



MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2019/20 – 2021/22

TABLE OF CONTENTS

	PART 1 ANNUAL BUDGET	
1	Chairperson's report	3-5
2	Executive summary	6-23
3	Budget Related Resolutions	24-30
	PART 2 SUPPORTING DOCUMENTATION	
2.1	Overview of Annual Budget Process	31-34
2.2	Overview of Alignment of Annual Budget with Service Delivery Agreement	35
2.3	Measurable Performance Objectives	35
2.4	Overview of Budget Related Policies	35-37
2.5	Overview of Budget Assumptions	37-38
2.6	Overview of Budget Funding	38-40
2.7	Budget Grants and Transfers	41
2.8	Board Members Allowance and Employee Benefits	41-42
2.9	Contracts Having Future Budgetary Implications	43
2.10	Monthly Targets for Revenue, Expenditure and Cash Flow	44
2.11	Capital Expenditure Details	45
2.12	Legislation Compliance Status	46
2.13	Chief Executive Officer's Quality Certification	47

ANNEXURES ATTACHED

A	Electricity Tariffs	30
B	General Tariffs	30
C	Policies & Procedures Amendment Register	30
D	Training Tariffs	30

LIST OF TABLES

Table D1	Budget Summary
Table D2	Budget Financial Performance (Revenue & Expenditure)
Table D3	Capital Budget by Vote and Funding
Table D4	Budget Financial Position
Table D5	Budget Cash-flow
Supporting Table SD1	Measurable Performance Targets
Supporting Table SD2	Financial and Non-Financial Indicators
Supporting Table SD3	Budgeted Investment Portfolio
Supporting Table SD4	Board Member Allowances and Staff Benefits
Supporting Table SD5	Summary of personnel numbers
Supporting Table SD6	Budgeted monthly cash and revenue/expenditure
Supporting Table SD7(a)	Capital expenditure on new assets by asset class
Supporting Table SD7(b)	Capital expenditure on renewal of existing assets by asset class
Supporting Table SD7(c)	Capital expenditure on repairs and maintenance by asset class
Supporting Table SD8	Future financial Implications
Supporting Table SD9	Detailed Capital Budget
Supporting Table SD10	Long term Contracts
Supporting Table SD11	External Mechanisms

PART 1 – ANNUAL BUDGET

1. CHAIRPERSON’S REPORT

The slowdown in global economic growth has negative ripple effect in the domestic economies felt more severely by emerging markets. The slow growth in Chinese economy and the rising interest rate in the United States are cited as the main economic drawbacks. *“Electricity supply constraints, falling commodity prices and lower confidence levels have resulted in our growth forecasts being revised lower. Investment growth will be just 1.2 per cent this year. Limited employment growth and household income constraints are holding back consumption.” MTBPS 2015.* The country’s economic growth outlook remains deem with forecast for 2019 projected at 1.5 %.

The Consolidated Medium Term Revenue and Expenditure Framework (MTREF) Budget of 2019/20 - 2021/22 budget is thus compiled in the environment of weak consumption appetite and thus stunted demand.

Affordable and sustainable energy supply can unlock economic potential by encouraging investment in the city and the province and thereby propelling the province to an above national economic growth rate. Towards this objective, in the current MTREF period the entity will explore alternative energy sources. Licencing and piloting of “Green Energy” sources are set as the targets for the current MTREF.

Given the sluggish growth and weak demand, the entity will concentrate the resources towards maintenance of the current network in order to minimise power outage and shorten supply disruption. Expansion programme will be help back; however Service Delivery imperative will be prioritised. Efforts to collect revenue will be strengthened and the entity will adopt zero tolerance on electricity theft, non-payment of bills, misuse of resources and network vandalism.

The revenue for the MTREF budget totals to an amount or projected revenue of R 2,810 billion in 2019/20, representing an increase of R 168,145 million or 6.36% on that of 2018/19 Adjustment Budget (R 2,642 billion.) The allocation for the two outer years of the MTREF period is R 2,979 billion in 2020/21 and R 3,158 billion in 2021/22.

The Operational Expenditure totals to projected expenditure of R 2,597 billion for 2019/20, representing an increase of R 141,578 million or 5.77% increase from that of the 2018/19 Adjustments Budget of (R 2,455 billion). The allocation for the two outer years of the MTREF period is R 2,746 billion for 2020/21 and R 2,904 billion for the 2021/22.

The Capital budget of the Entity herewith presented amount to R 212,638 million for 2019/20, representing increase of R 26,603 million or 14.30% from 2018/19 Adjustments Budget of R 186,035 million. The allocation for the two outer years of the MTREF period is projected at R 232,565 million for 2020/21 and R 253,650 million for 2021/22.

The table below illustrates the above:

Details	Approved Budget 2018/19	Adjustment Budget 2018/19	2019/20	Growth%	2020/21	2021/22
Revenue	2,435,415,939	2,642,036,488	2,810,181,677	6.36%	2,979,312,578	3,158,632,933
Operating Expenditure	2,307,574,649	2,455,807,020	2,597,385,361	5.77%	2,746,629,355	2,904,915,811
(Surplus) /Deficit	127,841,290	186,229,468	212,796,316	14.27%	232,683,223	253,717,122
Gains and Loss	324,868	324,868	344,360	-4.01%	365,022	386,923
Capital Expenditure	96,647,180	186,035,358	212,638,821	14.30%	232,565,395	253,650,576
Surplus and or (Deficit)	31,518,978.00	518,978.00	501,855.00	-3.30%	482,850	453,469

All the projects are derived from the parent municipality's integrated development plan and will be consolidated in the Municipal Budget. The entity is positioned to continue perform on its mandate of assisting the parent municipality achieve its goals of making energy accessible to all communities within the metro boundaries.

The 2019/20 MTREF is prepared within the parameters set by the Parent Municipality including the guidelines (Circular No 93 and 94) provided by National Treasury and NERSA on energy tariffs. Projects to accelerate service delivery and strengthen the Entity's cash flow position are addressed in the proposed MTREF. Projects to strengthen

good governance and firm internal controls are maintained to ensure the retention of improved audit opinion from the Auditor General (AGSA) received in the previous year. The budget further takes cognizance of, and address issues raised by the AGSA in the previous financial years.

The 2019/20 budget of the entity is herewith presented to the parent municipality for consideration in terms of MFMA 87 (2).

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Chairperson of the Board

2. EXECUTIVE SUMMARY

The purpose of the 2019/20 MTREF is to guide the entity's allocated resources to achieve its service delivery objectives as required by the Act MFMA (No 56 of 2003). The MTREF is a financial plan to enable the Municipal Entity to achieve its vision and mission as articulated in the Business Plan.

The Budget serves to bring to light the current priorities as outlined below:

- Financial sustainability
- Good Governance
- Refurbishment and upgrade of the network
- New infrastructure investment

The tabling of the draft budget is the start of a journey towards the final budget approval before implementation in the start of the new financial year. The draft budget is an instrument which the Municipality engages the communities of the Metro to ensure proper public participation, and also to ensure that the community's needs as captured in the Integrated Development Plan (IDP) are translated into the budget for implementation. It serves to initiate many processes both politically and administratively, amongst others, consultations with communities throughout the municipal area.

2.1 PAST AND CURRENT PERFORMANCE, ACHIEVEMENTS AND CHALLENGES (BUDGET IMPLEMENTATION)

2.1.1 PAST PERFORMANCE AND SPENDING LEVELS

1. Source of Funding

The Capital Budget projects of the Entity have been funded as follows over the years

Funding Sources	Approved Budget 2014/15	Adjustments Budget 2014/15	Approved Budget 2015/16	Adjustments Budget 2015/16	Approved Budget 2016/17	Adjustments Budget 2016/17	Approved Budget 2017/18	Adjustment Budget 2017/18	Approved Budget 2018/19	Adjustment Budget 2018/19
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Integrated National Electrification Programme	26,491,228	26,491,228	26,315,789	26,315,789	8,500,000	8,500,000	20,000,000	20,000,000	9,450,000	15,450,000
Urban Settlement Development Grant										
Public Contributions	19,267,015	15,767,015	20,952,879	20,952,879	23,141,686	23,141,686	24,761,603	6,000,000	6,318,000	10,762,339
Revenue / Surplus (Internal funds)	253,205,000	256,835,056	278,088,182	198,854,055	169,098,290	201,534,699	71,707,079	71,110,329	80,879,180	159,823,019
Demand Side Management Grant										
TOTAL	298,963,243	299,093,299	325,356,850	246,122,723	200,739,976	233,176,385	116,468,682	97,110,329	96,647,180	186,035,358

2. Performance: Budget vs. Actual – Capital Expenditure

Financial Year	Approved Budget	Adjustments Budget	Actual Expenditure	% Spent Adjustments Budget
2012/13	184,767,424	190,485,420	169,660,186	89%
2013/14	156,588,364	262,587,391	224,426,894	85%
2014/15	298,963,243	299,093,299	282,585,610	94%
2015/16	325,356,851	246,122,724	242,344,543	98%
2016/17	200,739,976	233,176,385	222,562,922	96%
2017/18	116,468,682	97,110,329	118,986,263	123%

3. Capital Expenditure per Category

The table below indicate the Entity's breakdown of its capital expenditure over the past years. The bias in terms of the spending being towards infrastructural related projects.

Capital Expenditure	Actuals 2013/14	Actuals 2014/15	Actuals 2015/16	Actuals 2016/17	Actuals 2017/18
	R'000	R'000	R'000	R'000	R'000
IMPLEMENTATION OF BUSINESS CONTINUITY &		495,634	904,442	341,339	
UPGRADE OF CURRENT PABX TO VOIP TELCOMMS		3,703,504	4,664,744		
SERVITUDES AND LAND (INCLUDING INVESTIGA		19,696	167,245	338,509	25,975
WEBSITE		243,985			
SCOA IMPLEMENTATION PROJECT		1,006,466			
REPLACEMENT OF OIL PLANT		902,734			
EXTENSION AND UPGRADING OF THE 11KV OVER		6,168,462	6,417,588	5,603,912	16,796,159
ELLITE SUBSTATION (AIRPORT NODE)		10,500,000	10,823,860		17,921,667
INSTALLATION OF OF PREPAID METERS (INDIG	811,330	878,362	39,743	195,217	58,297
ELECTRIFICATION CONNECTIONS DME		21,360,913	26,315,711		20,159,955
METER PROJECT	31,724,569	63,633,076	33,236,925	13,295,680	3,197,793
SMART METERS ELECTRICITY		29,014,623	42,691,340	38,137,455	
OFFICE FURNITURE & EQUIPMENTS	6,613,150	2,083,713	544,157	516,140	2,599,437
FICHARDT PARK DC :132KV/11KV		2,277,764		39,384,827	
ELECTRIFICATION CONNECTIONS DME		8,779		5,871,141	
PUBLIC ELECTRICITY CONNECTIONS	22,608,870	11,102,662	15,113,201	24,178,494	8,858,829
OFFICE BUILDING	2,947,541	2,120,157	1,226,096	3,814,681	4,627,983
VEHICLES	37,786,178	21,930,563	7,594,437	240,522	
TRAINING AND DEVELOPMENT			256,944	271,178	507,409
BULK METER REFURBISHMENT					167,600
REPLACEMENT LAPTOPS FOR TECHNICIANS (12)	104,481				
NEW TEST VEHICLES EQUIPMENT		1,247,352			
TRANSFORMER REPLACEMENT		3,408,929	5,473,818		1,203,897
UPGRADING OF RIPPLE CONTROL EQUIPMENT (Zellweger)	43,015				
INSTALLATION OF PUBLIC LIGHTING			14,325,933	16,201,639	9,792,523
ELECTRIFICATION PROJECTS			10,988,609	13,950,362	4,813,335
REPLACEMENT OF DECREPIT LOW VOLTAGE OVER	1,149,234	396,830	85,064		
REPLACEMENT OF BRITTLE OVERHEAD CONNECTI	349,490	738,134	780,436		139,513
COMPUTER AND PRINTER (REPLACEMENT - MEDI	1,791,728				
REPLACEMENT OF DECREPIT HAMILTON	1,444,568	902,866	1,506,348	531,174	
REPLACEMENT OF DECREPIT 11KV CABLE		1,045,476	2,351,857	1,976,878	39,006
NETWORK REFURBISHMENTS	5,059,245	21,262,346	3,999,476	8,805,287	
METERING SYSTEM				6,876,960	

Capital Expenditure	Actuals 2013/14	Actuals 2014/15	Actuals 2015/16	Actuals 2016/17	Actuals 2017/18
CECELIADC 132KV/11KV 30 MVA		3,480,798	36,501,286	17,931,741	
ELECTRICITY CONNECTIONS	5,324,290				
ELECTRIFICATION CONNECTIONS DME	8,767,189				
VANSTRADENS RUS PHASE 2 ELECTRIFICATION				2,555,511	
KHAYELITSHA ELECTRIFICATION / PHASE 7	17,611,055	20,746,527			
REPLACEMENT OF 11KV BATTERIES		435,745			
REPLACEMENT OF 32V BATTERIES		365,360			
REPLACEMENT OF 2 & 4 WAY FIBREGLAS BOX IN SECTION H	197,293	273,500	166,859		176,374
REMEDIAL WORK 132KV SOUTHERN LINES		8,603,989			2,941,020
REPLACEMENT OF 240mm XLPE BETWEEN SUB A AND H	13,183,628	5,845,657			
BOTSHABELO: 132KV LINE FROM DC AROUND WESTERN SIDE TO SOUTH OF BOTSHABELO	11,087,756	5,131,380			9,346,983
BOTSHABELO: 132KV/33/11KV DC SUB F	20,230,215				
MERITING DC: 132KV/11KV CD	11,302,810				
GROENVLEI DC 132/11KV 20 MVA DC		14,045,424	6,933,641		
SHANNON ADC: 132KV/11KV DC	7,483,256				
TIBBIE VISSER 33/11 T 1 5MVA		375,076			
BOTSHABELO: 132KV LINES FROM DC AROUND	11,547,605			7,506,414	
VENDING BACK OFFICE	3,494,262		402,561	273,165	
REFURBISHMENT OF HIGH MAST LIGHTS					2,097,321
UPGRADE AND REFURBISHMENT OF CENTLEC COMPUTER NETWORK	261,690	1,406,743	2,009,821		3,157,712
COMMUNICATION AND MARKETING			1,566,233	2,570,239	
SECURITY EQUIPMENT (CCTV)				1,368,429	352,008
REPLACEMENT OF 11KV SWITCHGEARS FOR MAGISTRATE SUB,	1,303,171	575,276			490,100
SHIFTING OF CONNECTION AND REPLACEMENT S					1,285,179
132KV NORTHERN RING FROM NOORDSTAD DC TO		14,694,052	5,256,171	1,004,093	
FURNITURE AND OFFICE EQUIPMENT					
Total	224,227,621	282,432,554	242,344,542	213,740,985	118,986,263

2.1.2 RISKS FACING MUNICIPAL ENTITY

- Declining revenue due to the constraints on supply side viz. customers heeding to energy conservation as well as the protracted economic climate resulting in suppressed demand in general.
- Maintenance backlogs in respect of service delivery infrastructure and utilities.
- The low economic growth impacting on collectability of debt.
- Unfilled vacancies that puts pressure on service delivery and prudent administration.

2.1.3 AUDIT OUTCOME 2017-2018

Centlec (SOC) Ltd Audit Report:

The Entity's audit outcome for the 2017/18 financial year was a disclaimer audit opinion.

2.2 BUDGET SUMMARY

2.2.1 CONSOLIDATED MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK OUTLOOK: 2019/20 – 2021/22

A. OPERATING REVENUE BUDGET - HIGHLIGHTS ON MAJOR CATERGORIES

For the Municipal Entity to continue with its quality service provision, it has to sustain high revenue collection levels and add other sustainable sources in the revenue streams. In the budget year the entity will seek to add other energy sources in its distribution licence.

The total revenue budget is projected at R 2,810 billion in 2019/20, representing an increase in revenue of R 168,145 million (6.36%) on the 2018/19 Adjustments Budget of R 2,642 billion. The allocation for the outer two years of the MTREF period is R 2,979 billion and R 3,158 billion respectively. Revenue generated from services charges forms a significant part of the revenue basket of the Entity. Services charges constitutes 97% (2018/19 - 97%) of the budgeted revenue (excluding capital grants and transfers) in the 2019/20 budget year.

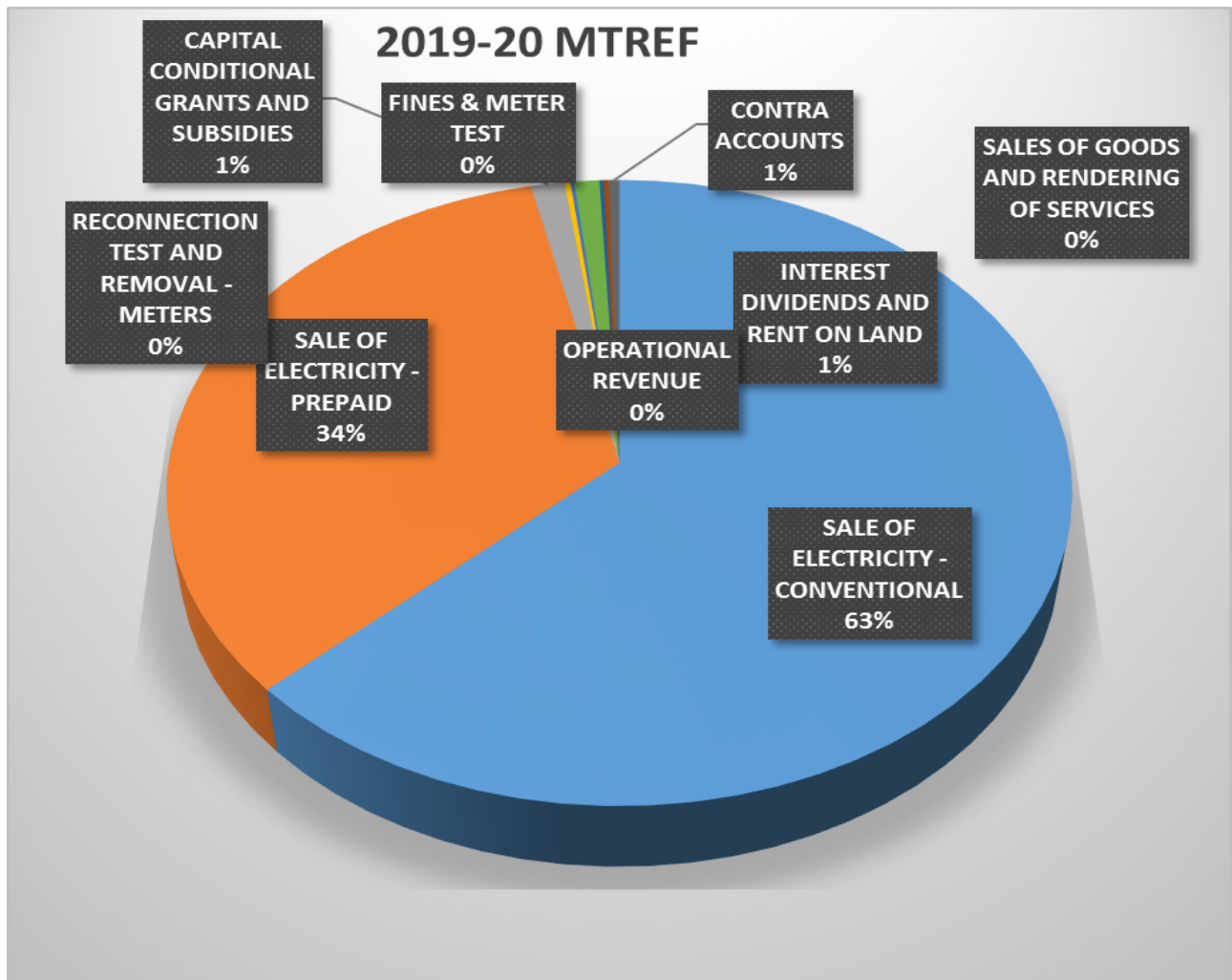
Details of the Revenue by Source are as outlined in the below table:

STATEMENT OF FINANCIAL PERFORMANCE - CENTLEC (ENTITY)						
REVENUE PER SOURCE	MTREF BUDGET 2019-20 to 2021-22					
	APPROVED BUDGET 2018-19	APPROVED ADJUSTMENT BUDGET	GROWTH %	PROPOSED BUDGET 2019-20	PROPOSED BUDGET 2020- 21	PROPOSED BUDGET 2021- 22
NON -EXCHANGE REVENUE	-28,345,995	-6,133,656	6.00%	-6,501,675	-6,891,776	-7,305,282
FINES PENALTIES AND FORFEITS	-6,133,656	-6,133,656	6.00%	-6,501,675	-6,891,776	-7,305,282
CAPITAL : MONETARY	-22,212,339	-26,212,339	42.71%	-37,408,079	-40,172,564	-43,144,518
TRANSFERS AND SUBSIDIES (PUBLIC CONTRIBUTION)	-6,762,339	-10,762,339	6.00%	-11,408,079	-12,092,564	-12,818,118
INTEGRATED NATIONAL ELECTRIFICATION GRANT	-15,450,000	-15,450,000	-100.00%	-	-	-
URBAN SETTLE DEVELOPMENT GRANT		-		-26,000,000	-28,080,000	-30,326,400
EXCHANGE REVENUE	-2,418,461,456	-2,621,082,005	6.00%	-2,778,346,925	-2,945,047,741	-3,121,750,605
SERVICE CHARGES	-2,381,620,323	-2,581,620,323	6.00%	-2,736,517,542	-2,900,708,595	-3,074,751,111
SALE OF ELECTRICITY - CONVENTIONAL	-1,548,076,844	-1,685,397,204	6.00%	-1,786,521,036	-1,893,712,298	-2,007,335,036
SALE OF ELECTRICITY - PREPAID	-833,543,479	-896,223,119	6.00%	-949,996,506	-1,006,996,297	-1,067,416,074
RECONNECTION TEST AND REMOVAL - METERS	-1,342,041	-3,962,590	6.00%	-4,200,345	-4,452,366	-4,719,508
INTEREST EARNED	-26,213,521	-26,213,521	6.00%	-27,786,332	-29,453,512	-31,220,723
OPERATIONAL REVENUE	-4,550,580	-4,550,580	6.00%	-4,823,615	-5,113,032	-5,419,814
SALES OF GOODS AND RENDERING OF SERVICES	-4,734,991	-4,734,991	6.00%	-5,019,090	-5,320,236	-5,639,450
CONTRA ACCOUNTS	11,391,512	11,391,512	6.00%	12,075,003	12,799,503	13,567,473
COST OF FREE BASIC SERVICES	11,391,512	11,391,512	6.00%	12,075,003	12,799,503	13,567,473
TOTAL INCOME	-2,435,415,939	-2,642,036,488	6.36%	-2,810,181,677	-2,979,312,578	-3,158,632,933

Details of the Gains and Losses are as outlined in the below table:

STATEMENT OF FINANCIAL PERFORMANCE -CENTLEC (ENTITY)						
GAINS AND LOSSES PER SOURCE	MTREF BUDGET 2019-20 to 2021-22					
	APPROVED BUDGET 2018-19	APPROVED ADJUSTMENT BUDGET 2018-19	GROWTH %	PROPOSED BUDGET 2019-20	PROPOSED BUDGET 2020-21	PROPOSED BUDGET 2021- 2022
GAINS AND LOSSES	-324,868	-324,868	6.00%	-344,360	-365,022	-386,923
DISP OF FIXED AND INTANGIBLE ASSETS	-324,868	-324,868	6.00%	-344,360	-365,022	-386,923

The graph below illustrates the sources of the Entity's revenue over the MTREF period, as outlined above:



Operating Revenue Budget – Highlights on major categories:

Service Charges

The services charges revenue is projected at R 2,736 billion in 2019/20, representing an increase in revenue of R 154,897 million (6.00%) in 2018/19 Adjustments Budget of R 2,581 billion. The allocation for the outer two years of the MTREF period is R 2,900 billion and R 3,074 billion respectively.

Equitable Share from the Parent Municipality (FBE)

Included in the budgeted revenue of R 2,810 billion, is free basic electricity from the Parent Municipality totalling to R 12,075 million for the 2019/20. The allocations for the 2020/21 and 2021/22 budget years are R 12,799 million and R 13,567 million respectively. This derives from the indigent register of the Parent Municipality.

Capital Grants and Subsidies (USDG)

Capital grants from the Provincial and National Governments amounts to R 26,000 million for 2019/20 (2018/19 Adjustments Budget - R 15,450 million). The allocations for the 2020/21 is R 28,080 and R 30,326 million in 2021/22. The conditional grants allocation anticipating as gazetted, constitutes 0.93% of the budgeted revenue for the 2019/20 budget year.

B. OPERATING EXPENDITURE

The Municipal Entity's expenditure for the 2019/20 budget and MTREF is informed by the following:

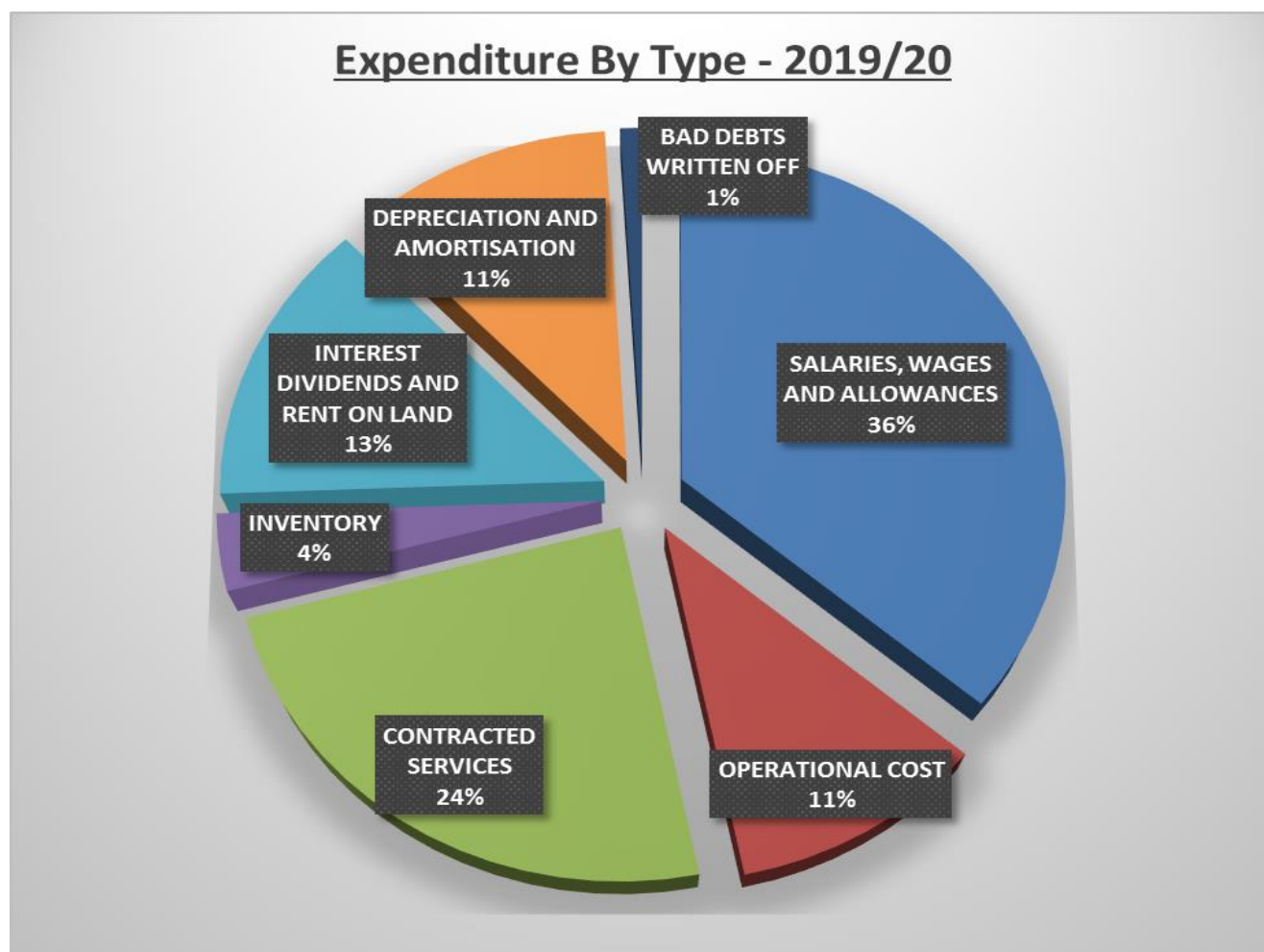
- Modelling of feasible and sustainable budgets over the medium term;
- National Treasury guidelines;
- NERSA tariffs guideline
- Growth in the City and continued economic development;
- Cognisance of national and local economic and fiscal conditions;
- Expenditure limits driven by realistic and realisable revenue levels;
- Relevant (budget and other) legislative imperatives.

The operating expenditure budget increases from the adjustments budget amount of R 2,455 billion in 2018/19 to a new consolidated budget amount of R 2,597 billion (representing an increase of 5.77% (R 141,578 million) in 2019/20. The allocation of the outer two years of the MTREF period is R 2,746 billion and R 2,904 billion respectively.

The following table is a high level summary of the MTREF Budget for 2019/20 to 2021/22 (classified per main type of operating expenditure):

STATEMENT OF FINANCIAL PERFORMANCE - CENTLEC (ENTITY)						
EXPENDITURE PER TYPE	MTREF BUDGET 2019-20 to 2021-22					
	APPROVED BUDGET 2018-19	APPROVED ADJUSTMENT BUDGET	GROWTH %	PROPOSED BUDGET 2019-20	PROPOSED BUDGET 2020- 21	PROPOSED BUDGET 2021- 22
EMPLOYEE SALARIES AND WAGES	322,148,625	322,148,625	7%	344,699,029	368,827,961	394,645,918
REMUNERATION OF DIRECTORS	1,873,849	1,636,692	7%	1,751,260	1,873,849	2,005,018
CONTRACTED SERVICES	159,025,295	213,448,478	6%	225,401,593	237,573,279	250,402,236
OPERATIONAL COST	83,782,982	94,681,800	6%	99,983,981	105,383,116	111,073,804
INVENTORY	34,593,097	32,395,457	6%	34,209,603	36,056,921	38,003,995
BULK PURCHASES	1,469,051,259	1,560,051,259	6%	1,653,654,335	1,752,873,595	1,858,046,010
DIVIDENDS PAID	120,051,339	120,051,339	-100%	120,000	120,000	120,000
FINANCE LEASES				54,163	57,142	60,227
OPERATING LEASES	9,247,517	3,592,684	6%	3,793,874	3,998,744	4,214,676
DEPRECIATION AND AMORTISATION	99,383,339	99,383,339	6%	104,948,806	110,616,042	116,589,308
BAD DEBTS WRITTEN OFF	8,417,347	8,417,347	6%	8,888,718	9,368,709	9,874,620
TOTAL EXPENDITURE	2,307,574,649	2,455,807,020	5.77%	2,597,385,361	2,746,629,355	2,904,915,811

The graph below illustrates the sources of the Entity's expenditure over the MTREF period, as outlined above



Operating Expenditure Budget – Highlights on major categories:

Salaries, Wages and Allowances:

Personnel costs increase by 7.00%, or R 22,550 million from the 2018/19 Adjustments Budget of R 322,148 million to R 344,699 million in 2019/20. The main reason for the increase is the provision for critical vacancies in the new MTREF period. This expenditure category constitutes 13.27% of the operating expenditure budget. The allocation for the two outer years of the MTREF period is R 368,827 million and R 394,645 million respectively.

Remuneration of Directors:

The budget of this line item is aligned to the Council determination resolution. The 2018/19 Adjustments budget of R 1,636 million to R 1,751 million in 2019/20. The allocation for the two outer years of the MTREF period is R 1,873 million and R 2,005 million respectively. The cost associated with the remuneration of directors is determined as per Councillor Determination of the Parent Municipality. Further details regarding the remuneration of Directors can be obtained on the Supporting Table SD4.

Operational Cost

The operational cost increased with R 5,302 million from the 2018/19 Adjustments Budget of R 94,681 million to R 99,983 million in the 2019/20 budget year. The allocation for the two outer years of the MTREF period is R 105,383 million and R 111,073 million respectively.

Bulk Purchases:

Bulk purchases increased by 6.00%, R 93,603 million against the 2018/19 Adjustments budget, to the proposed amount of R 1,653 billion for the 2019/20 budget year. The allocation for the two outer years of the MTREF period is R 1,752 billion and R 1,858 billion respectively. Bulk purchases constitute approximately 63.67% of the operating expenditure budget for 2019/20. The proposed growth is as tariffs initially approved by NERSA for supplier Eskom.

Contracted Services

Contracted Services increased by 5.60%, R 11,953 million to R 225,401 million in the 2019/20 budget year from a base of R 213,448 million in the 2018/19 Adjustments budget. The allocation for the two outer years of the MTREF period is R 237,573 million and R 250,402 million respectively.

Inventory

The budgeted inventory increased with 5.60% to an amount of R 34,209 million for 2019/20 (Adjustments Budget 2018/19 - R 32,395 million). The indicative allocated amount for the two outer years of the MTREF period is R 36,056 million and R 38,003 million respectively.

Operating leases

The budgeted operating leases amount is R 3,793 million for 2019/20 (Adjustments Budget 2018/19 - R 3,592 million). The indicative allocated amount for the two outer years of the MTREF period is R 3,998 million and R 4,214 million respectively.

Depreciation

The budgeted depreciation amount is R 104,948 million for 2019/20 (Adjustments Budget 2018/19 - R 99,383 million). The indicative allocated amount for the two outer years of the MTREF period is R 110 ,616 million and R 116,589 million respectively. The increase in the budget allocation emanates from the actual audited outcome of 2017/18 financial year.

Transfer to Bad Debt Reserve

The budget amount for bad debt impairment is R 8,888 million in 2019/20. The indicative allocated amount for the two outer years of the MTREF period is R 9,368 million and R 9,874 million respectively. This figures are conservative and it is management's view that it shall strive to maximize collection under the current economic conditions in order to maintain the required result. Should this position change figures will be adjusted accordingly.

C. CAPITAL BUDGET

The capital budget increase by R 26,603 million for the 2019/20 financial year to R 212,638 million as compared to the approved Adjustments Budget of R 186,035 million for the 2018/19 period. The projected capital expenditure budget for the two outer years of the MTREF period has been set at R 232,565 million and R 253,650 million respectively. The budget is funded mainly from internally generated sources augmented by conditional grant for electrification.

CAPITAL FUNDING BY SOURCE

Funding of the capital budget for the new budget cycle is as outlined below:

FUNDING BY SOURCE	Original Budget '2018/2019	Approved Adjustment Budget 2019/2020	2019/2020	2020/2021	2021/2022
Integrated National Electrification Programme Grant	9,450,000	15,450,000			
Urban Settlement Development Grant			26,000,000	28,080,000	30,326,400
Public Contributions	6,318,000	10,762,339	11,408,079	12,092,564	12,818,118
Revenue / Surplus (Internal funds)	80,879,180	159,823,019	175,230,742	192,392,830	210,506,058
TOTAL	96,647,180	186,035,358	212,638,821	232,565,394	253,650,576

Conditional Grant Funding

The main projects to be undertaken out of the (INEP & USDG Funding) allocation are as outlined on the table below:

INTEGRATED NATIONAL ELECTRIFICATION GRANT & URBAN SETTLEMENT DEVELOPMENTAL GRANT	Original Budget '2018/2019	Approved Adjustment Budget 2019/2020	2019/2020	2020/2021	2021/2022
ELECTRIFICATION CONNECTIONS (INEP)	9,450,000	15,450,000			
ELECTRIFICATION CONNECTIONS (USDG)			26,000,000	28,080,000	30,326,400
TOTAL	9,450,000	15,450,000	26,000,000	28,080,000	30,326,400

Public Contributions

The public contributions allocation is as outlined on the table below:

PUBLIC CONNECTIONS	Original Budget '2018/2019	Approved Adjustment Budget 2019/2020	2019/2020	2020/2021	2021/2022
PUBLIC ELECTRICITY CONNECTIONS	6,318,000	10,762,339	11,408,079	12,092,564	12,818,118
TOTAL	6,318,000	10,762,339	11,408,079	12,092,564	12,818,118

Own Funded Projects

Included in the capital budget are projects to the value of R 175,231 million for the 2019/20 year. The allocation of the two MTREF period outer years is R 193,393 million and R 210,506 million respectively. The key highlights of the own funded projects for 2019/20 budget year are:

INTERNAL FUNDING (from Surplus)	Original Budget '2018/2019	Approved Adjustment Budget 2019/2020	2019/2020	2020/2021	2021/2022
BOTSHABELO: 132KV ESKOM CONNECTIONS	8,629,280	29,631,848			
UPGRADE & REFURB COMPUTER NETWORK	9,076,750	19,076,750	20,145,048	21,232,881	22,379,456
SECURITY (CCTV)	295,330	295,330	311,868	328,709	346,460
IMPLEM BUSINESS CONT DISASTER RECOV INF		5,000,000	5,280,000	5,565,120	5,865,636
PROCUREMENT OF FLEET (VEHICLES)		5,000,000	5,280,000	5,565,120	5,865,636
DIGITAL RADIO			2,000,000	2,180,000	2,221,832
ELITE SUBSTATION (AIRPORT NODE)	25,279,483	47,779,483			
EXTENSION AND UPGRADING OF THE 11KV OVERHEAD	4,420,075	4,420,075	5,027,599	5,398,090	5,727,586
BULK METER REFURBISHMENT	1,110,915	1,110,915	1,173,126	1,236,475	1,303,245
FURNITURE AND OFFICE EQUIPMENT	98,263	198,263	209,366	220,671	232,588
INSTALLATION OF OF PREPAID METERS (INDIGENTS)	55,458	55,458	58,564	61,726	65,059
TRAINING & DEVELOPMENT	777,641	777,641	821,189	865,533	912,272
METER PROJECT	3,998,765	3,998,765	10,000,000	10,540,000	11,109,160
INSTALLATION OF PUBLIC LIGHTING	7,800,108	18,497,540	19,533,402	20,588,206	21,699,969
OFFICE BUILDING	5,000	2,005,000	2,117,280	2,231,613	2,352,120
REMEDIAL WORK 132KV SOUTHERN LINES	110,915	310,915	628,326	662,884	698,680
REPLACEMENT OF 110V BATTERIES	611,003	611,003	945,219	996,261	1,050,059
REPLACEMENT OF 11KV SWITCHGEARS	222,095		1,062,532	1,119,909	1,180,384
REPLACEMENT OF 2 & 4 WAY FIBREGLAS BOX	503,209	667,815	742,589	782,689	824,954
REPLACEMENT OF 32V BATTERIES	277,729	277,729	593,282	625,319	659,086
REPLACEMENT OF DAMAGED SWITCHGEAR AND EQUIPMENT	26,500				
REPLACEMENT OF BRITTLE OVERHEAD CONNECTIONS	55,458	527,500	555,458	586,008	618,238
REPLACEMENT OF LOW VOLTAGE DECREPIT 2,4,8 WAY BOXES	383,266	383,266	1,004,729	1,058,984	1,116,169
REPLACEMENT OF OIL PLANT	472,139		742,589	782,689	824,954
SERVITUDES AND LAND	526,500	526,500	555,984	586,007	617,652
REPAIRS OF MANGAUNG DISTRIBUTION CENTRE		3,000,000	25,000,000	26,350,000	27,772,900
REPAIRS OF VISTA DISTRIBUTION CENTRE		3,000,000	25,000,000	26,350,000	27,772,900
SHIFTING OF CONNECTION AND REPLACEMENT SERVICES	842,750	1,750,000	1,842,750	1,944,101	2,051,027
UPGRADING AND EXTENTION OF LV NETWORK		2,500,000	2,256,448	2,380,553	2,511,484
REFURBISHMENT OF HIGH MAST LIGHTS	557,098	1,057,098	11,000,000	11,594,000	14,720,076
REPLACEMENT OF DAMAGED SWITCHGEAR AND EQUIPMENT		5,000,000	526,500	555,458	586,008
REPLACEMENT OF MOUNTED POLES		2,197,640	3,320,708	6,100,026	10,429,427
ELECTRRIFICATION PROJECTS	3,286,718	3,286,718	13,000,000	18,702,000	20,897,923
TRANSFORMER REPLACEMENT	2,723,986	2,723,986	10,000,000	10,540,000	11,109,160
REFURBISHMENT OF PROTECTION AND SCADA SYSTEM	2,177,288	2,777,288	5,000,000	5,270,000	5,554,580
SOLAR FARM GENERATION PLANT	555,458	555,458	1,000,000	1,054,000	1,110,916
TOTAL	80,879,180	159,823,019	175,230,742	193,329,830	210,506,056

Capital Budget per Cluster

The table below is giving an outline of where is the budget going to be spending within the municipal boundaries per cluster and wards:

CENTLEC CLUSTERS	CLUSTER	WARD NR's	CAPITAL ESTIMATES			
			APPROVED ADJUSTMENT BUDGET 2018/2019	BUDGET 2019/2020	BUDGET 2020/2021	BUDGET 2021/2022
Bloemfontein Central	A	1, 2, 3, 4, 5				
Mangaung South	B	9, 13, 14, 15, 18	2,777,288	5,000,000	5,720,000	5,554,580
Bloemfontein South	C	6, 7, 10, 11, 12				
Bloemfontein East	D	8, 17, 45, 46, 16 and 47	15,450,000	26,000,000	28,080,000	30,326,400
Bloemfontein North	E	19, 21, 44 and 48	19,076,750	20,145,048	21,232,881	22,379,456
Bloemfontein West	F	20, 22, 23, 24, 25 and 26	3,286,718	13,000,000	18,702,000	20,897,923
Botshabelo North	G	27, 28, 29 and 30	4,420,075	5,027,599	5,398,090	5,727,586
Botshabelo East	H	31, 32, 33 and 35	-			
Botshabelo South	I	34, 36 and 37				
Thaba Nchu Central	J	39, 40 and 43				
Thaba Nchu Peri-Urban	K	1-45				
Not Determined (Utilization in all wards)	N	All	141,024,527	143,466,207	153,432,424	168,764,631
Totals			186,035,358	212,638,854	232,565,395	253,650,576

Capital Budget per Ward

DETAIL OF EXPENDITURE	DRAFT MTREF 2019-20 TO 2021-22				CLUSTER	WARD NO
	Approved Adjustment Budget 2018/19	Draft MT REF 2019/2020	Draft MT REF 2020/2021	Draft MT REF 2021/2022		
ENGINEERING RETAIL						
IMPLEMENTATION OF BUSINESS CONTINUITY AND DISASTER RECOVERY INFRASTRUCTURE	5,000,000	5,280,000	5,565,120	5,865,636	N	All
DIGITAL RADIO SYSTEM		2,000,000	2,108,000	2,221,832	N	All
UPGRADE AND REFURBISHMENT OF CENTLEC COMPUTER NETWORK	19,076,750	20,145,048	21,232,881	22,379,456	E	19
METER PROJECT	3,998,765	10,000,000	10,540,000	11,109,160	N	All
BULK METER REFURBISHMENT	1,110,915	1,173,126	1,236,475	1,303,245	N	All
ENGINEERING WIRES						
NETWORK OPERATION & MAINTENANCE						
REPLACEMENT OF LOW VOLTAGE DECREPIT 2,4,8 WAY BOXES	383,266	1,004,729	1,058,984	1,116,169	N	All
REPLACEMENT OF BRITTLE OVERHEAD CONNECTIONS	255,458	669,764	705,931	744,051	N	All
REMEDIAL WORK 132KV SOUTHERN LINES	310,915	628,326	662,884	698,680	N	All
SFS AND OTHER MUNICIPALITIES (BOTSHABELO AND THABANCHU)					N	All
REPLACEMENT OF 2&4 WAY FIBREGLAS BOX	-	742,589	782,688	824,954	N	All
PLANNING						
PUBLIC ELECTRICITY CONNECTIONS	10,762,339	11,408,079	12,092,564	12,818,118	N	All
ELECTRIFICATION CONNECTIONS (INEP)	15,450,000				D	46, 17
ELECTRIFICATION CONNECTIONS (USDG)		26,000,000	28,080,000	30,326,400	D	46, 17
INSTALLATION OF PREPAID METERS (INDIGENTS)	55,458	58,564	61,726	65,089	N	All
SERVITUDES AND LAND (INCLUDING INVESTIGATION, REMUNERATION, REGISTRATION)	526,500	555,984	586,007	617,652	N	All
EXTENSION AND UPGRADING OF THE 11KV NETWORK	4,420,075	5,027,599	5,398,090	5,727,586	G	27,28,29, 30
BOTSHABELO: ESTABLISHMENT OF 132KV CONNECTION	29,631,848	-	-	-	N	All
ELITE SUBSTATION (AIRPORT NODE)	47,779,483	-	-	-	N	All
ELECTRIFICATION INTERNAL PROJECTS	3,286,718	13,000,000	18,702,000	20,897,923	F	20,22,23,24,25,26
INSTALLATION OF PUBLIC LIGHTING	18,497,540	19,533,402	20,588,206	21,699,969	N	All
SHIFTING OF CONNECTION AND REPLACEMENT SERVICES	540,753	571,035	601,871	634,372	N	All
UPGRADING AND EXTENSION OF LV NETWORK	-	2,380,553	2,509,103	2,644,594	N	All
REFURBISHMENT OF HIGH MAST LIGHTS	1,057,098	11,000,000	11,594,000	14,720,076	N	All
REPLACEMENT OF DAMAGED SWITCHGEAR AND EQUIPMENT	-	-	-	-	F	20,22,23,24,25,26
SYSTEM UTILIZATION & SYSTEM ENGINEERING						
REPLACEMENT OF OIL PLANT	472,139	798,579	841,702	887,154	N	All
REPLACEMENT OF POLE MOUNTED TRANSFORMER	2,197,640	3,320,708	6,100,026	10,429,427	N	All
REPLACEMENT OF 110V BATTERIES	611,003	945,253	996,350	1,050,154	N	All
REPLACEMENT OF 11KV SWITCHGEARS	-	1,062,532	1,119,909	1,180,384	N	All
REPLACEMENT OF 32V BATTERIES	277,729	593,282	625,319	659,086	N	All
TRANSFORMER REPLACEMENT & OTHER RELATED EQUIPMENT	2,723,986	10,000,000	10,540,000	11,109,160	N	All
REPAIRS OF MANGAUNG DISTRIBUTION CENTRE	3,000,000	25,000,000	26,350,000	27,772,900	N	All
REPAIRS OF VISTA DISTRIBUTION CENTRE	3,000,000	25,000,000	26,350,000	27,772,900	N	All
REFURBISHMENT OF PROTECTION AND SCADA SYSTEMS AT DISTRIBUTION CENTRE AND SUB-STATIONS INCLUDING TEST EQUIPMENT	2,777,288	5,000,000	5,720,000	5,554,580	B	9, 13, 14, 15, 18
HUMAN RESOURCE MANAGEMENT						
TRAINING & DEVELOPMENT	777,641	821,189	865,533	912,272	N	All
COMPLIANCE & PERFORMANCE						
FURNITURE AND OFFICE EQUIPMENT	198,263	209,366	220,671	232,588	N	All
SECURITY EQUIPMENT (CCTV)	295,330	311,868	328,709	346,460	N	All
SOLAR FARM GENERATION PLANT	555,458	1,000,000	1,054,000	1,110,916	N	All
OFFICE BUILDING	2,005,000	2,117,280	2,231,613	2,352,120	N	All
VEHICLES	5,000,000	5,280,000	5,565,120	5,865,636	N	All
TOTAL CAPITAL BUDGET	186,035,358	212,638,854	233,015,483	253,650,670		

D. SUMMARY OF THE BUDGET

The projected financial outcome of this budget at the end of the 2019/20 budget year can be summarized as follows:

CENTLEC (SoC)LTD - Table D1 Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19			Medium Term Revenue and Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands									
Financial Performance									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	2,025,685	2,163,286	2,193,333	2,371,571	2,574,191	2,574,191	2,728,643	2,892,361	3,065,903
Investment revenue	31,954	18,577	9,708	8,574	8,574	8,574	9,089	9,634	10,212
Transfers and subsidies	(8,746)	-	-	-	-	-	-	-	-
Other own revenue	19,150	33,372	151,836	48,833	48,833	48,833	61,386	65,589	70,086
Total Revenue (excluding capital transfers and contributions)	2,068,042	2,215,236	2,354,877	2,428,978	2,631,599	2,631,599	2,799,118	2,967,585	3,146,202
Employee costs	136,804	203,601	302,451	324,022	323,785	323,785	344,699	368,828	394,646
Remuneration of Board Members	1,279	1,161	1,263	-	-	-	1,751	1,874	2,005
Depreciation & asset impairment	69,768	(16,677)	24,223	8,417	8,417	8,417	104,949	110,616	116,589
Finance charges	192,678	210,208	117	120,051	120,051	120,051	3,794	3,999	4,215
Materials and bulk purchases	1,413,752	1,478,240	1,429,952	1,503,644	1,592,447	1,592,447	1,687,864	1,788,931	1,896,050
Transfers and subsidies	-	-	-	-	-	-	120,054	120,057	120,060
Other expenditure	322,855	463,413	437,926	351,439	411,106	411,106	334,274	352,325	371,351
Total Expenditure	2,137,135	2,339,947	2,195,932	2,307,575	2,455,807	2,455,807	2,597,385	2,746,629	2,904,916
Surplus/(Deficit)	(69,093)	(124,711)	158,945	121,404	175,792	175,792	201,733	220,956	241,286
Transfers and subsidies - capital (monetary allocations) (National Government)	26,316	7,456	17,507	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	45,491	12,811	1,707	6,762	10,762	10,762	11,408	12,093	12,818
	2,713	(104,443)	178,159	128,166	186,554	186,554	213,141	233,048	254,104
Surplus/(Deficit) after capital transfers & contributions									
Taxation	(4,287)	(24,281)	46,179	-	-	-	-	-	-
Surplus/ (Deficit) for the year	7,000	(80,162)	131,980	128,166	186,554	186,554	213,141	233,048	254,104
Capital expenditure & funds sources									
Capital expenditure	242,345	222,563	118,986	96,647	186,035	186,035	212,639	232,565	253,651
Transfers recognised - capital	26,316	7,456	20,160	9,450	15,450	15,450	26,000	28,080	30,326
Public contributions & donations	15,113	12,811	8,859	6,318	10,762	10,762	11,408	12,093	12,818
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	200,916	202,295	89,967	80,879	159,823	159,823	175,231	192,393	210,506
Total sources of capital funds	242,345	222,563	118,986	96,647	186,035	186,035	212,639	232,565	253,651
Financial position									
Total current assets	943,874	909,166	888,230	1,028,052	907,796	907,796	958,633	1,010,399	1,064,961
Total non current assets	4,002,529	4,187,419	4,215,570	4,140,374	4,140,374	4,140,374	4,372,235	4,608,335	4,857,185
Total current liabilities	522,193	614,353	680,084	2,347,825	633,040	633,040	668,490	704,589	742,636
Total non current liabilities	2,216,872	2,256,245	594,245	590,697	590,697	590,697	623,776	657,460	692,963
Community wealth/Equity	2,207,338	2,225,986	3,829,471	2,229,905	3,824,433	3,824,433	4,038,601	4,256,686	4,486,547
Cash flows									
Net cash from (used) operating	149,979	225,335	123,087	384,425	304,544	304,544	337,107	383,461	405,435
Net cash from (used) investing	(20,402)	(279,259)	(13,100)	(91,490)	(91,490)	(91,490)	(205,538)	(229,037)	(249,152)
Net cash from (used) financing	94,623	(154,639)	(73,666)	(142,797)	(142,797)	(142,797)	(125,106)	(147,844)	(149,347)
Cash/cash equivalents at the year end	361,530	152,966	189,287	195,285	115,405	115,405	121,867	128,448	135,385

1. Table D1 is a budget summary and provides a concise overview of the consolidated Municipal Entity's budget from all the major financial perspectives (operating, capital expenditure, financial position, cash flow and MFMA funding compliance).
2. The table provides an overview of the amount approved by Council for operating performance, resources deployed to capital expenditure, financial positions, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the Entity's 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 positive over the MTREF period
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget
 - ii. Borrowing is incorporated in the net cash from financing on the cash flow budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the net cash from investing on the cash flow remains positive and is improving indicates that the necessary cash resources are available to fund the capital budget.

3. BUDGET RELATED RESOLUTIONS

- 3.1** That in terms of Section 24 of the Municipal Financial Management Act, 56 of 2003, the operating revenue of R 2,810 billion, operating expenditure of R 2,597 billion and capital expenditure of R 212,638 million for the financial year 2019/20 and indicative allocations for the two projected outer years 2020/21 and 2021/22, be tabled as set out on the following tables:
- (a) Budgeted Financial Performance (revenue and expenditure): - Table D2,
 - (b) Multi-Year and Single-Year capital appropriations (by vote, standard classification and Associated funding by source): - Table D3
- 3.2** That the financial position, cash flow, asset management and basic service delivery targets be tabled as set in the following tables:
- (a) Budgeted Financial Position – Table D4
 - (c) Budgeted Cash-Flow – Table D5
- 3.3** Supply of electricity tariffs as set out in **(Annexure A)** attached, be noted for approval for the 2019/20 financial year
- 3.4** That the General Tariffs as set out in the Tariffs Booklet **(Annexure B)** be noted for approval for the 2019/20 financial year.
- 3.5** That the Amendment Policy Register as set out in **(Annexure C)** be noted for approval for the 2019/20 financial year.
- 3.6** That the Training Tariffs as set out in **(Annexure D)** be noted for approval for the 2019/20 financial year.

Table D2 - Budgeted Financial Performance (Revenue and Expenditure)

Table D2 give an overview of the budgeted financial performance in relation to the revenue by source and expenditure by type. This table facilitates the view of the budgeted operating performance in relation to indicates the sources of funding and on what activities are the scarce resources to be spend on.

CENTLEC (SoC)LTD - Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Revenue by Source	1									
Property rates										
Service charges - electricity revenue		2,025,685	2,163,286	2,193,333	2,371,571	2,574,191	2,574,191	2,728,643	2,892,361	3,065,903
Interest earned - external investments		31,954	18,577	9,708	8,574	8,574	8,574	9,089	9,634	10,212
Interest earned - outstanding debtors		7,439	14,220	16,985	17,639	17,280	17,280	12,531	13,283	14,080
Dividends received					-	-	-			
Fines, penalties and forfeits			12,016	8,780	6,134	6,134	6,134	6,502	6,892	7,305
Licences and permits						-	-			
Agency services		4,788	3,844	2,327		-	-	6,167	6,537	6,929
Transfers and subsidies		(8,746)			-	-	-			
Other revenue		6,922	3,293	123,744	24,736	25,095	25,095	35,843	38,513	41,386
Gains on disposal of PPE				-	325	325	325	344	365	387
Total Revenue (excluding capital transfers and contributions)		2,068,042	2,215,236	2,354,877	2,428,978	2,631,599	2,631,599	2,799,118	2,967,585	3,146,202
Expenditure By Type										
Employee related costs		136,804	203,601	302,451	324,022	323,785	323,785	344,699	368,828	394,646
Remuneration of Directors		1,279	1,161	1,263		-	-	1,751	1,874	2,005
Depreciation & asset impairment	4	(70,254)	(16,677)	24,223	8,417	8,417	8,417	104,949	110,616	116,589
Debt impairment		140,021	141,355	134,199	99,383	99,383	99,383	8,889	9,369	9,875
Finance charges		192,678	210,208	117	120,051	120,051	120,051	3,794	3,999	4,215
Bulk purchases	2	1,330,374	1,452,061	1,429,509	1,469,051	1,560,051	1,560,051	1,653,654	1,752,874	1,858,046
Other materials	5	83,377	26,179	443	34,593	32,395	32,395	34,210	36,057	38,004
Contracted services		147,579	58,099	170,974	159,025	213,448	213,448	225,402	237,573	250,402
Transfers and subsidies					-	-	-	120,054	120,057	120,060
Other expenditure	3	174,261	262,836	131,841	93,030	98,274	98,274	99,984	105,383	111,074
Loss on disposal of PPE		1,014	1,123	911	-	-	-			
Total Expenditure		2,137,135	2,339,947	2,195,932	2,307,575	2,455,807	2,455,807	2,597,385	2,746,629	2,904,916
Surplus/(Deficit)		(69,093)	(124,711)	158,945	121,404	175,792	175,792	201,733	220,956	241,286
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		26,316	7,456	17,507						
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises,		45,491	12,811	1,707	6,762	10,762	10,762	11,408	12,093	12,818
Transfers and subsidies - capital (in-kind - all)										
contributions		2,713	(104,443)	178,159	128,166	186,554	186,554	213,141	233,048	254,104
Taxation		(4,287)	(24,281)	46,179						
Surplus/ (Deficit) for the year		7,000	(80,162)	131,980	128,166	186,554	186,554	213,141	233,048	254,104

Table D3 - Budgeted Capital expenditure by vote, standard classification and funding

Table D3 outlines a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations) capital expenditure by standard classification and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

CENTLEC (SoC)LTD - Table D3 Capital Budget by asset class and funding

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands	1									
Capital expenditure by Asset Class/Sub-class										
Infrastructure		199,576	209,365	100,764	86,590	153,978	153,978	182,066	200,342	219,687
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Roads		-	-	-	-	-	-	-	-	-
Road Structures		-	-	-	-	-	-	-	-	-
Road Furniture		-	-	-	-	-	-	-	-	-
Capital Spares		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Drainage Collection		-	-	-	-	-	-	-	-	-
Storm water Conveyance		-	-	-	-	-	-	-	-	-
Attenuation		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		199,576	209,365	100,764	86,590	153,978	153,978	182,066	200,342	219,687
Power Plants		-	-	58	555	555	555	1,000	1,054	1,111
HV Substations		-	51,346	23,087	40,829	84,629	84,629	2,555	2,694	2,839
HV Switching Station		-	-	-	-	-	-	-	-	-
HV Transmission Conductors		199,576	-	-	-	-	-	-	-	-
MV Substations		-	9,767	490	-	-	-	-	-	-
MV Switching Stations		-	-	-	-	-	-	-	-	-
MV Networks		-	34,051	59,063	23,495	31,444	31,444	119,343	134,162	147,361
LV Networks		-	114,200	16,465	21,238	36,877	36,877	58,369	61,590	67,488
Capital Spares		-	-	1,601	472	472	472	799	842	887
Unimproved Property		-	-	-	-	-	-	-	-	-
Other assets		40,999	4,086	5,265	5	2,005	2,005	2,938	3,097	3,264
Operational Buildings		40,999	4,086	5,265	5	2,005	2,005	2,938	3,097	3,264
Municipal Offices		7,594	3,815	4,628	5	2,005	2,005	2,117	2,232	2,352
Pay/Enquiry Points		-	-	-	-	-	-	-	-	-
Building Plan Offices		33,237	-	-	-	-	-	-	-	-
Workshops		-	-	-	-	-	-	-	-	-
Yards		-	-	-	-	-	-	-	-	-
Stores		-	-	-	-	-	-	-	-	-
Laboratories		-	-	-	-	-	-	-	-	-
Training Centres		167	271	637	-	-	-	821	866	912
Manufacturing Plant		-	-	-	-	-	-	-	-	-
Depots		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	9,854	24,854	24,854	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	9,854	24,854	24,854	-	-	-
Water Rights		-	-	-	-	-	-	-	-	-
Effluent Licences		-	-	-	-	-	-	-	-	-
Solid Waste Licences		-	-	-	-	-	-	-	-	-
Computer Software and Applications		-	-	-	9,077	24,077	24,077	-	-	-
Load Settlement Software Applications		-	-	-	-	-	-	-	-	-
Unspecified		-	-	-	778	778	778	-	-	-
Computer Equipment		-	8,356	10,313	-	-	-	20,145	21,233	22,379
Computer Equipment		-	8,356	10,313	-	-	-	20,145	21,233	22,379
Furniture and Office Equipment		544	516	2,644	198	198	198	209	221	233
Furniture and Office Equipment		544	516	2,644	198	198	198	209	221	233
Machinery and Equipment		1,226	-	-	-	-	-	2,000	2,108	2,222
Machinery and Equipment		1,226	-	-	-	-	-	2,000	2,108	2,222
Transport Assets		-	241	-	-	5,000	5,000	5,280	5,565	5,866
Transport Assets		-	241	-	-	5,000	5,000	5,280	5,565	5,866
Libraries		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total capital expenditure on assets	1	242,345	222,563	118,986	96,647	186,035	186,035	212,639	232,565	253,651
Funded by:										
National Government		-	-	-	-	-	-	-	-	-
Provincial Government		-	-	-	-	-	-	-	-	-
Parent Municipality		26,316	7,456	20,160	9,450	15,450	15,450	26,000	28,080	30,326
District Municipality		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		26,316	7,456	20,160	9,450	15,450	15,450	26,000	28,080	30,326
Public contributions & donations	6	15,113	12,811	8,859	6,318	10,762	10,762	11,408	12,093	12,818
Borrowing	3	-	-	-	-	-	-	-	-	-
Internally generated funds		200,916	202,295	89,967	80,879	159,823	159,823	175,231	192,393	210,506
Total Capital Funding	4	242,345	222,563	118,986	96,647	186,035	186,035	212,639	232,565	253,651

Table D4 - Budgeted Financial Position

Table D4 is consistent with international standards of good financial management practice and improves understanding of the councillors and management of the impact of the budget on the statement of financial position (balance sheet). This format of presenting the statement of financial position is aligned to GRAP 1, which is generally aligned to the international version which presents Assets fewer liabilities as 'accounting' Community Wealth. The order of items which each group illustrates items is order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

CENTLEC (SoC)LTD - Table D4 Budgeted Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			Medium Term Revenue and Expenditure Framework		
R thousands		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
ASSETS										
Current assets										
Cash		251,908	44,058	81,468	55,405	55,405	55,405	58,507	61,667	64,997
Call investment deposits		109,622	163,811	53,265	180,256	60,000	60,000	63,360	66,781	70,388
Consumer debtors		428,368	569,159	586,442	707,391	707,391	707,391	747,005	787,344	829,860
Other debtors		296	275	-	-	-	-	-	-	-
Current portion of long-term receivables		65,942	57,608	67,306	-	-	-	-	-	-
Inventory		87,739	74,255	99,749	85,000	85,000	85,000	89,760	94,607	99,716
Total current assets		943,874	909,166	888,230	1,028,052	907,796	907,796	958,633	1,010,399	1,064,961
Non current assets										
Long-term receivables	3	2,111	232,236	305,383	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-
Investment in Associate		3,757,087	-	-	-	-	-	-	-	-
Property, plant and equipment	1	-	3,851,355	3,809,367	3,831,981	3,831,981	3,831,981	4,046,572	4,265,087	4,495,402
Agricultural		-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-
Intangible		99,439	103,828	100,820	78,147	78,147	78,147	82,524	86,980	91,677
Other non-current assets		143,891	-	-	230,245	230,245	230,245	243,139	256,268	270,107
Total non current assets		4,002,529	4,187,419	4,215,570	4,140,374	4,140,374	4,140,374	4,372,235	4,608,335	4,857,185
TOTAL ASSETS		4,946,403	5,096,585	5,103,800	5,168,426	5,048,170	5,048,170	5,330,867	5,618,734	5,922,146
LIABILITIES										
Current liabilities										
Bank overdraft		-	-	-	21,982	21,982	21,982	23,213	24,466	25,788
Borrowing		-	-	-	91,187	91,187	91,187	96,294	101,493	106,974
Consumer deposits		127,743	115,353	114,471	2,203,063	488,278	488,278	515,621	543,465	572,812
Trade and other payables		394,449	499,000	565,613	31,593	31,593	31,593	33,362	35,164	37,063
Provisions	3	-	-	-	-	-	-	-	-	-
Total current liabilities		522,193	614,353	680,084	2,347,825	633,040	633,040	668,490	704,589	742,636
Non current liabilities										
Borrowing	3	2,216,872	2,256,245	594,245	590,697	590,697	590,697	623,776	657,460	692,963
Provisions		-	-	-	-	-	-	-	-	-
Total non current liabilities		2,216,872	2,256,245	594,245	590,697	590,697	590,697	623,776	657,460	692,963
TOTAL LIABILITIES		2,739,065	2,870,598	1,274,328	2,938,522	1,223,737	1,223,737	1,292,266	1,362,048	1,435,599
NET ASSETS	2	2,207,338	2,225,986	3,829,471	2,229,905	3,824,433	3,824,433	4,038,601	4,256,686	4,486,547
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		1,073,898	1,114,510	2,369,341	1,097,729	977,473	977,473	1,255,043	1,530,841	1,815,299
Reserves		1,133,441	1,111,476	1,460,130	1,132,176	1,132,176	1,132,176	1,068,774	1,011,060	956,463
Share capital		0	-	-	-	1,714,785	1,714,785	1,714,785	1,714,785	1,714,785
TOTAL COMMUNITY WEALTH/EQUITY	2	2,207,338	2,225,986	3,829,471	2,229,905	3,824,433	3,824,433	4,038,601	4,256,686	4,486,547

Table D5 - Budgeted Cash Flow Statement

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

CENTLEC (SoC)LTD - Table D5 Budgeted Cash Flow

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates										
Service charges		1,955,565	2,173,121	2,093,533	2,291,417	2,342,514	2,342,514	2,668,619	2,828,736	2,998,461
Government - operating		26,316				-	-			
Government - capital		45,491	7,456	21,885	22,212	22,212	22,212	37,008	44,093	46,738
Interest		39,393	32,797	26,693	20,756	20,756	20,756	20,971	22,229	23,563
Payments										
Suppliers and employees	2	(1,916,778)	(1,987,805)	(2,018,962)	(1,958,916)	(2,089,894)	(2,089,894)	(2,385,812)	(2,507,718)	(2,659,239)
Finance charges		(8)	(234)	(62)	(51)	(51)	(51)	(3,680)	(3,879)	(4,088)
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES		149,979	225,335	123,087	384,425	304,544	304,544	337,107	383,461	405,435
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		664	1,064	712	325	325	325	334	354	375
Decrease (increase) other non-current receivables		1,579		(9,931)						
Decrease (increase) in non-current investments		254,897	(54,903)	109,456						
Payments										
Capital assets		(277,542)	(225,420)	(113,338)	(91,815)	(91,815)	(91,815)	(205,872)	(229,391)	(249,527)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(20,402)	(279,259)	(13,100)	(91,490)	(91,490)	(91,490)	(205,538)	(229,037)	(249,152)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		95,607								
Borrowing long term/refinancing			(8,246)							
Increase (decrease) in consumer deposits			(12,390)	(73,666)	(22,797)	(22,797)	(22,797)	(5,106)	(27,844)	(29,347)
Payments										
Repayment of borrowing		(983)	(134,003)		(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		94,623	(154,639)	(73,666)	(142,797)	(142,797)	(142,797)	(125,106)	(147,844)	(149,347)
NET INCREASE/ (DECREASE) IN CASH HELD	1	224,200	(208,564)	36,320	150,138	70,257	70,257	6,463	6,581	6,936
Cash/cash equivalents at the year begin:	2	137,330	361,530	152,966	45,148	45,148	45,148	115,405	121,867	128,448
Cash/cash equivalents at the year end:	2	361,530	152,966	189,287	195,285	115,405	115,405	121,867	128,448	135,385

SUPPLEMENTARY SCHEDULES TO TABLES D2 TO D5

a. Support Table SD1: Supporting details to Measurable Performance Targets

The table on Measurable Performance Objectives seeks to outline how the municipality intends to manage and monitor service delivery progress against identified strategic objectives and priorities by the respective directorates.

Refer to attached D-Schedules for SD1 Table on the Measurable Performance Targets

b. Supporting Table SD2: Financial and Non-Financial Indicators

The table below provides the benchmark ratios based on the actual results of the last three (3) financial years and the outlook for the MTREF period.

CENTLEC (SoC)LTD - Supporting Table SD2 Financial and non-financial indicators

Description of indicator	Basis of calculation	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			Medium Term Revenue and Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Borrowing Management</u>											
Borrowing to Asset Ratio	Total Long-term Borrowing/ Total Assets		44.8%	44.3%	11.6%	11.4%	11.7%	11.7%	11.7%	11.7%	
Capital Charges to Operating Expenditure	Finance charges & Depreciation / Operating Expenditure		6%	8%	1%	6%	5%	5%	4%	4%	
Borrowed funding of capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions		0.0%	-4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<u>Safety of Capital</u>											
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision / Funds & Reserves		118.3%	123.8%	30.3%	126.3%	28.8%	28.8%	28.8%	28.8%	
Gearing	Long Term Borrowing / Funds & Reserves		100%	101%	16%	26%	15%	15%	15%	15%	
<u>Liquidity</u>											
Current Ratio	Current assets / current liabilities		1.81	1.48	1.31	0.44	1.43	1.43	1.43	1.43	
Current Ratio adjusted for debtors	Current assets/current liabilities less debtors > 90 days		1.81	1.48	1.31	0.44	1.43	1.43	1.43	1.43	
Liquidity Ratio	Monetary Assets / Current Liabilities		0.69	0.34	0.20	0.10	0.18	0.18	0.18	0.18	
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts / Last 12 Mths Billing			0%	0%	0%	0%	0%	0%	0%	
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue		24%	39%	41%	29%	27%	27%	27%	27%	
<u>Funding of Provisions</u>											
Percentage Of Provisions Not Funded	Unfunded Provisions/Total Provisions										
<u>Other Indicators</u>											
Electricity Distribution Losses	% Volume (Total units purchased + generated less total units sold)/Total units purchased + generated	1	12.07%	12.89%	13.23%	13.23%	12.00%	12.00%	11.75%	11.50%	11.25%
Employee costs	Employee costs/Total Revenue - capital revenue		6.6%	9.2%	12.8%	13%	12%	12%	12%	13%	13%
Repairs & Maintenance	R&M/Total Revenue - capital revenue		0.0%	0.0%	0.0%	0%	0%	0%	0%	0%	0%
Interest & Depreciation	I&D/Total Revenue - capital revenue		5.9%	8.7%	1.0%	5%	5%	5%	4%	4%	4%
<u>Financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year		15.5	35,700.8	19.6	20.2	21.9	21.3	22.4	23.7	-
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services		25%	39.7%	43.7%	30%	27%	27%	27%	27%	27%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure		27%	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1

c. Supporting Table SD3: Budgeted Investment Portfolio

The table below provides to the reader the monetary investment particulars by type and maturity.

CENTLEC (SoC)LTD - Supporting Table SD3 Budgeted Investment Portfolio

Investments by maturity		Ref	Budget Year 2019/20					
Name of institution & investment ID	Period of investment		Type of investment	Expiry date of investment	Market value		Interest	
	Months				Begin	End	Fully accrued	Yield %
R thousands								
ABSA - 1 Day Account		February 2013	Call Account	n/a	60,000	69,089	9,089	11.89%
	1				60,000	69,089	9,089	

PROPOSED TARIFFS**Electricity Tariffs**

It is recommended:

- i. That Centlec electricity tariffs be increased by 6.00% for the 2019/20 financial year,
- ii. That, the new electricity tariffs for 2019/20 be applicable from the consumer month of 1 July 2019;
- iii. That, for the calculation of electricity accounts the consumer month will be the period between the successive monthly readings irrespective of the period between reading dates and with a winter and summer component for all tariffs; and
- iv. That the following charges and prices, excluding VAT, in connection with the supply and consumption of electricity are submitted for approval:

ANNEXURE B**Services Tariffs**

It is recommended:

- i. That, the services tariffs as set out in Annexure B for the 2019/20 financial year be approved;
- ii. That, the services tariffs for 2019/20 be implemented from the consumer month of 1 July 2019.

ANNEXURE C**Policies**

It is recommended:

- i. That, the amendments of the policies as set out in Annexure C for the 2019/20 financial year be approved;
- ii. That, the newly approved policies for 2019/20 be implemented from the 1 July 2019.

ANNEXURE D**Training Tariffs**

It is recommended:

- i. That, the training tariffs as set out in Annexure D for the 2019/20 financial year be approved;
- ii. That, the training tariffs for 2019/20 be implemented from the 1 July 2019.

PART 2 - SUPPORTING DOCUMENTATION

1. OVERVIEW OF ANNUAL BUDGET PROCESS

In terms of section 87 of MFMA The board of directors of a municipal entity must for each financial year submit a proposed budget for the entity to its parent municipality not later than 150 days before the start of the entity's financial year or earlier if requested by the parent municipality. This implies that the Entity's budget must be submitted to the Municipality on or before the end of 30 January each year. The parent municipality must then consider the proposed budget by the entity, assess the entity's priorities and objectives and make recommendations.

The entity must then consider these recommendations and, if necessary, submit a revised budget to the parent municipality not later than 100 days before the start of the financial year which is approximately on or before the 15th of March each year. Thereafter the following will lead to the approval of the budget:

- The mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled.
- The board of directors of a municipal entity must approve the budget of the municipal entity not later than 30 days before the start of the financial year, taking into account any hearings or recommendations of the council of the parent municipality.

The framework within which the budget must be compiled is as follows:

- It must be balanced, deficit budget is not allowed;
- It must be consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality;
- it must be within any limits determined by the entity's parent municipality, including any limits on tariffs, revenue, expenditure and borrowing;
- it must include a multi-year business plan for the entity that—
 - sets key financial and non-financial performance objectives and measurement criteria as agreed with the parent municipality;
 - is consistent with the budget and integrated development plan of the entity's parent municipality;

- is consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality; and
- reflects actual and potential liabilities and commitments, including particulars of any proposed borrowing of money during the period to which the plan relates;

The above prescripts are as per the MFMA and directly also relates to Centlec as a municipal entity.

1.1 BUDGET PRINCIPLES:

The following budget principles shall apply:

- The budget shall be prepared on the Zero basis and combination method.
- The budget shall only be approved if it has been properly balanced
- All expenses, including depreciation expenses, shall be cash-funded.
- At least 7% of the operating budget component shall be set aside for maintenance.
- The budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 30% of the aggregate operating budget component of the annual budget. For purposes of applying this principle, the remuneration of the Board of Directors shall be excluded from this limit.

1.2 BUDGET PROCESS PLAN:

The following Budget Process Plan was approved by the Board of Directors

BUDGET PHASES AND PERFORMANCE REPORTING	ACTIVITY	PLANNED DATES	FACILITATION	ACTUAL DATE
PREPARATION PHASE	Centlec - Budget Process Plan 2019/20 submission to the Board for approval	23-Aug-18	Office of the Company Secretary	29-Aug-18
	MMM - Tabling of the IDP and Budget Process Plan for 2019/2020 financial year to Council	31-Aug-18	MMM	31-Aug-18
	MMM -Initiate Public Participation process in line with MTREF 2019/2020 to solicit inputs and comments from MMM public for the review of IDP and its sectoral plan	26 Sept to 12 Oct 18	MMM	12 Nov - 26 Nov 2018
	Centlec - User Departments to start preparing departmental adjustment budget aligning with the budget framework issued by Budget Office	10 Sept to 21 Sept 18	User Departments	10 Sept - 19 Sept 18
	Centlec - Submission of the 1st Quarter Financial Reports ending 30 September 2018 to EXCO for consideration and be submitted to Finance Committee	8-Oct-18	Office of the Company Secretary	18-10-2018
	Centlec - Submission of the 1 st Quarter Financial Reports for the period ending 30 September 2018 on the implementation of the budget and financial state of affairs of the entity to the Finance Committee	18-Oct-18	Office of the CFO (Financial Information) / Office of the CEO (Non-Financial Performance)	29-Oct-18
	Centlec - Board Approves the 1st Quarter Reports	29-Oct-18	Office of the Company Secretary	29-Oct-18
	Centlec - Budget Office start with preparation of budget framework in terms of NT Circulars and MMM parameters for the MTREF 2019/20 to 2021/22	31-Oct-18	Office of the CFO	20-Nov-18
STRATEGY PHASE	Centlec - EXCO to consider the (MTREF 2019/20 to 2021/22 Budget Pack, Adjustment Budgets 2018/19 , Mid Year Budget and Performance Assessment Report Section 88 as at 30 December 2018) including 2nd Quarter Reports	7-Jan-19	Office of the Company Secretary	9-Jan-19
	Centlec - Finance Committee to consider the (MTREF 2019/20 to 2021/22 Budget Pack, Adjustment Budget 2018/19 , Mid Year Budget and Performance Assessment Report Section 88 as at 31 December 2018) including 2nd Quarter Reports	14-Jan-19	Office of the Company Secretary	18-Jan-19
	Centlec - Board Sitting to consider the Adjustment Budget for 2018/19 and 1st Draft MTREF 2019/20 to 2021/22 budget pack for submission to the MMM	17-Jan-19	Office of the Company Secretary	18-Jan-19
	Centlec - Submission of Mid-Year & Adjustment Budget 2018/19 ,MTREF budget for 2019/20 to 2021/22 ,business plans and Performane Assessment Report for 2018/19 financial year to the MMM as legislated	20-Jan-19	Office of the CFO	21-Jan-19

ACTIVITY	PLANNED DATES	FACILITATION	ACTUAL DATE
Centlec - Review tariffs and budget related policies	11 to 15 Feb 2019	User Departments	11-15 Feb 2019
MMM - provides Centlec with comments on the Adjustment budget 2018/19	15-Feb-19	MMM	15-Feb-19
Centlec - Draft MTREF 2019/20 to 2021/22 budget pack with all Annexures A-D	18-Feb-19	User Departments	18-Feb-19
Centlec - MTREF 2019/20 to 2021/22; Business Plan, SDBIP 2019/20, Budget Related Policies presented to the Board	20-Feb-19	Office of the Company Secretary	20-Feb-19
Centlec -Submit the revised draft MTREF 2019/20 to 2021/22 Budget Pack	21-Feb-19	Office of the CFO	21-Feb-19
MMM - Council approves the Adjustment Budget 2018/19	22-Feb-19	MMM	5-Mar-19
MMM - provides Centlec with comments on draft business plan and MTREF budget	1-Mar-19	MMM	1-Mar-19
Centlec - Submit the revised 2nd MTREF 2019/20 to 2021/22 budget pack to the Finance Committee	12-Mar-19	Office of the Company Secretary	12-Mar-19
Centlec - Board to consider and approve the MTREF 2019/20 to 2021/22 budget pack for submission to MMM (Special Sitting)	15-Mar-19	Office of the Company Secretary	15-Mar-19
Centlec - Submission of the MTREF 2019/20 to 2021/22 budget pack and resolutions to the Parent Municipality (100 days before start of the new financial year)	22-Mar-19	Office of the CFO	27-Mar-19
MMM - Tabling of the Draft including proposed revisions and MTREF Budget and related resolutions MMM and Centlec	29-Mar-19	MMM	

2. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH SERVICE DELIVERY AGREEMENT

The entity remains wholly owned by the Mangaung Metropolitan Municipality as the parent municipality. There are no intentions by either parties to effect any changes to the control and ownership of the entity. The following are some of oversight processes instituted by the parent municipality:

- Approval of the Entity's proposed budget in terms of MFMA sec.87
- Approval of the Mid-Year and performance assessment of the Entity in terms of MFMA sec.88

In terms of schedule 1 of the Service Delivery Agreement between the entity and the parent municipality, the entity will act as the service provider and will execute on behalf of the parent municipality all services necessary as required by the electricity distribution licence conditions.

The budget of the entity will be funded from internal sources however a portion of capital expenditure will be funded by grants.

3. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

The Measurable Performance Objectives of the Entity to manage and monitor service delivery progress against identified strategic objectives and priorities by the respective directorates is attached as Annexure SDBIP

4. OVERVIEW OF BUDGET RELATED POLICIES

Budget Related Policies:

- a. The budget should address priorities as identified in the Mangaung Metropolitan Municipality Integrated Development Plan;
- b. Operating costs should be funded from revenues;
- c. Revenue projections should be conservative;
- d. The Company must produce a balanced budget in line with legislation; and
- e. The Company should maintain its assets adequately to ensure reliable supply to its customers.

4.1 Approved Policies

The following policies that govern the Entity's budget, compilation and/or implementation thereof were approved in the 2018-19 year and shall be subjected for review during this budget process:

- Asset Management Policy
- SCM Policy
- Bad Debts Policy
- Banking & Investments Policy
- Connection & Disconnection
- Estimation Policy
- Revenue Policy
- Credit Control & Debt Collection Policy
- Tariff Policy
- Customer Care Policy
- Long-Term Debtors Policy
- Borrowings Policy
- Sundry Income Policy
- Pre-paid Electricity Vending Policy
- VAT Policy
- Petty Cash Policy
- Unauthorized, Irregular, Fruitless & Wasteful Expenditure
- Subsistence & Travel Policy
- Budget & Reporting Policy
- Virement Policy
- Service Connection Policy

The abovementioned policies are available on the Centlec website (www.centlec.co.za)

4.2 Budget Related Policies overview for amendments and submitted for approval

The following policies that govern the Entity's budget, compilation and/or implementation thereof were amendments and submit for approval for the 2019-20 year:

- Asset Management Policy
- SCM Policy
- Bad Debts Policy
- Banking & Investments Policy
- Connection & Disconnection
- Estimation Policy
- Revenue Policy
- Credit Control & Debt Collection Policy
- Tariff Policy

- Customer Care Policy
- Long-Term Debtors Policy
- Borrowings Policy
- Sundry Income Policy
- Pre-paid Electricity Vending Policy
- VAT Policy
- Petty Cash Policy
- Unauthorized, Irregular, Fruitless & Wasteful Expenditure
- Subsistence & Travel Policy
- Budget & Reporting Policy
- Virement Policy
- Service Connection Policy

5. OVERVIEW OF BUDGET ASSUMPTIONS

5.1 Key Parameters

The following provisional indicative growth rates and parameters were issued to directorates for compiling their operating budgets and tariffs;

The budget parameters were developed after the approval of the Budget Process Plan and issued to the department to kick start the planning process on the 12 August 2018.

The parameters and the final budget outcome influenced by:

- The actual audit outcome especially in respect of the depreciation, debt impairment and interest on shareholders loan provisions.
- The outcome of the current 2018/19 Adjustment Budget projections.
- The outcome of the proposed tariff increase by NERSA.
- Consider National Treasury Budget Circular No 93 & No 94.

The following headline inflation forecast underpins the current national MTREF period. General inflation outlook and its impact on the municipal activities.

	2018/19	2019/20	2020/21	2021/22
	Forecast	MFMA CIRCULAR 93		
Headline CPI inflation	4.90%	5.60%	5.40%	5.40%
Revenue	8.00%	6.00%	6.00%	6.00%
Expenditure	6.00%	5.60%	5.40%	5.40%

Local government is expected to observe these inflation forecasts, as well as local economic conditions when determining their tariff rates and other charges when developing their budgets.

6. OVERVIEW OF BUDGET FUNDING

(a) *The overview of budget funding must explain how the annual budget is to be funded, which must include at least the following –*

a narrative summary of –

- (i) the funding of operating and capital expenditure;*
- (ii) financial plans;*
- (iii) reserves;*
- (iv) the fiscal viability of the municipal entity;*
- (v) the overall impact on rates and tariffs; and*
- (vi) allocations from or distributions to the parent municipality;*

The budget of the entity will be funded from the revenue raised internally as well as conditional Grants from Department of Energy. It is important to note that the energy bulk purchases represents more than 62.82% of the entity's operational budget. The revenue from the sale of electricity represents more than 97.93% of the operating revenue for the entity.

(b) *Particulars of funding measures used to determine whether operating and Capital expenditure is funded in accordance with section 18 of the Act;*

Details of the proposed tariffs on energy and Services are attached as Annexures

(c) *Particulars of tariffs and other charges;*

Details of the proposed tariffs on energy and Services are attached as Annexures

(d) *The debtors' collection levels that have been estimated;*

Electricity debtors collection rate set at 97% factored in the revenue projection

(e) Particulars of planned savings and efficiencies for the medium term as detailed in the multi-year business plan;

- Data Purification
- Meter maintenance
- Conversion to pre-paid metering
- Increase Automated Meter Reading (AMR)
- Streetlight Management (Smart)

(f) Particulars of the municipal entity's monetary investments by –

- (i) type, and
(ii) maturity date;

CENTLEC (SoC)LTD - Supporting Table SD3 Budgeted Investment Portfolio

Investments by maturity Name of institution & investment ID R thousands	Ref	Budget Year 2019/20						
		Period of investment	Type of investment	Expiry date of investment	Market value		Interest	
		Months			Begin	End	Fully accrued	Yield %
ABSA - 1 Day Account		February 2013	Call Account	n/a	60,000	69,089	9,089	11.89%
	1				60,000	69,089	9,089	

(g) Particulars of contributions and donations in cash or in-kind received planned to be received, specifically listing donor assistance secured by formal agreement or contract;

None

(h) Particulars of planned proceeds from the sale of assets;

- Retired fleet
- Redundant material

(i) Particulars of planned proceeds from the lease of assets, where the period of the lease is three years or more;

None

(j) Particulars of the planned use of previous years' cash backed accumulated surplus including –

(i) any shortfall between liabilities or provisions and cash reserves set aside for this purpose;

(ii) details of board decisions to set aside funds including time schedules for progressively meeting funding of provisions;

(iii) details of allowances made for working capital – defined as holding sufficient funds to meet any financial obligations as they fall due; and

(iv) details of non-statutory reserves;

None

(k) particulars of proposed future revenue sources;

Refer to (a) above for particulars

(l) particulars of planned use of any bank overdrafts and reasons therefore;

None

(m) particulars of any existing and any new borrowing proposed to be raised;

None

(n) particulars of allocations from or distributions to from the parent municipality;

Urban Settlement Developmental Grant

(o) particulars of any other transfers and grants to the municipal entity.

None

7. ALLOCATIONS OF GRANTS MADE BY THE MUNICIPALITY

The table **D3** below outlines the allocation of grants to the municipal entity and the cash transfer to groups and individuals:

Funded by:										
National Government		-	-	-	-	-	-	-	-	-
Provincial Government		-	-	-	-	-	-	-	-	-
Parent Municipality		26,316	7,456	20,160	9,450	15,450	15,450	26,000	28,080	30,326
District Municipality		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		26,316	7,456	20,160	9,450	15,450	15,450	26,000	28,080	30,326
Public contributions & donations	6	15,113	12,811	8,859	6,318	10,762	10,762	11,408	12,093	12,818
Borrowing	3	-	-	-	-	-	-	-	-	-
Internally generated funds		200,916	202,295	89,967	80,879	159,823	159,823	175,231	192,393	210,506
Total Capital Funding	4	242,345	222,563	118,986	96,647	186,035	186,035	212,639	232,565	253,651

BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

The supporting table **SD4** below provides an indication of the total cost to employer of the Board and staff members over the MTREF period:

CENTLEC (SoC)LTD - Supporting Table SD4 Board member allowances and staff benefits

Summary of Employee and Board Member remuneration	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
		A	B	C	D	E	F	G	H	I
R thousands										
Remuneration										
Board Members of Entities										
Basic Salaries and Wages		1,248	1,162	1,051	1,751	1,751	1,751	1,751	1,874	2,005
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations										
Sub Total - Board Members of Entities	1	1,248	1,162	1,051	1,751	1,751	1,751	1,751	1,874	2,005
% increase			(0)	(0)	0	0	0	-	0	7.0%
Senior Managers of Entities										
Basic Salaries and Wages		5,582	15,579	26,307	11,280	11,280	11,280	12,845	13,744	14,706
Pension and UIF Contributions			761	1,865	13	13	13	411	440	471
Medical Aid Contributions			369	1,310	366	366	366	109	116	124
Overtime								-	-	-
Performance Bonus			195	-				-	-	-
Motor Vehicle Allowance			645	1,137	475	475	475	541	579	619
Cellphone Allowance				112	112	112	112	128	137	147
Housing Allowances										
Other benefits and allowances				291	15	15	15	15	16	17
Payments in lieu of leave		781								
Long service awards										
Post-retirement benefit obligations										
Sub Total - Senior Managers of Entities	1	6,364	17,549	31,022	12,262	12,262	12,262	14,048	15,032	16,084
% increase			0	0	(0)	(0)	(0)	0	0	7.0%
Other Staff of Entities										
Basic Salaries and Wages		71,505	160,707	166,841	185,736	167,875	185,736	188,902	202,125	216,274
Pension and UIF Contributions		8,800	5,940	9,364	27,886	27,886	27,886	30,430	32,560	34,839
Medical Aid Contributions		12,456	3,515	4,994	26,001	26,001	26,001	29,395	31,453	33,655
Overtime		10,163	7,938	7,737	9,397	27,259	9,397	32,704	34,994	37,443
Performance Bonus					13,316	13,316	13,316	15,117	16,175	17,307
Motor Vehicle Allowance		5,732	5,643	8,185	15,662	15,662	15,662	17,810	19,057	20,391
Cellphone Allowance				327	752	752	752	855	915	979
Housing Allowances		622	156	337	1,163	1,163	1,163	1,332	1,425	1,525
Other benefits and allowances		585	989	944	2,680	11,388	2,680	4,228	4,524	4,841
Payments in lieu of leave					8,071	-	8,071	9,154	9,795	10,481
Long service awards					637	-	637	723	773	827
Post-retirement benefit obligations										
Sub Total - Other Staff of Entities	1	109,864	184,886	198,729	291,301	291,301	291,301	330,651	353,796	378,562
% increase			0	0	0	0	0	0	0	7.0%
Total Municipal Entities remuneration		117,476	203,597	230,801	305,314	305,314	305,314	346,450	370,702	396,651

The supporting table **SD5** below provides an indication of the summary of personnel numbers for the MTREF period:

CENTLEC (SoC)LTD - Supporting Table SD5 Summary of personnel numbers

Summary of Personnel Numbers	Ref	2017/18			Current Year 2018/19			Budget Year 2019/20		
Number	1	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)										
Board Members of municipal entities	3	8			8			8	5	
Municipal entity employees	4									
CEO and Senior Managers	2		17			17				2
Other Managers	6								40	2
Professionals			62			184			150	
Finance			20			53			58	
Spatial/town planning										
Information Technology			6			9			12	4
Roads										
Electricity			36			122			193	47
Water										
Sanitation										
Refuse										
Other			99	115		397	41			31
Technicians									12	8
Finance										1
Spatial/town planning										
Information Technology										
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other										
Clerks (Clerical and administrative)									246	
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
Total Personnel Numbers		8	178	115	8	598	41	8	716	87
% increase			2,125.0%	(35.4%)	(93.0%)	420.0%	(64.3%)	(80.5%)	8,850.0%	(87.8%)
Total entity employees headcount	5									
Finance personnel headcount	7									
Human Resources personnel headcount	7									

9. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

The supporting table **SD10** gives and insight into the size of the city staff establishment, outlining the required number of positions to be filled for effective service delivery. The Entity currently has no contracts having budgetary implications in the budget year.

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10. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

The Supporting Table **SD6** provides management and users of the budget with a monthly breakdown of the budget as contained in Tables D2 to D5. These tables are to be used as a measure of performance on the budget on a monthly basis. They are to be used on the monthly Section 87 report to track management's actual implementation of the budget. The following tables outline the monthly targets for revenue and expenditure, capital and cash flow are as follows:

CENTLEC (SoC)LTD - Supporting Table SD6 Budgeted monthly cash and revenue/expenditure

Description	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands															
Revenue By Source															
Property rates															
Service charges - electricity revenue	291,166	296,437	264,601	196,751	203,479	205,267	211,824	211,824	211,824	211,824	211,824	211,824	2,728,643	2,892,361	3,065,903
Interest earned - external investments	757	757	757	757	757	757	757	757	757	757	757	757	9,089	9,634	10,212
Interest earned - outstanding debtors	1,044	1,044	1,044	1,044	1,044	1,044	1,044	1,044	1,044	1,044	1,044	1,044	12,531	13,283	14,080
Fines, penalties and forfeits	542	542	542	542	542	542	542	542	542	542	542	542	6,502	6,892	7,305
Agency services	514	514	514	514	514	514	514	514	514	514	514	514	6,167	6,537	6,929
Other revenue	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	3,938	47,251	50,606	54,204
Gains on disposal of PPE	29	29	29	29	29	29	29	29	29	29	29	29	344	365	387
Total Revenue (excluding capital transfers and contributions)	297,989	303,260	271,425	203,574	210,303	212,090	218,647	218,647	218,647	218,647	218,647	218,647	2,810,526	2,979,678	3,159,020
Expenditure By Type															
Employee related costs	28,725	28,725	28,725	28,725	28,725	28,725	28,725	28,725	28,725	28,725	28,725	28,725	344,699	368,828	394,646
Remuneration of Board Members	146	146	146	146	146	146	146	146	146	146	146	146	1,751	1,874	2,005
Debt impairment	8,746	8,746	8,746	8,746	8,746	8,746	8,746	8,746	8,746	8,746	8,746	8,746	104,949	110,616	116,589
Depreciation & asset impairment	741	741	741	741	741	741	741	741	741	741	741	741	8,889	9,369	9,875
Finance charges	316	316	316	316	316	316	316	316	316	316	316	316	3,794	3,999	4,215
Bulk purchases	176,457	179,651	160,358	119,238	123,316	124,399	128,373	128,373	128,373	128,373	128,373	128,373	1,653,654	1,752,874	1,858,046
Other materials	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	34,210	36,057	38,004
Contracted services	18,783	18,783	18,783	18,783	18,783	18,783	18,783	18,783	18,783	18,783	18,783	18,783	225,402	237,573	250,402
Transfers and subsidies	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	120,054	120,057	120,060
Other expenditure	8,332	8,332	8,332	8,332	8,332	8,332	8,332	8,332	8,332	8,332	8,332	8,332	99,984	105,383	111,074
Loss on disposal of PPE															
Total Expenditure	255,101	258,296	239,002	197,882	201,960	203,043	207,017	207,017	207,017	207,017	207,017	207,017	2,597,385	2,746,629	2,904,916
Capital expenditure															
Capital assets	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	212,639	232,565	253,651
Total capital expenditure	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	212,639	232,565	253,651
Cash flow															
Ratepayers and other	286,661	291,816	237,881	194,322	200,903	202,651	209,064	209,064	209,064	209,064	209,064	209,064	2,668,619	2,828,736	2,998,461
Grants	3,084	3,084	3,084	3,084	3,084	3,084	3,084	3,084	3,084	3,084	3,084	3,084	37,008	44,083	46,738
Interest	1,748	1,748	1,748	1,748	1,748	1,748	1,748	1,748	1,748	1,748	1,748	1,748	20,971	22,229	23,563
Suppliers, employees and other	(254,583)	(259,192)	(231,356)	(172,030)	(177,914)	(179,477)	(185,210)	(185,210)	(185,210)	(185,210)	(185,210)	(185,210)	(2,385,812)	(2,507,718)	(2,659,239)
Finance charges	(307)	(307)	(307)	(307)	(307)	(307)	(307)	(307)	(307)	(307)	(307)	(307)	(3,680)	(3,879)	(4,088)
Dividends paid	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(120,000)	(120,000)	(120,000)
NET CASH FROM/(USED) OPERATING ACTIVITIES	26,603	27,149	1,049	16,817	17,514	17,700	18,379	18,379	18,379	18,379	18,379	18,379	217,107	263,461	285,435
Proceeds on disposal of PPE	28	28	28	28	28	28	28	28	28	28	28	28	334	354	375
Capital assets	(17,156)	(17,156)	(17,156)	(17,156)	(17,156)	(17,156)	(17,156)	(17,156)	(17,156)	(17,156)	(17,156)	(17,156)	(205,872)	(229,391)	(249,527)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(17,128)	(17,128)	(17,128)	(17,128)	(17,128)	(17,128)	(17,128)	(17,128)	(17,128)	(17,128)	(17,128)	(17,128)	(205,538)	(229,037)	(249,152)
Borrowing long term/refinancing/short term													-	-	-
Repayment of borrowing															
Increase in consumer deposits	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(5,106)	(27,844)	(29,347)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(426)	(5,106)	(27,844)	(29,347)
NET INCREASE/ (DECREASE) IN CASH HELD	9,049	9,595	(16,504)	(737)	(39)	146	826	826	826	826	826	826	6,463	6,581	6,936

11. CAPITAL EXPENDITURE DETAILS

The Supporting Table SD9 provides the details of Capital Expenditure by class and sub-class areas are provided below:

CENTLEC (SoC)LTD - Supporting Table SD9 Detailed capital budget

Municipal Vote/Capital project R thousands	Total Project Estimate	Medium Term Revenue and Expenditure Framework			Project information	
		Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	Ward location	New or renewal
OFFICE OF THE CEO						
HUMAN RESOURCE DEVELOPMENT						
TRAINING & DEVELOPMENT		821	866	912	All	N
REVENUE AND CUSTOMER MANAGEMENT						
DIGITAL RADIO SYSTEM		2,000	2,108	2,222	All	N
IMPLEM BUSINESS CONT DISASTER RECOV INF		5,280	5,565	5,866	All	R
UPGRADE & REFURB COMPUTER NETWORK		20,145	21,233	22,379	19	N
METER PROJECT		10,000	10,540	11,109	All	N
BULK METER REFURBISHMENT		1,173	1,236	1,303	All	N
WIRES- PLANNING						
ELECTRIFICATION CONNECTIONS (USDG)		26,000	28,080	30,326	46,17	N
SERVITUDES LAND (INCLUDING, INVESTIGATION, REMUNERTION, REGISTRATION)		556	586	618	45,14	N
PUBLIC ELECTRICITY CONNECTIONS		11,408	12,093	12,818	All	N
EXTENSION AND UPGRADING OF THE 11KV NETWORK		5,028	5,398	5,728	All	U
SHIFTING OF CONNECTION AND REPLACEMENT SERVICES		571	602	634	1-47	R
UPGRADING AND EXTENSION OF LV NETWORK		2,381	2,509	2,645	All	R
REFURBISHMENT OF HIGH MAST LIGHTS		11,000	11,594	14,720	All	U
ELECTRIFICATION INTERNAL PROJECTS		13,000	18,702	20,898	All	N
INSTALLATION OF PREPAID METERS (INDIGENTS)		59	62	65	All	R
INSTALLATION OF PUBLIC LIGHTING		19,533	20,588	21,700	All	N
WIRES- NETWORK SERVICES						
REP LOW VOLT DECREPIT 2/4/8 WAY BOXES		1,005	1,059	1,116	1-47	R
REP BRITTLE OVERHEAD CONNECTIONS		670	706	744	1-47	N
REMEDIAL WORK 132KV SOUTHERN LINES		628	663	699	1-47	U
WIRES- SYSTEM UTILISATION & PROCESS ENGINEERING						
REPLACEMENT OF 11KV SWITCHGEARS		1,063	1,120	1,180	All	R
TRANSFORMER REPLACE & OTHER RELATED EQUIPMENT		10,000	10,540	11,109	All	N
REPLACEMENT OF OIL PLANT		799	842	887	All	R
REP 2 & 4 WAY FIBREGLAS BOX (BOTSHABELO)		743	783	825	30	R
REPLACEMENT OF 32V BATTERIES		593	625	659	All	R
REPLACEMENT OF 110V BATTERIES		945	996	1,050	All	R
REPAIRS OF MANGAUNG DISTRIBUTION CENTRE		25,000	26,350	27,773	All	N
REPAIRS OF VISTA DISTRIBUTION CENTRE		25,000	26,350	27,773	All	N
CENTRE AND SUB-STATIONS INCLUDING TEST EQUIPMENT		5,000	5,270	5,555	All	N
REPLACEMENT OF POLE MOUNTED TRANSFORMER		3,321	6,100	10,429	All	N
PERFORMANCE & COMPLIANCE						
SECURITY EQUIPMENT (CCTV)		312	329	346	All	N
FURNITURE AND OFFICE EQUIPMENT		209	221	233	All	N
SOLAR FARM GENERATION PLANT		1,000	1,054	1,111	All	N
OFFICE BUILDING		2,117	2,232	2,352	All	N
PROCUREMENT OF FLEET (VEHICLES)		5,280	5,565	5,866	All	N
Total Capital expenditure	-	212,639	232,565	253,651		

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 was fully complied with on a monthly basis. Section 87 reporting to the Executive Mayor (within 7 working days) has progressively improved and includes monthly published performance on the municipality's website.

2. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

3. Audit Committee

An Audit Committee has been established and is fully functional.

4. Risk Management

The Risk Management Committee has not been established and a Chief Risk Officer has not been appointed, however this aspect is catered under Internal Audit and Audit and Risk Committee.

5. Service Delivery and Implementation Plan

The detailed 2019/20 SDBIP document is at a draft stage and will be finalised after approval of the 2019/20 MTREF in May 2019 directly aligned and informed by the 2019/20 MTREF.

6. Annual Report

Annual Report is compiled in terms of the MFMA and National Treasury requirements.

QUALITY CERTIFICATION

Prepared By:

Print Name _____

Chief Financial Officer of Centlec (SOC) Ltd

Signature _____

Date _____

CHIEF EXECUTIVE OFFICER CERTIFICATION

Chief executive officer's certification:

I, Chief Executive Officer of Centlec (SOC) Ltd, 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 documentation are consistent with the Integrated Development Plan of the Parent Municipality, the service delivery agreement with the Parent Municipality and the Business Plan of the Entity.

Print Name _____

Chief Executive Officer of Centlec (SOC) Ltd

Signature _____

Date _____