



# MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2020/21 – 2022/23



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## 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. *“Real GDP for the current financial year at end of May 2020 was 4.5 per cent and is estimated for 2020/21 to decrease by 7.25 per cent. Limited employment growth and household income constraints are holding back consumption.”* The country's economic growth outlook was impossible to project given the current pandemic. The Consolidated Medium Term Revenue and Expenditure Framework (MTREF) Budget of 2020/21 - 2022/23 budget is thus compiled in the environment of realignment of patterns with bias towards restraint. The impact of COVID19 pandemic on the economy is not yet fully comprehended, but already characterised a decreased effect on the GDP. This was described by Minister of Finance as *“going through the narrow rate”*. The revenue collections are likely to be impacted by the economic fall-out of COVID-19, and by implication reducing cash buffers in the entity, this will have a profound impact on financial and operational sustainability going forward.

Reliable and affordable energy remains one of the strategic resources which can become catalytic in sustaining the economy of the province. Supply from upstream has been experience constraint with the negative impact on consumer confident and equipment.

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 held 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 2,852 billion in 2020/21, representing an increase of R 31 million or 1,10% on that of 2019/20 Adjustment Budget (R 2,820 billion.) The allocation for the two outer years of the MTREF period is R 2,891 billion in 2021/22 and R 3,031 billion in 2022/23.

The Operational Expenditure totals to projected expenditure of R 2,462 billion for 2020/21, representing an increase of R 200 million or 8,40% increase from that of the 2019/20 Adjustments Budget of (R 2,255 billion). The allocation for the two outer years of the MTREF period is R 2,582 billion for 2021/22 and R 2,736 billion for the 2022/23.

The Capital budget of the Entity herewith presented amount to R 169,724 million for 2020/21, representing increase of R 50 million or 29,79% from 2019/20 Adjustments Budget of R 119,158 million. The allocation for the two outer years of the MTREF period is projected at R 124,041 million for 2021/22 and R 129,048 million for 2022/23.

The table below illustrates the above:

DETAILS	APPROVED BUDGET 2019/20	ADJUSTMENT BUDGET 2019/20	Growth%	MTREF 2020/21	MTREF 2021/22	MTREF 2022/23
Revenue	2,770,555,691	2,820,555,691	1.12%	2,852,030,223	2,891,536,250	3,031,257,899
Operating Expenditure	2,624,943,303	2,255,570,522	9.17%	2,462,421,919	2,582,982,087	2,736,897,865
<b>(Surplus)/Deficit</b>	<b>145,612,388</b>	<b>564,985,169</b>	<b>-31.04%</b>	<b>389,608,304</b>	<b>308,554,163</b>	<b>294,360,034</b>
Gains and Loss	344,360	344,360	4.60%	360,201	377,490	395,610
Capital Expenditure	145,638,821	119,158,821	42.44%	169,724,999	124,041,376	129,048,133
<b>Surplus and or (Deficit)</b>	<b>317,927</b>	<b>446,170,708</b>	<b>-50.64%</b>	<b>220,243,505</b>	<b>184,890,277</b>	<b>165,707,511</b>

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 2020/21 MTREF is prepared within the parameters set by the Parent Municipality including the guidelines (Circular No 98 and 99) 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 2020/21 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 2020/21 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 budget is the start of a journey towards the final budget approval before implementation in the start of the new financial year. The 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	Adjustments Budget 2014/15	Adjustments Budget 2015/16	Adjustments Budget 2016/17	Adjustment Budget 2017/18	Approved Budget 2018/19	Adjustment Budget 2018/19	Approved Budget 2019/20	Adjustment Budget 2019/20
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Integrated National Electrification Programme	26,491,228	26,315,789	8,500,000	20,000,000	9,450,000	15,450,000	-	-
Urban Settlement Development Grant	-	-	-	-	-	-	26,000,000	61,475,301
Public Contributions	15,767,015	20,952,879	23,141,686	6,000,000	6,318,000	10,762,339	11,408,079	11,408,079
Revenue / Surplus (Internal funds)	256,835,056	198,854,055	201,534,699	71,110,329	80,879,180	159,823,019	108,230,742	46,275,441.00
<b>TOTAL</b>	<b>299,093,299</b>	<b>246,122,723</b>	<b>233,176,385</b>	<b>97,110,329</b>	<b>96,647,180</b>	<b>186,035,358</b>	<b>145,638,821</b>	<b>119,158,821</b>

#### 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	119,255,572	63%
2013/14	156,588,364	262,587,391	224,227,621	85%
2014/15	298,963,243	299,093,299	282,432,554	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%
2018/19	96,647,180	186,035,358	178,299,145	96%



### 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 2014/15	Actuals 2015/16	Actuals 2016/17	Actuals 2017/18	Actuals 2018/19
	R'000	R'000	R'000	R'000	R'000
IMPLEMENTATION OF BUSINESS CONTINUITY & UPGRADE OF CURRENT PABX TO VOIP TELCOMMS	495,634	904,442	341,339		
SERVITUDES AND LAND (INCLUDING INVESTIGATION WEBSITE)	19,696	167,245	338,509	25,975	75,158
SCOA IMPLEMENTATION PROJECT	243,985				
REPLACEMENT OF OIL PLANT	1,006,466				
EXTENSION AND UPGRADING OF THE 11KV OVER ELLITE SUBSTATION (AIRPORT NODE)	902,734				
INSTALLATION OF PREPAID METERS (INDIGENTS)	6,168,462	6,417,588	5,603,912	16,796,159	8,792,618
ELECTRIFICATION CONNECTIONS (INEP)	10,500,000	10,823,860		17,921,667	45,137,847
METER PROJECT	878,362	39,743	195,217	58,297	5,515
SMART METERS ELECTRICITY	21,360,913	26,315,711		20,159,955	13,822,419
OFFICE FURNITURE & EQUIPMENTS	63,633,076	33,236,925	13,295,680	3,197,793	4,129,172
FICHARDTPARK DC :132KV/11KV	29,014,623	42,691,340	38,137,455		
ELECTRIFICATION CONNECTIONS (INEP)	2,083,713	544,157	516,140	2,599,437	2,630,857
PUBLIC ELECTRICITY CONNECTIONS	2,277,764		39,384,827		
OFFICE BUILDING	8,779		5,871,141		
VEHICLES	11,102,662	15,113,201	24,178,494	8,858,829	9,826,394
TRAINING AND DEVELOPMENT	2,120,157	1,226,096	3,814,681	4,627,983	3,455,539
BULK METER REFURBISHMENT	21,930,563	7,594,437	240,522		1,624,433
NEW TEST VEHICLES EQUIPMENT		256,944	271,178	507,409	7,098,773
TRANSFORMER REPLACEMENT				167,600	644,700
S/LIGHTS REPLACE POLE TRNS POLES SECTION	1,247,352				
INSTALLATION OF PUBLIC LIGHTING	3,408,929	5,473,818		1,203,897	
ELECTRIFICATION PROJECTS (INTERNAL)					2,207,259
REPLACEMENT OF DECREPIT LOW VOLTAGE OVER		14,325,933	16,201,639	9,792,523	15,010,785
REPLACEMENT OF BRITTLE OVERHEAD CONNECTION	396,830	85,064	13,950,362	4,813,335	3,281,215
COMPUTER AND PRINTER (REPLACEMENT)	738,134	780,436		139,513	
REPLACEMENT OF DECREPIT HAMILTON					
REPLACEMENT OF DECREPIT 11KV CABLE	902,866	1,506,348	531,174		
NETWORK REFURBISHMENTS	1,045,476	2,351,857	1,976,878	39,006	
METERING SYSTEM	21,262,346	3,999,476	8,805,287		
CECELIA DC 132KV/11KV 30 MVA			6,876,960		
VANSTRADENSURUS PHASE 2 ELECTRIFICATION	3,480,798	36,501,286	17,931,741		
KHAYELITSHA ELECTRIFICATION / PHASE 7			2,555,511		
REPLACEMENT OF 11KV BATTERIES	20,746,527				
REPLACEMENT OF 110KV BATTERIES	435,745				
REPAIR MMM DIST DIST CENTRE					219,770
REPAIR VISTA DIST DIST CENTRE					15,944,845
REPLACEMENT OF 32V BATTERIES	365,360				1,251,427
REPLACEMENT OF 2 & 4 WAY FIBREGLAS BOX					3,120
REP LOW VOLT DECREPIT 2/4/8 WAY BOXES	273,500	166,859		176,374	
REMEDIAL WORK 132KV SOUTHERN LINES					354,294
REPLACEMENT OF 240mm XLPE	8,603,989			2,941,020	
BOTSHABELO: 132KV LINE FROM DC	5,845,657				
GROENVLEI DC 132/11KV 20 MVA DC	5,131,380			9,346,983	25,234,677
TIBBIE VISSER 33/11 T1 5MVA	14,045,424	6,933,641			
BOTSHABELO: 132KV LINES FROM DC AROUND	375,076		7,506,414		
VENDING BACK OFFICE		402,561	273,165		
REFURBISHMENT OF HIGH MAST LIGHTS				2,097,321	471,911
UPGRADE AND REFURBISHMENT OF CENTLEC COMPUTER NETWORK	1,406,743	2,009,821		3,157,712	11,449,225
COMMUNICATION AND MARKETING		1,566,233	2,570,239		
SECURITY EQUIPMENT (CCTV)			1,368,429	352,008	2,582,992
REPLACEMENT OF 11KV SWITCHGEARS FOR MAGISTRATE SUB	575,276			490,100	
SHIFTING OF CONNECTION AND REPLACEMENTS				1,285,179	1,794,997
132KV NORTHERN RING FROM NOORDSTAD DC	14,694,052	5,256,171	1,004,093		
REFUR PROTEC & SCADA SYSTEMS DIST CENTRE					658,202
SOLAR FARM GENERATION PLANT					591,000
<b>TOTALS</b>	<b>282,432,554</b>	<b>242,344,542</b>	<b>213,740,985</b>	<b>118,986,263</b>	<b>178,299,144</b>

### **2.1.1 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.

### **2.1.2 AUDIT OUTCOME 2018-2019**

#### **Centlec (SOC) Ltd Audit Report:**

The Entity's audit outcome for the 2018/19 financial year was an unqualified audit opinion.

## **2.2 BUDGET SUMMARY**

### **2.2.1 CONSOLIDATED MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK OUTLOOK: 2020/21 – 2022/23**

#### **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 2,852 billion in 2020/21, representing a increase in revenue of R 30 million (1,10%) on the 2019/20 Adjustments Budget of R 2,820 billion. The allocation for the outer two years of the MTREF period is R 2,891 billion and R 3,031 billion respectively. Revenue generated from services charges forms a significant part of the revenue basket of the Entity. Services charges constitutes 97% (2019/20 - 95%) of the budgeted revenue (excluding capital grants and transfers) in the 2020/21 budget year.

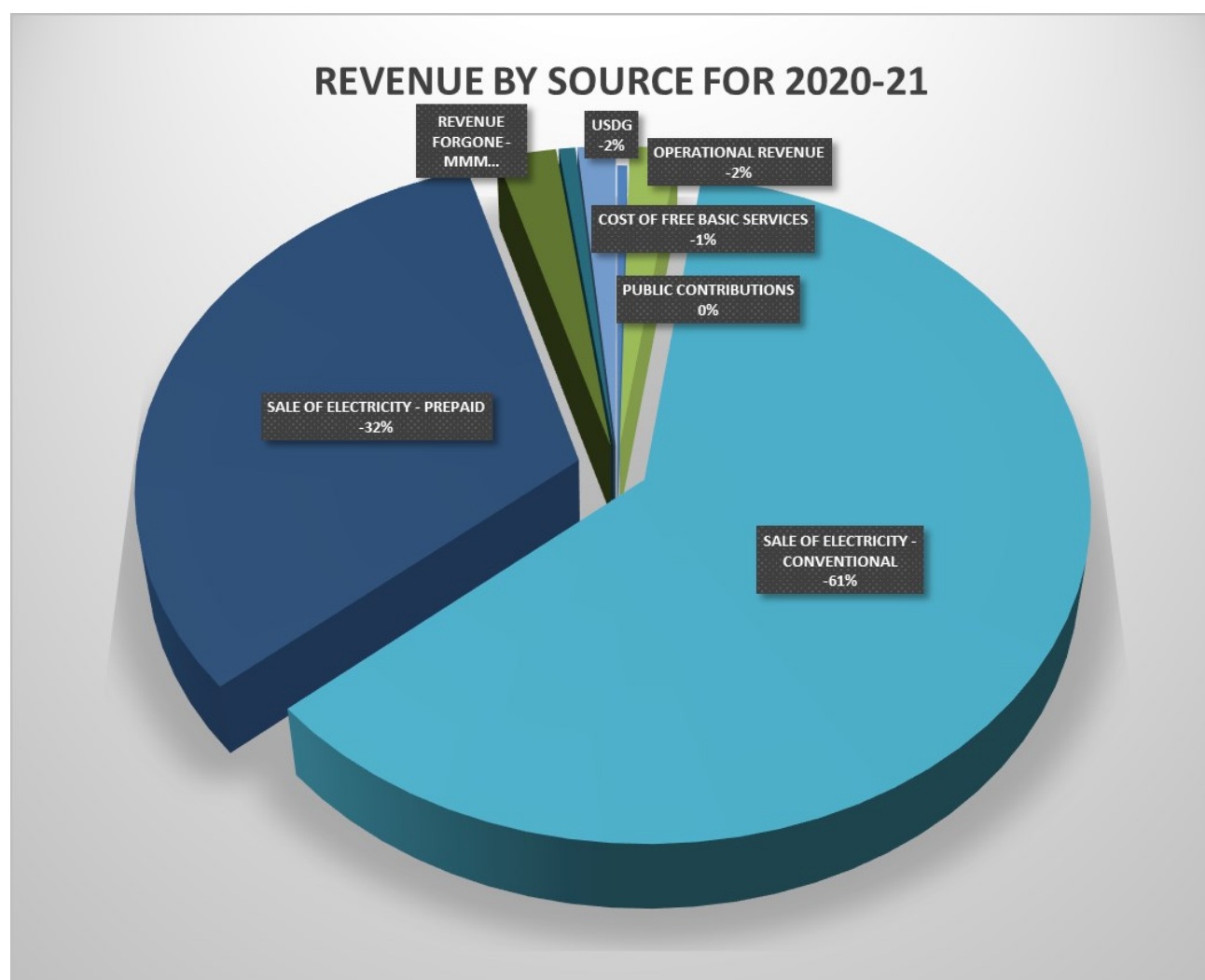
Details of the Revenue by Source are as outlined in the below table:

STATEMENT OF FINANCIAL PERFORMANCE - CENTLEC (SOC) LTD					
REVENUE PER SOURCE	ADJUSTMENT BUDGET 2019-20		MTREF 2020-2023		
	APPROVED MTREF 2019-20	ADJ BUDGET 2019-20	MTREF 2020-21	MTREF 2021-22	MTREF 2022-23
FINES AND PENALTIES	-6,501,675	-6,501,675	-6,800,752	-7,127,188	-7,469,293
PUBLIC CONTRIBUTIONS	-11,408,079	-11,408,079	-11,932,851	-12,505,627	-13,105,898
INTEGRATED NATIONAL DEVELOPMENT GRANT	-	-50,000,000	-	-	-
URBAN SETTLE DEVELOPMENT GRANT	-26,000,000	-26,000,000	-57,499,976	-24,868,551	-27,214,151
SALE OF ELECTRICITY - CONVENTIONAL	-1,757,901,695	-1,757,901,695	-1,838,765,173	-1,927,025,901	-2,019,523,145
SALE OF ELECTRICITY - PREPAID	-907,990,795	-907,990,795	-949,758,372	-953,938,773	-1,004,943,835
SALES OF ELECTRICITY REVENUE FORGONE - MMM	-	-	71,000,000	95,000,000	105,000,000
INTEREST EARNED	-27,786,332	-27,786,332	-24,064,503	-25,219,599	-26,430,140
OPERATIONAL REVENUE	-4,823,615	-4,823,615	-5,045,501	-5,287,685	-5,541,494
OTHER INCOME	-9,219,436	-9,219,436	-9,368,524	-9,818,213	-10,289,487
CONTRA ACCOUNTS (FBE EXPENSE)	16,589,826	16,589,826	17,352,958	18,185,900	19,058,823
COST OF FREE BASIC SERVICES	-18,924,064	-18,924,064	-19,794,571	-20,744,710	-21,740,456
<b>TOTAL INCOME BY SOURCE</b>	<b>-2,770,555,691</b>	<b>-2,820,555,691</b>	<b>-2,852,030,223</b>	<b>-2,891,536,250</b>	<b>-3,031,257,899</b>

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

STATEMENT OF FINANCIAL PERFORMANCE - CENTLEC (SOC) LTD					
GAINS AND LOSSES PER SOURCE	ADJUSTMENT BUDGET 2019-20		MTREF 2020-2023		
	APPROVED MTREF 2019-20	ADJ BUDGET 2019-20	MTREF 2020-21	MTREF 2021-22	MTREF 2022-23
<b>GAINS AND LOSSES</b>	<b>-344,360</b>	<b>-344,360</b>	<b>(360,201)</b>	<b>(377,490)</b>	<b>(395,610)</b>
DISPOSAL OF FIXED AND INTANGIBLE ASSETS	-344,360	-344,360	-360,201	-377,490	-395,610

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 2,788 on in 2020/21, representing a increase in revenue of R 122,631 million (4,40%) in 2019/20 Adjustments Budget of R 2,665 billion. The allocation for the outer two years of the MTREF period is R 2,880 billion and R 3,024 billion respectively.

### **Equitable Share from the Parent Municipality (FBE)**

Included in the budgeted revenue of R 2,852 billion, is free basic electricity from the Parent Municipality totalling to R 19,794 million for the 2020/21. The allocations for the 2021/22 and 2022/23 budget years are R 20,744 million and R 21,740 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 57,500 million for 2020/21. The allocations for the 2021/22 is R 24,869 and R 27,214 million in 2022/23. The conditional grants allocation anticipating as gazetted, constitutes 2,02% of the budgeted revenue for the 2020/21 budget year.

## **B. OPERATING EXPENDITURE**

The Municipal Entity's expenditure for the 2020/21 budget and MTREF is informed by the following:

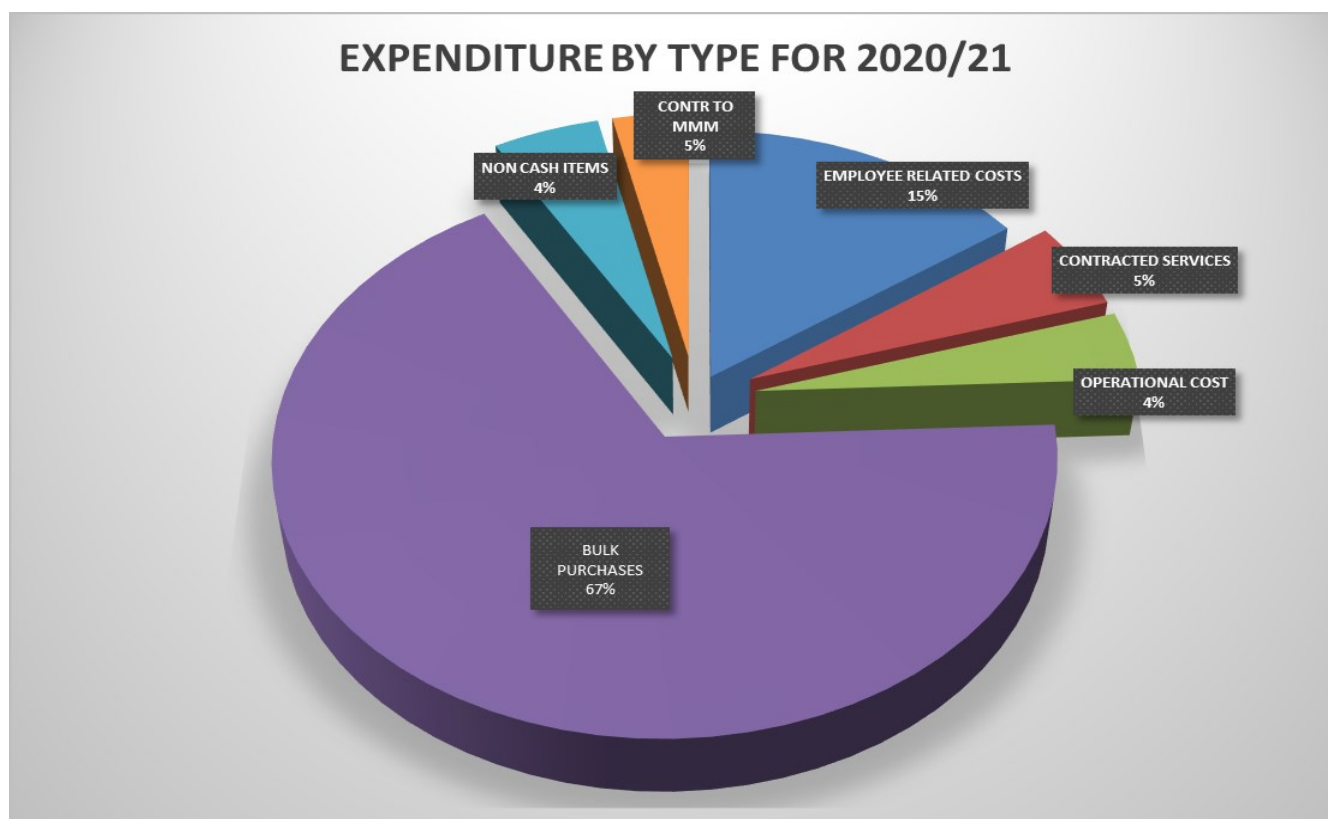
- Modelling of feasible and sustainable budgets over the medium term;
- National Treasury guidelines;
- NERSA tariffs guideline
- Growth in the City and continued economic development;
- Cognisance of national and local economic and fiscal conditions;
- Expenditure limits driven by realistic and realisable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

The operating expenditure budget increases from the adjustments budget amount of R 2,255 billion in 2019/20 to a new consolidated budget amount of R 2,462 billion (representing an increase of 8,40% (R 206,851 million) in 2020/21. The allocation of the outer two years of the MTREF period is R 2,582 billion and R 2,736 billion respectively.

The following table is a high level summary of the MTREF Budget for 2020/21 to 2022/23 (classified per main type of operating expenditure):

STATEMENT OF FINANCIAL PERFORMANCE - CENTLEC (SOC) LTD					
EXPENDITURE PER TYPE	BUDGET 2019-20		MTREF 2020-2023		
	APPROVED MTREF 2019-20	ADJ BUDGET 2019-20	MTREF 2020-21	MTREF 2021-22	MTREF 2022-23
EMPLOYEE SALARIES AND WAGES	344,699,027	345,196,091	369,359,817	395,215,005	422,880,055
REMUNERATION OF DIRECTORS	1,751,260	1,751,260	1,831,818	1,919,745	2,011,893
CONTRACTED SERVICES	175,401,594	90,821,047	126,998,815	133,094,758	139,483,307
OPERATIONAL COST	89,983,982	29,806,278	69,862,182	73,215,567	76,729,914
INVENTORY	34,209,604	28,048,450	30,334,812	31,788,883	33,312,657
BULK PURCHASES	1,741,212,274	1,558,102,961	1,658,425,196	1,738,029,605	1,848,455,026
FINANCE LEASES	54,163	54,163	56,654	59,374	62,224
CONTRIBUTION TO MMM	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
OPERATING LEASES	3,793,874	2,014,126	2,106,776	2,207,901	2,313,880
DEPRECIATION AND AMORTISATION	104,948,807	70,887,428	74,148,250	77,707,366	81,437,319
BAD DEBTS WRITTEN OFF	8,888,718	8,888,718	9,297,599	9,743,884	10,211,590
<b>TOTAL EXPENDITURE BY TYPE</b>	<b>2,624,943,303</b>	<b>2,255,570,522</b>	<b>2,462,421,919</b>	<b>2,582,982,087</b>	<b>2,736,897,865</b>

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



## **Highlights on major categories:**

### **Salaries, Wages and Allowances:**

Personnel costs increase by an average 7%, or R 24,163 million from the 2019/20 Adjustments Budget of R 345,196 million to R 369,359 million in 2020/21. The main reason for the increase is the normal annual average increase. This expenditure category constitutes 16% of the operating expenditure budget. The allocation for the two outer years of the MTREF period is R 395,215 million and R 422,880 million respectively.

### **Remuneration of Directors:**

The budget of this line item is aligned to the Council determination resolution. The 2019/20 Adjustments budget of R 1,751 million to R 1,831 million in 2020/21. The allocation for the two outer years of the MTREF period is R 1,919 million and R 2,011 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 40,055 million from the 2019/20 Adjustments Budget of R 29,806 million to R 69,862 million in the 2020/21 budget year. The allocation for the two outer years of the MTREF period is R 73,215 million and R 76,729 million respectively.

### **Bulk Purchases**

Bulk purchases increased by 6%, R 1,558 billion against the 2019/20 Adjustments budget, to the proposed amount of R 1,658 billion for the 2020/21 budget year. The allocation for the two outer years of the MTREF period is R 1,738 billion and R 1,848 billion respectively. Bulk purchases constitute approximately 67% of the operating expenditure budget for 2020/21. The proposed growth is as tariffs initially approved by NERSA for supplier Eskom.

**Contracted Services**

Contracted Services increased by R 36,177 million to R 126,998 billion in the 2020/21 budget year from a base of R 90,821 million in the 2019/20 Adjustments budget. The allocation for the two outer years of the MTREF period is R 133,094 million and R 139,483 million respectively.

**Inventory**

The budgeted inventory increased with 8% to an amount of R 30,334 million for 2020/21 (Adjustments Budget 2019/20 - R 28,048 million). The indicative allocated amount for the two outer years of the MTREF period is R 31,788 million and R 33,312 million respectively.

**Operating and Finance leases**

The budgeted operating leases amount is R 2,163 million for 2020/21 (Adjustments Budget 2019/20 - R 2,068 million). The indicative allocated amount for the two outer years of the MTREF period is R 2,267 million and R 2,376 million respectively.

**Depreciation**

The budgeted depreciation amount is R 74,148 million for 2020/21 (Adjustments Budget 2019/20 - R 70,887 million). The indicative allocated amount for the two outer years of the MTREF period is R 77,707 million and R 81,437 million respectively.

**Transfer to Bad Debt Reserve**

The budget amount for bad debt impairment is R 9,297 million in 2020/21. The indicative allocated amount for the two outer years of the MTREF period is R 9,743 million and R 10,211 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 increased by R 50,566 million for the 2020/21 financial year to R 169,724 million as compared to the approved Adjustments Budget of R 119,158 million for the 2019/20 period. The projected capital expenditure budget for the two outer years of the MTREF period has been set at R 124,041 million and R 129,048 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	APPROVED BUDGET 2019/20	ADJ BUDGET 2019/20	MTREF 2020/2021	MTREF 2021/2022	MTREF 2022/2023
Urban Settlement Development Grant	26,000,000	26,000,000	57,499,976	24,868,551	27,214,151
Public Contributions	11,408,079	11,408,079	11,932,851	12,505,627	13,105,898
Revenue / Surplus (Internal funds)	108,230,742	81,750,742	100,292,173	86,667,197	88,728,085
<b>TOTAL</b>	<b>145,638,821</b>	<b>119,158,821</b>	<b>169,724,999</b>	<b>124,041,376</b>	<b>129,048,133</b>

### 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	APPROVED BUDGET 2019/20	ADJ BUDGET 2019/20	MTREF 2020/2021	MTREF 2021/2022	MTREF 2022/2023
ELECTRIFICATION CONNECTIONS (USDG)	26,000,000	26,000,000	57,499,976	24,868,551	27,214,151
<b>TOTAL</b>	<b>26,000,000</b>	<b>26,000,000</b>	<b>57,499,976</b>	<b>24,868,551</b>	<b>27,214,151</b>

### Public Contributions

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

PUBLIC CONNECTIONS	APPROVED BUDGET 2019/20	ADJ BUDGET 2019/20	MTREF 2020/2021	MTREF 2021/2022	MTREF 2022/2023
PUBLIC ELECTRICITY CONNECTIONS	11,408,079	11,408,079	11,932,851	12,505,627	13,105,898
<b>TOTAL</b>	<b>11,408,079</b>	<b>11,408,079</b>	<b>11,932,851</b>	<b>12,505,627</b>	<b>13,105,898</b>

## Own Funded Projects

Included in the capital budget are projects to the value of R 100,292 million for the 2020/21 year. The allocation of the two MTREF period outer years is R 86,667 million and R 88,728 million respectively. The key highlights of the own funded projects for 2020/21 budget year are:

INTERNAL FUNDING PROJECTS	APPROVED BUDGET 2019/20	ADJ BUDGET 2019/20	MTREF 2020/2021	MTREF 2021/2022	MTREF 2022/2023
TRAINING & DEVELOPMENT	821,189	821,189	858,964	900,194	943,403
DIGITAL RADIO SYSTEM	2,000,000	-	1,000,000	1,048,000	1,098,304
IMPLEM BUSINESS CONT DISASTER RECOVERY	280,000	280,000	3,292,880	3,450,938	3,616,583
UPGRADE & REFURB COMPUTER NETWORK	10,145,048	5,145,048	5,381,720	5,640,043	5,910,765
BULK SMART METER INSTALLATIONS	1,173,126	1,173,126	1,227,090	1,285,990	1,347,718
METER REPLACEMENT PROJECT	10,000,000	10,000,000	10,460,000	10,962,080	11,488,260
COMPUTER EQUIPMENT (COVID-19)			1,500,000	1,569,000	1,641,174
BOTSHABELO: ESTABLISHMENT OF 132KV CONNECTION (INDUSTRIAL)			5,000,000		
BOTSHABELO: ESTABLISHMENT OF 132KV CONNECTION (VAALKRAAL)			5,000,000	-	-
ELECTRIFICATION INTERNAL PROJECTS	6,000,000	14,000,000	7,000,000	7,336,000	7,688,128
EXTENSION AND UPGRADING OF THE 11KV NETWORK	5,027,599	5,027,599	5,000,000	5,240,000	5,491,520
UPGRADING AND EXTENTION OF LV NETWORK	2,380,553	380,553	3,000,000	3,144,000	3,294,912
SERVITUDES LAND	555,984	555,984	581,559	609,474	638,729
INSTALLATION OF PUBLIC LIGHTING	9,533,402	9,533,402	5,000,000	5,240,000	5,491,520
INSTALL PREPAID METERS	58,564	58,564	61,258	64,198	67,280
REMEDIAL WORK 132KV SOUTHERN LINES	628,326	328,326	1,000,000	1,048,000	1,098,304
SHIFTING OF CONNECTION AND REPLACEMENTS	571,035	571,035	597,303	625,973	656,020
REFURBISHMENT OF HIGH MAST LIGHTS	6,000,000	8,000,000	6,000,000	6,288,000	6,589,824
REP LOW VOLT DECREPIT 2/4/8 WAY BOXES	1,004,729	504,729	1,500,000	1,572,000	1,647,456
REP BRITTLE OVERHEAD CONNECTIONS	669,764	469,764	750,000	786,000	823,728
S/LIGHTS REPLACE POLE TRNS POLES SECTION	3,320,708	3,320,708	3,500,000	3,668,000	3,844,064
REPLACEMENT OF 110V BATTERIES	945,219	545,219	1,500,000	1,572,000	1,647,456
REPLACEMENT OF 11KV SWITCHGEARS	1,062,532	562,532	1,500,000	1,572,000	1,647,456
REPLACEMENT OF 32V BATTERIES	593,282	393,282	100,000	104,800	109,830
REFUR PROTEC & SCADA SYSTEMS DIST CENTRE	5,000,000	3,000,000	3,000,000	3,144,000	3,294,912
TRANSFORMER REPLACEMENT	5,000,000	5,000,000	5,000,000	5,240,000	5,491,520
REP 2 & 4 WAY FIBREGLAS BOX (BOTS % TBAN)	742,589	442,589	1,000,000	1,048,000	1,098,304
REPLACEMENT OF OIL PLANT	798,579	498,579	521,514	546,546	572,781
REPAIR MMM DIST DIST CENTRE			4,500,000		
REPAIR VISTA DIST DIST CENTRE	25,000,000	6,500,000	5,000,000	2,000,000	
VEHICLES	5,280,000	1,000,000	5,000,000	5,240,000	5,491,520
SECURITY EQUIPMENT (CCTV )	311,868	311,868	2,026,214	2,123,472	2,225,399
FURNITURE AND OFFICE EQUIPMENT	209,366	209,366	218,997	229,509	240,525
SOLAR FARM GENERATION PLANT	1,000,000	1,000,000	1,000,000	1,048,000	1,098,304
OFFICE BUILDING	2,117,280	2,117,280	2,214,675	2,320,979	2,432,386
<b>TOTAL</b>	<b>108,230,742</b>	<b>81,750,742</b>	<b>100,292,173</b>	<b>86,667,197</b>	<b>88,728,085</b>

## 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			
			BUDGET 2019/2020	MTREF 2020/2021	MTREF 2021/2022	MTREF 2022/2023
Bloemfontein Central	A	1, 2, 3, 4, 5				
Mangaung South	B	9, 13, 14, 15, 18	1,000,000	5,000,000	5,240,000	5,491,520
Bloemfontein South	C	6, 7, 10, 11, 12				
Bloemfontein East	D	8, 17, 45, 46, 16 and 47	14,408,079	14,932,851	15,649,627	16,400,810
Bloemfontein North	E	19, 21, 44 and 48	5,145,048	6,881,720	7,209,043	7,551,939
Bloemfontein West	F	20, 22, 23, 24, 25 and 26	571,035	597,303	625,973	656,020
Botshabelo North	G	27, 28, 29 and 30	9,533,402	5,000,000	5,240,000	5,491,520
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	88,501,257	137,313,126	90,076,732	93,456,325
<b>Totals</b>			<b>119,158,821</b>	<b>169,724,999</b>	<b>124,041,376</b>	<b>129,048,133</b>

## Capital Budget per Ward

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

DETAIL OF EXPENDITURE	2019-20		2020-2023			CLUSTER	WARD NO
	APPROVED BUDGET 2019-20	ADJ BUDGET 2019/20	MT REF 2020/21	MT REF 2021/22	MT REF 2022/23		
TRAINING & DEVELOPMENT	821,189	821,189	858,964	900,194	943,403	N	All
DIGITAL RADIO SYSTEM	2,000,000	-	1,000,000	1,048,000	1,098,304	N	All
IMPLEM BUSINESS CONT DISASTER RECOVERY	280,000	280,000	3,292,880	3,450,938	3,616,583	N	All
UPGRADE & REFURB COMPUTER NETWORK	10,145,048	5,145,048	5,381,720	5,640,043	5,910,765	E	19
BULK SMART METER INSTALLATIONS	1,173,126	1,173,126	1,227,090	1,285,990	1,347,718	N	All
METER REPLACEMENT PROJECT	10,000,000	10,000,000	10,460,000	10,962,080	11,488,260	N	All
COMPUTER EQUIPMENT (COVID-19)			1,500,000	1,569,000	1,641,174	E	19
ELECTRIFICATION (USDG GRANT)	26,000,000	26,000,000	57,499,976	24,868,551	27,214,151	N	All
BOTSHABELO: ESTABLISHMENT OF 132KV CONNECTION (INDUSTRIAL)	-	-	5,000,000			N	All
BOTSHABELO: ESTABLISHMENT OF 132KV CONNECTION (VAALKRAAL)	-	-	5,000,000			N	All
ELECTRIFICATION INTERNAL PROJECTS	6,000,000	14,000,000	7,000,000	7,336,000	7,688,128	N	All
EXTENSION AND UPGRADING OF THE 11KV NETWORK	5,027,599	5,027,599	5,000,000	5,240,000	5,491,520	N	All
PUBLIC ELECTRICITY CONNECTIONS	11,408,079	11,408,079	11,932,851	12,505,627	13,105,898	D	46, 17
UPGRADING AND EXTENTION OF LV NETWORK	2,380,553	380,553	3,000,000	3,144,000	3,294,912	N	All
SERVITUDES LAND	555,984	555,984	581,559	609,474	638,729	N	All
INSTALLATION OF PUBLIC LIGHTING	9,533,402	9,533,402	5,000,000	5,240,000	5,491,520	G	27,28,29 ,30
INSTALL PREPAID METERS	58,564	58,564	61,258	64,198	67,280	N	All
REMEDIAL WORK 132KV SOUTHERN LINES	628,326	328,326	1,000,000	1,048,000	1,098,304	N	All
SHIFTING OF CONNECTION AND REPLACEMENTS	571,035	571,035	597,303	625,973	656,020	F	20,22,23,24,25,26
REFURBISHMENT OF HIGH MAST LIGHTS	6,000,000	8,000,000	6,000,000	6,288,000	6,589,824	N	All
REP LOW VOLT DECREPIT 2/4/8 WAY BOXES	1,004,729	504,729	1,500,000	1,572,000	1,647,456	N	All
REP BRITTLE OVERHEAD CONNECTIONS	669,764	469,764	750,000	786,000	823,728	N	All
S/LIGHTS REPLACE POLE TRNS POLES SECTION	3,320,708	3,320,708	3,500,000	3,668,000	3,844,064	N	All
REPLACEMENT OF 110V BATTERIES	945,219	545,219	1,500,000	1,572,000	1,647,456	N	All
REPLACEMENT OF 11KV SWITCHGEARS	1,062,532	562,532	1,500,000	1,572,000	1,647,456	N	All
REPLACEMENT OF 32V BATTERIES	593,282	393,282	100,000	104,800	109,830	N	All
REFUR PROTEC & SCADA SYSTEMS DIST CENTRE	5,000,000	3,000,000	3,000,000	3,144,000	3,294,912	D	46, 17
TRANSFORMER REPLACE & OTHER RELATED EQUIPMENT	5,000,000	5,000,000	5,000,000	5,240,000	5,491,520	N	All
REP 2 & 4 WAY FIBREGLAS BOX (BOTS % TBAN)	742,589	442,589	1,000,000	1,048,000	1,098,304	N	All
REPLACEMENT OF OIL PLANT	798,579	498,579	521,514	546,546	572,781	N	All
REPAIR MMM DIST DIST CENTRE	-	-	4,500,000			N	All
REPAIR VISTA DIST DIST CENTRE	25,000,000	6,500,000	5,000,000	2,000,000		N	All
VEHICLES	5,280,000	1,000,000	5,000,000	5,240,000	5,491,520	B	9 ,13, 14, 15, 18
SECURITY EQUIPMENT (CCTV )	311,868	311,868	2,026,214	2,123,472	2,225,399	N	All
FURNITURE AND OFFICE EQUIPMENT	209,366	209,366	218,997	229,509	240,525	N	All
SOLAR FARM GENERATION PLANT	1,000,000	1,000,000	1,000,000	1,048,000	1,098,304	N	All
OFFICE BUILDING	2,117,280	2,117,280	2,214,675	2,320,979	2,432,386	N	All
<b>TOTAL CAPITAL BUDGET</b>	<b>145,638,821</b>	<b>119,158,821</b>	<b>169,724,999</b>	<b>124,041,376</b>	<b>129,048,133</b>		

## D. SUMMARY OF THE BUDGET

The projected financial outcome of this budget at the end of the 2020/21 budget year can be summarized as follows:

Centlec - Table D1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	–	–	–	–	–	–	–	–	–
Service charges	2,163,286	2,193,333	2,392,451	2,672,427	2,672,427	2,672,427	2,737,318	2,806,709	2,941,207
Investment revenue	18,577	9,708	4,267	9,089	9,089	9,089	4,507	4,723	4,950
Transfers recognised - operational	7,456	17,507	–	26,000	26,000	26,000	126,933	62,243	67,534
Other own revenue	33,372	151,836	57,607	35,042	85,386	85,386	41,133	43,107	45,176
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2,222,692</b>	<b>2,372,384</b>	<b>2,454,325</b>	<b>2,742,558</b>	<b>2,792,902</b>	<b>2,792,902</b>	<b>2,909,890</b>	<b>2,916,782</b>	<b>3,058,868</b>
Employee costs	203,601	302,451	347,494	344,699	345,196	345,196	369,360	395,215	422,880
Remuneration of councillors	1,161	1,263	406	1,751	1,751	1,751	1,832	1,920	2,012
Depreciation & asset impairment	141,355	134,199	135,052	104,949	70,887	70,887	74,148	77,707	81,437
Finance charges	210,208	117	9,340	54	54	54	57	59	62
Materials and bulk purchases	1,478,240	1,429,952	1,532,654	1,758,832	1,569,562	1,569,562	1,688,760	1,769,818	1,881,768
Transfers and grants	–	–	–	120,000	120,000	120,000	120,000	120,000	120,000
Other expenditure	305,382	327,950	416,445	278,068	131,530	131,530	208,265	218,262	228,739
<b>Total Expenditure</b>	<b>2,339,947</b>	<b>2,195,932</b>	<b>2,441,391</b>	<b>2,608,353</b>	<b>2,238,981</b>	<b>2,238,981</b>	<b>2,462,422</b>	<b>2,582,982</b>	<b>2,736,898</b>
<b>Surplus/(Deficit)</b>	<b>(117,255)</b>	<b>176,452</b>	<b>12,935</b>	<b>134,204</b>	<b>553,921</b>	<b>553,921</b>	<b>447,469</b>	<b>333,800</b>	<b>321,970</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	7,456	17,507	–	26,000	26,000	26,000	57,500	24,869	27,214
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational	12,811	1,707	21,913	11,408	11,408	11,408	11,933	12,506	13,106
<b>contributions</b>	<b>(96,987)</b>	<b>195,665</b>	<b>34,848</b>	<b>171,612</b>	<b>591,330</b>	<b>591,330</b>	<b>516,901</b>	<b>371,175</b>	<b>362,290</b>
Taxation	(24,281)	46,179	–	–	–	–	–	–	–
<b>Surplus/ (Deficit) for the year</b>	<b>(72,706)</b>	<b>149,486</b>	<b>34,848</b>	<b>171,612</b>	<b>591,330</b>	<b>591,330</b>	<b>516,901</b>	<b>371,175</b>	<b>362,290</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>222,563</b>	<b>118,986</b>	<b>178,299</b>	<b>145,639</b>	<b>119,159</b>	<b>119,159</b>	<b>169,725</b>	<b>124,041</b>	<b>129,048</b>
Transfers recognised - capital	20,268	29,019	23,649	37,408	72,883	72,883	69,433	37,374	40,320
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	202,295	89,967	154,650	108,231	46,275	46,275	100,292	86,667	88,728
<b>Total sources of capital funds</b>	<b>222,563</b>	<b>118,986</b>	<b>178,299</b>	<b>145,639</b>	<b>119,159</b>	<b>119,159</b>	<b>169,725</b>	<b>124,041</b>	<b>129,048</b>
<b>Financial position</b>									
Total current assets	909,166	888,230	937,402	958,633	958,633	958,633	1,001,771	1,047,853	1,096,054
Total non current assets	4,187,419	4,215,570	4,406,942	4,372,235	4,345,755	4,345,755	4,431,099	4,641,840	4,862,665
Total current liabilities	614,353	680,084	1,022,688	668,490	668,490	668,490	698,572	730,707	764,319
Total non current liabilities	2,256,245	594,245	687,953	623,776	623,776	623,776	654,341	685,749	718,665
Community wealth/Equity	2,225,986	3,829,471	3,633,703	4,038,601	4,012,121	4,012,121	4,079,957	4,273,237	4,475,735
<b>Cash flows</b>									
Net cash from (used) operating	225,335	123,087	153,685	337,107	337,107	337,107	216,025	130,441	135,762
Net cash from (used) investing	(279,259)	(13,100)	(157,213)	(205,538)	(205,538)	(205,538)	(164,284)	(119,954)	(124,793)
Net cash from (used) financing	(154,639)	(73,666)	(112,277)	(125,106)	(125,106)	(125,106)	(4,333)	(4,629)	(4,842)
<b>Cash/cash equivalents at the year end</b>	<b>152,966</b>	<b>189,287</b>	<b>73,481</b>	<b>121,867</b>	<b>79,944</b>	<b>79,944</b>	<b>127,352</b>	<b>133,210</b>	<b>139,337</b>

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 2,852 billion, operating expenditure of R 2,462 billion and capital expenditure of R 169,724 million for the financial year 2020/21 and indicative allocations for the two projected outer years 2021/22 and 2022/23, 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 2020/21 financial year
- 3.4** That the General Tariffs as set out in the Tariffs Booklet **(Annexure B)** be noted for approval for the 2020/21 financial year.
- 3.5** That the Amendment Policy Register as set out in **(Annexure C)** be noted for approval for the 2020/21 financial year.
- 3.6** That the Training Tariffs as set out in **(Annexure D)** be noted for approval for the 2020/21 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 - Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands										
Revenue by Source	1									
Property rates										
Service charges - electricity revenue		2,163,286	2,193,333	2,392,451	2,672,427	2,672,427	2,672,427	2,737,318	2,806,709	2,941,207
Service charges - water revenue										
Service charges - sanitation revenue										
Service charges - refuse revenue										
Rental of facilities and equipment										
Interest earned - external investments		18,577	9,708	4,267	9,089	9,089	9,089	4,507	4,723	4,950
Interest earned - outstanding debtors		14,220	16,985	30,832	12,531	12,531	12,531	13,107	13,737	14,396
Dividends received										
Fines, penalties and forfeits		12,016	8,780	2,974	6,502	6,502	6,502	6,801	7,127	7,469
Licences and permits										
Agency services		3,844	2,327					6,450	6,760	7,084
Transfers and subsidies								69,433	37,374	40,320
Other revenue		3,293	123,744	21,925	16,009	66,009	66,009	14,414	15,106	15,831
Gains				1,876	344	344	344	360	377	396
Total Revenue (excluding capital transfers and contributions)		2,215,236	2,354,877	2,454,325	2,716,902	2,766,902	2,766,902	2,852,390	2,891,914	3,031,654
Expenditure By Type										
Employee related costs		203,601	302,451	347,494	344,699	345,196	345,196	369,360	395,215	422,880
Remuneration of councillors		1,161	1,263	406	1,751	1,751	1,751	1,832	1,920	2,012
Debt impairment		(16,677)	24,223	(52,208)	8,889	8,889	8,889	9,298	9,744	10,212
Depreciation & asset impairment		141,355	134,199	135,052	104,949	70,887	70,887	74,148	77,707	81,437
Finance charges		210,208	117	9,340	54	54	54	57	59	62
Bulk purchases	2	1,452,061	1,429,509	1,501,610	1,724,622	1,541,513	1,541,513	1,658,425	1,738,030	1,848,455
Other materials	5	26,179	443	31,043	34,210	28,048	28,048	30,335	31,789	33,313
Contracted services		58,099	170,974	157,052	175,402	90,821	90,821	126,999	133,095	139,483
Transfers and subsidies					120,000	120,000	120,000	120,000	120,000	120,000
Other expenditure	3	262,836	131,841	306,411	93,778	31,820	31,820	71,969	75,423	79,044
Losses		1,123	911	5,190						
Total Expenditure		2,339,947	2,195,932	2,441,391	2,608,353	2,238,981	2,238,981	2,462,422	2,582,982	2,736,898
Surplus/(Deficit)		(124,711)	158,945	12,935	108,549	527,921	527,921	389,969	308,932	294,756
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		7,456	17,507		26,000	26,000	26,000	57,500	24,869	27,214
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Transfers and subsidies - capital (in-kind - all)		12,811	1,707	21,913	11,408	11,408	11,408	11,933	12,506	13,106
contributions		(104,443)	178,159	34,848	145,957	565,330	565,330	459,401	346,306	335,076
Taxation		(24,281)	46,179							
Surplus/ (Deficit) for the year		(80,162)	131,980	34,848	145,957	565,330	565,330	459,401	346,306	335,076



**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 - Table D3 Capital Budget by asset class and funding**

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands	1									
<b>Capital expenditure by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		209,365	100,764	134,844	99,786	103,086	103,086	140,758	101,643	107,673
Electrical Infrastructure		209,365	100,764	134,844	99,786	103,086	103,086	140,758	101,643	107,673
Power Plants		–	58	591	1,000	1,000	1,000	1,000	1,048	1,098
HV Substations		51,346	23,087	73,175	1,257	857	857	3,526	3,695	3,873
HV Transmission Conductors		–	–	–	628	328	328	11,000	1,048	1,098
MV Substations		9,767	490	–	–	–	–	–	–	–
MV Networks		34,051	59,063	27,202	24,655	29,655	29,655	23,349	24,469	25,644
LV Networks		114,200	16,465	33,875	72,245	71,245	71,245	101,883	71,382	75,960
Capital Spares		–	1,601	–	–	–	–	–	–	–
<b>Community Assets</b>		–	–	–	27,938	9,438	9,438	12,574	5,221	3,376
Community Facilities		–	–	–	27,117	8,617	8,617	11,715	4,321	2,432
Centres		–	–	–	27,117	8,617	8,617	11,715	4,321	2,432
<b>Sport and Recreation Facilities</b>		–	–	–	821	821	821	859	900	943
Indoor Facilities		–	–	–	–	–	–	–	–	–
Outdoor Facilities		–	–	–	821	821	821	859	900	943
<b>Other assets</b>		4,086	5,265	20,652	–	–	–	–	–	–
Operational Buildings		4,086	5,265	20,652	–	–	–	–	–	–
Municipal Offices		3,815	4,628	20,652	–	–	–	–	–	–
Training Centres		271	637	–	–	–	–	–	–	–
<b>Intangible Assets</b>		–	–	7,099	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	7,099	–	–	–	–	–	–
Unspecified		–	–	7,099	–	–	–	–	–	–
<b>Computer Equipment</b>		8,356	10,313	11,449	10,425	5,425	5,425	10,175	10,660	11,169
Computer Equipment		8,356	10,313	11,449	10,425	5,425	5,425	10,175	10,660	11,169
<b>Furniture and Office Equipment</b>		516	2,644	2,631	209	209	209	219	230	241
Furniture and Office Equipment		516	2,644	2,631	209	209	209	219	230	241
<b>Machinery and Equipment</b>		–	–	–	2,000	–	–	1,000	1,048	1,098
Machinery and Equipment		–	–	–	2,000	–	–	1,000	1,048	1,098
<b>Transport Assets</b>		241	–	1,624	5,280	1,000	1,000	5,000	5,240	5,492
Transport Assets		241	–	1,624	5,280	1,000	1,000	5,000	5,240	5,492
<b>Total capital expenditure on assets</b>	1	222,563	118,986	178,299	145,639	119,159	119,159	169,725	124,041	129,048

## 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 - Table D4 Budgeted Financial Position

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
R thousands		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
ASSETS										
Current assets										
Cash		44,058	81,468	13,556	58,507	58,507	58,507	61,140	63,953	66,895
Call investment deposits		163,811	53,265	–	63,360	63,360	63,360	66,211	69,257	72,443
Consumer debtors		569,159	586,442	768,845	747,005	747,005	747,005	780,621	816,529	854,089
Other debtors		275	275	–	–	–	–	–	–	–
Current portion of long-term receivables		57,608	67,030	67,337	–	–	–	–	–	–
Inventory		74,255	99,749	87,664	89,760	89,760	89,760	93,799	98,114	102,627
Total current assets		909,166	888,230	937,402	958,633	958,633	958,633	1,001,771	1,047,853	1,096,054
Non current assets										
Long-term receivables	3	1,991	4,566	4,190						
Investments										
Investment property										
Investment in Associate										
Property, plant and equipment	1	3,851,355	3,809,367	3,851,457	4,046,572	4,020,092	4,020,092	4,090,781	4,285,868	4,490,318
Biological										
Intangible		103,828	100,820	96,863	82,524	82,524	82,524	86,237	90,204	94,353
Other non-current assets		230,245	300,817	454,433	243,139	243,139	243,139	254,080	265,768	277,993
Total non current assets		4,187,419	4,215,570	4,406,942	4,372,235	4,345,755	4,345,755	4,431,099	4,641,840	4,862,665
TOTAL ASSETS		5,096,585	5,103,800	5,344,344	5,330,867	5,304,387	5,304,387	5,432,870	5,689,693	5,958,719
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing				20,282	23,213	23,213	23,213	24,257	25,373	26,540
Consumer deposits		115,353	114,471	115,053	96,294	96,294	96,294	100,627	105,256	110,097
Trade and other payables		499,000	565,613	855,978	515,621	515,621	515,621	538,824	563,610	589,536
Provisions	3	–	–	31,374	33,362	33,362	33,362	34,864	36,467	38,145
Total current liabilities		614,353	680,084	1,022,688	668,490	668,490	668,490	698,572	730,707	764,319
Non current liabilities										
Borrowing										
Provisions	3	2,256,245	594,245	687,953	623,776	623,776	623,776	654,341	685,749	718,665
Total non current liabilities		2,256,245	594,245	687,953	623,776	623,776	623,776	654,341	685,749	718,665
TOTAL LIABILITIES		2,870,598	1,274,328	1,710,641	1,292,266	1,292,266	1,292,266	1,352,913	1,416,456	1,482,984
NET ASSETS	2	2,225,986	3,829,471	3,633,703	4,038,601	4,012,121	4,012,121	4,079,957	4,273,237	4,475,735
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		1,114,510	2,369,341	755,147	1,255,043	1,228,563	1,228,563	1,424,154	1,741,139	2,061,845
Reserves		1,111,477	1,460,130	2,878,556	2,783,559	2,783,559	2,783,559	2,655,803	2,532,098	2,413,890
TOTAL COMMUNITY WEALTH/EQUITY	2	2,225,986	3,829,471	3,633,703	4,038,601	4,012,121	4,012,121	4,079,957	4,273,237	4,475,735

## 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 - Table D5 Budgeted Cash Flow

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>										
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates										
Service charges		2,173,121	2,093,533	2,689,649	2,668,619	2,668,619	2,668,619	2,668,052	2,735,979	2,867,088
Other revenue				15,990				13,982	14,653	15,356
Transfers and Subsidies - Operational				4,077	37,008	37,008	37,008			
Transfers and Subsidies - Capital		7,456	21,885					69,433	37,374	40,320
Interest		32,797	26,693		20,971	20,971	20,971	17,086	17,906	18,765
Dividends										
<b>Payments</b>	2									
Suppliers and employees		(1,987,805)	(2,018,962)	(2,556,031)	(2,385,812)	(2,385,812)	(2,385,812)	(2,432,471)	(2,555,411)	(2,685,705)
Finance charges		(234)	(62)		(3,680)	(3,680)	(3,680)	(57)	(59)	(62)
Dividends paid								(120,000)	(120,000)	(120,000)
Transfers and Grants										
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>225,335</b>	<b>123,087</b>	<b>153,685</b>	<b>337,107</b>	<b>337,107</b>	<b>337,107</b>	<b>216,025</b>	<b>130,441</b>	<b>135,762</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE		1,064	712		334	334	334	349	366	384
Decrease (increase) in non-current receivables			(9,931)							
Decrease (increase) in non-current investments		(54,903)	109,456							
<b>Payments</b>										
Capital assets		(225,420)	(113,338)	(157,213)	(205,872)	(205,872)	(205,872)	(164,633)	(120,320)	(125,177)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(279,259)</b>	<b>(13,100)</b>	<b>(157,213)</b>	<b>(205,538)</b>	<b>(205,538)</b>	<b>(205,538)</b>	<b>(164,284)</b>	<b>(119,954)</b>	<b>(124,793)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans										
Borrowing long term/refinancing		(8,246)								
Increase (decrease) in consumer deposits		(12,390)	(73,666)		(5,106)	(5,106)	(5,106)	(4,333)	(4,629)	(4,842)
<b>Payments</b>										
Repayment of borrowing		(134,003)		(112,277)	(120,000)	(120,000)	(120,000)			
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(154,639)</b>	<b>(73,666)</b>	<b>(112,277)</b>	<b>(125,106)</b>	<b>(125,106)</b>	<b>(125,106)</b>	<b>(4,333)</b>	<b>(4,629)</b>	<b>(4,842)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	1	<b>(208,564)</b>	<b>36,320</b>	<b>(115,805)</b>	<b>6,463</b>	<b>6,463</b>	<b>6,463</b>	<b>47,407</b>	<b>5,858</b>	<b>6,128</b>
Cash/cash equivalents at the year begin:	2	<b>361,530</b>	<b>152,966</b>	<b>189,287</b>	<b>115,405</b>	<b>73,481</b>	<b>73,481</b>	<b>79,944</b>	<b>127,352</b>	<b>133,210</b>
Cash/cash equivalents at the year end:	2	<b>152,966</b>	<b>189,287</b>	<b>73,481</b>	<b>121,867</b>	<b>79,944</b>	<b>79,944</b>	<b>127,352</b>	<b>133,210</b>	<b>139,337</b>

## 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 SDBIP 20-21 Annexure C for detailed Key Performance Indicators)*

## 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 - Supporting Table SD2 Financial and non-financial indicators

Description of indicator	Basis of calculation	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Finance charges & Depreciation / Operating Expenditure		8%	1%	-2%	0%	0%	0%	0%	0%	
Borrowed funding of capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions		-4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b><u>Liquidity</u></b>											
Current Ratio	Current assets / current liabilities		1.48	1.31	0.92	1.43	1.43	1.43	1.43	1.43	
Current Ratio adjusted for debtors	Current assets/current liabilities less debtors > 90 days		1.48	1.31	0.92	1.43	1.43	1.43	1.43	1.43	
Liquidity Ratio	Monetary Assets / Current Liabilities		0.34	0.20	0.01	0.18	0.18	0.18	0.18	0.18	
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts / Last 12 Mths Billing			0%	0%	0%	0%	0%	0%	0%	
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other Outstanding Debtors to Revenue			100.5%	95.4%	112.4%	99.9%	99.9%	99.9%	97.5%	97.5%	
	Total Outstanding Debtors to Annual Revenue		28%	28%	34%	27%	27%	27%	28%	28%	
Longstanding Debtors Reduction Due To Recovery	Debtors > 12 Mths Recovered / Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))										
Creditors to Cash and Investments			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b><u>Other Indicators</u></b>											
	Total Volume Losses (kW)	1									
	Total Cost of Losses (Rand '000)										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated		12.89%	13.23%	12.00%	11.75%	11.75%	11.75%	11.50%	11.50%	11.50%
Employee costs	Employee costs/Total Revenue - capital revenue		9.2%	12.8%	14.2%	13%	12%	12%	13%	14%	14%
Remuneration	Total remuneration/(Total Revenue - capital revenue)		9.2%	9.8%	14.2%	12.8%	12.5%	12.5%	13.0%	13.7%	14.0%
Repairs & Maintenance	R&M/Total Revenue - capital revenue		0.0%	0.0%	0.0%	0%	0%	0%	0%	0%	0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)		8.7%	1.0%	-1.7%	0%	0%	0%	0%	0%	0%
<b><u>Financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)		35,700.8	21.0	19.8	22.0	22.4	48,884.9	47,006.3	46,095.0	-
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services		29%	30.0%	35.1%	28%	28%	28%	29%	29%	29%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure		15%	0.1	0.0	0.1	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 - Supporting Table SD3 Budgeted Investment Portfolio

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate	Commission Paid (Rands)	Commission on Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal	Investment Top Up	Closing Balance
Name of institution & investment ID		Yrs/Months												
ABSA - 1 Day Account		February 2013	Call Account	No	Variable Interest Rate	6.2%			n/a	25	4,482			4,507
														-
														-
	1					0	-		-	25		-	-	4,507

**PROPOSED TARIFFS****Electricity Tariffs**

It is recommended:

- i. That electricity tariffs be increased by 6.22% for the 2020/21 financial year,
- ii. That, the new electricity tariffs for 2019/20 be applicable from the consumer month of 1 July 2020;
- 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 2020/21 financial year be approved;
- ii. That, the services tariffs for 2020/21 be implemented from the consumer month of 1 July 2020.

**ANNEXURE C****Policies**

It is recommended:

- i. That, the amendments of the policies as set out in Annexure C for the 2020/21 financial year be approved;
- ii. That, the newly approved policies for 2020/21 be implemented from the 1 July 2020.

**ANNEXURE D****Training Tariffs**

It is recommended:

- i. That, the training tariffs as set out in Annexure D for the 2020/21 financial year be approved;
- ii. That, the training tariffs for 2020/21 be implemented from the 1 July 2020.

## **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 15<sup>th</sup> 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	ACTUAL PERFORMANCE
PREPARATION PHASE	Centlec - Budget Process Plan 2020/21 submission to the Board for approval	29-Aug-19	DONE
	MMM - Tabling of the IDP and Budget Process Plan for 2020/2021 financial year to Council	31-Aug-19	DONE
	Centlec - User Departments to start preparing departmental adjustment budget aligning with the budget framework issued by Budget Office	10 Sept to 27 Sept 19	DONE
	Centlec - Submission of the 1st Quarter Financial Reports ending 30 September 2019 to EXCO for consideration and be submitted to Finance Committee	8-Oct-19	DONE
	Centlec - Submission of the 1st Quarter Financial Reports for the period ending 30 September 2019 on the implementation of the budget and financial state of affairs of the entity to the Finance Committee	18-Oct-19	DONE
	Centlec - Board Approves the 1st Quarter Reports	29-Oct-19	DONE
	Centlec - Budget Office start with preparation of budget framework in terms of NT Circulars and MMM parameters for the MTREF 2020/21 to 2022/23	31-Oct-19	DONE
	Centlec - EXCO to consider the (MTREF 2020/21 to 2022/23 Budget Pack, Adjustment Budgets 2019/20, Mid Year Budget and Performance Assessment Report Section 88 as at 31 December 2019) including 2nd Quarter Reports	13-Dec-19	DONE
	Centlec - Finance Committee to consider the (MTREF 2020/21 to 2022/23 Budget Pack, Adjustment Budget 2019/20, Mid Year Budget and Performance Assessment Report Section 88 as at 31 December 2019) including 2nd Quarter Reports	17-Jan-20	DONE
	Centlec - Board Sitting to consider the Adjustment Budget for 2019/20 and 1st Draft MTREF 2020/21 to 2022/23 budget pack for submission to the MMM	17-Jan-20	DONE
	Centlec - Submission of Mid-Year & Adjustment Budget 2019/20 MTREF budget for 2020/21 to 2022/23, Business Plan and Performance Assessment Report for 2020/21 financial year to the MMM as legislated	20-Jan-20	DONE



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

BUDGET PHASES AND PERFORMANCE REPORTING	ACTIVITY	PLANNED DATES	ACTUAL PERFORMANCE
	Centlec - Review tariffs and budget related policies	11 to 14 Feb 2020	DONE
	MMM - provides Centlec with comments on the Adjustment budget 2019/20	17-Feb-20	DONE
	Centlec - Draft MTREF 2020/21 to 2022/23 budget pack with all Annexures	18-Feb-20	DONE
	Centlec - Revised Adjustment Budget 2019/20, Draft MTREF 2020/21 to 2022/23; Business Plan, SDBIP 2020/21, Budget Related Policies 2020/21 presented to the Finance Committee	20-Feb-20	DONE
	Centlec - Revised Adjustment Budget 2019/20, Draft MTREF 2020/21 to 2022/23; Business Plan, SDBIP 2020/21, Budget Related Policies 2020/21 presented to the Board	24-Feb-20	DONE
	Centlec - Submit the revised Adjustment Budget 2019/20 and draft MTREF 2020/21 to 2022/23 Budget Pack	26-Feb-20	DONE
	MMM - Council approves the Adjustment Budget 2019/20	28-Feb-20	DONE
	MMM - provides Centlec with comments on Draft Business Plan and MTREF budget 2020-21 to 2022/2023	2-Mar-20	NOT DONE
	Centlec - Submit the revised 2nd draft MTREF 2019/20 to 2021/22 budget pack including MMM comments to EXCO to consider for submission to Finance Committee	4-Mar-19	DONE
	Centlec - Submit the revised 2nd MTREF 2020/21 to 2022/23 budget pack to the Finance Committee	12-Mar-20	DONE
	Centlec - Board to consider and approve the MTREF 2020/21 to 2022/23 budget pack for submission to MMM (Special Sitting)	16-Mar-20	DONE
	Centlec - Submission of the MTREF 2020/21 to 2022/23 budget pack and resolutions to the Parent Municipality (100 days before start of the new financial year)	23-Mar-20	DONE
	MMM - Tabling of the Draft including proposed revisions and MTREF Budget and related resolutions MMM and Centlec	30-Mar-20	DONE
	Centlec & MMM - Public participation process including hearings on Draft IDP and MTREF Budgets	08 Apr -20 Apr 2020	DONE
	Centlec - Submission of 3rd quarter reports for the period ending 31 March 2020 on the implementation of the budget and financial state of affairs of the entity to Finance Committee	23-Apr-20	DONE
	MMM - Budget Steering Committee meeting to review progress on the IDP and Budget	24-Apr-20	DONE

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

BUDGET PHASES AND PERFORMANCE REPORTING	ACTIVITY	PLANNED DATES	ACTUAL PERFORMANCE
	Centlec - Board sitting to consider 3rd Quarter Reports	26-Apr-20	DONE
	Centlec - Submit the Final MTREF Budget pack for 2020/21 to 2022/23 after the Public Participation to EXCO for consideration	7-May-20	DONE
APPROVAL PHASE	MMM - IDP Budget Lekgotla	11-May-20	DONE
	Centlec - Submit the Final MTREF 2020/21 to 2022/23 budget pack after the Public Participation to Finance Committee	15-May-20	DONE
	Centlec - Board Sitting to consider changes after Public Participation and approve the final MTREF for 2020/21 to 2022/23 budget pack (Special Sitting) 30 days before the start of new financial year	25-May-20	DONE
	MMM - Council meeting to approve IDP and MTREF budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year.	29-May-20	DONE
	Centlec - Publication of approved MTREF 2020/21 to 2022/23 Budget Pack on the website .	3-Jun-20	TO BE DONE
	Centlec - Submission of the 4th quarter reports for the period ending 30 June 2020 on the implementation of the budget and financial state of affairs of the municipality to EXCO to consider submission to Finance Committee	9-Jul-20	TO BE DONE
	Centlec - Submission of the 4th quarter reports for the period ending 30 June 2020 on the implementation of the budget and financial state of affairs of the municipality to the Finance Committee	20-Jul-20	TO BE DONE
	Centlec - Board sitting to consider 4th Quarter Reports	27-Jul-20	TO BE DONE
	Centlec - Budget Process Plan 2021/22 submission to the Board for approval	24-Aug-20	TO BE DONE
	MMM - Tabling of the IDP and Budget Process Plan for 2021/2022 financial year to Council	31-Aug-20	TO BE DONE

## **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 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 2020-21 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](http://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 2020-21 year (Annexure C):

- Credit Control & Debt Collection Policy
- VAT 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 2019. 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 2019/20 Adjustment Budget projections.
- The outcome of the proposed tariff increase by NERSA.
- Consider National Treasury Budget Circular No 98 & No 99.

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

CONSUMER PRICE INDEX	2020/21	2020/22	2020/23
	MFMA CIRCULAR 99		
Headline CPI inflation	4.50%	4.60%	4.60%
Revenue By Source	6.37%	4.60%	4.60%
Operating Expenditure by Type	4.50%	4.60%	4.60%
Capital Expenditure by Funding	4.50%	4.60%	4.60%

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 69% of the entity's operational budget. The revenue from the sale of electricity represents more than 98% 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 95% factored in the revenue projection

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

- Renewable energy in FS
- Smart Technology Metering
- Conversion to pre-paid smart metering
- Increase Automated Meter Reading (AMR)

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

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

Centlec - Supporting Table SD3 Budgeted Investment Portfolio

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate	Commissi on Paid (Rands)	Commissi on Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal	Investment Top Up	Closing Balance
Name of institution & investment ID		Yrs/Months												
ABSA - 1 Day Account		February 2013	Call Account	No	Variable Interest Rate	6.2%			n/a	25	4,482			4,507
														-
														-
	1				-	0	-		-	25		-	-	4,507

**(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:

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands	1									
<b>Funded by:</b>										
National Government		7,456	20,160	13,822	26,000	61,475	61,475	57,500	24,869	27,214
Provincial Government										
Parent Municipality		12,811	8,859	9,826	11,408	11,408	11,408	11,933	12,506	13,106
District Municipality										
Transfers recognised - capital		20,268	29,019	23,649	37,408	72,883	72,883	69,433	37,374	40,320
Borrowing	3									
Internally generated funds		202,295	89,967	154,650	108,231	46,275	46,275	100,292	86,667	88,728
Total Capital Funding	4	222,563	118,986	178,299	145,639	119,159	119,159	169,725	124,041	129,048



## 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 - Supporting Table SD4 Board member allowances and staff benefits

Summary of Employee and Board Member remuneration	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
		A	B	C	D	E	F	G	H	I
<b>R thousands</b>										
<b>Remuneration</b>										
<b>Board Members of Entities</b>										
Basic Salaries and Wages		1,162	1,051	406	1,751	1,751	1,751	1,832	1,920	2,012
<b>Sub Total - Board Members of Entities</b>		<b>1,162</b>	<b>1,051</b>	<b>406</b>	<b>1,751</b>	<b>1,751</b>	<b>1,751</b>	<b>1,832</b>	<b>1,920</b>	<b>2,012</b>
<b>% increase</b>										
<b>Senior Managers of Entities</b>										
Basic Salaries and Wages		15,579	26,307	3,284	12,845	12,105	12,105	12,953	13,859	14,829
Pension and UIF Contributions		761	1,865	4	426	426	426	456	487	522
Medical Aid Contributions		369	1,310	43	109	109	109	116	124	133
Overtime										
Performance Bonus										
Motor Vehicle Allowance		645	1,137		541	504	504	539	577	617
Cellphone Allowance		195	112	24	128	120	120	129	138	147
Housing Allowances										
Other benefits and allowances			291							
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations										
<b>Sub Total - Senior Managers of Entities</b>		<b>17,549</b>	<b>31,022</b>	<b>3,354</b>	<b>14,048</b>	<b>13,264</b>	<b>13,264</b>	<b>14,192</b>	<b>15,186</b>	<b>16,249</b>
<b>% increase</b>										
<b>Other Staff of Entities</b>										
Basic Salaries and Wages		160,707	166,841	196,588	187,508	196,210	196,210	209,944	224,640	240,365
Pension and UIF Contributions		5,940	9,364	34,345	31,776	31,776	31,776	34,000	36,380	38,926
Medical Aid Contributions		3,515	4,994	18,515	29,395	29,395	29,395	31,453	33,655	36,011
Overtime		7,938	7,737	20,452	30,685	25,773	25,773	27,577	29,507	31,573
Performance Bonus				815	15,117	14,641	14,641	15,666	16,762	17,936
Motor Vehicle Allowance		5,643	8,185	1,129	17,810	17,129	17,129	18,328	19,611	20,984
Cellphone Allowance			327	29,219	855	819	819	876	937	1,003
Housing Allowances		156	337	15,491	1,332	1,268	1,268	1,357	1,452	1,554
Other benefits and allowances		989	944	27,584	16,172	14,922	14,922	15,966	17,084	18,280
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations										
<b>Sub Total - Other Staff of Entities</b>		<b>184,886</b>	<b>198,729</b>	<b>344,140</b>	<b>330,651</b>	<b>331,932</b>	<b>331,932</b>	<b>355,167</b>	<b>380,029</b>	<b>406,631</b>
<b>% increase</b>										
<b>Total Municipal Entities remuneration</b>		<b>203,597</b>	<b>230,801</b>	<b>347,900</b>	<b>346,450</b>	<b>346,947</b>	<b>346,947</b>	<b>371,192</b>	<b>397,135</b>	<b>424,892</b>

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

Centlec - Supporting Table SD5 Summary of personnel numbers

Summary of Personnel Numbers Number	Ref	2018/19			Current Year 2019/20			Budget Year 2020/21		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)										
Board Members of municipal entities	3	8			8	5		5	4	
<b>Municipal entity employees</b>	4									
CEO and Senior Managers	2		17		7	6		7		7
Other Managers	6					45			45	
Professionals		-	184	-	-	28	-	-	254	-
Finance			53			28			75	
Spatial/town planning						-				
Information Technology			9			-			12	
Roads						-				
Electricity			122			-			167	
Water										
Sanitation										
Refuse										
Other			397	41		316				
Technicians		-	-	-	-	174	-	-	282	-
Finance										
Spatial/town planning										
Information Technology						15				
Roads										
Electricity						159			282	
Water										
Sanitation										
Refuse										
Other						64			64	
Clerks (Clerical and administrative)						34			34	
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
<b>Total Personnel Numbers</b>		<b>8</b>	<b>598</b>	<b>41</b>	<b>15</b>	<b>672</b>	<b>-</b>	<b>12</b>	<b>683</b>	<b>7</b>
<b>% increase</b>			7,375.0%	(93.1%)	(63.4%)	1,539.0%	(100.0%)	-	5,591.7%	(99.0%)
<b>Total entity employees headcount</b>	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.

## 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 - Supporting Table SD6 Budgeted monthly cash and revenue/expenditure

Description	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>															
<b>Operating Revenue By Source</b>															
Property rates															
Service charges - electricity revenue	260,434	294,008	246,359	229,935	216,248	205,299	191,612	177,926	161,502	246,359	243,825	263,812	2,737,318	2,806,709	2,941,207
Interest earned - external investments	376	376	376	376	376	376	376	376	376	376	376	376	4,507	4,723	4,950
Interest earned - outstanding debtors	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	13,107	13,737	14,396
Fines, penalties and forfeits	567	567	567	567	567	567	567	567	567	567	567	567	6,801	7,127	7,469
Agency services	538	538	538	538	538	538	538	538	538	538	538	538	6,450	6,760	7,084
Transfers and subsidies	5,786	5,786	5,786	5,786	5,786	5,786	5,786	5,786	5,786	5,786	5,786	5,786	69,433	37,374	40,320
Other revenue	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	14,414	15,106	15,831
Gains	30	30	30	30	30	30	30	30	30	30	30	30	360	377	396
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>270,024</b>	<b>303,598</b>	<b>255,948</b>	<b>239,524</b>	<b>225,837</b>	<b>214,888</b>	<b>201,202</b>	<b>187,515</b>	<b>171,091</b>	<b>255,948</b>	<b>253,414</b>	<b>273,402</b>	<b>2,852,390</b>	<b>2,891,914</b>	<b>3,031,654</b>
<b>Operating Expenditure By Type</b>															
Employee related costs	30,780	30,780	30,780	30,780	30,780	30,780	30,780	30,780	30,780	30,780	30,780	30,780	369,360	395,215	422,880
Remuneration of Board Members	153	153	153	153	153	153	153	153	153	153	153	153	1,832	1,920	2,012
Debt impairment	775	775	775	775	775	775	775	775	775	775	775	775	9,298	9,744	10,212
Depreciation & asset impairment	6,179	6,179	6,179	6,179	6,179	6,179	6,179	6,179	6,179	6,179	6,179	6,179	74,148	77,707	81,437
Finance charges	5	5	5	5	5	5	5	5	5	5	5	5	57	59	62
Bulk purchases	157,786	178,127	149,258	139,308	131,016	124,382	116,090	107,798	97,847	149,258	147,723	159,833	1,658,425	1,738,030	1,848,455
Other materials	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528	30,335	31,789	33,313
Contracted services	10,583	10,583	10,583	10,583	10,583	10,583	10,583	10,583	10,583	10,583	10,583	10,583	126,999	133,095	139,483
Transfers and subsidies	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
Other expenditure	5,997	5,997	5,997	5,997	5,997	5,997	5,997	5,997	5,997	5,997	5,997	5,997	71,969	75,423	79,044
Losses															
<b>Total Expenditure</b>	<b>224,786</b>	<b>245,127</b>	<b>216,258</b>	<b>206,307</b>	<b>198,015</b>	<b>191,382</b>	<b>183,089</b>	<b>174,797</b>	<b>164,847</b>	<b>216,258</b>	<b>214,723</b>	<b>226,832</b>	<b>2,462,422</b>	<b>2,582,982</b>	<b>2,736,898</b>

The following tables outline the monthly targets for revenue and expenditure, capital and cash flow are as follows: (continued)

Capital expenditure by Asset Class/Sub-class	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Infrastructure</b>	12,256	12,256	12,256	12,256	12,256	12,256	12,256	12,256	12,256	12,256	12,256	5,944	140,758	101,643	107,673
Roads Infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electrical Infrastructure	12,256	12,256	12,256	12,256	12,256	12,256	12,256	12,256	12,256	12,256	12,256	5,944	140,758	101,643	107,673
Power Plants	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,144	3,295
HV Substations	294	294	294	294	294	294	294	294	294	294	294	294	3,526	3,695	3,873
HV Transmission Conductors	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,048	1,098
MV Networks	1,821	1,821	1,821	1,821	1,821	1,821	1,821	1,821	1,821	1,821	1,821	1,821	21,849	22,897	23,996
LV Networks	9,808	9,808	9,808	9,808	9,808	9,808	9,808	9,808	9,808	9,808	9,808	9,808	117,695	97,144	101,807
Capital Spares															
<b>Community Assets</b>	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	12,574	5,221	3,376
Community Facilities	976	976	976	976	976	976	976	976	976	976	976	976	11,715	4,321	2,432
Halls															
Centres	976	976	976	976	976	976	976	976	976	976	976	976	11,715	4,321	2,432
Sport and Recreation Facilities	72	72	72	72	72	72	72	72	72	72	72	72	859	900	943
Indoor Facilities															
Outdoor Facilities	72	72	72	72	72	72	72	72	72	72	72	72	859	900	943
Capital Spares															
<b>Computer Equipment</b>	848	848	848	848	848	848	848	848	848	848	848	848	10,175	10,660	11,169
Computer Equipment	848	848	848	848	848	848	848	848	848	848	848	848	10,175	10,660	11,169
<b>Furniture and Office Equipment</b>	18	18	18	18	18	18	18	18	18	18	18	18	219	230	241
Furniture and Office Equipment	18	18	18	18	18	18	18	18	18	18	18	18	219	230	241
<b>Machinery and Equipment</b>	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,048	1,098
Machinery and Equipment	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,048	1,098
<b>Transport Assets</b>	417	417	417	417	417	417	417	417	417	417	417	417	5,000	5,240	5,492
Transport Assets	417	417	417	417	417	417	417	417	417	417	417	417	5,000	5,240	5,492
<b>Total capital expenditure</b>	14,144	14,144	14,144	14,144	14,144	14,144	14,144	14,144	14,144	14,144	14,144	14,144	169,725	124,041	129,048

CASH FLOW FROM OPERATING ACTIVITIES	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Receipts</b>															
Service charges	255,174	288,070	241,383	225,291	211,881	201,153	187,742	174,332	158,240	241,383	238,900	244,503	2,668,052	2,735,979	2,867,088
Other revenue	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	13,982	14,653	15,356
Government - operating															
Government - capital			17,358			17,358			17,358			17,358	69,433	37,374	40,320
Interest	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424	17,086	17,906	18,765
Dividends															
<b>Payments</b>															
Suppliers and employees	(231,430)	(261,265)	(218,922)	(204,328)	(192,165)	(182,435)	(170,273)	(158,111)	(143,516)	(218,922)	(216,671)	(234,432)	(2,432,471)	(2,555,411)	(2,685,705)
Finance charges	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(57)	(59)	(62)
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)
Transfers and Grants															
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	16,328	19,389	32,403	13,547	12,300	28,660	10,054	8,806	24,667	15,045	14,814	20,013	216,025	130,441	135,762
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>															
<b>Receipts</b>															
Proceeds on disposal of PPE	29	29	29	29	29	29	29	29	29	29	29	29	349	366	384
<b>Payments</b>															
Capital assets	(16,941)	(16,941)	(16,941)	(16,941)	(16,941)	(16,941)	(16,941)	(16,941)	(16,941)	(16,941)	(16,941)	21,721	(164,633)	(120,320)	(125,177)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	(16,912)	(16,912)	(16,912)	(16,912)	(16,912)	(16,912)	(16,912)	(16,912)	(16,912)	(16,912)	(16,912)	21,750	(164,284)	(119,954)	(124,793)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>															
<b>Receipts</b>															
Increase (decrease) in consumer deposits	393	393	393	393	393	393	393	393	393	393	393	393	(4,333)	(4,629)	(4,842)
<b>Payments</b>															
Repayment of borrowing															
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	393	393	393	393	393	393	393	393	393	393	393	393	(4,333)	(4,629)	(4,842)
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	(191)	2,870	15,884	(2,971)	(4,219)	12,141	(6,465)	(7,713)	8,148	(1,474)	(1,705)	6,463	47,407	5,858	6,128
Cash/cash equivalents at the year begin:	115,405	115,214	118,084	133,968	130,997	126,777	138,918	132,453	124,739	132,887	131,413	73,481	79,944	127,352	133,210
Cash/cash equivalents at the year end:	115,214	118,084	133,968	130,997	126,777	138,918	132,453	124,739	132,887	131,413	129,708	79,944	127,352	133,210	139,337

## 11. CAPITAL EXPENDITURE DETAILS

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

**Centlec - Supporting Table SD9 Detailed capital budget**

R thousand			2020/21 Medium Term Revenue & Expenditure Framework		
Function	Current Year 2019/20 Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
Entities: <i>List all capital projects grouped by Entity</i>					
Entity A Water project A					
Entity B Electricity project B					
TRAINING & DEVELOPMENT	821	859	900	943	
DIGITAL RADIO SYSTEM		1,000	1,048	1,098	
IMPLEM BUSINESS CONT DISASTER RECOVERY	280	3,293	3,451	3,617	
UPGRADE & REFURB COMPUTER NETWORK	5,145	5,382	5,640	5,911	
BULK SMART METER INSTALLATIONS	1,173	1,227	1,286	1,348	
METER REPLACEMENT PROJECT	10,000	10,460	10,962	11,488	
ELECTRIFICATION (USDG GRANT)	26,000	57,500	24,869	27,214	
BOTSHABELO: ESTABLISHMENT OF 132kV CONNECTION (INDUSTRIAL)		5,000			
BOTSHABELO: ESTABLISHMENT OF 132kV CONNECTION (VAALKRAAL)		5,000			
ELECTRIFICATION INTERNAL PROJECTS	14,000	7,000	7,336	7,688	
EXTENSION AND UPGRADING OF THE 11KV NETWORK	5,028	5,000	5,240	5,492	
PUBLIC ELECTRICITY CONNECTIONS	11,408	11,933	12,506	13,106	
UPGRADING AND EXTENTION OF LV NETWORK	381	3,000	3,144	3,295	
SERVITUDES LAND	556	582	609	639	
INSTALLATION OF PUBLIC LIGHTING	9,533	5,000	5,240	5,492	
INSTALL PREPAID METERS	59	61	64	67	
REMEDIAL WORK 132KV SOUTHERN LINES	328	1,000	1,048	1,098	
SHIFTING OF CONNECTION AND REPLACEMENTS	571	597	626	656	
REFURBISHMENT OF HIGH MAST LIGHTS	8,000	6,000	6,288	6,590	
REP LOW VOLT DECREPIT 2/4/8 WAY BOXES	505	1,500	1,572	1,647	
REP BRITTLE OVERHEAD CONNECTIONS	470	750	786	824	
S/LIGHTS REPLACE POLE TRNS POLES SECTION	3,321	3,500	3,668	3,844	
REPLACEMENT OF 110V BATTERIES	545	1,500	1,572	1,647	
REPLACEMENT OF 11KV SWITCHGEARS	563	1,500	1,572	1,647	
REPLACEMENT OF 32V BATTERIES	393	100	105	110	
REFUR PROTEC & SCADA SYSTEMS DIST CENTRE	3,000	3,000	3,144	3,295	
TRANSFORMER REPLACE & OTHER RELATED EQUIPMENT	5,000	5,000	5,240	5,492	
REP 2 & 4 WAY FIBREGLAS BOX (BOTS % TBAN)	443	1,000	1,048	1,098	
REPLACEMENT OF OIL PLANT	499	522	547	573	
REPAIR MMM DIST DIST CENTRE		4,500			
REPAIR VISTA DIST DIST CENTRE	6,500	5,000	2,000		
VEHICLES	1,000	5,000	5,240	5,492	
SECURITY EQUIPMENT (CCTV )	312	2,026	2,123	2,225	
FURNITURE AND OFFICE EQUIPMENT	209	219	230	241	
SOLAR FARM GENERATION PLANT	1,000	1,000	1,048	1,098	
OFFICE BUILDING	2,117	2,215	2,321	2,432	
COMPUTER EQUIPMENT (COVID-19)		1,500	1,569	1,641	
Entity Capital expenditure	119,159	169,725	124,041	129,048	

## **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 2020/21 SDBIP is directly aligned and informed by the 2020/21 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 \_\_\_\_\_