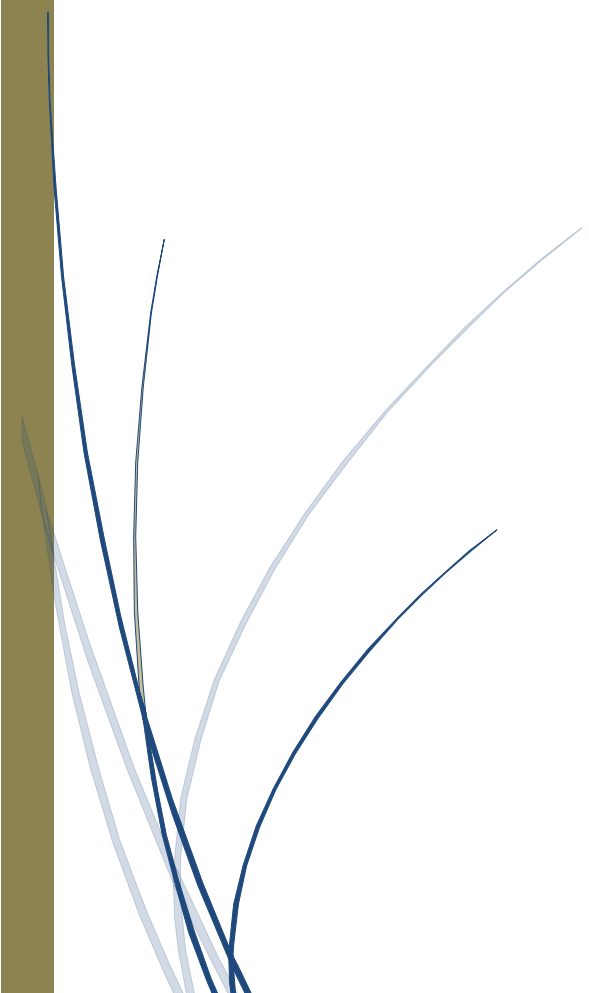


BITOU LOCAL MUNICIPALITY

05/31/2022



As protocol to observe COVID 19 regulations, copies of this document may be viewed:

- On the municipal website at www.bitou.gov.za

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Annexure E - Budget Related Policy

Abbreviations and Acronyms

CFO	Chief Financial Officer	SALGA	South African Local Government Association
MM	Municipal Manager	SAPS	South African Police Service
CPI	Consumer Price Index	SDBIP	Service Delivery Budget Implementation Plan
CRRF	Capital Replacement Reserve Fund	SSEG	Small-scale Embedded Generation
DoRA	Division of Revenue Act		
EE	Employment Equity		
EEDSM	Energy Efficiency Demand Side		
EM	Executive Mayor		
	ERTSA Eskom's Retail Tariff		
	Structural Adjustment		
FBS	Free basic services		
GDP	Gross domestic product		
GRAP	General Recognised Accounting Practice		
HR	Human Resources		
IDP	Integrated Development Strategy		
IT	Information Technology		
kl	kilolitre		
km	kilometre		
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		
l	litre		
LED	Local Economic Development		
MFMA	Municipal Financial Management Act		
MIG	Municipal Infrastructure Grant		
MMC	Member of Mayoral Committee		
MPRA	Municipal Properties Rates Act		
MSA	Municipal Systems Act		
MTEF	Medium-term Expenditure Framework		
MTREF	Medium-term Revenue and Expenditure Framework		
MTBPS	Medium Term Budget Policy Statement		
MYPD	Multi-Year Price Determination		
NDP	National Development Plan		
NERSA	National Electricity Regulator South Africa		
NGO	Non-Governmental organisations		
KPIs	National Key Performance Indicators		
OHS	Occupational Health and Safety		
PBO	Public Benefit Organisations		
PMS	Performance Management System		
PPE	Property Plant and Equipment		

1.1 Report of the Executive Mayor

PREPARATION FOR ANNUAL BUDGET FOR THE 2022/23 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

The National, Provincial and Local government's main priorities for the medium-term is basic services and social infrastructure development and job creation, and therefore the focus and priorities of Bitou Municipality are geared towards the achievement of these priorities in order to ensure alignment in planning.

We strive to maintain the budget that is funded and credible by ensuring that the cash is collected for the services that are billed, we took into consideration the national development plan and ensured that our master plans and Budgets are redirected towards the achievement of these priorities.

In preparing the 2022/23 Budget and MTREF, we continue to explore opportunities to mainstream labour intensive approaches to the delivering of services, and more particularly to improve our participation in the Extended Public Works Program (EPWP). The current year's allocation has increased from R996 000 to R1.1 million, the municipality has co-funded the program with a budget of R10. million which is decline of R3 million as compared to last year. The municipality is striving and continues to play its critical role in creating an enabling environment for investment, economic growth and development

R THOUSANDS	Original Budget	Adjusted Budget	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
NATIONAL GOVERNMENT	22,047	22,047	35,048	30,519	31,073
PROVINCIAL GOVERNMENT	22,770	13,383	10,819	6,030	0
PUBLIC CONTRIBUTION & PUBLIC CONTRIBUTION	0	0	0	0	0
BORROWING	0	0	38,843	42,550	20,142
INTERNALLY GENERATED FUNDS	45,499	35,950	18,529	47,291	25,008
TOTAL CAPITAL FUNDING	90,316	71,781	98,450	120,360	76,224

Final Operating Budget

The following table is a consolidated overview of the proposed 2022/23 Medium-Term Revenue and Expenditure Framework Budget:

Consolidated Overview of the Final 2022/23 MTREF Budget:

R THOUSANDS	CURRENT YEAR 2021/22			2022/25 MTREF	
	Original Budget 2021/22	Adjusted Budget 2021/22	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
TOTAL REVENUE	785,441	787,523	822,693	936,611	1 008,235
TOTAL EXPENDITURE	775,763	779,152	818 774	880 067	903 020
SURPLUS/(DEFICIT)	9,679	8,370	3,919	56,543	105, 215
TRANSFERS RECOGNISED - CAPITAL	47,624	38,648	46,335	35,097	35,734
SURPLUS/(DEFICIT) FOR THE YEAR	57,569	48,268	50,254	91,640	140,949

The operating revenue for 2022/23 have increased to R822. 7 million from R787.5 million in the current financial year. The increase is mainly due to additional operating grants received from province for the top structures and the increase in the tariffs. The equitable share have increased by R17 million as per the DORA bill currently publicised.

Revenue sources remains under strain and in an attempt to balance service delivery with affordability, proposed tariff are tabled below. The National Treasury have estimated the CPI Inflation to be 4.8% for 2022/23. The current economic trends in the country and the COVID 19 pandemic the country is facing clearly shows that 2022/23 will still be faced with challenges in that regard. Affordability of our services remains a key concern for a large portion of the community.

It must be noted that Provincial Treasury assessed Bitou Municipality's 2022/23 draft budget that was submitted in April 2022 after council approval. They were satisfied that the municipality's budget was consistent with the MFMA and commended the municipality for tabling a budget that is credible and funded, however needed to make corrections on minor issues relating to misalignment between the IDP and the Budget.

1.2 Council Resolutions

1. The Council of the Bitou Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act (Act 56 of 2003), approves the Final Annual Budget as set out on Annexure C.:
 - 1.1. The Final Annual Budget of the municipality for the 2022/23 financial year and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source .

- 1.1.5. The financial position, cash flow Budget, cash-backed reserve/accumulated surplus, asset management and the Final Draft basic service delivery targets are approved as set out in the following tables:
 - 1.1.6. Budgeted Financial Position
 - 1.1.7. Budgeted Cash Flows
2. The Council of Bitou Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) take note of the tariffs as set out in Annexure D;
3. The Council of Bitou Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003) notes of the following Final Budget related policies as set out in Annexure E have been reviewed and no amendments have been made:
 - (a) Borrowing Policy and guidelines
 - (b) Petty Cash Policy
 - (c) Tariff Policy
 - (d) Liquidity, Funding and Reserves Policy
 - (e) Investment & Cash Management Policy
 - (f) Asset Management Policy
 - (g) Long-Term Financial Planning Policy
 - (h) Budget Implementation and Monitoring Policy
 - (i) Travelling Allowance Policy
 - (j) Overtime Policy
 - (k) Subsistence and Travel Allowance Policy
 - (l) Cost Containment Policy
4. Council notes that the following Budget policies and By- laws have been reviewed and amended:
 - (a) Credit Control & Debt Collection Policy
 - (b) Property Rates Policy
 - (c) Indigent Support Policy
 - (d) Tarrif policy
 - (e) Property Rates by law
 - (f) Infrastructure Procurement & Delivery Policy
 - (g) Supply Chain Management Policy for Goods & Services
5. That Council of Bitou Local Municipality acting in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003) notes the Draft Service Level Standards as set out in Annexure F;
6. That cash backing be implemented through the utilisation of a portion of the realisable accumulated surplus as at the end of the financial year to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations

7. That Council of Bitou Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003) and accordanced to Chapter 4 of the Municipal Systems Act,

1.3 Executive Summary

The South African Economic Outlook

The South African economy has not been shielded from these global developments. National Treasury has revised South Africa's economic growth estimate for 2021 to 4.8 per cent, from 5.1 per cent at the time of the MTBPS. This revision reflects a combination of the impact of changes in the global environment, along with South Africa's own unique challenges. Commodity prices, which have supported South Africa's economic recovery, slowed in the second half of 2021.

Also, violent unrest in July, and restrictions imposed to manage the third wave of COVID-19 further eroded the gains South Africa made in the first half of the year. Industrial action in the manufacturing sector, and the re-emergence of load shedding, also slowed the pace of the recovery. Real Gross Domestic Product (GDP) growth of 2.1 per cent is projected for 2022. Over the next three years, GDP growth is expected to average 1.8 per cent. Headline inflation is expected to remain between 3 to 6 per cent target ranges over the 2022/23 MTEF.

In summary, the tax revenue in 2021/22 was higher than projections and this was mainly due to commodity price rally. However, these are projected to be short term, and as such long-term spending commitments should not be made based on short term revenue benefits. There are measures in place to reduce expenditure to narrow the budget deficit.

The following macro-economic forecasts must be considered when preparing the 2022/23 MTREF municipal budgets.

Table 1: Microeconomic performance and projections 2020-2025

	<i>2020/21 Actual</i>	<i>2021/22 Estimate</i>	<i>2022/23</i>	<i>2023/24 Forecast</i>	<i>2024/25</i>
<i>CPI Inflation</i>	2.9%	4.5%	4.8%	4.4%	4.5%

Bitou Municipality's Economic Outlook

Bitou Municipality's business and service delivery priorities are continuously being reviewed as part of this year's planning and Budgeting process. Where appropriate, funds have been transferred to address crucial service delivery needs and to ensure compliance with legislative requirements and to meet service delivery obligations in terms of the reviewed IDP.

CPI

According to National Treasury the inflation rate is expected to remain between 3 to 6 percent over 2022/23. Any percentage increase above the expected inflation rate must be motivated. The municipality has applied the inflation rate across the MTREF as indicated.

In preparing the 2022/23 Budget MTREF, we continue to ensure that municipal tariffs are credible and affordable to the community. We want to explore in developing tariff models that will ensure that cost of rendering services is fair and equitable. The municipality would have wanted to explore opportunities to mainstream labour intensive approaches to the delivering of services through Extended Public Works Program (EPWP) however year on year the grant funding has been reducing. The municipality is now at a stage where it cannot afford to co-fund this project.

We are striving to and continue to play its critical role in creating an enabling environment for investment, growth and development, however COVID19 has a significant impact in our economy. This may take years to recover as COVID19 is not over. The unemployment rate has increased from 2020 to date, that is evident by the total debt that municipality has. The municipality can only assist poverty stricken areas by registering them in our indigent register. Currently the municipality has registered a total number of 3 398 indigents and the total number this been increasing due to COVID19 as a result costing the municipality an amount over R14.4 million over the past 10 months.

The municipality proposes operating revenue budget of an average of R4.8% increase as per MFMA budget circular guidelines. The municipality has increased electricity budget more than the inflation rate due to Eskom electricity increase. The Municipality is in the process of developing a Small-scale Embedded Generation (SSEG) policy, which would enable private landowners to install solar panels and connect this energy production to the electrical grid.

FOCUS OF THE 2022/23 FINAL BUDGET

Table 2 Consolidated Overview of the Final 2022/23 MTREF:

1. Increase in unemployment
2. Salary increase 4.9%, currently maintaining 37% including EPWP
3. NERSA (Bulk electricity increase)
4. COVID 19 pandemic
5. Revenue reduction and increase in cost of free basic service
6. Affordable Cost reflective tariffs
7. Cost containment as recommended by National Treasury
8. Provision for asset renewal and maintenance
9. Credibility and level of funding of the Budget and
10. Alignment of the Budgets to municipality's plans.
11. Additional grants received from government
12. The budget is fully funded and a surplus budget
13. Repairs and maintenance of 50.2 million

WC047 Bitou - Table A1 Budget Summary 1.4

Budget Financial Performance (Revenue and Expenditure)

WC047 Bitou - Table A1 Budget Summary

Description	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousands										
Financial Performance										
Property rates	129 516	137 416	149 321	158 942	156 890	156 890	144 248	159 956	167 141	175 351
Service charges	355 914	361 944	374 427	405 505	409 273	409 273	370 011	441 315	500 104	568 128
Investment revenue	11 592	10 308	6 601	11 118	7 261	7 261	3 147	4 600	5 176	5 756
Transfers recognised - operational	145 914	122 695	149 138	143 807	162 721	162 721	130 466	153 896	197 799	188 392
Other own revenue	71 166	33 212	56 583	66 070	51 377	51 377	53 861	62 926	66 391	70 608
	714 103	665 575	736 070	785 441	787 523	787 523	701 733	822 693	936 611	1 008 235
Total Revenue (excluding capital transfers and contributions)										
Employee costs	171 580	227 170	266 759	274 973	271 276	271 276	240 674	306 473	309 490	327 129
Remuneration of councillors	5 840	5 908	6 250	6 905	6 477	6 477	5 086	6 944	7 239	7 539
Depreciation & asset impairment	53 731	31 925	35 696	36 032	36 294	36 294	29 748	37 400	38 522	39 632
Finance charges	18 417	14 825	13 399	10 969	11 090	11 090	6 345	10 739	12 735	13 864
Materials and bulk purchases	126 964	137 404	160 591	162 991	163 990	163 990	134 550	179 576	194 856	212 498
Transfers and grants	6 645	5 248	5 571	4 900	4 350	4 350	3 621	4 750	350	350
Other expenditure	417 400	225 036	275 290	278 993	285 676	285 676	207 718	272 892	316 875	302 007
Total Expenditure	800 577	647 514	763 556	775 763	779 152	779 152	627 741	818 774	880 067	903 020
Surplus/(Deficit)	(86 475)	18 061	(27 487)	9 679	8 370	8 370	73 992	3 919	56 543	105 215
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	85 454	26 187	33 032	47 624	38 648	38 648	26 539	46 335	35 097	35 734
Surplus/(Deficit) after capital transfers & contributions	25 526	44 298	6 317	57 569	48 268	48 268	102 252	50 254	91 640	140 949
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	25 526	44 298	6 317	57 569	48 268	48 268	102 252	50 254	91 640	140 949
Capital expenditure & funds sources										
Capital expenditure	83 321	51 982	79 203	90 316	71 781	71 781	42 091	98 450	120 360	76 224
Transfers recognised - capital	51 125	22 575	28 991	44 817	35 830	35 830	25 299	41 078	30 519	31 073
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	11 805	-	-	-	-	38 843	42 550	20 142
Internally generated funds	41 616	29 406	38 406	45 499	35 950	35 950	16 792	18 529	47 291	25 008
Total sources of capital funds	92 741	51 982	79 203	90 316	71 781	71 781	42 091	98 450	120 360	76 224
Financial position										
Total current assets	64 703	404 013	574 751	233 235	238 036	238 036	634 334	272 028	351 199	506 343
Total non current assets	54 222	1 131 160	1 173 689	1 214 738	1 960 365	1 960 365	1 186 240	1 345 582	1 383 873	1 450 424
Total current liabilities	24 369	240 173	255 308	110 483	110 155	110 155	264 281	150 778	161 317	169 238
Total non current liabilities	(24 295)	200 326	203 045	176 496	(176 496)	(176 496)	200 802	226 140	250 506	237 365
Community wealth/Equity	32 604	966 069	1 007 987	1 130 007	2 302 930	2 302 930	1 014 401	1 240 692	1 323 249	1 550 164
Cash flows										
Net cash from (used) operating	59 083	106 762	-	92 611	139 081	139 081	139 081	120 049	193 654	217 929
Net cash from (used) investing	(90 724)	(51 330)	-	(73 578)	(79 643)	(79 643)	(79 643)	(98 450)	(112 482)	(54 845)
Net cash from (used) financing	(19 083)	(19 805)	-	(22 621)	(22 439)	(22 439)	(22 439)	(21 828)	(17 552)	(15 635)
Cash/cash equivalents at the year end	90 089	125 717	125 717	122 129	110 464	110 464	110 464	110 234	173 855	321 303
Cash backing/surplus reconciliation										
Cash and investments available	16 378	134 072	82 572	130 484	110 464	110 464	84 911	113 234	176 855	324 303
Application of cash and investments	(41 745)	(139 906)	65 479	(36 303)	(49 478)	(49 478)	(468 332)	(79 090)	(90 478)	(94 567)
Balance - surplus (shortfall)	58 123	273 978	17 093	166 787	159 942	159 942	553 243	192 324	267 333	418 871
Asset management										
Asset register summary (WDV)	19 878	1 122 856	1 164 638	54 661	35 502	35 502	-	51 712	73 960	15 214
Depreciation	53 731	31 925	35 696	36 032	36 294	36 294	37 400	38 522	39 632	39 632
Renewal of Existing Assets	925	126	1 080	9 936	6 402	6 402	6 515	5 418	1 887	1 887
Repairs and Maintenance	37 766	44 601	36 138	55 986	55 169	55 169	50 295	57 560	55 831	55 831
Free services										
Cost of Free Basic Services provided	-	-	21 312	19 275	20 059	20 059	28 216	28 216	31 060	33 428
Revenue cost of free services provided	-	-	3 848	3 887	5 861	5 861	5 887	5 887	6 000	6 100
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	0	0	0	0
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	0	0	0	0

The municipality continues to improve the quality of life of its citizens through the delivery of high quality services, it is necessary to generate sufficient revenue from rates and service charges; considering the review of the infrastructure grant by National Treasury and changes to allocations to Municipalities.

It is also important that all billed revenue is charged correctly, adequately and 100% collected. This would mean devising means to collect revenue in areas that are traditionally Eskom distribution areas and where the Municipality's collection efforts have had little to no effect. The prevailing economic circumstances are adding to the difficulties in collecting the revenue due to the Municipality. The spending required to address the needs of the community will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenue.

Table 3 Table A4 Budgeted Financial Performance (revenue and expenditure):

WC047 Bitou - Table A4 Budgeted Financial Performance (revenue and expenditure)

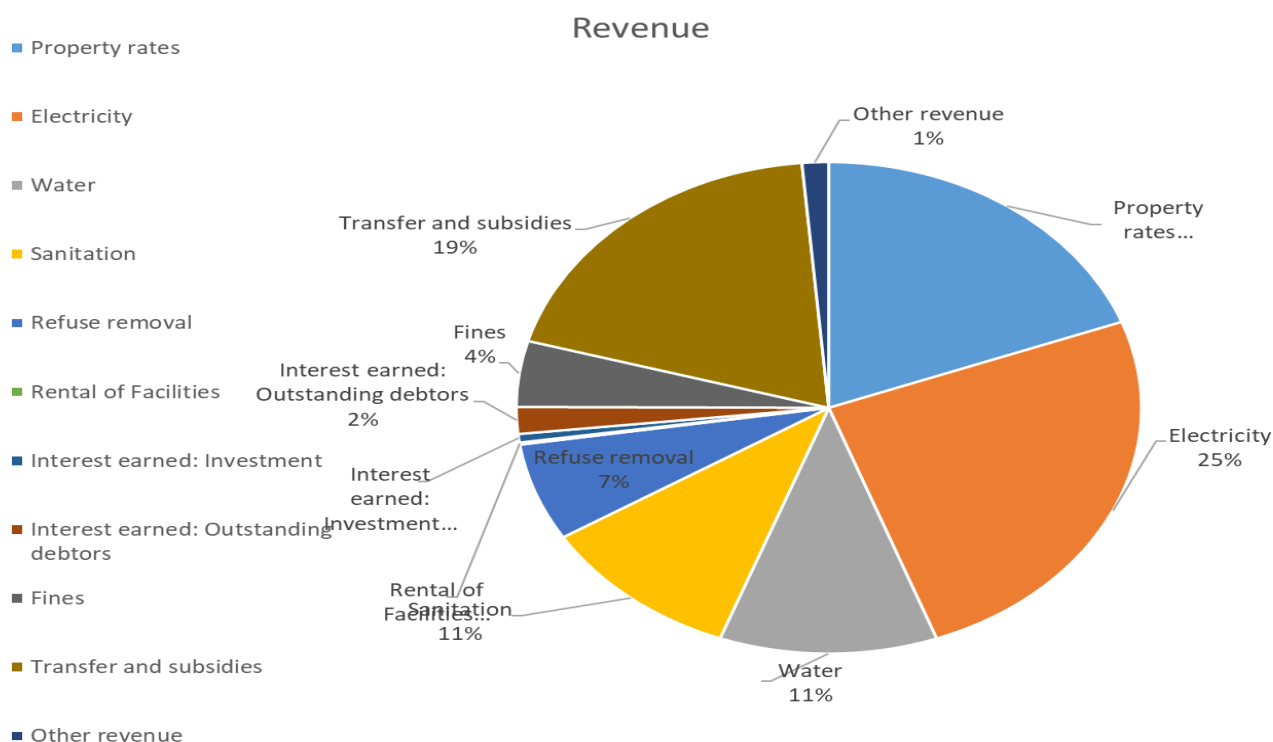
Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue By Source											
Property rates	2	129 516	137 416	149 321	158 942	156 890	156 890	144 248	159 956	167 141	175 351
Service charges - electricity revenue	2	154 388	162 483	168 628	180 150	181 409	181 409	179 445	207 720	237 855	272 381
Service charges - water revenue	2	80 846	82 154	80 711	91 987	90 230	90 230	74 815	93 277	106 886	122 480
Service charges - sanitation revenue	2	76 337	73 742	78 675	82 145	85 319	85 319	80 073	87 047	99 747	115 135
Service charges - refuse revenue	2	44 342	43 566	46 413	51 223	52 316	52 316	35 678	53 272	55 616	58 132
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		825	1 224	1 045	1 465	1 319	1 319	1 044	1 193	1 236	1 291
Interest earned - external investments		11 592	10 308	6 601	11 118	7 261	7 261	3 147	4 600	5 176	5 756
Interest earned - outstanding debtors		13 525	15 331	14 578	17 018	15 335	15 335	13 365	14 572	16 184	18 018
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		44 665	8 778	30 462	36 928	23 337	23 337	29 355	35 870	37 423	39 108
Licences and permits		731	700	719	1 047	1 047	1 047	961	1 002	1 046	1 094
Agency services		1 780	1 785	2 345	2 748	2 748	2 748	2 117	2 414	2 521	2 634
Transfers and subsidies		145 914	122 695	149 138	143 807	162 721	162 721	130 466	153 896	197 799	188 392
Other revenue	2	9 165	5 395	7 163	6 863	7 062	7 062	7 019	7 875	7 981	8 464
Gains		476	-	270	-	530	530	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		714 103	665 575	736 070	785 441	787 523	787 523	701 733	822 693	936 611	1 008 235
Expenditure By Type											
Employee related costs	2	171 580	227 170	266 759	274 973	271 276	271 276	240 674	306 473	309 490	327 129
Remuneration of councillors		5 840	5 908	6 250	6 905	6 477	6 477	5 086	6 944	7 239	7 539
Debt impairment	3	167 321	99 353	116 969	106 990	103 540	103 540	100 550	103 440	107 996	108 615
Depreciation & asset impairment	2	53 731	31 925	35 696	36 032	36 294	36 294	29 748	37 400	38 522	39 632
Finance charges		18 417	14 825	13 399	10 969	11 090	11 090	6 345	10 739	12 735	13 864
Bulk purchases	2	117 240	127 341	134 674	147 721	147 721	147 721	124 031	161 902	177 445	194 480
Other materials	8	9 724	10 063	25 917	15 270	16 269	16 269	10 519	17 674	17 411	18 019
Contracted services		140 906	92 707	98 624	112 556	119 776	119 776	65 603	91 004	127 734	104 907
Transfers and subsidies		6 645	5 248	5 571	4 900	4 350	4 350	3 621	4 750	350	350
Other expenditure	4, 5	61 408	32 485	57 987	59 447	62 360	62 360	41 565	78 447	81 144	88 485
Losses		47 764	492	1 710	-	-	-	-	-	-	-
Total Expenditure		800 577	647 514	763 556	775 763	779 152	779 152	627 741	818 774	880 067	903 020
Surplus/(Deficit)		(86 475)	18 061	(27 487)	9 679	8 370	8 370	73 992	3 919	56 543	105 215
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		85 454	26 187	33 032	47 624	38 648	38 648	26 539	46 335	35 097	35 734
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	50	772	267	849	849	1 721	-	-	-
Transfers and subsidies - capital (in-kind - all)		26 546	-	-	-	400	400	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		25 526	44 298	6 317	57 569	48 268	48 268	102 252	50 254	91 640	140 949
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		25 526	44 298	6 317	57 569	48 268	48 268	102 252	50 254	91 640	140 949
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		25 526	44 298	6 317	57 569	48 268	48 268	102 252	50 254	91 640	140 949
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		25 526	44 298	6 317	57 569	48 268	48 268	102 252	50 254	91 640	140 949

Service Charges

The majority of the municipal revenue is generated from internally generated funds. The municipality is projecting R632.9 million from the services charges and other internally generate revenue sources, this excludes revenue from Traffic Fines and grants. This result into 77% of the total operating income of the municipality. It is important for council to note that this budget forecast that 86% of the budgeted income will be recovered from the consumers. This means that the surplus reported might be overstated if we are unable to collect all the monies dues.

The water services will contribute R93.2 million and waste water service will also contribute revenue of R87 million which is 11% of the total operating revenue respectively.

The table below represent the municipal operational budget which reflects an average increase of 4.2%



The municipality has reviewed its debt collection and credit control, the indigent and property rates policies to be in line with the current trends in an effort to assist the community of Bitou.

The table below reflect revenue generated by source in percentages:

Table 4 Revenue by source

Revenue by source	Budget 2022/23 'R 000	Percentage
Property rates	159 956	2
Service charges - electricity revenue	207 720	13
Service charges - water revenue	93 277	3.
Service charges - sanitation revenue	87 047	2
Service charges - refuse revenue	53 272	2
Rental of facilities and equipment	1 193	-11
Interest earned - external investments	4 600	-58
Interest earned - outstanding debtors	14 572	5
Fines, penalties and forfeits	35 870	35
Licences and permits	1 002	-4
Agency services	2 414	-14
Transfers and subsidies	153 896	-6
Other revenue	7 875	10
Gains	0	0

Property rates

We are forecasting a revenue increase from R156.8 million to R159.9 million in 2022/23 on Property rates. The budget also did not change the general rebate of R350 000 deducted from the market value of the properties. This ultimately result in over 7500 properties not paying property rates, only half of the properties are contributing to the rates income

Electricity

Electricity budget has increased from R181.4 million to R207.7 million in 2022/23 financial year this contributes 25% of the total operating revenue of the municipality. The council should note that 95% of the revenue will be paid over to Eskom as the electricity supplier. The municipality generates over R50 million to cover its cost.

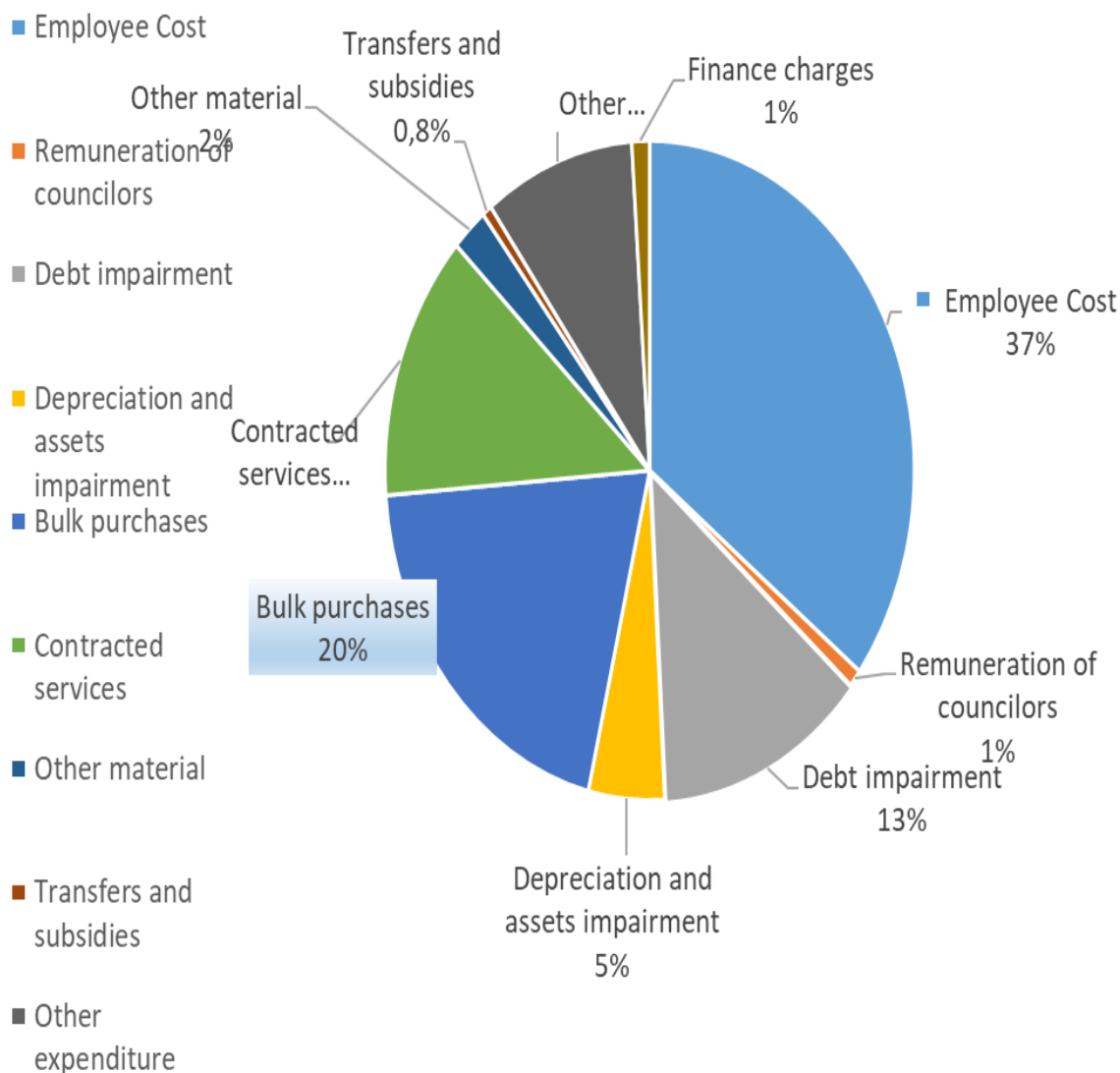
Transfers and Subsidies

The operational grants has decreased from R162.7 million to R153.8 million in 2022/23. This is attributed to decline in the housing grants from provincial human settlement. The major grant to be received is equitable share and other small grants from other spheres of government.

The budget includes the revenue for traffic fines of R35.8 million this is an increase of R12.5 million. It is important for the council to note that the traffic income is not guaranteed as only 25% of the fines are collected over a two year period. The 75 % of the fines income will be impaired under expenditure as the debt cannot be all recoverable. The municipality is reviewing its revenue stream and debt collection policy to maximise revenue from service charges and traffic fines

Table 4: Expenditure by type
Expenditure By Type

	Budget 2020/21 'R000	Percentage
Employee related costs	306 473	37
Remuneration of councillors	6 944	0.8
Debt impairment	103 440	13
Depreciation & asset impairment	37 400	5
Finance charges	10 739	1
Bulk purchases	161 902	20
Other materials	17 674	2
Contracted services	91 004	11
Transfers and subsidies	4 750	0.6
Other expenditure	78 447	10
Losses	–	



Employee Related Cost

The increase in employee related cost as is increasing by an average percentage of 4.9 % as compared to last financial year, the significant increase is attributed to EPWP has been included as part of employee related cost amounting to R11.1 million of which R10 million will be funded internally

In terms of norm and standard from National Treasury efficient municipalities are expected that at least 25% to 35% of their operational budget should be allocated to salaries. The inclusion of EPWP as part of employee costs have increased employee cost to 37% of the total operating expenditure budget.

The municipality maintains the 35% however due to EPWP being classified as employee related cost this financial indicator exceed the norm slightly. The other factor that may have an impact is the expenditure items such as overtime transport and cell phone allowance are not controlled and managed properly, employee cost budget will be exceeded. The budget allocated for overtime R15.2 million for 2022/23 financial year. The budget have also made a provision for post-retirement benefits for permanent employees amounting to R19.6 million.

Bulk Purchases

The budget for bulk purchases amounts to R161.9 million increase in bulk purchases this accounts for 20% of the operating expenditure budget. There is a minimal amount budgeted for Bulk purchases water under inventory. This is because the municipality does not buy water from any water authority instead purifies its own water.

Contracted Services

The budget for contracted services includes R9.2 million grant funding related to housing and decanting projects at Qolweni. According to National Treasury norms and standards the percentage of contracted services as compared to operating budget should not exceed 5%. The contract service amount to R91 million in 2022/23 from R119.7 million in 2021/22 financial year. This account for 11% of the total operating expenditure budget.

Contracted services include appointment of consultants, services providers and contractors. The municipality continue to implement cost containment policy which is aimed at containing the cost as far possible to discourage municipality to use consultants and outsource municipal services. The service delivery departments are outsourcing some of the services to private contractors. Those include grass cutting, water services, and maintenance of buildings, security services, fleet maintenance, professional services and many other services.

Transfer and Subsidies

The budget have also included cash transfers to institutions and individuals. The municipality have budgeted for transfer of R3 million to the Garden Route Municipality as part of the construction of the landfill site, the tourism sector and the grant in aid for social relief in the mayor's office.

1.5 Tariff Setting

The National Treasury have provided municipality with a tariff model that will assist the municipality to recover costs. However it is not effectively used. The incremental tariff process that is not influenced by cost of the services and the recovery numbers. There's losses under Waste Management which is not fully recovered.

The objective of this budget was for the municipality to develop cost reflective that are also affordable to the community. The council should note that with current challenges facing the economy and challenges with COVID 19 unemployment increased and dependence of the state will increase. We anticipate to register 7600 as per the Municipal objective, this target has not been met yet and we will need council to participate in ensuring that indigent register represent the true reflection of what is on the ground.

The proposed tariffs will have 4.8 % increase in the total monthly bill of a middle income range and the affordable income range.

The electricity department is currently operating at a loss and they require this funds to finance their fixed cost. The effect is that each sub economic household who are not approved indigent will pay R502.23 per month as Electricity basic charge. The council should note that the municipality require at least each consumer to pay a minimum of R3200 in service charges and property rates.

WC047 Bitou - Supporting Table SA14 Household bills

Description	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework			
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23 % incr.	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Rand/cent							
<u>Monthly Account for Household - 'Middle Income Range'</u>							
Rates and services charges:							
Property rates	305,97	305,97	305,97	4,8%	320,66	334,77	349,83
Electricity: Basic levy	342,39	342,39	342,39	–	375,26	411,28	450,77
Electricity: Consumption	2 176,63	2 176,63	2 176,63	7,5%	2 339,22	2 513,96	2 701,75
Water: Basic levy	384,73	384,73	384,73	4,8%	403,20	420,94	439,88
Water: Consumption	45,23	45,23	45,23	4,8%	47,40	49,49	51,71
Sanitation	475,13	475,13	475,13	4,8%	497,94	519,85	543,24
Refuse removal	275,69	275,69	275,69	4,8%	288,92	301,64	315,21
	–	–	–	–	–	–	–
Other	4 005,77	4 005,77	4 005,77	6,7%	4 272,59	4 551,92	4 852,39

sub-total	554,97	554,97	554,97	8,1%	599,75	647,67	699,96
VAT on Services	4 560,74	4 560,74	4 560,74	6,8%	4 872,34	5 199,58	5 552,35
Total large household bill:							
% increase/-decrease	(33,5%)	–	–		7,8%	7,8%	7,8%
Monthly Account for Household - 'Affordable Range'							
Rates and services charges:							
Property rates	216,63	216,63	216,63	4,8%	227,03	237,02	247,68
Electricity: Basic levy							
Electricity: Consumption	452,96	452,96	452,96	7,5%	496,44	544,10	596,34
Water: Basic levy	866,04	866,04	866,04	7,5%	930,73	1 000,26	1 074,97
Water: Consumption	384,73	384,73	384,73	4,8%	403,20	420,94	439,88
Sanitation	–	–	–	–	–	–	–
	475,13	475,13	475,13	4,8%	497,94	519,85	543,24
Refuse removal		275,69	275,69		288,92	301,64	315,21
Other	–	–	–	–	496,44	544,10	596,34
sub-total	2 671,18	2 671,18	2 671,18	6,5%	2 844,26	3 023,79	3 217,32
VAT on Services	470,05	470,05	470,05	(15,9%)	395,35	424,02	455,23
Total small household bill:							
% increase/-decrease	3 141,23	3 141,23	3 141,23	3,1%	3 239,61	3 447,82	3 672,55
	(17,7%)	–	–		3,1%	6,4%	6,5%
Monthly Account for Household - 'Indigent' Household receiving free basic services							
Rates and services charges:							
Property rates	467,58	467,58	467,58	7,5%	502,51	540,05	580,39
Electricity: Basic levy	–	–	–	–	–	–	–
Electricity: Consumption	116,59	116,59	116,59	4,8%	122,19	127,56	133,30
Water: Basic levy	–	–	–	–	–	–	–
Water: Consumption	–	–	–	–	–	–	–
Sanitation	–	–	–	–	–	–	–
	584,17	584,17	584,17	6,9%	624,70	667,61	713,69
Refuse removal	87,63	87,63	87,63	8,6%	95,20	103,38	112,33
Other							
sub-total	671,80	671,80	671,80	7,2%	719,89	770,99	826,02
VAT on Services	(63,1%)	–	–		7,2%	7,1%	7,1%
Total small household bill:							

% increase/-decrease							
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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. The property rates tariffs is not consumption based and it's influenced by the demand in services by communities. If communities wants more services to be expanded the property rates will mostly be used to fund the services.

An increase of 4.8% in property rates tariff is proposed for the 2022/23 financial year. The property rates tariff does not afford the municipality sufficient funds to fulfil some of its objective in terms of non-revenue generating

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. National Treasury Budget Circular 112 makes specific reference to the fact that water tariffs should be cost reflective and that municipalities should ensure that water complies with all applicable quality standards. The water tariff structure must therefore ensure that:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.
- Punitive tariffs are introduced to encourage efficient water use during drought periods.

The payment of water accounts by sub economic areas remains a challenge. The council have approved the implementation of the smart water meters to ensure that the recovery of revenue is possible. It should be noted that public participation is in progress.

1.5.3. Sale of Electricity and Impact of Tariff Increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. Bulk electricity costs are consistently much higher than inflation, having gone as high as 17.8% in the 2021/22 municipal financial year.

Eskom's need for increased funding means that over the period ahead they are applying for much higher tariff increases. In their Multi-Year Price Determination (MYPD 5) application

Eskom requested approval for municipal bulk tariff increases of 20.5% in 2022/23, 15% in 2023/24 and 10% in 2024/25. NERSA rejected this revenue application at the end of September 2021 and in October 2021 Eskom filed an application in the High Court to review NERSA's decision. Following the deliberations, NERSA has approved a 9.6% tariff increase for Eskom starting from April 2022 and this figure accounts for a 3.49 % increase in 2022/23.

1.5.4. Sanitation and Impact of Tariff Increases

A tariff for waste water services is proposed to increase by 4.8%. The service is currently operating at a surplus. The municipality is charging a basic charge to all consumers with water borne system. The tariff methodology have identified that the municipality is charging a fair tariff to its consumers.

1.5.5. Waste Removal and Impact of Tariff Increases

Budget Circulars 89 state that municipalities should strive to Budget with a moderate surplus in order to ensure that the required funding levels are maintained and to ensure that the provision for the rehabilitation of the land fill site is cash backed. The municipality has a waste minimisation plan which is at a draft stage awaiting for approval. The municipality reports through IPWIS system at the Department of Environmental.

The cost related to transportation of waste to Mosselbay are high and this makes the services not to be sustainable. The municipal plan was to minimise waste before transportation and the failure to sort waste to recyclable and non-recyclable have a serious impact in transportation cost. The department was encouraged to implement waste sorting process to ensure that the bulk waste is reduced. The rehabilitation of the landfill site has been completed and the assets amounting to R4 million has been capitalised in the 2021/22 financial year.

The budget proposes a 4.8% increase in the basic tariffs for waste disposal services. The municipality amended its Service Delivery Standard that the municipality collects refuse for households once every week and twice for business throughout the year with an anticipation that the costs to render this service is minimised, however no positive outcome has been yielded, instead the cost to render this service has increased.

1.5.6. 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 Bitou Municipality's Indigent Policy. It is estimated that between 3 376 and 7600 households will continue to receive subsidies on tariffs and rates in the 2022/23 financial year. The indigent threshold has been increased from R3500 to R5200

1.6 Budgeted Financial Performance Function

The municipality is allocating 70% of the operating expenditure budget to the service delivery departments. This include all departments under Engineering and Community Services. The Economic Development and Planning sector is allocated 5% of the budget and 25% allocated to

governance and administration functions. The increase in operating expenditure budget is curbed below 5%.

WC047 Bitou - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

WC047 Bitou - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)										
Functional Classification Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue - Functional										
Governance and administration		237 431	248 443	240 053	237 508	230 054	230 054	239 884	255 333	272 748
Executive and council		58 204	94 844	47 898	51 817	51 680	51 680	57 984	64 127	71 038
Finance and administration		179 227	153 599	192 155	185 691	178 374	178 374	181 901	191 206	201 710
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		151 132	29 960	53 404	85 326	79 381	79 381	66 900	94 134	70 767
Community and social services		11 123	12 353	11 094	11 853	12 358	12 358	12 109	11 844	12 639
Sport and recreation		383	94	81	113	568	568	123	128	134
Public safety		46 556	10 675	29 525	40 112	26 556	26 556	39 193	40 918	42 759
Housing		93 071	6 838	12 703	33 248	39 898	39 898	15 475	41 244	15 234
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		13 121	8 151	11 211	7 293	10 067	10 067	6 911	5 791	6 171
Planning and development		13 096	5 652	10 341	7 040	9 837	9 837	6 752	5 656	6 036
Road transport		25	2 499	870	253	231	231	159	135	135
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		424 007	403 823	464 520	501 314	506 601	506 601	554 769	615 886	693 698
Energy sources		174 504	176 864	191 581	208 012	210 790	210 790	239 081	273 304	311 023
Water management		112 969	101 648	120 160	129 144	127 386	127 386	142 523	150 779	168 931
Waste water management		84 166	78 865	91 548	96 339	99 513	99 513	101 614	116 087	133 481
Waste management		52 369	46 446	61 231	67 819	68 912	68 912	71 552	75 716	80 262
Other	4	412	1 435	686	1 890	1 318	1 318	564	564	586
Total Revenue - Functional	2	826 103	691 812	769 874	833 332	827 420	827 420	869 028	971 708	1 043 969
Expenditure - Functional										
Governance and administration		200 711	141 496	158 438	182 521	178 894	178 894	191 618	201 844	217 944
Executive and council		28 453	36 953	37 873	31 554	30 362	30 362	33 897	35 733	37 551
Finance and administration		168 834	99 833	116 900	145 909	143 475	143 475	152 040	160 175	174 203
Internal audit		3 424	4 709	3 665	5 058	5 057	5 057	5 681	5 937	6 189
Community and public safety		234 500	105 339	140 317	126 951	145 155	145 155	148 830	178 520	160 922
Community and social services		17 951	26 928	26 502	32 705	32 239	32 239	34 622	31 410	31 082
Sport and recreation		17 794	23 524	23 246	23 646	22 365	22 365	26 853	28 911	30 672
Public safety		119 742	43 955	55 786	51 498	49 948	49 948	69 843	68 675	75 009
Housing		79 013	10 932	34 783	19 103	40 603	40 603	17 512	49 524	24 160
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		69 036	71 345	73 004	82 700	79 743	79 743	77 489	75 724	77 339
Planning and development		35 440	30 896	37 334	42 317	42 114	42 114	42 495	40 313	42 266
Road transport		33 596	40 448	35 669	40 383	37 630	37 630	34 994	35 410	35 074
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		296 209	325 635	365 827	369 990	365 826	365 826	390 525	409 973	432 162
Energy sources		149 932	166 244	173 857	201 259	202 519	202 519	215 443	232 902	252 569
Water management		56 545	59 354	117 229	88 427	86 035	86 035	86 882	85 909	87 993
Waste water management		44 968	57 491	12 678	27 849	27 625	27 625	31 182	36 150	36 171
Waste management		44 765	42 546	62 062	52 455	49 647	49 647	57 018	55 013	55 430
Other	4	121	3 700	25 971	13 600	9 535	9 535	10 313	14 006	14 653
Total Expenditure - Functional	3	800 577	647 514	763 556	775 763	779 152	779 152	818 774	880 067	903 020
Surplus/(Deficit) for the year		25 526	44 298	6 317	57 569	48 268	48 268	50 254	91 640	140 949

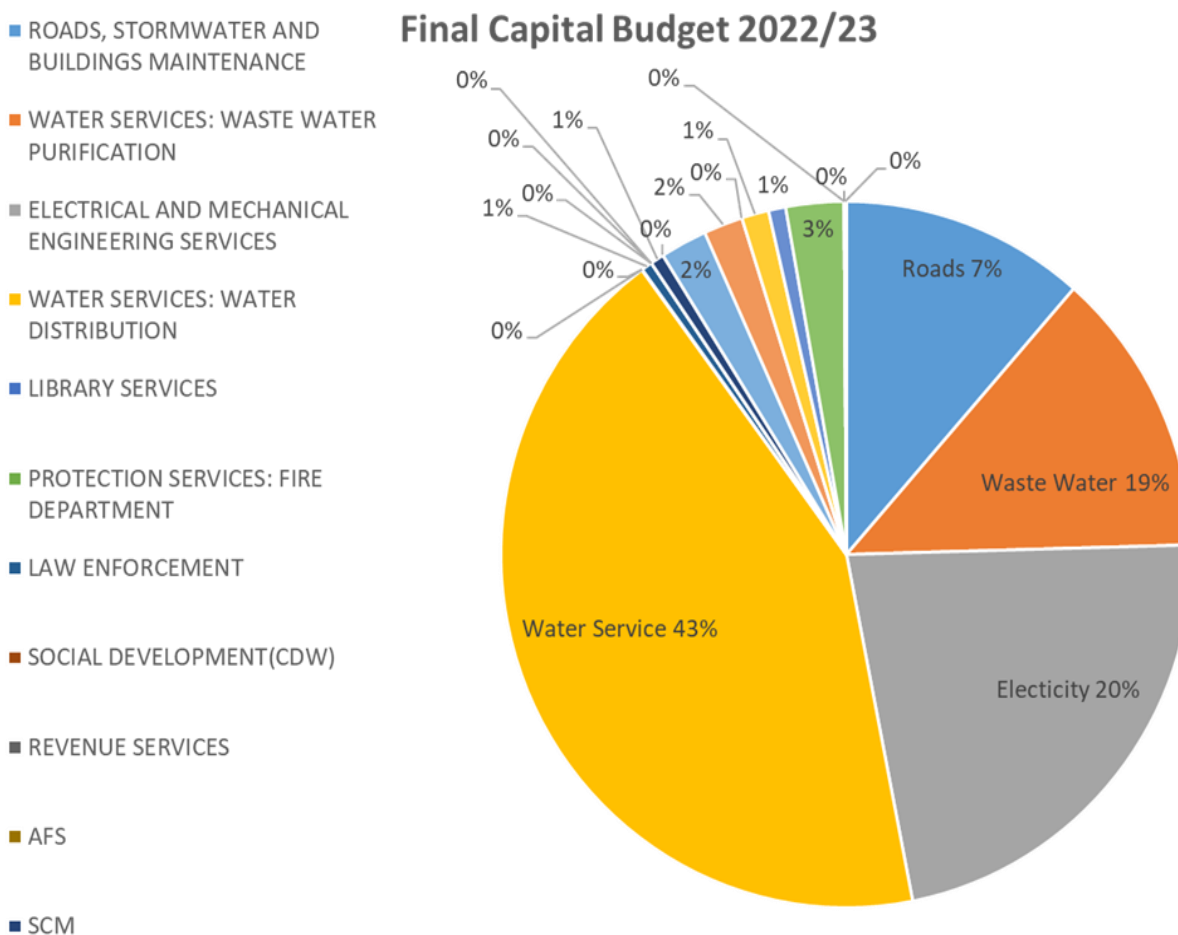
WC047 Bitou - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

WC047 Bitou - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)										
Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue by Vote	1									
Vote 1 - Council		1 930	7	2 812	2 918	2 918	2 918	2 918	3 006	3 122
Vote 2 - Office of the Municipal Manager		56 275	94 836	45 086	48 899	48 762	48 762	55 066	61 121	67 916
Vote 3 - Community Services		232 778	78 914	116 168	155 111	149 884	149 884	139 714	171 112	152 341
Vote 4 - Corporate Services		685	404	775	266	261	261	-	-	-
Vote 5 - Financial Services		151 964	152 124	190 538	185 369	177 859	177 859	181 221	190 526	201 003
Vote 6 - Economic Development & Planning		3 456	2 956	9 293	5 758	6 648	6 648	4 202	4 387	4 584
Vote 7 - Engineering Services		379 017	362 571	405 201	435 010	441 089	441 089	485 908	541 555	615 003
Total Revenue by Vote	2	826 103	691 812	769 874	833 332	827 420	827 420	869 028	971 708	1 043 969
Expenditure by Vote to be appropriated	1									
Vote 1 - Council		6 439	11 292	11 340	9 839	8 701	8 701	9 773	10 119	10 746
Vote 2 - Office of the Municipal Manager		22 386	26 031	27 553	26 391	26 224	26 224	30 026	31 477	32 878
Vote 3 - Community Services		360 731	159 556	237 495	203 706	215 984	215 984	228 348	260 123	244 900
Vote 4 - Corporate Services		52 151	54 356	69 371	70 253	68 667	68 667	68 794	73 440	77 843
Vote 5 - Financial Services		33 879	39 727	40 666	65 074	62 844	62 844	66 371	69 625	77 912
Vote 6 - Economic Development & Planning		18 940	21 618	24 238	24 777	24 596	24 596	24 488	21 201	22 220
Vote 7 - Engineering Services		306 052	334 934	352 894	375 722	372 137	372 137	390 974	414 082	436 521
Total Expenditure by Vote	2	800 577	647 514	763 556	775 763	779 152	779 152	818 774	880 067	903 020
Surplus/(Deficit) for the year	2	25 526	44 298	6 317	57 569	48 268	48 268	50 254	91 640	140 949

1.7 Budgeted Capital Expenditure by vote, functional and classification and funding

The following table provides a breakdown of Budgeted Capital Expenditure by vote:

WC047 Bitou - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding



WC047 Bitou - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Council		–	–	–	–	–	–	–	–	–	–
Vote 2 - Office of the Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 3 - Community Services		2 329	3 886	5 068	3 285	4 274	4 274	4 644	3 400	13 872	17 375
Vote 4 - Corporate Services		–	235	173	1 468	581	581	1 616	1 804	–	–
Vote 5 - Financial Services		–	–	–	–	200	200	–	600	–	–
Vote 6 - Economic Development & Planning		71	–	–	–	–	–	–	–	–	–
Vote 7 - Engineering Services		1 819	19 202	19 062	43 574	22 380	22 380	172 196	45 456	64 775	43 786
Capital multi-year expenditure sub-total		4 220	23 323	24 303	48 326	27 436	27 436	178 456	51 260	78 647	61 160
Single-year expenditure to be appropriated	2										
Vote 1 - Council		–	–	115	–	–	–	–	100	100	–
Vote 2 - Office of the Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 3 - Community Services		23 326	1 642	10 266	5 720	6 135	6 135	8 264	9 026	7 400	–
Vote 4 - Corporate Services		1 086	1 744	2 125	3 290	2 766	2 766	8 959	635	–	–
Vote 5 - Financial Services		(44 493)	326	84	–	40	40	39	–	–	–
Vote 6 - Economic Development & Planning		–	–	75	–	–	–	–	–	–	–
Vote 7 - Engineering Services		63 861	24 945	42 275	32 980	35 404	35 404	434 310	37 429	39 212	18 063
Capital single-year expenditure sub-total		43 781	28 658	54 939	41 990	44 345	44 345	451 572	47 190	46 712	18 063
Total Capital Expenditure - Vote	3,7	48 001	51 982	79 243	90 316	71 781	71 781	630 028	98 450	125 360	79 224
Capital Expenditure - Functional											
Governance and administration		(5 875)	3 643	2 481	5 458	3 937	3 937	1 752	3 835	2 100	1 883
Executive and council		–	–	115	–	–	–	–	–	–	–
Finance and administration		(5 875)	3 643	2 367	5 458	3 937	3 937	1 752	3 835	2 100	1 883
Internal audit		–	–	–	–	–	–	–	–	–	–
Community and public safety		21 348	2 214	6 548	6 705	9 466	9 466	2 357	8 204	7 472	8 609
Community and social services		5 397	865	143	770	359	359	288	4 930	2 900	6 308
Sport and recreation		–	1 349	5 077	1 935	4 606	4 606	923	2 794	4 522	2 252
Public safety		261	–	1 329	4 000	4 500	4 500	1 146	480	50	50
Housing		15 690	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–
Economic and environmental services		19 531	1 805	17 184	30 382	17 804	17 804	16 737	10 790	9 470	5 320
Planning and development		84	–	75	–	–	–	–	–	–	–
Road transport		19 447	1 805	17 109	30 382	17 804	17 804	16 737	10 790	9 470	5 320
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		46 046	44 320	52 971	47 771	40 575	40 575	21 246	75 621	101 318	60 412
Energy sources		13 087	16 453	9 665	9 282	11 145	11 145	3 801	21 116	42 241	21 006
Water management		16 029	18 224	17 275	17 639	15 969	15 969	9 075	40 579	26 127	12 331
Waste water management		16 344	7 639	17 307	19 250	12 868	12 868	7 776	12 400	24 150	23 092
Waste management		586	2 004	8 724	1 600	594	594	594	1 526	8 800	3 983
Other		2 271	–	18	–	–	–	–	–	–	–
Total Capital Expenditure - Functional	3,7	83 321	51 982	79 203	90 316	71 781	71 781	42 091	98 450	120 360	76 224
Funded by:											
National Government		30 048	18 612	25 142	22 047	22 047	22 047	14 480	35 048	30 519	31 073
Provincial Government		20 431	3 963	3 849	22 770	13 383	13 383	10 819	6 030	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		646	–	–	–	400	400	–	–	–	–
Transfers recognised - capital	4	51 125	22 575	28 991	44 817	35 830	35 830	25 299	41 078	30 519	31 073
Public contributions & donations	5	–	–	–	–	–	–	–	–	–	–
Borrowing	6	–	–	11 805	–	–	–	–	38 843	42 550	20 142
Internally generated funds		41 616	29 406	38 406	45 499	35 950	35 950	16 792	18 529	47 291	25 008
Total Capital Funding	7	92 741	51 982	79 203	90 316	71 781	71 781	42 091	98 450	120 360	76 224

Capital Budget

The Capital Budget flows from the IDP process and contains information obtained from the relevant stakeholders which has been subjected through extensive public participation processes during November 2022. The process continued further until the 7 and 8 March 2022 where the strategic session was held. User departments submitted their IDP projects and Draft Budget that was unrealistic and unfunded. The various department submitted capital projects worth more than R172 million in the draft budget, however due to insufficient cash flow to fund these projects the budget was revised.

The 2022/23 final capital budget amounts to R96.4 million, R120.3 million in 2023/24 and R76.2 million in 2024/25. The significant funding source on this year's budget is borrowings amounting to R38.8 million followed by national and provincial grants amounting to R35 million and own funding amounting to R18.5 million. The submissions were based on infrastructure master plans which clearly shows the need from the various municipal section to procure or build new or refurbish aging municipal assets, however due to reserves that are depleted the municipality cannot afford these projects. The municipality cannot be increasing its tariffs beyond the inflation rates especially after the impact of COVID19.

The meeting of IDP and Budget Steering Committee was scheduled and held on the 23 March 2022 to discuss way forward and possibly cut the budget to be in line with prescripts of MFMA and MBRR. It is important for council to note that Bitou is reliant on own revenue to continue to invest in the Capital project. Trading Services must generate sufficient revenue in order for this to be realised. Unfortunately the historical trend has shown that trading services has not been profitable particularly the electricity and refuse.

The municipal roads and storm water requires upgrading and the department needs at least R19.8 million to adequately finance the recapitalization, however only R10.7 million has been allocated to Roads. The electricity department also needs funds to improve the infrastructure especially in the townships, the amount required by Electrical department amounts to R33 million, however only R21.1 million was allocated.

The water and waste water department needs to improve the infrastructure to unlock housing development and replace some of the aged asbestos pipes that are leaking and the reservoir. An amount of R52.9 million is being allocated to Capital Replacement of infrastructure in the water and waste water, Bitou municipality is embarking on installing water smart meters to ensure that the areas where provincial government has built houses it controls the consumption of water, to protect revenue as well as to avoid further water losses that has been reported in the previous audited annual financial statement.

Bitou municipality intends to invest R295 million over next the MTREF on Capital expenditure to improve and enhance delivery of basic services, Engineering Services accounts for 89% of the total capital expenditure budget .

1.8 Budgeted Financial Position

WC047 Bitou - Table A6 Budgeted Financial Position

WC047 Bitou - Table A6 Budgeted Financial Position											
Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
ASSETS											
Current assets											
Cash		26 782	82 644	21 911	12 362	60 652	60 652	–	27 525	29 258	156 109
Call investment deposits	1	(18 007)	43 073	51 554	109 766	49 811	49 811	11 824	85 710	147 597	168 194
Consumer debtors	1	21 302	247 060	312 718	95 551	95 551	95 551	287 263	112 671	130 459	136 851
Other debtors		18 919	15 798	172 101	476	15 554	15 554	–	29 921	27 683	28 987
Current portion of long-term receivables		4	2	1		1	1	–	–	–	–
Inventory	2	15 703	15 437	16 467	15 079	16 467	16 467	–	16 201	16 201	16 201
Total current assets		64 703	404 013	574 751	233 235	238 036	238 036	299 087	272 028	351 199	506 343
Non current assets											
Long-term receivables		4	(51)	(56)	15	–	–	(56)	–	–	–
Investments		7 603	8 355	9 107	8 355	–	–	9 107	–	–	–
Investment property		22 227	22 226	22 229	22 226	22 563	22 563	22 229	25 663	25 663	25 663
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	24 354	1 100 595	1 142 374	1 184 104	1 937 767	1 937 767	1 154 925	1 319 883	1 358 175	1 424 726
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other non-current assets		35	35	35	38	35	35	35	35	35	35
Total non current assets		54 222	1 131 160	1 173 689	1 214 738	1 960 365	1 960 365	1 186 240	1 345 582	1 383 873	1 450 424
TOTAL ASSETS		118 925	1 535 173	1 748 440	1 447 973	2 198 402	2 198 402	1 485 327	1 617 610	1 735 072	1 956 767
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	–	–	–	–	(328)	(328)	–	(328)	(328)	(328)
Consumer deposits		–	–	–	–	–	–	–	9 948	10 416	10 926
Trade and other payables	4	36 382	185 472	214 019	77 712	77 712	77 712	204 854	91 269	95 065	99 723
Provisions		–	–	–	–	–	–	–	49 889	56 164	58 916
Total current liabilities		36 382	185 472	214 019	77 712	77 384	77 384	204 854	150 778	161 317	169 238
Non current liabilities											
Borrowing		(19 441)	121 797	100 544	98 926	(98 926)	(98 926)	98 301	104 142	104 663	68 588
Provisions		(4 854)	78 529	102 501	77 570	(77 570)	(77 570)	102 501	121 998	145 843	168 777
Total non current liabilities		(24 295)	200 326	203 045	176 496	(176 496)	(176 496)	200 802	226 140	250 506	237 365
TOTAL LIABILITIES		12 087	385 798	417 064	254 208	(99 112)	(99 112)	405 657	376 918	411 823	406 603
NET ASSETS	5	106 838	1 149 375	1 331 376	1 193 765	2 297 513	2 297 513	1 079 670	1 240 692	1 323 249	1 550 164
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		–	–	–	1 008 193	2 181 116	2 181 116	–	1 114 615	1 189 200	1 409 547
Reserves	4	32 145	93 000	102 000	121 814	121 814	121 814	102 000	126 077	134 049	140 617
TOTAL COMMUNITY WEALTH/EQUITY	5	32 145	93 000	102 000	1 130 007	2 302 930	2 302 930	102 000	1 240 692	1 323 249	1 550 164

1.9 Budgeted Cash flow

WC047 Bitou - Table A7 Budgeted Cash Flow

WC047 Bitou - Table A7 Budgeted Cash Flows											
Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		103 551	430 272	-	135 101	136 106	136 106	136 106	159 956	167 141	175 351
Service charges		295 175	-	-	341 191	355 074	355 074	355 074	375 118	425 088	482 909
Other revenue		16 350	-	-	39 819	18 506	18 506	18 506	38 050	39 344	41 111
Transfers and Subsidies - Operational	1	121 423	148 708	-	134 181	155 982	155 982	155 982	153 896	197 799	188 392
Transfers and Subsidies - Capital	1	85 454	-	-	39 542	41 205	41 205	41 205	46 335	35 097	35 734
Interest		25 117	25 640	-	25 583	20 228	20 228	20 228	4 600	5 176	5 756
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(562 924)	(477 185)	-	(602 596)	(572 613)	(572 613)	(572 613)	(643 455)	(669 046)	(704 056)
Finance charges		(18 417)	(14 825)	-	(13 510)	(11 090)	(11 090)	(11 090)	(8 700)	(6 595)	(6 918)
Transfers and Grants	1	(6 645)	(5 848)	-	(6 700)	(4 316)	(4 316)	(4 316)	(4 750)	(350)	(350)
NET CASH FROM/(USED) OPERATING ACTIVITIES		59 083	106 762	-	92 611	139 081	139 081	139 081	121 049	193 654	217 929
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		2 428	1 400	-	-	448	448	448	-	-	-
		4	4	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		(750)	(752)	-	-	1	1	1	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	(9 107)	(9 107)	(9 107)	-	-	-
Payments											
Capital assets		(92 406)	(51 982)	-	(73 578)	(70 985)	(70 985)	(70 985)	(98 450)	(112 482)	(54 845)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(90 724)	(51 330)	-	(73 578)	(79 643)	(79 643)	(79 643)	(98 450)	(112 482)	(54 845)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		358	192	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(19 441)	(19 996)	-	(22 621)	(22 439)	(22 439)	(22 439)	(21 828)	(17 552)	(15 635)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(19 083)	(19 805)	-	(22 621)	(22 439)	(22 439)	(22 439)	(21 828)	(17 552)	(15 635)
NET INCREASE/ (DECREASE) IN CASH HELD		(50 724)	35 627	-	(3 588)	36 999	36 999	36 999	771	63 621	147 448
Cash/cash equivalents at the year begin:	2	140 813	-	-	125 717	73 465	73 465	-	110 464	111 234	174 855
Cash/cash equivalents at the year end:	2	90 089	35 627	-	122 129	110 464	110 464	36 999	111 234	174 855	322 303

