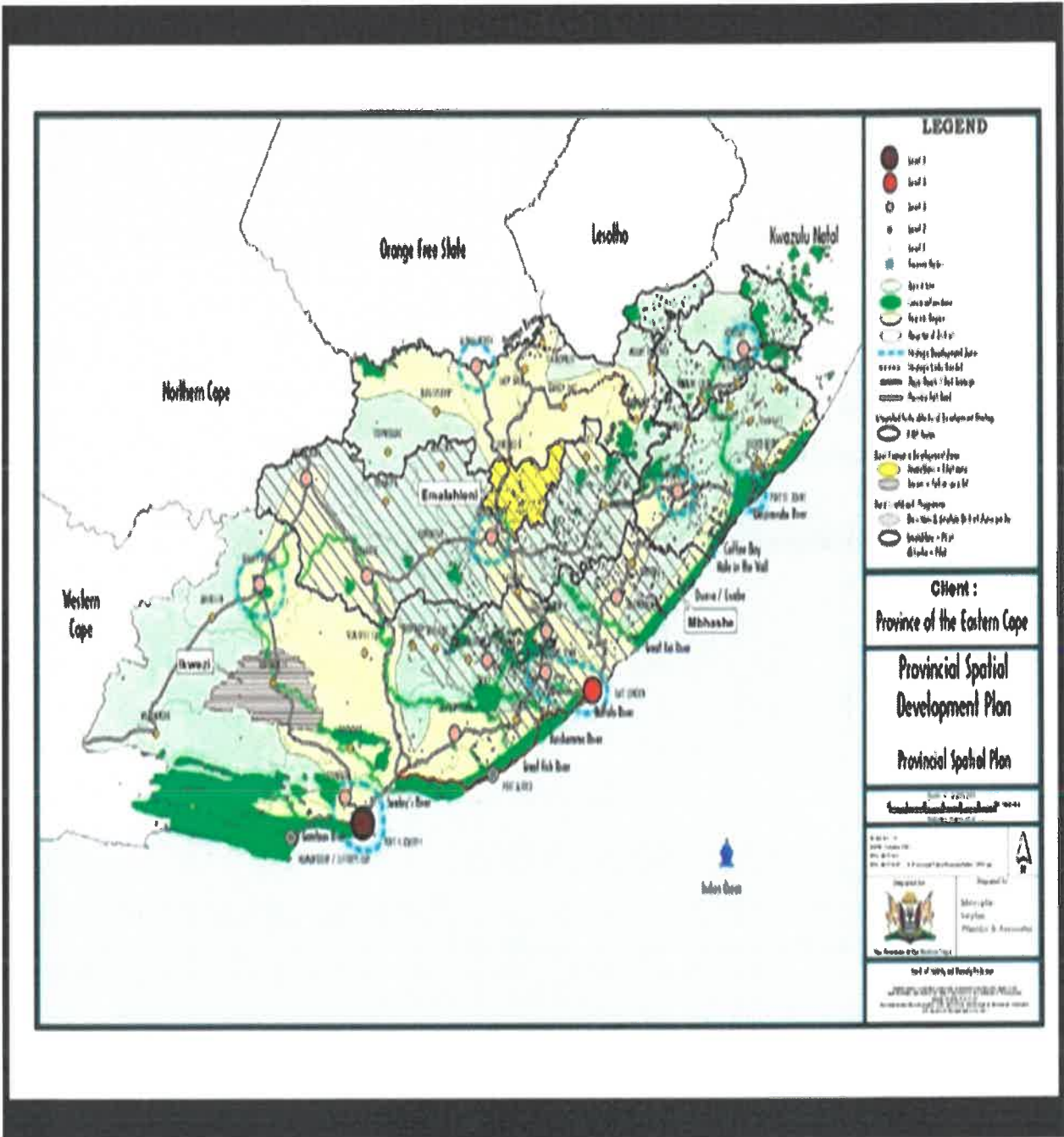


The land use profile and settlement dynamics within the study area are important indicators reflecting the status quo and possible future patterns. Given the nature of the study area i.e. largely rural with urban components, high potential agricultural valley, mountainous natural area and conservation areas. The study area comprise of a number of settlements:

- Somerset East, including Aeroville, Mnandi Old Location, New Brighton, Westview and Clevedon
- Pearston, including Nelsig and Khanyiso
- Cookhouse, including Bhongweni and Newtown
- The department of Water Affairs
- Uitkeer established to construct and maintain the Orange Fish River Scheme.



CURRENT BUDGET AND PROVISIONAL FUTURE PROVISION

The table below reveals the BCR LM's provision for repairs and maintenance expenditure by Asset class on Road Transport, Electricity, Water and Sanitation infrastructure, including provisional budget amounts for the next three financial years.

EC102 Blue Crane Route - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		-	2 649	2 540	2 861	2 098	2 098	516	546	577
Roads Infrastructure		-	628	-	439	-	-	40	42	44
Roads			628		439			-	-	-
Road Structures								-	-	-
Road Furniture								40	42	44
Capital Spares								-	-	-
Storm water Infrastructure		-	-	-	-	-	-	376	399	422
Drainage Collection								-	-	-
Storm water Conveyance								376	399	422
Attenuation								-	-	-
Electrical Infrastructure		-	1 502	2 540	884	-	-	100	105	110
Power Plants								100	105	110
HV Substations								-	-	-
HV Switching Station										
HV Transmission Conductors										
MV Substations										
MV Switching Stations										
MV Networks			1 502	2 540	884					
LV Networks										
Capital Spares										
Water Supply Infrastructure		-	410	-	1 058	-	-	-	-	-
Dams and Weirs										
Boreholes										
Reservoirs			410		1 058					
Pump Stations										
Water Treatment Works										
Bulk Mains										
Distribution										
Distribution Points										
PRV Stations										
Capital Spares										
Sanitation Infrastructure		-	109	-	135	-	-	-	-	-
Pump Station										
Reticulation										
Waste Water Treatment Works			109		135					
Outfall Sewers										
Toilet Facilities										
Capital Spares										
Solid Waste Infrastructure		-	-	-	345	2 098	2 098	-	-	-
Landfill Sites					345	2 098	2 098			
Waste Transfer Stations										
Waste Processing Facilities										
Waste Drop-off Points										
Waste Separation Facilities										
Electricity Generation Facilities										
Capital Spares										
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Rail Lines										
Rail Structures										
Rail Furniture										
Drainage Collection										
Storm water Conveyance										
Attenuation										
MV Substations										
LV Networks										
Capital Spares										
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Sand Pumps										
Piers										

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
<i>Revetments</i>										
<i>Promenades</i>										
<i>Capital Spares</i>										
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
<i>Data Centres</i>										
<i>Core Layers</i>										
<i>Distribution Layers</i>										
<i>Capital Spares</i>										
Community Assets		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
<i>Halls</i>										
<i>Centres</i>										
<i>Crèches</i>										
<i>Clinics/Care Centres</i>										
<i>Fire/Ambulance Stations</i>										
<i>Testing Stations</i>										
<i>Museums</i>										
<i>Galleries</i>										
<i>Theatres</i>										
<i>Libraries</i>										
<i>Cemeteries/Crematoria</i>										
<i>Police</i>										
<i>Parks</i>										
<i>Public Open Space</i>										
<i>Nature Reserves</i>										
<i>Public Ablution Facilities</i>										
<i>Markets</i>										
<i>Stalls</i>										
<i>Abattoirs</i>										
<i>Airports</i>										
<i>Taxi Ranks/Bus Terminals</i>										
<i>Capital Spares</i>										
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<i>Indoor Facilities</i>										
<i>Outdoor Facilities</i>										
<i>Capital Spares</i>										
Heritage assets		-	-	-	-	-	-	-	-	-
<i>Monuments</i>										
<i>Historic Buildings</i>										
<i>Works of Art</i>										
<i>Conservation Areas</i>										
<i>Other Heritage</i>										
Investment properties		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
<i>Improved Property</i>										
<i>Unimproved Property</i>										
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<i>Improved Property</i>										
<i>Unimproved Property</i>										
Other assets		3 542	321	-	390	-	-	-	-	-
Operational Buildings		3 542	321	-	390	-	-	-	-	-
<i>Municipal Offices</i>			321		390					
<i>Pay/Enquiry Points</i>										
<i>Building Plan Offices</i>										
<i>Workshops</i>										
<i>Yards</i>										
<i>Stores</i>										
<i>Laboratories</i>										
<i>Training Centres</i>										

EC102 Blue Crane Route - Supporting Table SA34c Repairs and maintenance expenditure by asset class										
Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<i>Manufacturing Plant</i>		3 542								
<i>Depots</i>										
<i>Capital Spares</i>										
<i>Housing</i>		-	-	-	-	-	-	-	-	-
<i>Staff Housing</i>										
<i>Social Housing</i>										
<i>Capital Spares</i>										
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
<i>Biological or Cultivated Assets</i>										
Intangible Assets		-	-	-	-	-	-	-	-	-
<i>Servitudes</i>										
<i>Licences and Rights</i>		-	-	-	-	-	-	-	-	-
<i>Water Rights</i>										
<i>Effluent Licenses</i>										
<i>Solid Waste Licenses</i>										
<i>Computer Software and Applications</i>										
<i>Load Settlement Software Applications</i>										
<i>Unspecified</i>										
Computer Equipment		-	334	-	429	-	-	500	534	570
<i>Computer Equipment</i>			334		429			500	534	570
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
<i>Furniture and Office Equipment</i>										
Machinery and Equipment		-	221	-	-	-	-	-	-	-
<i>Machinery and Equipment</i>			221							
Transport Assets		-	-	-	1 223	-	-	1 082	1 147	1 216
<i>Transport Assets</i>					1 223			1 082	1 147	1 216
Land		-	-	-	-	-	-	-	-	-
<i>Land</i>										
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<i>Zoo's, Marine and Non-biological Animals</i>										
Total Repairs and Maintenance Expenditure	1	3 542	3 526	2 540	4 903	2 098	2 098	2 098	2 226	2 363
<i>R&M as a % of PPE</i>		0.6%	0.6%	0.4%	0.8%	0.3%	0.3%	0.3%	0.4%	0.4%
<i>R&M as % Operating Expenditure</i>		1.6%	1.5%	1.2%	1.9%	0.8%	0.8%	0.8%	0.8%	0.8%

With reference to the information contained in the complete BCR SDF Review 2010, the following conclusions can be drawn:

- Somerset East has the strongest GVA and the largest population within the BCR Municipal area followed by Cookhouse and Pearston;
- Based on the GVA and the population size, Somerset East has the highest potential to support services via revenue generation;
- It would appear that the income generated via service revenue in Somerset East is used to support services in Cookhouse and Pearston;

- Cookhouse is currently limited in terms of population expansion due to electricity constraints;
- Based on the information contained in sections on infrastructure; investment should focus in Somerset East and Pearston, relative to GVA and potential for population expansion and revenue received for provided services;
- The challenge is to identify specific areas within prioritised towns for infrastructure investment with consideration of limited financial and human resources;
- Infrastructure expenditure in Cookhouse should focus on the maintenance of existing infrastructure and provision of basic services;
- Strong emphasis needs to be placed on the elimination of the 12 year infrastructure maintenance backlog and the implementation of an annual maintenance plan.

PROPOSED PRINCIPLES FOR PROJECT PRIORITIZATION

It is proposed that project prioritization be based on the following principles:

- Somerset East is the primary revenue generating town within the BCR LM, subsequently infrastructure that supports this area as an economic hub should be prioritized;
- Infrastructure that supports the economic growth and quality of life of the inhabitants of Pearston should be considered;
- Any infrastructure investment that would encourage the expansion of the population of Cookhouse should be discouraged;
- Every effort needs to be placed into resolving the maintenance backlog of all existing services.

CHAPTER 6: PERFORMANCE MANAGEMENT SYSTEM

6.1 BACKGROUND

The Systems Act, Act No. 32 of 2000 requires that each municipality establish a Performance Management System that is: “commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives, indicators and targets enshrined in the Integrated Development Plan (IDP).

The implementation and institutionalization of an Integrated Performance Management System within Blue Crane Route Local Municipality requires that performance management and assessment occurs at two levels, namely, individual and institutional levels. This procedure manual will detail the manner in which an infrastructure, system and culture is created which support performance management at every level.

The IDP is a 5-year strategy reviewed and updated annually based on community input and needs. Depending on resources and budget availability the IDP Priorities and Objectives are established for the year in question and translated into an annual Strategic Institutional Scorecard. Departmental Scorecards detailing the specific goals to be achieved per department flow from the strategic scorecard/institutional SDBIP (aligned to the IDP). These goals are translated into the Service Delivery and Budget Implementation Plans (SDBIP’s) for each department as annual targets, and the establishment of these and the measurement of targets ensures that there is alignment between the IDP, the Budget and the departmental objectives.

In order to give effect to these targets, performance agreements are signed with staff (beginning with s56 managers), as commitment to ultimately meet the IDP objectives.

Through a formal process of performance assessments, management and reporting, it is ensured that targets are met where at all possible, and focused and concerted efforts are made to achieve these strategic objectives through effective and efficient service delivery.

Institutionally reporting on performance and the manner in which IDP objectives are met occurs at many levels.

6.2 MAIN PURPOSE

To ensure that performance is managed in conformity to the PMS Framework and strategic objectives as reflected in the Integrated Development Plan (IDP) and to ensure that there is alignment between individual and organizational behaviour and performance targets and objectives.

6.3 KEY OBJECTIVES

Aside from the legislative prescriptions and in line with the PMS framework, the key objectives for the Integrated Performance Management System are defined as follows:

- 6.3.1 Achievement of the organization's strategic objectives;
- 6.3.2 Identifying and addressing the required skills and competencies required for staff to contribute towards achieving organizational objectives;
- 6.3.3 Providing staff with the opportunity to actively manage their own performance;
- 6.3.4 To recognize and reward those employees who meet the policy criteria for reward;
- 6.3.5 To facilitate credible performance reporting by the municipality; and
- 6.3.6 To instil a performance orientated culture throughout the organization.

6.4 SCOPE OF THE POLICY MANUAL

The scope of the Integrated Performance Management Policy manual shall be applicable to the following levels, as part of a long-term roll-out process:

- 6.4.1 All managers as defined by section 56 of the Municipal System Act No 32 of 2000;
- 6.4.2 All employees of Blue Crane Route Local Municipality who are in full time employment.

6.5 GUIDING PRINCIPLES AND PRACTICES

The Integrated Performance Management System Policy manual shall be guided by the following key principles:

- It must be uniformly applied to all applicable parties;
- It must be applied as a universally recognized means to manage and improve performance and work standards;
- Personal Development Plans linked to the Work Place Skills Plan (WSP) are to be developed for all staff (as per roll-out of policy) in order to ensure that they are capacitated and developed appropriately in order to be able to deliver in terms of required performance;
- Performance is assessed at both the individual and organizational levels;
- There is visible alignment between the IDP, Budget and SDBIP's;
- Planning and Reporting must be based on the National Key Performance Areas and Performance Scorecards at all levels will be written in accordance with the 5 (five) National Key Performance Areas ;

Each Scorecard will have appropriate weights attached to each National KPA as per the Performance Regulations.

These Key Performance Areas are:

- Municipal Infrastructure and Institutional Development
 - Financial Management and Viability
 - Service Delivery
 - Local Economic Development
 - Good Governance & Public Participation.
- The weights attached to all five KPA's must add up to a total of 100% for each scorecard;
 - In the event that the Performance Management Policy applies to non-managers, weightings in the scorecards will still total 100%. Performance assessment must be based on clear measures and agreed standards;
 - Performance targets and objectives must provide clarity to all employees on their role in the achievement of municipal and departmental targets;
 - Performance contracts / agreements are to be signed as applicable by section 56 managers and staff to whom the system is applicable (as per roll-out);
 - The system must take into account the applicable legal and regulatory prescriptions applicable;
 - The system must serve as an early warning system to facilitate management and appropriate interventions to address performance issues identified;
 - Staff are to be rewarded according to the prescriptions of this policy;
 - Feedback on progress is to be fed back to the community through defined and ongoing reporting mechanisms;

- Reporting at both the individual and organizational level is to occur through formal and stipulated reporting instruments and channels, and
- This Integrated Performance Management System Policy is to be read together with the approved PMS Framework and legislation.

6.6 PERFORMANCE MONITORING, REVIEWS AND ASSESSMENT

At an institutional level, performance must be reviewed/monitored/weekly assessed monthly, quarterly, mid-yearly and annually in a number of ways which include (but are not limited to) weekly, monthly, s72 mid-year performance reports; quarterly through SDBIP reporting; s46 - Annual Report, Auditor General's regulatory audit and Municipal Public Accounts Committee (MPAC) Reports (all of which translate to the reporting that is then provided to communities);

At individual level, formal assessments (by a duly constituted Performance Assessment Panel) must be conducted quarterly, and a final assessment for the period 1 July – 30 June after issuing of the auditor-general's report.

The scoring will be allocated using the approved rating calculator.

6.7 PERFORMANCE BONUS

S56 Managers

- a. As per the Performance Regulations, the s56 Managers will be able to qualify for performance bonuses according to the following ratings:
- b. A score of 130% to 149% is awarded a performance bonus ranging from 5 – 9%, and A score of 150 and above is awarded a performance bonus ranging from 10% - 14%.

6.8 MANAGERS DIRECTLY ACCOUNTABLE TO S56 MANAGERS AND STAFF BELOW

Performance Rewards will be negotiated between all stakeholders based on the following principles:

- Non-Monetary

- Negotiated with stakeholders
- Intended to capacitate and develop individual and or team performance
- Agreed upon value
- Subject to available budget (Merit Award paid as a once off merit – dependant on budget)

6.9 DISPUTE RESOLUTION

Disputes are to be dealt with in the manner prescribed by the Regulations and for staff other than the s56 managers according to the approved internal Dispute Resolution mechanisms, re-Human resource policies.

6.10 GOVERNANCE ISSUES

The following governance structures are responsible for the governance of this policy:

- Council: adoption of the policy manual;
- Municipal Manager: formulation, review and amendment of the policy manual;
- Manager: Performance Management and Corporate Services: administration and management thereof ; and
- Performance Assessment Committee / Panel: to formally assess performance of staff; and
- Audit Committee: to verify performance results and application of the policy.

6.11 COMPETENCE AND CAPACITY TO IMPLEMENT

All managers, supervisors and team leaders will be trained to plan, coach and review /report on performance. This is to occur in accordance with the prescriptions of the roll out plan.

The IDP Department must ensure availability of necessary resources for reporting and record keeping - ensuring effective administration and guidance of the process.

6.12 RELEVANT LEGISLATION APPLICABLE TO THIS POLICY

This policy is informed/influenced by the following legislation:

- 1) The Constitution of the Republic of South Africa Act, Act No. 108 of 1996;
- 2) Municipal Planning and Performance Management Regulations, 2006;
- 3) Municipal Structures Act, Act No. 117 of 1998;
- 4) Municipal Systems Act, Act No. 32 of 2000;
- 5) White Papers on Local Government 1998; and
- 6) Labour Relations Act, Act No. 66 of 1995.

CHAPTER 7: FINANCIAL PLAN

The financial plan is segmented into five (5) sections:

- 1) Introduction
- 2) Financial System
- 3) Budget Process
- 4) Financial Principles and Policies
- 5) Operating and Capital Budgets

7.1 INTRODUCTION

Over the past financial years via sound and strong financial management, Blue Crane Route Municipality has moved internally to a position of relative financial stability. During the 2015/16 financial year, the municipality's cash flow position declined due to the municipality using its own cash resources to bridge finance MIG and Loan-funded projects. The Provision of External Loan financing commenced late in January 2016 after the vehicles have been delivered and paid for. There is also a high level of compliance with the MFMA and other legislation directly affecting financial management.

The Municipal Systems Act, section 26(h) requires a municipality to include a financial plan, which must have budget projection of at least the next 3 years, in the annual Integrated Development Plan (IDP). In essence this financial plan is a medium term strategic framework on how the municipality plans to deliver services, within financial means.

Each year, National Treasury issues MFMA circulars to municipalities advising them of the budget parameters within which municipalities should work when preparing their budgets, together with other MFMA circulars and the Budget and Reporting Regulations.

The Blue Crane Route Municipality's (BCRM) Medium Term Revenue and Expenditure Framework (MTREF) materially comply with the latest budget regulations as well as the requirements of the National Treasury (MFMA Circulars 48, 51, 54, 55, 58, 59, 64, 66, 67, 70, 71, 72, 74, 75, 78, 79, 80, 82, 85, 86, 87, 88, 89, 90, 91, 93,94,98,99). This plan has been prepared taking in consideration the priorities and direction established by municipality during the 2020/2021 budget deliberations.

The BCRM are therefore fully compliant with the legislation applicable to municipalities, as the MFMA and the contents of all the relevant MFMA Circulars, etc. where noted and considered when the budget was compiled. The municipality do compile and submit the following monthly, quarterly and mid-year reports:

- a) Monthly: Section 71,
- b) Quarterly: Section 52d,
- c) Mid-year: Section 72, and
- d) Yearly: MTREF Budget, Annual Financial Statements, Integrated Development Plan, annual Report and Oversight Report

The Council's strategic objective of service delivery includes the continuation of the acceptable levels of service as well as the improvement in those areas where it lacks acceptable levels.

The MFMA Circular No. 93 said that a municipality must table funded budgets, see extract underneath:

The importance of tabling funded budgets is highlighted in MFMA Circular No. 74 and 89. Adopting a funded budget has become more critical now than before as it has direct bearing on the financial sustainability of the institution. It has been agreed that no municipality will adopt an unfunded budget in the future. There are cases that may warrant a plan as this may not be achievable over one year. As a result, such municipalities must, together with their 2019/20 MTREF budget, table a plan in a municipal council on how and by when the budget will improve from an unfunded to a funded position. This will be essential when the National and provincial treasuries are assessing the budget to determine its credibility. The assessment of the 2018/19 MTREF budgets have shown a deterioration with more budgets being unfunded. Plans and support will have to be re-evaluated to produce a positive outcome.

The financial principles and policies that the municipality has fundamentally adhered to for many years are identified and that will lead the BCRM's financial stability and sustainability into the coming years. These principles and policies will establish the basic framework for the responsible management of the municipality's financial resources.

Blue Crane Route Municipality has established its own Audit, Risk and Performance Committee with effect from 01 July 2015. The Audit Committee consisted of four (4) members comprising one (1) Chartered Accountant; one (1) Professor, one (1) Legal / compliance specialist a Local government and development specialist. The chairperson is one (1) of the Chartered Accountants and they were appointed from 1 July 2018.

7.2 FINANCIAL SYSTEM

This financial plan provides an outline of the financial system, the municipal budget process, financial principles and policies, and the operating and capital budgets of the Blue Crane Route Municipality. Municipal finance must follow certain practices and conventions set out by the accounting profession and provincial government legislation. This

includes the practice of GRAP accounting and the use of capital reserves and self-funding utilities. These terms are discussed below to provide readers of the Financial Plan with a general understanding of municipal finance and the roles and responsibilities of the parties involved.

The implementation of mSCOA is considered a business reform and it required a significant change in municipal business processes as from 1 July 2017.

The municipality has taken note of the contents of all the mSCOA Circulars and the staff is undergoing the necessary training and the mSCOA was implemented as from 1 July 2017 per the due date as prescribed by National Treasury. The municipality aligned its business process to the Municipal Standard Chart of Accounts (mSCOA) format which is legislatively regulated. The following documents adopted by the municipality that forms part of the mSCOA process are available on the municipal website:

- BCRM mSCOA Implementation Team Terms of Reference
- BCRM mSCOA Project Code of Ethics
- BCRM mSCOA IT Functions Questionnaire / Assessment

The BCRM mSCOA report on a monthly basis, on the progress on the implementation of mSCOA.

In the preparation of the Annual Financial Statements (AFS) :

- The accounting principles, concepts and disclosure requirements are included in the standards of Generally Recognised Accounting Practice (GRAP), also referred to as the accounting standards. The accounting standards give the following guidance to the preparers of AFS when dealing with specific topics:
 - they explain the accounting treatment of transactions, in other words the debit and credit entries, including when to recognise these entries.
 - they explain the accounting measurement of transactions.
 - they explain the presentation and disclosure requirements of transactions in the entity's Annual Financial Statements

The municipality are not outsourcing the compilation / preparation of the Annual Financial Statements, it is done in-house. The AFS Action plan is attached. The Assets Register is prepared according to GRAP 17 and is also prepared in-house. The financial plan includes a budget projection for at least the next three (3) years in line with Section 26(h) of MSA and Treasury regulations.

7.2.1. BUDGET AND TREASURY OFFICE

The Budget and Treasury Office has the following objectives:

- Implementation of MFMA
- Implementation of the Property Rates Act
- Management of the Budget Process
- Performance of the Treasury Function
- Management of Municipal Revenue
- Management of a Supply Chain Management Unit
- Maintenance of Internal Financial Control
- Production of Financial Performance Reports
- To retain the Financial Viability of the Municipality
- To have a Clean Audit Report
- Assist with Internal Audit
- Developing & the adoption of the revenue enhancement plan
- Implementation and monitoring of the revenue enhancement plan

The various posts within the Financial Services Department are reflected later in the IDP under the Organogram section.

The ability of the municipality to deliver quality services and the ability to provide services to the Blue Crane Route population at a viable level is dependent on its staff. Failure by the municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faced by Blue Crane Route will ultimately mean a failure to deliver services.

7.2.2. INFORMATION AND COMMUNICATION TECHNOLOGY

The ICT Software used by Blue Crane Route Municipality is summarised in the Table below:

Company	Programme / Software	Application / Operating
Bytes Technology	SAMRAS / Flexgen/ Frontier	Application System interfacing with the following below:
		<p>Consolidated Billing</p> <ul style="list-style-type: none"> • Receipting • Accounts • Debt Collection • General Ledger • Cashbook <p>Consolidated Expenditure</p> <ul style="list-style-type: none"> • Creditors • Stores • Assets • Supply Chain Management • General Ledger • Main Ledger • Trail Balance <p>Payroll</p> <ul style="list-style-type: none"> • Payroll • Cash Focus • Third Parties • SARS • Human Resource <ul style="list-style-type: none"> ○ Leave ○ Equity
Bytes Technology	SAMRAS	mSCOA
Ontec	Vending	Pre-paid Electricity
Deeds Office / Windeed websites	Title Deeds	Extracting Title Deed information electronically
FNB Bank	On-line Banking	Electronic payment <ul style="list-style-type: none"> • Creditors, Salaries

SITA	eNatis	Motor Vehicle Registration
Microsoft	MS Office 365	Word; Excel; PowerPoint; Adobe; Publisher; Outlook
Nuance	PDF Converter Professional	PDF
ESET	Antivirus Protection	Internet and point security
SARS	Easy File	PAYE – IRP5's

7.2.3. VALUATION ROLL

It is a statutory requirement that the General Valuation be conducted for all the rateable properties in a municipality to levy property rates and the municipality valuation roll is utilized by the Council as a basis to levy property rates.

The lifespan of the roll is five (5) years for local municipality and it can be extended to seven (7) years with the approval of the MEC for Cooperative Governance and Traditional Affairs in terms of section 32 (2)(a)(ii).

The municipality must regularly, but at least once a year, update its valuation roll by causing supplementary valuation roll to be prepared, if section 78 applies or the valuation roll to be amended, if section 79 applies.

The municipality current general valuation roll, the date of valuation was in 2019, it was implemented on 1 July 2019 and was valid until 30 June 2024.

A Service Provider was appointed to do a general valuation of ta property within the Blue Crane Route Municipal area for a period of five (5) years.

7.2.4. SUPPLY CHAIN MANAGEMENT UNIT

The Supply Chain Management (SCM) is up and running within the BCRM and strict control measures are in place according to the MFMA, SCM Regulations, MFMA Circulars and the BCRM SCM Policy.

The Blue Crane Route Municipality has a Supply Chain Management Unit as reflected in the Finance Department Organogram. There are ten (10) posts within the Supply Chain Management Unit that have all been filled, with the recent filling in of the Accountant: Supply Chain Management.

A Supplier Day is held by the municipality yearly around August where service providers are encouraged to register on our database and current ones to update their details. These service providers are familiarised with the SCM processes of the municipality and how to access opportunities available to them especially SMME's.

The following three (3) Bid Committees have been established and the relevant meetings are being convened when tenders/bids are placed as per MFMA and Supply Chain Regulations:

- Specification Bid Committee
- Evaluation Bid Committee
- Adjudication Bid Committee

Training of the Bid Committee members and potential members is continuously done with the last one in February 2019 to enhance skills of newly employed personnel.

The Supply Chain Management Policy that was adopted and implemented by the Sarah Baartman District Municipality (SBDM) has been adopted on 31 August 2012 by the Blue Crane Route Municipality (BCRM) after the relevant changes were made to comply with the Blue Crane Route Municipality's requirements, keeping the SCM regulations in mind. The policy was reviewed in June 2016 and was reviewed again on 30 May 2017.

The two (2) Supply Chain Management Practitioners that are supervised by the Accountant SCM under the management of the Manager Supply Chain and Asset Management are attending to the following areas within the SCM Unit:

- Disposal / Risk Management / Contract Management
- Demand /Acquisition

Logistics is attended to by the Storeman also under the supervision of the Accountant SCM.

7.2.4.1. CONTRACT MANAGEMENT

The SCM unit has also commenced with implementing Contract Management in its reporting. The Accountant: Supply Chain Management is tasked with implementing Contract Management whereby he tracks the value of awards made; expenditure against those contracts; balance of contract remaining; and performance of the service provider against project milestones. He further notifies departments in advance of pending expiration of contracts so that the re-advertisement commences timeously for a succession contract to be awarded. Performance has been average for all service providers combined.

The Manager: Supply Chain & Asset Management then oversees the function to ensure that Contract Management is being done correctly.

7.2.4.2. PROCUREMENT TURNOVER RATE

The procurement turnover rate in the previous years has proven to be unnecessarily long and resulted in projects being delayed; this is improving as a decrease has been shown in the number of days although poor planning is still a challenge which results in delays in projects and spending of grants.

7.2.5. AUDIT OUTCOMES

The following table reflects the six (6) year audit outcomes for the following financial book-years.

2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
<u>Unqualified</u> <u>Audit Report</u> <u>received</u>	<u>Unqualified</u> <u>Audit Report</u> <u>received</u>	<u>Unqualified</u> <u>Audit Report</u> <u>received</u>	<u>Unqualified</u> <u>Audit Report</u> <u>received</u>	<u>Unqualified</u> <u>Audit Report</u> <u>received</u>	<u>Qualified</u> <u>Audit Report</u> <u>received -</u> <u>Consolidated</u>
Emphasis of Matter: Unauthorised expenditure	Emphasis of Matter: Unauthorised expenditure	Emphasis of Matter: Unauthorised expenditure	Emphasis of Matter: Unauthorised expenditure	Emphasis of Matter: Restatement of corresponding figures	Property, plant and equipment
Emphasis of Matter: Irregular expenditure	Emphasis of Matter: Irregular expenditure	Emphasis of Matter: Irregular expenditure	Emphasis of Matter: Irregular expenditure	Emphasis of Matter: Material Losses	Investment property
Emphasis of Matter: Material Losses	Emphasis of Matter: Material Losses	Emphasis of Matter: Material Losses	Emphasis of Matter: Material Losses	Emphasis of Matter: Irregular expenditure	
Emphasis of Matter:	Emphasis of Matter:	Emphasis of Matter:	Emphasis of Matter:		Irregular expenditure

Restatement of corresponding figures	Restatement of corresponding figures	Restatement of corresponding figures	Restatement of corresponding figures		
					Basis of preparation

Source: Office of Auditor-General Reports

There are still recurring audit findings, but the municipality has managed to further reduce the audit findings in the 2017/18 financial year and received an Unqualified Audit Opinion. An audit improvement plan was drawn up to address the audit findings and the municipality has taken action thereon to ensure that the shortfalls are addressed and that all relevant procedures have been put in place so that the number of audit findings can reduce to a minimum to achieve the goal of a Clean Audit. The latest progress on the 2017/18 Audit Improvement Plan is attached as an annexure.

7.3. BUDGET PROCESS

7.3.1. CREDITORS TURNOVER RATE

Most creditors are paid within 30 days from receipt of invoice, with minimal disputes spilling beyond the 30 day period. We have regularised the payment process by dedicating Thursdays for payment dates as well as the 25th and month end for certain service providers that stipulate these cut-off dates. The actual creditors turnover rate payment period as at 30 June 2019 is 55 days

7.3.2. NATIONAL CONTEXT

South Africa has achieved considerable success in achieving macroeconomic stability; however, the economy is still plagued with high levels of unemployment and poverty.

The following table shows the allocations to BCRM as set out in the National Budget, Division of Revenue Bill in the MTREF period; and the Provincial allocations, as well as the District Municipality allocations to BCRM:

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Funded by:											
National Government		15 149		77 628	27 064	50 523	50 523	50 523	33 540	36 461	31 991
Provincial Government		-		-					-	-	-
District Municipality		286		1 166		2 752	2 752	2 752	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)			29 658						-	-	-
Transfers recognised - capital	4	15 435	29 658	78 794	27 064	53 275	53 275	53 275	33 540	36 461	31 991
Borrowing	6								2 700	-	-
Internally generated funds		1 317		408	610	767	767	767	1 340	1 030	1 160
Total Capital Funding	7	16 752	29 658	79 201	27 674	54 041	54 041	54 041	37 580	37 491	33 151

Source: DoRA & SBDM & 2020/2021 MTREF Budget

Each year, National Treasury issues a circular, (see MFMA Circular 98 and 99) to municipalities advising them of the budget parameters within which municipalities should work when preparing their budgets.

The headline CPI inflation actual for fiscal year 2019/2020 is 4.3%. The headline CPI inflation forecast for fiscal year 2020/2021 is 4.9%, 2021/2022 is 4.8%, 2022/2023 is 4.8%. However, these figures can change very fast due to external factors as recently experienced.

These growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise. Basic services are provided to a large degree to all towns in the municipal boundaries, and there is a continuing effort in extending services.

We need to recognise the funding role of the National and Provincial Government, with contribution from these spheres of governments through grants and subsidies. National, Provincial, District and local priorities for service delivery must be aligned and this is to a large degree achieved through the IDP process, whereby communities give input into service needs and which is being incorporated into the IDP.

The different spheres of government then allocate resources to these requirements, but we must emphasis again that it is only to the extent that resources are available. Our infrastructure development objectives are clearly to have services to acceptable levels to all.

While we recognise the need for the extension of services through infrastructure development, we must also recognise the need for the maintenance of these infrastructures and to this end we provide in the capital program for replacement of some of our aging vehicles and equipment.

However, to provide for the capital is probably not that problematic, but to find the funds to maintain our infrastructure and other assets properly in the operating budget, without overburdening our consumers and ratepayers, is the big concern. It is common knowledge that the first place where funds are cut when other expenditure items increase to such an extent that a reduction in expenditure is necessary, is on maintenance votes.

The BCMR has done all in their power to address service delivery requirements within our financial means and would like to thank our community for their inputs into the IDP process, the Councillors for their continued hard work and support as well as the Municipal Manager and his staff for all their efforts.

7.3.3. GENERAL INFLATION OUTLOOK AND ITS IMPACT ON THE MUNICIPAL ACTIVITIES

General inflation (CPI) is estimated 4.9% for the 2020/2021 financial year. This of course lends to expectations that municipal tariffs should increase by more or less the same percentage, which is set at 5%.

Description	MTREF Budget 2020/2021	MTREF Budget 2021/2022	MTREF Budget 2022/2023
General Inflation	4.9%	4.8%	4.8%

Source: MFMA Circular 93

7.3.4. INTEREST RATES FOR BORROWING AND INVESTMENTS OF FUNDS

The following assumptions are built into the MTREF:

Description	MTREF	MTREF	MTREF
	Budget	Budget	Budget
	2020/2021	2021/2022	2022/2023
Average Interest Rate – New Borrowing	10 %	10%	10%
Average Interest Rate - Investments	5%	5%	5%

7.3.5. RATES, TARIFFS CHARGES AND TIMING FOR REVENUE COLLECTION

The Blue Crane Route Municipality bill the consumers on a monthly bases for services rendered as per norms and standards of revenue management.

The following table shows the assumed average percentage increases built into the MTREF for rates, tariffs and charges:

Description	MTREF Budget	MTREF Budget	MTREF Budget
	2020/2021	2021/2022	2022/2023
Rates	5%	5%	5%
Water	5%	5%	5%
Sewerage	5%	5%	5%
Sanitation	5%	5%	5%
Refuse	10%	10%	10%
Electricity – monthly consumption tariff	6.24%	5%	5%

Source: 2020/2021 MTREF Budget & MFMA Circulars

In general terms, the timing rates, tariffs and charges are based on the following:

Description	Comments
Rates and annual charges	Annual and monthly billing July. Interim billing throughout the year as required. Revenue foregone recognized in July
Cons Consumption	Monthly billing. Ongoing prepayment meters. Seasonal fluctuations
Char Service Charges	Generally steady state throughout the financial year with seasonal fluctuations

The municipality still experience high volumes of incorrect billing accounts due to inaccurate meter readings, meters that are standing / not working. The municipality have received grant funding to attend to the replacement of all the water meters of our consumers. The municipality has also introduced the electronic meter reading of electricity and water usage.

7.3.6. COLLECTION RATES FOR EACH REVENUE SOURCE AND CUSTOMER TYPE

Furthermore, its policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt.

Nevertheless, there will always be an element of the total amount billed that will remain uncollected. The municipality is the same as any other business in this regard. Adequate provision has to be made in the budget for any bad debts based on assumptions on collection rates. The bad debt contribution also increases sustainability against prior budgets due to the re-incorporation of the water and sanitation functions.

The ability of the municipality to deliver quality services is dependent on its staff and the ability to provide services to the Blue Crane Route population at a viable level. Failure by the municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faces by Blue Crane Route will ultimately mean a failure to deliver services.

The average collection rate for all municipal debtors accounts are currently 80%.

7.3.7. TRENDS IN POPULATION AND HOUSEHOLDS (GROWTH, DECLINE, STABLE)

When the 2011 census were held by South African Statistics it was counted that the total population within the Blue Crane Route Municipal (BCRM) area (11, 068.56km²) are 36, 002. Within the Sarah Baartman District Municipal (SBDM) area the BCRM accounts for 8% of the SBDM and 0.5% of the Eastern Province population. Geographically BCRM makes up 19% of the SBDM landmass with a population density of 3.25 people per km².

There is a total of 8,558 households within the BCRM area.

7.3.8. CHANGING DEMAND CHARACTERISTICS (DEMAND FOR SERVICES)

Blue Crane Route has to respond to changing demand for services that can occur through a number of reasons such as population migration, changing demographic profile, technologic changes, and major infrastructure development.

The introduction of wireless technology in Blue Crane Route has made the internet available to many more people making on-line interaction with the municipality possible, including the payment of municipal accounts. The selling of prepaid electricity by all outside vendors assisted consumers to purchase prepaid electricity after hours and over weekends by means of the Service Provider, Ontec's Third Party Vendor System.

The growth of formal housing in prior years has impacted on the demand for services and challenges the municipality in how service is delivered.

7.3.9. TRENDS IN DEMAND FOR FREE (SUBSIDIZED) BASIC SERVICES

Blue Crane Route's criteria for supporting free or subsidised basic services are set out in the Indigent Support Policy. The Government allocates revenue via the Division of Revenue Act (DoRA) in the form of the Equitable Share Grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services.

7.3.10. INDIGENT STEERING COMMITTEE

The Indigent Steering Committee (ISC) was established in 2012, and the ISC has convened its meetings on a quarterly basis and an updated Indigent Register on a monthly basis.

The Indigent Committee must monitor, in conjunction with ward councillors, ward committees and other persons or organisations it may appoint, the implementation of the indigent support programme, subject to the policy directions of the municipality and in consultation with the municipal manager.

7.3.10.1. INDIGENT REGISTER AND FREE BASIC SERVICES EXPENDITURE / BUDGET

There are currently 3,975 indigent households out of 8,558 households. This is a 46.45% of households benefitting from the Indigent Policy assistance.

7.3.10.2.FREE BASIC SERVICES UNIT

The municipality has a Free Basic Services Unit that focuses on Indigent support; credit control and debt management; as well as Debtors Control. This shared function is largely attributable to the small size of the municipality and the amount of work required maintaining the Free Basic Services function. We however have staff in place that exercise the various functions of free basic services as part of their daily tasks and this is executed by various levels of staff to ensure segregation of duties. We have Credit Control & Free Basic Services Co-ordinators that assist in filling and collecting the Indigent application forms together with the Debtors Clerks and the Ward Councillors perform the checking and verification; and the Accountant: Revenue that assesses the applications for approval or non-approval.

Blue Crane Route's criteria for supporting free or subsidised basic services are set out in the Indigent Support Policy. To assist our communities to alleviate poverty, inequality and unemployment the following social packages are included in the budget for indigent households:

A TOTAL MONTHLY INCOME PER HOUSEHOLD OF:

- **R0 – R3,600** - 50kWh Free Electricity, 6kl Free Water, and 100% Free Basic Charges Fee for Electricity, Water, Sewer/Sanitation and Refuse

7.4. FINANCIAL PRINCIPLES AND POLICIES

7.4.1. IMPACT OF NATIONAL, PROVINCIAL AND LOCAL POLICIES

Blue Crane Route sees itself as working in partnership with national, provincial and district municipality spheres of Government in meeting the priority services needs of the people.

The Blue Crane Route Municipality have implemented the prescribed statutory financial related policies and they will be reviewed before end May 2019. The Financial Policies, By-Laws and Procedure Manuals of the Blue Crane Route Municipality are to provide sound, secure and fraud free management of financial services.

The detailed adopted budget related Policies, By-Laws and Procedure Manuals are not included in this budget documentation. However, they are available at the Council offices for viewing, as well as on the website.

The policy instruments direct strategic objectives and business operations with the view to achieve sustainable economic, social and environmental performance.

All relevant policies are promulgated into By-laws and Gazetted accordingly. The Property Rates tariffs and Council Resolution authorising the levying of rates have also been Gazetted for the 2018/19 financial year.

7.4.2. REVENUE ENHANCEMENT STRATEGY

The municipality is in the process of developing of the Cash-flow Turn-around Plan. Targets have been set to improve the municipality's own revenue base on liquidity ratio of the budget and the plan is included in the IDP, Budget and SDBIP.

Tables – Lists of adopted and developed Financial Related Policies and Procedure Manuals underneath:

The following twenty-one (21) finance related policies are adopted and implemented and there are no changes to be made.

Budget Related Policy	
1	Asset Management Policy
2	Budget Policy
3	Cash Management and Payment of Creditors Policy
4	Cash Receipt and Banking Policy
5	Cost Estimation Policy
6	Financial Framework Policy
7	Investment Policy
8	Tariff ex Revenue By-Law
9	Rewards, Gifts and Favours Policy
10	Supply Chain Management Policy
11	Capital Infrastructure Investment Policy
12	Fruitless Wasteful Expenditure Policy
14	Borrowing Policy
15	Funding and Reserve Policy
16	Long-Term Financial Planning Policy
17	SCM Policy for Infrastructure and Delivery Management
18	Contract Management Policy
19	Petty Cash Policy
20	Appointment of Consultants Policy
21	Virement Policy

Source: *Adopted Policies - Council Resolutions*

The following four (4) finance related policies has been reviewed and approved by Council:

- Rates Policy and By-Law
- Indigent Policy

- Credit Control and Debtor Collection Policy
- Cost Containment Policy

The following two (2) new finance related policies are developed but still need to be workshopped:

- Fleet Management Policy
- Write-Off Policy

	Procedure Manuals	Policy Status	Council Resolution Date
1	Fixed Assets Procedures	Developed	30-Jun-16
2	Purchasing Procedures	Developed	30-Jun-16
3	Petty Cash Procedures	Developed	30-Jun-16
4	Debtors Procedures	Developed	30-Jun-16
5	Bank Reconciliation Procedures	Developed	30-Jun-16
6	Creditors Payment Procedures	Developed	30-Jun-16
7	Budgeting Procedures	Developed	25-Jan-17
8	Cash Office Working Procedures	Developed	25-Jan-17
9	Loss Management Procedures	Developed	25-Jan-17
10	Payroll Working Procedures	Developed	25-Jan-17
11	Revenue Control Procedures	Developed	25-Jan-17
12	Valuation Levying of Assessment Rates Procedures	Developed	25-Jan-17
13	Meter Reading Procedures	Developed	new
14	Stores Procedures	Developed	10-Dec-15
15	S&T Procedures	Developed	10-Dec-15
16	Indigent Procedures	Developed	10-Dec-15
17	Accounting Procedures	Developed	10-Dec-15
18	AFS Procedures	Developed	10-Dec-15
19	Loans Procedures	Developed	10-Dec-15
20	Supply Chain Management Procedures	Developed	new
21	Contract Management Procedures	Developed	new
22	Housing/Human Settlements Procedures	Developed	new
23	Town Planning Procedures	Developed	Splum By-Laws
24	Property Valuation Procedures	Developed	new
25	Credit Control Procedures (Dis/Reconnection)	Developed	new
26	Opening Customer Accounts Procedures	Developed	new
27	Clearance Certificate Process - closing of accounts Procedures	Developed	new
28	Billing Procedure Manual	Developed	25-Jan-17

Source: Adopted Procedure Manuals - Council Resolutions

Table - List of Financial Sector Plans and other:

The status report on the Financial Sector Plans and other is as follows:

	Section	Statutory Plans	Status
1	Fraud Prevention Plan	The objective of this plan is to facilitate the development of controls which will aid in the detection and prevention of fraud against BCRM. It is the intent of BCRM to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.	Approved
2	Strategic Risk Management Register	The objective of this register is to facilitate the implementation of mitigating actions to improve service delivery and minimize the impacts of the potential risks within BCRM	Approved
3	Budget	1) Financial Plan / Budget 2) Service Level Standards	Approved
4	Financial Recovery Plan	The Blue Crane Route Municipality does not have a financial recovery plan in place.	Not applicable
5	Business Continuity Plan	To prepare the Municipality in the event of extended service outages caused by factors beyond our control (e.g., natural disasters, man-made events), and to restore services to the widest extent possible in a minimum time frame.	Approved but need to be reviewed .
6	Revenue Enhancement	This Cash Flow Turn-Around Plan is to present to management, methods on how to improve the revenue of the Blue Crane Route Municipality (EC102).	Need to be approved
7	MFMA Systems Delegations	The principles document clarifies the roles and responsibilities between role players in the delegation process in order to ensure a hierarchy of delegations from executive authorities to officials in the administration. The executive (municipal councils) is responsible for providing political leadership by deciding on policies and outcomes whereas the municipal manager and other senior managers are responsible for implementation and outputs in respect of the expected deliverables.	Approved but need to be reviewed

Source: Adopted Financial Sector Plans and other - Council Resolutions