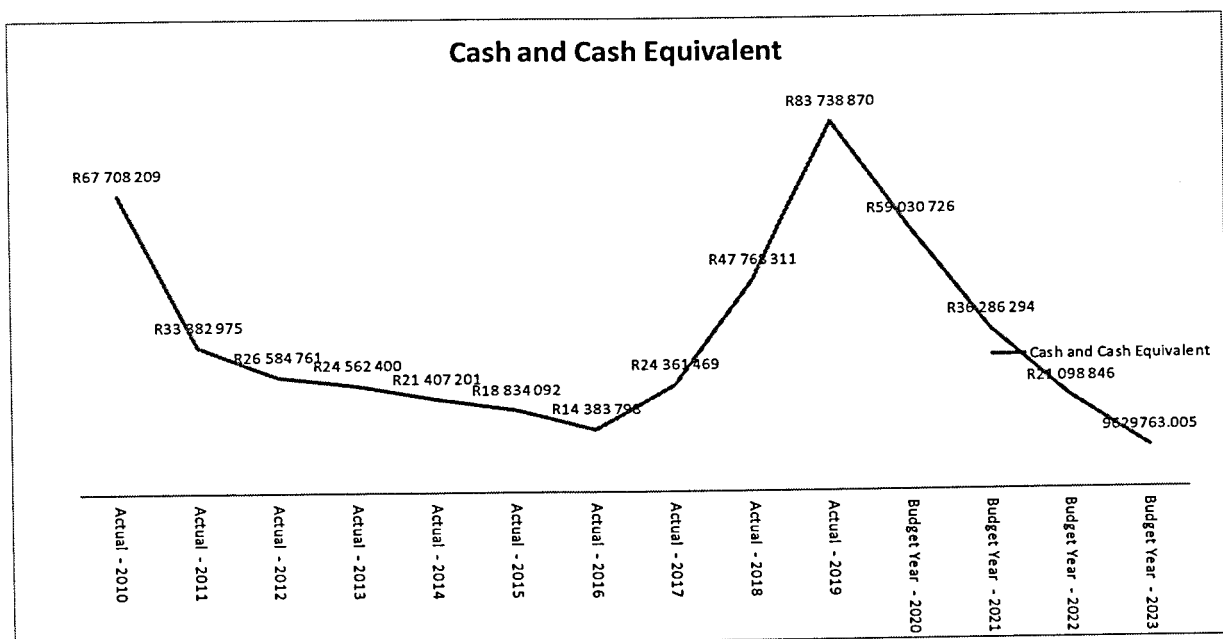
March 2020



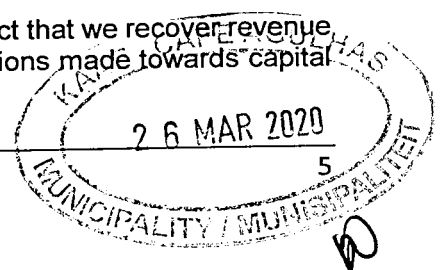
- Sound financial administration;
- Ensure internal control over municipality's financial activities;
- Maximise Revenue potential through effective debt collection and credit control practices;
- Effective and efficient management of the municipality's assets and motor vehicle fleet to optimise the economic benefit over the useful live of the asset;
- Develop and implement ICT Governance to realise the following benefits:
 - o Integrates and institutionalise good practices to ensure that the ICT component supports the business objectives
 - o The organisation will use ICT Governance Framework to drive the Stakeholders' values.
 - o The organisation will also understand and manage the associated IT risks.
- Provide an effective and efficient financial management service to external and internal stakeholders in respect of council's assets, liabilities, revenue and expenditure in a sustained manner;

The above-mentioned focus areas and goals should always take into account the economic challenges that South Africa is faced with. South Africa have experienced very slow economic growth in recent years. This slowdown will be further impacted by the recent global outbreak of the COVID 19 ("Corona Virus") pandemic which forced the South African Government to implement a national 21 day "lock down" to contain the spread of the virus. This "lock down", which is deemed crucial for the well-being of the South African population, will however place significant strain on the national fiscus. This national strain will directly impact the financial viability of the municipality.

Currently, although still a funded budget, the proposed program will have a negative impact on the projected cash position of the municipality as indicated below:



(It should be emphasised that the projections above is based on the fact that we recover revenue in line with historical actual trends and that we fully utilise all allocations made towards capital and operating programs.



It is expected that the cash resources of the municipality will decrease by R 22,744 million during 2020/2021 and by R 15,187 million and R 11,469 million during 2021/2022 and 2022/2023 respectively. This significant downward trend can mainly be attributed to the inability of the municipal budget to produce adequate cash resources to meet the proposed capital and operating program of the municipality, which includes approximately R 45 million capital expenditure from internal sources over the MTREF. The downward trend is best described by the following table, illustrating the inability of the municipality to fund its proposed capital program from loans raised as well as cash generated during the financial year:

Description	2016/17	2017/18	2018/19	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
NET CASH FROM/(USED) OPERATING ACTIVITIES	34 497	25 700	54 097	23 030	16 055	21 113	27 524
LOANS RAISED	220	17 400	17 000	-	25 479	6 012	3 655
FUNDING AVAILABLE	34 717	43 100	71 097	23 030	41 534	27 125	31 179
CAPITAL PROGRAM	(24 172)	(24 000)	(37 246)	(47 624)	(58 085)	(35 887)	(35 992)
SURPLUS/(SHORTFALL)	10 545	19 100	33 851	(24 594)	(16 551)	(8 762)	(4 812)

This will result in accumulated cash reserves being utilized to fund the capital program, resulting in the illustrated downward trend over the MTREF.

The South African economy and inflation targets

Over the past year, economic growth has been weaker than forecasted and is only expected to reach 0.9 per cent in 2020. The 2020 budget highlights the difficult economic and fiscal choices confronting government over the next several years.

It is projected that revenue to be collected for the 2020/21 financial year will amount to R1.5 trillion which equates to 29.2 per cent of the Gross Domestic Product (GDP), whereas expenditure is projected to be at R1.95 trillion which is equivalent to 36 per cent of GDP. This means that there is a consolidated budget deficit of R370.5 billion or 6.8 per cent of GDP in 2020/21.

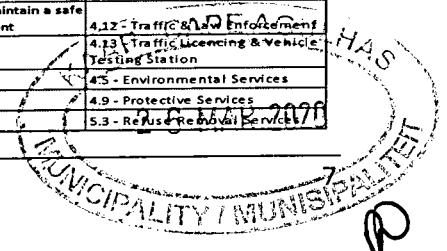
The gross national debts by the end of 2020/21 is projected to be R3.56 trillion which is 65.6 per cent of GDP. It is evident that determined action is required to reverse the deterioration of the public finances by narrowing the budget deficit, containing debt and growing the economy faster and in a sustainable manner.

Municipalities therefore need to exercise caution when they prepare their 2020/21 MTREF budgets to ensure synergy with national economic and fiscal prudence. The declining economic growth which will be impacted on further by the Corona virus pandemic and international companies closing down as a result, the deteriorating state of the finances for state-owned entities, continued high unemployment and water and electricity shortages will put pressure on the ability of municipalities to raise revenue. Municipalities are therefore advised to follow a conservative approach when projecting their revenue and to eliminate any waste and unnecessary expenditure. Importantly, municipalities should ensure that they adopt realistic and funded 2020/21 MTREF budgets, collect the debts owed to them and pay their creditors within 30 days of receipt of invoice.

To address these concerns, the following strategic goals and objectives (aligned to both the National KPA's and the departments within the municipality) are contained in the IDP of Cape Agulhas Municipality:

BO

National KPA	Municipal KPA	Strategic goal	Strategic objective	Department	
KPA1: Good Governance and Public Participation	MKPA1: Good Governance and Public Participation	SG1: To ensure good governance and Institutional sustainability	SO1: To create a culture of good governance	1.1 - Council Administration	
				1.2 - Internal Audit	
				1.3 - Municipal Manager	
				1.4 - Council Support	
				1.5 - Shared Services	
				1.6 - Strategic Services	
				1.9 - Administration	
				SO2: To create a culture of public participation and empower communities to participate in the affairs of the Municipality	1.1 - Council Administration
				1.10 - Human Resources & Organisational Development	
KPA2: Municipal Institutional Development and Transformation	MKPA2: Municipal Institutional Development and Transformation	SG2: To ensure institutional sustainability	SO3: To create an administration capable of delivering on service excellence.	1.10 - Human Resources & Organisational Development	
				1.9 - Administration	
				2.7 - Information Systems	
				4.2 - Beaches & Holiday Resorts	
				4.3 - Buildings and Commonage	
KPA3: Local Economic Development	MKPA3: Local Economic Development and Tourism	SG3: To promote local economic development in the Cape Agulhas Municipal Area	SO4: To create an enabling environment for economic growth and development	1.10 - Human Resources & Organisational Development	
				1.6 - Strategic Services	
				4.11 - Social Development	
				4.8 - Parks and Sports Facilities	
				5.1 - Director: Engineering Services	
				SO5: To promote tourism in the Municipal Area	1.1 - Council Administration
				1.11 - Tourism	
KPA4: Municipal Financial Viability and Management	MKPA4: Municipal Financial Viability and Management	SG4: To improve the financial viability of the Municipality and ensure its long term financial sustainability	SO6: To provide effective financial, asset and procurement management	2.1 - Budget & Treasury	
				2.2 - Expenditure Management	
				2.3 - Director: Financial Services & ICT	
				2.4 - Revenue Management	
				2.5 - Supply Chain Management	
KPA5: Basic Service Delivery	MKPA5: Basic Service Delivery	SG5: To ensure access to equitable affordable and sustainable municipal services for all citizens	SO10: Development of sustainable vibrant human settlements	1.7 - Town Planning	
				4.6 - Human Settlements	
				5.7 - Building Control	
				SO7: Provision of equitable quality basic services to all households	1.1 - Council Administration
				SO8: To maintain infrastructure and undertake development of bulk infrastructure to ensure sustainable service delivery.	2.6 - Workshop
				5.1 - Director: Engineering Services	
				5.10 - Air Quality	
				5.2 - Sewerage Services	
				5.3 - Refuse Removal Services	
				5.4 - Streets & Stormwater	
				5.5 - Water	
				5.6 - Workshop	
				5.8 - Electricity Services	
				5.9 - PMU Unit	
				SO9: To provide community facilities and services	4.10 - Public Services
4.4 - Cemetery					
4.7 - Library Services					
KPA6: Social and youth development	MKPA6: Social and youth development	SG6: To create a safe and healthy environment for all citizens and visitors to the Cape Agulhas Municipality	SO10: Development of sustainable vibrant human settlements	4.6 - Human Settlements	
				SO11: To promote social and youth development	1.1 - Council Administration
				1.8 - Socio & Economic Development	
4.1 - Director: Management Services					
SO12: To create and maintain a safe and healthy environment	4.12 - Traffic & Law Enforcement				
4.23 - Traffic Licensing & Vehicle Testing Station					
4.5 - Environmental Services					
4.9 - Protective Services					
5.3 - Refuse Removal Services					



The Integrated Development Plan (IDP) is a 5-year strategic developmental plan, setting strategic and budget priorities as required in terms of the Municipal Systems Act of 2000. It is a plan to help us set our budget priorities, so in essence it indicates how Cape Agulhas Municipality will spend its money for the next five years. The IDP should be aligned with the development plans of provincial and national government, and is agreed upon between Cape Agulhas Municipality and the residents during the public participation process. Therefore the IDP enables Cape Agulhas Municipality to make the best use of scarce resources and it also enables the councillors to make decisions based on the needs and priorities of their communities.

With the IDP, Cape Agulhas Municipality can:

- Develop a clear vision
- Identify its key development priorities
- Formulate appropriate strategies
- Develop the appropriate organisational structure and systems
- Align resources with development priorities

In view of the aforementioned, the following allocations are allocated to the strategic objectives and goals in the MTREF under review:

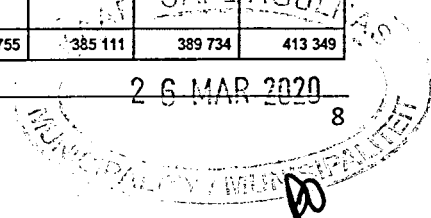
Operating Expenditure per Strategic Objective

Strategic Objective	Goal	Goal Code	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
			Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand						
SO1: To create a culture of good governance	SG1: To ensure good governance and institutional sustainability	KPA1/SG1/SO1	18 194	18 181	19 091	20 086
SO2: To create a culture of public participation and empower communities to participate in the affairs of the Municipality	SG1: To ensure good governance and institutional sustainability	KPA1/SG1/SO2	533	533	533	533
SO3: To create an administration capable of delivering on service excellence.	SG2: To ensure institutional sustainability	KPA2/SG2/SO3	40 821	41 479	43 885	46 600
SO4: To create an enabling environment for economic growth and development	SG3: To promote local economic development in the Cape Agulhas Municipal Area	KPA3/SG3/SO4	1 570	2 026	-	-
SO5: To promote tourism in the Municipal Area	SG3: To promote local economic development in the Cape Agulhas Municipal Area	KPA3/SG3/SO5	2 313	3 565	3 734	3 914
SO6: To provide effective financial, asset and procurement management	SG4: To improve the financial viability of the Municipality and ensure its long term financial sustainability	KPA4/SG4/SO6	51 441	49 609	51 513	53 987
SO7: Provision of equitable quality basic services to all households	SG5: To ensure access to equitable affordable and sustainable municipal services for all citizens	KPA5/SG5/SO7	411	448	470	492
SO8: To maintain infrastructure and undertake development of bulk infrastructure to ensure sustainable service delivery.	SG5: To ensure access to equitable affordable and sustainable municipal services for all citizens	KPA5/SG5/SO8	167 161	176 749	185 922	199 169
SO9: To provide community facilities and services	SG5: To ensure access to equitable affordable and sustainable municipal services for all citizens	KPA5/SG5/SO9	9 063	9 432	9 986	10 581
SO10: Development of sustainable vibrant human settlements	SG5: To ensure access to equitable affordable and sustainable municipal services for all citizens	KPA5/SG5/SO10	67 304	41 786	31 925	32 871
SO10: Development of sustainable vibrant human settlements	SG6: To create a safe and healthy environment for all citizens and visitors to the Cape Agulhas Municipality	KPA5/SG6/SO10	-	-	-	-
SO11: To promote social and youth development	SG6: To create a safe and healthy environment for all citizens and visitors to the Cape Agulhas Municipality	KPA6/SG6/SO11	6 607	7 339	6 699	6 975
SO12: To create and maintain a safe and healthy environment	SG6: To create a safe and healthy environment for all citizens and visitors to the Cape Agulhas Municipality	KPA6/SG6/SO12	30 339	33 964	35 975	38 142
Total Expenditure			395 755	385 111	389 734	413 349

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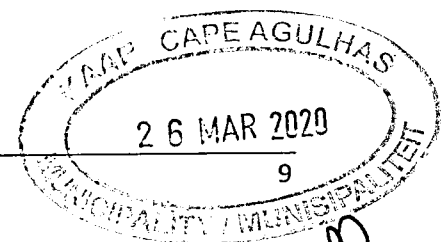
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Capital Expenditure per Strategic Objective

Strategic Objective	Goal	Goal Code	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
			Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand						
SO1: To create a culture of good governance	SG1: To ensure good governance and institutional sustainability	KPA1/SG1/SO1	1 712	2 010	500	-
SO2: To create a culture of public participation and empower communities to participate in the affairs of the Municipality	SG1: To ensure good governance and institutional sustainability	KPA1/SG1/SO2	4	-	-	-
SO3: To create an administration capable of delivering on service excellence.	SG2: To ensure institutional sustainability	KPA2/SG2/SO3	7 352	4 547	4 360	4 434
SO4: To create an enabling environment for economic growth and development	SG3: To promote local economic development in the Cape Agulhas Municipal Area	KPA3/SG3/SO4	-	-	-	-
SO5: To promote tourism in the Municipal Area	SG3: To promote local economic development in the Cape Agulhas Municipal Area	KPA3/SG3/SO5	1 535	-	-	-
SO6: To provide effective financial, asset and procurement management	SG4: To improve the financial viability of the Municipality and ensure its long term financial sustainability	KPA4/SG4/SO6	30	32	7	4
SO7: Provision of equitable quality basic services to all households	SG5: To ensure access to equitable affordable and sustainable municipal services for all citizens	KPA5/SG5/SO7	-	-	-	-
SO8: To maintain infrastructure and undertake development of bulk infrastructure to ensure sustainable service delivery.	SG5: To ensure access to equitable affordable and sustainable municipal services for all citizens	KPA5/SG5/SO8	34 629	48 725	30 572	31 108
SO9: To provide community facilities and services	SG5: To ensure access to equitable affordable and sustainable municipal services for all citizens	KPA5/SG5/SO9	20	66	50	250
SO10: Development of sustainable vibrant human settlements	SG5: To ensure access to equitable affordable and sustainable municipal services for all citizens	KPA5/SG5/SO10	7	9	-	-
SO10: Development of sustainable vibrant human settlements	SG6: To create a safe and healthy environment for all citizens and visitors to the Cape Agulhas Municipality	KPA5/SG6/SO10	-	-	-	-
SO11: To promote social and youth development	SG6: To create a safe and healthy environment for all citizens and visitors to the Cape Agulhas Municipality	KPA6/SG6/SO11	-	6	-	-
SO12: To create and maintain a safe and healthy environment	SG6: To create a safe and healthy environment for all citizens and visitors to the Cape Agulhas Municipality	KPA6/SG6/SO12	2 335	2 691	398	195
Total Capital Expenditure			47 624	58 085	35 887	35 992



1.3 Draft Council Resolutions

It is recommended that the Council approves and adopts the following resolutions for the annual budget:

The Council of Cape Agulhas Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2020/21 and the multi-year and single-year capital appropriations as set out in the following tables in part 1.8 of this report
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables in part 1.8 of this report:
 - 1.2.1. Budgeted Financial Position as contained in Table A6;
 - 1.2.2. Budgeted Cash Flows as contained in Table A7;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
 - 1.2.4. Asset management as contained in Table A9; and
 - 1.2.5. Basic service delivery measurement as contained in Table A10.
2. The Council of Cape Agulhas Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2020:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure A
 - 2.3. the tariffs for the supply of water – as set out in Annexure A
 - 2.4. the tariffs for sanitation services – as set out in Annexure A
 - 2.5. the tariffs for solid waste services – as set out in Annexure A
3. The Council of Cape Agulhas Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2020 the tariffs for other services, as set out in Annexure A.

1.4 Executive Summary

Local government continue to receive the least share of the division of nationally raised revenue because it has extensive powers to raise its own revenue. On aggregate; the local government sphere raises about 70 per cent of its own revenue. However, municipalities should make every effort to improve the collection rates through improved billing and collection practices. In the present current economic climate, municipalities cannot afford to provide municipal services without recovering the cost of providing these services. Spending outcomes for 2018/19 varied across the 257 municipalities. Many municipalities adopted unrealistic spending plans. As a result, 211 municipalities underspent their operating budgets and 214 municipalities underspent their capital budgets.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2020/21 Medium-term Revenue and Expenditure Framework:

Consolidated Overview of the 2020/21 MTREF (R'000)

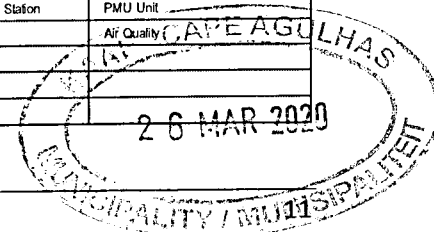
R thousand	Current Year 20120/21	2020/21 Medium Term Revenue & Expenditure Framework		
	Forecast	Budget Year 2020/21	Budget Year +1 2022/22	Budget Year +2 2022/23
Total Operating Revenue	390 457	380 044	388 912	416 201
Total Operating Expenditure	(395 755)	(385 111)	(389 734)	(413 349)
<i>Surplus/(Deficit) before capital transfers</i>	(5 298)	(5 067)	(822)	2 852
Transferred Recognised Capital	19 767	13 889	13 421	14 665
<i>Surplus/(Deficit) for the year</i>	14 469	8 822	12 600	17 517

As can be seen from the above, the municipality will operate at an operating deficit throughout the MTREF, except for 2022/2023. An operating deficit is an indication that the municipality is not generating sufficient revenue to sustain its operating expenditure, let alone the fact that the operating budget is not contributing any revenue at all towards the capital program. It should also be noted that the operating budget also includes items such as depreciation and debt impairment which are not considered to be a "cash" expense. These item will not result in an immediate cash outflow. It should however be noted that non-cash items will eventually translate into cash outflow when for example the fully depreciated asset needs to be replaced.

The budget presented is aligned to the following vote structure:

Vote	Executive and Council	Financial Services & ICT	Management Services	Engineering Services
Department	Council Administration	Budget & Treasury	Beaches & Holiday Resorts	Director: Engineering Services
	Strategic Services	Expenditure Management	Buildings and Commonage	Sewerage Services
	Town Planning	Director: Financial Services & ICT	Cemetery	Refuse Removal Services
	Socio & Economic Development	Revenue Management	Human Settlements	Water
	Administration	Supply Chain Management	Library Services	Building Control
	Human Resources & Organisational Development	Workshop	Parks and Sports Facilities	Electricity Services
	Tourism	Information Systems	Traffic & Law Enforcement	Streets & Stormwater
	Internal Audit		Traffic Licencing & Vehicle Testing Station	PMU Unit
	Municipal Manager		Director: Management Services	Air Quality
	Council Support		Environmental Services	
	Shared Services		Protective Services	
			Public Services	

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In line with the municipal structure, the following revenue and expenditure is appropriated to each vote:

Vote Description R thousand	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue by Vote				
Vote 1 - Executive and Council	36 627	37 692	36 851	38 993
Vote 2 - Financial Services & ICT	85 048	81 869	86 950	92 933
Vote 4 - Management Services	84 750	60 688	52 242	54 698
Vote 5 - Engineering Services	203 799	213 684	226 291	244 242
Total Revenue by Vote	410 224	393 933	402 334	430 866
Expenditure by Vote to be appropriated				
Vote 1 - Executive and Council	48 740	48 856	48 251	50 773
Vote 2 - Financial Services & ICT	61 591	61 678	64 406	67 771
Vote 4 - Management Services	107 243	86 916	79 465	83 106
Vote 5 - Engineering Services	178 181	187 661	197 612	211 700
Total Expenditure by Vote	395 755	385 111	389 734	413 349
Surplus/(Deficit) for the year	14 469	8 822	12 600	17 517

Financial Viability

Financial viability is imperative to ensure that high quality services are delivered to the community on a sustainable manner. In order to achieve financial viability, the municipal budget is guided by the approved long-term financial plan of the municipality.

The municipality further assesses their viability on the model jointly developed by Swartland Municipality and the Western Cape Provincial Treasury. This model assesses 10 key ratios that is considered the most important indicators when assessing the long term viability of the municipality. A weighting is attached to each indicator that will eventually provide the municipality with a viability score out of 100. The municipality should always strive for the maximum score of 100. Any score below 100 will be indicative of "sustainability cracks" that could eventually negatively impact on service delivery in the municipal area.

The 10 indicators, along with the proposed benchmark and weight are included in the following table:

ITEM	Benchmark	Viability Weight	Standard 1	Score 1	Standard 2	Score 2	Standard 3	Score 3	Standard 4	Score 4	Standard 5	Score 5
Asset Test Ratio	200%	10	200%	10	150%	8	100%	5	50%	2	0%	0
Payment Level (Excluding write-off of bad debts)	> 95%	15	95%	15	90%	11	85%	6	80%	3	75%	0
Cash Generated from Operations as % of Revenue	> 20%	8	20%	8	15%	6	10%	4	5%	2	0%	0
Purchase of PPE as % of Cash Generated	< 100%	8	100%	8	110%	6	120%	4	135%	2	150%	0
Cost Coverage (Excluding Unspent Grants)	4	15	4	15	4	10	3	5	2	2	1	0
Debtors Turnover (days) (Before impairment)	< 45 days	2	75	2	90	1	110	0	130	0	150	0
Longterm debt as % of Revenue	< 40%	5	40%	5	50%	4	75%	3	95%	2	100%	0
Debt servicing cost to Revenue	< 5%	8	5%	8	7.50%	6	10%	4	12.50%	2	15%	0
Short-term debt as % of Cash	< 100%	4	50%	4	70%	3	80%	2	100%	1	125%	0
Cash Funded Budget over MTREF	> R0	25	Yes	25	No	0	0	0	0	0	0	0

The 10 indicators provide the municipality with an assessment of the following major areas:

- Revenue Management
- Expenditure Management
- Debtor and Creditor Management
- Cash Management
- Asset Management
- Funding and Reserve Strategy

All the indicators will be discussed below.

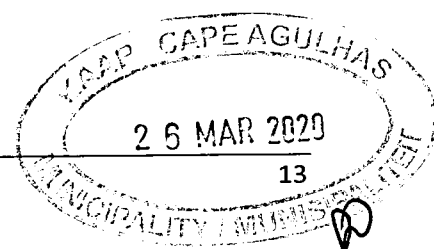
It should be noted that these ratios are based on the full implementation of the proposed capital and operating program and that revenue realise in line with the most recent actual audited results.

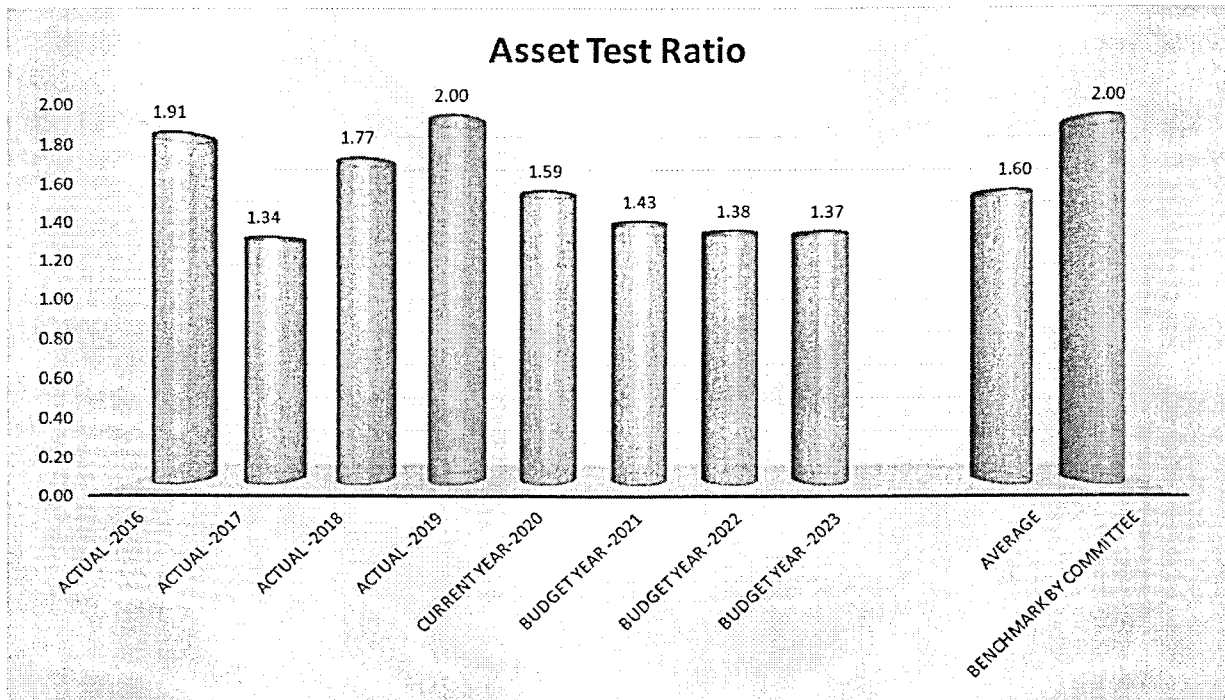
1.4.1.1 Asset Test Ratio

The asset test ratio provides with an indication of the municipality's ability to settle commitments if and when they become due. It is calculated as follows ratio between current assets (excluding inventory) and current liabilities.

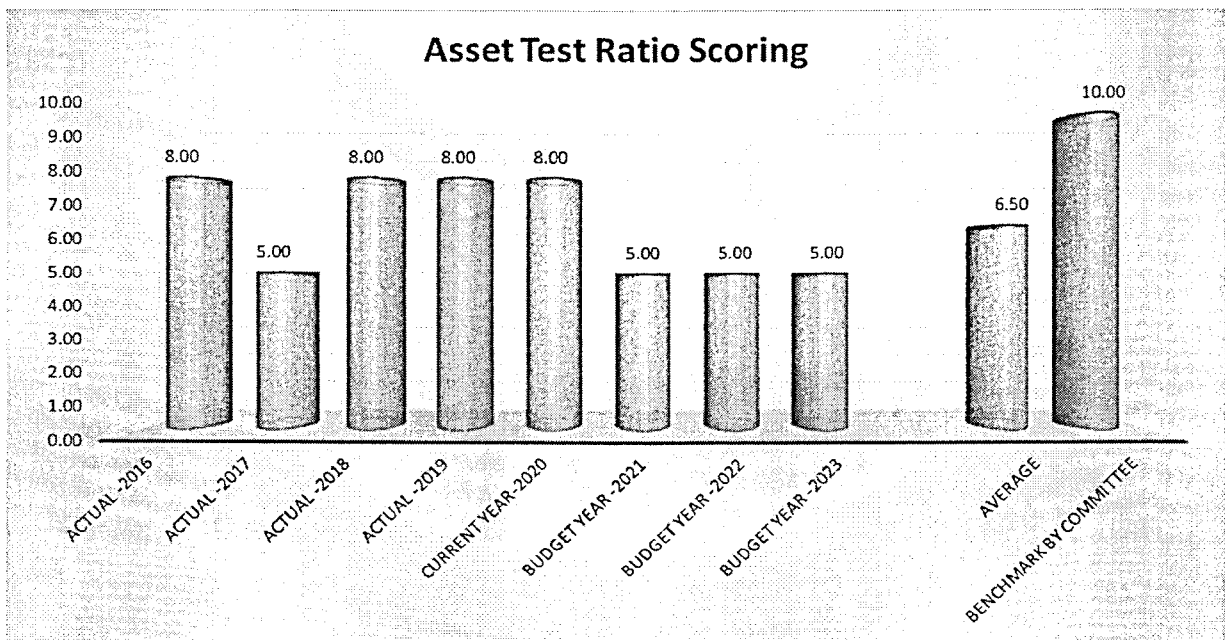
A ratio of 2:1 is considered to be appropriate.

The municipality managed to improve this ratio throughout the years up to 30 June 2019. This upward momentum will however not be supported by the budget to be implemented over the MTREF as indicated below:





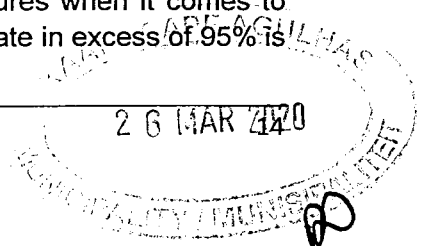
From a viability scoring out of 10 for this indicator, the following is allocated for this indicator:

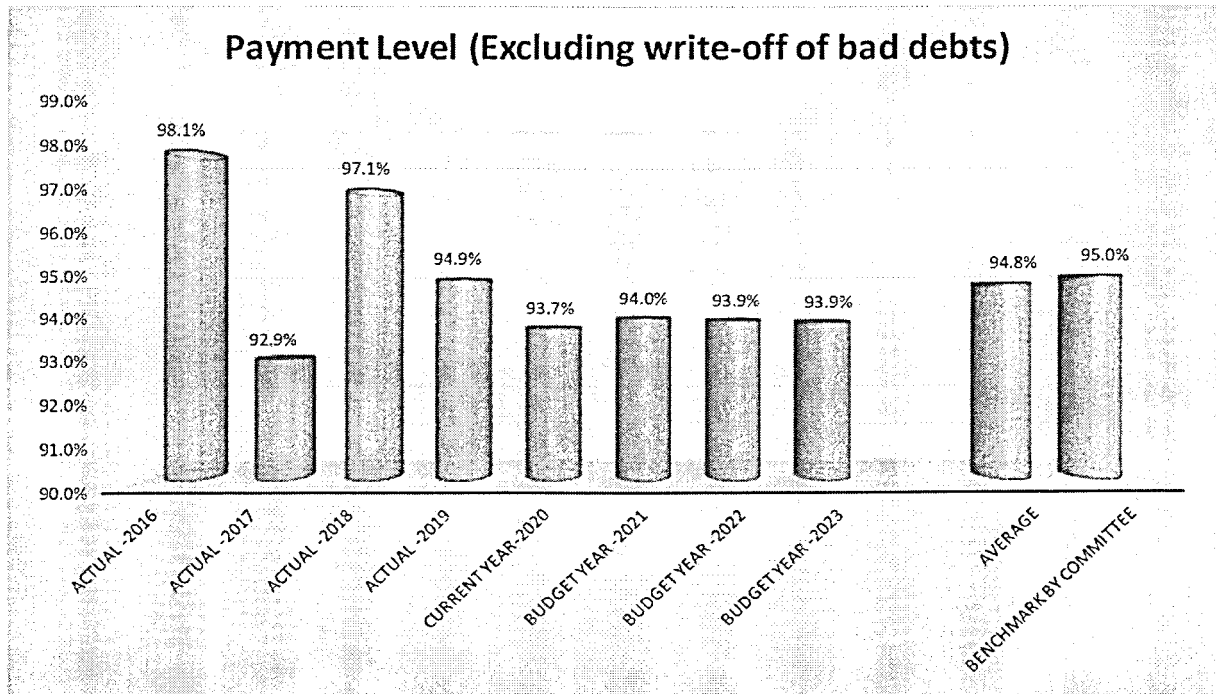


1.4.1.2 Payment Level

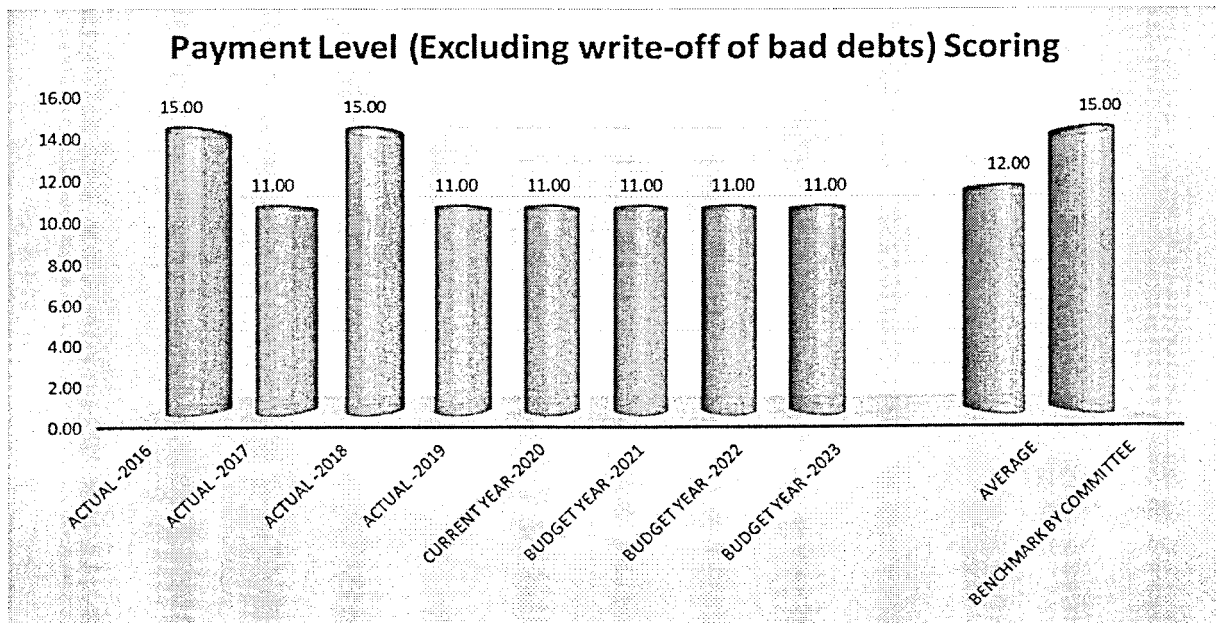
Historically, the municipality has always been able to apply strict measures when it comes to revenue collection and this trend is set to continue. A revenue collection rate in excess of 95% is considered to be exceptional in the current economic environment.

March 2020





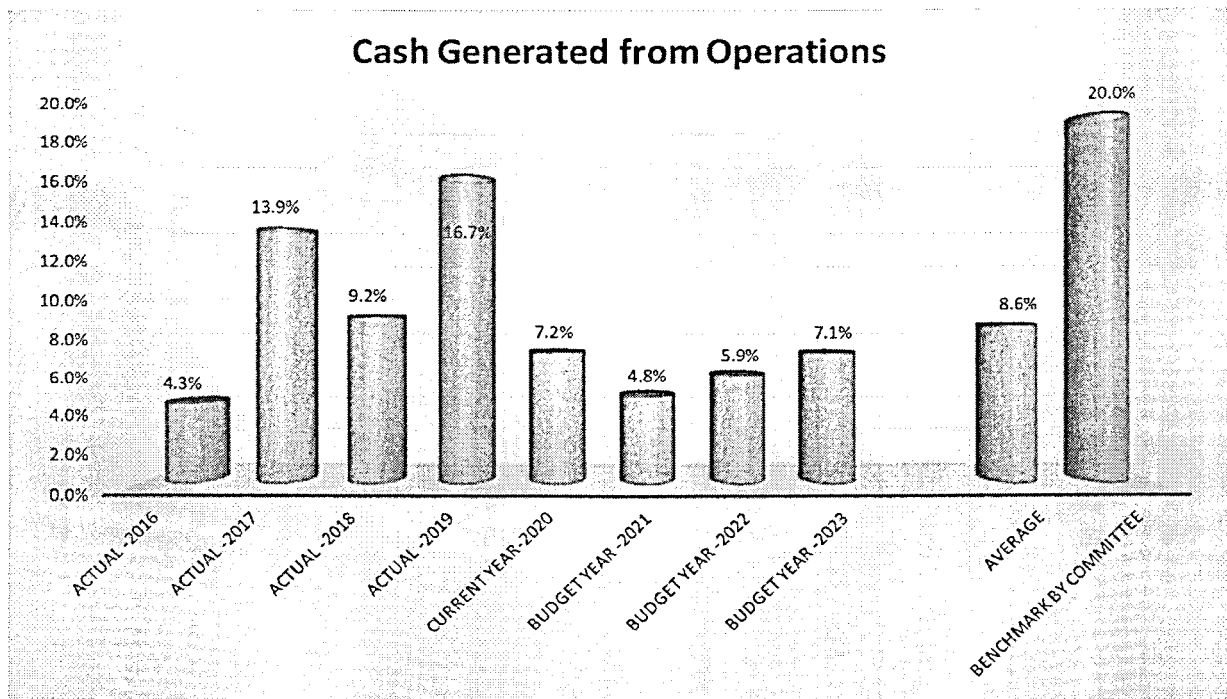
A following score is allocated to this indicator:



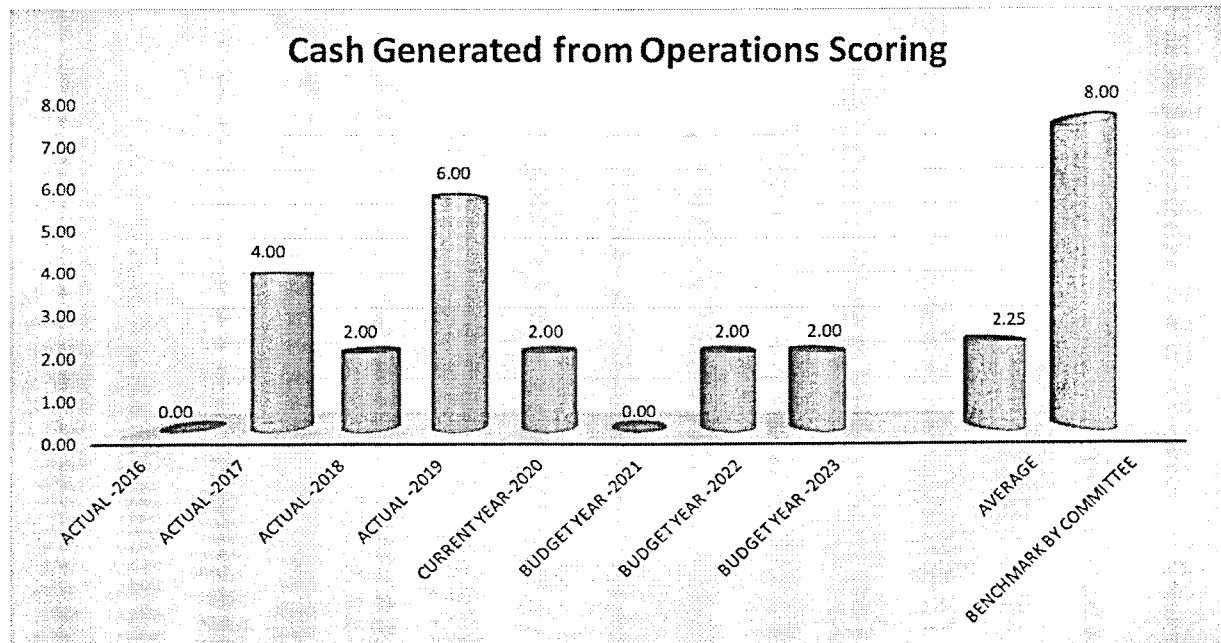
1.4.1.3 Cash Generated from Operations as % of Revenue

This indicator provides the municipality with a measure of the municipality's ability to translate the operating budget into cash. The municipality should explore relevant areas where non-essential expenditure can be reduced in order to improve this indicator. Any improvement in this indicator will significantly contribute to the availability of cash resources for capital purposes. A ratio of 20% (Cash generated by operations vs Revenue) is deemed to be appropriate.

It is quite evident that the municipality is not generating appropriate levels of cash that will enable the municipality to contribute to the capital program of the municipality.



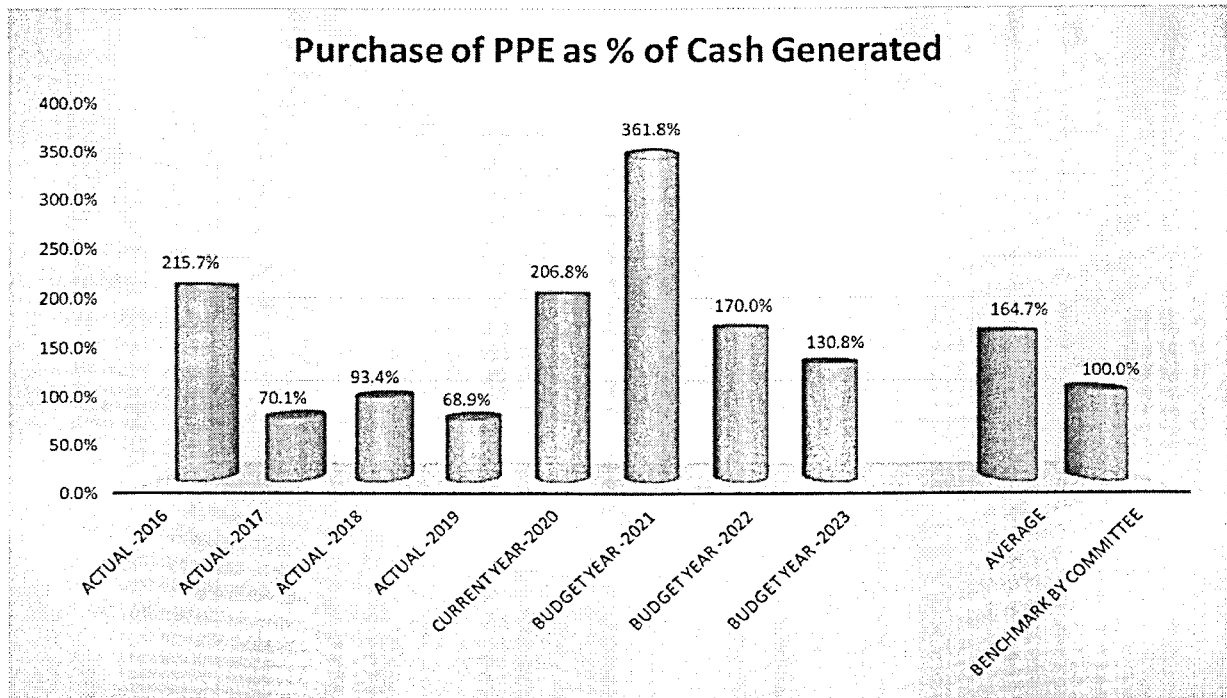
From a possible score of 8, the municipality will score limited points over the MTREF.



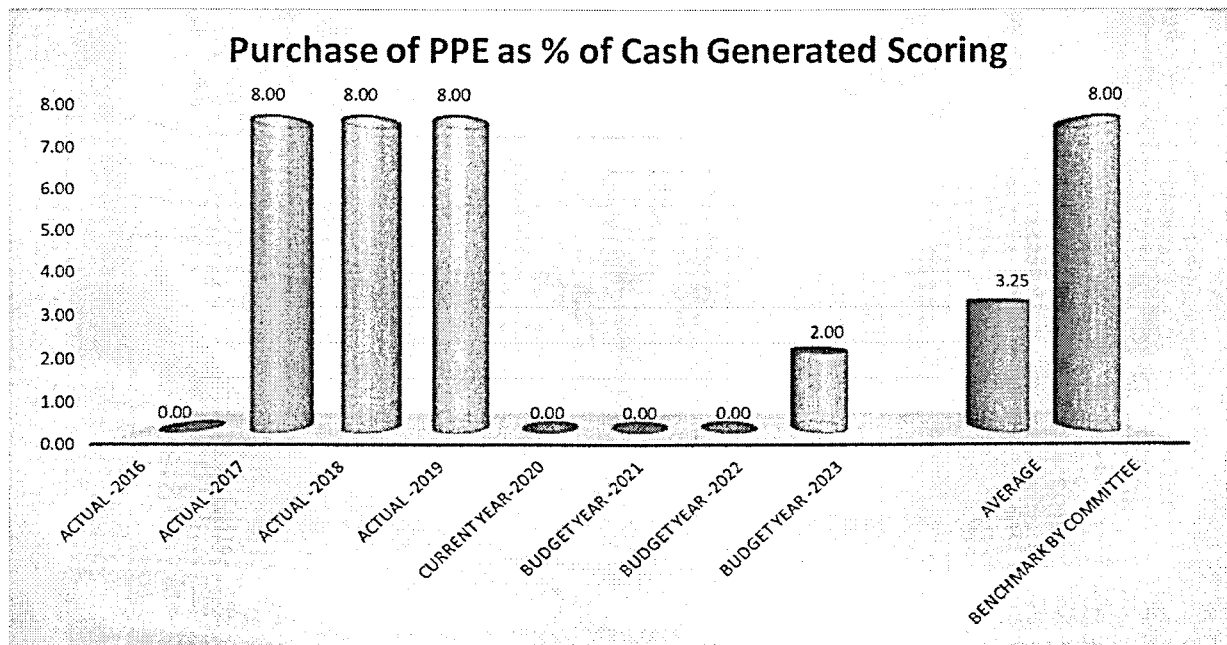
1.4.1.4 Purchase of PPE as % of Cash Generated

This indicator measures the ability of the municipality to finance the capital program from cash generated in the same financial period. Any indicator above 100% is indicative of a shortfall in cash which increases the need to utilise accumulated cash resources from prior years. Alternatively in order to preserve cash resources, the municipality will need to raise external loans. An external loan is an excellent instrument to promote the principle of "user pays" (Interest and redemption charges are factored into the cost of providing the service. Thus, the user of the specific asset will pay for the asset over the period when benefits are derived from the asset). It is also very useful to fast track much needed infrastructure projects where the municipality is not in a position to finance a specific project from own resources. The municipality should however be mindful of the affordability factor specifically relating to loans that will be discussed in more detail in section 1.4.1.7 and 1.4.1.8.

It is expected that the municipality will not generate sufficient resources to finance its capital program, thus increasing the need to raise further external funding.



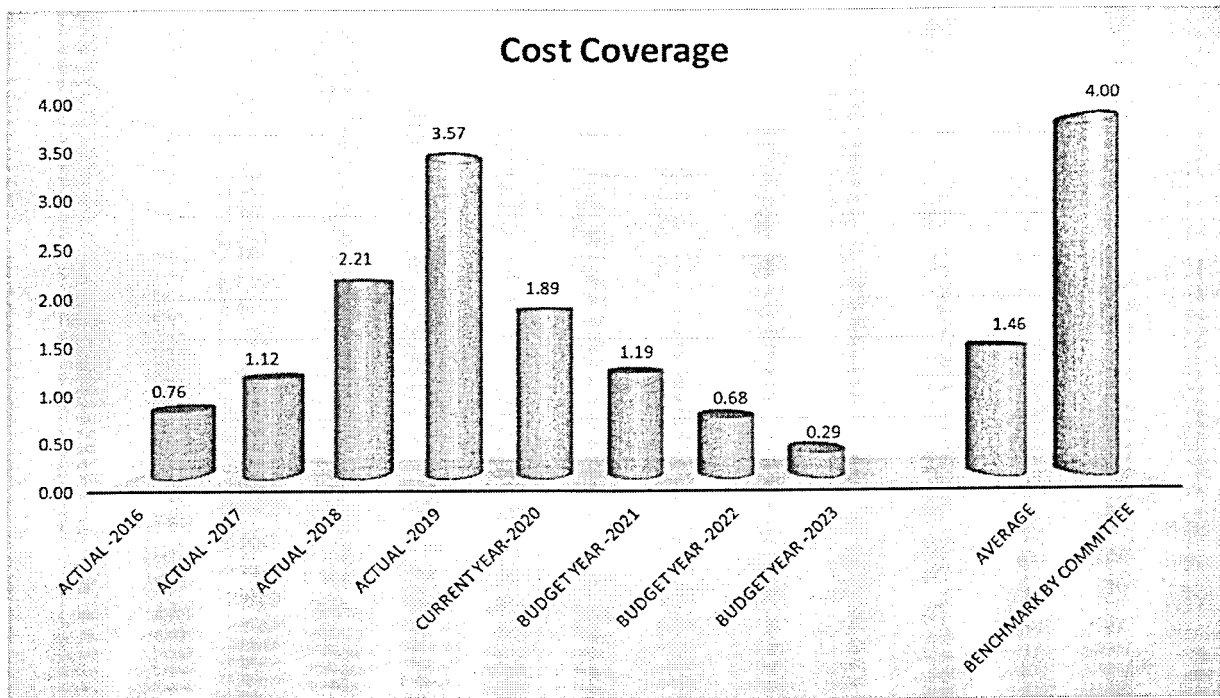
A following score is allocated to this indicator:



10

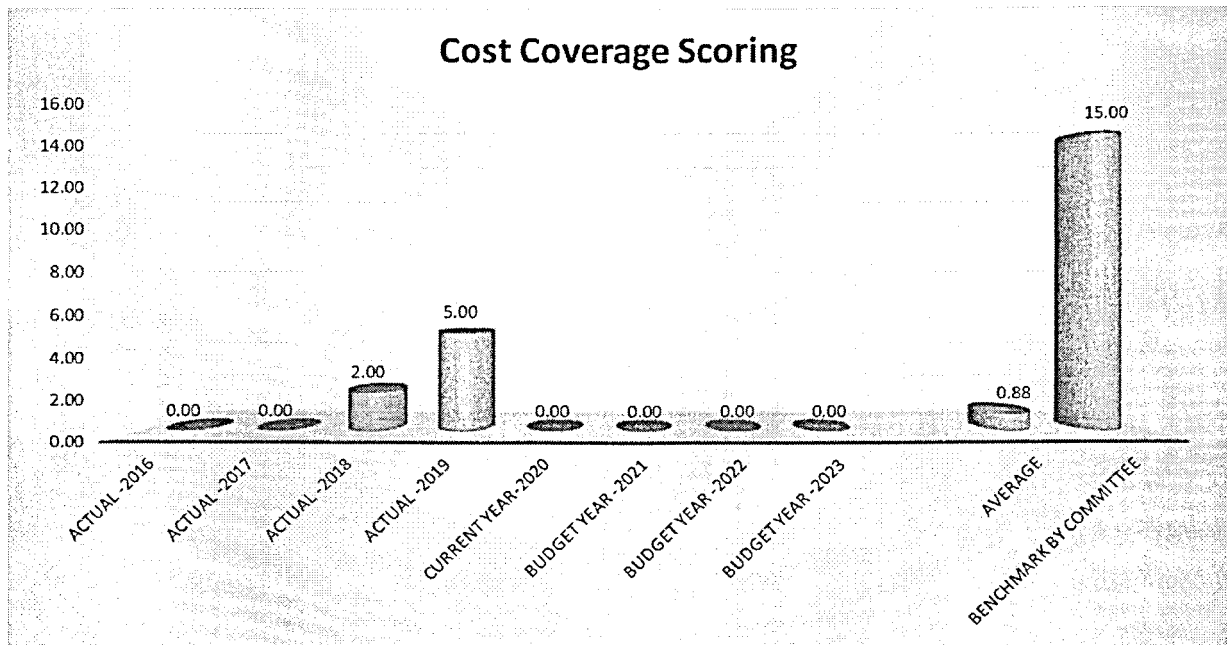
1.4.1.5 Cost Coverage

This ratio measures the amount of months' operating expenditure for which cash is available. This indicator will also provide a good indication of how the municipality will be able to react to financial "shock/setbacks" that is beyond the control of the municipality (for example - National Treasury delays the payments of grants or a sudden drop in payment levels from consumers/rate payers). The guidelines provided by National Treasury indicate that a level of 1 to 3 months is considered to be acceptable. A level of 4 months, which is in line with other municipalities that are considered to be financially sound, is considered to be an acceptable level.



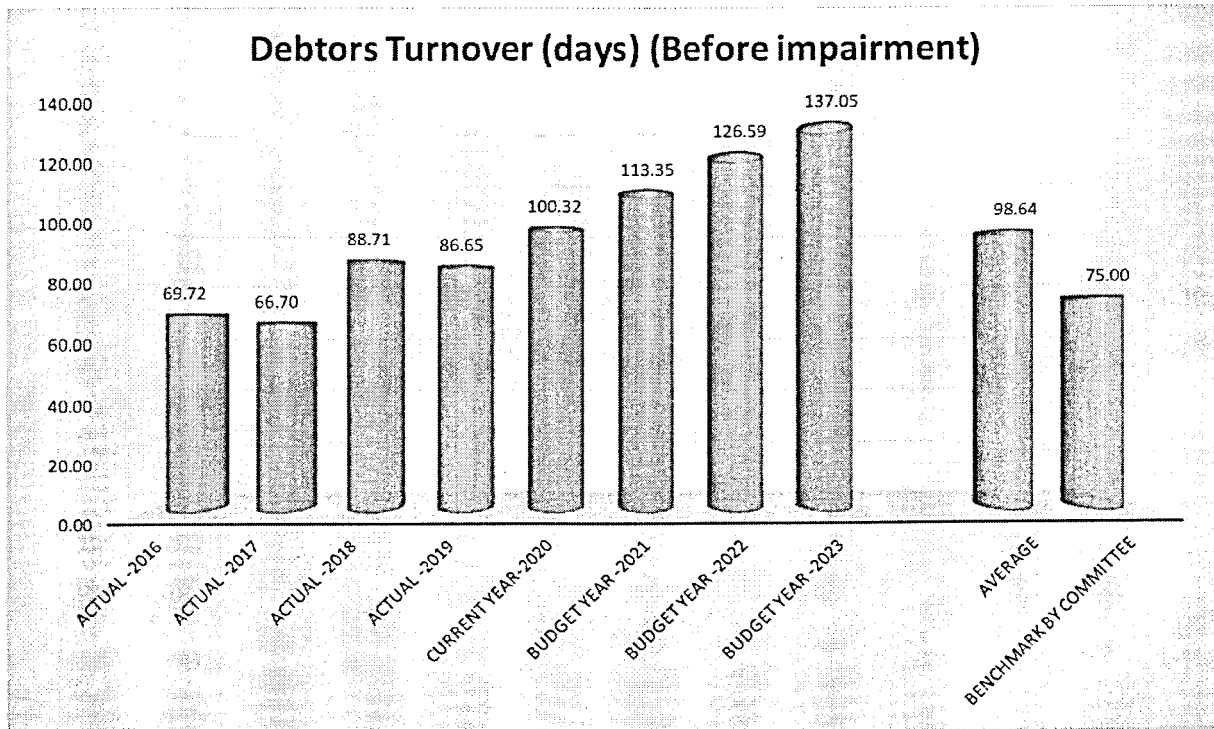
The downward trend is in line with the projected decline in cash resources and accordingly no contribution is made to the viability scoring over the MTREF.

12

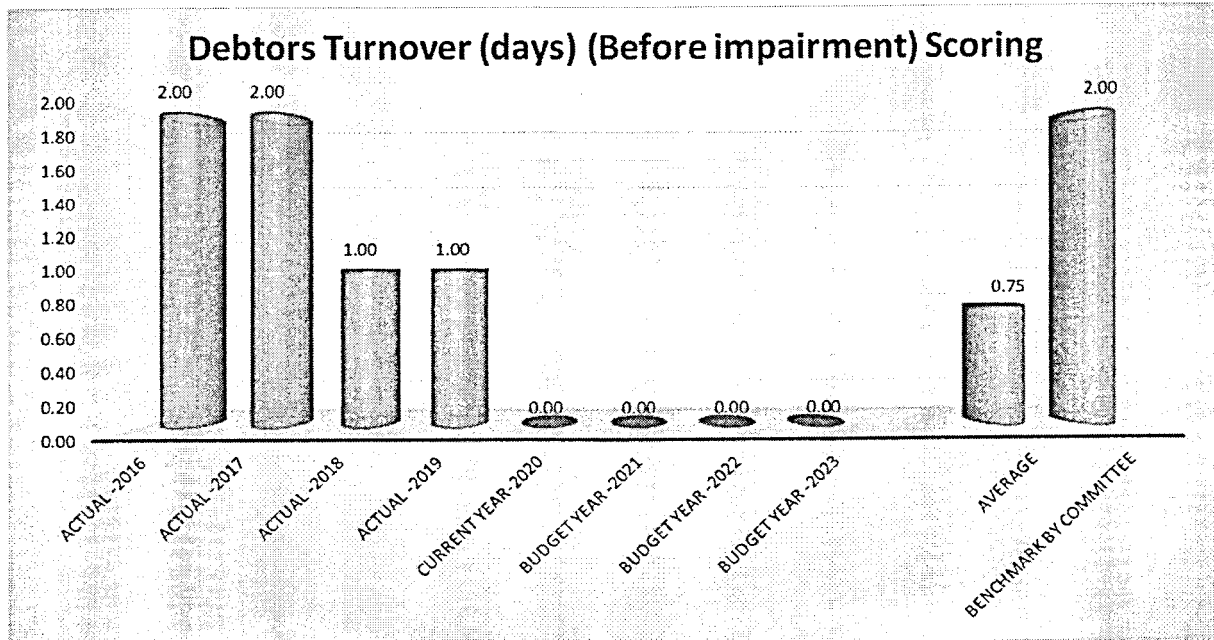


1.4.1.6 Debtor Turnover Days

In short, the indicator provides an indication of how many days it takes to convert billed revenue into cash. Thus, it is a good indicator of how credit control and debt collection measures are being implemented at the municipality. It also provides an indication of the municipality's write off policy. High standards are maintained when it comes to debt collection. The upward trend evident below can only be attributed to the municipality not writing off old irrecoverable debt. Not only does this result in a sharp increase in consumer debt, but it also contribute to significant interest charges to be levied in the statement of financial performance. Although considered to be revenue, very little interest revenue will translate into cash.



A total score of only 2 is available for this indicator.



1.4.1.7 Long Term Debt as % of Revenue

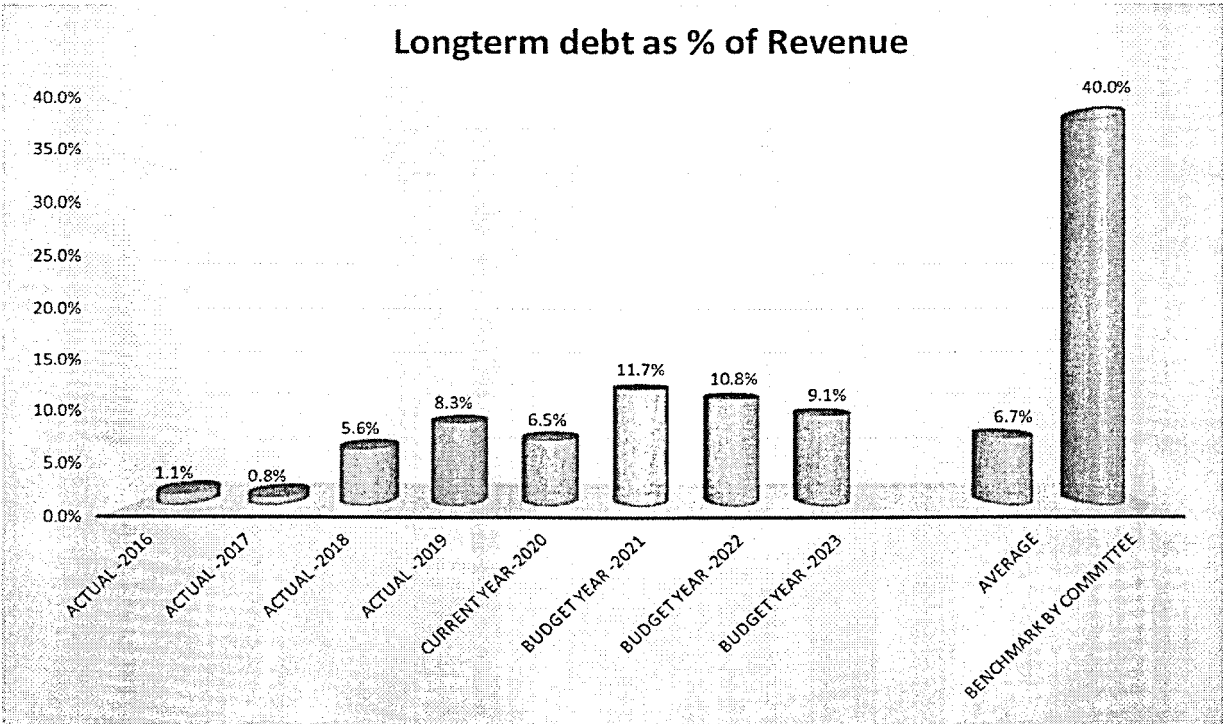
External borrowing is an important part of the funding model of the municipality. Not only does it instantly provide the municipality with relatively inexpensive capital to fast-track service delivery.

170

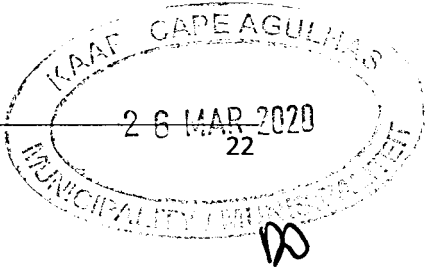
and infrastructure backlogs, but it also ensures that the user of the infrastructure pay for the use over the lifetime of the asset. The current capital program provides for a significant portion of the program to be financed through external financing.

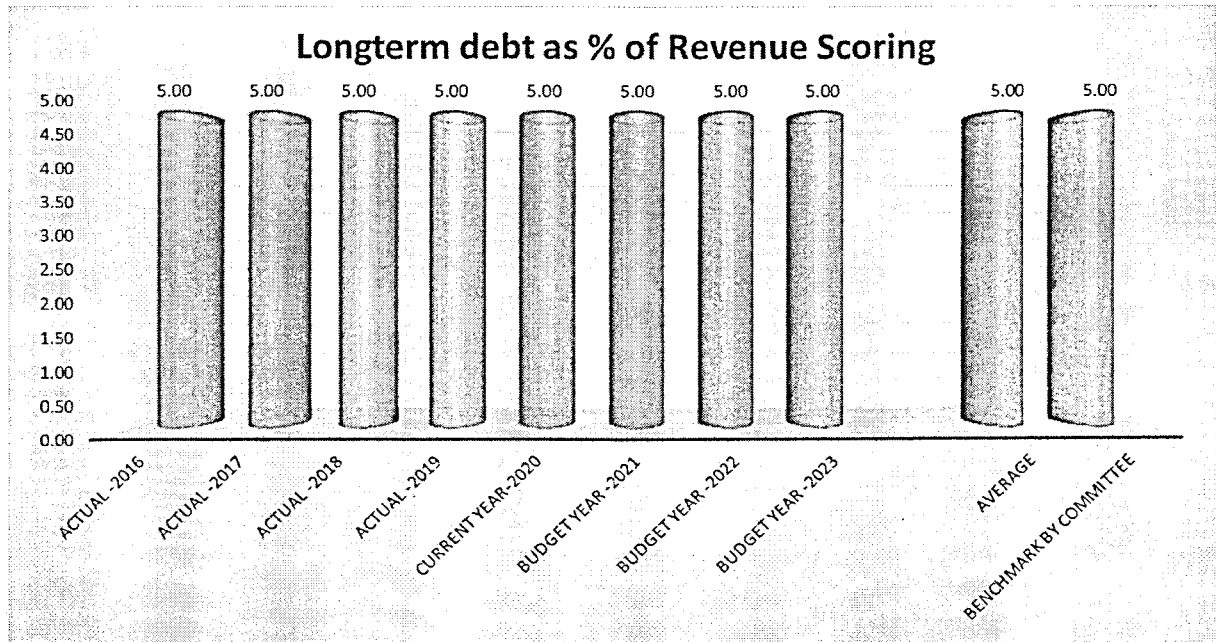
This indicator provides the municipality with a debt ceiling – the maximum level of external borrowing that the municipality will be able to accommodate in the in the statement of financial position before the “affordability” factor becomes a concern.

Currently the municipality is operating well below the debt ceiling of 40%.



A full score is allocated to this indicator for all periods under review, although it should be noted that the municipality is not making full use of the benefits available in this area. The municipality should however be mindful of the fact that use of external funding should not compensate for operational inefficiencies. External funding should be utilised to support and improve the cash levels of the municipality which is currently not being achieved.

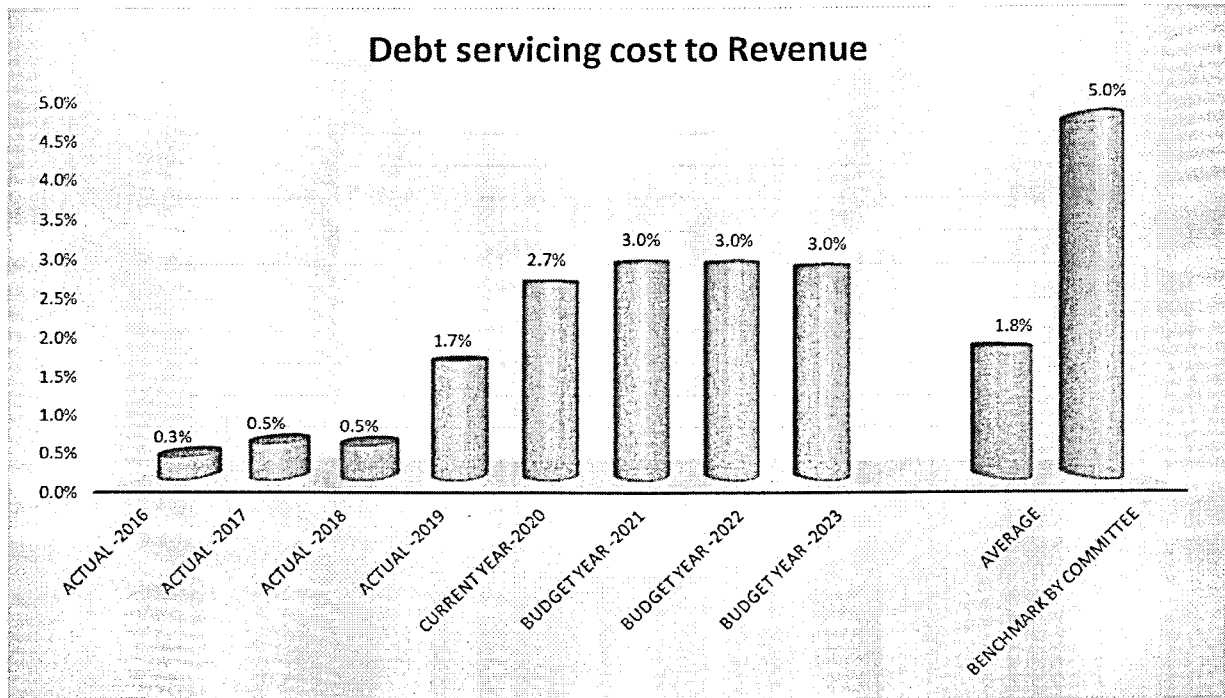




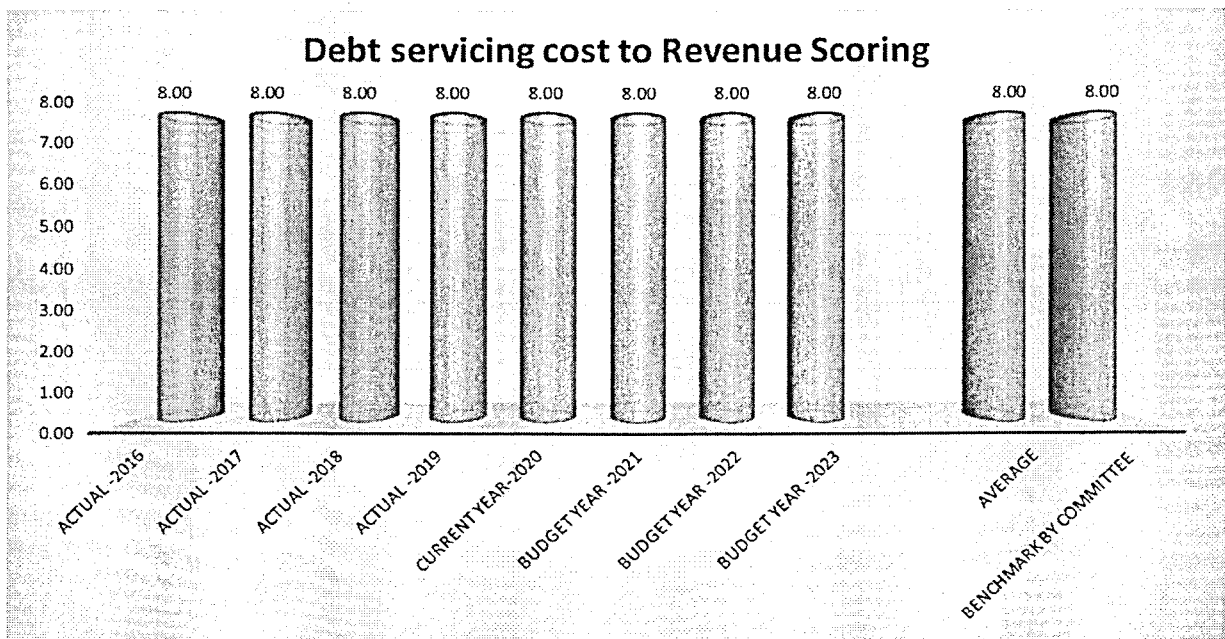
1.4.1.8 Debt Servicing Cost to Revenue

This indicator should be reviewed in conjunction with the debt ceiling as discussed in section 1.4.1.8 and is a measure of the ability of the operating budget to finance loan installments when they become due. A level of 5% is considered to be affordable.

Based on the fact that the municipality is operating well below the debt ceiling, the municipality is performing well on this indicator.

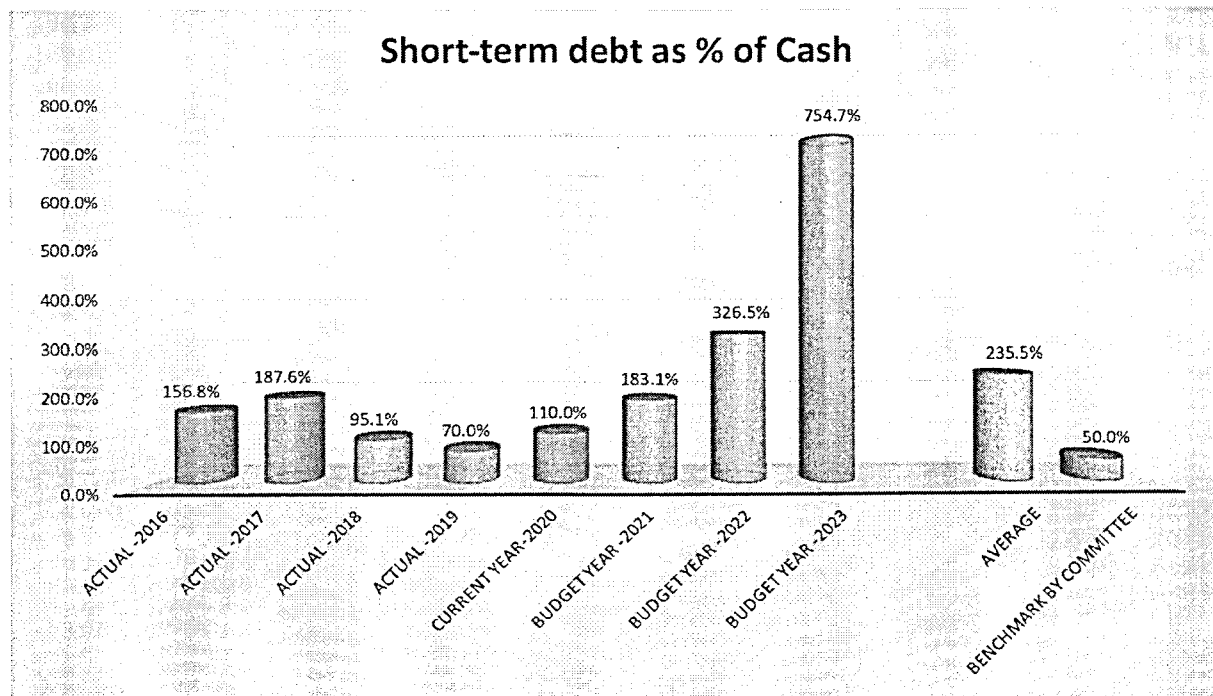


From a possible score of 8, the municipality will be allocated a full score in all periods under review.

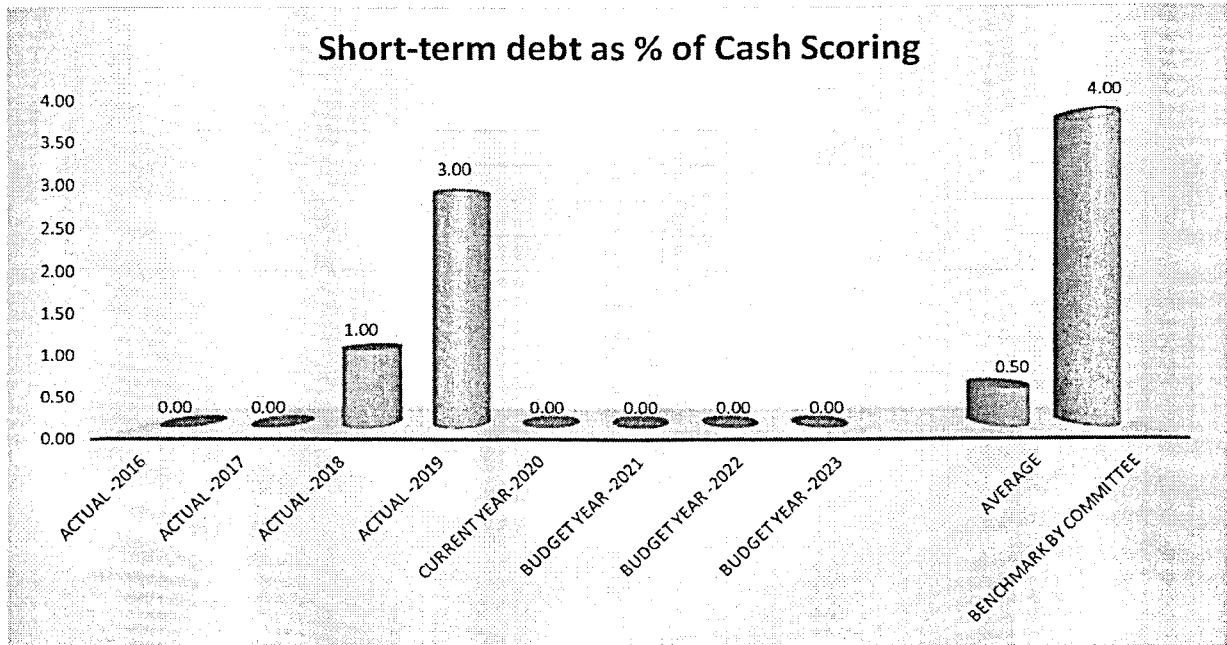


1.4.1.9 Short Term Debt as % of Cash

This indicator provides a measure of the municipality's ability to settle short term liabilities when they become due and payable. The trend below is an indication that the municipality will not be able to pay liabilities when they become due over the MTREF. A level below 50% is considered to be acceptable.

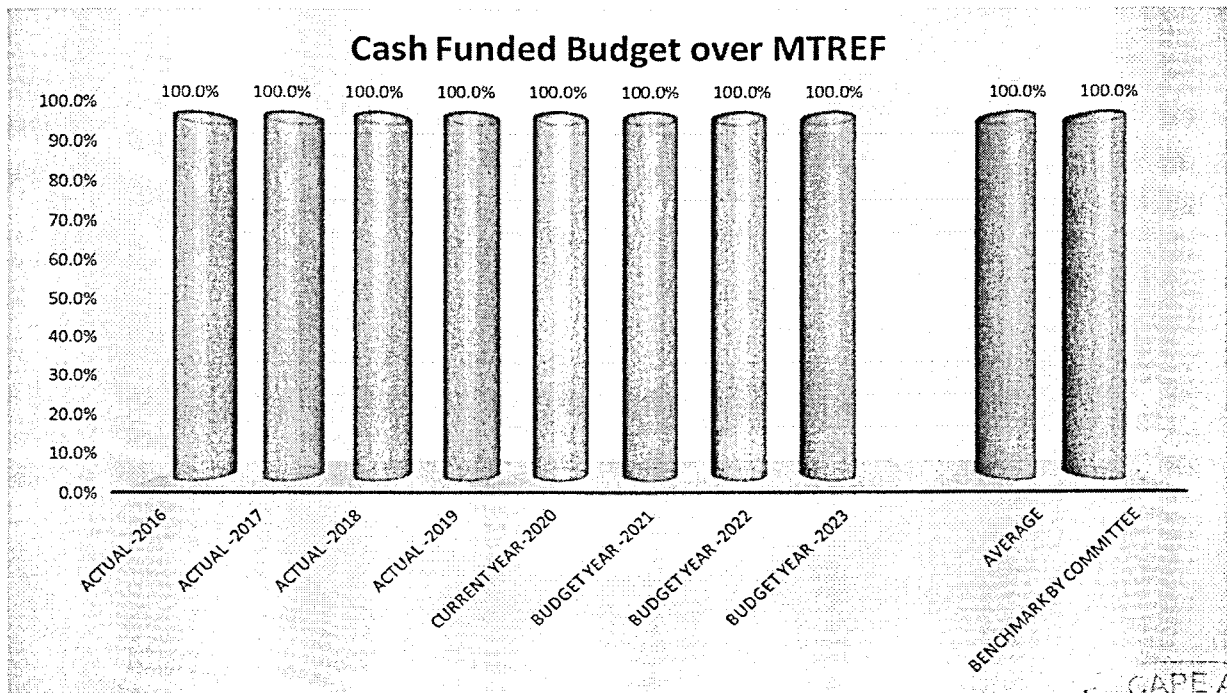


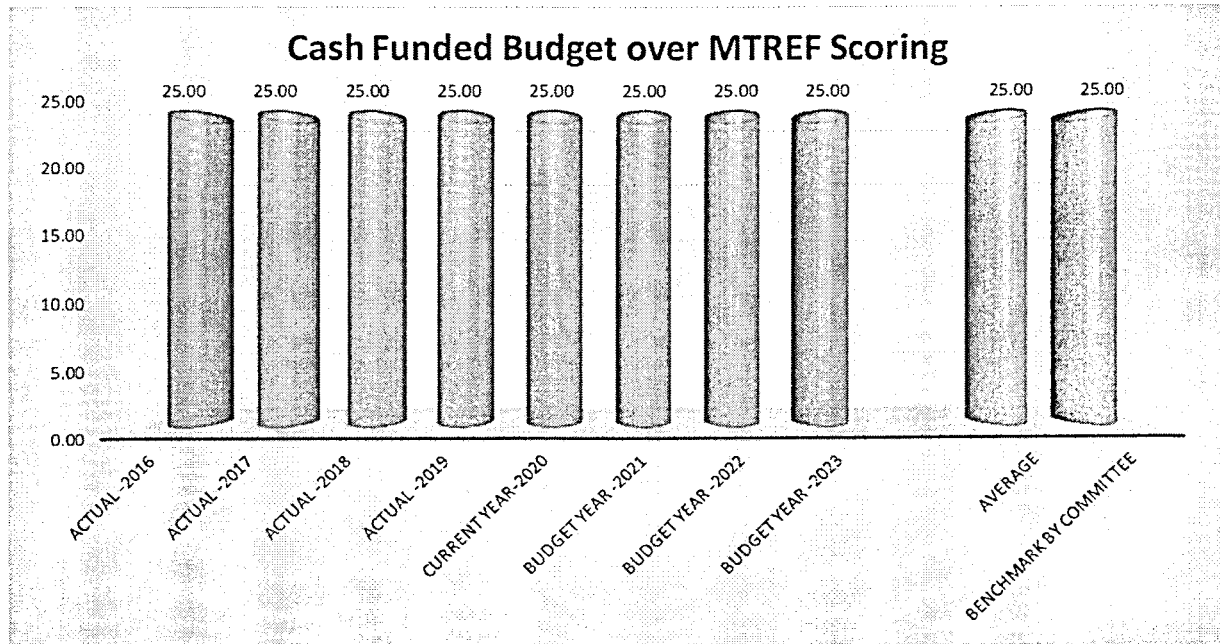
As cash resources decline and short term liabilities increase, the scoring allocated to this indicator will drop to zero.



1.4.1.10 Cash Funded Budget over the MTREF

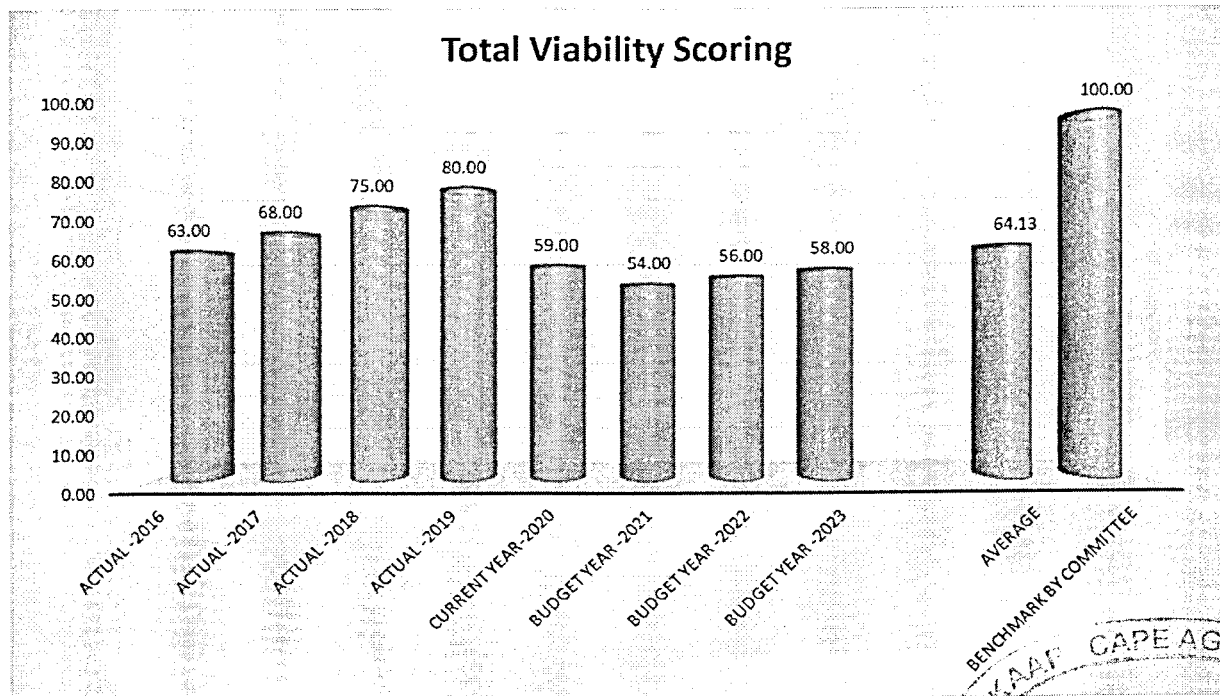
A cash funded budget is arguably the most important indicator for a credible budget that is aligned to the funding requirement in MFMA Section 18 and for this reason the indicator carries the largest weighting in the financial viability scoring model.





1.4.1.11 Total Viability Scoring

Based on the outcome of the 10 indicators above, it is expected that the viability scoring will regress over the MTREF when compared to the last audited year, being 2018/19. The municipality should strive to implement spending programs that contribute to the upward trend experienced in total viability in recent years.



1.5 Operating Revenue Framework

Section 18 of the Municipal Finance Management Act, 2003, which deals with the funding of expenditure, states as follows:

- (1) "An annual budget may only be funded from –
 - (a) Realistically anticipated revenue to be collected from the approved sources of revenue;
 - (b) Cash-backed accumulated funds from previous financial years' surpluses not committed for other purposes; and
 - (c) Borrowed funds, but only for the capital budget referred to in section 17(2).
- (2) Revenue projections in the budget must be realistic, taking into account –
 - (a) projected revenue for the current year based on collection levels to date; and
 - (b) actual revenue collected in previous years."

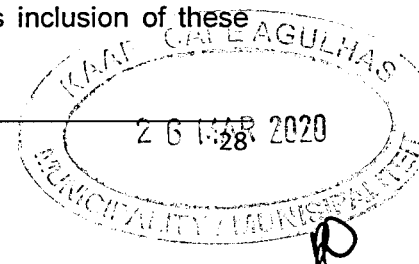
The following table is a summary of the 2020/21 MTREF (classified by main revenue source):

Summary of revenue classified by main revenue source

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
		Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22
R thousand				
Revenue By Source				
Property rates	69 193	74 061	79 271	84 847
Service charges - electricity revenue	126 232	136 457	143 553	156 329
Service charges - water revenue	28 204	30 178	32 291	34 551
Service charges - sanitation revenue	11 840	12 669	13 556	14 505
Service charges - refuse revenue	17 798	19 041	20 370	21 791
Rental of facilities and equipment	1 961	1 200	1 284	1 374
Interest earned - external investments	3 201	3 300	3 531	3 778
Interest earned - outstanding debtors	1 719	1 839	1 968	2 105
Fines, penalties and forfeits	11 590	12 419	13 288	14 218
Licences and permits	67	25	27	29
Agency services	2 917	3 121	3 340	3 573
Transfers and subsidies	100 680	75 102	65 201	67 102
Other revenue	10 056	10 633	11 235	11 998
Gains	5 000	–	–	–
Total Revenue (excluding capital transfers and contributions)	390 457	380 044	388 912	416 201

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

March 2020



Summary of revenue classified by municipal vote

Vote Description R thousand	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue by Vote				
Vote 1 - Executive and Council	36 627	37 692	36 851	38 993
Vote 2 - Financial Services & ICT	85 048	81 869	86 950	92 933
Vote 4 - Management Services	84 750	60 688	52 242	54 698
Vote 5 - Engineering Services	203 799	213 684	226 291	244 242
Total Revenue by Vote	410 224	393 933	402 334	430 866

Percentage growth in revenue base by main revenue source

Description R thousand	2019/20		2020/21 Medium Term Revenue & Expenditure Framework					
	Full Year Forecast	%	Budget Year 2020/21	%	Budget Year +1 2021/22	%	Budget Year +2 2022/23	%
Revenue By Source								
Property rates	69 193	18%	74 061	19%	79 271	20%	84 847	20%
Service charges - electricity revenue	126 232	32%	136 457	36%	143 553	37%	156 329	38%
Service charges - water revenue	28 204	7%	30 178	8%	32 291	8%	34 551	8%
Service charges - sanitation revenue	11 840	3%	12 669	3%	13 556	3%	14 505	3%
Service charges - refuse revenue	17 798	5%	19 041	5%	20 370	5%	21 791	5%
Rental of facilities and equipment	1 961	1%	1 200	0%	1 284	0%	1 374	0%
Interest earned - external investments	3 201	1%	3 300	1%	3 531	1%	3 778	1%
Interest earned - outstanding debtors	1 719	0%	1 839	0%	1 968	1%	2 105	1%
Fines, penalties and forfeits	11 590	3%	12 419	3%	13 288	3%	14 218	3%
Licences and permits	67	0%	25	0%	27	0%	29	0%
Agency services	2 917	1%	3 121	1%	3 340	1%	3 573	1%
Transfers and subsidies	100 680	26%	75 102	20%	65 201	17%	67 102	16%
Other revenue	10 056	3%	10 633	3%	11 235	3%	11 998	3%
Gains	5 000	1%	-	0%	-	0%	-	0%
Total Revenue (excluding capital transfers and contributions)	390 457	100%	380 044	100%	388 912	100%	416 201	100%
Rates and Services Contribution	253 267	65%	272 406	72%	289 040	74%	312 024	75%

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise between 65 and 75 percent of the total revenue mix.

The municipality remains highly dependent on internal revenue sources to fund the budget, with transfers and grants only contributing between 16% and 26% to the operating revenue basket. Approximately 9% of the revenue basket can be attributed to equitable share.

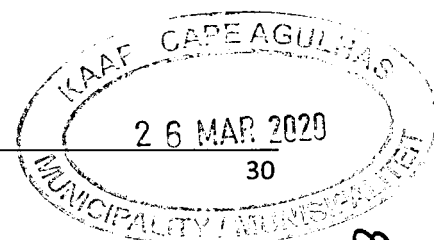
The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Operating Transfers and Grant Receipts

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand				
EXPENDITURE:				
Operating expenditure of Transfers and Grants				
National Government:	37 752	37 359	37 930	39 340
Local Government Equitable Share	29 908	32 155	34 741	37 276
Energy Efficiency and Demand-side [Schedule 5B]	840	-	-	-
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 740	2 026	-	-
Local Government Financial Management Grant [Schedule 5B]	1 550	1 257	1 140	1 118
Municipal Infrastructure Grant [Schedule 5B]	1 914	1 571	1 699	596
Municipal Systems Improvement Grant [Schedule 5B]	1 800	-	-	-
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	-	350	350	350
Provincial Government:	62 928	37 743	27 271	27 762
Human Settlement Development	56 114	30 889	20 452	20 784
Library Service Conditional Grant	6 003	6 307	6 673	6 832
Community Development Workers (CDW)	112	56	56	56
Financial Management Support (WC_FMGSG)	233	401	-	-
Roads Subsidy	78	90	90	90
Regional Social Economic Projects	388	-	-	-
Total operating expenditure of Transfers and Grants:	100 680	75 102	65 201	67 102

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 4.6 per cent, which is the current projected inflation rate for 2020/21.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates, also taking into account recovery rates achieved in the 2019/20 year to date. The municipality applies its Credit Control Policy stringently but there are always situations where there are defaults on payment. A recovery rate of approximately 95.00% is factored into the MTREF period.



1.5.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

An increase of 7 per cent in the Property Rates tariff is proposed for 2020/21 financial year. This above inflation increase is required to ensure that the funding gap between Operating Revenue and Operating Expenditure for all services (excluding trading services – Electricity, Water, Sanitation and Refuse) is reduced over time. The current shortfall can be illustrated as follows:

Other Services (Excluding Trading Services)	2016/17	2017/18	2018/19	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Operating Revenue	108 306	157 903	182 018	220 062	181 254	178 694	188 567
Operating Expenditure	(140 801)	(158 844)	(175 617)	(240 583)	(220 874)	(216 852)	(227 789)
Surplus/(Deficit)	(32 495)	(941)	6 401	(20 522)	(39 619)	(38 159)	(39 223)
Profit %	-30.00%	-0.60%	3.52%	-9.33%	-21.86%	-21.35%	-20.80%

1.5.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure cost reflective tariffs are achieved.

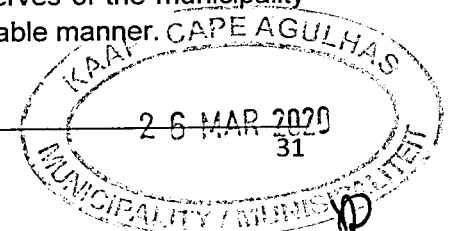
An increase of 7 per cent in the Water tariff is proposed for 2020/21 financial year.

The following projections are applicable to the water service:

Water Services	2016/17	2017/18	2018/19	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Operating Revenue	25 362	23 354	26 842	28 207	30 182	32 294	34 555
Operating Expenditure	(16 245)	(16 873)	(20 262)	(20 096)	(22 452)	(23 623)	(24 862)
Surplus/(Deficit)	9 117	6 481	6 580	8 111	7 730	8 672	9 693
Profit %	35.95%	27.75%	24.51%	28.76%	25.61%	26.85%	28.05%

Although this service is running at a profit and the tariff increases are expected to be in excess of the upper inflation limits, the following should also be taken into account when coming to a final conclusion with regards to the service provided:

- The increase in the tariff is aligned to the Long Term financial plan of the municipality. It is imperative that the service generates a surplus not only to provide the required funding needed for capital purposes, but also to increase the cash reserves of the municipality that will ensure that the basic services are provided on a sustainable manner.



- The service should be reviewed in conjunction with the provision of Sewerage and Sanitation Services. It is estimated that 70% of all water consumption eventually filters through into the sewerage systems of the municipality. In order to ensure that the level of services in the municipal area are maintained from a sewerage point of view, it is only considered fair that the large water consumers contribute to the needs of the Sewerage Infrastructure requirements of the municipality. The sewerage service is currently at "break-even" from an operating perspective. Thus, the service is not contribution any funds towards the infrastructure requirements, which will have to be upgraded in the near future to provide sufficiently for the growing demand in the municipal area.

Full details regarding the tariffs are included as Appendix A to this document.

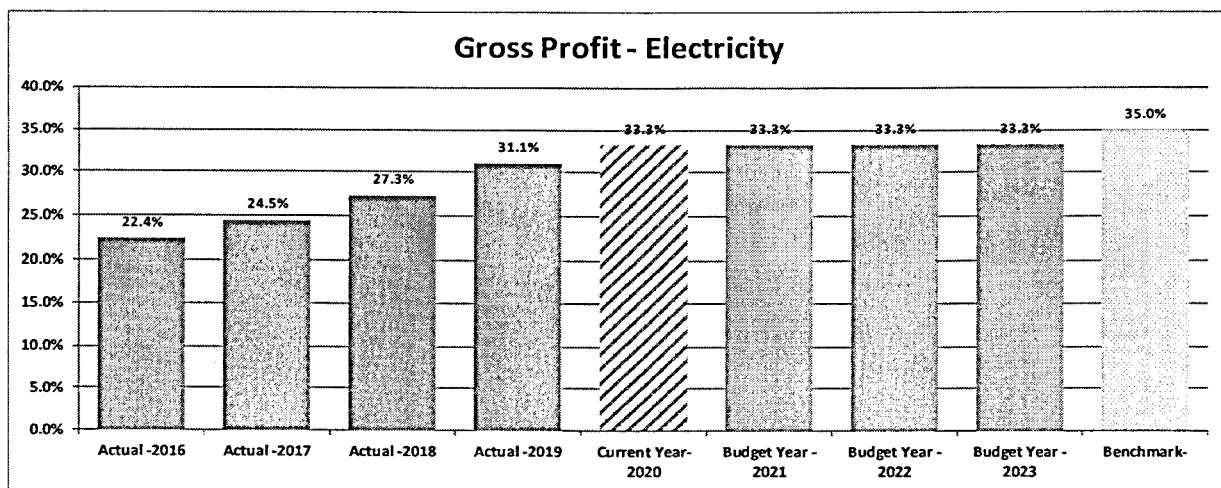
1.5.3 Sale of Electricity and Impact of Tariff Increases

An 8.1% increase in Electricity tariffs are currently factored into the projections below. This increase is based on approval from NERSA during March 2019 and could potentially still be adjusted based on final determinations by NERSA.

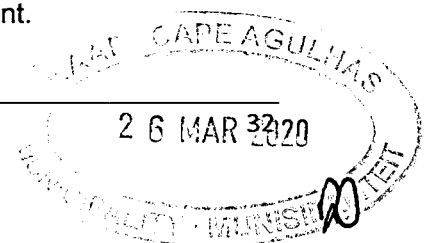
The following projections are applicable to the electricity service:

Electricity Services	2016/17	2017/18	2018/19	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Operating Revenue	97 967	105 424	118 269	132 307	136 888	143 988	156 771
Operating Expenditure	(83 915)	(86 790)	(89 599)	(102 298)	(106 613)	(112 145)	(121 514)
Surplus/(Deficit)	14 051	18 634	28 670	30 009	30 275	31 842	35 257
Profit %	14.34%	17.67%	24.24%	22.68%	22.12%	22.11%	22.49%

This above inflation increase is required to ensure that the "profitability" of the service remains intact in order to meet the capital demands associated with delivering the service.



Full details regarding the tariffs are included as Appendix A to this document.



1.5.4 Sanitation and Impact of Tariff Increases

An average increase of 7 per cent in the Sanitation tariff is proposed for 2020/21 financial year. This is required to ensure that the service is running at break-even.

The following projections are applicable to the sewerage service:

Sanitation Services R thousand	2016/17	2017/18	2018/19	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Operating Revenue	11 672	10 628	11 979	11 850	12 679	13 567	14 517
Operating Expenditure	(10 070)	(10 120)	(12 068)	(11 915)	(11 960)	(12 563)	(13 200)
Surplus/(Deficit)	1 602	508	(89)	(65)	719	1 004	1 317
Profit %	13.72%	4.78%	-0.74%	-0.55%	5.67%	7.40%	9.07%

Full details regarding the tariffs are included as Appendix A to this document.

1.5.5 Waste Removal and Impact of Tariff Increases

An average increase of 7 per cent in the Refuse Removal tariff is proposed for 2020/21 financial year. The service is currently being operated at a deficit (also taking into account the municipality's obligation to rehabilitate landfill sites) and the increase in excess of the inflation upper limit is required to ensure that the shortfall is reduced over time.

The following projections are applicable to the refuse service:

Refuse Services R thousand	2016/17	2017/18	2018/19	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Operating Revenue	16 983	15 674	19 008	17 798	19 041	20 370	21 791
Operating Expenditure	(17 043)	(14 932)	(16 191)	(20 863)	(23 213)	(24 550)	(25 984)
Surplus/(Deficit)	(60)	741	2 817	(3 065)	(4 172)	(4 181)	(4 193)
Profit %	-0.35%	4.73%	14.82%	-17.22%	-21.91%	-20.52%	-19.24%

1.5.6 Overall impact of tariff increases on households

Information on the impact on households can be illustrated below.

WC033 Cape Agulhas - Supporting Table SA14 Household bills

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21 % incr.	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		683,48	553,00	591,74	636,08	636,08	636,08	7,0%	680,61	728,25	779,23
Electricity: Basic levy		233,60	240,00	256,00	291,20	291,20	291,20	8,1%	314,79	336,82	360,40
Electricity: Consumption		1 474,01	1 453,35	1 564,57	1 772,25	1 772,25	1 772,25	8,1%	1 915,80	2 049,90	2 193,40
Water: Basic levy		104,24	115,00	130,00	138,00	138,00	138,00	7,0%	147,66	148,73	149,80
Water: Consumption		149,78	163,10	174,60	189,26	189,26	189,26	7,0%	202,51	216,68	231,85
Sanitation		104,24	114,50	125,50	145,00	145,00	145,00	7,0%	155,15	166,01	177,63
Refuse removal		114,40	125,50	138,00	160,00	160,00	160,00	7,0%	171,20	183,18	196,01
Other		-	-	-	-	-	-	#DIV/0!	-	-	-
sub-total		2 863,75	2 764,45	2 980,41	3 331,79	3 331,79	3 331,79	7,7%	3 587,71	3 829,58	4 088,31
VAT on Services		305,24	309,60	358,30	404,36	404,36	404,36		436,07	465,20	496,36
Total large household bill:		3 168,99	3 074,05	3 338,71	3 736,14	3 736,14	3 736,14	7,7%	4 023,78	4 294,78	4 584,68
% increase/decrease			(3,0%)	8,6%	11,9%	-	-	7,7%	6,7%	6,7%	6,7%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		265,39	272,29	291,36	313,20	313,20	313,20	7,0%	335,12	358,58	383,68
Electricity: Basic levy		233,60	240,00	256,00	291,20	291,20	291,20	8,1%	314,79	336,82	360,40
Electricity: Consumption		586,44	582,76	622,82	697,48	697,48	697,48	8,1%	753,98	806,75	863,23
Water: Basic levy		104,24	115,00	130,00	138,00	138,00	138,00	7,0%	147,66	148,73	149,80
Water: Consumption		117,23	128,46	130,00	148,46	148,46	148,46	7,0%	158,85	169,97	181,87
Sanitation		104,24	114,50	125,50	145,00	145,00	145,00	7,0%	155,15	166,01	177,63
Refuse removal		114,40	125,50	138,00	160,00	160,00	160,00	7,0%	171,20	183,18	196,01
Other		-	-	-	-	-	-	#DIV/0!	-	-	-
sub-total		1 525,54	1 578,51	1 693,68	1 893,34	1 893,34	1 893,34	7,6%	2 036,75	2 170,05	2 312,62
VAT on Services		176,42	182,87	210,35	237,02	237,02	237,02		255,24	271,72	289,34
Total small household bill:		1 701,96	1 761,38	1 904,03	2 130,36	2 130,36	2 130,36	7,6%	2 291,99	2 441,77	2 601,96
% increase/decrease			3,5%	8,1%	11,9%	-	-	7,6%	6,5%	6,6%	6,6%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		22,43	23,03	24,63	26,48	26,48	26,48	7,0%	28,33	30,31	32,43
Electricity: Basic levy		-	-	-	-	-	-	#DIV/0!	-	-	-
Electricity: Consumption		-	42,79	42,79	47,82	47,82	47,82	8,1%	51,69	55,31	59,18
Water: Basic levy		20,85	115,00	130,00	138,00	138,00	138,00	7,0%	147,66	148,73	149,80
Water: Consumption		-	-	-	-	-	-	#DIV/0!	-	-	-
Sanitation		20,84	114,50	125,50	145,00	145,00	145,00	7,0%	155,15	166,01	177,63
Refuse removal		22,88	125,50	138,00	160,00	160,00	160,00	7,0%	171,20	183,18	196,01
Other		-	-	-	-	-	-	#DIV/0!	-	-	-
sub-total		87,00	420,82	460,92	517,30	517,30	517,30	7,1%	554,03	583,55	615,06
VAT on Services		9,04	55,69	65,44	73,62	73,62	73,62	#NAME?	78,86	82,99	87,39
Total small household bill:		96,04	476,51	526,36	590,92	590,92	590,92	7,1%	632,89	666,53	702,45
% increase/decrease			396,2%	10,5%	12,3%	-	-	7,1%	5,3%	5,4%	5,4%

1.6 Operating Expenditure Framework

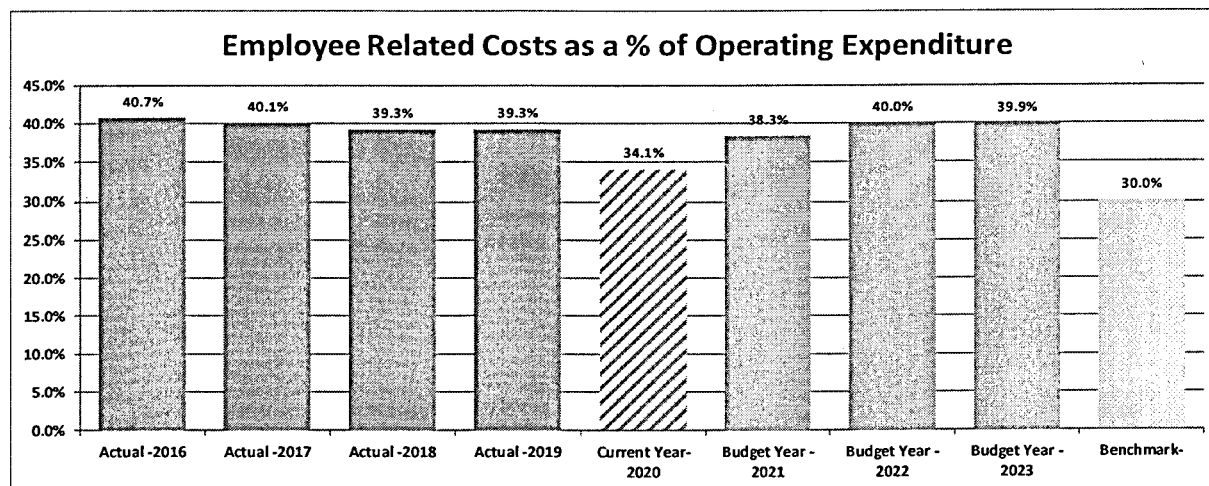
Municipalities are still urged to implement the cost containment measures on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering, events costs and accommodation. With the implementation of cost containment measures, municipalities must control unnecessary spending on nice-to-have items and non-essential and non-priority activities.

The following table is a high-level summary of the 2020/21 budget and MTREF (classified per main type of operating expenditure):

Table 1 Summary of operating expenditure by standard classification item

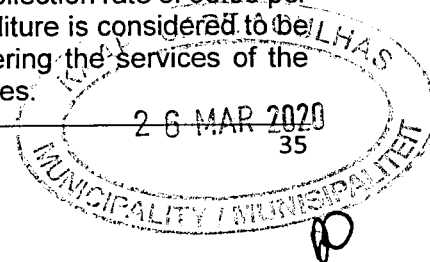
Description	2019/20		2020/21 Medium Term Revenue & Expenditure Framework					
	R thousand		Budget Year 2020/21		Budget Year +1 2021/22		Budget Year +2 2022/23	
	Forecast	%		%		%		%
Expenditure By Type								
Employee related costs	135 052	34.1%	147 679	38.35%	156 055	40.04%	164 985	39.91%
Remuneration of councillors	5 764	1.46%	6 034	1.57%	6 324	1.62%	6 632	1.60%
Debt impairment	11 267	2.85%	9 904	2.57%	10 470	2.69%	11 072	2.68%
Depreciation & asset impairment	11 025	2.79%	11 369	2.95%	11 919	3.06%	12 495	3.02%
Finance charges	13 254	3.35%	13 963	3.63%	14 782	3.79%	15 682	3.79%
Bulk purchases	84 404	21.33%	91 250	23.69%	95 995	24.63%	104 530	25.29%
Other materials	79 110	19.99%	56 336	14.63%	46 958	12.05%	48 514	11.74%
Contracted services	24 623	6.22%	16 823	4.37%	14 950	3.84%	15 549	3.76%
Transfers and subsidies	2 571	0.65%	3 471	0.90%	2 605	0.67%	2 641	0.64%
Other expenditure	28 684	7.25%	28 282	7.34%	29 676	7.61%	31 249	7.56%
Total Expenditure	395 755	100.00%	385 111	100.00%	389 734	100.00%	413 349	100.00%

The budgeted allocation for employee related costs for the 2020/21 financial year totals R147.679 million, which equals 38.35 per cent of the total operating expenditure. This percentage is set to remain very constant over the two outer years of the MTREF at 40.04 per cent and 39.91 per cent respectively. However, before the municipality reaches any conclusions with regards to levels of employee related costs of the municipality, the municipality should assess the impact of any items that could distort these figures. The municipality should for example exclude any material conditional grant expenditure that can fluctuate significantly year-on year.



The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 95.00 per cent and the Debt Write-off Policy of the Municipality. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.



Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption.

Bulk purchases are largely informed by the purchase of electricity from Eskom, which is projected to increase by 8.4% (pending final determination by NERSA). Although the municipality is not in control of the increase in the cost of bulk purchases, the municipality could still implement measures to reduce distribution losses as well as internal consumption.

Other expenditure and Other materials comprises of various line items relating to the daily operations of the municipality (including repairs and maintenance as well as operating grant expenditure). These items should be reviewed by the municipality to ensure that all non-priority expenditure is eliminated.

1.6.1 Priority given to repairs and maintenance

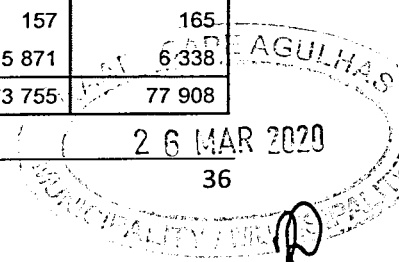
National Treasury observed that budget appropriations for asset renewal as part of the capital programme and operational repairs and maintenance of existing asset infrastructure is still not receiving adequate priority by municipalities, regardless of guidance supplied in previous Budget Circulars. Asset management is a strategic imperative for any municipality and needs to be prioritised as a spending objective in the budget of municipalities.

For the 2020/21 budgets and MTREF's, municipalities must ensure they prioritise asset management and take into consideration the following:

- 1) 40 per cent of its 2020/21 to 2022/23 Capital Budget should be allocated to the renewal/upgrade of existing assets it.
- 2) Operational repairs and maintenance should not be less than 8 per cent of the asset value (write down value) of the municipality's Property Plant and Equipment (PPE).

The municipality have made great strides to achieve both these benchmarks. A large contributing factor to reaching the required levels of repairs and maintenance can be attributed to the costing system of the municipality where employee related and other costs directly related to repairs and maintenance projects now accurately being allocated to this line item as follows:

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand				
Repairs and Maintenance by Expenditure Item				
Employee related costs	41 893	45 373	47 961	50 726
Other materials	17 143	18 994	19 766	20 678
Contracted Services	855	150	157	165
Other Expenditure	5 130	5 443	5 871	6 338
Total Repairs and Maintenance Expenditure	65 022	69 960	73 755	77 908



Repairs and maintenance per asset class

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Repairs and Maintenance by Asset Class	65 022	69 960	73 755	77 908
<i>Roads Infrastructure</i>	11 928	12 353	13 075	13 842
<i>Electrical Infrastructure</i>	8 776	9 950	10 484	11 051
<i>Water Supply Infrastructure</i>	11 756	13 625	14 345	15 108
<i>Sanitation Infrastructure</i>	7 768	7 513	7 906	8 323
<i>Solid Waste Infrastructure</i>	1 937	2 033	2 131	2 233
Infrastructure	42 165	45 473	47 940	50 556
Community Facilities	5 679	5 825	6 140	6 486
Sport and Recreation Facilities	3 062	3 443	3 612	3 792
Community Assets	8 741	9 268	9 753	10 278
Operational Buildings	4 847	5 010	5 194	5 495
Other Assets	4 847	5 010	5 194	5 495
Intangible Assets	3 651	3 980	4 330	4 715
Computer Equipment	198	185	202	222
Furniture and Office Equipment	197	49	50	50
Machinery and Equipment	591	549	576	604
Transport Assets	4 633	5 446	5 710	5 988
TOTAL EXPENDITURE OTHER ITEMS	76 047	81 329	85 674	90 402
<i>Renewal and upgrading of Existing Assets as % of total c</i>	73.4%	80.9%	52.4%	67.2%
<i>Renewal and upgrading of Existing Assets as % of depre</i>	317.0%	413.3%	157.8%	193.7%
<i>R&M as a % of PPE</i>	15.8%	15.2%	15.3%	15.4%
<i>Renewal and upgrading and R&M as a % of PPE</i>	22.0%	23.0%	18.0%	19.0%

1.6.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share grant, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The cost associated with indigent subsidies amounts to R11.600 million in 2020/21 and increases to R 12.388 million and R13.234 million in the 2 outer years respectively. These figures do not include the 50 kWh electricity provided to indigents.

1.7 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

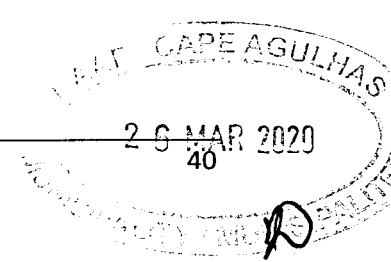
2020/21 Medium-term capital budget per vote

Vote Description R thousand	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital expenditure - Vote				
Multi-year expenditure to be appropriated				
Vote 2 - Financial Services & ICT	1 380	2 000	2 500	2 750
Vote 4 - Management Services	100	60	250	290
Vote 5 - Engineering Services	15 215	9 489	23 909	23 303
Capital multi-year expenditure sub-total	16 695	11 549	26 659	26 343
Single-year expenditure to be appropriated				
Vote 1 - Executive and Council	3 255	2 045	500	-
Vote 2 - Financial Services & ICT	1 485	873	635	1 298
Vote 4 - Management Services	5 231	2 215	1 430	545
Vote 5 - Engineering Services	20 959	41 402	6 663	7 806
Capital single-year expenditure sub-total	30 929	46 535	9 228	9 649
Total Capital Expenditure - Vote	47 624	58 085	35 887	35 992

The following table provides more information on the breakdown of the capital budget.

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework			
	R thousand	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CAPITAL EXPENDITURE					
<u>Total New Assets</u>		12 676	11 093	17 076	11 793
<i>Roads Infrastructure</i>		800	-	-	-
<i>Storm water Infrastructure</i>		-	20	20	-
<i>Electrical Infrastructure</i>		3 742	2 279	11 395	8 292
<i>Water Supply Infrastructure</i>		500	-	-	-
<i>Sanitation Infrastructure</i>		-	250	250	250
Infrastructure		5 042	2 549	11 665	8 542
Community Facilities		1 258	-	100	-
Sport and Recreation Facilities		2 150	2 700	1 100	-
Community Assets		3 408	2 700	1 200	-
Operational Buildings		-	-	32	-
Other Assets		-	-	32	-
Computer Equipment		169	15	50	73
Furniture and Office Equipment		174	156	115	67
Machinery and Equipment		3 883	5 223	3 784	3 111
Transport Assets		-	450	230	-
<u>Total Renewal of Existing Assets</u>		16 325	36 036	4 635	7 444
<i>Roads Infrastructure</i>		1 350	1 500	2 250	4 750
<i>Water Supply Infrastructure</i>		3 550	3 100	850	1 850
<i>Sanitation Infrastructure</i>		7 622	30 061	500	-
Infrastructure		12 522	34 661	3 600	6 600
Sport and Recreation Facilities		-	40	-	-
Community Assets		-	40	-	-
Licences and Rights		151	-	-	-
Intangible Assets		151	-	-	-
Computer Equipment		154	433	501	678
Furniture and Office Equipment		119	238	229	167
Machinery and Equipment		603	435	75	-
Transport Assets		2 775	230	230	-

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand				
<u>Total Upgrading of Existing Assets</u>	18 623	10 956	14 176	16 754
<i>Roads Infrastructure</i>	7 049	6 661	11 221	12 283
<i>Storm water Infrastructure</i>	–	500	700	900
<i>Electrical Infrastructure</i>	6 555	1 510	1 636	1 823
<i>Water Supply Infrastructure</i>	–	60	310	750
<i>Solid Waste Infrastructure</i>	850	–	–	–
Infrastructure	14 454	8 730	13 867	15 755
Community Facilities	2 845	–	–	250
Sport and Recreation Facilities	252	–	200	240
Community Assets	3 097	–	200	490
Operational Buildings	931	–	50	–
Other Assets	931	–	50	–
Computer Equipment	9	359	59	509
Furniture and Office Equipment	3	67	–	–
Machinery and Equipment	130	–	–	–
Transport Assets	–	1 800	–	–
<u>Total Capital Expenditure</u>	47 624	58 085	35 887	35 992
<i>Roads Infrastructure</i>	9 199	8 161	13 471	17 033
<i>Storm water Infrastructure</i>	–	520	720	900
<i>Electrical Infrastructure</i>	10 297	3 789	13 030	10 115
<i>Water Supply Infrastructure</i>	4 050	3 160	1 160	2 600
<i>Sanitation Infrastructure</i>	7 622	30 311	750	250
<i>Solid Waste Infrastructure</i>	850	–	–	–
Infrastructure	32 018	45 941	29 132	30 897
Community Facilities	4 103	–	100	250
Sport and Recreation Facilities	2 401	2 740	1 300	240
Community Assets	6 504	2 740	1 400	490
Operational Buildings	931	–	82	–
Other Assets	931	–	82	–
Licences and Rights	151	–	–	–
Intangible Assets	151	–	–	–
Computer Equipment	332	806	610	1 260
Furniture and Office Equipment	296	460	344	234
Machinery and Equipment	4 617	5 658	3 859	3 111
Transport Assets	2 775	2 480	460	–
TOTAL CAPITAL EXPENDITURE - Asset class	47 624	58 085	35 887	35 992



1.8 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/20 budget and MTREF to be approved by the Council.

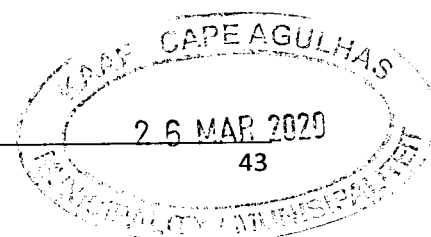
Table A1 - Budget Summary

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands				
Financial Performance				
Property rates	69 193	74 061	79 271	84 847
Service charges	184 074	198 345	209 769	227 176
Investment revenue	3 201	3 300	3 531	3 778
Transfers recognised - operational	100 680	75 102	65 201	67 102
Other own revenue	33 309	29 236	31 140	33 297
Total Revenue (excluding capital transfers and contributions)	390 457	380 044	388 912	416 201
Employee costs	135 052	147 679	156 055	164 985
Remuneration of councillors	5 764	6 034	6 324	6 632
Depreciation & asset impairment	11 025	11 369	11 919	12 495
Finance charges	13 254	13 963	14 782	15 682
Materials and bulk purchases	163 515	147 587	142 953	153 043
Transfers and grants	2 571	3 471	2 605	2 641
Other expenditure	64 574	55 008	55 097	57 871
Total Expenditure	395 755	385 111	389 734	413 349
Surplus/(Deficit)	(5 298)	(5 067)	(822)	2 852
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	19 767	13 889	13 421	14 665
Surplus/(Deficit) for the year	14 469	8 822	12 600	17 517
Capital expenditure & funds sources				
Capital expenditure	47 624	58 085	35 887	35 992
Transfers recognised - capital	19 767	13 889	13 421	14 665
Borrowing	13 541	33 333	6 012	3 655
Internally generated funds	14 315	10 862	16 453	17 671
Total sources of capital funds	47 624	58 085	35 887	35 992

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands				
Financial position				
Total current assets	105 212	96 547	96 420	101 345
Total non current assets	456 968	503 675	527 636	551 125
Total current liabilities	64 946	66 447	68 889	72 673
Total non current liabilities	94 613	122 333	131 125	138 238
Community wealth/Equity	402 621	411 443	424 042	441 560
Cash flows				
Net cash from (used) operating	23 030	16 055	21 113	27 524
Net cash from (used) investing	(42 616)	(58 077)	(35 879)	(35 984)
Net cash from (used) financing	(5 122)	19 277	(421)	(3 009)
Cash/cash equivalents at the year end	59 031	36 286	21 099	9 630
Cash backing/surplus reconciliation				
Cash and investments available	59 031	36 286	21 099	9 630
Application of cash and investments	40 463	19 952	(7 768)	(35 472)
Balance - surplus (shortfall)	18 567	16 335	28 867	45 102
Asset management				
Asset register summary (WDV)	456 791	503 506	527 474	550 971
Depreciation	11 025	11 369	11 919	12 495
Renewal and Upgrading of Existing Assets	34 948	46 992	18 811	24 198
Repairs and Maintenance	65 022	69 960	73 755	77 908
Free services				
Cost of Free Basic Services provided	9 692	10 375	11 103	11 887
Revenue cost of free services provided	1 168	1 225	1 285	1 348
Households below minimum service level				
Water:	-	-	-	-
Sanitation/sewerage:	-	-	-	-
Energy:	-	-	-	-
Refuse:	-	-	-	-

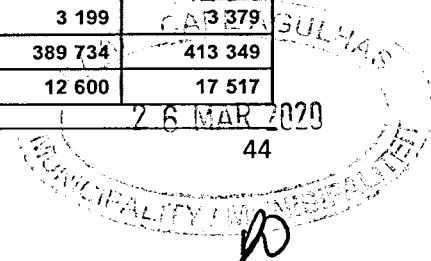
Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The accumulated surplus is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget.



MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description R thousand	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue - Functional				
Governance and administration	129 273	128 336	134 619	143 637
Executive and council	29 940	32 185	34 771	37 306
Finance and administration	99 159	96 151	99 848	106 331
Internal audit	174	-	-	-
Community and public safety	82 175	57 427	48 749	50 957
Community and social services	6 695	6 590	6 951	7 333
Sport and recreation	7 539	7 638	8 173	8 745
Public safety	11 655	12 310	13 172	14 094
Housing	56 286	30 889	20 452	20 784
Economic and environmental services	8 614	7 231	6 097	5 989
Planning and development	5 698	4 110	2 757	2 415
Road transport	2 917	3 121	3 340	3 573
Trading services	190 162	200 939	212 869	230 284
Energy sources	132 307	139 038	146 638	159 421
Water management	28 207	30 182	32 294	34 555
Waste water management	11 850	12 679	13 567	14 517
Waste management	17 798	19 041	20 370	21 791
Total Revenue - Functional	410 224	393 933	402 334	430 866
Expenditure - Functional				
Governance and administration	108 001	108 446	110 536	116 392
Executive and council	16 138	16 355	16 089	16 791
Finance and administration	90 291	90 564	92 839	97 909
Internal audit	1 571	1 528	1 608	1 693
Community and public safety	98 585	77 112	69 083	72 107
Community and social services	11 268	11 241	11 894	12 589
Sport and recreation	12 402	13 094	13 706	14 472
Public safety	16 503	18 939	19 917	20 971
Housing	58 412	33 839	23 565	24 075
Economic and environmental services	32 220	32 285	34 034	35 911
Planning and development	12 178	11 342	11 930	12 553
Road transport	19 968	20 866	22 023	23 273
Environmental protection	74	77	81	85
Trading services	155 172	164 238	172 881	185 560
Energy sources	102 298	106 613	112 145	121 514
Water management	20 096	22 452	23 623	24 862
Waste water management	11 915	11 960	12 563	13 200
Waste management	20 863	23 213	24 550	25 984
Other	1 778	3 030	3 199	3 379
Total Expenditure - Functional	395 755	385 111	389 734	413 349
Surplus/(Deficit) for the year	14 469	8 822	12 600	17 517



Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

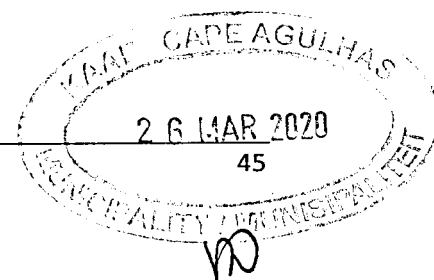
1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 16 mSCOA functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
3. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.
4. The table includes capital grant revenue, but excludes internal charges between various departments such as electricity, water, sanitation and refuse. These items, although correctly included/excluded, should also be taken into account before coming to any conclusion with regards to the cost reflectiveness of tariffs and fees raised by the municipality.

MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand				
Revenue by Vote				
Vote 1 - Executive and Council	36 627	37 692	36 851	38 993
Vote 2 - Financial Services & ICT	85 048	81 869	86 950	92 933
Vote 4 - Management Services	84 750	60 688	52 242	54 698
Vote 5 - Engineering Services	203 799	213 684	226 291	244 242
Total Revenue by Vote	410 224	393 933	402 334	430 866
Expenditure by Vote to be appropriated				
Vote 1 - Executive and Council	48 740	48 856	48 251	50 773
Vote 2 - Financial Services & ICT	61 591	61 678	64 406	67 771
Vote 4 - Management Services	107 243	86 916	79 465	83 106
Vote 5 - Engineering Services	178 181	187 661	197 612	211 700
Total Expenditure by Vote	395 755	385 111	389 734	413 349
Surplus/(Deficit) for the year	14 469	8 822	12 600	17 517

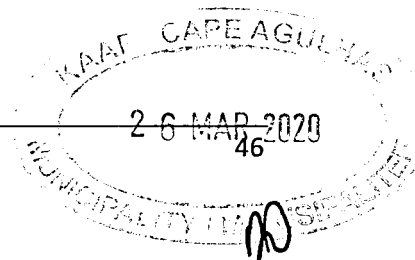
Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.



MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand				
Revenue By Source				
Property rates	69 193	74 061	79 271	84 847
Service charges - electricity revenue	126 232	136 457	143 553	156 329
Service charges - water revenue	28 204	30 178	32 291	34 551
Service charges - sanitation revenue	11 840	12 669	13 556	14 505
Service charges - refuse revenue	17 798	19 041	20 370	21 791
Rental of facilities and equipment	1 961	1 200	1 284	1 374
Interest earned - external investments	3 201	3 300	3 531	3 778
Interest earned - outstanding debtors	1 719	1 839	1 968	2 105
Fines, penalties and forfeits	11 590	12 419	13 288	14 218
Licences and permits	67	25	27	29
Agency services	2 917	3 121	3 340	3 573
Transfers and subsidies	100 680	75 102	65 201	67 102
Other revenue	10 056	10 633	11 235	11 998
Gains	5 000	-	-	-
Total Revenue (excluding capital transfers and contributions)	390 457	380 044	388 912	416 201
Expenditure By Type				
Employee related costs	135 052	147 679	156 055	164 985
Remuneration of councillors	5 764	6 034	6 324	6 632
Debt impairment	11 267	9 904	10 470	11 072
Depreciation & asset impairment	11 025	11 369	11 919	12 495
Finance charges	13 254	13 963	14 782	15 682
Bulk purchases	84 404	91 250	95 995	104 530
Other materials	79 110	56 336	46 958	48 514
Contracted services	24 623	16 823	14 950	15 549
Transfers and subsidies	2 571	3 471	2 605	2 641
Other expenditure	28 684	28 282	29 676	31 249
Total Expenditure	395 755	385 111	389 734	413 349
Surplus/(Deficit)	(5 298)	(5 067)	(822)	2 852
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	19 767	13 889	13 421	14 665
Surplus/(Deficit) for the year	14 469	8 822	12 600	17 517

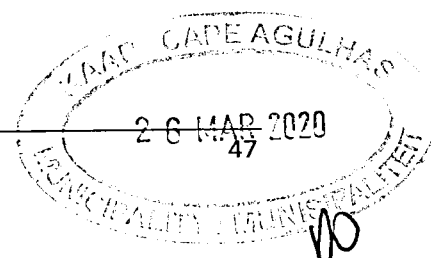


Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Table A4 represents the revenue per source as well as the expenditure per type. This classification is aligned to the GRAP disclosures in the annual financial statements of the municipality as well as the mSCOA reporting framework.

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

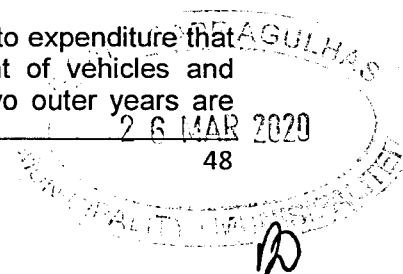
Vote Description R thousand	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital expenditure - Vote				
Multi-year expenditure to be appropriated				
Vote 2 - Financial Services & ICT	1 380	2 000	2 500	2 750
Vote 4 - Management Services	100	60	250	290
Vote 5 - Engineering Services	15 215	9 489	23 909	23 303
Capital multi-year expenditure sub-total	16 695	11 549	26 659	26 343
Single-year expenditure to be appropriated				
Vote 1 - Executive and Council	3 255	2 045	500	-
Vote 2 - Financial Services & ICT	1 485	873	635	1 298
Vote 4 - Management Services	5 231	2 215	1 430	545
Vote 5 - Engineering Services	20 959	41 402	6 663	7 806
Capital single-year expenditure sub-total	30 929	46 535	9 228	9 649
Total Capital Expenditure - Vote	47 624	58 085	35 887	35 992



Vote Description R thousand	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital Expenditure - Functional				
<i>Governance and administration</i>	4 243	3 302	3 282	4 148
Executive and council	12	–	–	–
Finance and administration	4 080	3 302	3 282	4 148
Internal audit	151	–	–	–
<i>Community and public safety</i>	3 861	1 851	1 503	710
Community and social services	50	62	40	300
Sport and recreation	3 343	1 305	1 095	290
Public safety	465	481	368	120
Housing	3	4	–	–
<i>Economic and environmental services</i>	11 421	10 851	14 826	17 958
Planning and development	1 553	2 016	500	–
Road transport	9 688	8 766	14 256	17 958
Environmental protection	180	70	70	–
<i>Trading services</i>	26 563	42 080	16 276	13 176
Energy sources	10 996	6 329	14 366	10 326
Water management	4 958	3 160	1 160	2 600
Waste water management	9 059	30 411	750	250
Waste management	1 550	2 180	–	–
<i>Other</i>	1 535	–	–	–
Total Capital Expenditure - Functional	47 624	58 085	35 887	35 992
Funded by:				
National Government	14 251	11 833	12 881	14 415
Provincial Government	5 516	2 056	540	250
Transfers recognised - capital	19 767	13 889	13 421	14 665
Borrowing	13 541	33 333	6 012	3 655
Internally generated funds	14 315	10 862	16 453	17 671
Total Capital Funding	47 624	58 085	35 887	35 992

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are



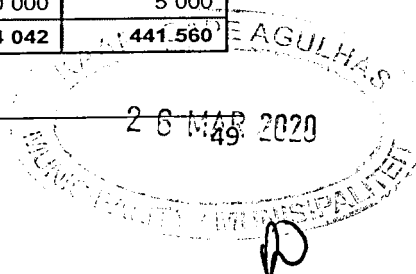
indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

4. The capital program is funded from National, Provincial and Other grants and transfers, borrowing and internally generated funds from current and prior year surpluses.

MBRR Table A6 - Budgeted Financial Position

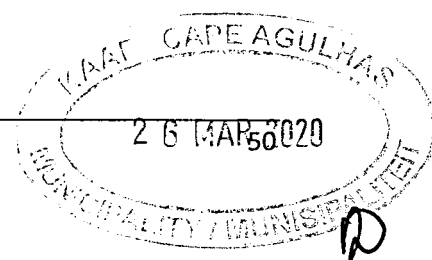
Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand				
ASSETS				
Current assets				
Cash	9 031	6 286	1 099	4 630
Call investment deposits	50 000	30 000	20 000	5 000
Consumer debtors	36 731	49 111	62 197	76 317
Other debtors	7 780	9 481	11 455	13 729
Current portion of long-term receivables	8	8	8	8
Inventory	1 662	1 662	1 662	1 662
Total current assets	105 212	96 547	96 420	101 345
Non current assets				
Long-term receivables	177	169	161	154
Investment property	40 191	40 182	40 173	40 163
Property, plant and equipment	412 069	459 118	483 436	507 300
Intangible	4 531	4 206	3 865	3 507
Total non current assets	456 968	503 675	527 636	551 125
TOTAL ASSETS	562 180	600 223	624 056	652 470
LIABILITIES				
Current liabilities				
Borrowing	6 559	6 750	7 000	7 250
Consumer deposits	4 978	5 277	5 594	5 929
Trade and other payables	40 114	40 327	41 357	43 659
Provisions	13 295	14 093	14 938	15 835
Total current liabilities	64 946	66 447	68 889	72 673
Non current liabilities				
Borrowing	20 790	39 578	38 590	34 995
Provisions	73 823	82 755	92 535	103 243
Total non current liabilities	94 613	122 333	131 125	138 238
TOTAL LIABILITIES	159 559	188 780	200 014	210 910
NET ASSETS	402 621	411 443	424 042	441 560
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	367 621	376 443	404 042	436 560
Reserves	35 000	35 000	20 000	5 000
TOTAL COMMUNITY WEALTH/EQUITY	402 621	411 443	424 042	441 560

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Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

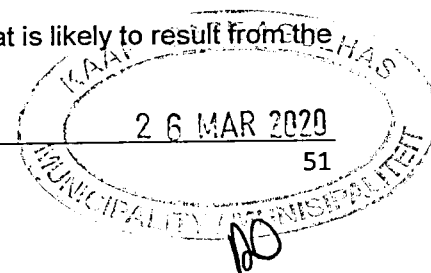


MBRR Table A7 - Budgeted Cash Flow Statement

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
		Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22
R thousand				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	65 445	70 050	74 977	80 251
Service charges	174 104	187 601	198 407	214 871
Other revenue	18 025	18 268	19 405	20 741
Transfers and Subsidies - Operational	100 614	75 102	65 201	67 102
Transfers and Subsidies - Capital	19 116	13 889	13 421	14 665
Interest	4 826	5 039	5 392	5 769
Payments				
Suppliers and employees	(353 174)	(346 776)	(349 077)	(368 831)
Finance charges	(3 356)	(3 648)	(4 008)	(4 404)
Transfers and Grants	(2 571)	(3 471)	(2 605)	(2 641)
NET CASH FROM/(USED) OPERATING ACTIVITIES	23 030	16 055	21 113	27 524
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	5 000	-	-	-
Decrease (increase) in non-current receivables	8	8	8	8
Payments				
Capital assets	(47 624)	(58 085)	(35 887)	(35 992)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(42 616)	(58 077)	(35 879)	(35 984)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing long term/refinancing	-	25 479	6 012	3 655
Increase (decrease) in consumer deposits	282	299	317	336
Payments				
Repayment of borrowing	(5 404)	(6 500)	(6 750)	(7 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(5 122)	19 277	(421)	(3 009)
NET INCREASE/ (DECREASE) IN CASH HELD	(24 708)	(22 744)	(15 187)	(11 469)
Cash/cash equivalents at the year begin:	83 739	59 031	36 286	21 099
Cash/cash equivalents at the year end:	59 031	36 286	21 099	9 630

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.



MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand				
Cash and investments available				
Cash/cash equivalents at the year end	59 031	36 286	21 099	9 630
Cash and investments available:	59 031	36 286	21 099	9 630
Application of cash and investments				
Unspent conditional transfers	354	354	354	354
Unspent borrowing	7 855	-	-	-
Other working capital requirements	(2 745)	(15 402)	(28 122)	(40 826)
Reserves to be backed by cash/investments	35 000	35 000	20 000	5 000
Total Application of cash and investments:	40 463	19 952	(7 768)	(35 472)
Surplus(shortfall)	18 567	16 335	28 867	45 102

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. As part of the budgeting and planning guidelines that informed the compilation of the 2019/20 MTREF the end objective of the medium-term framework is to ensure the budget is funded and aligned to section 18 of the MFMA.

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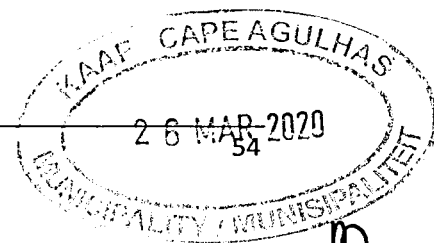


MBRR Table A9 - Asset Management

Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
		Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22
R thousand				
CAPITAL EXPENDITURE				
<u>Total New Assets</u>	12 676	11 093	17 076	11 793
<i>Roads Infrastructure</i>	800	-	-	-
<i>Storm water Infrastructure</i>	-	20	20	-
<i>Electrical Infrastructure</i>	3 742	2 279	11 395	8 292
<i>Water Supply Infrastructure</i>	500	-	-	-
<i>Sanitation Infrastructure</i>	-	250	250	250
Infrastructure	5 042	2 549	11 665	8 542
Community Facilities	1 258	-	100	-
Sport and Recreation Facilities	2 150	2 700	1 100	-
Community Assets	3 408	2 700	1 200	-
Operational Buildings	-	-	32	-
Other Assets	-	-	32	-
Computer Equipment	169	15	50	73
Furniture and Office Equipment	174	156	115	67
Machinery and Equipment	3 883	5 223	3 784	3 111
Transport Assets	-	450	230	-
<u>Total Renewal of Existing Assets</u>	16 325	36 036	4 635	7 444
<i>Roads Infrastructure</i>	1 350	1 500	2 250	4 750
<i>Water Supply Infrastructure</i>	3 550	3 100	850	1 850
<i>Sanitation Infrastructure</i>	7 622	30 061	500	-
Infrastructure	12 522	34 661	3 600	6 600
Sport and Recreation Facilities	-	40	-	-
Community Assets	-	40	-	-
Licences and Rights	151	-	-	-
Intangible Assets	151	-	-	-
Computer Equipment	154	433	501	678
Furniture and Office Equipment	119	238	229	167
Machinery and Equipment	603	435	75	-
Transport Assets	2 775	230	230	-

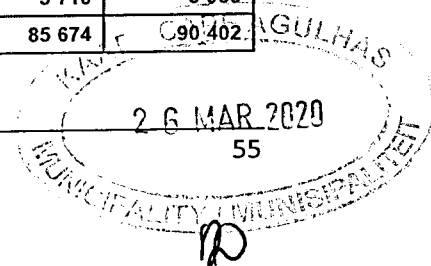
Description	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand				
<u>Total Upgrading of Existing Assets</u>	18 623	10 956	14 176	16 754
<i>Roads Infrastructure</i>	7 049	6 661	11 221	12 283
<i>Storm water Infrastructure</i>	-	500	700	900
<i>Electrical Infrastructure</i>	6 555	1 510	1 636	1 823
<i>Water Supply Infrastructure</i>	-	60	310	750
<i>Solid Waste Infrastructure</i>	850	-	-	-
Infrastructure	14 454	8 730	13 867	15 755
Community Facilities	2 845	-	-	250
Sport and Recreation Facilities	252	-	200	240
Community Assets	3 097	-	200	490
Operational Buildings	931	-	50	-
Other Assets	931	-	50	-
Computer Equipment	9	359	59	509
Furniture and Office Equipment	3	67	-	-
Machinery and Equipment	130	-	-	-
Transport Assets	-	1 800	-	-
<u>Total Capital Expenditure</u>	47 624	58 085	35 887	35 992
<i>Roads Infrastructure</i>	9 199	8 161	13 471	17 033
<i>Storm water Infrastructure</i>	-	520	720	900
<i>Electrical Infrastructure</i>	10 297	3 789	13 030	10 115
<i>Water Supply Infrastructure</i>	4 050	3 160	1 160	2 600
<i>Sanitation Infrastructure</i>	7 622	30 311	750	250
<i>Solid Waste Infrastructure</i>	850	-	-	-
Infrastructure	32 018	45 941	29 132	30 897
Community Facilities	4 103	-	100	250
Sport and Recreation Facilities	2 401	2 740	1 300	240
Community Assets	6 504	2 740	1 400	490
Operational Buildings	931	-	82	-
Other Assets	931	-	82	-
Licences and Rights	151	-	-	-
Intangible Assets	151	-	-	-
Computer Equipment	332	806	610	1 260
Furniture and Office Equipment	296	460	344	234
Machinery and Equipment	4 617	5 658	3 859	3 111
Transport Assets	2 775	2 480	460	-
TOTAL CAPITAL EXPENDITURE - Asset class	47 624	58 085	35 887	35 992

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Description R thousand	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
ASSET REGISTER SUMMARY - PPE (WDV)	456 791	503 506	527 474	550 971
<i>Roads Infrastructure</i>	69 894	76 658	88 666	104 165
<i>Storm water Infrastructure</i>	40 747	40 633	40 689	40 893
<i>Electrical Infrastructure</i>	62 878	64 997	76 278	84 558
<i>Water Supply Infrastructure</i>	37 893	39 927	39 906	41 268
<i>Sanitation Infrastructure</i>	51 643	80 247	79 209	77 585
<i>Solid Waste Infrastructure</i>	7 759	6 268	4 706	3 068
Infrastructure	270 814	308 731	329 454	351 537
Community Assets	35 005	37 475	38 591	38 784
Investment properties	40 191	40 182	40 173	40 163
	-	-	82	82
Other Assets	74 723	74 234	73 803	73 265
Intangible Assets	4 531	4 206	3 865	3 507
Computer Equipment	4 186	4 639	4 878	5 748
Furniture and Office Equipment	4 603	4 326	3 897	3 320
Machinery and Equipment	10 898	16 245	19 779	22 548
Transport Assets	11 839	13 468	13 035	12 098
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	456 791	503 506	527 474	550 971
EXPENDITURE OTHER ITEMS	76 047	81 329	85 674	90 402
<u>Depreciation</u>	11 025	11 369	11 919	12 495
<u>Repairs and Maintenance by Asset Class</u>	65 022	69 960	73 755	77 908
<i>Roads Infrastructure</i>	11 928	12 353	13 075	13 842
<i>Electrical Infrastructure</i>	8 776	9 950	10 484	11 051
<i>Water Supply Infrastructure</i>	11 756	13 625	14 345	15 108
<i>Sanitation Infrastructure</i>	7 768	7 513	7 906	8 323
<i>Solid Waste Infrastructure</i>	1 937	2 033	2 131	2 233
Infrastructure	42 165	45 473	47 940	50 556
Community Facilities	5 679	5 825	6 140	6 486
Sport and Recreation Facilities	3 062	3 443	3 612	3 792
Community Assets	8 741	9 268	9 753	10 278
Operational Buildings	4 847	5 010	5 194	5 495
Other Assets	4 847	5 010	5 194	5 495
Licences and Rights	3 651	3 980	4 330	4 715
Intangible Assets	3 651	3 980	4 330	4 715
Computer Equipment	198	185	202	222
Furniture and Office Equipment	197	49	50	50
Machinery and Equipment	591	549	576	604
Transport Assets	4 633	5 446	5 710	5 988
TOTAL EXPENDITURE OTHER ITEMS	76 047	81 329	85 674	90 402

March 2020



Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.

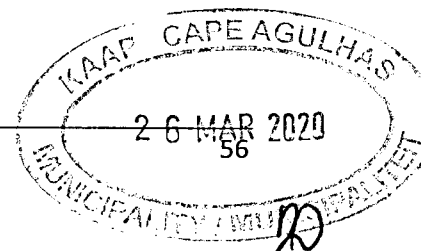
MBRR Table A10 - Basic Service Delivery Measurement

WC033 Cape Agulhas - Table A10 Basic service delivery measurement

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue &		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Household service targets	1									
Water:										
Piped water inside dwelling		9 262	9 262	9 262	9 262	9 262	9 262	9 725	10 211	10 211
Minimum Service Level and Above sub-total		9 262	9 262	9 262	9 262	9 262	9 262	9 725	10 211	10 211
No water supply		836	836	836	836	836	836	836	836	836
Below Minimum Service Level sub-total		836	836	836	836	836	836	836	836	836
Total number of households	5	10 098	10 098	10 098	10 098	10 098	10 098	10 561	11 047	11 047
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		-	-	-	9 890	9 890	9 890	9 890	10 384	10 384
Minimum Service Level and Above sub-total		-	-	-	9 890	9 890	9 890	9 890	10 384	10 384
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	9 890	9 890	9 890	9 890	10 384	10 384
Energy:										
Electricity (at least min. service level)		-	-	-	9 481	9 481	9 481	9 955	10 453	10 453
Electricity - prepaid (min. service level)		-	-	-	-	-	-	-	-	-
Minimum Service Level and Above sub-total		-	-	-	9 481	9 481	9 481	9 955	10 453	10 453
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	9 481	9 481	9 481	9 955	10 453	10 453
Refuse:										
Removed at least once a week		-	-	-	-	-	-	-	-	-
Minimum Service Level and Above sub-total		-	-	-	-	-	-	-	-	-
Removed less frequently than once a week		-	-	-	9 481	9 481	9 481	9 955	10 453	10 453
Below Minimum Service Level sub-total		-	-	-	9 481	9 481	9 481	9 955	10 453	10 453
Total number of households	5	-	-	-	9 481	9 481	9 481	9 955	10 453	10 453
Cost of Free Basic Services provided - Formal Settlement	8									
Water (6 kilolitres per indigent household per month)		2 755	3 001	2 952	2 453	2 453	2 453	2 625	2 809	3 005
Sanitation (free sanitation service to indigent households)		2 449	2 403	2 741	3 234	3 234	3 234	3 460	3 702	3 962
Electricity/other energy (50kwh per indigent household per month)		90	152	103	100	100	100	108	113	123
Refuse (removed once a week for indigent households)		3 607	3 979	4 641	3 905	3 905	3 905	4 182	4 479	4 796
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		-	-	-	-	-	-	-	-	-
Total cost of FBS provided		8 900	9 535	10 438	9 692	9 692	9 692	10 375	11 103	11 887
Properly rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		399	751	835	1 168	1 168	1 168	1 225	1 285	1 348
Total revenue cost of subsidised services provided		399	751	835	1 168	1 168	1 168	1 225	1 285	1 348

Part 2 – Supporting Documentation

Refer to supporting budget tables included in the National Treasury A Schedules accompanying this report.



Part 3 – Appendices

2.1 Appendix A – Tariff Listing

Attached.

2.2 Appendix B – SDBIP

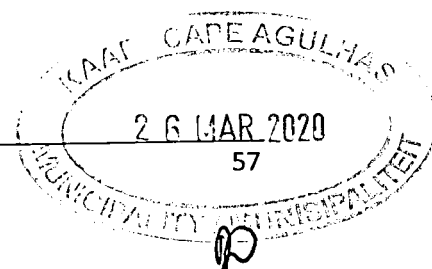
Attached.

2.3 Appendix C – Service Level Standards

Attached.

2.4 Appendix D – Procurement Plan

Attached.



NAVRAE: S Stanley
ENQUIRIES:
KONTAKNR 028 425 5798
CONTACT NO
VERW: 5/3/2020-21 (Draft budget)
REF:
KANTOOR: Bredasdorp
OFFICES:
DATUM 25 March 2020
DATE



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

QUALITY CERTIFICATE

I DGI O'Neill, municipal manager of **Cape Agulhas Municipality**, hereby certify that the **Draft Budget 2020-21 MTREF** and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print name DGI O'Neill

Accounting Officer / Chief Financial Officer of **CAPE AGULHAS MUNICIPALITY WC033** (name and demarcation of municipality)

Signature *DGI O'Neill*

Date 25.03.2020

