

**ANNUAL BUDGET OF**

# **Oudtshoorn Municipality**



**2023/24 TO 2025/26**

## **MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

**Copies of this document can be viewed:**

- **In the foyers of all municipal buildings**
- **All public libraries within the municipality**
  - **At [www.oudtmun.gov.za](http://www.oudtmun.gov.za)**

## Table of Contents

<b>PART 1 – ANNUAL BUDGET</b> .....	<b>2</b>
1.1 MAYOR’S REPORT .....	2
1.2 COUNCIL RESOLUTIONS .....	12
1.3 EXECUTIVE SUMMARY .....	15
1.4 OPERATING REVENUE FRAMEWORK.....	17
1.5 OPERATING EXPENDITURE FRAMEWORK.....	33
1.6 CAPITAL EXPENDITURE .....	39
1.7 ANNUAL BUDGET TABLES – MUNICIPALITY .....	41
<b>2 PART 2 – SUPPORTING DOCUMENTATION</b> .....	<b>60</b>
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS .....	60
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP .....	62
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS.....	67
2.4 OVERVIEW OF BUDGET ASSUMPTIONS .....	83
2.5 OVERVIEW OF BUDGET FUNDING .....	86
2.6 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS.....	100
2.7 COUNCILLOR AND EMPLOYEE BENEFITS.....	100
2.8 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW.....	100
2.9 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS .....	103
2.10 CAPITAL EXPENDITURE DETAILS .....	103
2.11 LEGISLATION COMPLIANCE STATUS.....	103
2.12 OTHER SUPPORTING DOCUMENTS.....	105
2.13 PUBLIC INPUT AND RESPONSES THERETO.....	105
2.14 MUNICIPAL MANAGER’S QUALITY CERTIFICATE .....	106

## List of Tables

Table 1 Consolidated Overview of the 2023/24 MTREF .....	16
Table 2 Summary of revenue classified by main revenue source.....	19
Table 3 Growth in revenue by main revenue source.....	20
Table 4 Major sources of revenue .....	20
Table 5 Operating Transfers and Grant Receipts .....	22
Table 6 Comparison of proposed rates 2023/24 to that levied for 2023/24.....	26
Table 7 Proposed Water Tariffs .....	27
Table 8 Comparison between current water charges and increases (Domestic) .....	28
Table 9 Comparison current vs. new electricity charges (Domestic up to 60A connection) .....	29
Table 10 New Proposed Tariff structure for Sanitation fees. ....	30
Table 11 Comparison between current waste removal fees and increases .....	31
Table 12 MBRR Table SA14 – Household bills.....	32
Table 13 Summary of operating expenditure by standard classification item .....	33
Table 14 Repairs and maintenance per asset class.....	37

Table 15	2023/24 Medium-term capital budget per vote .....	40
Table 16	MBRR Table A1 - Budget Summary .....	42
Table 17	MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification).....	44
Table 18	MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote).....	46
Table 19	MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure) .....	47
Table 20	MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification, and funding source.....	50
Table 21	MBRR Table A6 - Budgeted Financial Position .....	52
Table 22	MBRR Table A7 - Budgeted Cash Flow Statement .....	54
Table 23	MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation .....	55
Table 24	MBRR Table A9 - Asset Management.....	56
Table 25	MBRR Table A10 - Basic Service Delivery Measurement .....	59
Table 26	IDP Strategic Objectives .....	62
Table 27	MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue .....	65
Table 28	MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure.....	66
Table 29	MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure.....	67
Table 30	MBRR Table SA7 - Measurable performance objectives.....	69
Table 31	MBRR Table SA8 - Performance indicators and benchmarks.....	71
Table 32	Breakdown of the operating revenue over the medium-term .....	88
Table 33	Proposed tariff increases over the medium-term.....	89
Table 34	MBRR SA15 – Detail Investment Information .....	90
Table 35	Sources of capital revenue over the MTREF .....	90
Table 36	MBRR Table SA 17 - Detail of borrowings .....	91
Table 37	MBRR Table SA 18 - Capital transfers and grant receipts .....	93
Table 38	MBRR Table A 7 – Budgeted Cash flows.....	95
Table 39	MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation. ....	96
Table 40	MBRR SA10 – Funding compliance measurement .....	97
Table 41	MBRR SA19 - Expenditure on transfers and grant programs.....	100
Table 42	MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds.....	100
Table 43	MBRR SA22 - Summary of councilors and staff benefits.....	100
Table 44	MBRR SA23 - Salaries, allowances and benefits (political office bearers/councilors/ senior managers) .....	100
Table 45	MBRR SA24 – Summary of personnel numbers .....	100
Table 46	MBRR SA25 - Budgeted monthly revenue and expenditure.....	100
Table 47	MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote).....	100
Table 48	MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification).....	101
Table 49	MBRR SA28 - Budgeted monthly capital expenditure (municipal vote) .....	101

Table 50 MBRR SA29 - Budgeted monthly capital expenditure (standard classification) .....	101
Table 51 MBRR SA30 - Budgeted monthly cash flow.....	101
Table 52 MBRR SA 34a - Capital expenditure on new assets by asset class.....	103
Table 53 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class.....	103
Table 54 MBRR SA34c - Repairs and maintenance expenditure by asset class.....	103
Table 55 MBRR SA34e – Capital expenditure on upgrading existing assets.....	103
Table 56 MBRR Table SA1 - Supporting detail to budgeted financial performance .....	105
Table 57 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department).....	105
Table 58 MBRR Table SA3 – Supporting detail to Statement of Financial Position .....	105
Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions.....	105

## List of Figures

Figure 1 Main operational expenditure categories for the 2023/24 financial year .....	36
Figure 2 Capital Infrastructure Program .....	41
Figure 3 Major revenue Sources .....	48
Figure 4 Expenditure by major type.....	49
Figure 5 Depreciation in relation to repairs and maintenance over the MTREF .....	58
Figure 6 Planning, budgeting and reporting cycle .....	68
Figure 7 Breakdown of operating revenue over the 2023/24 MTREF .....	88
Figure 8 Sources of capital revenue for the 2023/24 financial year over 7-year period .....	91
Figure 9 Growth / Decline in outstanding borrowing (long-term liabilities) .....	92

## Annexures

Annexure A - Rates, Tariffs and fees for 2023/24 and MTREF

Annexure B - Policies for revision

Annexure C – Service level standards

Annexure D – Long term financial plan with 2023 update

Annexure E – MBRR Main and support Schedules

Annexure F – Draft Service Delivery and Budget Implementation Plan (SDBIP)

Annexure G – Detailed capital program

Annexure H – Procurement Plan

Annexure I – SIME Engagement Report and Municipal Response

Annexure J – mSCOA Implementation Plan Update

## Abbreviations and Acronyms

AMR	Automated Meter Reading	MEC	Member of the Executive Committee
ASGISA	Accelerated and Shared Growth Initiative	MFMA	Municipal Financial Management Act
BPC	Budget Planning Committee	MIG	Municipal Infrastructure Grant
CBD	Central Business District	MMC	Member of Mayoral Committee
CFO	Chief Financial Officer	MPRA	Municipal Properties Rates Act
MM	Municipal Manager	MSA	Municipal Systems Act
CPI	Consumer Price Index	MTEF	Medium-term Expenditure Framework
CRR	Capital Replacement Reserve	MTREF	Medium-term Revenue and Expenditure Framework
DBSA	Development Bank of South Africa	NDP	National Development Plan
DoRA	Division of Revenue Act	NERSA	National Electricity Regulator South Africa
DWA	Department of Water Affairs	NGO	Non-Governmental organisations
EE	Employment Equity	NKPIs	National Key Performance Indicators
EEDSM	Energy Efficiency Demand Side Management	OHS	Occupational Health and Safety
EM	Executive Mayor	OP	Operational Plan
FBS	Free basic services	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HSRC	Human Science Research Council	PTIS	Public Transport Infrastructure System
IDP	Integrated Development Strategy	RG	Restructuring Grant
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator	mSCOA	Municipal Standard Chart of Accounts
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		

## **Part 1 – Annual Budget**

### **1.1 Mayor's Report**

Honourable Speaker, Deputy Mayor, Members of the Mayoral committee, Councilors, Municipal Manager, Directors, guests, ladies and gentlemen, good morning.

Speaker, it is my privilege to present the annual budget and MTREF (medium term revenue expenditure framework) for Oudtshoorn Municipality in accordance with the provisions of the MFMA and Municipal Budget and Reporting Regulations before council today.

This budget was once again drafted under challenging circumstances with the South African economy under severe pressure. Domestically, load shedding has become more persistent and prolonged, impacting on service delivery and threatening the survival of many businesses.

Years of neglect in infrastructure maintenance, refurbishment and renewals has now resulted in a bottleneck of infrastructure breakdown that require additional financial resources.

The few factors coupled to the targets set in the financial recovery plan, long term financial plan collectively add to the considerations made in the budget process to continue with restraint in budget decisions that is required with the limited financial resources to address service delivery needs.

The Oudtshoorn community has the right to be provided with high quality reliable services and the efficient utilization of financial resources remains key in delivering on our mandate and ensuring the financial wellbeing of the municipality.

This being said the community of Oudtshoorn also has an obligation to assist the municipality to ensure that financial and other resources are not wasted on non-essential projects that is requiring financial resources that could have been put to better use in addressing basic needs such as the provision of water, sanitation, electricity and maintenance on roads.

### **The South African Economy**

The world economy is expected to grow by 0.9 per cent in real terms in 2023, compared with an estimate of 1.4 per cent at the time of the medium-term budget policy statement, recovering slowly to 1.8 per cent in 2025.

South Africa has not been shielded from global developments. The economic outlook faces a range of risks, including weaker-than expected global growth, further disruptions in global supply chains and renewed inflationary pressures from the war in Ukraine, continued power cuts and a deterioration in port and rail infrastructure, widespread criminal activity, and any deterioration of the fiscal outlook.

During load shedding municipalities experience a range of negative impacts such as:

- Increase in theft of infrastructure cables

- Increased frequency of vandalism of infrastructure (such as transformers, streetlights ect)
- Damage to electricity distribution networks, especially substations, due to excessive switching
- Caple fault increases due to high loads after restoring the supply of electricity
- Medium voltage switch gear failures
- The huge financial implications of using backup power for waste water treatment works, and the manual water supply to rural areas in the absence of back-up power.

Energy is the crux and lifeblood of the economic growth and development, where power cuts costs are estimated at R1 billion a daily loss in South Africa, Oudtshoorn not much different. Load Shedding now the single largest constraint on economic growth and impacting on service delivery and threatening the survival of many businesses.

Government is taking urgent measures to reduce load shedding in the short term and transform the sector through market reforms to achieve long-term energy security. Several reforms are under way to improve the performance of the transport sector, specifically freight rail and to improve the capability of the state.

Adding to the woes of the consumers are the continued increasing in the fuel levy, sin taxes and the impending multi-year electricity price increase, all of which impacts on the disposable income of households and the ability to pay for municipal services.

### National Economic outlook

The annual inflation rate in South Africa grew to 6.9% percent in January 2023, above the National Treasury upper limit of 6%. Implementing structural reforms, especially in the energy sector, remains crucial to improve the economy's productive capacity and competitiveness.

The macro-economic forecasts that must be considered when preparing the 2023/24 MTREF municipal budgets are included in MFMA Budget Circular 123, but caution should be taken by the municipality to consider the estimated CPI because the forecasted figure is much lower than the actual at this stage.

**Table 1: Macroeconomic performance and projections, 2021 - 2026**

Fiscal year	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Forecast		
CPI Inflation	4.9%	6.9%	5.3%	4.9%	4.7%

Source: Budget Review 2023.

Households are under pressure from the rising costs of living, and unemployment remains stubbornly high, government needs to navigate through difficult environment with policies that support faster growth and address fiscal risks.

In the National Budget speech 2023 presented by Minister of Finance in pursuit of higher growth in the economy remains anchored on three pillars

Firstly, we are ensuring a stable macro economic framework to create conducive environment for savings, investments and growth.

Secondly we are implementing growth – enhancing reforms in key sector's, particularly in energy and transport.

Thirdly we are strengthening the capacity of the state to deliver the quality public services, invest in infrastructure and fight crime and corruption. In the national budget we are allocating additional resources towards these endeavours without compromising the sustainability of public finances.

### Local economic outlook

The Western Cape Government tabled a recovery Plan in cabinet in March 2021, that is still in process of implementation. The Recovery Plan is based on the following four themes:

- Covid 19 Recovery: The pandemic is still with us; existing health measures must continue, and new ones put in place, and we must also deal with the secondary impacts of Covid 19 on the delivery of health services
- Jobs: The economic impact of Covid 19 has been severe. We can only recover if our economy grows and our citizens generate income
- Safety: This is the overarching theme for the Provincial Strategic Plan, and it is equally relevant going forward. It is inextricably linked with Well-being, as Safety cannot be achieved if basic human needs are not met
- Well-Being: Government must ensure that the basic human needs of our citizens are realized, as guaranteed in the Constitution.

Figure 1 The focal areas of the Recovery Plan



The national Economic Restructuring and Recovery Plan identifies priorities for the economic recovery from the socio-economic consequences of the pandemic. The Western Cape Recovery Plan shares numerous interventions with the national plan, including infrastructure development, export promotion, energy security and green economy, tourism recovery and growth, mass public employment interventions and increased food security.

In the Western Cape, our budget decisions for 2023 are guided by the needs of our residents, and our responsibility as a provincial government. We are stepping in to ensure that the most basic needs of our citizens are protected during these relentless blackouts: our residents are our responsibility. We are making this intervention in the three most basic needs of our citizens: water, WIFI, and health.

### **Oudtshoorn brief financial overview**

The municipality has made great strides in its financial recovery from a position of near bankruptcy during the administration to one where we are in a position to start focusing economic resources towards service delivery, infrastructure refurbishment and maintenance instead of using available resources to pay off overdue debt.

The following needs to be highlighted in respect of the financial results attained to date:

- The cash position has improved since 2021 to a positive cash flow of R27.9 million end of June 2022 compared to R115 million in June 2021, showing a slight recovery after the Covid 19 pandemic.
- Trade Creditors have decreased from an amount exceeding R90 Million in arrear debt in November 2015 all creditors paid within terms currently.
- Debtor collection has improved from 86% in early 2016 to exceed 96.5% in 2019 but decreased in 2023 to 93% average due to Covid 19 and load shedding's negative impact on the local economy.
- The cash flow position remained positive in 2022, with the current ratio stable at 1.6:1, but concern is raised that no additional funding is available to create a capital replacement reserve.
- The current cost coverage ratio as at 30 June 2022 is only 2.1:1 which means we have only sufficient cash in the short term available to cover 2.1 month of fixed operating expenditure. This declined from 2:8 in 2020. The National Treasury norm is between 1 – 3 months.

The current economy was heavily affected by the corona virus, and most currently the war in Ukraine causing commodity prices and inflation and lending interest rates to increase substantially. The devastating impact of these factors on the economic crisis is reflected in the ability to generate cash by the municipality and inability of the consumers to repay their debt and increase in indigent consumers.

The tourism industry of Oudtshoorn have suffered great loss equaling millions since 2020 with major tourism activities such as the KKNK festival that was cancelled in 2020 and 2021, and more specifically for the municipality the Cango Caves that was closed due to lock-down restrictions

imposed. Tourism is recovering with travel restrictions have been lifted by most countries to South Africa to stimulate and open the economy again to almost full capacity. The KKNK will again be held in 2023, and will hopefully have a positive impact in future on local businesses.

The local agricultural community had some relief with heavy rainfall during the year, but the effect that the longer than 8-year drought had on the local community is not yet broken. Limited water resources are still a major concern especially in rural areas such as De Rust and Dysseisdorp, but the Blossoms Pipeline is underway after the National Disaster Relief Fund provided the shortfall in funding needed to complete the project in 2022/23.

Cost containment measures as emphasized in MFMA Circular 82 ,92 and the Cost Containment Regulations effective 1 July 2019 were implemented. It is emphasized that we should ensure the continued implementation and enforcement of savings and austerity measures to ensure that the municipality becomes financially sustainable and focus mainly on delivering basic services to all.

### Cost Containment Best Practices

<b>Elimination</b>	Conventional cost containment approach whereby all non-essential and nice-to-have expenses are reduced.
<b>Adaption</b>	Cost saving opportunities associated with the new-way-of-work.
<b>Bundling</b>	Combining services to reduce costs. Typical example would be to make use of a single service provider for certain important business functions, shared service model.
<b>Automation</b>	Significant efficiency made by automating certain business processes. However capital intensive and can lead to job redundancies, increased training costs etc.
<b>Optimisation</b>	Identifying and reviewing case, project and process workflows to remove bottlenecks, and promote system integration.
<b>Substitution</b>	Exploring more cost-effective alternative goods and services without compromising service level standards.
<b>Repurposing</b>	Consideration of how the life cycle of certain strategic assets can be extended beyond its original design.
<b>Deferment</b>	Strictly applies to non-essential goods and services only. Municipalities should under no-circumstances defer financial obligations or repairs and maintenance.

 GSA Western Cape

### Focus of the 2023/24 budget

National Treasury Budget Circular 123 emphasizes the increase over the MTREF in direct transfers of equitable share to municipalities by average of 7.8 per cent and 3.5% for other conditional grants. The increase is mainly due to the local government equitable share formula that was updated to account for the projected household growth and estimated increases in bulk water and electricity cost and subsequent increase in coverage of the provision of free basic services.

The 2024 National elections will influence the budget process, electricity supply and tariffs and the cost of employment are focus areas identified by the National and Provincial Government.

Both national and provincial governments view infrastructure as an important means of promoting sustainable growth and reducing poverty, with the national government having allocated large portions of its budget for this purpose.

Economic infrastructure is again a focus for Oudtshoorn municipality and include; electricity transmission, waste water treatment works, road building and maintenance and water supply. The dilapidation of infrastructure, especially water mains and roads in the older areas of the municipality has reached a critical stage and large investment in refurbishment is necessary to prevent a total collapse in services.

The abnormal number of failures in water mains, deteriorating road and electrical infrastructure cannot further be tolerated, both from an economic as well as water resource management point of view. Urgent intervention has therefore become a budget priority over the MTREF.

Ladies and gentlemen, it is clear that the provision of infrastructure will be key to the long-term financial sustainability of the municipality. It is crucial that this council and its community at large agree on areas in which growth potential lies and ensure that appropriate infrastructure services are properly funded. It is of the essence that the municipality become investment ready to ensure that demand for services is met when opportunity arises.

## Key Focus Areas of the 2023/24 Budget Process

<p><b>Local government conditional and unconditional grants allocations</b></p>	<ul style="list-style-type: none"> <li>•2023 MTEF period, local government allocations will increase by a total of R14.3 billion, made up of R8.1 billion in the local government equitable share and R6.2 billion in direct conditional grants.</li> <li>•The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the 2023 MTEF period.</li> <li>•The 2023 Budget has ensured that sufficient provision has been made to ensure that all municipalities are fully subsidised to support indigent households.</li> <li>•R1.35 billion has been left unallocated in the LGES formula for 2023/24 to serve as a precautionary measure should municipal electricity tariffs exceed the 20.7 per cent provided for in the formula. If the actual increase in municipal bulk tariffs exceeds the provision made in the formula, it will be the first call on those unallocated funds.</li> </ul>
<p><b>Re-enforcing improved intergovernmental relations in the 2023 Division of Revenue Bill, (DoRB)</b></p>	<ul style="list-style-type: none"> <li>•Section 31 is amended to include a clause that requires that where an organ of state decides to institute judicial proceedings against another organ of state, it must, within 10 working days of its decision, notify the National Treasury, the relevant provincial treasury, the Department of Cooperative Governance and the Auditor-General, of the details of compliance with Chapter 4 of the Intergovernmental Relations Framework Act, 2005, including an explanation of the failure to resolve the dispute.</li> </ul>
<p><b>Conditional grants usage</b></p>	<ul style="list-style-type: none"> <li>•Conditional grant funds may only be used for the purposes, and subject to the conditions specified in the framework for each conditional grant.</li> <li>•These conditions are binding in terms of sections 11 and 12 of the annual Division of Revenue Act. Any instruction by a municipal, provincial, or national official or politician that is inconsistent with the framework of a conditional grant is invalid.</li> <li>•Municipalities are reminded that in terms of section 32 of DoRA, spending of a grant that is inconsistent with DoRA is considered irregular or unauthorised expenditure.</li> </ul>

## Capital Budget

The capital budget flows from the IDP process and contains information obtained from infrastructure master plans and relevant stakeholders through public participation processes as well as ward committee processes where applicable.

Total funded capital projects for the 2023/24 financial year amounts to R59.4 million with the main focus being the following:

Water Infrastructure	R 18 006 400
Electricity	R 3 000 000
Sanitation	R 350 000
Roads Infrastructure	R 13 850 700
Sport and recreation facilities	R 11 690 700
Community and Social	R 2 000 000
Other	R 10 591 700
<b>Total</b>	<b>R 59 489 500</b>

Critical capital projects include major replacements on electrical infrastructure, road resurfacing and water infrastructure. An asbestos pipe replacement project has been registered with MIG since the 2020/21 financial year as a multi-year project, and the Water Services Infrastructure Grant to value of R10 million for the upgrading of the rural water scheme was also allocated. A MIG ring-fenced grant of R10 million was allocated to Bongoletu Sportsgrounds with a own contribution of R2,1 million.

The capital budget is funded mainly by means of grants from National and Provincial Government in the amount of R31.2 million. The remainder will be financed from own revenue generated amounting to R11 million and external borrowing to an amount of R17.2 million in respect of major infrastructure refurbishments and replacement.

## Operating Budget

The operating expenditure budget for the 2023/24 financial year amounts to R 876 497 200 which represents an increase of R 88 217 300 or 11.19 per cent over the 2d revised budget for 2021/22.

The cost drivers of the increase in the budget can be summarized as follows:

- Only existing critical vacancies were budgeted.
- Bulk electricity purchases from NERSA of 18.7%
- Load Shedding, rising interest rates and the looming recession negatively affect revenue generation and necessitate a decrease of non-essential expenditure items where cost containment measures are being implemented.
- Critical refurbishment and infrastructure replacement are still necessary because of many years of neglect.
- Operational requirements to ensure service delivery standards are complied with, this is specifically in respect of electricity, roads and water and wastewater and refuse removal.

Staffing cost is at the upper limit of the norm at 36.68 % of total expenditure and a continued and concerted effort is necessary over the MTREF to reduce staffing cost without sacrificing operational efficiency and service delivery. The salary budget is subject to change while the new organogram is in process of implementation and placements are not yet finalized.

Human Settlement Development Grant for beneficiaries of R13.5 million have been allocated in the Government Gazette in 2023/24 but decreases in the outer year to R1.4 million. The Informal Settlements Upgrading partnership Grant for beneficiaries has also allocated a R12 million in 2023/24. Both grants will be paid directly to the service provider by the Department of Human Settlement for the top structures of the new housing developments registered or existing projects in completion phase.

Revenue sources remain under strain and the municipality has no alternative but to increase tariffs for the 2023/24 financial year in accordance with the operational requirements and other factors influencing price increases and the cost of rendering services. The prescribed tariff increases as approved is attached Annexure A. It is forecasted that the municipality will only meet minimum liquidity requirements as per INCA Long Term Financial Plan in the medium to long term, currently the municipality is showing a decline in its ability to generate cash that is concerning and effort needs to be taken to improve by implementing cost reflective tariffs and curbing expenditure.

Intelligent financial decisions made in this budget and over the remainder of the MTREF will ultimately lay the foundation of the financial sustainability of the municipality over the medium as well as long term.

The council has in accordance with the National Treasury circulars and once again adopted a pro-poor approach and prioritized the need to provide indigent support and to render basic services to all.

As a result of the worst drought that has hit the Western Cape in more than a century, the municipality has no alternative but to once again increase water tariffs to aid in the conservation of this scarce resource and to discourage excessive use and wastage of water. The recent rainfall was welcomed but the drought is far from over. Various strategies such as pre-paid smart water meters have been introduced to curb water losses and excessive use.

The resource is carefully managed to ensure a balance between the economic viability of the service and securing the availability of the resource in the long term. The application of higher water tariffs is unavoidable considering the limited resource and the increase in cost of to ensure a clean sustainable water resource and the maintenance of existing infrastructure. To balance service delivery with affordability and financial sustainability, the following tariff increases are necessary.

Electricity bulk purchase tariff increases by 18.7% for 2023/24 after Eskom request to increase by 30% was rejected by NERSA, and 12.7% in 2024/25. A new cost reflective tariff study was performed based on the full cost to deliver each service, taking into consideration the sharp increase in inflation on operational items such as chemicals, diesel and maintenance equipment. Service Charges water and Property Rates were increased with average between 12% and 10% respectively. Refuse removal will increase to be in line with cost recovery ratio to deliver the service, taking into consideration the growing demand for refuse and cleaning services and the replacement of compactors that have reached the end of their useful life that is essential in

delivering the service. Sewerage tariffs are restructured to be in line with the MSA Sec 74(2). Due to the economic climate world-wide the full cost reflective tariff structure in all revenue streams will be phased-in over the MTREF. Setting of cost reflective tariffs is a requirement of Sec 74(2) of the Municipal Systems Act and MFMA Budget Circular 122 and 123, to ensure financial sustainability. The study must also be submitted to the National Treasury as proof that the municipality have calculated the tariffs to ensure financial sustainable and a funded budget.

Assessment rates represent 14.53 % of own revenue raised. The assessment rates raised serves to fund overhead costs such as general municipal services, including all community related services. The extent to which these services are available to the general public determines financial exposure to the municipality as the fees and associated revenue for these services are never sufficient to cover the cost of making the services available to the community.

The implementation of a new general valuation roll needs to be done and planning process to appoint a service provider will be performed in 2023/24, for the interim supplementary valuation rolls are implemented to aid in recovery of rates revenue due. The increase in assessment rates will be 10% for the 2023/24 financial year, but as per cost reflective tariff study property rates is insufficient to cover the full cost of expenditure it needs to subsidize. Under recovery of 25% is still evident but will be phased in over the MTREF to soften the impact on consumers.

Increases in all categories of expenditure have been limited yet critical institutional issues had to be budgeted to ensure that service delivery standards will be met, and prevailing legislative requirements are adhered to. It must also be borne in mind that a variety of fixed and overhead cost must be borne by the municipality in fulfilling its legal and constitutional mandate.

An amount of R23.9 Million has been set aside for materials in respect of repairs and maintenance and in addition thereto 60 per cent the capital budget is allocated for the upgrading of existing assets representing an amount of R34.3 Million. Major refurbishment of infrastructure is prioritized to prolong the lifespan of assets and to prevent them from falling further into disrepair. A further provision will be made in the outer years of the MTREF for expenditure in this regard.

### **Social and Developmental programs**

In total an amount of R3.06 million is set aside for youth development, tourism and sport development in 2023/24. An additional R687 300 annually was again set aside for training opportunities for the youth of Oudtshoorn through the provision of external bursaries.

### **Indigent and other subsidies**

The sharp growth in indigent registrations during the 2022/23 financial year is of great concern and further illustrates the challenging economic circumstances faced by municipal customers, that will flow over to the 2023/24 financial year.

Provision is made in the operating budget for the subsidizing of indigent households as follows; the first 6Kl of water per month as well as 50 units of electricity will be free of charge, a 100% subsidy for refuse removal and sewerage charges will be given.

Indigent households are further exempted from paying for the water basic charge as well as the demand charge per Ampere for electricity capacity. A rebate on assessment rates will also be given for Indigent households up to a valuation of R70.000.

The indigent subsidy package is based on the national norm and stretches the affordability threshold of the municipality due to the growing number of indigent households and the fact that the monetary value of the subsidies exceeds the national allocation. The total amount in respect of free services, inclusive of free services given in Eskom distribution areas, assessment rate rebates and burials exceed R77 Million for the 2023/24 financial year. It is anticipated that in excess of 7900 households will register for indigent support, representing approximately 50% of households in the greater Oudtshoorn area.

In addition to the subsidies provided to indigent consumers, the assessment rates rebate for pensioners has been extended to include pensioner households where combined annual income is lower than R186 000 to qualify for a 35% rebate on assessment rates. Pensioners qualifying for assessment rates rebates will also be entitled to 6kl free water per month as well as the first 50 units electricity at a zero rate and will also when application for discount is approved qualify for old debt to be written-off. The budget also provides for relief to be given to people with disabilities thus qualifying for the same benefits as pensioners in respect of subsidized services.

Provision is also made for 100 free units of electricity for indigent/pensioners/disabled households where occupants are on life support systems that require the use of electricity, and refuse removal to be subsidized in full.

### **In conclusion**

The budget here today was compiled under very challenging circumstances, with limited revenue sources because of the struggling economy which is further exacerbated by the persistent drought and the continuing failure of Eskom to provide a reliable source of energy and the above inflationary increase in commodity prices that hampers communities and business to thrive.

Service delivery demands from the communities remain a high priority and it is therefore important that all stakeholders take part in the budget processed to ensure that the needs of all communities are addressed and that resources are distributed equitably.

I would therefore like to invite all councillors, all community members, business, agriculture and all other stakeholders to continue to take part and provide further input in the budget and IDP processes for the next budget cycle.

Speaker it is therefore my privilege to present the 2023/24 budget and MTREF before council for approval.

I thank you.

**Chris Macpherson**  
**EXECUTIVE MAYOR**

## 1.2 Council Resolutions

1. The Council of Oudtshoorn Local Municipality, acting in terms of section 24(1) of the Municipal Finance Management Act, (Act 56 of 2003) approves the budget:
  - 1.1. The annual budget of the municipality for the financial year 2023/24 and the multi-year and single-year capital appropriations as set out in the following approves:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 17 on page 44 (MBRR Table A2);
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 18 on page 46 (MBRR Table A3);
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 19 on page 47 (MBRR 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 20 on page 50 (MBRR Table A5).
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are tabled as set out in the following approves:
    - 1.2.1. Budgeted Financial Position as contained in Table 21 on page 52 (MBRR Table A6);
    - 1.2.2. Budgeted Cash Flows as contained in Table 22 on page 54 (MBRR Table A7);
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23 on page 55 (MBRR Table A8);
    - 1.2.4. Asset management as contained in Table 24 on page 57 (MBRR Table A9) as well as Annexure "E"; and
    - 1.2.5. Basic service delivery measurement as contained in Table 25 on page 60 (MBRR Table A10).
2. The Council of Oudtshoorn Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves with effect from 1 July 2023; the tariffs for property rates, the tariffs for electricity, the tariffs for the supply of water, the tariffs for sanitation services, the tariffs for solid waste services as set out in Annexure "A"
3. The Council of Oudtshoorn Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves with effect from 1 July 2022 the tariffs and fees for other services inclusive of all miscellaneous tariffs as set out in Annexure "A".
4. To give proper effect to the municipality's annual budget, the Council of Oudtshoorn Local Municipality tables:

- 4.1. That cash backing be implemented through the utilisation of a portion of the realisable accumulated surplus that may be realised 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.
  
5. That the following budget related policies attached as Annexure "B" be tabled
  1. Budget Policy
  2. Credit Control and Debt Collection procedures/policies
  3. Asset Management Policy
  4. Long Term Financial Planning Policy
  5. Indigent Policy
  6. Property Rates Policy
  7. Supply Chain Management Policy
  8. Grants in Aid Policy
  9. Borrowing Policy
  10. Virement Policy
  11. Employee Study Assistance Policy
  12. Cash Management and Investment Policy
  13. Tariff Policy
  14. Unauthorised, Fruitless and Wasteful Expenditure Policy
  15. Funding and Reserves Policy
  16. Petty Cash Policy
  17. Infrastructure Procurement Policy
  18. Cellular Telephone Policy
  19. Travelling and Subsistence Policy
  20. Overtime Policy
  21. Remuneration policy
  22. Creditors, councillors and staff payment policy
  23. Cost Containment Policy
  24. Municipal Corporate Governance of ICT Governance Policy Framework
  25. ICT User Access Management Policy
  26. ICT Service Level Agreement Management Policy -External Service Provider
  27. ICT Security Controls Policy
  28. ICT Operating System Security Controls Policy

## 29. Disaster Contingency Plan

6. That the Service Level Standards attached as Annexure “C” be approved.
7. That updated the Long-term financial plan attached as Annexure “D” be approved.
8. That the necessary amendments to all relevant by-laws be affected to give effect to the amendments to the policies listed in recommendation 5 above.
9. That the council of Oudtshoorn Municipality, acting in terms of Section 25 of the Local Government Municipal Systems Act, (Act 32 of 2000) tables with effect from 1 July 2023, the new to the 2023 – 2028 Integrated Development Plan.
10. That the municipality be permitted to enter into long-term debt agreements for the funding of infrastructure loans as identified in the budget for the 2023/24 financial year to an amount of R17.2 Million in accordance with Section 46 of the Municipal Finance Management Act.
11. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.
12. That the Draft Service Delivery and Budget Implementation Plan for the 2023/24 financial year be noted.
13. That the detailed capital program per project, department and funding source attached as Annexure “G” be approved.
14. That the procurement plan per project attached as “Annexure “H” be approved.
15. That the SIME Engagement Report and Municipal Response as “Annexure I” the budget be noted by council.
16. That the mSCOA Implementation plan as “Annexure J” be approved by council.

### 1.3 Executive Summary

The Budget for the 2023/24 financial year and Medium-Term Revenue and Expenditure Framework (MTREF) was once again drafted under challenging circumstances as the municipality is caught up in an underperforming national economy reeling from the near financial disaster caused by the effect Covid 19 and more currently that of load shedding and the war in Ukraine that puts households are under severe pressure with the rise in cost of living.

It is therefore necessary to continue to apply prudent financial management principles in the budget process of the Oudtshoorn Municipality to ensure that the municipality becomes financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The IDP informs the budget and serves to aid in the review of the service delivery priorities as an integral part of the municipality's planning and budgeting process. The budget serves to address crucial service delivery needs which is compounded by infrastructure services failures caused by many years of inadequate maintenance and refurbishment. The current year budget continues to prioritize the improvement in service delivery and focusses on long overdue replacement and refurbishment of infrastructure which is critical to service delivery and to sustain revenue streams.

The financial recovery plan was revised and was approved by council. It is important that available resources are prioritized towards critical service delivery issues and that asset maintenance, refurbishment and replacement receive priority.

National Treasury's MFMA Circulars 89, 91, 93 and 93, 94, 98 and 99, 107, 108, 112 and 115, 122 and 123 were used as reference to guide in the compilation of the 2023/24 MTREF.

The main challenges experienced during the compilation of the 2023/24 MTREF can be summarized as follows:

- The slowdown in the financial recovery process because of the prevailing economic circumstances
- Effect of load shedding on the municipal revenue and expenditure
- Limitation on own funding for investment in much needed infrastructure, refurbishment and renewals.
- Risk of failing infrastructure as a result of years of neglect and unfunded maintenance plans in respect of roads and water reticulation networks.
- Municipal staff cost, as well as the need to fill critical vacancies on senior management level.

The following budget principles and guidelines directly informed the compilation of the 2023/24 MTREF:

- The 2022/23 Adjustments Budgets set the baseline for the budget of 2023/24 and where appropriate a zero-base budgeting principle has been used.
- Cost cutting and austerity measures have been applied in all expenditure categories and value for money considerations are made when expenditure is incurred.
- Tariff and property rate increases should be affordable and should generally not exceed the growth parameters or upper limits of inflation as measured by the CPI, except where there are price increases in the input of services that are beyond the control of the

municipality, for instance the continued escalation in the electricity and fuel price increase and the above average increase in specialized goods and services needed in service delivery that are subject to exchange rate fluctuations

- Cost reflective tariff studies were undertaken for all services and will be phased-in to accommodate the consumers and soften the impact over the medium term.
- The further strengthening of the financial position of the municipality and the continued striving towards a position of financial sustainability over the long term.
- Ensuring a cash funded budget and the strict application of prudent financial management principles.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2023/24 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2023/24 MTREF**

Description	3d Adjusted Budget	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Total Revenue	R 798 661 300	R 879 555 400	R 944 996 800	R 1 030 033 800
Total Operating Expenditure	R 788 279 900	R 876 497 200	R 935 980 800	R 1 009 434 800
Total Capital Expenditure	R 116 614 700	R 59 489 500	R 51 258 600	R 49 717 800
Surplus / (Deficit) inclusive of capital transfers	R 10 381 400	R 3 058 200	R 9 016 000	R 20 599 000

Total revenue has increase only 10.13 per cent or R 80 894 100 for the 2023/24 financial year when compared to the 2022/23 3d adjustments budget. For the two outer years, total revenue will increase with 7.44 per cent and 9.00 per cent respectively equating to a total revenue growth of R 231 372 500 over the MTREF when compared to the 2022/23 2de revised budget figure. The increase can be attributed to the cost reflective tariffs implemented over the 3-year period.

Total operating expenditure for the 2022/23 financial year has been appropriated at R 876 497 200 and translates into a budgeted surplus of R 3 058 200 inclusive of capital transfers.

When compared to the 2022/23 3d adjustments Budget, operational expenditure has increased with 11.19 per cent in the 2023/24 budget and increases with 6.79 per cent for 2024/25 and 7.85 per cent for the 2025/26 financial year being the outer years of the MTREF. The cash surplus for the two outer years steadily improves to increase the anticipated surplus over the MTREF. The surpluses would need to increase significantly before additional amounts can be appropriated for capital funding or asset refurbishment.

To attain a sound financial position at current cost, a cash surplus of at least R123 million is necessary to provide a sound operating reserve and to further invest in infrastructure provisioning, which was achieved for the first time during 2019/20, but has since declined during the Covid period. Concerned efforts needs to be implemented to meet the minimum levels op liquidity.

The capital budget of R 59 489 500 for 2023/24 is -48.99 per cent less than the 3d revised budget for 2022/23, due to less DORA allocations from National Treasury published. The capital program decreases to R 51 258 600 in the 2024/25 financial year and further to R 49 717 800 in the 2025/26 financial year. Capital funded from own revenue over the MTREF amounts to R28 375 100, with borrowing adding another R46 200 000 over the MTREF to address critical needs as well as refurbishment requirements.

A major portion of the capital budget will once again mainly be funded from government grants and subsidies as the municipality has limited financial resources to commit large amounts of its own funds to capital financing. Borrowing as a funding source is recommended for large capital investment in respect of the replacement and refurbishment of infrastructure to underline the user-pays principle, a where current and future users of the service will be required to contribute to the cost associated with the raising of funding necessary to execute the programs or projects.

Notwithstanding the new long-term loans taken up over the past 3 years, the Gearing Ratio remained at 12%, which represents a relative low proportion of debt to operational revenue. With the gearing ratio being sound, there is scope to make use of borrowing as a funding alternative for large capital projects over the MTREF. Capital raised from own revenue is not sufficient to fund large renewals and refurbishment and to prevent the assets from further deteriorating.

*The current level of own funds used in the financing of capital requirements are not sustainable in the long term at the current financial performance and the rate at which surpluses are generated. It must therefore be emphasized that should overall expenditure not be further reduced and revenue enhanced over the short and medium term, the municipality will not be in a position where own revenue sources can be used as capital funding.*

## 1.4 Operating Revenue Framework

For Oudtshoorn Municipality to continue improving the quality of life of its communities through the delivery of high-quality services, it is necessary to generate sufficient revenue from rates and services charges. It is also important to ensure that all billable revenue is firstly correctly charged and secondly adequately collected. The revenue enhancement unit under the finance department must be capacitated to aid and ensure that all revenue is accurately and efficiently billed and collected. The prevailing economic circumstances is adding to the difficulties in collecting the revenue that is due to the municipality and the promotion of operational efficiencies as well as savings and austerity measures remain a priority in ensuring the availability of sufficient financial resources to fund the MTREF.

The expenditure required to meet the needs of the community will inevitably always exceed available funding; hence difficult choices must once again be made in relation to tariff increases and balancing expenditure against realistically anticipated revenue streams.

The municipality has since 2016 made significant strides in recovering financially, with all arrear debt being paid off, but during the past 2 years the actual cash flow generated from operations declined by R33 million compared due to the Covid 19 pandemic impact on the economy. To aide in the financial recovery, a variety of additional initiatives needs to be implemented to ensure long term financial sustainability and is again emphasized in MFMA Circular 123:

- Austerity measures – Savings on all general expenditure items, saving on printing cost, stationery, legal fees and a further general limitation on spending within the general expenditure items category.
- Eliminate wasteful and non-core spending, and ensure that we render basic services, maintain our assets and clean environment
- Successful implementation and monitoring of the Cost Containment Policy and regulations.

- A concerted effort to reduce employee cost over the MTREF to meet acceptable norms for the industry.
- Implementation of the revenue enhancement strategy and sourcing co-funding from Provincial Government to aid in the successful implementation of smart prepaid water meters
- Strict adherence and enforcement of the Credit Control Debt Collection policy to improve the collection rate
- Implementation of full Cost Reflective tariffs over the MTREF period.
- Value for money through the strict enforcement of supply chain principles will be ensured in all procurement processes and a zero tolerance to fraud and corruption will be enforced.
- The protection of municipal resources and infrastructure and the utilization of municipal property plant, vehicles and equipment with care and respect to avoid unnecessary repairs and maintenance cost from being incurred.

The municipality's revenue strategy is built around the following key components:

- Strengthening the financial position of the municipality.
- Cost reflective tariff setting – The municipality is continuing to promote the principle of cost reflective tariffs as per MFMA Budget Circulars prior and current year. Cost reflective tariffs will be phased in over the MTREF to move towards cost reflective structure for all services.
- An electricity cost of supply study, where the elements contributing to the cost of the service were isolated and proposed tariffs structured in a manner to ensure that relevant cost elements are recovered through appropriate tariff setting was performed and submitted to NERSA.
- National Treasury's guidelines and growth parameters have been considered in tariff increases and where appropriate an explanation is provided for increases higher than 6% under the respective services.
- Above average tariff increases are proposed for the 2023/24 financial year in certain services, this is of essence to sustain and improve on service delivery standards and to ensure the long-term financial sustainability of the municipality;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- The continuation of the financial recovery plan and the revenue enhancement strategy has been approved and the staffing of the section is still underway. The revenue enhancement program will ensure that all revenue is correctly billed in accordance with the category, user type and applicable tariffs and number of service units as determined by the municipality. If correctly applied and implemented, it will ensure that consumers across the board are saved from further above average tariff increases;
- The municipal council has adopted a principle of protecting the poor from excessive tariff increases and will therefore endeavour to limit the increase to lower income consumers in line with inflationary trends as far as possible. Subsidization of free basic services have been extended to pensioners and the most vulnerable category of consumers.
- Efficient revenue management, which aims to ensure a minimum 95% annual collection rate for property rates and other key service charges;
- Budgeting for a moderate surplus at the conclusion of the MTREF to enable the municipality to build cash reserves to back statutory funds and provisions and to build an operating as well as capital replacement reserve.
- Fully subsidizing all indigent households in terms of the relief offered by the municipality.

The aforementioned factors collectively contribute to the financial wellbeing of the municipality and the extent to which it is executed or concluded will either aide or impact negatively on the long-term sustainability of the municipality. It must be emphasized that at the current trend of staff expenditure, and the ever-escalating cost of service delivery, the municipality will not be able to improve its financial position over the MTREF unless catalytic economic investments and opportunities are sourced. The current rates base can no longer support the cost of services and all role-players would need to collectively contribute to ensure not only the financial sustainability of the municipality, but also the economic progression of its citizenry.

The following table is a summary of the 2023/24 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source.**

WC045 Oudtshoorn - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	228 562	240 008	282 104	300 621	276 819	276 819	276 819	318 619	350 481	385 528
Service charges - Water	2	58 695	60 129	65 273	65 835	72 528	72 528	72 528	81 214	90 969	101 896
Service charges - Waste Water Management	2	34 069	36 028	38 465	48 443	36 190	36 190	36 190	48 857	53 742	59 117
Service charges - Waste Management	2	18 772	19 294	20 979	23 414	25 484	25 484	25 484	34 403	37 843	41 628
Sale of Goods and Rendering of Services		21 198	10 181	13 752	15 018	22 462	22 462	22 462	25 118	25 159	26 630
Agency services		4 637	5 832	5 628	5 656	6 967	6 967	6 967	7 454	7 976	8 535
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		4 732	3 258	6 478	6 389	8 641	8 641	8 641	9 246	9 893	10 586
Interest earned from Current and Non Current Assets		10 999	5 749	6 818	5 988	5 988	5 988	5 988	6 407	6 734	7 137
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		2 289	1 451	1 959	1 669	2 368	2 368	2 368	2 534	2 649	2 808
Licence and permits		246	254	265	397	416	416	416	445	446	446
Operational Revenue		779	455	491	461	642	642	642	681	722	765
<b>Non-Exchange Revenue</b>											
Property rates	2	92 909	97 889	104 563	116 458	116 155	116 155	116 155	127 770	140 547	154 602
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		12 303	8 341	6 565	4 389	4 393	4 393	4 393	4 700	4 982	5 281
Licences or permits		-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		94 949	103 919	96 933	102 682	130 046	130 046	130 046	112 342	116 234	122 313
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		462	-	2 366	-	-	-	-	-	-	-
Other Gains		14 050	-	5 772	8 000	8 000	8 000	8 000	63 870	66 653	70 773
Discontinued Operations											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>599 650</b>	<b>592 788</b>	<b>658 413</b>	<b>705 420</b>	<b>717 098</b>	<b>717 098</b>	<b>717 098</b>	<b>843 659</b>	<b>915 029</b>	<b>998 043</b>

**Table 3 Growth in revenue by main revenue source**

Description	2023/24 Medium Term Revenue & Expenditure Framework				
	Budget Year 2023/24	Growth %	Budget Year +1 2024/25	Growth %	Budget Year +2 2025/26
<b>R thousand</b>					
<b>Revenue By Source</b>					
Property rates	127 770 100	10.00	140 546 800	10.00	154 601 500
Service charges - electricity revenue	318 618 600	10.00	350 480 500	10.00	385 528 300
Service charges - water revenue	81 214 300	12.01	90 969 200	12.01	101 895 900
Service charges - sanitation revenue	48 856 600	10.00	53 742 400	10.00	59 116 500
Service charges - refuse revenue	34 402 800	10.00	37 843 100	10.00	41 627 500
Service charges - other					
Rental of facilities and equipment	2 534 000	4.55	2 649 200	6.00	2 808 100
Interest earned - external investments	6 407 300	5.09	6 733 600	5.99	7 137 000
Interest earned - outstanding debtors	9 246 400	7.00	9 893 300	7.00	10 585 900
Dividends received	-				
Fines, penalties and forfeits	4 700 300	6.00	4 982 300	6.00	5 281 300
Licences and permits	444 700	0.25	445 800	-	445 800
Agency services	7 454 200	7.00	7 976 100	7.00	8 534 500
Transfers and subsidies	112 341 500	3.46	116 233 500	5.23	122 312 500
Other revenue	25 798 300	0.32	25 880 600	5.85	27 395 100
Gains	63 869 800	4.36	66 652 900	6.18	70 773 400
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>843 658 900</b>	<b>8.46</b>	<b>915 029 300</b>	<b>9.07</b>	<b>998 043 300</b>

Revenue generated from services charges remain the major source of revenue for the municipality amounting to 57.26 per cent of total revenue.

The major sources of revenue for the 2023/24 financial year can be summarized as follows:

**Table 4 Major sources of revenue**

Main Sources of revenue		
Source	Amount	%
Property rates	127 770 100	15.14
Electricity revenue	318 618 600	37.77
Water revenue	81 214 300	9.63
Sanitation revenue	48 856 600	5.79
Refuse revenue	34 402 800	4.08
Transfers and subsidies	112 341 500	13.32
Other revenue	120 455 000	14.28
<b>Total</b>	<b>843 658 900</b>	<b>100.00</b>

The third largest source is operational grants and subsidies totaling R 112 341 500

and mainly comprise of Equitable Share allocated through the Division of Revenue Act and Provincial housing allocation for the construction of houses. Other operating grants include the Finance Management Grant, as well as EPWP incentive grant. Property rates are the second largest revenue source totaling 15.01% per cent or R 127 770 100 and increases to R 140 546 800 by 2024/25.

Other revenue consists of various items such as; income received from permits and licenses, building plan fees, connection fees, admission fees, fines collected and other sundry receipts and totals R 120 455 000 for the 2023/24 financial year. The principle of cost reflective tariffs for this category of revenue cannot summarily be applied as many of the services provided are freely available and accessible to communities and it is not feasible nor practical of affordable to communities if cost reflective tariffs were to be charged.

The details of operational grants and capital transfers are listed in the table below, the grants vary from unconditional grants such as the equitable share to specific purpose grants such as MIG, FMG, WSIG and EPWP.

Capital grants are also received through Provincial transfers such as the Library Services Conditional Grant for subsidizing of operational cost of the library services.

**Table 5 Operating Transfers and Grant Receipts**

WC045 Oudtshoorn - Supporting Table SA18 Transfers and grant receipts										
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		79 957	95 421	86 443	95 061	121 725	121 725	102 171	107 708	113 417
Local Government Equitable Share		73 525	89 790	80 955	89 735	89 735	89 735	96 434	103 643	109 214
Local Government Financial Management Grant		2 085	2 517	2 565	2 800	2 800	2 800	2 802	2 802	2 940
Expanded Public Works Programme (EPWP)		2 728	2 243	1 784	1 310	1 310	1 310	1 672	-	-
Municipal Infrastructure Grant (MIG)		1 410	871	1 139	1 216	1 216	1 216	1 263	1 263	1 263
Disaster Relief Grant		209	-	-	-	-	-	-	-	-
Municipal Disaster Recovery Grant		-	-	-	-	26 664	26 664	-	-	-
<b>Provincial Government:</b>		9 900	12 333	10 490	7 621	8 321	8 321	10 171	8 526	8 896
Community Development Workers (CDW)		112	56	57	56	56	56	57	57	57
Emergency Housing Grant		-	2 000	1 288	-	-	-	-	-	-
Community Library Services Grant		6 371	7 127	7 520	7 290	7 290	7 290	7 824	8 129	8 494
Integrating Housing Settlement Grant		1 312	2 725	-	-	-	-	-	-	-
Maintenance of Road Infrastructure		-	125	125	125	125	125	170	190	200
Western Cape Financial Management Capacity Buiding Grant		380	300	250	-	-	-	-	-	-
Thusong Services Grant		-	-	150	150	150	150	120	150	145
Western Cape Financial Management Capability Grant		-	-	-	-	700	700	2 000	-	-
Local Government Public Employment Support Grant		-	-	1 100	-	-	-	-	-	-
Municipal Service Delivery and Capacity Building grant		120	-	-	-	-	-	-	-	-
Local Government Graduate Internship Grant		80	-	-	-	-	-	-	-	-
Disaster Relief Grant		-	-	-	-	-	-	-	-	-
Local Government Support Grant		550	-	-	-	-	-	-	-	-
WC Finance Management Support Grant		975	-	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	89 857	107 754	96 933	102 682	130 046	130 046	112 342	116 234	122 313
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		67 130	33 491	72 795	32 109	35 209	35 209	33 986	29 968	31 991
Municipal Infrastructure Grant		20 337	20 491	21 636	32 109	32 109	32 109	23 986	24 968	25 991
Integrated National Electrification Programme Grant (INEP)		6 000	3 000	3 206	-	3 100	3 100	-	5 000	6 000
Water Macro Planning		1 293	-	704	-	-	-	-	-	-
Local Government Financial Management Grant		-	-	98	-	-	-	-	-	-
Municipal Drought Relief Grant		-	-	47 150	-	-	-	-	-	-
Water services Infrastructure Grant		39 500	10 000	-	-	-	-	10 000	-	-
<b>Provincial Government:</b>		14 264	1	3 251	400	5 315	5 315	1 911	-	-
Libraries Services Conditional Grant		-	1	-	400	400	400	-	-	-
Municipal Drought Relief Grant		-	-	1 251	-	-	-	-	-	-
Upgrade of SMME Infrastructure		-	-	2 000	-	-	-	-	-	-
Rosevalley Library Grant		6 500	-	-	-	-	-	-	-	-
Western Cape Municipal Interventions Grant		-	-	-	-	250	250	-	-	-
Emergency Municipal Load Shedding Relief Grant		-	-	-	-	4 665	4 665	-	-	-
Municipal Service Delivery and Capacity Building grant		-	-	-	-	-	-	-	-	-
Fire Service Capacity Building Grant		830	-	-	-	-	-	1 911	-	-
Airport Infrastructure Grant		1 437	-	-	-	-	-	-	-	-
Integrating Housing Settlement Grant		5 000	-	-	-	-	-	-	-	-
WC Finance Management Support Grant		497	-	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	120	-	-	-	-	-	-
<b>GARDEN ROUTE DISTRICT MUNICIPALITY</b>		-	-	120	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	335	166	166	166	-	-	-
ASLA Rosevalley Library Contribution		-	-	335	166	166	166	-	-	-
<b>Total Capital Transfers and Grants</b>	5	81 394	33 492	76 501	32 675	40 690	40 690	35 897	29 968	31 991
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		171 251	141 246	173 433	135 357	170 736	170 736	148 239	146 201	154 303

**Tariff Setting**

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised under normal circumstances, local economic conditions, input

costs and the affordability of services are considered to ensure the financial sustainability of the Municipality.

Reference is made to MFMA Circular 98, the setting of cost reflective tariffs is a requirement of Sec 74(2) of the Municipal Systems Act, 2000 which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service.

It is for the above reason a Cost reflective Tariff study was performed during 2022/23 and it clear from this study the current tariffs are distorted and not sustainable to recover the full cost of rendering the services. For the past few years the municipality applied only an inflation adjustment to the tariff from the previous year. The result is that municipal tariffs do not reflect the total costs of providing services and seldom generate sufficient revenue to cover those costs, and resulted in an underlying deficit of R71 million as at 30 June 2023. A phased in approach over the MTREF needs to be implemented with the proposed tariffs that are based on fixed and variable costs to at least get the municipality to generate a moderate surplus in the outer years.

The cost of providing a service includes day-to-day running costs, overheads required to keep the Municipality as a whole running, and the costs associated with expanding and managing infrastructure. Underneath summary extract from the Cost Reflective Tariff study:

Direct costs: day-to-day costs incurred in running the service:

Employee related costs;

Bulk purchases where relevant;

Depreciation expenses;

Distribution losses in the case of electricity and water;

Repairs and maintenance;

Contracted services; and

Other costs - all expenditures not grouped under one of the different categories.

Overheads: costs of running the Municipality as a whole:

These are costs that are not directly attributable to services but are incurred in running the Municipality as a whole. Examples are Treasury and political functions. Therefore, overheads must be apportioned between services in a clear, structured way. There are two options for doing this:

Activity-Based Costing: this is the most accurate way of apportioning costs. It examines the activities undertaken by a unit, determines what causes that activity to be conducted, and then allocates costs based on the distribution of those causative actions between services.

Pro-rata allocation of cost: allocates indirect costs on a proportionate basis by using readily available measures, such as the number of employees or size of budget.

The municipality do not currently have an activity-based costing system in place, and therefore the latter, pro-rata allocation, is used to allocate overhead costs.

Capital financing costs: costs to expand and manage infrastructure:

The cost of services also includes any costs associated with financing infrastructure expansion and with rehabilitating and replacing existing infrastructure as its ages. Adequate provision for capital financing costs is vital to ensure that service provision is sustainable in the long term. Capital financing costs include:

External interest: the cost associated with financing capital expenditure using external loans;

Provisions to capital reserves: a cost item used to create a cash surplus on the operating account, which can be transferred to a reserve used to finance asset expansions.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible, and municipalities should justify in their budget documentation all increases in excess of the 6.0% upper boundary of the South African Reserve Bank's inflation target in accordance with MFMA budget circular 123. It is acknowledged that excessive increases are likely to be counterproductive to economic growth and development thereby resulting in higher levels of non-payment, yet the municipality has no alternative but to embark on this avenue to ensure the financial viability and sustainability as well as quality of services rendered.

The price increase for electricity sold to municipalities are 18.7% resulting in municipal customers having to pay a preliminary 15.1 % more for electricity. This might still change as NERSA and Eskom are still negotiating tariff increases and the guideline increases have not yet been issued formally. The municipality has embarked on a cost of supply study to analyze the cost elements of the electricity service in an endeavor to propose user tariffs that adequately cover the cost of the service going forward. The study was based on a revenue neutrality principle where the proposed tariffs were determined to raise the same total revenue amount for electricity.

The tariff study is a requirement from the National Energy Regulator and sets the basis for future tariff determinations, without the study, to support the annual tariff determination the risk of lower than guideline tariff approvals remain immanent placing the sustainability of the electricity service as well as the financial wellbeing of the municipality at risk.

Apart from the amended tariff structure, it is proposed to increase the electricity price to municipal customers by an average of 15.1 % as the bulk purchase price from Eskom to the municipality increases by 18.7%, still leaving the municipality to subsidize the difference of 3.6%

Other factors contributing to the rising cost include the anticipated increases that are above the upper boundary of the inflation target set by the South African Reserve Bank in the price of petrol and diesel as well as chemicals, spares and other materials that collectively contribute to the extent that tariffs need to be increased annually.

Municipalities also use benchmarking to ensure that the tariffs we apply are within the industry norm as operational requirements and service standards of comparable sizes and demographics of municipalities are similar and a deviation from this norm will give an indication of whether a municipality may be heading for disaster in the application of its tariff strategy.

It is important that an environment for economic development is created through the provision of high quality reliable municipal services, and this cannot be achieved if you do not generate enough revenue

### 1.4.1 Property Rates

Property rates cover the cost of the provision of various general expenditure services across the municipality. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The outcome of the cost reflective tariff study concluded for 2022/23 indicated that the municipality is currently at a under recovery rate of 39.5% if all variable and fixed costs are considered that property rates needs to subsidize from operating and capital based on the 2022/23 adjustment budget figures approved.

It is evident from the lack in growth in the rates base and only adding inflationary increases year-on year have impacted drastically on the municipality to recover cost to supply services. A new proposed tariff increase should be phased-in and additional sources of revenue must be explored to supplement rates revenue. The municipality implemented the last valuation roll 6 years ago on 1 July 2017, and supplementary valuation rolls have been done adding a negatable increase in the rates base. It is of utmost importance to start the process to reconcile and billing system with the deeds office registry and to start implementing the new valuation roll. An extension to implement was granted by the government and a new valuation roll is to be implemented July 2024.

The assessment rates tariff is proposed to be increase by a 10% which is above the growth parameter set by the National Treasury in an effort to achieve cost reflective tariff status in the medium term. The municipality assists ratepayers by not implementing the complete under recovered rate in these trying times especially considering the burden of the above inflation increases of electricity and waste disposal tariffs.

From an analysis of the actual performance 2022 and Adjustment Budget 2022/23, it is evident that the general services expenditure is not covered by the charging of assessment rates and unintentionally cross-subsidized through other services fees and charges.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is exempted from the rate-able value (Section 17(h) of the MPRA).
- In terms of the property rates policy of the municipality and tariff determination of the council in the past, certain categories of ratepayers receive rebates in excess of the ratio determination by the minister in accordance with the Municipal Property rates Act, the municipality thereby forgoes revenue in addition to rebates allowed in terms of the act, the rebate in respect of agricultural properties is partially reduced to bring it more in line with the prescribed ratio as determined and to aid with the financial recovery of the municipality.
- A rebate will be granted to registered indigents in terms of the Indigent Policy exempting this category of consumer from paying for rates on the first R70, 000 of valuation.
- Relief measures based on income and ill-health is also available under certain conditions as contained in the schedule of tariffs.
- Relief measures on property rates for pensioner are also extended up to a combined monthly income of R15 000 for pensioners under conditions as stipulated in the indigent and subsidy policy of the municipality.
- The following conditions apply to the granting of the rebates
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse.

- The applicant must submit proof of his/her age and identity and also proof of the annual income, or disability.
  - The property must be utilized for residential purposes or in the case of agricultural properties for bona-fide farming activities.
- The Municipality may also allow a rebate on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work and public benefit organizations as defined in the property rates policy of the municipality. The owner of such a property must apply to the Chief Financial Officer in the prescribed format and at the prescribed date in order to qualify for the relief.

The categories of ratable properties for purposes of levying rates and the proposed rates for the 2022/23 financial year based on a 10% increase in monthly amount payable from 1 July 2022 are contained below.

**Table 6 Comparison of proposed rates 2023/24 to that levied for 2023/24**

Category	Current Tariff	Proposed tariff	Difference	% increase(-) / Decrease
	(1 July 2022)	(from 1 July 2023)		
	c/R	c/R	c/R	
Residential properties	1.4004	1.5404	0.1400	10%
State owned properties	1.8807	2.0688	0.1881	10%
Business/Commercial/Industrial	1.9254	2.1179	0.1925	10%
Agricultural	0.2451	0.2696	0.0245	10%

#### 1.4.2 Sale of Water and Impact of Tariff Increases

South Africa, and more particularly the Western Cape faces similar challenges with regard to water supply as it did with electricity, the country was faced with some of the highest temperatures ever recorded and the drought still has its grip on the country, even after good rainfall the past few months. It is therefore of essence that water tariffs are designed to curb wastage, to protect the valuable resource and to be cost reflective. The municipality must ensure that water complies with all applicable quality standards which also adds to the cost of rendering the service. The water tariff structure must therefore ensure that:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification or treatment 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.

A significant amount will be spent on the replacement of critical portions current water networks that have reached the end of its useful life and is burdening the municipality with excessive maintenance and overtime cost due to continued breakages. The units of water lost in distribution are also excessive as a result of continued failure of infrastructure, and strategies to be curb

losses needs to be implemented. The focus will be in the areas which encounter the most breakages and critical reservoir repairs will also be undertaken to protect the water resource.

A tariff increases of 12% from 1 July 2023 for water is proposed. This is based on input cost assumptions inclusive of the increase in the water levies from Department of Water, increased wage bill, increased costs on operational expenditure due to inflationary pressure especially on chemicals. The cost of upgrading and renewals amounting to R18 Million funded through the capital allocation from grants, borrowing and own funds. The municipality is under pressure from the Department of Water Affairs to get blue-drop status, and therefore operational and capital cost needs to be incurred to be compliant with legislation.

Maintenance cost in the amount of R3.3 million is also budgeted in respect of water services infrastructure.

**Free basic water will be provided to indigent** consumers as well as pensioners qualifying for a rebate on assessment rates subject to the conditions as set out in the assessment rates tariff at 6 kℓ water per month.

The municipality cannot afford to provide free basic water to all the residents as the equitable share allocation to subsidize free basic services is insufficient to cover the cost thereof.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 7 Proposed Water Tariffs**

CATEGORY	CURRENT TARIFFS 2022/23	PROPOSED TARIFFS 2023/24
	Rand per kℓ	Rand per kℓ
<b>RESIDENTIAL</b>	<b>VAT Excluded</b>	<b>VAT Excluded</b>
(i) 0 to 6 kℓ	6.25	6.32
(ii) Above 6 to 15 kℓ	9.08	9.17
(iii) Above 15 to 30 kℓ	12.48	12.73
(iv) Above 30 to 50 kℓ	15.03	15.41
(v) Above 50 to 75 kℓ	18.73	19.20
(vi) Above 75 kℓ	22.11	22.77
<b>RESIDENTIAL GROUP HOUSING, FLATS, OLD AGE HOMES AND SCHOOLS MEASURED AS BULK</b>		
Price per kℓ	14.56	16.31
<b>SPORT CLUBS AND MUNICIPAL</b>		
(i) 0 to 150 kℓ	6.84	7.19
(ii) Above 150 kℓ	8.82	9.43
<b>COMMERCIAL, INDUSTRIAL, GOVERNMENT</b>		
(i) 0 to 75 kℓ	15.89	16.37
(ii) Above 75 to 150 kℓ	18.14	18.68
(iii) Above 150 kℓ	24.92	26.42

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

**Table 8 Comparison between current water charges and increases (Domestic)**

Monthly consumption	Current amount payable	Proposed amount payable	Difference R/c	% Increase
6	37.32	37.92	0.6	1.61%
20	180.39	181.17	0.78	0.43%
30	303.99	305.97	1.98	0.65%
50	601.79	606.57	4.78	0.79%
75	1063.29	1074.82	11.53	1.08%
100	1607.79	1627.57	19.78	1.23%

The proposed water tariffs are still well within the benchmark and compares favorably with that of other municipalities in the Eden District.

### 1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the proposed revised bulk electricity pricing structure, and an 18.7% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 April 2023.

Upon considering all the cost elements that make up the cost of electricity such as labor, maintenance, materials, fuel as well as vehicles and the rental of equipment in accordance with the formula provided by NERSA, the average tariff increase is proposed to be 15.1% for municipal customers. The increase can still be amended, as Eskom and NERSA are still in negotiations.

The municipality will submit the cost of supply study to NERSA which when approved will fix the pricing principles that the municipality will apply for the foreseeable future. This will also aide in future tariff increase motivations and will ensure predictability in tariff setting over the MTREF in respect of electricity.

The high electricity prices have resulted in a downward trend in the average consumption patterns of consumers in an attempt to mitigate the effect of the increased cost of electricity, this is resulting in a negative impact on the municipal electricity revenue. Considering higher than normal proposed tariff increases in the budget, it is anticipated that consumption patterns will be similar to that of the current financial year.

Free electricity to registered indigents will be granted at 50 units as per the national norm and allowed in accordance with the equitable share grant to municipalities, Pensioners qualifying for assessment rates rebate will also be given the first 50 units of electricity free of charge, and qualifying indigents/pensioners on life support (oxygen) will be given 100 units.

The following table shows the impact of the average proposed increases in electricity tariffs on the electricity charges for domestic customers:

**Table 9 Comparison current vs. new electricity charges (Domestic up to 60A connection)**

<b>Monthly Consumption kWh</b>	<b>Current amount payable R</b>	<b>Proposed amount Payable R</b>	<b>Difference (Increase) R</b>	<b>Percentage change</b>
100	260.96	300.13	39.17	15%
250	576.56	663.10	86.54	15%
500	1102.56	1 268.05	165.49	15%
750	1628.56	1 873.00	244.44	15%
1000	2154.56	2 477.95	323.39	15%
2000	4258.56	4 897.75	639.19	15%

#### 1.4.4 Sanitation and Impact of Tariff Increases

A new tariff structure for sanitation from 1 July 2022 is proposed. A cost reflective tariff study was performed to calculate the base-line fixed and variable charge that is necessary to ensure that service delivery standards are met and to secure the long-term sustainability of the service over the medium term.

As per Sec 74 of the MSA tariffs must reflect the cost reasonably associated with rendering the service including capital, operating, maintenance, administration and replacement costs, and interest charges.

The increase in operational cost which includes the wage cost, the increase in electricity used in purification and pumping processes, the increase in fuel prices and the general increase in the price of goods and services also contributes to the tariff necessary to ensure the financial sustainability of the service. It must also be emphasized that the municipality must ensure that purification processes comply with quality standards and that green drop status is achieved in the near future.

In order to ensure compliance with purification standards, it is also necessary to employ suitably qualified staff to operate the wastewater treatment plants which contributes to the cost associated with the service. Provision has been made in the budget for the filling of critical vacancies in the department to ensure compliance with the standards set by the department of Water and Sanitation.

The new tariff model to be cost reflective have been designed to determine the financial sustainability in the method of billing consumers per toilet versus a fixed and variable charge per occupiable property. This was necessitated by the court case of Afriforum vs Oudtshoorn Municipality, where the High court ruled in favor of Afriforum. Oudtshoorn Municipality is still contesting the ruling but have implemented a new tariff structure to be in line with the full extent of Sec 74 of the MSA since 1 July 2022.

To be equitable to all consumers the municipality embarked again on a cost reflective tariff study, and everyone will therefore be charged on the same basis from 1 July 2023, with a fixed fee per connection point per occupiable property, and a variable rate per additional fee in proportion to the usage of toilets. The variable rate is lower than neighboring towns and was decided to keep to a minimum, to aid the most vulnerable poor residents, especially those with 1 toilet. Registered indigent consumers will be subsidized in full through the Equitable Share.

The portion of free basic services that the municipality contributes will also increase substantially due to the increased number of households that is registering for indigent support.

**Table 10 New Proposed Tariff structure for Sanitation fees.**

Description	2022/23 Current Tariff per month	2023/24 Tariff per month	Difference
Residential/Group housing fixed charge per unit that is occupied per plot	215.58	213.32	-1%
Business / Multiple use fixed charge per per unit that is occupied per plot	279.27	232.71	-17%
Business / Multiple use variable cost per kl water consumed	4.31	-	0
Variable cost per additional toilet in proportion to use		70.70	New
Government / Schools / Hospitals / Training centres fixed charge per unit that is occupied per plot	279.27	232.71	-17%
<b>Government / Schools / Hospitals / Training centres variable cost per kl water consumed</b>	4.31	70.70	New
Municipal Departments/ Buildings fixed charge per plot - (Excluding Rental Buildings)	215.58	213.32	-1%
Availability charges per month	262.60	388.57	48%
Septic Tank removals	596.00	638.00	7%

#### 1.4.5 Waste Removal and Impact of Tariff Increases

Budget circular 66 and 67 state that municipalities should strive to budget for 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. MFMA Budget Circular 98 and again in Circular 123, emphasizes the fact that tariffs should cover the cost of services and therefore the cost reflective tariff study was updated during 2022/23.

In order to attain a position where tariffs will cover the full cost of the service, above the norm tariff increases for refuse removal will have to be implemented determined, currently the municipality is reflecting an under recovery of 17% on the services. The municipality will implement new cost reflective tariffs in the MTREF in striving to deliver the service on a sustainable manner. Comparison with neighboring towns have been made, and refuse removal is seen to be well within the average norm.

The Municipality is in a fortunate position that the landfill site still has a long remaining lifespan, yet the cost relating to the provision for rehabilitation of the current cell in use needs to be cash backed once the end of the useful life of the cell has been reached.

The municipality is having constructed the fence around the refuse disposal site where-after a recycling and sorting facility will be constructed, this will not only aide in generating revenue for people involved in recycling but will also extend the lifespan of the dumpsite.

It is very unfortunate that littering and illegal dumping persistently practiced by residents and that is adding to the cost of the cleansing service through additional clean-up campaigns and continuous unscheduled clean-up programs. The ageing plant and equipment needs to be replaced over the remainder of the MTREF and provision has been made on the budget for the replacement of refuse compactors and digger loaders that have reached its end of useful life, and is not further economical to repair or maintain. The municipality therefore has no alternative but to apply the tariff increases as alluded to above as well as over the over the next 2 financial years.

The following table compares current and proposed amounts payable from 1 July 2023:

**Table 11 Comparison between current waste removal fees and increases**

Description	2022/23 Tariff per month	2023/24 Tariff per month	Difference per month	% Increase
Household removal once per week	164.38	274.51	110.13	67.0%
Business removal per week	224.14	374.31	150.17	67.0%
Business additiona per each bag	1.50	2.51	1.01	67.0%

#### 1.4.6 Overall impact of tariff increases on households.

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

The sanitation is a new structure to be implemented and may distort the percentage that is actually to be increased for that tariff. The consumer will not pay per toilet anymore as in the prior years, they will pay fixed charge per occupiable property and a variable rate per additional toilet.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to an average of 14% for indigents mainly due to the electricity increase proposed by NERSA and property rates increase above NT norm. The increase for indigent households will of course be limited due to the basket of free basic services being subsidized, as per indigent policy.

**Table 12 MBRR Table SA14 – Household bills**

WC045 Oudtshoorn - Supporting Table SA14 Household bills											
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24 % incr.	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Rand/cent</b>											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
<b>Rates and services charges:</b>											
Property rates		649.83	685.57	726.71	799.40	799.40	799.40	10.0%	879.33	967.27	1 063.97
Electricity: Basic levy		39.83	42.31	50.56	58.65	58.65	58.65	15.1%	67.51	74.26	81.68
Electricity: Consumption		1 680.00	1 790.00	2 020.00	2 104.00	2 104.00	2 104.00	15.1%	2 440.64	2 684.70	2 953.17
Water: Basic levy		120.32	126.94	134.56	142.63	142.63	142.63	12.0%	159.75	178.92	200.39
Water: Consumption		264.76	301.65	303.99	306.42	306.42	306.42	12.0%	343.19	384.37	430.50
Sanitation		237.50	250.67	269.46	215.58	215.58	215.58		354.72	390.19	429.21
Refuse removal		128.22	135.27	146.76	164.38	164.38	164.38		274.77	302.25	332.47
Other		238.95	253.80	387.60	416.40	416.40	416.40	16.0%	483.02	531.33	584.46
<b>sub-total</b>		<b>3 359.41</b>	<b>3 586.21</b>	<b>4 039.63</b>	<b>4 207.45</b>	<b>4 207.45</b>	<b>4 207.45</b>	<b>18.9%</b>	<b>5 002.93</b>	<b>5 513.29</b>	<b>6 075.85</b>
VAT on Services											
<b>Total large household bill:</b>		<b>3 359.41</b>	<b>3 586.21</b>	<b>4 039.63</b>	<b>4 207.45</b>	<b>4 207.45</b>	<b>4 207.45</b>	<b>18.9%</b>	<b>5 002.93</b>	<b>5 513.29</b>	<b>6 075.85</b>
<b>% increase/-decrease</b>			<b>6.8%</b>	<b>12.6%</b>	<b>4.2%</b>	<b>-</b>	<b>-</b>		<b>18.9%</b>	<b>10.2%</b>	<b>10.2%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
<b>Rates and services charges:</b>											
Property rates		460.10	485.40	514.53	566.00	566.00	566.00	10.0%	622.59	684.85	753.34
Electricity: Basic levy		39.83	42.31	48.43	58.65	58.65	58.65	15.1%	67.51	74.26	81.68
Electricity: Consumption		840.00	895.00	1 010.00	1 052.00	1 052.00	1 052.00	15.1%	1 210.85	1 331.94	1 465.13
Water: Basic levy		120.32	126.94	134.56	142.63	142.63	142.63	12.0%	159.75	178.92	200.39
Water: Consumption		227.90	241.05	242.19	248.02	248.02	248.02	12.0%	277.78	311.12	348.45
Sanitation		118.80	129.49	134.73	215.58	215.58	215.58		284.02	312.42	343.66
Refuse removal		128.22	125.33	146.76	164.38	164.38	164.38		274.77	302.25	332.47
Other		159.30	169.20	193.80	208.20	208.20	208.20	16.0%	241.51	265.66	292.23
<b>sub-total</b>		<b>2 094.47</b>	<b>2 214.73</b>	<b>2 424.99</b>	<b>2 655.46</b>	<b>2 655.46</b>	<b>2 655.46</b>	<b>18.2%</b>	<b>3 138.79</b>	<b>3 461.41</b>	<b>3 817.36</b>
VAT on Services											
<b>Total small household bill:</b>		<b>2 094.47</b>	<b>2 214.73</b>	<b>2 424.99</b>	<b>2 655.46</b>	<b>2 655.46</b>	<b>2 655.46</b>	<b>18.2%</b>	<b>3 138.79</b>	<b>3 461.41</b>	<b>3 817.36</b>
<b>% increase/-decrease</b>			<b>5.7%</b>	<b>9.5%</b>	<b>9.5%</b>	<b>-</b>	<b>-</b>		<b>18.2%</b>	<b>10.3%</b>	<b>10.3%</b>
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>	3										
<b>Rates and services charges:</b>											
Property rates		218.19	230.19	244.00	268.41	268.41	268.41	10.0%	295.25	324.78	357.25
Electricity: Basic levy		-	-	-	-	-	-		-	-	-
Electricity: Consumption		588.00	534.00	577.41	620.55	620.55	620.55	15.1%	714.25	785.68	864.25
Water: Basic levy		-	-	-	-	-	-		-	-	-
Water: Consumption		120.32	126.94	134.56	142.63	142.63	142.63	12.0%	159.75	178.92	200.38
Sanitation											
Refuse removal											
Other											
<b>sub-total</b>		<b>926.51</b>	<b>891.13</b>	<b>955.97</b>	<b>1 031.59</b>	<b>1 031.59</b>	<b>1 031.59</b>	<b>13.3%</b>	<b>1 169.25</b>	<b>1 289.37</b>	<b>1 421.88</b>
VAT on Services											
<b>Total small household bill:</b>		<b>926.51</b>	<b>891.13</b>	<b>955.97</b>	<b>1 031.59</b>	<b>1 031.59</b>	<b>1 031.59</b>	<b>13.3%</b>	<b>1 169.25</b>	<b>1 289.37</b>	<b>1 421.88</b>
<b>% increase/-decrease</b>			<b>(3.8%)</b>	<b>7.3%</b>	<b>7.9%</b>	<b>-</b>	<b>-</b>		<b>13.3%</b>	<b>10.3%</b>	<b>10.3%</b>

## 1.5 Operating Expenditure Framework

Oudtshoorn Municipality's expenditure framework for the 2023/24 budget and MTREF is informed by the following:

- Improvement in the quality-of-service delivery across all services.
- Ensuring the financial sustainability of the municipality over the medium and long term.
- Repairs and maintenance expenditure are still limited due to the financial difficulties however an amount of R23.6 Million has been set aside for materials in respect of repairs and maintenance and in addition thereto 60 per cent the capital budget is allocated for the upgrading of existing assets representing an amount of R34 Million.
- Continued provision of basic services remains a high priority as well as the financial sustainability of services.
- Operational gains and efficiencies will be directed to ensure appropriate cash backing of statutory funds, provisions and reserves as well as funding the capital budget and other core services in the medium term.

The following table is a high-level summary of the 2023/24 budget and MTREF (classified per main type of operating expenditure):

**Table 13 Summary of operating expenditure by standard classification item**

Description	2019/20	2020/21	2021/22	Current Budget Year 2022/23				2023/24 Medium Term and Revenue Expenditure framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>R thousand</b>										
<b>Expenditure By Type</b>										
Employee related costs	250 142	254 503	269 646	287 809	292 117	292 117	292 117	321 513	340 577	360 853
Remuneration of councillors	11 213	10 983	10 860	11 936	11 936	11 936	11 936	12 485	13 234	14 028
Bulk purchases - electricity	167 109	176 490	209 247	227 670	226 001	226 001	226 001	249 000	278 880	312 346
Inventory consumed	16 182	19 274	21 948	27 073	55 664	55 664	55 664	79 090	82 702	87 753
Debt impairment	13 081	(12 412)	(1 064)	(13 580)	(3 370)	(3 370)	(3 370)	(3 573)	(3 787)	(4 014)
Depreciation and amortisation	39 759	42 463	45 974	43 851	46 388	46 388	46 388	50 262	50 596	53 632
Interest	5 977	5 592	6 959	10 552	6 453	6 453	6 453	6 956	7 355	8 707
Contracted services	21 970	22 844	25 758	43 138	41 639	41 639	41 639	41 500	43 501	46 111
Transfers and subsidies	4 575	1 901	3 402	3 092	2 992	2 992	2 992	2 909	3 055	3 208
Irrecoverable debts written off	24 386	34 366	25 398	23 118	35 048	35 048	35 048	20 118	21 325	22 605
Operational costs	52 003	48 006	53 184	62 486	65 413	65 413	65 413	81 474	83 020	87 739
Losses on disposal of Assets	769	1 086	7 257	-	-	-	-	-	-	-

The budgeted allocation for employee related costs for the 2023/24 financial year totals R 321 513 Million, which equals 36.68 % of the total operating expenditure. A new multi-year collective agreement was signed during 2021/22 indicating CPI increases year-on-year.

It must be emphasized that employee-related cost has reached the upper limit of an acceptable ratio for employee cost to total expenditure being 36.68 % on operational cost. This is still well above the target set in the financial recovery plan of 32% and NT Norm of 35%.

The current ratio of employee cost to total expenditure is not sustainable and funding has been set aside through a provincial grant and own funding for an organizational redesign study to be performed to ensure a right fit workforce and to curb employee cost at an acceptable level going forward. Emphasis is therefore once again be given to the reduction of employee related cost over the MTREF, bearing in mind operational efficiencies and service delivery needs of the community that must be addressed.

In order to ensure economic viability and to not overstretch the already limited financial resources, and cash management strategy vacancies have been significantly rationalized downwards, yet more needs to be done to limit the expenditure in this regard over the MTREF. In accordance with the requirements of mSCOA, only staff that are provided for on the approved organogram can be appointed.

Due to the high cost associated with the filling of all positions on the organizational structure, it was once again not possible to fund all requested vacancies for the 2023/24 financial year, therefore only those critical to service delivery that are compelled by legislation has been catered for.

After the completion of the organizational redesign, consideration will be given to the funding of critical vacancies subject to funding being available and the limit of employee cost to total expenditure being within the norm.

The cost associated with the remuneration of public office bearers 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 remuneration cost of councilors is partially subsidized through the equitable share allocation awarded to the municipality in terms of the division of revenue Act. The total equitable share awarded to Oudtshoorn for the 2023/24 is R96.4 million, inclusive of the subsidy towards councilor remuneration. This is not nearly enough and is all municipalities pleading with the National Treasury to revise the Equitable Share calculation to take into consideration the demographics of each town in rural areas.

The provision of debt impairment was determined based on an annual collection rate of 95% and the Debt Write-off Policy of the Municipality. The current average collection rate equals 93% as at end of February 2023 and it is anticipated that the recovery of debt will again increase with strict debt collection policy implementation. As per the Updated Long-Term Financial Plan the municipality must maintain an 95% collection rate if it wants to be financially sustainable over the long term. It is anticipated that irrecoverable debt in respect of rates, service charges and fines in the amount of R20 Million will be written off during the course of the 2023/24 financial year.

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 at which assets are consumed. Budget appropriations in this regard have remained stable R50 million for 2023/24 financial year. This expenditure item equates to 5.7% of the total operating expenditure for the year.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) as well as the repayment of vehicle leases. Finance charges make up -0.41 % (R6.9 Million) of operating expenditure excluding annual redemption for 2023/24 amounting to R18.5 million and remains stable over the MTREF with the new borrowing on capital projects. Oudtshoorn Municipality still has a sound borrowing ratio, and the liquidity position has sufficiently recovered to allow for borrowing to be taken up over the MTREF. It is proposed that borrowing

as a funding option be considered over the MTREF in the amount of R46.2 million made up of R17.2 million in respect of the 2023/24 financial year and R15.5 million and R13.5 million for two outer years respectively. The Long-Term Financial Plan indicated that borrowing should be considered, as cash reserves remains limited and critical refurbishment and repairs to infrastructure necessitated this funding option to be considered earlier.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from the Department of Water. Bulk purchases equal 28.4% of total expenditure. The annual price increase has been factored into the budget appropriations and directly inform the revenue provisions. The expenditure includes electricity distribution losses which equals approximately 8.67 %. Water distribution losses as at 30 June 2022 amounted to 12.11 % and a concerted effort is necessary to ensure the reduction of the losses to further reduce and stay within acceptable norms.

Maintenance is once again prioritized to ensure the health of assets, yet the financial position still does not enable the municipality to sufficiently budget for all maintenance requirements therefore the focus is once again on critical repairs and maintenance to secure sustainable service delivery.

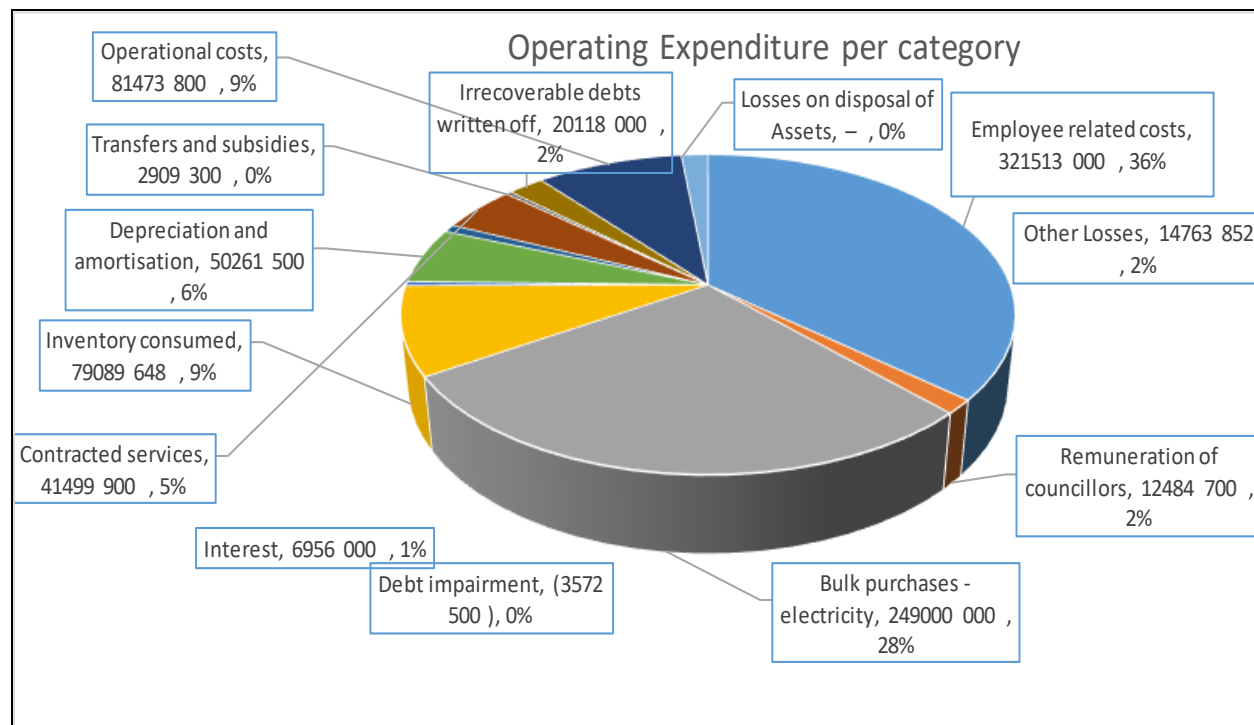
It is very unfortunate that the necessary care and attention was not given to repairs and maintenance over the last 2 decades resulting in the regression of services and the dilapidation of assets. It has now become critical to set funds aside for the refurbishment and replacement of current assets that have aged beyond their intended useful lives. This has been done through the borrowing program alluded to herein above.

In line with Oudtshoorn Municipality's repairs and maintenance plan, this group of expenditure needs to be prioritized to ensure sustainability of Oudtshoorn Municipality's infrastructure. The 2023/24 allocation for this group of expenditure represents 3% of operating expenditure (R23.6 million) and still does not meet the target as set in the financial recovery plan, but consideration should be given that the amount budgeted on maintenance does not include the full cost of contracted services nor the labour cost associated with maintenance activities. Furthermore, an amount of R13 Million of the new capital budgets has been allocated to the refurbishment and renewal of current assets representing 21% of the capital budget for 2023/24.

Contracted services relate to the provision of services by means of the appointment of service providers where the necessary in-house skills are not available or have not yet been adequately developed. Specialist services such as security services, speed fines services as well as technical expertise in both engineering and finance are also used for specific programs and projects to supplement in-house capacity and to provide professional expertise where required. Certain functions also require the contracting of specialist knowledge contracted from time to time due to the fact that the municipality cannot afford to employ experts on a full-time basis. This category of expenditure equates to R41 million or 4.7% of operating expenses for the 2023/24 financial year.

Other general expenditure comprises of various line items relating to the daily operations of the municipality. These costs include items such as audit fees in the amount of R5 million, rates rebates, SALGA membership fees, fuel and lubricants, insurance cost, telephone expenses, printing cost, and other domestic expenses as well as a variety of other operating cost. This group of expenditure remains an area in which cost savings and efficiency can further be achieved. Other general expenditure amounts to 9% or R81 million for the 2023/24 financial year.

The following graph gives a breakdown of the main expenditure categories for the 2023/24 financial year.



**Figure 1 Main operational expenditure categories for the 2023/24 financial year**

**1.5.1 Priority given to repairs and maintenance.**

In order to ensure the health of the assets of the municipality and to prolong the useful lives, it is necessary to ensure that repairs and maintenance is adequately budgeted. Budget circular 66 cautions municipalities not to affect savings in repairs and maintenance to balance the budget but to ensure that sufficient budgetary allocation is made for this expenditure item. As already alluded to the financial position is limiting the efforts in ensuring that adequate provision for repairs and maintenance are made this category of expenditure, nonetheless the expenditure in respect of repairs and maintenance materials represent 3% of operating expenditure (R23.6 million) and although it does not meet the target as set in the financial recovery plan it represents a small increase of R10.8 million since 2019/20.

Repairs and maintenance steadily increase over the MTREF and financial resources needs to be focused towards this category of expenditure going forward to secure continuity in service delivery and ensure that the health of assets are adequately protected.

The table below provides a breakdown of the repairs and maintenance in relation to each asset class:

**Table 14 Repairs and maintenance per asset class**

Description	Ref	2019/20	2020/21	2021/22	Current Year 2020/21			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2024/25
<b>Repairs and maintenance expenditure by Asset Class</b>	0									
	0									
<b>Infrastructure</b>		7 763	9 443	9 407	12 844	40 839	40 839	14 494	15 716	16 659
Roads Infrastructure		1 401	3 998	2 062	4 910	31 374	31 374	4 910	5 205	5 517
Roads		1 401	3 998	2 062	4 910	31 374	31 374	4 910	5 205	5 517
Road Furniture		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		2 233	2 226	3 787	3 725	5 433	5 433	5 422	6 100	6 466
HV Switching Station		370	465	714	444	444	444	450	500	530
HV Transmission Conductors		-	-	-	-	-	-	-	-	-
MV Substations		-	-	-	-	-	-	-	-	-
MV Networks		1 862	1 761	3 032	3 281	4 989	4 989	4 972	5 600	5 936
Water Supply Infrastructure		3 736	2 578	2 825	3 345	3 373	3 373	3 373	3 575	3 790
Boreholes		90	86	92	156	136	136	136	144	153
Reservoirs		3 358	2 324	2 312	2 527	2 577	2 577	2 577	2 732	2 896
Distribution		241	113	373	603	600	600	600	636	674
Sanitation Infrastructure		394	640	733	864	659	659	789	836	886
Pump Station		309	510	673	800	595	595	725	769	815
Waste Water Treatment Works		64	131	60	64	64	64	64	68	72
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Landfill Sites		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		463	430	782	731	721	721	732	776	823
Community Facilities		-	-	-	-	-	-	-	-	-
Halls		-	-	-	-	-	-	-	-	-
Fire/Ambulance Stations		-	-	-	-	-	-	-	-	-
Testing Stations		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Cemeteries/Crematoria		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		463	430	782	731	721	721	732	776	823
Outdoor Facilities		463	430	782	731	721	721	732	776	823
<b>Other assets</b>		1 555	1 004	2 005	3 843	4 115	4 115	4 219	4 431	4 697
Operational Buildings		1 555	1 004	2 005	3 843	4 055	4 055	4 532	4 431	4 697
Municipal Offices		1 551	1 002	2 005	3 717	3 939	3 939	4 008	4 219	4 472
Workshops		-	-	-	-	-	-	-	-	-
Depots		-	-	-	100	100	100	508	195	207
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Computer Software and Applications		-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>		242	271	138	225	225	225	225	239	253
Computer Equipment		242	271	138	225	225	225	225	239	253
<b>Furniture and Office Equipment</b>		23	4	39	71	62	62	122	129	137
Furniture and Office Equipment		23	4	39	71	62	62	122	129	137
<b>Machinery and Equipment</b>		2 165	3 224	3 779	3 164	2 919	2 919	2 892	3 055	3 239
Machinery and Equipment		2 165	3 224	3 779	3 164	2 919	2 919	2 892	3 055	3 239
<b>Transport Assets</b>		560	655	852	949	899	899	950	998	1 055
Transport Assets		560	655	852	949	899	899	950	998	1 055
<b>Total Repairs and Maintenance Expenditure</b>	1	12 770	15 030	17 001	21 827	49 718	49 718	23 946	25 344	26 862

For the 2023/2024 financial year 60.53 % or R14.4 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received 22.64 % (R5.2 million), road infrastructure receives the bulk being 20.50 % (R4.9 million), sanitation 3.29 % (R0.768million) and water 14.08 % (R3.3 million). Community assets and buildings and facilities have been allocated R4.2 million of total repairs and maintenance equating to 17% of the repairs and maintenance materials budget.

### **1.5.2 Free Basic Services: Basic Social Services Package**

The social package assists households that have earnings below the poverty threshold as defined by the national treasury of 2 times the government old age pension (or R4200), 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 Oudtshoorn Municipality's Indigent Policy. It is estimated that approximately 7900 households will receive subsidy on tariffs and rates in the 2023/24 financial year by means of the full basket of services given as Indigent subsidies. The estimated expenditure on free and subsidized services, inclusive of assessment rate rebates will exceed R76.9 million for the 2023/24 financial year.

The performance on delivery of housing is adding to the quantum of subsidized services as the bulk of new customers qualify to be subsidized. A significant burden is placed on revenue streams as the revenue base is not growing sufficiently to sustain the growing number of free services. The subsidy in respect of free services will be paid strictly in accordance with the national norms and within the limitations of the equitable share that the municipality receives from the national fiscus. The indigent process is one of self-registration therefore households needing assistance must annually apply for the subsidy. 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 27 MBRR A10 (Basic Service Delivery Measurement)

The cost of the social package of the registered indigent households is largely financed by the national government through the local government equitable share received in terms of the annual Division of Revenue Act. The equitable share is therefore proportionately divided between the rates and other services delivery votes as a subsidy towards the services. It needs to be mentioned that the current number of registered indigent households exceeds 7500 and represents approximately 50% of the current customer base.

### **1.5.3 Cango Caves**

The Cango Caves are included as a municipal department in the municipal budget as classified in accordance with the GFS. The caves are run as a municipal function and revenue accrues to the general municipal revenue account and expenditure is accounted for through municipal expenditure votes.

A net operating deficit of R97 800 is budgeted for the 2023/24, still not in full recovery after the devastating effect of the Covid 19 lockdown on the tourism trade worldwide. Employee related cost being the main cost driver of the Cango Caves.

Admission fees tariffs increases are prosed at 11.7% for the 2 years 2022/23 and 2023/24, whereafter a new cost reflective tariff study will have to be considered to be financially sustainable. It must be noted the admission fees has improved since 2021, providing some hope that the tourism industry in Oudtshoorn is recovering. Cango Caves have always been a mainstay on all Garden Route and Klein Karoo travel packages/itineraries which makes it easy to sell to the

international wholesalers. That being said, our rates have to be competitive and affordable to ensure long-term business.

The marketing plan for the financial year will be approved by council and compiled by the board of trustees. An amount in excess of R693 000 has been set aside for advertising, marketing, publicity and related expenditure which includes local and international travelling cost. This plan will focus on the sustainability of the Cango Caves as the main tourism attraction of the town, due to the decline in the global and domestic environment. Provincial Treasury have indicated that they are in process of assisting with a feasibility study of the Cango Caves and will allocate a R1.5 million towards this plan to assist in recovery for the next financial year.

## 1.6 Capital expenditure

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

CAPITAL BUDGET MTREF 2022/23 ( PER PROJECT, VOTE AND FUNDING SOURCE)				59 489 500	51 258 600	49 717 800
PROJECT DESCRIPTION	FUNDING SOURCE	A5 MUNICIPAL VOTE	BUDGET 2023/2	BUDGET YEAR 2024/25	BUDGET YEAR 2025/26	
OFFICE FURNITURE EQUIPMENT	Internally generated funds	Vote 4 - Financial Services	50 000	-	-	
COMPUTER AND SOFTWARE	Internally generated funds	Vote 4 - Financial Services	300 000	1 250 000	750 000	
COMPUTER AND SOFTWARE	Internally generated funds	Vote 4 - Financial Services	100 000	50 000	50 000	
UPGRADING : N A SMIT SWIMMING POOL	Internally generated funds	Vote 5 - Community Services	-	1 300 000	-	
OFFICE FURNITURE EQUIPMENT	Internally generated funds	Vote 3 - Corporate Services	250 000	150 000	200 000	
UPGRADING OF BUILDING - CHURCH STREET STORES	Internally generated funds	Vote 4 - Financial Services	300 000	-	-	
OFFICE FURNITURE EQUIPMENT	Internally generated funds	Vote 8 - Planning and Development	100 000	-	-	
UPGRADING OF AIRPORT	Internally generated funds	Vote 8 - Planning and Development	100 000	-	-	
3X AIRCONDITIONERS	Internally generated funds	Vote 8 - Planning and Development	60 000	-	-	
UPGRADING OF BUILDING - ANIMAL POUND	Internally generated funds	Vote 5 - Community Services	-	-	1 200 000	
OFFICE FURNITURE EQUIPMENT	Internally generated funds	Vote 2 - Office of the Municipal Mar	30 000	-	-	
EQUIPMENT	Internally generated funds	Vote 5 - Community Services	-	-	300 000	
BAKKIES - DOUBLE CABES X 3	Internally generated funds	Vote 5 - Community Services	800 000	-	-	
FURNITURE AND SMALL EQUIPMENT	Internally generated funds	Vote 8 - Planning and Development	100 000	-	-	
UPGRADING SPORT FACILITY-BONGOLETHU SPORTSGROUND	National Government	Vote 5 - Community Services	8 695 600	-	-	
DE JAGER SPORTSTADIUM EQUIPMENT	Internally generated funds	Vote 5 - Community Services	500 000	500 000	-	
REHAB STREETS STORMWATER-MIG	National Government	Vote 6 - Infrastructure Services	-	21 710 800	22 600 400	
PAVING OF STREETS	National Government	Vote 6 - Infrastructure Services	9 850 700	-	-	
REHAB STREETS STORMWATER - OUDTSHOORN	Borrowing	Vote 6 - Infrastructure Services	4 000 000	4 000 000	4 000 000	
REFURBISHMENT OF PLANT EQUIPMENT	Internally generated funds	Vote 6 - Infrastructure Services	350 000	500 000	500 000	
PIPE REPLACEMENT	Borrowing	Vote 6 - Infrastructure Services	3 000 000	3 000 000	3 000 000	
REHABILITATE ASBESTOS/CEMENT WATER PIPES	National Government	Vote 6 - Infrastructure Services	2 310 700	-	-	
EQUIPMENT	Internally generated funds	Vote 6 - Infrastructure Services	1 000 000	1 000 000	1 000 000	
ROSEVALLEY BULK INFRASTRUCTURE	National Government	Vote 6 - Infrastructure Services	-	4 347 800	5 217 400	
KKRWSS: REFURBISHMENTS OF NETWORK, RESERVOIRS AN	National Government	Vote 6 - Infrastructure Services	8 695 700	-	-	
KKRWSS: METER REPLACEMENT	Internally generated funds	Vote 6 - Infrastructure Services	1 500 000	1 500 000	1 500 000	
UPGRADING SPORT FACILITY-BONGOLETHU SPORTSGRO	Internally generated funds	Vote 5 - Community Services	2 195 100	-	-	
UPGRADING OF MUNICIPAL OFFICES MAIN BUILDING	Internally generated funds	Vote 5 - Community Services	-	-	700 000	
DIGGER LOADER	Borrowing	Vote 5 - Community Services	-	1 500 000	-	
EQUIPMENT	Internally generated funds	Vote 6 - Infrastructure Services	300 000	-	-	
UPGRADING 11 KV	Borrowing	Vote 6 - Infrastructure Services	2 000 000	2 000 000	2 000 000	
BUILDING ALTERNATIONS FIRE BRIGADE	Internally generated funds	Vote 5 - Community Services	900 000	-	-	
KKRWSS: SUPPLY OF WATER TO REMOTE AREAS	Borrowing	Vote 6 - Infrastructure Services	2 500 000	2 500 000	2 500 000	
COMPACTOR (X 2)	Borrowing	Vote 5 - Community Services	-	-	2 000 000	
SUCTION TRUCK	Borrowing	Vote 6 - Infrastructure Services	3 700 000	-	-	
GENERATOR - THUSONG CENTRE	Internally generated funds	Vote 8 - Planning and Development	90 000	-	-	
100 KVA 3 PHASE GENERATOR	Internally generated funds	Vote 4 - Financial Services	350 000	-	-	
SOUND EQUIPMENT	Internally generated funds	Vote 8 - Planning and Development	50 000	-	-	
UPGRADING OF MUNICIPAL OFFICES MAIN BUILDING	Internally generated funds	Vote 3 - Corporate Services	250 000	350 000	400 000	
FENCING BRIDGTON & BONGOLETHU LIBRARIES	Provincial Government	Vote 5 - Community Services	-	800 000	-	
UPGRADING TESTING CENTRE	Borrowing	Vote 5 - Community Services	2 000 000	-	-	
REHAB OF SPORTS FIELD LIGHTING	Internally generated funds	Vote 5 - Community Services	-	1 200 000	-	
UPGRADING SPORT FACILITY-DE RUST	Internally generated funds	Vote 5 - Community Services	800 000	-	-	
UPGRADING OF DEPO	Borrowing	Vote 5 - Community Services	-	1 500 000	-	
UPGRADING LEMON & LIME	Borrowing	Vote 5 - Community Services	-	1 000 000	-	
UPGRADE DYSELSDORP SPORTSFIELD	Internally generated funds	Vote 5 - Community Services	-	-	800 000	
TIME AND ATTENDANCE	Internally generated funds	Vote 3 - Corporate Services	300 000	300 000	200 000	
UPGRADE OF CAVES BUILDING	Internally generated funds	Vote 8 - Planning and Development	200 000	800 000	800 000	
COMPUTER AND SOFTWARE	Internally generated funds	Vote 8 - Planning and Development	100 000	-	-	
BUILDING ALTERNATIONS FIRE BRIGADE	Provincial Government	Vote 5 - Community Services	1 661 700	-	-	

**Table 15 2023/24 Medium-term capital budget per vote**

Vote Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services		357	-	359	16 946	11 695	11 695	11 695	11 691	-	800
Vote 6 - Infrastructure Services		24 938	-	43 361	54 540	69 999	69 999	69 999	19 511	33 559	35 318
Vote 7 - Human Settlement		4 348	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		-	-	-	-	-	-	-	200	800	800
<b>Capital multi-year expenditure sub-total</b>	7	<b>29 643</b>	<b>-</b>	<b>43 720</b>	<b>71 486</b>	<b>81 694</b>	<b>81 694</b>	<b>81 694</b>	<b>31 402</b>	<b>34 359</b>	<b>36 918</b>
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		1 304	108	38	-	-	-	-	30	-	-
Vote 3 - Corporate Services		-	20	31	48	198	198	198	800	800	800
Vote 4 - Financial Services		1 489	1 463	1 563	875	1 263	1 263	1 263	1 100	1 300	800
Vote 5 - Community Services		2 082	5 204	12 549	5 689	6 112	6 112	6 112	5 862	7 800	4 200
Vote 6 - Infrastructure Services		37 613	68 771	19 036	13 800	25 095	25 095	25 095	19 696	7 000	7 000
Vote 7 - Human Settlement		-	-	-	50	50	50	50	-	-	-
Vote 8 - Planning and Development		1 149	1 195	519	100	2 202	2 202	2 202	600	-	-
<b>Capital single-year expenditure sub-total</b>		<b>43 636</b>	<b>76 761</b>	<b>33 735</b>	<b>20 562</b>	<b>34 920</b>	<b>34 920</b>	<b>34 920</b>	<b>28 087</b>	<b>16 900</b>	<b>12 800</b>
<b>Total Capital Expenditure - Vote</b>		<b>73 279</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		2 793	1 591	1 631	923	1 461	1 461	1 461	2 230	2 900	2 400
Executive and council		1 304	97	38	-	-	-	-	330	800	800
Finance and administration		1 489	1 483	1 594	923	1 461	1 461	1 461	1 900	2 100	1 600
Internal audit		-	11	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		6 787	5 204	11 483	22 684	17 857	17 857	17 857	17 652	6 300	3 000
Community and social services		1 101	4 207	8 053	1 816	2 055	2 055	2 055	-	3 300	1 900
Sport and recreation		746	493	3 175	19 500	14 330	14 330	14 330	12 291	3 000	800
Public safety		593	503	255	1 318	1 422	1 422	1 422	5 362	-	300
Housing		4 348	-	-	50	50	50	50	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		11 562	18 186	13 854	12 840	14 625	14 625	14 625	14 551	25 711	26 600
Planning and development		1 149	1 195	519	100	2 202	2 202	2 202	400	-	-
Road transport		10 413	16 991	13 335	12 740	12 423	12 423	12 423	14 151	25 711	26 600
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		52 138	51 780	50 486	55 600	82 672	82 672	82 672	25 056	16 348	17 717
Energy sources		10 233	2 947	9 667	6 250	11 556	11 556	11 556	3 000	7 348	8 217
Water management		37 759	41 224	38 376	48 100	69 866	69 866	69 866	18 006	7 000	7 000
Waste water management		4 145	7 609	1 020	1 250	1 250	1 250	1 250	4 050	500	500
Waste management		-	-	1 424	-	-	-	-	-	1 500	2 000
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	<b>73 279</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>
<b>Funded by:</b>											
National Government		55 500	49 072	33 325	59 790	64 220	64 220	64 220	29 553	26 059	27 818
Provincial Government		-	2 928	7 361	400	6 300	6 300	6 300	1 662	800	-
District Municipality		-	-	-	-	104	104	104	-	-	-
allocations) (Nat/ Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		62	-	96	166	405	405	405	-	-	-
<b>Transfers recognised - capital</b>	4	<b>55 563</b>	<b>52 000</b>	<b>40 783</b>	<b>60 356</b>	<b>71 029</b>	<b>71 029</b>	<b>71 029</b>	<b>31 214</b>	<b>26 859</b>	<b>27 818</b>
<b>Borrowing</b>	6	<b>8 670</b>	<b>15 643</b>	<b>25 582</b>	<b>20 700</b>	<b>26 793</b>	<b>26 793</b>	<b>26 793</b>	<b>17 200</b>	<b>15 500</b>	<b>13 500</b>
<b>Internally generated funds</b>		<b>9 047</b>	<b>9 117</b>	<b>11 091</b>	<b>10 991</b>	<b>18 793</b>	<b>18 793</b>	<b>18 793</b>	<b>11 075</b>	<b>8 900</b>	<b>8 400</b>
<b>Total Capital Funding</b>	7	<b>73 279</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>

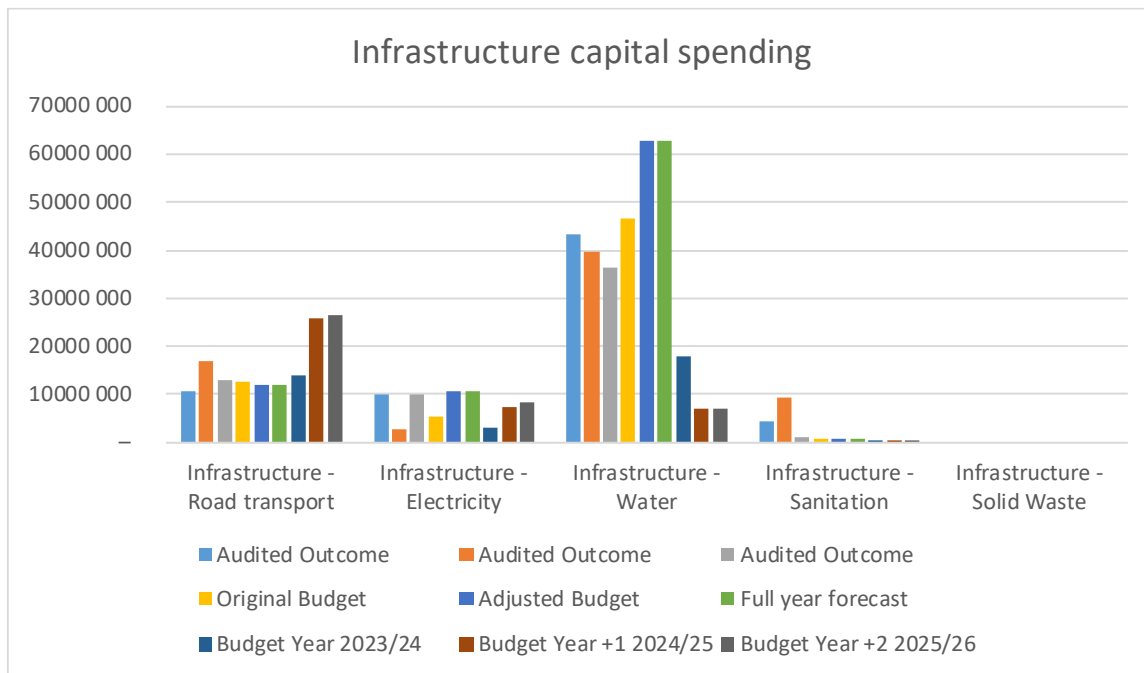
An amount of R 35.8 million has been appropriated for the development and refurbishment of infrastructure which represents the bulk of the capital budget for 2023/24.

New assets represent R10.7 million of the total capital budgets while asset renewal and upgrading makes up the remainder. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management). In addition to the MBRR

Table A9, MBRR Tables SA34 a,b,c,d,e provides a detailed breakdown of the capital program relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Following a list of projects to be undertaken over the medium-term in SA36.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

**Figure 2 Capital Infrastructure Program**



**1.7 Annual Budget Tables – Municipality**

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 2023/24 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing/next page.

**Table 16 MBRR Table A1 - Budget Summary**

<b>WC045 Oudtshoorn - Table A1 Budget Summary</b>										
Description	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	92 909	97 889	104 563	116 458	116 155	116 155	116 155	127 770	140 547	154 602
Service charges	340 097	355 459	406 821	438 314	411 020	411 020	411 020	483 092	533 035	588 168
Investment revenue	10 999	5 749	6 818	5 988	5 988	5 988	5 988	6 407	6 734	7 137
Transfer and subsidies - Operational	94 949	103 919	96 933	102 682	130 046	130 046	130 046	112 342	116 234	122 313
Other own revenue	60 696	29 772	43 277	41 978	53 889	53 889	53 889	114 048	118 480	125 824
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>599 650</b>	<b>592 788</b>	<b>658 413</b>	<b>705 420</b>	<b>717 098</b>	<b>717 098</b>	<b>717 098</b>	<b>843 659</b>	<b>915 029</b>	<b>998 043</b>
Employee costs	250 142	254 503	269 646	287 809	292 117	292 117	292 117	321 513	340 577	360 853
Remuneration of councillors	11 213	10 983	10 860	11 936	11 936	11 936	11 936	12 485	13 234	14 028
Depreciation and amortisation	39 759	42 463	45 974	43 851	46 388	46 388	46 388	50 262	50 596	53 632
Interest	5 977	5 592	6 959	10 552	6 453	6 453	6 453	6 956	7 355	8 707
Inventory consumed and bulk purchases	183 291	195 764	231 194	254 743	281 665	281 665	281 665	328 090	361 582	400 099
Transfers and subsidies	4 575	1 901	3 402	3 092	2 992	2 992	2 992	2 909	3 055	3 208
Other expenditure	112 296	101 681	110 533	123 162	146 730	146 730	146 730	154 283	159 582	168 909
<b>Total Expenditure</b>	<b>607 251</b>	<b>612 886</b>	<b>678 568</b>	<b>735 144</b>	<b>788 280</b>	<b>788 280</b>	<b>788 280</b>	<b>876 497</b>	<b>935 981</b>	<b>1 009 435</b>
<b>Surplus/(Deficit)</b>	<b>(7 602)</b>	<b>(20 098)</b>	<b>(20 155)</b>	<b>(29 725)</b>	<b>(71 182)</b>	<b>(71 182)</b>	<b>(71 182)</b>	<b>(32 838)</b>	<b>(20 952)</b>	<b>(11 392)</b>
Transfers and subsidies - capital (monetary allocations)	63 182	59 409	45 911	69 325	81 563	81 563	81 563	35 897	29 968	31 991
Transfers and subsidies - capital (in-kind)	62	39 067	266	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>55 642</b>	<b>78 378</b>	<b>26 022</b>	<b>39 600</b>	<b>10 381</b>	<b>10 381</b>	<b>10 381</b>	<b>3 058</b>	<b>9 016</b>	<b>20 599</b>
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>55 642</b>	<b>78 378</b>	<b>26 022</b>	<b>39 600</b>	<b>10 381</b>	<b>10 381</b>	<b>10 381</b>	<b>3 058</b>	<b>9 016</b>	<b>20 599</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>73 279</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>
Transfers recognised - capital	55 563	52 000	40 783	60 356	71 029	71 029	71 029	31 214	26 859	27 818
Borrowing	8 670	15 643	25 582	20 700	26 793	26 793	26 793	17 200	15 500	13 500
Internally generated funds	9 047	9 117	11 091	10 991	18 793	18 793	18 793	11 075	8 900	8 400
<b>Total sources of capital funds</b>	<b>73 279</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>
<b>Financial position</b>										
Total current assets	232 822	193 048	232 658	163 783	141 320	141 320	141 320	141 133	153 954	181 165
Total non current assets	887 220	1 034 984	1 084 280	1 106 074	1 154 507	1 154 507	1 154 507	1 163 735	1 164 398	1 160 484
Total current liabilities	183 941	123 244	154 915	109 536	115 130	115 130	115 130	116 131	117 038	117 886
Total non current liabilities	158 035	185 159	216 372	201 414	224 664	224 664	224 664	229 646	233 206	235 058
Community wealth/Equity	778 066	919 630	945 651	958 907	956 033	956 033	956 033	959 091	968 107	988 706
<b>Cash flows</b>										
Net cash from (used) operating	123 636	12 438	93 060	36 340	24 136	24 136	24 136	47 470	52 161	64 967
Net cash from (used) investing	(70 896)	(76 761)	(70 239)	(91 511)	(115 964)	(115 964)	(115 964)	(59 127)	(50 955)	(49 440)
Net cash from (used) financing	1 898	2 502	5 144	2 200	2 200	2 200	2 200	(1 300)	(3 000)	(5 000)
<b>Cash/cash equivalents at the year end</b>	<b>177 787</b>	<b>115 967</b>	<b>143 933</b>	<b>47 476</b>	<b>54 305</b>	<b>54 305</b>	<b>54 305</b>	<b>41 349</b>	<b>39 555</b>	<b>50 082</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	177 787	115 967	143 933	47 475	54 305	54 305	54 305	41 349	39 554	50 082
Application of cash and investments	56 273	21 786	5 564	(32 634)	1 478	6 552	6 552	(5 084)	(18 086)	(33 140)
<b>Balance - surplus (shortfall)</b>	<b>121 514</b>	<b>94 181</b>	<b>138 369</b>	<b>80 110</b>	<b>52 827</b>	<b>47 753</b>	<b>47 753</b>	<b>46 433</b>	<b>57 640</b>	<b>83 222</b>
<b>Asset management</b>										
Asset register summary (WDV)	887 220	1 034 984	1 084 280	1 106 074	1 154 507	1 154 507	1 163 735	1 164 398	1 160 484	-
Depreciation	39 759	42 463	45 974	43 851	46 388	46 388	50 262	50 596	53 632	-
Renewal and Upgrading of Existing Assets	29 664	52 478	42 188	46 921	52 560	52 560	46 448	39 361	38 000	-
Repairs and Maintenance	12 770	15 030	17 001	21 827	50 221	50 221	23 946	25 344	26 862	-
<b>Free services</b>										
Cost of Free Basic Services provided	42 873	46 489	50 240	55 630	54 211	54 211	67 859	67 859	74 981	82 856
Revenue cost of free services provided	7 181	6 669	8 388	9 189	9 389	9 389	10 192	10 192	11 075	12 046
<b>Households below minimum service level</b>										
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 Oudtshoorn 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 emphasize 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 operating surplus/deficit (after Total Expenditure) is negative over the MTREF
  - b. Capital expenditure is funded only by grant funding
    - i. Transfers recognized is reflected on the Financial Performance Budget;
    - ii. No borrowing is taken up for the MTREF
    - iii. No internally generated funds are available for capital funding.
4. The Cash backing/surplus reconciliation shows that the municipality is not in a position to currently cash back any of its non-provisions or other obligations.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

**Table 17 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

WC045 Oudtshoorn - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)										
Functional Classification Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue - Functional</b>										
<b>Governance and administration</b>		185 222	210 533	187 073	205 645	214 390	214 390	234 439	250 657	270 901
Executive and council		86 163	69 472	78 243	84 985	93 132	93 132	100 172	105 514	111 456
Finance and administration		99 060	141 061	108 830	120 661	121 258	121 258	134 267	145 143	159 445
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		36 865	23 925	29 047	18 271	20 889	20 889	23 129	22 357	23 629
Community and social services		6 669	9 198	14 019	8 006	8 280	8 280	7 861	8 168	8 536
Sport and recreation		1 265	110	1 848	281	1 176	1 176	1 253	1 309	1 388
Public safety		17 362	14 136	11 891	9 984	11 433	11 433	14 015	12 880	13 706
Housing		11 569	481	1 288	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		20 729	28 542	24 646	34 760	36 630	36 630	27 210	26 570	27 598
Planning and development		798	875	130	-	1 870	1 870	120	150	145
Road transport		19 931	27 667	24 517	34 760	34 760	34 760	27 090	26 420	27 453
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		420 077	428 263	463 823	516 068	526 753	526 753	594 777	645 413	707 906
Energy sources		243 586	249 897	297 348	310 879	290 575	290 575	329 402	367 057	403 761
Water management		104 952	103 579	89 010	114 462	155 215	155 215	161 180	164 277	179 671
Waste water management		43 439	45 798	47 501	57 933	45 859	45 859	59 350	65 016	71 011
Waste management		28 099	28 988	29 964	32 795	35 105	35 105	44 845	49 062	53 464
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	662 894	691 264	704 589	774 745	798 661	798 661	879 555	944 997	1 030 034
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		144 208	142 254	153 488	180 950	191 710	191 710	212 953	223 014	236 159
Executive and council		75 136	68 416	77 657	77 936	86 403	86 403	102 165	107 870	114 082
Finance and administration		67 195	71 554	73 320	100 301	102 555	102 555	107 957	112 144	118 898
Internal audit		1 878	2 284	2 510	2 713	2 751	2 751	2 830	3 000	3 180
<b>Community and public safety</b>		104 581	104 134	112 265	119 146	115 886	115 886	125 255	133 769	141 939
Community and social services		21 090	22 376	21 920	25 207	25 231	25 231	24 045	25 479	27 007
Sport and recreation		32 986	32 319	37 144	40 838	38 457	38 457	48 741	51 565	54 701
Public safety		35 930	37 647	39 900	37 355	37 138	37 138	37 379	41 311	43 896
Housing		14 575	11 791	13 301	15 745	15 059	15 059	15 091	15 413	16 335
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		53 046	54 651	55 150	64 547	89 958	89 958	64 207	64 559	68 455
Planning and development		19 776	19 177	21 262	24 937	24 188	24 188	19 730	20 425	21 607
Road transport		33 270	35 474	33 888	39 610	65 770	65 770	44 476	44 134	46 848
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		305 416	311 847	357 665	370 501	390 726	390 726	474 084	514 639	562 882
Energy sources		200 313	211 021	243 722	265 841	267 457	267 457	291 467	323 662	359 951
Water management		51 990	55 709	56 267	45 222	55 869	55 869	115 660	120 502	127 975
Waste water management		26 069	24 271	27 454	28 083	31 936	31 936	30 133	31 657	33 609
Waste management		27 044	20 846	30 221	31 355	35 464	35 464	36 823	38 818	41 348
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	607 251	612 886	678 568	735 144	788 280	788 280	876 497	935 981	1 009 435
<b>Surplus/(Deficit) for the year</b>		55 642	78 378	26 022	39 600	10 381	10 381	3 058	9 016	20 599

**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 15 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 the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water but not for the waste management function. Administrative functions have not been charged to the respective service delivery departments and therefore an unintended cross subsidization of rates and general services takes place. Surpluses generated by the service delivery departments are absorbed in the general operations through the allocation of administrative and other overhead cost associated with governance.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under governance and administration.

**Table 18 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

WC045 Oudtshoorn - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)										
Vote Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - Executive & Council		55 420	64 714	62 971	68 175	69 170	69 170	-	-	-
Vote 2 - Office of the Municipal Manager		16 231	4 758	7 134	8 810	15 963	15 963	82 901	88 668	93 644
Vote 3 - Corporate Services		1 519	890	744	698	998	998	699	699	699
Vote 4 - Financial Services		112 052	140 171	116 225	127 963	128 260	128 260	132 572	143 349	157 542
Vote 5 - Community Services		53 395	52 433	57 723	51 066	55 993	55 993	66 722	70 110	75 705
Vote 6 - Infrastructure Services		411 909	426 941	458 375	518 033	526 408	526 408	577 022	622 770	681 895
Vote 7 - Human Settlement		11 569	481	1 288	-	-	-	-	-	-
Vote 8 - Planning and Development		798	875	130	-	1 870	1 870	19 639	19 400	20 549
<b>Total Revenue by Vote</b>	2	<b>662 894</b>	<b>691 264</b>	<b>704 589</b>	<b>774 745</b>	<b>798 661</b>	<b>798 661</b>	<b>879 555</b>	<b>944 997</b>	<b>1 030 034</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Executive & Council		58 350	51 005	60 529	56 047	65 215	65 215	-	-	-
Vote 2 - Office of the Municipal Manager		19 527	20 648	20 638	25 727	25 066	25 066	95 526	100 997	106 796
Vote 3 - Corporate Services		25 100	24 256	25 183	28 184	30 733	30 733	29 281	31 028	32 875
Vote 4 - Financial Services		38 004	42 237	42 204	65 478	64 259	64 259	60 584	61 930	65 617
Vote 5 - Community Services		117 374	113 246	129 288	134 756	136 291	136 291	140 562	149 834	159 154
Vote 6 - Infrastructure Services		314 546	330 526	366 163	384 271	427 469	427 469	490 156	529 417	578 481
Vote 7 - Human Settlement		14 575	11 791	13 301	15 745	15 059	15 059	-	-	-
Vote 8 - Planning and Development		19 776	19 177	21 262	24 937	24 188	24 188	60 388	62 775	66 513
<b>Total Expenditure by Vote</b>	2	<b>607 251</b>	<b>612 886</b>	<b>678 568</b>	<b>735 144</b>	<b>788 280</b>	<b>788 280</b>	<b>876 497</b>	<b>935 981</b>	<b>1 009 435</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>55 642</b>	<b>78 378</b>	<b>26 022</b>	<b>39 600</b>	<b>10 381</b>	<b>10 381</b>	<b>3 058</b>	<b>9 016</b>	<b>20 599</b>

**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 organizational structure of Oudtshoorn Municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

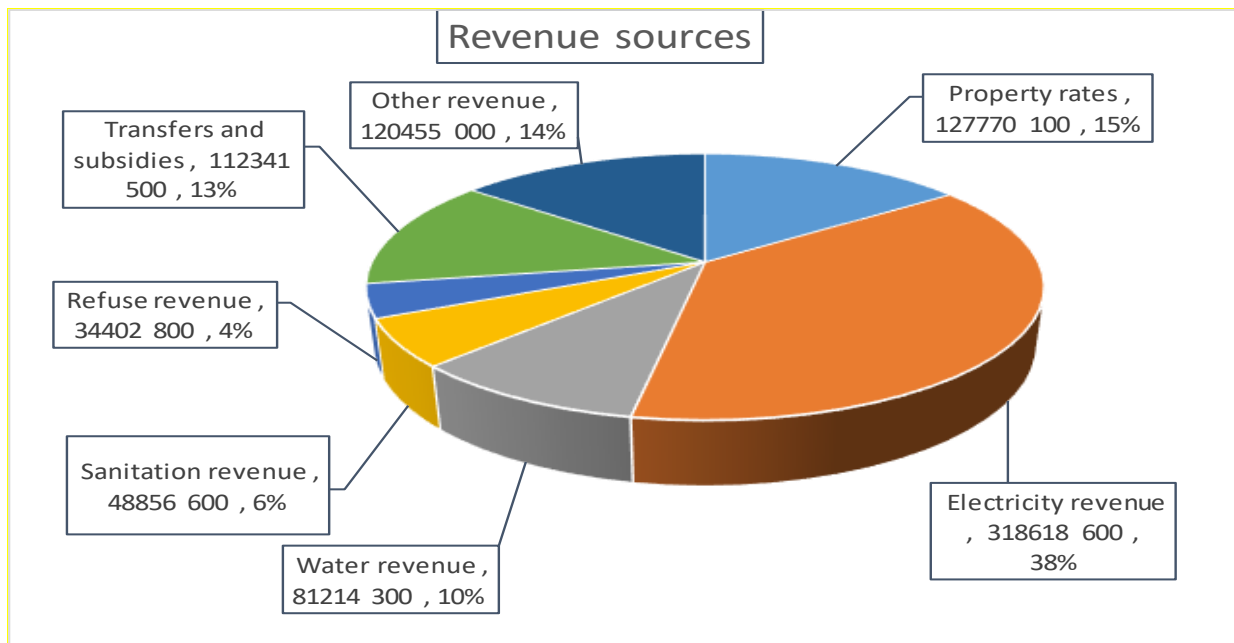
WC045 Oudtshoorn - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	228 562	240 008	282 104	300 621	276 819	276 819	276 819	318 619	350 481	385 528
Service charges - Water	2	58 695	60 129	65 273	65 835	72 528	72 528	72 528	81 214	90 969	101 896
Service charges - Waste Water Management	2	34 069	36 028	38 465	48 443	36 190	36 190	36 190	48 857	53 742	59 117
Service charges - Waste Management	2	18 772	19 294	20 979	23 414	25 484	25 484	25 484	34 403	37 843	41 628
Sale of Goods and Rendering of Services		21 198	10 181	13 752	15 018	22 462	22 462	22 462	25 118	25 159	26 630
Agency services		4 637	5 832	5 628	5 656	6 967	6 967	6 967	7 454	7 976	8 535
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		4 732	3 258	6 478	6 389	8 641	8 641	8 641	9 246	9 893	10 586
Interest earned from Current and Non Current Assets		10 999	5 749	6 818	5 988	5 988	5 988	5 988	6 407	6 734	7 137
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		2 289	1 451	1 959	1 669	2 368	2 368	2 368	2 534	2 649	2 808
Licence and permits		246	254	265	397	416	416	416	445	446	446
Operational Revenue		779	455	491	461	642	642	642	681	722	765
<b>Non-Exchange Revenue</b>											
Property rates	2	92 909	97 889	104 563	116 458	116 155	116 155	116 155	127 770	140 547	154 602
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		12 303	8 341	6 565	4 389	4 393	4 393	4 393	4 700	4 982	5 281
Licences or permits		-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		94 949	103 919	96 933	102 682	130 046	130 046	130 046	112 342	116 234	122 313
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		462	-	2 366	-	-	-	-	-	-	-
Other Gains		14 050	-	5 772	8 000	8 000	8 000	8 000	63 870	66 653	70 773
Discontinued Operations											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>599 650</b>	<b>592 788</b>	<b>658 413</b>	<b>705 420</b>	<b>717 098</b>	<b>717 098</b>	<b>717 098</b>	<b>843 659</b>	<b>915 029</b>	<b>998 043</b>
<b>Expenditure</b>											
Employee related costs	2	250 142	254 503	269 646	287 809	292 117	292 117	292 117	321 513	340 577	360 853
Remuneration of councillors		11 213	10 983	10 860	11 936	11 936	11 936	11 936	12 485	13 234	14 028
Bulk purchases - electricity	2	167 109	176 490	209 247	227 670	226 001	226 001	226 001	249 000	278 880	312 346
Inventory consumed	8	16 182	19 274	21 948	27 073	55 664	55 664	55 664	79 090	82 702	87 753
Debt impairment	3	13 081	(12 412)	(1 064)	(13 580)	(3 370)	(3 370)	(3 370)	(3 573)	(3 787)	(4 014)
Depreciation and amortisation		39 759	42 463	45 974	43 851	46 388	46 388	46 388	50 262	50 596	53 632
Interest		5 977	5 592	6 959	10 552	6 453	6 453	6 453	6 956	7 355	8 707
Contracted services		21 970	22 844	25 758	43 138	41 639	41 639	41 639	41 500	43 501	46 111
Transfers and subsidies		4 575	1 901	3 402	3 092	2 992	2 992	2 992	2 909	3 055	3 208
Irrecoverable debts written off		24 386	34 366	25 398	23 118	35 048	35 048	35 048	20 118	21 325	22 605
Operational costs		52 003	48 006	53 184	62 486	65 413	65 413	65 413	81 474	83 020	87 739
Losses on disposal of Assets		769	1 086	7 257	-	-	-	-	-	-	-
Other Losses		86	7 790	-	8 000	8 000	8 000	8 000	14 764	15 523	16 469
<b>Total Expenditure</b>		<b>607 251</b>	<b>612 886</b>	<b>678 568</b>	<b>735 144</b>	<b>788 280</b>	<b>788 280</b>	<b>788 280</b>	<b>876 497</b>	<b>935 981</b>	<b>1 009 435</b>
<b>Surplus/(Deficit)</b>		<b>(7 602)</b>	<b>(20 098)</b>	<b>(20 155)</b>	<b>(29 725)</b>	<b>(71 182)</b>	<b>(71 182)</b>	<b>(71 182)</b>	<b>(32 838)</b>	<b>(20 952)</b>	<b>(11 392)</b>
Transfers and subsidies - capital (monetary allocations)	6	63 182	59 409	45 911	69 325	81 563	81 563	81 563	35 897	29 968	31 991
Transfers and subsidies - capital (in-kind)	6	62	39 067	266	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>55 642</b>	<b>78 378</b>	<b>26 022</b>	<b>39 600</b>	<b>10 381</b>	<b>10 381</b>	<b>10 381</b>	<b>3 058</b>	<b>9 016</b>	<b>20 599</b>
Income Tax		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>55 642</b>	<b>78 378</b>	<b>26 022</b>	<b>39 600</b>	<b>10 381</b>	<b>10 381</b>	<b>10 381</b>	<b>3 058</b>	<b>9 016</b>	<b>20 599</b>
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>55 642</b>	<b>78 378</b>	<b>26 022</b>	<b>39 600</b>	<b>10 381</b>	<b>10 381</b>	<b>10 381</b>	<b>3 058</b>	<b>9 016</b>	<b>20 599</b>
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>1</b>	<b>55 642</b>	<b>78 378</b>	<b>26 022</b>	<b>39 600</b>	<b>10 381</b>	<b>10 381</b>	<b>10 381</b>	<b>3 058</b>	<b>9 016</b>	<b>20 599</b>

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

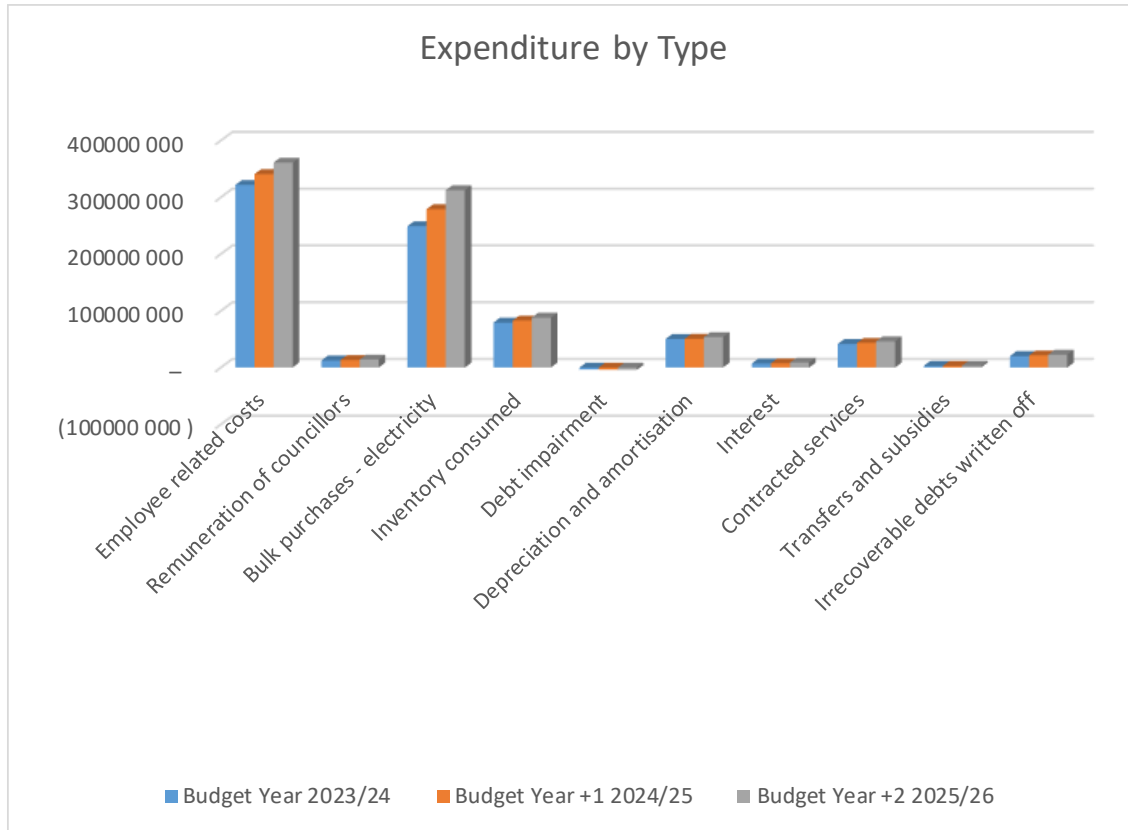
1. Total revenue excluding capital grants is R690 million in 2022/23 and increases to R843 million by 2023/24. This represents a year-on-year increase of 18% for the 2023/24 financial year, but this includes non-financial water inventory gains now compulsory in terms of mSCOA V6.7.
2. Revenue to be generated from property rates is R116 million in the 2022/23 financial year and increases to R127 million by 2023/24 which represents 10% of the operating revenue base of Oudtshoorn Municipality, and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of Oudtshoorn Municipality totaling R411 million for the 2022/23 financial year and increasing to R483 million by 2023/24. For the 2023/24 financial year services charges represent 57.26% of the total revenue base.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. Operational grants in the amount of R112 million represent 13% of revenue for the 2023/24 financial year.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Figure 3 Major revenue Sources**

*The following graph illustrates the major revenue items per type*



**The following graph illustrates the major expenditure items per type over the 3-year budget cycle.**



**Figure 4 Expenditure by major type**

Bulk purchases are significantly increasing over the 5-year horizon from R167 million in the 2019/2020 financial year to R249 million in 2023/24. These increases can mainly be attributed to the substantial increase in the cost of bulk electricity from Eskom with very little growth ascribable to the growth of the revenue base.

**Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification, and funding source**

Vote Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services		357	-	359	16 946	11 695	11 695	11 695	11 691	-	800
Vote 6 - Infrastructure Services		24 938	-	43 361	54 540	69 999	69 999	69 999	19 511	33 559	35 318
Vote 7 - Human Settlement		4 348	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		-	-	-	-	-	-	-	200	800	800
<b>Capital multi-year expenditure sub-total</b>	7	<b>29 643</b>	<b>-</b>	<b>43 720</b>	<b>71 486</b>	<b>81 694</b>	<b>81 694</b>	<b>81 694</b>	<b>31 402</b>	<b>34 359</b>	<b>36 918</b>
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		1 304	108	38	-	-	-	-	30	-	-
Vote 3 - Corporate Services		-	20	31	48	198	198	198	800	800	800
Vote 4 - Financial Services		1 489	1 463	1 563	875	1 263	1 263	1 263	1 100	1 300	800
Vote 5 - Community Services		2 082	5 204	12 549	5 689	6 112	6 112	6 112	5 862	7 800	4 200
Vote 6 - Infrastructure Services		37 613	68 771	19 036	13 800	25 095	25 095	25 095	19 696	7 000	7 000
Vote 7 - Human Settlement		-	-	-	50	50	50	50	-	-	-
Vote 8 - Planning and Development		1 149	1 195	519	100	2 202	2 202	2 202	600	-	-
<b>Capital single-year expenditure sub-total</b>		<b>43 636</b>	<b>76 761</b>	<b>33 735</b>	<b>20 562</b>	<b>34 920</b>	<b>34 920</b>	<b>34 920</b>	<b>28 087</b>	<b>16 900</b>	<b>12 800</b>
<b>Total Capital Expenditure - Vote</b>		<b>73 279</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		<b>2 793</b>	<b>1 591</b>	<b>1 631</b>	<b>923</b>	<b>1 461</b>	<b>1 461</b>	<b>1 461</b>	<b>2 230</b>	<b>2 900</b>	<b>2 400</b>
Executive and council		1 304	97	38	-	-	-	-	330	800	800
Finance and administration		1 489	1 483	1 594	923	1 461	1 461	1 461	1 900	2 100	1 600
Internal audit		-	11	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		<b>6 787</b>	<b>5 204</b>	<b>11 483</b>	<b>22 684</b>	<b>17 857</b>	<b>17 857</b>	<b>17 857</b>	<b>17 652</b>	<b>6 300</b>	<b>3 000</b>
Community and social services		1 101	4 207	8 053	1 816	2 055	2 055	2 055	-	3 300	1 900
Sport and recreation		746	493	3 175	19 500	14 330	14 330	14 330	12 291	3 000	800
Public safety		593	503	255	1 318	1 422	1 422	1 422	5 362	-	300
Housing		4 348	-	-	50	50	50	50	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>11 562</b>	<b>18 186</b>	<b>13 854</b>	<b>12 840</b>	<b>14 625</b>	<b>14 625</b>	<b>14 625</b>	<b>14 551</b>	<b>25 711</b>	<b>26 600</b>
Planning and development		1 149	1 195	519	100	2 202	2 202	2 202	400	-	-
Road transport		10 413	16 991	13 335	12 740	12 423	12 423	12 423	14 151	25 711	26 600
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>52 138</b>	<b>51 780</b>	<b>50 486</b>	<b>55 600</b>	<b>82 672</b>	<b>82 672</b>	<b>82 672</b>	<b>25 056</b>	<b>16 348</b>	<b>17 717</b>
Energy sources		10 233	2 947	9 667	6 250	11 556	11 556	11 556	3 000	7 348	8 217
Water management		37 759	41 224	38 376	48 100	69 866	69 866	69 866	18 006	7 000	7 000
Waste water management		4 145	7 609	1 020	1 250	1 250	1 250	1 250	4 050	500	500
Waste management		-	-	1 424	-	-	-	-	-	1 500	2 000
<b>Other</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	3	<b>73 279</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>
<b>Funded by:</b>											
National Government		55 500	49 072	33 325	59 790	64 220	64 220	64 220	29 553	26 059	27 818
Provincial Government		-	2 928	7 361	400	6 300	6 300	6 300	1 662	800	-
District Municipality		-	-	-	-	104	104	104	-	-	-
allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		62	-	96	166	405	405	405	-	-	-
<b>Transfers recognised - capital</b>	4	<b>55 563</b>	<b>52 000</b>	<b>40 783</b>	<b>60 356</b>	<b>71 029</b>	<b>71 029</b>	<b>71 029</b>	<b>31 214</b>	<b>26 859</b>	<b>27 818</b>
<b>Borrowing</b>	6	<b>8 670</b>	<b>15 643</b>	<b>25 582</b>	<b>20 700</b>	<b>26 793</b>	<b>26 793</b>	<b>26 793</b>	<b>17 200</b>	<b>15 500</b>	<b>13 500</b>
<b>Internally generated funds</b>		<b>9 047</b>	<b>9 117</b>	<b>11 091</b>	<b>10 991</b>	<b>18 793</b>	<b>18 793</b>	<b>18 793</b>	<b>11 075</b>	<b>8 900</b>	<b>8 400</b>
<b>Total Capital Funding</b>	7	<b>73 279</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>

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

1. Table A5 is a breakdown of the capital program 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. In relation to multi-year appropriations. Multi-year projects are those projects that will not be commissioned at the end of the financial year but will stretch over more than one financial year.
3. Single-year capital expenditure has been appropriated at R28 million for the 2023/24 financial year and decreases over the MTREF to R16.9 million and decreases to R12.8 million for the outer year of the MTREF.
4. 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 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 Oudtshoorn 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.
5. The capital program is funded mainly from capital grants and transfers as cash flow is limited to utilize own resources for the funding of capital. For 2023/24 financial year capital transfers totals R34.1 million and decreases to R26.8 million by 2024/25 and thereafter increases to R27.8 million by 2025/26. It is envisaged to take up borrowing over the MTREF for a total amount of R46.2 Million, divided into R17.2 Million for 2023/24, R15.5 Million for 2024/25 and R13.5 Million of 2025/26.

**Table 21 MBRR Table A6 - Budgeted Financial Position**

WC045 Oudtshoorn - Table A6 Budgeted Financial Position											
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents		177 787	115 967	143 933	47 475	54 305	54 305	54 305	41 349	39 554	50 082
Trade and other receivables from exchange transactions	1	40 180	59 356	68 639	90 689	67 416	67 416	67 416	75 785	85 484	96 680
Receivables from non-exchange transactions	1	12 501	14 584	15 048	22 191	14 339	14 339	14 339	18 503	23 173	28 405
Current portion of non-current receivables		-	19	23	19	19	19	19	19	19	19
Inventory	2	2 354	3 121	5 015	3 409	5 241	5 241	5 241	5 477	5 723	5 981
VAT		-	-	-	-	-	-	-	-	-	-
Other current assets		-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>		<b>232 822</b>	<b>193 048</b>	<b>232 658</b>	<b>163 783</b>	<b>141 320</b>	<b>141 320</b>	<b>141 320</b>	<b>141 133</b>	<b>153 954</b>	<b>181 165</b>
<b>Non current assets</b>											
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		15 901	16 928	16 769	16 938	16 769	16 769	16 769	16 869	16 869	16 869
Property, plant and equipment	3	856 007	1 003 138	1 052 996	1 074 113	1 123 123	1 123 123	1 123 123	1 132 251	1 132 914	1 129 000
Biological assets		-	-	-	-	-	-	-	-	-	-
Living and non-living resources		-	-	-	-	-	-	-	-	-	-
Heritage assets		13 774	13 774	13 774	13 774	13 774	13 774	13 774	13 774	13 774	13 774
Intangible assets		1 537	1 143	741	1 248	841	841	841	841	841	841
Trade and other receivables from exchange transactions		-	-	-	-	-	-	-	-	-	-
Non-current receivables from non-exchange transactions		-	-	-	-	-	-	-	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>		<b>887 220</b>	<b>1 034 984</b>	<b>1 084 280</b>	<b>1 106 074</b>	<b>1 154 507</b>	<b>1 154 507</b>	<b>1 154 507</b>	<b>1 163 735</b>	<b>1 164 398</b>	<b>1 160 484</b>
<b>TOTAL ASSETS</b>		<b>1 120 042</b>	<b>1 228 032</b>	<b>1 316 938</b>	<b>1 269 857</b>	<b>1 295 827</b>	<b>1 295 827</b>	<b>1 295 827</b>	<b>1 304 868</b>	<b>1 318 352</b>	<b>1 341 650</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft		-	-	-	-	-	-	-	-	-	-
Financial liabilities		13 998	11 556	18 300	11 556	18 300	18 300	18 300	18 300	18 300	18 300
Consumer deposits		10 679	11 139	11 466	11 320	11 320	11 320	11 320	11 320	11 320	11 320
Trade and other payables from exchange transactions	4	123 385	63 006	88 441	44 551	47 453	47 453	47 453	47 209	46 822	46 323
Trade and other payables from non-exchange transactions	5	-	-	-	2 221	153	153	153	153	153	153
Provision		30 764	29 640	31 635	31 985	32 832	32 832	32 832	34 076	35 371	36 717
VAT		5 115	7 903	5 074	7 903	5 074	5 074	5 074	5 074	5 074	5 074
Other current liabilities		-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>		<b>183 941</b>	<b>123 244</b>	<b>154 915</b>	<b>109 536</b>	<b>115 130</b>	<b>115 130</b>	<b>115 130</b>	<b>116 131</b>	<b>117 038</b>	<b>117 886</b>
<b>Non current liabilities</b>											
Financial liabilities	6	37 737	42 681	63 560	46 881	65 760	65 760	65 760	64 460	61 460	56 460
Provision	7	120 298	142 478	152 812	154 533	158 905	158 905	158 905	165 186	171 747	178 598
Long term portion of trade payables		-	-	-	-	-	-	-	-	-	-
Other non-current liabilities		-	-	-	-	-	-	-	-	-	-
<b>Total non current liabilities</b>		<b>158 035</b>	<b>185 159</b>	<b>216 372</b>	<b>201 414</b>	<b>224 664</b>	<b>224 664</b>	<b>224 664</b>	<b>229 646</b>	<b>233 206</b>	<b>235 058</b>
<b>TOTAL LIABILITIES</b>		<b>341 976</b>	<b>308 402</b>	<b>371 287</b>	<b>310 950</b>	<b>339 794</b>	<b>339 794</b>	<b>339 794</b>	<b>345 777</b>	<b>350 245</b>	<b>352 944</b>
<b>NET ASSETS</b>		<b>778 066</b>	<b>919 630</b>	<b>945 651</b>	<b>958 907</b>	<b>956 033</b>	<b>956 033</b>	<b>956 033</b>	<b>959 091</b>	<b>968 107</b>	<b>988 706</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated surplus/(deficit)	8	778 066	919 630	945 651	958 907	956 033	956 033	956 033	959 091	968 107	988 706
Reserves and funds	9	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	10	<b>778 066</b>	<b>919 630</b>	<b>945 651</b>	<b>958 907</b>	<b>956 033</b>	<b>956 033</b>	<b>956 033</b>	<b>959 091</b>	<b>968 107</b>	<b>988 706</b>

**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 (Table 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.

**Table 22 MBRR Table A7 - Budgeted Cash Flow Statement**

WC045 Oudtshoorn - Table A7 Budgeted Cash Flows											
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		92 909	94 474	98 930	110 635	109 185	109 185	109 185	121 382	133 520	146 871
Service charges		340 097	338 494	384 838	427 075	399 673	399 673	399 673	472 619	521 190	574 789
Other revenue		11 691	5 757	22 339	24 586	34 464	34 464	34 464	37 961	38 792	41 143
Transfers and Subsidies - Operational	1	107 834	107 754	89 525	102 682	130 046	130 046	130 046	112 342	116 234	122 313
Transfers and Subsidies - Capital	1	63 417	33 492	83 908	32 675	40 690	40 690	40 690	35 897	29 968	31 991
Interest		9 765	8 793	12 875	5 988	5 988	5 988	5 988	6 407	6 734	7 137
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(492 674)	(570 265)	(591 072)	(653 657)	(686 466)	(686 466)	(686 466)	(729 271)	(783 866)	(847 361)
Interest		(4 687)	(4 161)	(4 881)	(10 552)	(6 453)	(6 453)	(6 453)	(6 956)	(7 355)	(8 707)
Transfers and Subsidies	1	(4 717)	(1 901)	(3 402)	(3 092)	(2 992)	(2 992)	(2 992)	(2 909)	(3 055)	(3 208)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>123 636</b>	<b>12 438</b>	<b>93 060</b>	<b>36 340</b>	<b>24 136</b>	<b>24 136</b>	<b>24 136</b>	<b>47 470</b>	<b>52 161</b>	<b>64 967</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		462	-	2 366	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		(71 358)	(76 761)	(72 605)	(91 511)	(115 964)	(115 964)	(115 964)	(59 127)	(50 955)	(49 440)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(70 896)</b>	<b>(76 761)</b>	<b>(70 239)</b>	<b>(91 511)</b>	<b>(115 964)</b>	<b>(115 964)</b>	<b>(115 964)</b>	<b>(59 127)</b>	<b>(50 955)</b>	<b>(49 440)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		18 000	16 500	20 500	20 700	20 700	20 700	20 700	17 200	15 500	13 500
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing		(16 102)	(13 998)	(15 356)	(18 500)	(18 500)	(18 500)	(18 500)	(18 500)	(18 500)	(18 500)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>1 898</b>	<b>2 502</b>	<b>5 144</b>	<b>2 200</b>	<b>2 200</b>	<b>2 200</b>	<b>2 200</b>	<b>(1 300)</b>	<b>(3 000)</b>	<b>(5 000)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>54 639</b>	<b>(61 820)</b>	<b>27 966</b>	<b>(52 971)</b>	<b>(89 628)</b>	<b>(89 628)</b>	<b>(89 628)</b>	<b>(12 956)</b>	<b>(1 794)</b>	<b>10 527</b>
Cash/cash equivalents at the year begin:	2	123 149	177 787	115 967	100 447	143 933	143 933	143 933	54 305	41 349	39 555
Cash/cash equivalents at the year end:	2	177 787	115 967	143 933	47 476	54 305	54 305	54 305	41 349	39 555	50 082

**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.
3. The cash level of Oudtshoorn Municipality, although positive, remains less than ideal and declines over the MTREF and is based on a 95% collection rate for 2023/24 and outer years.

**Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

WC045 Oudtshoorn - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	177 787	115 967	143 933	47 476	54 305	54 305	54 305	41 349	39 555	50 082
Other current investments > 90 days		0	0	(0)	(0)	(0)	(0)	(0)	-	(0)	-
Non current Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>177 787</b>	<b>115 967</b>	<b>143 933</b>	<b>47 475</b>	<b>54 305</b>	<b>54 305</b>	<b>54 305</b>	<b>41 349</b>	<b>39 554</b>	<b>50 082</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	-	-	-	-	153	153	153
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	5 115	7 903	5 074	-	-	5 074	5 074	5 074	5 074	5 074
Other working capital requirements	3	20 393	(15 757)	(31 144)	(64 619)	(31 354)	(31 354)	(31 354)	(44 387)	(58 683)	(75 084)
Other provisions		30 764	29 640	31 635	31 985	32 832	32 832	32 832	34 076	35 371	36 717
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>56 273</b>	<b>21 786</b>	<b>5 564</b>	<b>(32 634)</b>	<b>1 478</b>	<b>6 552</b>	<b>6 552</b>	<b>(5 084)</b>	<b>(18 086)</b>	<b>(33 140)</b>
<b>Surplus(shortfall)</b>		<b>121 514</b>	<b>94 181</b>	<b>138 369</b>	<b>80 110</b>	<b>52 827</b>	<b>47 753</b>	<b>47 753</b>	<b>46 433</b>	<b>57 640</b>	<b>83 222</b>

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

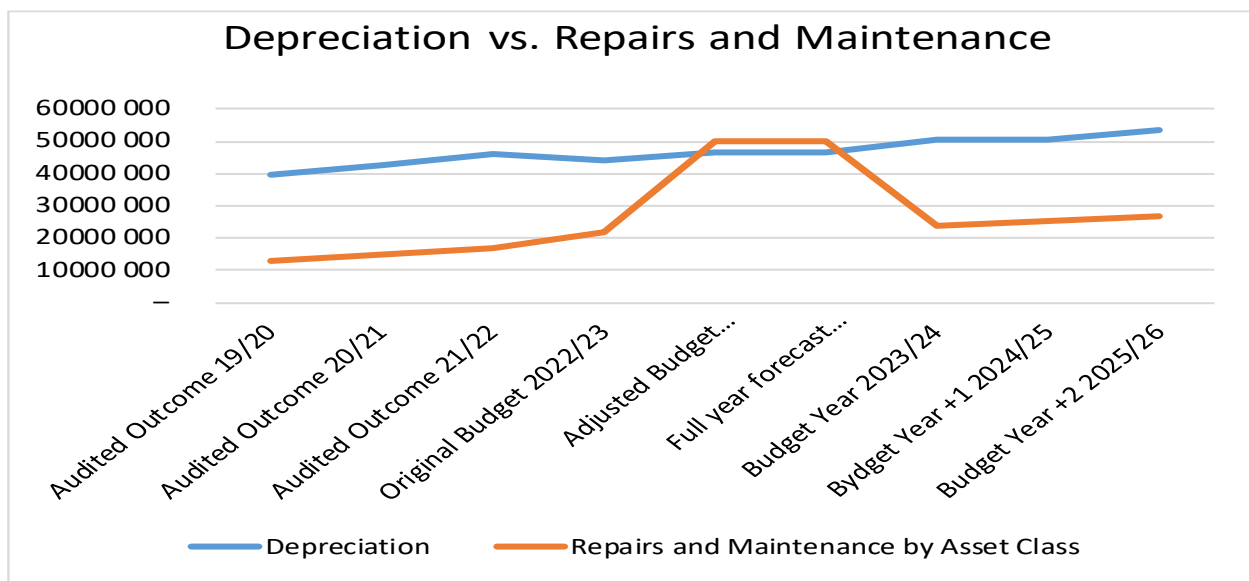
1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available 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. There is compliance with section 18 of the MFMA because the budget is funded and there is no shortfall.
5. From the table for the financial period 2023/24 a surplus is reflected, it will however decline slightly over the MTREF illustrating the effect of less government grants received in relation to expenditure, and a dire need is still necessary to explore additional sources of revenue to further enhance the cash position of the municipality and to implement full cost reflective tariffs.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2022/23 MTREF is funded.

**Table 24 MBRR Table A9 - Asset Management**

WC045 Oudtshoorn - Table A9 Asset Management									
Description	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	45 254	24 282	35 267	45 127	64 054	64 054	13 042	11 898	11 717
Roads Infrastructure	-	-	-	-	50	50	-	-	-
Electrical Infrastructure	9 804	2 746	9 807	5 450	10 756	10 756	3 000	7 348	8 217
Water Supply Infrastructure	27 425	16 760	9 412	31 870	36 701	36 701	-	-	-
Sanitation Infrastructure	4 348	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>41 577</b>	<b>19 506</b>	<b>19 219</b>	<b>37 320</b>	<b>47 507</b>	<b>47 507</b>	<b>3 000</b>	<b>7 348</b>	<b>8 217</b>
Community Facilities	-	1 942	6 370	916	3 257	3 257	-	800	-
Sport and Recreation Facilities	-	30	-	-	-	-	-	-	-
Community Assets	-	1 971	6 370	916	3 257	3 257	-	800	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	240	457	1 850	1 910	1 910	2 862	-	-
Other Assets	-	240	457	1 850	1 910	1 910	2 862	-	-
Licences and Rights	259	263	-	100	100	100	-	-	-
Intangible Assets	259	263	-	100	100	100	-	-	-
Computer Equipment	432	1 065	1 563	450	778	778	500	1 300	800
Furniture and Office Equipment	346	712	549	883	1 033	1 033	890	450	400
Machinery and Equipment	1 918	370	528	1 308	5 619	5 619	1 290	500	300
Transport Assets	722	154	6 582	2 300	3 851	3 851	4 500	1 500	2 000
<b>Total Renewal of Existing Assets</b>	<b>5 294</b>	<b>2 293</b>	<b>372</b>	<b>11 000</b>	<b>2 305</b>	<b>2 305</b>	<b>12 141</b>	<b>23 411</b>	<b>23 900</b>
Roads Infrastructure	-	896	-	-	-	-	-	21 711	22 600
Water Supply Infrastructure	4 145	-	-	-	-	-	-	-	-
Sanitation Infrastructure	-	165	-	500	500	500	350	500	500
<b>Infrastructure</b>	<b>4 145</b>	<b>1 060</b>	<b>-</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>350</b>	<b>22 211</b>	<b>23 100</b>
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	78	372	10 500	1 805	1 805	11 691	1 200	800
Community Assets	-	78	372	10 500	1 805	1 805	11 691	1 200	800
Revenue Generating	1 149	1 155	-	-	-	-	100	-	-
Investment properties	1 149	1 155	-	-	-	-	100	-	-
<b>Total Upgrading of Existing Assets</b>	<b>24 370</b>	<b>50 185</b>	<b>41 815</b>	<b>35 920</b>	<b>50 256</b>	<b>50 256</b>	<b>34 307</b>	<b>15 950</b>	<b>14 100</b>
Roads Infrastructure	10 646	16 079	13 100	12 490	11 973	11 973	13 851	4 000	4 000
Electrical Infrastructure	-	-	-	-	-	-	-	-	-
Water Supply Infrastructure	11 902	22 910	27 104	14 931	26 258	26 258	18 006	7 000	7 000
Sanitation Infrastructure	-	8 999	1 166	250	250	250	-	-	-
Solid Waste Infrastructure	-	-	-	-	-	-	-	-	-
Rail Infrastructure	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>22 548</b>	<b>47 988</b>	<b>41 370</b>	<b>27 670</b>	<b>38 481</b>	<b>38 481</b>	<b>31 857</b>	<b>11 000</b>	<b>11 000</b>
Community Facilities	-	24	86	250	250	250	2 000	-	-
Sport and Recreation Facilities	-	159	359	8 000	11 525	11 525	-	1 300	-
Community Assets	-	183	445	8 250	11 775	11 775	2 000	1 300	-
Operational Buildings	1 822	2 014	-	-	-	-	450	3 650	3 100
Other Assets	1 822	2 014	-	-	-	-	450	3 650	3 100
<b>Total Capital Expenditure</b>	<b>74 918</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>
Roads Infrastructure	10 646	16 079	13 100	12 490	11 973	11 973	13 851	4 000	4 000
Electrical Infrastructure	9 804	2 746	9 807	5 450	10 756	10 756	3 000	7 348	8 217
Water Supply Infrastructure	43 473	39 670	36 516	46 800	62 958	62 958	18 006	7 000	7 000
Sanitation Infrastructure	4 348	9 164	1 166	750	750	750	350	500	500
Solid Waste Infrastructure	-	-	-	-	-	-	-	-	-
Rail Infrastructure	376	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>68 646</b>	<b>67 659</b>	<b>60 589</b>	<b>65 490</b>	<b>86 437</b>	<b>86 437</b>	<b>35 207</b>	<b>18 848</b>	<b>19 717</b>
Community Facilities	-	1 966	6 456	1 166	3 507	3 507	2 000	800	-
Sport and Recreation Facilities	-	266	731	18 500	13 330	13 330	11 691	2 500	800
Community Assets	-	2 232	7 187	19 666	16 837	16 837	13 691	3 300	800
Heritage Assets	-	-	-	-	-	-	-	-	-
Operational Buildings	1 822	2 254	457	1 850	1 910	1 910	3 312	3 650	3 100
Other Assets	1 822	2 254	457	1 850	1 910	1 910	3 312	3 650	3 100
Licences and Rights	259	263	-	100	100	100	-	-	-
Intangible Assets	259	263	-	100	100	100	-	-	-
Computer Equipment	432	1 065	1 563	450	778	778	500	1 300	800
Furniture and Office Equipment	346	712	549	883	1 033	1 033	890	450	400
Machinery and Equipment	1 918	370	528	1 308	5 619	5 619	1 290	500	300
Transport Assets	722	154	6 582	2 300	3 851	3 851	4 500	1 500	2 000
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>74 918</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>

**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% of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE. Although asset renewals meet the requirement at 65%, repairs and maintenance are less than the prescribed norm at 3% of PPE and it places the health of assets at risk and can lead to a shortened useful life and thus an earlier need for replacement.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights Oudtshoorn Municipality’s predicament when it comes to addressing critical maintenance backlogs. It must however be acknowledged that the position has improved over the last 2 financial years and will further improve over the remainder of the MTREF.



**Figure 5 Depreciation in relation to repairs and maintenance over the MTREF**

**Table 25 MBRR Table A10 - Basic Service Delivery Measurement**

WC045 Oudtshoorn - Table A10 Basic service delivery measurement										
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		15 123	15 123	16 635	16 635	16 635	16 635	16 635	16 635	16 635
Piped water inside yard (but not in dwelling)		35	35	45	45	45	45	45	45	45
Using public tap (at least min.service level)	2	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		16 525	16 525	18 047	18 047	18 047	18 047	18 047	18 047	18 047
<b>Total number of households</b>	5	16 525	16 525	18 047	18 047	18 047	18 047	18 047	18 047	18 047
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012
Flush toilet (with septic tank)		35	35	35	35	35	35	35	35	35
Chemical toilet		1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		25 414	25 414	25 414	25 414	25 414	25 414	25 414	25 414	25 414
<b>Total number of households</b>	5	25 414	25 414	25 414	25 414	25 414	25 414	25 414	25 414	25 414
<b>Energy:</b>										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789
<i>Minimum Service Level and Above sub-total</i>		18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789
<b>Total number of households</b>	5	18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789
<b>Refuse:</b>										
Removed at least once a week		24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012
<i>Minimum Service Level and Above sub-total</i>		24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012
<b>Total number of households</b>	5	24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		7 900	7 900	7 900	7 900	7 900	7 900	7 900	7 900	7 900
Sanitation (free minimum level service)		7 900	7 900	7 900	7 900	7 900	7 900	7 900	7 900	7 900
Electricity/other energy (50kwh per household per month)		7 900	7 900	7 900	7 900	7 900	7 900	7 900	7 900	7 900
Refuse (removed at least once a week)		7 900	7 900	7 900	7 900	7 900	7 900	7 900	7 900	7 900
<i>Informal Settlements</i>		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>										
Water (6 kilolitres per indigent household per month)		13 853	15 182	15 956	16 863	15 030	15 030	16 833	18 853	21 116
Sanitation (free sanitation service to indigent households)		10 062	11 018	11 887	14 862	16 675	16 675	22 512	24 763	27 239
Electricity/other energy (50kwh per indigent household per month)		8 120	8 424	9 466	9 394	9 394	9 394	10 812	11 893	13 082
Refuse (removed once a week for indigent households)		10 838	11 864	12 931	14 512	13 112	13 112	17 702	19 472	21 419
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>	8	42 873	46 489	50 240	55 630	54 211	54 211	67 859	74 981	82 856
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		70 000	70 000	70 000	70 000	70 000	70 000	70 000	70 000	70 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		1	-	1 617	-	-	-	-	-	-
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		1	1	1	1	1	1	1	1	1
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		1 285	-	1 362	1 362	1 362	1 362	1 362	1 362	1 362
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		5 896	6 669	7 025	7 827	8 027	8 027	8 830	9 713	10 684
<b>Total revenue cost of subsidised services provided</b>		7 181	6 669	8 388	9 189	9 389	9 389	10 192	11 075	12 046

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

#### Political overview of the budget process

Section 53 of the MFMA stipulates that the Mayor should exercise general political guidance over the budgeting process and must direct the drafting of the budget.

#### 2.1.1 Budget Process Overview

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

The required IDP and budget time schedule was prepared in August 2022 with relevant key deadlines as follows:

- **October - November 2022**– Public participation meetings with communities.
- **March 2023** – Ward Committee feedback meetings
- **25 August 2022** – Council Approval of Schedule of Key Deadlines
- **29 March 2023** – Tabling of the draft budget and IDP to council
- **April 2023** - Public participation meeting for feedback on Draft Budget and IDP
- **29 May 2023** – Submission of the budget to council for consideration and approval

#### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

The 2023/24 financial leads the new 5-year IDP and the consultation process was held to ensure appropriate forward planning. Emphasis in MFMA Budget Circular 115 is given to municipalities on the consultation process post elections on the IDP. A Joint Circular No.1 on the transitional measures in relation to the integrated development plan (IDP) consultation process was issued by SALGA/COGTA and NT. This circular indicates that the previous municipal councils had an obligation to ensure that the legislative stipulations were complied with. Therefore, they were expected to continue the process of the development of the IDP starting with the development and adoption of the process plans as provided for in section 28 of the Municipal Systems Act

Oudtshoorn Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan includes the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;

- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2023/24 MTREF, based on the approved 2022/23 MTREF, mid-year review and adjustments budget. The planning process has subsequently been adjusted after considering the revised revenue projections and expenditure patterns contained in the approved adjustments budget. An important factor impacting on the IDP, planning and budgeting processes remain the financial recovery that is well underway and projects, plans and priorities are therefore carefully rolled out as financial resources become available.

With the compilation of the 2023/24 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2022/23 adjusted budget.

### **2.1.3 Financial Modeling and Key Planning Drivers**

As part of the compilation of the 2023/24 MTREF, further extensive financial analysis was undertaken for a variety of expenditure items and categories to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2023/24 MTREF:

- Growth in the local economy;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns and need for housing);
- Performance trends where available;
- The approved 2022/23 adjustments budget and year-to-date performance;
- Cash flow management strategy, the financial recovery process and continued service delivery demands;
- Debtor payment levels;
- Investment possibilities;
- The need for cost reflective tariff increases to aide in the recovery versus the ability of the community to pay for services;
- Improved and sustainable service delivery under extreme financial distress.

In addition to the above, the contents of the National Treasury's MFMA previous budget related circulars and recent ones in Circular 78, 79, 85, 86, 89, 91, 93, 94,96,97,98 and 99, 107, 108,112,115,122 and 123 have been considered in the planning and prioritisation process.

### **2.1.4 Community Consultation**

The 2023/24 MTREF as tabled will be made public on electronic platforms and the website, and be available to all communities and stakeholders to ensure transparency in the financial management processes of the municipality.

Public participation meetings will be held during April 2023. Written comments from the local community will also be considered for inclusion in the MTREF, subject of course to the IDP priorities coupled with the availability of funds.

## 2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society as highlighted in the National Development Plan can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. This is the second review of the current IDP cycle of 5 years and it is of essence that all stakeholders actively participate in the IDP process in order to ensure appropriate priorities are linked to scarce funding sources.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and Oudtshoorn municipality's response to these requirements. The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- The National Development Plan (NDP)
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and

### Table 26 IDP Strategic Objectives

The IDP strategic objectives for Oudtshoorn are listed below:

- 1 To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper
- 2 To provide basic services to all residence in an environmentally sustainable manner.  
To achieve financial sustainability and strengthen municipal transformation and development
- 3 development
- 4 To promote social, rural and spatial economic development.

- An Ethical and transparent local government that is responsive to the needs of the
- 5 community and encourage public participation

In order to ensure integrated and focused service delivery between all spheres of government it was important for Oudtshoorn Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper
  - a. Effective implementation of the Human settlements program;
  - b. Extending waste removal services and ensuring an effective cleansing service;
  - c. Creating a safe environment for our communities in collaboration with the SAPS;
  - d. Ensuring safe working environments by effective enforcement of building and health regulations;
  - e. Promote viable, sustainable communities through proper zoning; and
  - f. Promote environmental sustainability by protecting the environment and key public open spaces
2. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide public transport;
  - Provide city planning services; and
  - Maintaining the infrastructure of Oudtshoorn Municipality.
  - Ensuring all waste water treatment works are operating optimally and obtaining green drop status;
3. Ensure financial sustainability through:
  - a. Carefully evaluating all spending decisions
  - b. Implementing savings measures across the board
  - c. Limiting the use of consultants and reviewing the use of contracted services
  - d. Ensuring value for money spending in all procurement processes.
  - e. Protecting assets from falling into a state of disrepair and implement the infrastructure renewal strategy and the repairs and maintenance plan in accordance with availability of financial resources.
  - f.
4. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is spatial development framework for Oudtshoorn Municipality;
  - Ensuring planning processes function in accordance with set timeframes;

- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 4.1 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools, hospitals and clinics are properly coordinated.
5. An ethical and transparent local government that is responsive to the needs of the community and encourage public participation
- 1.1 Promote sound transparent and accountable governance through:
- Publishing the outcomes of all tender processes on the municipal website
  - Establishing a well-functioning audit- and oversight committee and MPAC
- 5.2 Foster participatory democracy and Batho-Pele principles through a caring, accessible and accountable service by:
- Optimizing effective community participation in the ward committee system; and
  - Implementing Batho-Pele in the revenue management strategy.
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Implementation of the revised organizational structure to optimize the use of personnel;

In line with the Municipal Systems Act, the IDP constitutes a single, inclusive strategic plan for Oudtshoorn Municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, Oudtshoorn Municipality needs to undertake an extensive planning and developmental strategy that will primarily focus on a longer-term horizon; 15 to 20 years. This process is necessary to influence the future development path and to set clear goals for the future development within the municipal area. The strategy needs to target future developmental opportunities in traditional dormitory settlements. It should provide direction to Oudtshoorn Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources from the municipality and other service delivery partners.

The long-term plan was updated as part of the budget process provides financial direction to the municipality over the next 10 years setting out revenue, expenditure and capital requirements and funding predictions. It considers, not only the financial analysis, but a broader analysis which includes condition of the infrastructure, social and economic trends as part of the analysis to properly plan for the future sustainability of the municipality.

The 2023/24 MTREF has therefore been informed by the IDP process and the following tables provide reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 27 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

WC045 Oudtshoorn - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)												
Strategic Objective	Goal	Goal Code	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand												
Basic Services & Infrastructure	To provide quality basic services and infrastructure which includes, amongst others. To Promote social, rural and spatial economic development	A		456 942	452 188	492 870	534 339	547 641	547 641	617 906	667 770	731 535
	To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper	B										
Municipal Transformation & Institutional Development	To achieve financial sustainability and strengthen municipal transformation and development	C		86 163	69 472	78 243	84 985	93 132	93 132	100 172	105 514	111 456
Municipal Financial Viability and Management	To achieve financial sustainability and strengthen municipal transformation and development	D		97 540	140 171	108 086	119 963	120 260	120 260	133 568	144 444	158 746
Local Economic Development	To promote social, rural and spacial economic development. To create sustainable integrated human settlements and safe neighbourhoods where communities prosper. To provide basic services to all residents in an environmentally friendly manner	E		20 729	28 542	24 646	34 760	36 630	36 630	27 210	26 570	27 598
Good Governance & Community Participation	An Ethical and transparent local government that is responsive to the needs of the community and encourage public participation	F		1 519	890	744	698	998	998	699	699	699
Allocations to other priorities			2									
<b>Total Revenue (excluding capital transfers and contributions)</b>				<b>662 894</b>	<b>691 264</b>	<b>704 589</b>	<b>774 745</b>	<b>798 661</b>	<b>798 661</b>	<b>879 555</b>	<b>944 997</b>	<b>1 030 034</b>

**Table 28 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

WC045 Oudtshoorn - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand												
Basic Services & Infrastructure	To provide quality basic services and infrastructure which includes, amongst others. To Promote social, rural and spatial economic			409 998	415 981	469 930	489 647	506 612	506 612	599 338	648 408	704 821
	To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper								-			
Municipal Transformation & Institutional Development	To achieve financial sustainability and strengthen municipal transformation and development			51 913	46 444	54 984	52 465	58 421	58 421	104 996	110 870	117 262
Municipal Financial Viability and Management	To achieve financial sustainability and strengthen municipal transformation and development			67 195	71 554	73 320	100 301	102 555	102 555	78 676	81 116	86 023
Local Economic Development	To promote social, rural and spacial economic development. To create sustainable integrated human settlements and safe			53 046	54 651	55 150	64 547	89 958	89 958	64 207	64 559	68 455
Good Governace & Community Participation	An Ethical and transparent local government that is responsive to the needs of the community and encourage public participation			25 100	24 256	25 183	28 184	30 733	30 733	29 281	31 028	32 875
Allocations to other priorities												
<b>Total Expenditure</b>			1	<b>607 251</b>	<b>612 886</b>	<b>678 568</b>	<b>735 144</b>	<b>788 280</b>	<b>788 280</b>	<b>876 497</b>	<b>935 981</b>	<b>1 009 435</b>

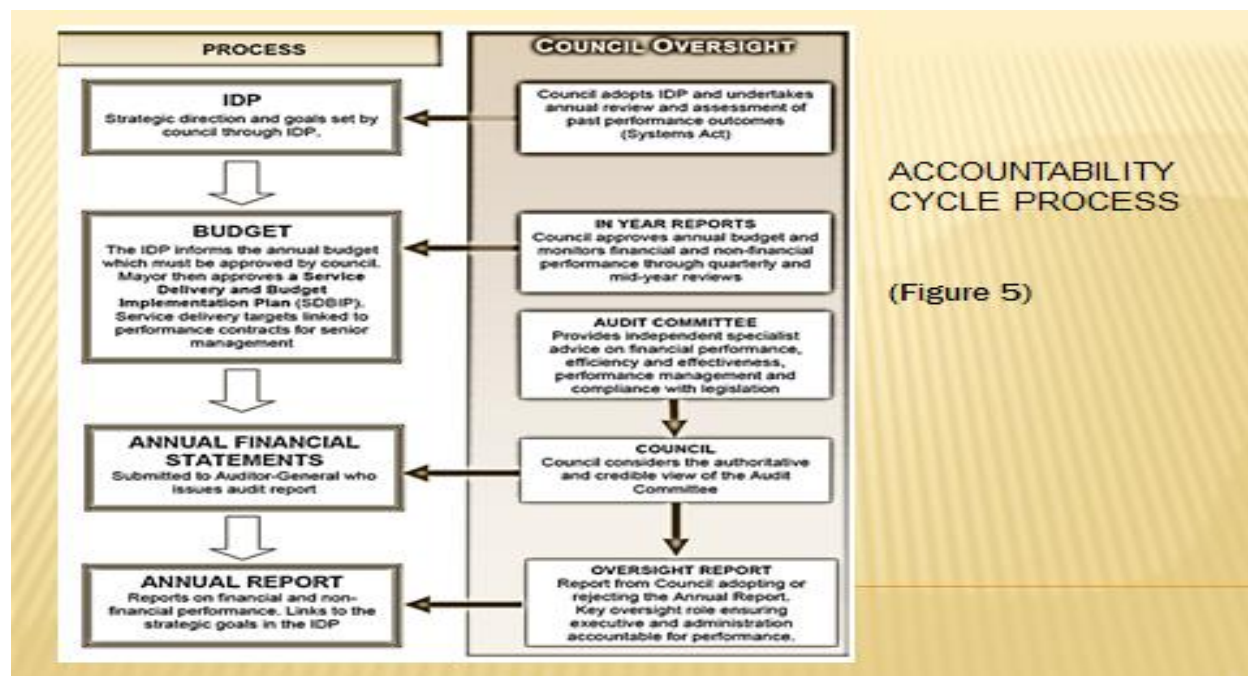
**Table 29 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

WC045 Oudtshoorn - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand												
Basic Services & Infrastructure	To provide quality basic services and infrastructure which includes, amongst others. To Promote social, rural and spatial economic	A		58 925	56 964	61 938	78 236	100 331	100 331	41 909	21 848	19 917
	To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper	B										
Municipal Transformation & Institutional Development	To achieve financial sustainability and strengthen municipal transformation and development	C		1 304	97	38	-	-	-	330	800	800
Municipal Financial Viability and Management	To achieve financial sustainability and strengthen municipal transformation and development	D		1 489	1 483	1 594	923	1 461	1 461	1 900	2 100	1 600
Local Economic Development	To promote social, rural and spatial economic development. To create sustainable integrated human settlements and safe	E		11 562	18 186	13 854	12 840	14 625	14 625	14 551	25 711	26 600
Good Governance & Community Participation	An Ethical and transparent local government that is responsive to the needs of the community and encourage public participation	F		-	31	31	48	198	198	800	800	800
Allocations to other priorities			3									
<b>Total Capital Expenditure</b>			1	<b>73 279</b>	<b>76 761</b>	<b>77 455</b>	<b>92 047</b>	<b>116 615</b>	<b>116 615</b>	<b>59 490</b>	<b>51 259</b>	<b>49 718</b>

## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Oudtshoorn Municipality needs to develop and implement a performance management system which is constantly refined as the integrated planning process unfolds. The Municipality must target, monitor, assess and review organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



**Figure 6 Planning, budgeting and reporting cycle**

The performance of Oudtshoorn Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. Oudtshoorn Municipality therefore must adopt one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by Oudtshoorn Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

The following table provides some of the main measurable performance objectives the municipality undertakes to achieve this financial year.

**Table 30 MBRR Table SA7 - Measurable performance objectives**

WC045 Oudtshoorn - Supporting Table SA7 Measureable performance objectives										
Description	Unit of measurement	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Office of the Municipal Manager (Performance Management, Risk Management &amp; Internal Audit)</b>										
Internal Audit and Risk Management	RBAP compiled and				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Compile and submit the three year Risk Based Audit Plan (RBAP) to the Audit committee by 30 June		0.0%								
Internal Audit and Risk Management	90% of audits completed				90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Complete 90% of audits as per Internal Audit Plan		90.0%	90.0%	90.0%						
Internal Audit and Risk Management	Risk register completed				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Complete the annual risk register and submit to the Audit Committee by 30 June		0.0%	100.0%	100.0%						
<b>Performance Management</b>										
<b>Function 2 - (name)</b>										
<b>Sub-function 1 - (name)</b>										
Insert measure/s description										
Review the Performance Management Framework and submit to Council for approval by 31 May	Performance Management				0.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Financial Services</b>										
Free Basic Services			7300		7300	5150	5150	7900	7900	7900
Provide subsidies for free basic water to indigent households as at 30 June	Number of indigent	0.0%	7100		7100	4800	4800	7900	7900	7900
Provide subsidies for free basic electricity to indigent households (including ESKOM supply area) as at 30 June	Number of indigent	0.0%	7100		7100	13750	13750	7900	7900	7900
subsidies for free basic sanitation to indigent households as at 30 June 2022	Number of residential		15000		15000	13750	13750	15000	15500	16000
service as at 30 June	Number of residential		17000		17000	5100	5100	1700	17500	18000
well as prepaid electrical metering as at 30 June	Number of residential	0.0%	7100		7100	5100	5100	7900	7900	7900
Provide subsidies for free basic refuse removal to indigent households as at 30 June	Number of indigent	0.0%	7100		7100	13750	13750	7900	7900	7900
Provide subsidies for free basic sanitation to indigent households as at 30 June	Number of indigent	0.0%	14200		14200	14200	14200	14300	14700	15000
Provide refuse services to residential properties for which refuse is removed and billed for the service as at 30 June	Number of residential									
<b>Municipal Capital Budget</b>										
The percentage of the municipal capital budget actually spent on capital projects as at 30 June ((Actual amount spent on capital projects /Total amount budgeted for capital projects)X100)	% the capital budget spent				95.0%	85.0%	85.0%	95.0%	95.0%	95.0%
Debt obligations		85.0%	85.0%	85.0%	21.0%	21.0%	21.0%	14.0%	14.0%	14.0%
Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June((Short Term Borrowing + Bank Overdraft + Short Term	% of debt coverage as at	21.0%	21.0%	21.0%						
Outstanding service debtors					11.8%	9.8%	9.8%	9.5%	9.5%	9.5%
Insert measure/s description	% of outstanding service	15.0%	15.0%	15.0%						
Financial viability measured in terms of the outstanding service debtors as at 30 June ((Total outstanding service debtors/ revenue received for services)X100)										

<b>Cover Fixed Operating Expenditure</b>	Number of months it takes to		0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	190.0%	190.0%	190.0%
Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)			0.8%	0.8%	0.8%	96.0%	96.0%	96.0%	93.0%	93.0%	93.0%
<b>Debtor payment achieved</b>	% debtor payment achieved		96.0%	96.0%	96.0%						
Achieve a debtor payment percentage of 93% ((Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100)											
<b>Corporate Services</b>											
<b>Employment Equity</b>	Number of people employed		0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan.	% Vacancy rate			20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
posts)x100)											
<b>Skills Development</b>	% of the budget spent		n/a	50.0%	50.0%						
Spend 0.3% of the municipality's personnel budget on implementing its workplace skills plan by 30 June ((Actual amount spent on training/total personnel budget)x100)											
<b>Technical Services</b>											
<b>Job opportunities</b>											
Create temporary jobs - FTE's in terms of EPWP by 30 June (Person days / FTE (230 days)	Number of job opportunities	0.0%	65	65	98	65	65	98	98	98	98
<b>Roads Constructed</b>											
Construct 0.5 km of new roads (upgrade surface standard) by 30 June	KM's of new roads		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<b>Rehabilitation of Roads</b>											
Resurface/rehabilitate 2km's of roads by 30 June	Number of km's of roads				2km	2km	2km	2km	2km	2km	2km
Limit unaccounted for electricity to less than 13% by 30 June ((Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold (incl Free basic electricity)) / Number of Electricity Units Purchased and/or Generated) i; 1/3 100)	% unaccounted electricity by 30 June				13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Spend 90% of the electricity maintenance budget by 30 June ((Actual expenditure on maintenance divided by the total approved maintenance budget)x100)	% Budget Spent				90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Spend 90% of the roads and stormwater maintenance budget by 30 June ((Actual expenditure on maintenance divided by the total approved maintenance budget)x100)	% Budget Spent				90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Spend 90% of approved project budget for the installation of stormwater drainage by 30 June	% Budget Spent				90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Spend 90% of the sewerage maintenance budget by 30 June ((Actual expenditure on maintenance divided by the total approved maintenance budget)x100)	% Budget Spent				90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Limit unaccounted for water to less than 25% by 30 June 2020((Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold (incl Free basic water)) / Number of Kilolitres Water Purchased or Purified) i; 1/4 100)	% unaccounted water				25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Spend 90% of the water maintenance budget by 30 June ((Actual expenditure on maintenance divided by the total approved maintenance budget)x100)	% Budget Spent				90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
<b>Community Services</b>											
<b>Library &amp; Traffic Services</b>											
<b>Parks</b>											
Spend 95% of the approved project budget for the upgrade of the athletics track at De Jager Sport Complex by 30 June	% Budget Spent		70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	95.0%	95.0%
Spend 95% of the approved capital budget spent on the construction of the Rose Valley Library ((Actual expenditure on project budget divided by the total approved project budget)x100)	% Budget Spent		85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	95.0%
<b>Law Enforcement</b>											
<b>Strategic Services</b>											
<b>Final IDP</b>											
Review and submit the final IDP for 2022/2023 to Council by 31 May	IDP reviewed and submitted to Council by 31 May 2019		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Economic Growth Development</b>											
Review and submit the LED strategy to Council by 30 June	LED strategy reviewed and submitted		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1. Include a measurable performance objective as agreed with the parent municipality (MFMA s87(5)(d))

2. Only include prior year comparative information for individual measures where relevant activity occurred in that year/s

The following table sets out the municipality’s main performance objectives and benchmarks for the 2023/2024 MTREF.

**Table 31 MBRR Table SA8 - Performance indicators and benchmarks**

WC045 Oudtshoorn - Supporting Table SA8 Performance indicators and benchmarks											
Description of financial indicator	Basis of calculation	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Borrowing Management</b>											
Credit Rating		0	0	0	0	0	0	0			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	3.6%	3.2%	3.3%	4.0%	3.2%	3.2%	3.2%	2.9%	2.8%	2.7%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	3.7%	3.3%	3.4%	4.1%	3.5%	3.5%	3.5%	3.0%	2.8%	2.7%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	199.0%	181.0%	184.8%	188.3%	110.1%	110.1%	110.1%	155.3%	174.2%	160.7%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	1.3	1.6	1.5	1.5	1.2	1.2	1.2	1.2	1.3	1.5
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.3	1.6	1.5	1.5	1.2	1.2	1.2	1.2	1.3	1.5
Liquidity Ratio	Monetary Assets/Current Liabilities	1.2	1.4	1.4	1.3	1.1	1.1	1.1	1.0	1.1	1.2
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		119.8%	118.4%	115.0%	118.6%	117.4%	117.4%	117.4%	116.9%	117.3%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		119.8%	118.4%	115.0%	118.6%	117.4%	117.4%	117.4%	116.9%	117.3%	117.4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	5.1%	5.8%	5.6%	6.0%	5.1%	5.1%	5.1%	4.8%	5.0%	5.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		39.3%	44.8%	32.9%	93.8%	87.5%	87.5%	87.5%	114.2%	118.4%	92.5%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW) technical		10310136	12316432	12316432	12316432	12316432	12316432	12316432	12316432	12316432
	Total Volume Losses (kW) non technical				0	0	0	0	0	0	0
	Total Cost of Losses (Rand '000)				0	0	0	0	0	0	0
	% Volume (units purchased and generated less units sold)/units purchased and generated		7.3%	8.7%	8.67%	8.67%	8.67%	8.67%	8.67%	8.67%	8.67%
Water Volumes -System input	Bulk Purchase				0	0	0	0	0	0	0
	Water treatment works				0	0	0	0	0	0	0
	Natural sources				0	0	0	0	0	0	0
Water Distribution Losses (2)	Total Volume Losses (kℓ)		886	616	616135.05	616135.05	616135.05	616135.05	616135.05	616135.05	616135.05
	Total Cost of Losses (Rand '000)				0	0	0	0	0	0	0
	% Volume (units purchased and generated less units sold)/units purchased and generated		17.4%	12.1%	12.10%	12.10%	12.10%	12.10%	12.10%	12.10%	12.10%
Employee costs	Employee costs/(Total Revenue - capital revenue)	41.7%	42.9%	41.0%	40.8%	40.7%	40.7%	40.7%	38.1%	37.2%	36.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	43.6%	44.8%	42.6%	42.5%	42.4%	42.4%		39.6%	38.7%	37.6%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.1%	2.5%	2.6%	3.1%	7.0%	7.0%		2.8%	2.8%	2.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	7.6%	8.1%	8.0%	7.7%	7.4%	7.4%	7.4%	6.8%	6.3%	6.2%

### 2.3.1 Performance indicators and benchmarks

#### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Oudtshoorn Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of Oudtshoorn Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2021/2022 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is decreasing over the MTREF from 8.1% at the end of June 2018 to 6.6% anticipated at the end of June 2021, this leaves scope for borrowing to be considered as a funding option for capital expenditure during the 2021/2022 financial year and over the remainder of the MTREF
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing will remain in a narrow band over the MTREF with a current ratio of 5.1% and marginally decreasing over the MTREF to approximately 4.6%. Borrowing is considered a prudent financial instrument in financing capital infrastructure and the current financial position of the municipality allows for moderate amounts of gearing to be used as a capital funding option.
- Borrowing funding of own capital expenditure measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. We envisage to raise in the amount of R50.7 Million over the duration of the MTREFF.

Oudtshoorn Municipality's debt profile provides some interesting insights on Oudtshoorn Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

Oudtshoorn Municipality has raised mainly amortising loans in prior years, hence effectively 'front-loading' its debt service costs. This is reflected in Oudtshoorn Municipality's debt service profile, which predicts firstly a decline and then a consolidation of the debt position over a 7-year horizon.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of Oudtshoorn Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

#### 2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft as well as tax provisions as a percentage of funds and reserves.

#### 2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark Oudtshoorn Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. The liquidity ratio in 2015/16 as 0.1, but have improved the last 3 years and reflects 1.66:1 as at 30 June 2021.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2015/16 financial year the ratio was 0.1 and as part of the long-term financial planning strategy it must be increased to at least 1.21:1 over the MTREF to indicate that the municipality has sufficient financial resources to meet its current obligations, and that has not yet been achieved.

#### 2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, this include engaging with revenue enhancement services to ensure all revenue remains in the revenue net, as well as strict application of the credit control policy to collect all debt current and debt that has fallen in arrears. The strategy also includes a cost reflective tariff study that reflects above CPI tariff determinations over the entire MTREF to aide in the financial recovery of the municipality.

#### 2.3.1.5 Creditors Management

- Oudtshoorn Municipality has through the financial recovery ensured that all creditors are strictly paid within the 30-day legal requirement, recovering from a position over the past 5 years where it was not possible. All creditors are therefore being paid within 30 days of invoice in accordance with the legislative requirement.

#### 2.3.1.6 Other Indicators

- The electricity distribution losses must be managed and was 7.29 % as at 30 June 2021 to further improve to be within the best practice norm of between 5% and 7% by the conclusion of the MTREF. The initiatives to ensure that these targets are achieved include managing illegal connections, replacement of meters, minimizing unread meters and revenue enhancement initiatives.
- The water distribution losses will also be carefully managed, it is currently at approximately 17% and although within an acceptable norm it must be carefully managed to prevent revenue losses. Losses are managed through a combination of exception reports, meter deviation reports and revenue enhancement initiatives.
- Employee costs + Remuneration Councilors as a percentage of operating revenue is increasing as a ratio to total expenditure. The employee related cost has now reached the upper limit of the norm at 39% and a concerted effort must be made to manage the expenditure downward without impeding on service delivery quality. Employee related cost continues to be one of the major costs related to service delivery and will be managed to be within acceptable norms and benchmarks for future budgets. An organization

redesign is currently underway and it will aid in ensuring a right fit organizational structure that is affordable to the community of Oudtshoorn.

- Repairs and maintenance as percentage of operating revenue is increasing when compared to prior year budgets. The cash flow situation is still not ideal and to allow for adequate provision to be made in the 2023/24 financial year repairs and maintenance expenditure need to receive further priority over the MTREF to ensure the management of the asset base.

### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of Oudtshoorn Municipality. Registered indigents qualify for free basic services as prescribed by the National Treasury and also receives a rebate on assessment rates.

For the 2023/24 financial year it is estimated that approximately 7900 households will receive free basic services. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water and 8kl with 12 occupants or more in one household, 50 kwh of electricity, free sanitation and free waste removal services, as well as a discount on their property rates. In addition, thereto indigent consumers will not be held liable for the basic water charge, nor the electricity ampere charge to maximum of 20 Amp. The total cost in this regard is estimated to be in excess of R76,9 Million for the 2023/24 financial year.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 25 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in Eskom distribution areas that receive free services and the cost of these services are not considered in the table referred to above.

### **2.3.3 Providing clean water and managing waste water**

Oudtshoorn Municipality is the Water Services Authority for the entire municipal area in terms of the Water Services Act, 1997 and also acts as water services provider.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Oudtshoorn Municipality needs to strive towards meeting blue Drop status in 2023/24, indicating that Oudtshoorn Municipality's drinking water is of exceptional quality. It must however be emphasized that Oudtshoorn municipality does not have a water purification plant and is therefore faced with many challenges in respect of water quality as a result of environmental and climate change issues. It is estimated that a water purification plant for the area of jurisdiction will cost no less than R120 million, funds that the municipality currently does not have and will not be able to raise in the short term.

Oudtshoorn also needs to ensure that waste water complies with minimum standards of treatment and purification in order to ensure that no harm comes to the environment when treated waste water is disposed of.

The following is briefly the main challenges facing Oudtshoorn Municipality with regards to water and waste water management.

- The infrastructure at the waste water treatment works is old and require large capital investment to ensure that purification standards are continuously met;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Water sources are scarce and bulk water augmentation is critical for the immediate future especially considering the current drought situation.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget, subject to funding availability;
- Upgrading of the Waste Water treatment works from national government
- Asbestos pipe replacement project financed from national government
- The filling of vacancies will be prioritized to ensure adequately skilled staff are appointed for service delivery.
- The installation of a bulk water pipeline from the Blossoms area is currently in process to ensure the security of water provision in the drought and as a long-term supplementation scheme for future water security.

#### **2.3.4 OVERVIEW OF BUDGET RELATED POLICIES**

The Oudtshoorn Municipality's budgeting process is guided and governed by relevant legislation, strategies and related policies. The purpose of policies is to ensure that there are controls and procedures in place that are not in contravention with the Acts. The policies harmonise with the environment and regulate the municipality. Below is reference to the budget related policies that have been reviewed during the course of 2021/22 for implementation on 1 July 2022 for the 2022/23 financial year in accordance with MBRR regulation 7. All budget policies will be available for scrutiny and input with the budget documentation.

#### **2.3.5 Budget policy**

The objective of the budget policy is to set the principles to which the municipality will follow with the preparation of each medium-term revenue and expenditure framework budget, the responsibilities of the Executive Mayor, the Accounting Officer, the Chief Financial Officer and other senior managers in compiling the budget. To further establish and maintain procedures to ensure adherence to Oudtshoorn Municipality's IDP review and budget processes and to provide the Oudtshoorn Municipality with the necessary work documentation and procedures to ensure that the Municipality is in a position to compile, implement, control and report on the annual budget of the Municipality as prescribed by the best practices, act and internal workflows.

The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. A municipality's budget policy and its underlying administrative process within the system of delegations is one of these controls. It is the responsibility of each Head of Department and other senior management with financial responsibilities in charge of departments or sections to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted and to ensure that allocated funds are utilized economically, effectively and efficiently and for approved purpose(s).

No amendments are proposed.

### **2.3.6 Credit control and debt collection procedures/policies**

To ensure council collects all debts in respect of rates, service fees and to provide a framework for credit control and debt collection procedures and mechanisms. This strategy further seeks to explore other sources of revenue to enhance the financial muscle of the municipality.

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

To ensure council collects all debts in respect of rates, service fees and to provide a framework for credit control and debt collection procedures and mechanisms. This strategy further seeks to explore other sources of revenue to enhance the financial muscle of the municipality.

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

No amendments to policy is proposed

Credit control and debt collection by-law amendments as follows:

Section 22, Arrear Accounts for municipal employees and councillors the following be added:

Arrears of Councillors and other Municipal Officials must be settled in full, or arrangements to pay off such amounts, by means of salary deductions, may be entered into. This includes the seizure of bonuses or any other additional allowances (this paragraph must be read in conjunction with the relevant sections of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), subject such Councillors and Municipal Officials gives consent of such seizure.

The Oudtshoorn Municipality is entitled to recover all arrears more than ninety (90) days by means of salary deductions and proportionally from increases and/or the official's bonus/performance

bonus, subject such Councillors and Municipal Officials gives consent of such seizure. In this regard, all temporary contract workers are also regarded as municipal officials.

### **2.3.7 Asset management policy**

Asset Management promotes efficient and effective management, monitoring and control of assets and the objectives of having an Asset Management Policy are:

- i. To ensure accurate recording of asset information and accurate recording of asset movements.
- ii. To ensure compliance with Council's Insurance Policy, Supply Chain Management Policy and Payment Procedure thereby enforcing the effective and efficient control, utilisation, and optimisation of usage, safeguarding and management of municipal assets.
- iii. To ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the municipality and to prescribe the accounting treatment of assets acquired and used in accordance with the applicable accounting standards approved by National Treasury.

The policy was amended to state the economic useful lives of assets in accordance with the current accounting policy

### **2.3.8 Long term financial planning policy**

The purpose of this long-term financial plan policy is to set out details of the financial issues that need to be addressed in a financial year. It is meant to be a tool to highlight any financial shortcomings.

No amendments to the policy are proposed.

### **2.3.9 Indigent policy**

The policy serves to regulate the subsidization of indigent customers in respect of the free allocation of electricity, water, refuse and sanitation services during a budget year. It also allows for limited subsidization in respect of assessment rates up to a certain valuation.

The following amendments are proposed:

Definitions – "Indigent households", for the purpose of this policy, means a municipal account holder of which the joint monthly income (spouse included), excluding allowances for children,

foster care allowances and allowances for caretakers of frail persons where applicable, is equal to or less than R4 200.00 per month.

“Pensioner/s” for the purpose of this policy, people that is on retirement with an age of 55 years or more, and earn an income while on retirement, due to investment or pension contributions while they were employed.

Section 5, Paragraph 5.1.1.2 For an Indigent subsidy the verified gross monthly income of all occupants of the dwelling over 18 years of age may not exceed the amount of R4 200.00.

Section5, Paragraph 5.1.2.10 Sewerage services - 100% subsidy on the fixed charged per plot, plus 100% subsidy on the additional charge per toilet to a maximum of one toilet.

Section 5, paragraph 5.7.1. To qualify for the pensioners, rebate the total household must earn an income or less than R186 000 per annum (R15 500 per month)

Section 5, paragraph 5.7.5. If the household are not registered in applicants name and only in one partners name, a legal married certificate must be accompanied with the application.

Section 5, paragraph 5.8.1 To qualify for the disability rebate the total household must earn an income equal or less than R186 000 per annum (R15 500 per month)

Proposed that Section 8, paragraph with relation Grave-Site Benefit, 8.1.1 – 8.2.4 be removed from the policy, and that this be debated when policies amendments to be workshopped with Councillors.

### **2.3.10 Property Rates policy**

The Local Government Municipal Property Rates Act (No. 6 of 2004) and section 62(1) of the Municipal Finance Management Act (No 56 of 2003) requires municipalities to develop, adopt and implement a rates policy on the levying of rates on rateable properties in the municipality.

The municipality needs a reliable source of revenue to provide basic services and perform its functions. Property rates are the most important source of general revenue for the municipality. Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual households. These include installing and maintaining streets, roads, sidewalks, lighting, and storm drainage facilities; and building and operating clinics, parks, recreational facilities and cemeteries. Property rates revenue is also used to fund municipal administration, such as computer equipment and stationery, and costs of governance, such as

council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

Amendments to policy are proposed as follows:

“Agricultural Purposes” means properties that are used primarily for commercial farming and or subsistence farming purposes, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game.

“Bona fide farmers” means a genuine or real farmer whose dominant income is generated from farming. The farming activity must be intense, must not be a mere hobby and must contribute to the local economy.

Section 15, number f, Non-Profit Organisations (NPO’s):

- The properties of Non-Profit Organisations will be charged at the ratio of 1: 0.25 in relation to residential properties. These categories of properties and / or owners of properties are deemed to contribute services or benefits to the community.
- In order to be considered, the organisations must be registered as NPO’s under the Non-Profit Organisations Act, (Act no., 71 of 1997).

Property Rates By-Law amended and will be open for public comments.

### **2.3.11 Supply Chain Management policy**

The proposed amendments were made and will be presented public for inputs and approval by council. Amendments are as per guidance received from National Treasury after the Preferential Procurement Regulations of 2022 that was issued.

### **2.3.12 Grants in Aid policy**

This policy aims to provide the framework for grants-in-aid to non-governmental organisations, community-based organisations or non-profit organisations and bodies that are used by government as an agency to serve the poor, marginalised or otherwise vulnerable as prescribed in sections 12 and 67 of the Municipal Finance Management Act (No. 56 of 2003)

No amendments to the policy are proposed

### **2.3.13 Borrowing policy**

The purpose of the policy is to govern the taking up of short-term or long-term debt according to the legislative framework.

No amendments to the policy are proposed

### **2.3.14 Virement policy**

The objective of the Virement Policy is to regulate the shifting of funds between votes and sub-votes of an approved budget.

The policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and Oudtshoorn Municipality's system of delegations.

No amendments to the policy are proposed

### **2.3.15 Employee Assistance Policy**

The objective of the policy is to encourage employees to engage in or to continue studies in order to develop skills and the level of academic achievement to improve the quality of life, increase the levels of investment in education, encourage Managers to facilitate active learning in workplace, provide employees with opportunities to acquire new skills and knowledge, encourage employees to participate in training programme, improve the advancement of previously disadvantaged employees, meet the objective determined by career paths, learner ship contracts and progression policies and establish a pool of suitable candidates in order to support employment equity policy and planning.

No amendments to the policy are proposed.

### **2.3.16 Cash Management and Investment policy**

The intention of the investment policy is to ensure investments are made in an efficient and effective manner which generates the best returns for the municipality while considering preservation and safety of the principal and appropriate liquidity.

No amendments to the policy are proposed

### **2.3.17 Tariff policy**

The General Financial Management functions covered in Section 62 of the Municipal Finance Management Act (No 56 of 2003) includes the implementation of a Tariff Policy. Specific legislation applicable to each service has been taken into consideration when the Policy was drafted.

The following amendments are proposed:

Section 9.2.4.1, A fixed annual charge per plot, as well as an additional charge per proportional toilet/urinal shall be charged for residential users.

Section 9.2.4.2, A fixed annual charge per plot shall be charged to all guest houses, as well as an additional charge per proportional toilet/ urinal for businesses, industries and institutional users, as determine by the municipality every financial year.

Section 9.2.4.3, A fixed annual charge per plot shall be charged to local municipality's departments equal to the residential (domestic) tariff, as well as an additional charge per proportional toilet/urinal equal to the residential (domestic) tariff.

### **2.3.18 Unauthorised, Irregular, Fruitless and Wasteful Expenditure policy**

The aim of this policy is to prevent, identify, and investigate and to respond appropriately in accordance with the law and address instances of unauthorised, irregular or fruitless and wasteful expenditure conclusively.

There are no amendments proposed on this policy.

### **2.3.19 Funding and reserves policy**

The funding and reserves policy are aimed to ensure that the municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets.

No amendments are proposed.

### **2.3.20 Petty Cash Policy**

The petty cash policy sets out the process as well as the requirements for petty cash purchases, a cash limit per transaction is set at R 300.00

No amendments are proposed

### **2.3.21 Infrastructure Procurement Policy**

The National Treasury in 2004 issued the Supply Chain Management Regulation which gave rise to the supply chain management model policy for adoption by municipalities and municipal entities in terms of section 111 of the Municipal Finance Management Act, No 56 of 2003. The model policy prescribes the minimum requirements and principles which municipalities and municipal entities must adhere to for their supply chain management systems. The above-mentioned policy was issued principally for the acquisition of goods and services.

In October 2015 via NT circular 77, the National Treasury issued a Supply Chain Management Model Policy for Infrastructure Procurement and Delivery Management, in terms of Section 168 of the Municipal Finance Management Act of 2003 (Act 56 of 2003) in reference to SCM Regulation 3(2), this model policy prescribes the standards and gateways system requirements and principles which municipalities and municipal entities must adhere to when procuring infrastructure related services linking to CIDB and ISO standards and ethos, therefore the model policy for infrastructure Delivery and procurement serves as a conduit for the alignment between CIDB Act and supply chain management systems.

No amendments to this policy are proposed.

### **2.3.22 Cellular telephone Policy**

The cellular telephone policy regulated the allowances payable to staff and councilors for the use of privately owned or council cellular telephones for official purposes. It sets out the annual limitations as well as rules regarding the use of cellular telephones for official purposes.

No amendments to the policy are proposed.

### **2.3.23 Travelling and Subsistence Policy**

The travelling and subsistence policy determine the rate for travelling, accommodation, subsistence, incidental expenses allowable when it is required of an official to travel for official purposes on behalf of the municipality.

Amendment was made to the travel rates to be in line with what SARS guides issued and applicable for the new financial year.

### **2.3.24 Overtime Policy**

The overtime policy regulates the circumstances for the working of overtime, the authorization, approval as well as the basis of remuneration. Being such a large component of the employee related cost, it is necessary that the overtime be regulated adequately.

No amendments to the policy is proposed

### **2.3.25 Remuneration Policy**

This policy serves to regulate the payment of salaries and benefits to staff members of the municipality and sets out the principles to be followed when determining salaries upon recruitment, promotions.

No amendments to the policy are proposed.

### **2.3.26 Creditors, councillors and staff payment policy**

This policy regulates the payment from the municipal bank account to Creditors, Staff and councillors, it sets out procedures, requirements, and cut-off dates for submissions and processing of payments to support cash flow management principles and operational efficiency.

No amendments to the policy are proposed

### **2.3.27 Cost Containment Policy**

The purpose of this policy is to direct the Municipality on cost containment measures that must be implemented to ensure that resources of the Municipality are used effectively, efficiently and economically.

No amendments to the policy are proposed

## **2.4 Overview of budget assumptions**

### **2.4.1 External factors**

It is expected that the economic recovery will be slow and prolonged; the anticipated economic growth percentage for 2023 is 0.9%, compared with an estimate of 1.4 per cent at the time of the medium term policy statement(MTBPS), recovering slowly to 1.8 per cent in 2025.

Oudtshoorn municipality still finds itself in a position where economic growth is stagnant and the cash flow is under pressure resulting in limited financial resources being available for service delivery, this is also evident in the effort that needs to be made for the recovery of debt owed to the municipality. It is also therefore necessary to carefully evaluate spending decisions and to ensure value for money in all procurement processes.

### **2.4.2 General inflation outlook and its impact on the municipal activities**

There are many factors that have been taken into consideration in the compilation of the 2023/24 MTREF the list hereunder represents a few of these:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on the municipality's residents and businesses.
- The impact of municipal cost drivers.
- COVID 19 pandemic impact on economy
- Load Shedding impact on economic activity
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs comprise 38.4% of total operating expenditure in the 2023/24 MTREF, and includes critical vacancies in senior management.
- The increase in taxed and the continuing reduction in disposable household income.

### **2.4.3 Credit rating outlook**

The Municipality has not had a credit rating done and considering the current financial position it is not advisable to have it performed.

### **2.4.4 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Oudtshoorn Municipality intends to take up new loans during the 2023/24 MTREF budget year to fund critical infrastructure replacement and refurbishment projects as alluded to in the report above.

Interest rates for investment purposes increased in 2022 and the average interest rate on investment is anticipated to average 7% for the 2023/2024 financial year with little upward movement anticipated for the remainder of the MTREF. The municipality currently has limited funds available for investment purposes other than ad hoc call account deposits representing unspent grants as well as a limited operating reserve.

### **2.4.5 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate higher than CPI over the MTREF to aid in the financial recovery of the municipality. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term, it is however anticipated that interest rates will stabilise in the medium term providing some form of relief to cash strapped consumers.

The rate of revenue collection is currently expressed as a percentage of annual billings. Cash flow is assumed to be 95% of billing, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be

considered a source of additional cash in-flow once the performance has been carefully monitored.

It must be pointed out that as a result of the challenging economic circumstances as well as past deficiencies in the application of the credit control and debt collection policy, a write-off of debt that has become irrecoverable will once again be inevitable during the course of the 2022/23 financial year and will flow over to the 2023/24 financial period.

#### **2.4.6 Growth or decline in tax base of the municipality.**

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of Oudtshoorn Municipality, household formation growth rate and the poor household change rate. These factors considered do not reflect as an environment conducive to growth and economic stimulus is of essence to ensure the financial progression of the citizenry of Oudtshoorn and the municipality alike.

The general valuation roll was implemented 2017, the process to appoint a service provider to compile the new valuation roll is to commence July 2022 for implementation 1 July 2024. The municipality are doing supplementary valuation rolls and the result thereof has once again shown that there is little economic growth that is adding to the revenue base of the municipality. The majority of buildings completed relate to RDP houses which is not adding to the rates base, but placing a subsidy burden on the municipality as Local economic development is stagnant and catalytic development initiatives are required to grow the revenue base.

#### **2.4.7 Salary increases.**

As per MFMA Budget Circular 122:

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution should be used when budgeting for employee related costs for the 2023/24 MTREF. In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2023 and 01 July 2024 an increase based on the projected average CPI percentages for 2023 and 2024. The forecasts of the Reserve Bank, in terms of the January 2023 and January 2024, shall be used to determine the projected average CPI. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, in order to root out ghost employees.

The organizational redesign will determine the way forward and strict control over salary and related expenses needs to be done to curb escalating staff cost. It must once again be emphasized that the current ratio of staff cost to total expenditure is not sustainable and needs to be reduced over the MTREF.

#### **2.4.8 Impact of national, provincial, and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align

IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs through labor intensive programs and projects as well as full participation in the EPWP;
- Enhancing education and skills development;
- Improving quality of life of all residents;
- Protection of the poor through appropriate subsidization and tariff setting
- Rural development and agriculture; and
- Creating a conducive environment for economic development

#### **2.4.9 Ability of the municipality to spend and deliver on the programmes.**

It is estimated that a spending rate of 100% will be achieved on operating expenditure and at least 90% on the capital programme for the 2023/24 MTREF of which performance has been factored into the cash flow budget. As the municipality needs to recover financially and austerity measures are still applied to ensure savings on all categories of expenditure. The spending on the operating budget will be dependent on the realising of the revenue as per the revenue and cash flow estimates for the MTREF.

## **2.5 Overview of budget funding**

### **Funding of the Budget**

Section 18(1) of the MFMA determines that an annual budget can only be funded from:

- Realistically expected revenue to be collected;
- Cash-backed accumulated funds of preceding years' surpluses not earmarked for other purposes; and
- Borrowed funds, but only for the capital budget referred to in Section 17.

Full achievement of this requirement effectively entails that a Council 'balances' its budget by ensuring that the budgeted outflow balances with a combination of planned inflow.

### **Credible Budget**

A credible budget, among other things, is a budget, which:

- Only funds activities which are in line with the revised IDP and vice versa and which ensure that the IDP is realistically achievable while taking account of the financial restrictions of the municipality;
- Is achievable in respect of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are in line with current and previous performance and that are supported by documented evidence of future assumptions;

- Does not compromise the financial viability of the municipality (ensures that the financial position is contained within generally accepted prudent limits and that obligations can be met in the short, medium and long term); and
- Provides managers with suitable levels of delegation to enable them to fulfill their financial and managerial responsibilities.

A budget sets out certain service delivery levels and accompanying financial implications. Consequently, the community must realistically expect to receive these promised service levels and to understand the accompanying financial implications. High under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and realistic.

Furthermore, budgets tabled as early as 90 days before the start of the budget year, must remain credible and fairly close to the final approved budget.

### **Long term financial planning**

The long-term financial plan has been revised and is updated with current financial and statistical information for the MTREF and a Covid 19 Impact and Load Shedding analysis have been made. It clearly sets out funding needs as well as economic, demographic and socio economic as well as other factors that may influence the financial performance of the municipality over the next 10 to 15 years. Borrowing as a funding option is required as a result of the fact that internally generated funds are insufficient to cover the cost of ailing infrastructure that needs to be replaced or repaired on an urgent basis.

The municipality needs to plan for cash-backed provisions and reserves and is barely able to do so over the MTREF. The current portion of long-term employee benefits consisting of medical aid contributions for retired personnel and for the payment of long service bonuses should be cash backed and was included in table A8, but no funding is available for reserves. The fact that salary related expenditure has reached the upper limits of the acceptable norm for this ratio is very concerning as there is virtually no room for growth in this category of expenditure over the MTREF and therefore a concerted effort will be made to rationalize and reduce this expenditure going forward.

The budget is fully compliant with GRAP standards and have also been compiled in accordance with mSCOA (Municipal Standard Chart of Accounts). This will assist the basis for sound financial practices and compliance in terms of the MFMA, mSCOA and GRAP.

### **Sources of funding**

Interest earned from investments is recorded in the operating revenue budget. The interest earned is expected to add little to revenue over the MTREF as all funds generated through investment are necessary to enhance operations and to fund capital acquisitions from own revenue as well as to meet current operational commitments.

### **Contributions**

The Municipality receives augmentation fees which serve as bulk service levies from new developers to provide infrastructure and other works as part of the conditions set with the granting

process. This revenue source is not very predictable but with the prevailing economic climate it is expected that new developments will not follow past trends and these revenue streams are very dependent on economic recovery.

### 2.5.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

**Table 32 Breakdown of the operating revenue over the medium-term**

Description	2023/24 Medium Term Revenue & Expenditure Framework				
	R thousand Budget Year 2023/24	Growth %	Budget Year +1 2024/25	Growth %	Budget Year +2 2025/26
<b>Revenue By Source</b>					
Property rates	127 770 100	10.00	140 546 800	10.00	154 601 500
Service charges - electricity revenue	318 618 600	10.00	350 480 500	10.00	385 528 300
Service charges - water revenue	81 214 300	12.01	90 969 200	12.01	101 895 900
Service charges - sanitation revenue	48 856 600	10.00	53 742 400	10.00	59 116 500
Service charges - refuse revenue	34 402 800	10.00	37 843 100	10.00	41 627 500
Service charges - other					
Rental of facilities and equipment	2 534 000	4.55	2 649 200	6.00	2 808 100
Interest earned - external investments	6 407 300	5.09	6 733 600	5.99	7 137 000
Interest earned - outstanding debtors	9 246 400	7.00	9 893 300	7.00	10 585 900
Dividends received	-				
Fines, penalties and forfeits	4 700 300	6.00	4 982 300	6.00	5 281 300
Licences and permits	444 700	0.25	445 800	-	445 800
Agency services	7 454 200	7.00	7 976 100	7.00	8 534 500
Transfers and subsidies	112 341 500	3.46	116 233 500	5.23	122 312 500
Other revenue	25 798 300	0.32	25 880 600	5.85	27 395 100
Gains	63 869 800	4.36	66 652 900	6.18	70 773 400
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>843 658 900</b>	<b>8.46</b>	<b>915 029 300</b>	<b>9.07</b>	<b>998 043 300</b>

The following graph is a breakdown of the operational revenue per main category for the 2023/24 financial year.

### Figure 7 Breakdown of operating revenue over the 2023/24 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. Oudtshoorn Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.) are other forms of revenue.

The revenue strategy is a function of key components such as:

- Growth in Oudtshoorn Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95% annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and Property rates amendment Act, 2015
- And the ability to extend new services and obtain cost recovery levels.
- Curbing of excessive usage subsidized allocations in respect of indigent households

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The current financial position is still a factor contributing to the tariff determinations and the municipality has no alternative but to increase the service tariffs in excess of CPI for certain services as a result of cost reflective tariff studies that were performed in previous and current financial years, coupled to the need to move towards cost reflective status where tariffs are sufficient to ensure the financial viability of services. The need for infrastructure repairs, refurbishment and renewals are also placing an untenable operational burden on the municipal resources and requires higher than inflation tariff increases to cover the cost of ailing and failing infrastructure.

The original 2016 financial recovery plan is complete in respect of daily liquidity and associated cash flow activities, yet incomplete in respect of the building of a capital replacement reserve and ensuring that current provisions and reserves are adequately cash backed to prevent future cash flow difficulties. It is proposed by management to continue the recovery plan activities to ensure financial sustainability on the long term, and application for co-funding of the programs will be made to the Provincial Government.

The proposed tariff increases for the 2023/24 MTREF on the different revenue categories are reflected in the table below, the outer years of the MTREF reflect the continuation of the recovery plan as per the cost reflective tariff studies conducted. This is necessary to be financial sustainable and to deliver basic services to the general public of the Greater Oudtshoorn.

**Table 33 Proposed tariff increases over the medium-term**

Revenue Category	Budget Year 2023/24	Proposed Budget Year 2024/25	Proposed Budget Year 2025/26
Rates	10.0%	10.0%	10.0%
Refuse (cost recovery tariff)	New	10.0%	10.0%
Sanitation (change in policy)	New	10.0%	10.0%
Water	12.0%	12.0%	12.0%
Electricity	15.1% (subject to NERSA)	NERSA	NERSA

The tables below provide detail investment information and investment particulars by maturity.

**Table 34 MBRR SA15 – Detail Investment Information**

WC045 Oudtshoorn - Supporting Table SA15 Investment particulars by type										
Investment type	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand										
<b>Parent municipality</b>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		177 787	115 967	143 933	47 475	54 305	54 305	41 349	39 554	50 082
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
<b>Municipality sub-total</b>	1	177 787	115 967	143 933	47 475	54 305	54 305	41 349	39 554	50 082
<b>Consolidated total:</b>		177 787	115 967	143 933	47 475	54 305	54 305	41 349	39 554	50 082

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a break-even upon the conclusion of the MTREF. Surpluses needs to be generated through a combination of revenue enhancement and savings initiatives. Any surplus generated is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds in future budgets.

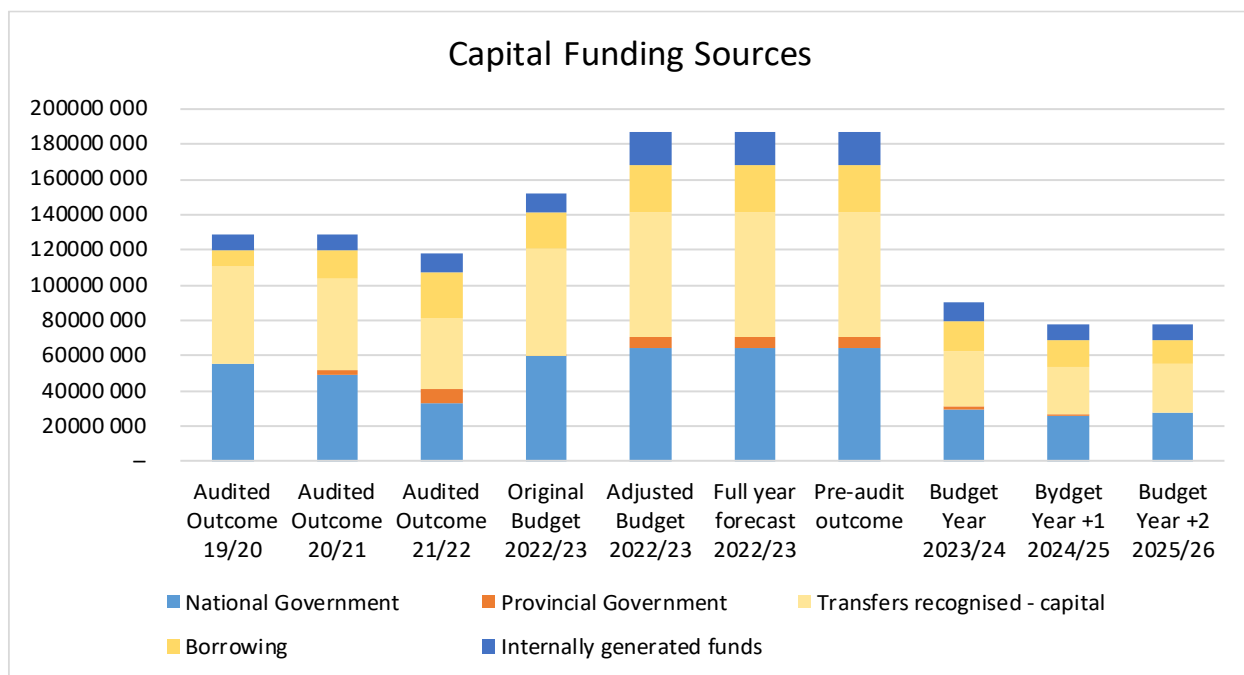
## 2.5.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2023/24 medium-term capital programme:

**Table 35 Sources of capital revenue over the MTREF**

R thousand	Audited Outcome 19/20	Audited Outcome 20/21	Audited Outcome 21/22	Original Budget 2022/23	Adjusted Budget 2022/23	Full year forecast 2022/23	Pre-audit outcome	Budget Year 2023/24	Bydget Year +1 2024/25	Budget Year +2 2025/26
<b>Funded by:</b>										
National Government	55 500	49 072	33 325	59 790	64 220	64 220	64 220	29 553	26 059	27 818
Provincial Government	-	2 928	7 361	400	6 300	6 300	6 300	1 662	800	-
District Municipality	-	-	-	-	104	104	104	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)										
<b>Transfers recognised - capital</b>	55 500	52 000	40 687	60 190	70 521	70 521	70 521	31 214	26 859	27 818
<b>Borrowing</b>	8 670	15 643	25 582	20 700	26 793	26 793	26 793	17 200	15 500	13 500
<b>Internally generated funds</b>	9 047	9 117	11 091	10 991	18 793	18 793	18 793	11 075	8 900	8 400
<b>Total Capital Funding</b>	73 217	76 761	77 359	91 881	116 106	116 106	116 106	59 490	51 259	49 718

The above table is graphically represented as follows for the capital funding



**Figure 8 Sources of capital revenue for the 2023/24 financial year over 7-year period**

Capital grants and receipts equates to 52% of the total funding source which represents R31 million for the 2023/24 financial year and remains the main source of funding for capital over the MTREF.

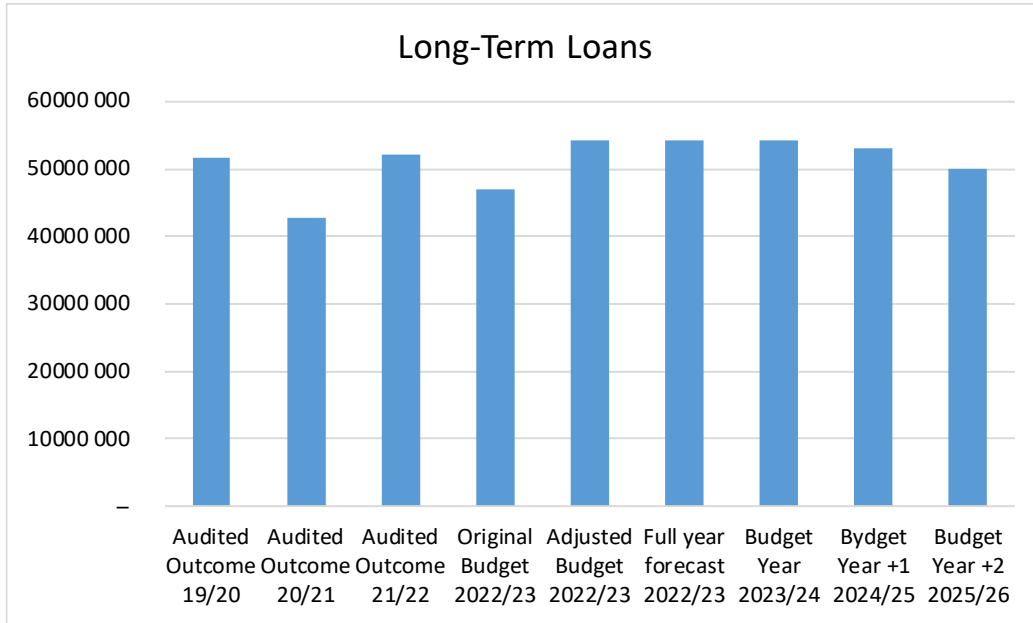
As already alluded to in the preceding report, the municipality intends to raise capital through borrowing over the MTREF in the amount of R46.2 million to address critical infrastructure refurbishment and renewal needs and to prevent current infrastructure from falling further into disrepair.

The following table is a detailed analysis of Oudtshoorn Municipality’s current borrowing liability.

**Table 36 MBRR Table SA 17 - Detail of borrowings**

	Audited Outcome 19/20	Audited Outcome 20/21	Audited Outcome 21/22	Original Budget 2022/23	Adjusted Budget 2022/23	Full year forecast 2022/23	Budget Year 2023/24	Bydget Year +1 2024/25	Budget Year +2 2025/26
Long-Term Loans	51 735	42 668	52 125	46 868	54 325	54 325	54 325	53 025	50 025

The following graph illustrates the increase in outstanding borrowing for the 2019/20 because the liquidity position improved and new loans was budgeted from 2019/20 onwards towards the MTREF 2023/24 for major capital replacement and upgrades. The Long-Term Financial analysis performed indicated the municipality is in a sound position to take up new borrowing, with the gearing ratio relatively low at 12%.



**Figure 9 Growth / Decline in outstanding borrowing (long-term liabilities)**

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source, it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds are currently under strain, and should be used conservatively going forward as the municipality needs to build reserves to fund future capital requirements.

**Table 37 MBRR Table SA 18 - Capital transfers and grant receipts**

WC045 Oudtshoorn - Supporting Table SA18 Transfers and grant receipts										
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>RECEIPTS:</b>										
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		79 957	95 421	86 443	95 061	121 725	121 725	102 171	107 708	113 417
Local Government Equitable Share		73 525	89 790	80 955	89 735	89 735	89 735	96 434	103 643	109 214
Local Government Financial Management Grant		2 085	2 517	2 565	2 800	2 800	2 800	2 802	2 802	2 940
Expanded Public Works Programme (EPWP)		2 728	2 243	1 784	1 310	1 310	1 310	1 672	-	-
Municipal Infrastructure Grant (MIG)		1 410	871	1 139	1 216	1 216	1 216	1 263	1 263	1 263
Disaster Relief Grant		209	-	-	-	-	-	-	-	-
Municipal Disaster Recovery Grant		-	-	-	-	26 664	26 664	-	-	-
<b>Provincial Government:</b>		9 900	12 333	10 490	7 621	8 321	8 321	10 171	8 526	8 896
Community Development Workers (CDW)		112	56	57	56	56	56	57	57	57
Emergency Housing Grant		-	2 000	1 288	-	-	-	-	-	-
Community Library Services Grant		6 371	7 127	7 520	7 290	7 290	7 290	7 824	8 129	8 494
Integrating Housing Settlement Grant		1 312	2 725	-	-	-	-	-	-	-
Maintenance of Road Infrastructure		-	125	125	125	125	125	170	190	200
Western Cape Financial Management Capacity Building Grant		380	300	250	-	-	-	-	-	-
Thusong Services Grant		-	-	150	150	150	150	120	150	145
Western Cape Financial Management Capability Grant		-	-	-	-	700	700	2 000	-	-
Local Government Public Employment Support Grant		-	-	1 100	-	-	-	-	-	-
Municipal Service Delivery and Capacity Building grant		120	-	-	-	-	-	-	-	-
Local Government Graduate Internship Grant		80	-	-	-	-	-	-	-	-
Disaster Relief Grant		-	-	-	-	-	-	-	-	-
Local Government Support Grant		550	-	-	-	-	-	-	-	-
WC Finance Management Support Grant		975	-	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	89 857	107 754	96 933	102 682	130 046	130 046	112 342	116 234	122 313
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		67 130	33 491	72 795	32 109	35 209	35 209	33 986	29 968	31 991
Municipal Infrastructure Grant		20 337	20 491	21 636	32 109	32 109	32 109	23 986	24 968	25 991
Integrated National Electrification Programme Grant (INEP)		6 000	3 000	3 206	-	3 100	3 100	-	5 000	6 000
Water Macro Planning		1 293	-	704	-	-	-	-	-	-
Local Government Financial Management Grant		-	-	98	-	-	-	-	-	-
Municipal Drought Relief Grant		-	-	47 150	-	-	-	-	-	-
Water services Infrastructure Grant		39 500	10 000	-	-	-	-	10 000	-	-
<b>Provincial Government:</b>		14 264	1	3 251	400	5 315	5 315	1 911	-	-
Libraries Services Conditional Grant		-	1	-	400	400	400	-	-	-
Municipal Drought Relief Grant		-	-	1 251	-	-	-	-	-	-
Upgrade of SMME Infrastructure		-	-	2 000	-	-	-	-	-	-
Rosevalley Library Grant		6 500	-	-	-	-	-	-	-	-
Western Cape Municipal Interventions Grant		-	-	-	-	250	250	-	-	-
Emergency Municipal Load Shedding Relief Grant		-	-	-	-	4 665	4 665	-	-	-
Municipal Service Delivery and Capacity Building grant		-	-	-	-	-	-	-	-	-
Fire Service Capacity Building Grant		830	-	-	-	-	-	1 911	-	-
Airport Infrastructure Grant		1 437	-	-	-	-	-	-	-	-
Integrating Housing Settlement Grant		5 000	-	-	-	-	-	-	-	-
WC Finance Management Support Grant		497	-	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	120	-	-	-	-	-	-
<b>GARDEN ROUTE DISTRICT MUNICIPALITY</b>		-	-	120	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	335	166	166	166	-	-	-
ASLA Rosevalley Library Contribution		-	-	335	166	166	166	-	-	-
<b>Total Capital Transfers and Grants</b>	5	81 394	33 492	76 501	32 675	40 690	40 690	35 897	29 968	31 991
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		171 251	141 246	173 433	135 357	170 736	170 736	148 238	146 201	154 303

### 2.5.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from Rates and Services to provide for as cash inflow based on actual performance. In other words, the *actual collection rate* of billed revenue, and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

**Table 38 MBRR Table A 7 – Budgeted Cash flows**

WC045 Oudtshoorn - Table A7 Budgeted Cash Flows											
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		92 909	94 474	98 930	110 635	109 185	109 185	109 185	121 382	133 520	146 871
Service charges		340 097	338 494	384 838	427 075	399 673	399 673	399 673	472 619	521 190	574 789
Other revenue		11 691	5 757	22 339	24 586	34 464	34 464	34 464	37 961	38 792	41 143
Transfers and Subsidies - Operational	1	107 834	107 754	89 525	102 682	130 046	130 046	130 046	112 342	116 234	122 313
Transfers and Subsidies - Capital	1	63 417	33 492	83 908	32 675	40 690	40 690	40 690	35 897	29 968	31 991
Interest		9 765	8 793	12 875	5 988	5 988	5 988	5 988	6 407	6 734	7 137
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(492 674)	(570 265)	(591 072)	(653 657)	(686 466)	(686 466)	(686 466)	(729 271)	(783 866)	(847 361)
Interest		(4 687)	(4 161)	(4 881)	(10 552)	(6 453)	(6 453)	(6 453)	(6 956)	(7 355)	(8 707)
Transfers and Subsidies	1	(4 717)	(1 901)	(3 402)	(3 092)	(2 992)	(2 992)	(2 992)	(2 909)	(3 055)	(3 208)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>123 636</b>	<b>12 438</b>	<b>93 060</b>	<b>36 340</b>	<b>24 136</b>	<b>24 136</b>	<b>24 136</b>	<b>47 470</b>	<b>52 161</b>	<b>64 967</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		462	-	2 366	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		(71 358)	(76 761)	(72 605)	(91 511)	(115 964)	(115 964)	(115 964)	(59 127)	(50 955)	(49 440)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(70 896)</b>	<b>(76 761)</b>	<b>(70 239)</b>	<b>(91 511)</b>	<b>(115 964)</b>	<b>(115 964)</b>	<b>(115 964)</b>	<b>(59 127)</b>	<b>(50 955)</b>	<b>(49 440)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		18 000	16 500	20 500	20 700	20 700	20 700	20 700	17 200	15 500	13 500
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing		(16 102)	(13 998)	(15 356)	(18 500)	(18 500)	(18 500)	(18 500)	(18 500)	(18 500)	(18 500)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>1 898</b>	<b>2 502</b>	<b>5 144</b>	<b>2 200</b>	<b>2 200</b>	<b>2 200</b>	<b>2 200</b>	<b>(1 300)</b>	<b>(3 000)</b>	<b>(5 000)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>54 639</b>	<b>(61 820)</b>	<b>27 966</b>	<b>(52 971)</b>	<b>(89 628)</b>	<b>(89 628)</b>	<b>(89 628)</b>	<b>(12 956)</b>	<b>(1 794)</b>	<b>10 527</b>
Cash/cash equivalents at the year begin:	2	123 149	177 787	115 967	100 447	143 933	143 933	143 933	54 305	41 349	39 555
Cash/cash equivalents at the year end:	2	177 787	115 967	143 933	47 476	54 305	54 305	54 305	41 349	39 555	50 082

## 2.5.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. The MTREF shows a consolidation of the cash position over the MTREF with a moderate increase over the 3-year period.

**Table 39 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation.**

WC045 Oudtshoorn - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	177 787	115 967	143 933	47 476	54 305	54 305	54 305	41 349	39 555	50 082
Other current investments > 90 days		0	0	(0)	(0)	(0)	(0)	(0)	-	(0)	-
Non current Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>177 787</b>	<b>115 967</b>	<b>143 933</b>	<b>47 475</b>	<b>54 305</b>	<b>54 305</b>	<b>54 305</b>	<b>41 349</b>	<b>39 554</b>	<b>50 082</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	-	-	-	-	153	153	153
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	5 115	7 903	5 074	-	-	5 074	5 074	5 074	5 074	5 074
Other working capital requirements	3	20 393	(15 757)	(31 144)	(64 619)	(31 354)	(31 354)	(31 354)	(44 387)	(58 683)	(75 084)
Other provisions		30 764	29 640	31 635	31 985	32 832	32 832	32 832	34 076	35 371	36 717
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>56 273</b>	<b>21 786</b>	<b>5 564</b>	<b>(32 634)</b>	<b>1 478</b>	<b>6 552</b>	<b>6 552</b>	<b>(5 084)</b>	<b>(18 086)</b>	<b>(33 140)</b>
<b>Surplus(shortfall)</b>		<b>121 514</b>	<b>94 181</b>	<b>138 369</b>	<b>80 110</b>	<b>52 827</b>	<b>47 753</b>	<b>47 753</b>	<b>46 433</b>	<b>57 640</b>	<b>83 222</b>

From the above table it can be seen that there is limited unencumbered cash and investments available for the 2023/24 financial year but it improves over the remainder of the MTREF.

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.
- Statutory requirements include VAT owing to timing differences resulting from year- end obligations, for which there is currently non-anticipated.
- Other provisions include current employee provisions to be paid within the year.

It can be concluded that Oudtshoorn Municipality has a cash surplus over the MTREF and that sufficient funds will be available for current operations. The challenge for Oudtshoorn Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate. The main cost driver of the budget being employee related cost must be managed downward for the municipality to gather sufficient financial resources to address critical maintenance and capital needs.

### 2.5.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position, and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 40 MBRR SA10 – Funding compliance measurement**

WC045 Oudtshoorn Supporting Table SA10 Funding measurement												
Description	MFMA section	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	177 787	115 967	143 933	47 476	54 305	54 305	54 305	41 349	39 555	50 082
Cash + investments at the yr end less applications - R'000	18(1)b	2	121 514	94 181	138 369	80 110	52 827	47 753	47 753	46 433	57 640	83 222
Cash year end/monthly employee/supplier payments	18(1)b	3	4.4	2.9	3.2	1.0	1.1	1.1	1.1	0.7	0.6	0.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	55 642	78 378	26 022	39 600	10 381	10 381	10 381	3 058	9 016	20 599
Service charge rev % change - macro CPI-X target exclusive	18(1)a,(2)	5	N.A.	(1.3%)	6.8%	2.5%	(11.0%)	(6.0%)	(6.0%)	9.9%	4.3%	4.3%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	93.9%	91.6%	93.8%	96.7%	96.4%	96.4%	96.4%	97.1%	97.1%	97.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7		(2.7%)	(0.2%)	(2.4%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.5%)
Capital payments % of capital expenditure	18(1)c;19	8	97.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	101.6%	66.6%	55.9%	65.3%	45.4%	45.4%	45.4%	60.8%	63.5%	61.6%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	40.4%	13.2%	34.9%	(27.6%)	0.0%	0.0%	15.3%	15.2%	15.1%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.5%	1.5%	1.6%	2.0%	4.5%	4.5%	2.1%	2.2%	2.4%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	7.2%	3.0%	0.5%	12.0%	2.0%	2.0%	0.0%	20.4%	45.7%	48.1%

<b>High Level Outcome of Funding Compliance</b>											
Total Operating Revenue		599 650	592 788	658 413	705 420	717 098	717 098	717 098	843 659	915 029	998 043
Total Operating Expenditure		607 251	612 886	678 568	735 144	788 280	788 280	788 280	876 497	935 981	1 009 435
Surplus/(Deficit) Budgeted Operating Statement		(7 602)	(20 098)	(20 155)	(29 725)	(71 182)	(71 182)	(71 182)	(32 838)	(20 952)	(11 392)
Surplus/(Deficit) Considering Reserves and Cash Backing		121 514	94 181	138 369	80 110	52 827	47 753	47 753	46 433	57 640	83 222
<b>MTREF Funded (1) / Unfunded (0)</b>	15	1	1	1	1	1	1	1	1	1	1
<b>MTREF Funded ✓ / Unfunded ✗</b>	15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

#### *2.5.5.1 Cash/cash equivalent position*

Oudtshoorn Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements. In the case of Oudtshoorn this is again positive over the entire MTREF

#### *2.5.5.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement.

#### *2.5.5.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of Oudtshoorn Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. The Municipality needs to achieve at least three month's cash coverage in the medium term, and then gradually move towards five months coverage. This measure will have to be carefully monitored going forward.

#### *2.5.5.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

#### *2.5.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

#### *2.5.5.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

#### *2.5.5.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

#### *2.5.5.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### *2.5.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

#### *2.5.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. Oudtshoorn Municipality has budgeted for all transfers.

#### *2.5.5.11 Consumer debtors change (Current and Non-current)*

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

#### *2.5.5.12 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

#### *2.5.5.13 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorize each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarize and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

The following budget supporting tables are included in the schedule of budget tables attached as Annexure "E" where appropriate a brief discussion is given to explain the context thereof underneath.

## 2.6 Expenditure on grants and reconciliations of unspent funds

### Table 41 MBRR SA19 - Expenditure on transfers and grant programs

This table gives a brief summary of the programs funded through the respective grant receipts for the current as well as outer years of the MTREF

### Table 42 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

This table provides an overview of the grants to be received as well as any amounts carried over from previous financial years as approved by the granting authority

## 2.7 Councillor and employee benefits

### Table 43 MBRR SA22 - Summary of councillors and staff benefits

This table provides an overview of remuneration paid inclusive of benefits and allowances in respect of councillors, management and staff over the MTREF.

### Table 44 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

This table provides a summary of salaries and benefits payable to public office bearers and senior management of the municipality

### Table 45 MBRR SA24 – Summary of personnel numbers

This table provides a summary of employee numbers divided into the different functional categories of the municipality

## 2.8 Monthly targets for revenue, expenditure and cash flow

### Table 46 MBRR SA25 - Budgeted monthly revenue and expenditure

This table sets out the monthly revenue as well as expenditure requirements by revenue source and expenditure category over the 2023/24 financial year and is indicative of the operational requirements on a monthly basis

### Table 47 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

This table sets out the monthly revenue as well as expenditure requirements by municipal vote over the 2023/24 financial year and is indicative of the operational requirements on a monthly basis

**Table 48 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

This table sets out the monthly revenue as well as expenditure requirements by standard classification as determined by the National Treasury over the 2023/24 financial year and is indicative of the operational requirements on a monthly basis.

**Table 49 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

This table illustrates the extent to which the capital program will be executed during the financial year.

**Table 50 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

This table illustrates the extent to which the capital program will be executed during the financial year classified in accordance with the treasury standard classification.

**Table 51 MBRR SA30 - Budgeted monthly cash flow**

This table reflects the monthly cash flow anticipated over the duration of the financial year and the anticipated cash flow result at conclusion of the financial year.

WC045 Oudtshoorn - Supporting Table SA30 Budgeted monthly cash flow																
MONTHLY CASH FLOWS	Budget Year 2023/24												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Cash Receipts By Source</b>																
Property rates	10 115	5 658	5 658	5 658	5 658	5 658	5 658	5 658	5 658	5 658	5 658	5 658	54 685	121 382	133 520	146 871
Service charges - electricity revenue	26 050	26 050	26 050	26 050	26 050	26 050	26 050	26 050	26 050	26 050	26 050	26 050	26 051	312 601	343 732	377 967
Service charges - water revenue	6 613	6 613	6 613	6 613	6 613	6 613	6 613	6 613	6 613	6 613	6 613	6 613	6 615	79 355	88 777	99 322
Service charges - sanitation revenue	3 935	3 935	3 935	3 935	3 935	3 935	3 935	3 935	3 935	3 935	3 935	3 935	3 936	47 221	51 919	57 065
Service charges - refuse revenue	2 787	2 787	2 787	2 787	2 787	2 787	2 787	2 787	2 787	2 787	2 787	2 787	2 786	33 442	36 763	40 415
Rental of facilities and equipment	275	275	275	275	275	275	275	275	275	275	275	275	238	3 260	3 426	3 639
Interest earned - external investments	534	534	534	534	534	534	534	534	534	534	534	534	533	6 407	6 734	7 137
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	84	84	84	84	84	84	84	84	84	84	84	84	83	1 004	1 064	1 128
Licences and permits	37	37	37	37	37	37	37	37	37	37	37	37	37	445	446	446
Agency services	621	621	621	621	621	621	621	621	621	621	621	621	621	7 454	7 976	8 535
Transfers and Subsidies - Operational	9 362	9 362	9 362	9 362	9 362	9 362	9 362	9 362	9 362	9 362	9 362	9 362	9 362	112 342	116 234	122 313
Other revenue	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 149	2 149	25 798	25 881	27 395
<b>Cash Receipts by Source</b>	<b>62 562</b>	<b>58 105</b>	<b>58 105</b>	<b>58 105</b>	<b>58 105</b>	<b>58 105</b>	<b>58 105</b>	<b>58 105</b>	<b>58 105</b>	<b>58 105</b>	<b>58 105</b>	<b>58 105</b>	<b>107 095</b>	<b>750 710</b>	<b>816 469</b>	<b>892 252</b>
<b>Other Cash Flows by Source</b>																
Transfers and subsidies - capital (monetary allocations) (National/Provincial and District)	2 991	2 991	2 991	2 991	2 991	2 991	2 991	2 991	2 991	2 991	2 991	2 991	2 991	35 897	29 968	31 991
Borrowing long term/refinancing	1 433	1 433	1 433	1 433	1 433	1 433	1 433	1 433	1 433	1 433	1 433	1 433	1 434	17 200	15 500	13 500
<b>Total Cash Receipts by Source</b>	<b>66 987</b>	<b>62 530</b>	<b>62 530</b>	<b>62 530</b>	<b>62 530</b>	<b>62 530</b>	<b>62 530</b>	<b>62 530</b>	<b>62 530</b>	<b>62 530</b>	<b>62 530</b>	<b>62 530</b>	<b>111 520</b>	<b>803 807</b>	<b>861 937</b>	<b>937 743</b>
<b>Cash Payments by Type</b>																
Employee related costs	26 793	26 793	26 793	26 793	26 793	26 793	26 793	26 793	26 793	26 793	26 793	26 793	20 616	315 344	334 161	354 180
Remuneration of councillors	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 041	12 485	13 234	14 028
Interest	580	580	580	580	580	580	580	580	580	580	580	580	578	6 956	7 355	8 707
Bulk purchases - electricity	20 750	20 750	20 750	20 750	20 750	20 750	20 750	20 750	20 750	20 750	20 750	20 750	20 750	249 000	278 880	312 346
Acquisitions - water & other inventory	2 518	2 518	2 518	2 518	2 518	2 518	2 518	2 518	2 518	2 518	2 518	2 518	2 518	30 220	31 818	33 706
Contracted services	3 438	3 438	3 438	3 438	3 438	3 438	3 438	3 438	3 438	3 438	3 438	3 438	3 433	41 247	43 243	45 853
Transfers and subsidies - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - other	242	242	242	242	242	242	242	242	242	242	242	242	243	2 909	3 055	3 208
Other expenditure	6 750	6 750	6 750	6 750	6 750	6 750	6 750	6 750	6 750	6 750	6 750	6 750	6 726	80 977	82 529	87 249
<b>Cash Payments by Type</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>62 112</b>	<b>55 905</b>	<b>739 136</b>	<b>794 276</b>	<b>859 276</b>
<b>Other Cash Flows/Payments by Type</b>																
Capital assets	4 927	4 927	4 927	4 927	4 927	4 927	4 927	4 927	4 927	4 927	4 927	4 927	4 927	59 127	50 955	49 440
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	18 500	18 500	18 500	18 500
<b>Total Cash Payments by Type</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>67 039</b>	<b>79 333</b>	<b>816 763</b>	<b>863 731</b>	<b>927 216</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(52)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>(4 509)</b>	<b>32 187</b>	<b>(12 956)</b>	<b>(1 794)</b>	<b>10 527</b>
Cash/cash equivalents at the monthly year begin:	54 305	54 253	49 744	45 234	40 725	36 216	31 707	27 198	22 689	18 180	13 671	9 162	9 162	54 305	41 349	39 555
Cash/cash equivalents at the monthly year end:	54 253	49 744	45 234	40 725	36 216	31 707	27 198	22 689	18 180	13 671	9 162	41 349	41 349	39 555	38 555	50 082

## 2.9 Contracts having future budgetary implications

In terms of Oudtshoorn Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## 2.10 Capital expenditure details

The following four tables included in Annexure "E" present details of Oudtshoorn Municipality's capital expenditure program, firstly on new assets, then the upgrading of assets, the repair and maintenance of assets and finally the renewal of assets. The tables as indicated below form part of the budget supporting tables included in Annexure "E"

### Table 52 MBRR SA 34a - Capital expenditure on new assets by asset class

### Table 53 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

### Table 54 MBRR SA34c - Repairs and maintenance expenditure by asset class

### Table 55 MBRR SA34e – Capital expenditure on upgrading existing assets

### Table 56 MBRR SA35 - Future financial implications of the capital budget

This table illustrates the impact of the capital budget on future financial year's operational budget and the extent to which it will impact on projected revenue and expenditure

### Table 57 MBRR SA36 - Detailed capital budget per municipal vote

The detailed capital program is listed under point 1.6 of the budget report and full detail available in SA36 in Annexure "E"

## 2.11 Legislation compliance status

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

1. In year reporting  
Reporting to National Treasury in electronic format is fully complied with on a monthly basis up until the last section 71 reporting to the Executive Mayor (within 10 working days) and has progressively improved and includes monthly published financial performance on Oudtshoorn Municipality's website.
2. Internship program  
Oudtshoorn Municipality is participating in the Municipal Financial Management Internship program. Five interns have been appointed with effect from 1 April 2016 which are funded

through the FMG in the current financial year. Vacancies that occur from time to time are filled once they are available in accordance with the grant conditions.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA, the municipality is currently suffering as critical vacancies exist in the BTO, especially the Revenue Enhancement Section. The appointment of adequate management staff in the BTO will therefore be receiving priority and the necessary budgetary allocation has been made in the MTREF.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is submitted as draft with the MTREF and will be approved in accordance with the legislative framework after the budget approval it is directly aligned and informed by the 2023/24 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements. The annual report was tabled in Council and is currently available for public comments before submission to the oversight committee and thereafter final adoption by Council.

7. Minimum competency training

Minimum competency training is underway and all required staff members are enrolled for the completion of the required training. Extension for the compliance has been granted by the National Treasury. Our participation in this program is in line with the assessment of current skills pool and capacity building to ensure less reliance on consulting services. The filling of critical vacancies will also require compliance by candidates to the minimum competency requirements.

8. Policies

Various policy amendments are proposed as part of the budget process, all policies being revised are to be made available with budget documentation for public input.

9. mSCOA Readiness

The municipality is compliant in respect of all mSCOA requirements yet certain modules of the core financial system such as asset management still needs to be implemented. All data strings submitted by the municipality have been validated and have been found to be in order and perfectly aligned with budget schedules.

## 2.12 Other supporting documents

**Table 56 MBRR Table SA1 - Supporting detail to budgeted financial performance**

**Table 57 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)**

**Table 58 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

**Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions**

The aforementioned supporting schedules are included in Annexure “E” and provides supporting information to the main budget tables and figures as alluded to in the budget report.

## 2.13 Public Input and responses thereto

There was formal correspondence received only from Mr. H Botes, where he appeals the tariff increases proposed by council and the affordability of this to the tax payers of Oudtshoorn. Mr Botes highlighted in his appeal letter that the electricity tariffs is above the benchmark guideline from NERSA in the tabled budget, the inflation indicator determined by the National Treasury is for 2023-24 is not accurate as the actual is higher and the refuse and sewerage new tariff structure is not affordable and unfair to the public.

Municipality takes note of Mr Botes protest, and the electricity tariff will be adjusted to be the latest benchmark of NERSA that was published but is still subject to final guideline increases that is to be determined by NERSA in June 2023. The consumers will then be billed only approved NERSA tariffs as from 1 July 2023. The sewerage and refuse tariffs are for the first time fair, equitable and cost reflective, in relation to the expenditure incurred to deliver the service. This is a compulsory requirement from the National Treasury since the prior year, and a detailed scientific study was performed to calculate the amount that should be charged per service to ensure basic service delivery needs are met. Accentuated throughout the budget document is the document is pro-poor and would the increases not influence the indigent residents who have applied for the approved subsidies.

## 2.14 Municipal manager's quality certificate

I Walter Hendricks, Acting Municipal Manager of Oudtshoorn Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: W Hendricks

Municipal Manager of Oudtshoorn Municipality (WC045)

Signature: \_\_\_\_\_

Date 29 May 2023