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**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) FOR THE
FINANCIAL PERIODS 2019/2020 – 2020/2021 DRAFT BUDGET REPORT**

REPORT FROM THE CHIEF FINANCIAL OFFICER**PURPOSE OF REPORT**

The purpose of the report is for the Executive Mayor to table the draft multi-year budget (inclusive of property rates charges and taxes, tariffs and service charges), annexures and proposed amendments to the budget related policies and other policies to Council for approval in terms of Section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003).

BACKGROUND

Section 16 of the MFMA states,

- (1) The Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Furthermore, section 17 of the MFMA states:

- (1) An annual budget of a municipality must be schedule in the prescribed format-
 - (a) Setting out realistically anticipated revenue for the budget year from each revenue source;
 - (b) Appropriating expenditure for the budget year under the different votes of the municipality;
 - (c) Setting out indicative revenue source and projected expenditure by vote for the two financial years following the budget year;
 - (d) Setting out-
 - (i) Estimated revenue and expenditure by vote for the current year; and
 - (ii) Actual revenue and expenditure by vote for the financial year preceding the current year.

RELEVANT LEGISLATION

Municipal Finance Management Act 56 of 2003

Municipal Budget and Reporting Regulations – April 2005

Chapter 7 of the Constitution Act 108 of 1996

MFMA Budget Circulars

LAST MINUTE NEEDS AND FUTHER INPUTS FROM BUDGET HOLDERS AND PUBLIC WILL BE CONSIDERED DURING REVIEW PERIOD BASED ON AFFORDABILITY.

DRAFT BUDGET REPORT

Please find attached:

- Budget report compiled by the Chief Financial Officer
- Proposed Tariff list indicating tariff and tax increases. Electricity tariffs is subject to approval by NERSA. The fire services basic charge will most probably increase the proposed property taxes slightly.
- List of Service Levels
- List of Policies to be reviewed

RECOMMENDATION

1. That Council take note of the 2019/20 budget in terms of section 17(2) of the Municipal Finance Management Act, Act 56 of 2003, as follows :
 - (a) That the proposed budgeted related policies, be noted as to be reviewed and approved by no later than 31 May 2018;
 - (b) That the annual budget for the financial year 2018/19 and for the indicative outer years 2020/21 and 2021/22 be noted in terms of section 17(2) of the MFMA as set out :
 - i. Capital expenditure by project as contained in the Annexures to the agenda;
 - ii. Capital funding by source as contained in the Annexures to the agenda;
 - iii. Operating revenue by source as contained in the report;
 - iv. Operating expenditure by type as contained in the report,
 - (c) That the property rates as reflected in the report be imposed for the budget year 2019/20;

- (d) That the tariffs and services charges as reflected in the formal tariff list be noted for approval for the budget year 2019/20 before 31 May 2019;
 - (e) That the capital funding, both internal and external funding, be secured prior to the commencement of any new capital project;
 - (f) That the draft annual budget documentation for 2019/20 – 2020/21 as outlined in the budget regulations be submitted to National and Provincial Treasury.
2. That cognisance be taken that NO provision be made to purchase capital item or implement capital projects from own revenue due to current financial position of the municipality.
 3. That Council takes note of the on-going challenges with the vendor of the financial system.

City of Johannesburg
Municipal Council
2019/2020
2019/2020
2019/2020

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Kannaland Municipality

Draft Budget

2019/2020 to 2020/2021



Medium Term Revenue and Expenditure Framework (MTREF)

28 March 2019

Kannaland Municipality
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GLOSSARY

Adjustments budget - Prescribed in section 28 of the MFMA - the formal means by which a municipality may revise its annual budget during the year.
Allocations - Money received from provincial or national government or other municipalities.
Budget - The financial plan of municipality.
Budget-related policy - Policy of a municipality affecting or affected by the budget, such as the tariffs policy, rates policy and credit control and debts collection policy.
Capital expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the municipality's statement of financial position (balance sheet).
Cash flow statement - A statement showing when actual cash will be received and spent by the municipality. Cash payments do not always coincide with the timing of budgeted expenditure. For example, when an invoice is received by the municipality it scores as expenditure in the month it is received, even though it may not be paid in the same period.
DORA - Division of Revenue Act. Annual piece of legislation that shows the amount of allocations from national to local government.
Equitable share - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.
Fruitless and wasteful expenditure - Expenditure that was made in vain and would have been avoided had reasonable care been exercised.
GFS - Government finance statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.
GRAP - Generally Recognised Accounting Practice. The new standard for municipal accounting.
IDP - Integrated development plan. The main strategic planning document of the Municipality.
KPIs - Key performance indicators. Measures of services output and/or outcome.
MFMA - The Municipal Finance Management Act, 2003 - Act No. 56 of 2003. The principle piece of legislation relating to municipal financial management.

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MTREF – Medium-term revenue and expenditure framework. A medium-term financial plan, usually three years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.
Rates – Local government taxation based on an assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.
SDBIP – Service delivery and budget implementation plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.
Strategic Objectives – The main priorities of the municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.
Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.
Virement – A transfer of budget
Virement policy – The policy that sets out the rules for the budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by council through an adjustments budget.
Vote – One of the main segments into which a budget is divided, usually directorate/department level.

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1. PART 1 – ANNUAL BUDGET

1.1 MAYORAL SPEECH

The mayoral budget speech will be made available on the day of approval of the budget.

1.2 COUNCIL RESOLUTIONS TO BE TAKEN.

The council of Kannaland Municipality at a meeting that will take place on 26 April 2019 will take note of the final annual budget for 2019/20 – 2021/22.

The following recommendations are contained in the agenda of the special council meeting scheduled 26 March 2019 to table the above draft budget for public comment:

RECOMMENDATIONS

That council take note of the draft budget for 2019/20 budget in terms of section 17(2) of the Municipal Finance Management Act, (Act 56 of 2003), as well as section 24 of the Municipal Finance Management Act, (Act 56 of 2003) as follows:

However the municipality envisage to make hard copies or electronic copies available at public places and on the municipal website to enable the public and users of policies to submit their comments before approval of final budget and related documentation.

(a) that the following policies been reviewed and approved by no later than 30 May 2019:

1. Customer care, credit control and debt collection
2. Property rates
3. Tariff
4. Unauthorised, irregular and fruitless and wasteful expenditure
5. Indigent
6. Virement Policy
7. Cash management and investment
8. Supply chain management
9. PPPFA
10. Asset management
11. Funding borrowing and reserve
12. Long-term financial plan
13. Liquidity policy
14. Budget implementation and monitoring policy
15. Bad debt write-off
16. Fleet management
17. Grants-in-aid
18. Travel and subsistence
19. Risk management



- 20. Capital contributions for new developments
- 21. Water losses policy
- 22. Electricity losses policy
- 23. Public participation policy

- (b) that the annual budget for the financial year 2019/20 and indicative outer years 2020/21 and 2021/22 be noted in terms of section 24 of the MFMA as set-out:
 - (i) Capital expenditure by project as contained in annexure "3" to the agenda
 - (ii) Capital funding by source as contained in annexure "3" to the agenda
 - (iii) Operating revenue by source as contained in Table 1 of the report
 - (iv) Operating expenditure by type as contained in Table 2 of the report
- (c) that property rates as reflected in the report be imposed for the budget year 2019/20
- (d) that tariffs and services charges as reflected in the formal tariff list be noted for approval for the budget year 2019/20
- (e) that the capital funding, both internal and external funding, be secured prior to the commencement of any new capital project
- (f) all comments that were received be considered for correction or inclusion in the budget
- (g) that the final budget documentation for 2019/20 – 2021/2022 as outlined in the budget regulations be submitted to National and Provincial Treasury.

1.3 INCOMPLETE STATUTORY SCHEDULES AS A RESULT OF LACK OF VENDOR SUPPORT.

The reasons for the non-compliance were stated as follows:

- The vendor once again failed to render proper technical and system support to the municipality to produce the required schedules, as per MFMA Circular 91 until it was too late remedy the situation. We trust that the municipality will get the necessary support from the vendor to rectify deviations and those S-Forms that do not reconciling with A and B Schedules as required before the final approval of the budget for 2019/20 -2021/2022.
- The municipality does not host its own web-based accounting system and was accordingly completely dependent on the vendor to produce the required schedules.

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- The similar system problems resulted to the late submission of the Annual Financial Statements for 2017/18. Finalisation of aforementioned financial directly impact on the Adjustment Budget for 2018/19 especially with regard to the Budgeted Balance Sheet and Cash Flow prescribed annexures.
- The Manager of the Financial Recovery Plan has correctly summarised and defined the "Problem Statement" in his updated report during the first quarter of 2019 :
- UPDATE / REMEDIAL ACTION: 19 March 2019.
 - 2017/18 Budget was finalised following intervention from Provincial Treasury (PT) and the former Acting CFO.
 - While 2018/19 (Adjustment Budget) was finalise by statutory deadline the municipality could not produce schedule B (from the system as required by National Treasury), due to system errors on SAMRAS (BYTES). The vendor referred to error to its developers for fixing. To date the matter remains unresolved, despite consistent follow-up with vendor.
 - Conclusion: The unresolved system errors on SAMRAS are expected to affect the finalisation of the 2019/20 budget negatively.

The impact of the non-compliance on the remaining legislated process achievement of the with other MFMA timelines were as follows:

- In correct balances on various S-forms as a result of vendor system problems (awaits feedback from vendor's system developers) and
- The fact that the system produced various Trail Balances for the previous financial year hence the reason why the unaudited opening balances could not be captured.

In addition it should be added:

The MSCoA challenges and risks have been well documented within the weekly reporting to the provincial department of local government, the monthly progress reporting on the financial recovery plan, the back-to-basics programme, the Provincial Treasury technical engagement of February 2018 and various other public platforms. These challenges include:

- Disrupted flow of information with the income and expenditure (I&E) and general (GL) not functioning as they should.
- The GL had about 106 000 accounts with some 2 000 duplications.
- The Income & Expenditure duplicate accounts led to multiple misallocations.



- Random billing errors occurred.
- Error batches occurred due to parameter-related problems.
- Budget disappeared and changed without notice.
- mSCoA segmentation problems were not resolved in a timely manner.

During the 11 January 2018 provincial government / Bytes stakeholder meeting, Bytes admitted to problems at Kannaland with the mSCoA implementation and responded with the following: "...unfortunately there is no quick fix..."

What has been done, to date, to address the MSCoA challenges and risks?

- Kannaland requested the running of a parallel system with the MSCoA implementation, which was declined by the vendor during July 2017, apparently on advice from National Treasury. At the time, most transactions were done manually with the issuing of handwritten receipts.
- During August 2017, a meeting was held with Bytes and deadlines were set to resolve the MSCoA issues, but unfortunately it did not realise and all progress made was set back with the theft of the server in October 2017, which contained the MSCoA information.
- Despite availing substantial resources during October and November 2017 efforts to recover and reconstitute the MSCoA data yielded little results.
- Towards the end of January 2018, the way forward to resolve the MSCoA implementation challenges and risks was once again discussed with the vendor (Bytes) and timelines were set to resolve adjustment budget issues and to get a system-generated budget.
- The uploading of data, system errors, duplications, segmentation problems and incomplete information delayed progress and it was not possible to table a system-generated schedule A1 at the council meeting of 29 March 2018.
- The municipality also approached another vendor (Mubesko) for help to resolve the MSCoA challenges, but they could not assist.
- Bytes is onsite and to resolve the mentioned problems, which is being monitored by the CFO.
- A further stakeholder meeting was held with Bytes, provincial treasury, mayor and municipal staff on 10 April 2018 to develop a strategy and action plan to achieve the remaining MSCoA milestones.
- During January 2019 another meeting has been called between the municipality and the vendor by the Provincial Treasury but all in vain.

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- The staff of the vendor are trying their level best but they are unable to sort out the technical problems of the system without the help of their system developers.
- The municipality also took a delegation and two staff members to the Cape Town Offices of the vendor to receive hands on training to complete the municipality's Adjustment for 2018/19 and thereafter the municipality paid an employee and project managers of the vendor to render the necessary support but various technical systems errors remain unresolved.

Recommendation to council

That council take note of the statutory shortcomings and deviations regarding version 6.2 of various schedules A1 as per MFMA circular 91, relating to contents of the budget and supporting documentation.

1.4 BUDGET 2018/2019 MID-YEAR REVIEW AND ADJUSTMENTS BUDGET

The following table shows the adjustment budget 2018/19 and proposed budget for 2019/20

	18/19	2019/20
<i>Total Income</i>	- 212 270 913,00	- 220 976 670
<i>Total Oper Exp</i>	186 767 780,00	165 119 865
<i>Capital Expenses</i>	24 569 200,00	51 658 450

The 2018/19 adjustments budget, which reflects a more realistic estimation of revenue and expenditure, was taken into account in the preparation of the 2019/20 MTREF.

1.5 EXECUTIVE SUMMARY

A budget task team was established for the preparation of the 2019/20 budget. The budget task team was confronted with numerous challenges during the budget process. The following matters will probably impact on the final annual budget:

- The continued negative effect of the economic downturn, more so now that our national economic health is in a volatile state
- The increasing service delivery shortcomings and the inability of the municipality to properly fund service delivery requirements
- The inability of the municipality to establish a capital replacement reserve to provide financial leverage for non-cash items in the budget
- Insufficient funding for the rehabilitation and/or replacement of components that have reached the end of their design life
- inadequate maintenance budgets, which could be attributed to the municipality's limited income base
- Inadequate interdepartmental cooperation with the preparation and implementation of the budget
- Failure to implement strategic plans developed for the improvement of the financial health of the municipality
- Kannaland's outstanding creditor book due to previous financial challenges which the current budget must provide for
- Nersa's directive that bulk purchases will once again increase above the inflation rate for municipalities.

- j) The biggest impact on the budget preparation was without a doubt the problematic implementation of MSCoA and related financial system's shortcomings of the vendor.

The 2018/19 adjustments budget in February 2019 again proved that the ability of council to reduce costs is limited due to the fact that the fixed cost component of the operating budget exceeds the variable costs by far. The adjustments budget defined the basis for the final 2019/20 budget, but it should be taken in consideration that a lot of historic financial data had to be used to base assumptions on due to the negative impact of MSCoA and the inability to accurately recognise expenditure when incurred.

The successful of the financial recovery plan, as adopted by council during March 2018, is crucial to ensure the municipality is financially stable and is able to provide services on a sustainable basis. Council approved a revenue enhancement plan that was developed in partnership with Municipal Infrastructure Support Agency (MISA). The implementation of this strategy is a work-in-progress. Safe to add that that

Key budget considerations:

- The municipality must focus on its core functions. During the adjustments budget of 2019 the budget committee and the portfolio councillors in conjunction with the heads of department scrutinised the budget to affect all possible savings.
- The need to maximise income through efficiencies and the way we do business was investigated before we decided to increase our rates, service charges and other tariffs within reasonable levels.
- An initiative as part of the revenue enhancement project was implemented to ensure, among other, that all consumers are billed correctly and are contributing to the municipality's income as set out in our tariff policy.
- A provision of was made for debtor's impairment in the operating budget. The writing off of irrecoverable debt will continue to be scrutinised through the business processes of the internal credit control unit. An internal credit control committee will be established to ensure that proper credit control measures are performed and to recommend the writing off of debt to council. Specific focus was applied to the write-off of indigent consumer debt of prior years. The municipality envisage to put control measures in place to properly control and manage municipal accounts of indigent consumers.
- The municipality was unable in the past to realise a capital replacement reserve (CRR) due to previous financial limitations and restrictions to take action against indigent households who are failing to adhered to the relevant policy and requirements. Council has envisaged to establish the revenue enhancement plan will, however, include the establishment of a CRR to be

funded from a vigorous collection process to be applied in respect of prior year's outstanding debt. This process will be phased in over the next five years. The aforementioned will be a very great challenge especially due to overdue creditor's accounts of more than R39 million.

- The capital contributions policy was reviewed to ensure that the municipality receives fair compensation from bulk capacity sold to bulk consumers.
- The municipality adopted a hands-on cash management approach through a planned cash flow management committee. The municipality's updated cash management policy will be in effect as from 1 July 2019.
- No external loans will be sourced to fund capital projects. The capital acquisitions for 2019/2020 will be limited to the availability of cash funds and secured grant funding.
- The municipality has implemented a process to ensure that all available national and provincial government grants are accessed in order to service part of our capital programme.
- The municipality is currently undertaking an internal land audit with the aim to identify properties which could be alienated. The process, however, is at the stage that any financial inflows will only be accounted for in the next adjustments budget. These funds will be utilised to build the CRR.
- In spite of the abovementioned challenges, the budget task team managed to build the tariffs around the CPI inflation base on the macro economic performance for 2017/2018 to 2019/2020. They have further applied electricity increases line with Eskom tariffs, as well as NERSA and National Treasury guidelines.

MFMA circulars

National Treasury issued MFMA Circular No. 89 and 91 providing guidance to municipalities on their 2019/20 budgets and medium-term revenue and expenditure framework (MTREF). Circular 89 was followed up by Circular no. 91, dated March 2018. Circular Nos. 89 and 91 remind us of the key focus areas for the 2018/19 budget process and that they must be read together with previous MFMA Circular Nos. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75, 79, 80 and 82 to understand the background to this budget.

National Treasury has also set out the requirements for funding the budget and producing a credible budget.



Funding the budget

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

- Realistically anticipated revenues to be collected
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes
- Borrowed funds, but only for the capital budget referred to in section 17

The municipality is committed to achieving the outcomes, as outlined by the above legislation. It is, however, it is not always possible to ensure that budgeted inflows break even with budgeted inflows due to inherent financial and other constraints. Our 2019/2020 proposed budget is an indication that we are closer to achieving this objective.

Under old budget formats, a 'balanced' income-generated approach was a key objective and this assisted in ensuring that outflows were matched by inflows, provided revenue collections were realistic. However, the requirement for GRAP-compliant budgets necessitated that budget 'balancing' be much more comprehensive.

New budgeting and accounting formats demand that the budgeted statement of financial performance (income statement), the budgeted statement of financial position (balance sheet) and the budgeted statement of cash flows must be considered simultaneously to ensure effective financial management and sustainability and to ensure that the budget is funded.

A credible budget

Amongst other things, a credible budget is a budget that adhere to the following principles:

- Items budgeted for should be restricted to key performance indicators identified in the IDP for that specific period. Care should be taken that provision is only made provided sufficient funding is available.
- The budget should be achievable in terms of agreed service delivery and performance targets.
- It contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions.
- The financial viability of the municipality should at all times be considered in deciding on the inclusion or exclusion of the budget items (affordability confirmed prior to inclusion).
- Managers are provided with appropriate levels of delegation sufficient to meet their financial management responsibilities.



1.6 BUDGET OVERVIEW OF THE 2019/2020 MTREF

This section provides an overview of the Kannaland Municipality's 2019/20 to 2021/22 MTREF. It includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of the municipality.

The municipality's budget must be seen within the context of the policies and financial priorities of national, provincial and local governments. In essence, the spheres of government are partners in meeting the service delivery challenges faced in Kannaland. Kannaland alone cannot meet these challenges. It requires support from the other spheres of government through the direct allocation of resources, as well as the achievement of their own policies.

According to MFMA Circular No. 91, the following headline inflation forecasts underpin the 2019/20 national budget:

Fiscal year	2018/19	2019/20	2020/21	2021/22
	Estimate	Forecast		
Headline CPI inflation	4.7%	5.2%	5.4%	5.4%

The 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.

The budget process in Kannaland followed the requirements of the MFMA. A table of key deadlines was tabled in council by the mayor in August 2018. The budget task team was to examine, review and prioritise budget proposals from departments.

For the 2019/20 period, the municipality is planning to spend R51 658 450 on capital projects.

The MFMA requires municipalities to set out measurable performance objectives when tabling their budgets. These "key deliverables" link the financial inputs of the budget to service delivery requirements.

As a further enhancement to this, quarterly service targets and monthly financial targets are contained in the service delivery and budget implementation plan (SDBIP). This must be approved by the mayor within 28 days after the approval of the final budget and forms the basis for the municipalities in year monitoring.

Kannaland budgeted for an operational surplus of R4 198 355. The total expected operational revenue is R220 976 670 and operational expenditure is R165 119 865. Contributed assets funded by conditional national grants in the budget to the amount of R51 658 450

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Further comments regarding the financial position and financial results will be included in the final report after the systems data strings have been rectified.

In view of the aforementioned, the following table is a consolidated overview of the proposed MTREF:

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Table A1 Budget summary

WC041 Kannaland - Table A1 Budget Summary

Description	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	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Financial Performance										
Property rates	-	-	-	20 113	20 113	20 113	11 897	21 266	22 425	23 647
Service charges	-	-	-	74 994	74 994	74 994	48 299	79 285	83 644	88 242
Investment revenue	-	-	-	500	500	500	351	526	554	584
Transfers recognised - operational	-	-	-	33 611	61 962	61 962	23 707	34 685	35 443	35 184
Other own revenue	-	-	-	17 248	17 248	17 248	5 018	17 151	18 076	19 052
Total Revenue (excluding capital transfers and contributions)	-	-	-	146 466	174 818	174 818	89 271	152 912	160 143	166 709
Employee costs	-	-	-	55 215	55 627	55 627	36 402	57 991	60 355	62 823
Remuneration of councillors	-	-	-	3 053	3 063	3 063	40	3 185	3 312	3 445
Depreciation & asset impairment	-	-	-	10 661	10 661	10 661	-	11 192	11 749	12 335
Finance charges	-	-	-	422	422	422	176	439	456	474
Materials and bulk purchases	-	-	-	35 312	35 412	35 412	15 909	36 944	38 424	39 964
Transfers and grants	-	-	-	2 325	2 525	2 525	133	322	335	349
Other expenditure	-	-	-	36 218	64 612	64 612	5 905	40 813	42 074	43 938
Total Expenditure	-	-	-	143 206	172 322	172 322	58 564	150 885	156 706	163 327
Surplus/(Deficit)	-	-	-	3 260	2 496	2 496	30 707	2 027	3 437	3 383
Transfers and subsidies - capital (monetary allocated)	-	-	-	44 648	23 448	23 448	6 957	47 658	82 060	82 495
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	-	-	47 908	25 944	25 944	37 664	49 686	85 497	85 878
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	47 908	25 944	25 944	37 664	49 686	85 497	85 878
Capital expenditure & funds sources										
Capital expenditure	-	-	-	44 978	24 569	24 569	(124)	51 658	82 810	83 295
Transfers recognised - capital	-	-	-	44 648	23 448	23 448	(124)	50 958	82 060	82 495
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	330	1 121	1 121	-	-	-	-
Total sources of capital funds	-	-	-	44 978	24 569	24 569	(124)	50 958	82 060	82 495
Financial position										
Total current assets	-	-	-	-	-	-	34 367	-	-	-
Total non current assets	-	-	-	44 978	24 569	24 569	905	51 658	134 468	217 763
Total current liabilities	-	-	-	-	-	-	(2 224)	-	-	-
Total non current liabilities	-	-	-	-	-	-	(3)	-	-	-
Community wealth/Equity	-	-	-	-	-	-	161	-	-	-
Cash flows										
Net cash from (used) operating	-	-	-	(22 551)	130 357	130 357	152 498	-	-	-
Net cash from (used) investing	-	-	-	44 978	24 569	24 569	(124)	-	-	-
Net cash from (used) financing	-	-	-	-	-	-	37	-	-	-
Cash/cash equivalents at the year end	-	-	-	22 427	154 926	154 926	152 411	-	-	-
Cash backing/surplus reconciliation										
Cash and investments available	-	-	-	-	-	-	43 277	-	-	-
Application of cash and investments	-	-	-	950	928	928	15 499	965	1 004	1 044
Balance - surplus (shortfall)	-	-	-	(950)	(928)	(928)	27 779	(965)	(1 004)	(1 044)
Asset management										
Asset register summary (WDV)	-	-	-	18 472	21 063	21 063	-	25 253	59 003	91 803
Depreciation	-	-	-	10 661	10 661	10 661	-	11 192	11 749	12 335
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	23 241	23 225	23 225	-	23 796	24 771	25 784
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	(8 535)	(8 535)	(8 961)	(9 409)
Revenue cost of free services provided	-	-	-	5 555	5 555	5 555	5 700	5 700	5 954	6 220
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

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1.7 BUDGETED FINANCIAL PERFORMANCE

Table A4 Budgeted financial performance (revenue and expenditure)

WC041 Kannaland - Table A4 Budgeted Financial Performance (revenue and expenditure)

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	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	-	-	-	20 113	20 113	20 113	11 897	21 266	22 425	23 647
Service charges - electricity revenue	2	-	-	-	46 578	46 578	46 578	31 250	49 091	51 750	54 554
Service charges - water revenue	2	-	-	-	13 824	13 824	13 824	8 855	14 640	15 440	16 283
Service charges - sanitation revenue	2	-	-	-	8 401	8 401	8 401	4 235	8 874	9 397	9 950
Service charges - refuse revenue	2	-	-	-	6 190	6 190	6 190	3 959	6 680	7 057	7 455
Rental of facilities and equipment		-	-	-	909	909	909	324	956	1 008	1 062
Interest earned - external investments		-	-	-	500	500	500	351	526	554	584
Interest earned - outstanding debtors		-	-	-	5 327	5 327	5 327	24	5 604	5 907	6 225
Dividends received		-	-	-	3	3	3	-	-	-	-
Fines, penalties and forfeits		-	-	-	8 486	8 486	8 486	3 661	8 928	9 410	9 918
Licences and permits		-	-	-	152	152	152	113	160	169	178
Agency services		-	-	-	960	960	960	528	1 010	1 064	1 122
Transfers and subsidies		-	-	-	33 611	61 962	61 962	23 707	34 685	35 443	35 184
Other revenue	2	-	-	-	1 411	1 411	1 411	368	492	519	546
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	-	146 466	174 818	174 818	89 271	152 912	160 143	166 709
Expenditure By Type											
Employee related costs	2	-	-	-	55 215	55 627	55 627	36 402	57 991	60 355	62 823
Remuneration of councillors		-	-	-	3 053	3 063	3 063	40	3 185	3 312	3 445
Debt impairment	3	-	-	-	16 018	16 018	16 018	229	16 658	17 325	18 018
Depreciation & asset impairment	2	-	-	-	10 661	10 661	10 661	-	11 192	11 749	12 335
Finance charges		-	-	-	422	422	422	176	439	456	474
Bulk purchases	2	-	-	-	32 259	32 259	32 259	15 056	33 549	34 891	36 287
Other materials	8	-	-	-	3 054	3 154	3 154	853	3 395	3 533	3 677
Contracted services		-	-	-	8 710	36 788	36 788	1 757	11 272	11 334	11 952
Transfers and subsidies		-	-	-	2 325	2 525	2 525	133	322	335	349
Other expenditure	4, 5	-	-	-	11 491	11 807	11 807	3 919	12 883	13 415	13 968
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		-	-	-	143 206	172 322	172 322	58 564	150 885	156 706	163 327
Surplus/(Deficit)		-	-	-	3 260	2 496	2 496	30 707	2 027	3 437	3 383
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	-	-	44 648	23 448	23 448	6 957	47 658	82 060	82 495
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		-	-	-	47 908	25 944	25 944	37 664	49 686	85 497	85 878
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		-	-	-	47 908	25 944	25 944	37 664	49 686	85 497	85 878
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		-	-	-	47 908	25 944	25 944	37 664	49 686	85 497	85 878
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		-	-	-	47 908	25 944	25 944	37 664	49 686	85 497	85 878

1.8 OPERATING REVENUE FRAMEWORK

The increase in revenue is mainly due to an increase in tariffs that have been in line and capped by the headline (CPI) inflation forecast. It should be noted that even though Kannaland Municipality had tariff increases that exceeded inflation the progress made to achieving a self-sustainable municipality has been offset by the increased inability to collect revenue. The cost of compliance, low productivity, the high cost of rural procurement and the inability to attract scarce skills at an affordable cost all contribute to an expense account that cannot be funded by our current revenue base and strategies need to be developed to expand the current revenue base with taking into account the limited water storage capacity at the same time. The drought is having an adverse effect on not only the ability to collect revenue, as a result of the downturn in the economy, but also on the selling of economic services (water and electricity) that are the main contributors to the profit margin of the municipality.

The increase in revenue is mainly due to:

- an increase in tariffs
- an increase in grant funding
- an increase in equitable share allocation (R25 957 000– 2018/19 to R28 147 000– 2019/20);
- the prevention of water losses due to by-passed and faulty water meters

SERVICE CHARGES AND MISCELLANEOUS TARIFFS:

The following tariff increases are proposed: Please see annexure 2 for detailed tariffs

- Electricity - 6.84 % (Awaiting NERSA approval)
- Water – 5.2 %
- Rates – 5.2%
- Refuse - 5.2%
- Sewerage – 5.2%
- Other – 5.2%

Please refer to annexure 2 for a detailed proposed tariff list.

Below is a summary of proposed tariff increases.

TARIFF CHANGES SUGGESTED FOR 2019/20

Rate tariffs

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

An increase of 5.2 % in rates income will be raised for 2019/20.

Property rates in terms of the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004), will be levied as follows:

Property rates

Property tax on all residential properties described in section 17(1)(h)(ii) of act no. 6 of 2004 are as follows:

- The tariff applied to the total valuation: R0,01388

Property tax on all business / industrial zoned sites is as follows:

- The tariff applied to the total valuation: R0,02533

Property tax on all agriculture and public service infrastructure is as follows:

- The tariff applied to the total valuation: R0.00347

Property tax on all guesthouses is as follows:

- The tariff applied to the total valuation: R0,01735

Property tax on all spaza shops is as follows:

- The tariff applied to the total valuation: R0,01458

Property tax on all public benefit organisation properties is as follows:

- The tariff applied to the total valuation: R0.01388

The following exclusions / exemptions / rebates on property rates will be granted:

- **Exclusion of impermissible rates**

In terms of section 17 of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) a municipality may not levy a rate

- on those parts of a nature reserve, national park or nature reserve within the meaning of the Protected Areas Act
- on the first R15 000.00 of the market value of a property assigned in the valuation or supplementary roll to a category determined by the municipality for

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- (i) improved residential properties and (ii) for properties used for multiple purposes
- on a property registered in the name of and used primarily as a place of public worship, including an official residence which is occupied by an office-bearer.
- **Rebate in respect of zoning**
 - Sites zoned for residential purposes and used for residential purposes only and of which the total valuation is R70 000.00 or less, will automatically be exempt from property rates;
 - Regarding sites zoned for improved residential purposes and used for improved residential purposes only and of which the valuation is R70 001.00 or more, no exemption will apply. It will apply in circumstances where an impermissible exclusion will be awarded on the first R15 000.00 of the valuation of the property.
- **Rebate in respect of pensioners**
 - A 30% additional rebate will be granted to persons at the age of 60 years and older.
 - A ratepayer will be defined as follows: "A registered owner of rateable property who inhabits and controls the property and is responsible for the payment of rates on the property"
- **Rebate in respect of agricultural and public service infrastructure properties**
 - A rebate of 75% on rates will be granted in respect of properties which are zoned and used for agricultural purposes.
 - A rebate of 75% on rates will be granted in respect of properties which are zoned for public service infrastructure
 - No rebate on rates will be granted to businesses operating on agricultural properties.
 - The rebate granted to agricultural properties will be equal to seventy five percent (75%) of the rate payable by other rate payers. The differential rate will be calculated as follows:
 - (a) a 5% differential since the municipality does not provide municipal roads
 - (b) a 5% differential since the municipality does not provide sewerage services



- (c) a 5% differential since the municipality does not provide electricity services
- (d) a 10% differential since the municipality does not provide water services
- (e) a 10% differential since the municipality does not provide refuse removal services
- (f) a 10% differential since the farm owner supplies 1 to 10 houses to farm workers
- (g) a 20% differential since the farm owner supplies more than 10 houses to farm workers.
- (h) a 10% differential since the owner supplies work opportunities for less than 10 permanent workers.
- (i) a 20% differential since the farm owner supplies work opportunities for more than 10 permanent farm workers.

Please note the following:

- Only one of (f) & (g) can be applicable.
- Only one of (h) & (i) can be applicable.
- **Rebate for property to social-economic organisations**
 - A rebate of 80% on rates will be granted to social-economic organisations based on the tariff applicable in the Kannaland area, but only when a tax certificate is provided.

Effective date

The above-mentioned property rates will become payable as from 1 July 2019, i.e. for the municipality's financial year ending on 30 June 2020.

Proposed rates increase to be levied for the 2019/20 financial year

Category	TARRIFF (1 July 2018) cent	CURRENT TARRIFF (from July 2019) cent	Proposed % increase to be levied from 1 July 2020.
Residential	0.0130983	0.01388	5.2%
Old age homes	0.0026211	0.01388	5.2%
Guesthouses	0.0163697	0.01735	5.2%
Spaza shops (residential + 5%)	0.0137523	0.01735	5.2%
Agricultural	0.0032764	0.00347	5.2%
Business	0.0238993	0.02533	5.2%



Water tariffs

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. The situation is further influenced by the droughts experienced in the surrounding areas. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure that water tariffs are:

- fully cost-reflective, including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion
- structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent)
- designed to encourage efficient and sustainable consumption.

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective.

During the tariff modelling exercise, it was acknowledged that the basic charge for water does not cover the basic cost for the water service and that the structure needs to be changed and remodelled in future budgets.

A tariff increase of 5.2 % from 1 July 2019 for water is proposed. In addition, 6kl water per 30-day period will be granted free of charge to indigent households. The tariff structure is designed to charge higher levels of consumption at a higher rate per kilolitre with certain consumers paying an average fixed rate for water. These consumers include:

- industries
- large businesses and B&Bs
- social and services institutions
- old age home and frail care centres
- churches, schools, hostels and clubs
- stand pipe consumers

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

Table 5 – Proposed water tariffs

CATEGORY	CURRENT TARIFF (2017/2018)	PROPOSED TARIFF (2018/2019)	Proposed % increase to be levied from 1 July 2020.
	Rand per kl	Rand per kl	
Residential			
(i) 0 to 6 kl per 30 -day period	4.72	5.00	5.2%
(ii) 7 to 15 kl per 30 -day period	5.39	5.71	5.2%
(iii) 16 to 20 kl per 30 -day period	8.49	9.00	5.2%
(iv) 21 to 30 kl per 30 -day period	10.11	10.71	5.2%
(iv) above 30 kl per 30 -day period	11.86	12.57	5.2%
Industries			
Large business and guesthouses	10.11	10.71	5.2%
Social and services institutions	8.76	9.28	5.2%
Old age home and frail care centres	7.01	7.43	5.2%
Churches, schools, hostels and clubs	7.01	7.43	5.2%
Stand pipe consumers	7.01	100.00	5.2%

Electricity tariffs

It is foreseen that the municipal electrical tariff will increase above 7 % but will however be in line with the prescribed NERSA tariffs. The medium bulk "time of use" tariff does indicate a very low profit margin and will need to be revisited. The municipality applies a seasonal tariff to the electricity usage thus an increased tariff is applied for the winter periods.

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

Comparison between current electricity charges and increases domestic – Single phase consumer: one part pre-paid (VAT exclusive)

[Including Churches, Halls, Social and Frail Care Centres]

			2016/2017	
LIFELINE TARIFF: 0-20 AMPERE			SUMMER: Sept-May	WINTER: June-Aug
USAGE BLOCKS:				
Block 1	0-350kWh		1.0500	1.2600
Block 2	350-600kWh		1.1400	1.3900
Block 3	>600kWh		1.6400	1.8000

* TARIFF AIM: 0-20 AMPS, Low income groups, less than 450 kwh per month.

* If consumer use more than 450kWh the prepaid option must be used

Excluding VAT 2017/2018		Excluding VAT 2018/2019	
SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug
1.0600	1.2850	R 1.13	R 1.37
1.1600	1.4175	R 1.24	R 1.51
1.6730	1.8350	R 1.79	R 1.96

			2016/2017	
CONVENTIONAL TARIFF: 0-59 AMPERE			SUMMER: Sept-May	WINTER: June-Aug
Block 1	0-350kWh		1.3000	1.4600
Block 2	>350kWh		1.4000	1.5700
Basic - Fixed charge Rand per month			R	50.00

* TARIFF AIM: 0-59 AMPS, Low and Medium income groups, less than 850kwh per month.

2017/2018		2018/2019	
SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug
1.3100	1.4900	R 1.40	R 1.59
1.4400	1.5900	R 1.54	R 1.70
R	50.75	R	54.22

			2016/2017	
CONVENTIONAL TARIFF: 60 - 100 AMPERE			SUMMER: Sept-May	WINTER: June-Aug
Block 1	0-600kWh		1.3500	1.7500
Block 2	>600kWh		1.6500	1.8100
Basic - Fixed charge Rand per month			R	330.00

* TARIFF AIM: 60-100 AMPS, Medium and Higher income groups. Structured to encourage Energy saving methods and rather to transfer to Prepaid.

2017/2018		2018/2019	
SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug
1.3400	1.7000	R 1.43	R 1.82
1.6400	1.8100	R 1.75	R 1.93
R	336.50	R	359.52

			2016/2017	
PREPAID TARIFF: 0 - 100 AMPERE			SUMMER: Sept-May	WINTER: June-Aug
Block 1	0-600kWh		1.2900	1.5300
Block 2	350-600kWh		0.0000	0.0000
Block 3	>600kWh		1.4800	1.6900
Basic - Fixed charge Rand per month			DISCONTINUE	
Environmental Levy (cent per kwh)			-	-

2017/2018		2018/2019	
SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug
1.3140	1.5600	R 1.3907	R 1.6511
0.0000	0.0000	R 1.4302	R 1.6979
1.5075	1.7250	R 1.6106	R 1.8430

Tariffs will apparently increase by more than 7% pending final approval by NERSA before the adoption of the 2019/20 Budget.

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Commercial proposed tariffs

COMMERCIAL PRICING TARIFFS FOR KANNALAND 2017-18 (SUMMER & WINTER PRICES)									
COMMERCIAL	2.2.1	Commercial - Small to Medium Consumers [30A - 60A] Conventional meters							
			2016/17			2017/18	2018/2019		
		Basic - Fixed charge per month	R 428.60		R / MONTH	R 436.75	R 466.62		
		Demand Cost per Ampere [Circuit breaker]	R 0.00		R / AMP	R 0.00	R -		
		Energy Cost per unit [kWh] - Summer	R 1.4108		C / KWH	R 1.4373	R 1.54		
		Energy Cost per unit [kWh] - Winter	R 1.7714		C / KWH	R 1.8047	R 1.93		
	2.2.2	Commercial - Small to Medium Consumers [30A - 60A] Pre-Paid meters							
			2016/17			2017/18	2018/2019		
		Energy Cost per unit [kWh] - Summer	R 1.7550		C / KWH	R 1.7880	R 1.91		
		Energy Cost per unit [kWh] - Winter	R 1.8023		C / KWH	R 1.8362	R 1.96		
BULK	2.2.3	Commercial - Large Consumers [60A - 150A] Conventional meters							
			2016/17			2017/18	2018/2019		
		Basic - Fixed charge per month	R 481.03		R / MONTH	R 489.69	R 523.18		
		Demand Cost per Ampere [Circuit breaker]	R 0.00		R / AMP	R 0.00	R -		
		Energy Cost per unit [kWh] - Summer	R 1.5762		C / KWH	R 1.5644	R 1.67		
		Energy Cost per unit [kWh] - Winter	R 1.7600		C / KWH	R 1.7453	R 1.86		
	2.2.4	Commercial - Large Consumers [60A - 150A] Pre-Paid meters							
			2016/17			2017/18	2018/2019		
		Basic - Fixed charge per month	R 258.72		R / MONTH	R 263.58	R 281.61		
		Energy Cost per unit [kWh] - Summer	R 1.6634		C / KWH	R 1.6947	R 1.81		
		Energy Cost per unit [kWh] - Winter	R 1.7670		C / KWH	R 1.8000	R 1.92		
	2.2.5	Commercial Bulk Consumers < 500 kVA							
			2016/17			2017/18	2018/2019		
		Basic - Fixed charge per month	R 1 373.25		R / MONTH	R 1 058.75	R 1 130.00		
		Demand - Cost per kVA	R 189.48		R / KVA	R 193.04	R 206.00		
		Energy Cost per unit [kWh] - Summer	R 0.9204		C / KWH	R 0.9377	R 1.020		
		Energy Cost per unit [kWh] - Winter	R 1.4858		C / KWH	R 1.5150	R 1.620		
	2.2.6	Commercial Bulk Consumers > 500 kVA							
			2016/17			2017/18	2017/18		
		Basic - Fixed charge per month	R 3 312.11		R / MONTH	R 3 374.38	R 3 605.00		
		Demand - Cost per kVA	R 183.93		R / KVA	R 187.39	R 200.00		
		Energy Cost per unit [kWh] - Summer	R 0.8784		C / KWH	R 0.8949	R 0.96		
		Energy Cost per unit [kWh] - Winter	R 1.4326		C / KWH	R 1.4600	R 1.56		
	2.2.7	Special Bulk Consumers Time of Use 50- 500 kVA							
		CHARGE:	2016/17			2017/18	2017/18		
		BASIC:	R 43.72		R / DAY	R 40.21	R 42.90		
		DEMAND:	R 82.41		R / KVA (ACT.)	R 83.96	R 89.69		
		ACCESS:	R 38.08		R / KVA (MND)	R 38.80	R 41.52		
		ENERGY:							
		PEAK LOW:	R 1.0534		C / KWH	R 1.0812	R 1.135		
		STD LOW:	R 0.6943		C / KWH	R 0.7123	R 0.762		
		OFF-PEAK LOW:	R 0.5215		C / KWH	R 0.5393	R 0.584		
		PEAK HIGH:	R 3.4583		C / KWH	R 3.5233	R 3.688		
	2.2.8	Special Bulk Consumers Time of Use > 500 kVA							
		CHARGE:	2016/17			2017/18	2018/2019		
		BASIC:	R 215.43		R / DAY	R 208.69	R 222.964		
		DEMAND:	R 80.35		R / KVA (ACT.)	R 81.80	R 87.362		
		ACCESS:	R 36.36		R / KVA (MND)	R 37.01	R 39.560		
		ENERGY:							
		PEAK LOW:	R 1.2759		C / KWH	R 1.2999	R 1.388		
		STD LOW:	R 0.9101		C / KWH	R 0.9272	R 0.991		
		OFF-PEAK LOW:	R 0.6500		C / KWH	R 0.6622	R 0.708		
		PEAK HIGH:	R 3.6332		C / KWH	R 3.7015	R 3.950		
		STD HIGH:	R 1.1726		C / KWH	R 1.1946	R 1.276		
		OFF-PEAK HIGH:	R 0.7661		C / KWH	R 0.7805	R 0.835		

Tariffs will apparently increase by more than 7% pending final approval by NERSA before the adoption of the 2019/20 Budget.

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Sanitation tariffs

A tariff increase of 5.2 % for sanitation from 1 July 2019 is proposed.

The following table compares the current and proposed tariffs:

Comparison between current sanitation charges and increases

Description	CURRENT TARIFF 2017/2018 Rand per month	PROPOSED TARIFF 2018/19 Rand per month	Proposed % increase to be levied from 1 July 2019.
Residential unit p/a	173.09	183.48	5.2%
Residential old age unit p/a	125.68	133.22	5.2%

Waste removal tariff

A 5.2 % increase in the waste removal tariff is proposed from 1 July 2019.

Comparison between current waste fees and increases for a single dwelling-house

Description	CURRENT TARIFF 2017/2018	PROPOSED TARIFF 2018/19	DIFFERENCE R	Proposed % increase to be levied from 1 July 2019.
Small businesses	222.80	236.16	13.36	5.2%
Businesses	222.80	236.16	13.36	5.2%
Hotels B&B's and self- catering	224.89	238.39	13.50	5.2%
Old age homes and frail care centres	179.92	190.71	10.79	5.2%

Indigent household rebates (subject to NERSA 2019/20 tariff approval).

Description	2017/18 R	2018/2019 R
Electricity (50 units) - Summer	65.70	70.20
Electricity (50 units) - Winter	78.00	83.34
Water (basic charge)	79.02	83.76
Sanitation (basic charge)	173.09	183.48
Refuse (basic charge)	179.92	190.71
Total	575.73	611.49

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Overall impact of tariff increases on households

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

It needs to be noted that the majority of indigent households in Kannaland are situated in the affordable house areas. The valuation of these houses is below R70 000 and due to rebates do not pay property rates.

Indigent households receive a discount on their services equal to the basic charge for water plus 6kl water free, 50kwh electricity units, the monthly levy for refuse and sanitation.

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The following table provides a breakdown of the various grants allocated to Kannaland Municipality over the medium term:

Subsidies & Transfers 2018-2019				88 514 000,00	118 299 000,00	120 965 000,00
				Original Budget		
				19-20	20-21	21-22
Grant	Gazette	Dept				
Opex Equitable Share	DORA	National		28 147 000,00	29 854 000,00	31 721 000,00
Opex FMG	DORA	National		2 215 000,00	2 647 000,00	2 911 000,00
Opex MIG - PMU	DORA	National		513 550,00	529 450,00	552 350,00
Opex EPWP	DORA	National		1 184 000,00	-	-
Opex WC - Fin Management Support	8058	Provincial		330 000,00		
Opex Human Settlement	8058	Provincial		380 000,00		
Opex WC: Transport Infrastructure	8058	Provincial		50 000,00	57 000,00	57 000,00
Opex WC Fin Mngmt Capacity Building	8058	Provincial		380 000,00		
Opex Library (Replacement)	8058	Provincial		2 826 000,00	2 302 000,00	2 429 000,00
Capex Library (Replacement)	8058	Provincial		50 000,00		
Capex Community Serv Library Grant	8058	Provincial		650 000,00	750 000,00	800 000,00
Opex Thusong Centre	8058	Provincial		-	100 000,00	-
Opex Fire Services Capacity Building	8058	Provincial		830 000,00	-	-
Capex Drought Relief	8058	Provincial		3 300 000,00	-	-
Capex Regional Bulk Infrastructure	DORA	National		10 000 000,00	19 000 000,00	20 000 000,00
Capex Regional Bulk Infrastructure	DORA	National		15 000 000,00	30 000 000,00	30 000 000,00
Capex Water Serv Infrastructure Grant	DORA	National		10 000 000,00	20 000 000,00	20 000 000,00
Capex INEG	DORA	National		2 901 000,00	3 000 000,00	2 000 000,00
Capex MIG - Capital	DORA	National		9 757 450,00	10 059 550,00	10 494 650,00

CREDIT CONTROL AND DEBT COLLECTION

Credit control has been outsourced with great success, but even if most effective, it will not meet the industry benchmark set at 93%. The population of Kannaland Municipality can be regarded as impoverished and unemployment is at an all-time high due to the impact of the drought. The economy is very much industry- (winery and dairy) and agriculture-dependent that is seasonal in nature. The budget assumptions with regard to debt impairment are as follow:

	2019/20 R	2020/21 R	2021/22 R
Provision for bad debts and doubtful debts - service debt	12,619,890.00	13,124,680.00	13,649,660.00
Assumed collection rate	81.5%	82.5%	83%
Provision for bad and doubtful debts – fines	4,083,320.00	4,199,850.00	4,367,840.00

1.9 OPERATING EXPENDITURE FRAMEWORK

The expenditure framework for the 2018/19 budget and MTREF is informed by the guidelines of National Treasury.

Reasons for significant cost variances:

- *Debt impairment – The calculation is based on the payment ratios and also the current economic climate in Kannaland and the implementation of GRAP 1 Presentation of Financial Statements.*
- Bulk purchases for electricity will probably increase significantly as a result of increase in Electricity prices for 2019/20 financial year – The increase is based on the tariff for bulk purchases as set out by NERSA and
- The SALGA negotiated wage increase above 4% provision will also contributes to a smaller surplus.

In expenditure debt impairment will be the offset of revenue to ensure that that there are only budgeted for realistically realisable revenue. An amount of R 16 658 210 was budgeted to increase the provision.

The following table is a summary of the 2019/20 MTREF (classified by main expenditure types):

WC041 Kannaland - Table A4 Budgeted Financial Performance (revenue and expenditure)

2015/16					2016/17					2017/18					2018/19					2019/20 Medium Term Revenue & Expenditure Framework																																								
Description					Ref	2015/16					2016/17					2017/18					Current Year 2018/19					2019/20 Medium Term Revenue & Expenditure Framework																																		
R thousand					1	Audited Outcome					Audited Outcome					Audited Outcome					Original Budget					Adjusted Budget					Full Year Forecast					Pre-audit outcome					Budget Year 2019/20					Budget Year +1 2020/21					Budget Year +2 2021/22									
Expenditure By Type																																																												
Employee related costs					2	-					-					-					55 215					55 627					55 627					36 402					57 991					60 355					62 823									
Remuneration of councillors						-					-					-					3 053					3 063					3 063					40					3 185					3 312					3 445									
Debt impairment					3	-					-					-					16 016					16 018					16 018					229					16 658					17 325					18 018									
Depreciation & asset impairment					2	-					-					-					10 661					10 661					10 661					-					11 192					11 749					12 335									
Finance charges						-					-					-					422					422					422					176					439					456					474									
Bulk purchases					2	-					-					-					32 259					32 259					32 259					15 056					33 549					34 891					36 287									
Other materials					8	-					-					-					3 054					3 154					3 154					853					3 395					3 533					3 677									
Contracted services						-					-					-					8 710					36 788					36 788					1 757					11 272					11 334					11 952									
Transfers and subsidies						-					-					-					2 325					2 525					2 525					133					322					335					349									
Other expenditure					4, 5	-					-					-					11 491					11 807					11 807					3 919					12 883					13 415					13 968									
Loss on disposal of PPE						-					-					-					-					-					-					-					-					-					-					-				
Total Expenditure						-					-					-					143 206					172 322					172 322					58 564					150 885					156 706					163 327									

The operating expenditure has decreased from R186 767 780 in 2018/19 to R165 119 865 in 2019/20. The decrease can be attributed to decreases on several expenditure components.

Employee related costs increased from R55 627 069 (35% of operating expenditure) to R57 991 266 (38% of operating expenditure). Provision has been made for a 4% salary increase which is below the average annual increases for the past five years. The municipality is however in the process to scale down its staff structure to be more realistic and cost effective.

The cost associated with the remuneration of Councillors is determined and informed directly by way of the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The determined upper limits of salaries, allowances and benefits of members of Council are gazetted annually in December/January. The latest gazette was published in December 2017 by the Department of Cooperative Governance.

The total cost to company cost for councillors amounted to R3 185 000.

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Supporting Table SA23 Salaries, allowances and benefits (political office bearers/councillors/senior managers)

WC041 Kannaland - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4		1 089 920	-	322 400	-	-	1 412 320
Chief Whip			-	-	-	-	-	-
Executive Mayor			1 580 800	62 400	97 760	-	-	1 740 960
Deputy Executive Mayor			734 240	-	97 760	-	-	832 000
Executive Committee			-	-	-	-	-	-
Total for all other councillors			1 568 940	100 260	715 520	-	-	2 384 720
Total Councillors	8	-	4 973 900	162 660	1 233 440			6 370 000
Senior Managers of the Municipality	5							
Municipal Manager (MM)			1 122 160	21 840	281 540	144 560	-	1 570 100
Chief Finance Officer			898 560	-	24 960	124 800	-	1 048 320
Designation - 01			1 287 520	217 360	154 960	135 200	-	1 795 040
Designation - 02			-	2 640	-	-	-	2 640
Designation - 03			-	-	-	-	-	-
Designation - 04			-	-	-	-	-	-
<i>List of each official with packages >= senior manager</i>								
Designation - 05			-	-	-	-	-	-
Designation - 06			-	-	-	-	-	-
Designation - 07			-	-	-	-	-	-
Designation - 08			-	-	-	-	-	-
Designation - 09			-	-	-	-	-	-
Designation - 10			-	-	-	-	-	-
Designation - 11			-	-	-	-	-	-
Designation - 12			-	-	-	-	-	-
Designation - 13			-	-	-	-	-	-
Designation - 14			-	-	-	-	-	-
Designation - 15			-	-	-	-	-	-
Total Senior Managers of the Municipality	6,10	-	3 308 240	241 840	461 460	404 560		4 416 100
A Heading for Each Entity	6,7							
List each member of board by designation								
Designation - 01			-	-	-	-	-	-
Designation - 02			-	-	-	-	-	-
Designation - 03			-	-	-	-	-	-
Designation - 04			-	-	-	-	-	-
Designation - 05			-	-	-	-	-	-
Designation - 06			-	-	-	-	-	-
Designation - 07			-	-	-	-	-	-
Designation - 08			-	-	-	-	-	-
Designation - 09			-	-	-	-	-	-
Designation - 10			-	-	-	-	-	-
Designation - 11			-	-	-	-	-	-
Designation - 12			-	-	-	-	-	-
Designation - 13			-	-	-	-	-	-
Designation - 14			-	-	-	-	-	-
Designation - 15			-	-	-	-	-	-
Designation - 16			-	-	-	-	-	-
Designation - 17			-	-	-	-	-	-
Designation - 18			-	-	-	-	-	-
Designation - 19			-	-	-	-	-	-
Designation - 20			-	-	-	-	-	-
Designation - 21			-	-	-	-	-	-
Total for municipal entities	6,10	-	-	-	-	-	-	-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	-	8 282 140	404 500	1 694 900	404 560		10 786 100

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Provision has been made for a 4% increase which will probably be increase during the Adjustment Budget process. Cognisance should be taken that some information is missing as a result of system error which needed to be sorted out before final approval of the budget.

Table A2 Budgeted financial performance (revenue and expenditure by functional classification)

WC041 Kannaland - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification 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
Revenue - Functional	1									
<i>Governance and administration</i>		-	-	-	54 747	59 445	59 445	56 546	59 760	63 374
Executive and council		-	-	-	26 422	26 422	26 422	28 147	29 854	31 721
Finance and administration		-	-	-	28 325	33 023	33 023	28 399	29 906	31 653
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	13 525	37 290	37 290	13 402	12 653	10 802
Community and social services		-	-	-	13 125	13 125	13 125	13 381	12 631	10 778
Sport and recreation		-	-	-	20	20	20	21	22	23
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	380	24 145	24 145	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	8 861	8 750	8 750	9 243	9 724	10 126
Planning and development		-	-	-	111	-	-	111	111	-
Road transport		-	-	-	8 750	8 750	8 750	9 132	9 613	10 126
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	113 982	92 782	92 782	121 381	160 065	164 902
Energy sources		-	-	-	48 778	48 778	48 778	52 202	54 972	56 788
Water management		-	-	-	38 584	27 384	27 384	36 491	56 391	58 340
Waste water management		-	-	-	19 414	9 414	9 414	24 939	40 520	41 133
Waste management		-	-	-	7 205	7 205	7 205	7 748	8 182	8 641
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	-	-	191 114	198 266	198 266	200 571	242 203	249 204
Expenditure - Functional										
<i>Governance and administration</i>		-	-	-	53 217	57 807	57 807	55 552	57 447	59 920
Executive and council		-	-	-	14 073	13 957	13 957	14 259	14 822	15 408
Finance and administration		-	-	-	39 144	43 849	43 849	41 293	42 625	44 512
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	9 964	33 773	33 773	11 350	11 460	11 970
Community and social services		-	-	-	7 377	7 402	7 402	8 591	8 984	9 393
Sport and recreation		-	-	-	267	279	279	383	400	418
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	2 320	26 092	26 092	2 376	2 076	2 159
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	14 336	14 860	14 860	15 454	16 095	16 658
Planning and development		-	-	-	111	111	111	111	111	-
Road transport		-	-	-	14 225	14 749	14 749	15 343	15 984	16 658
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	66 129	66 323	66 323	68 969	71 815	74 778
Energy sources		-	-	-	40 698	40 705	40 705	42 538	44 263	46 059
Water management		-	-	-	12 335	12 507	12 507	12 888	13 435	14 005
Waste water management		-	-	-	7 732	7 740	7 740	7 969	8 317	8 681
Waste management		-	-	-	5 364	5 371	5 371	5 574	5 799	6 033
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	-	-	-	143 647	172 763	172 763	151 326	156 817	163 327
Surplus/(Deficit) for the year		-	-	-	47 467	25 503	25 503	49 245	85 386	85 878

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The table splits operational expenditure into their respective functional classification.



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Table A3 Budgeted financial performance (revenue and expenditure by municipal vote)

WC041 Kannaland - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote 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										
Revenue by Vote	1									
Vote 1 - MUNICIPAL MANAGER		-	-	-	26 422	26 422	26 422	28 147	29 854	31 721
Vote 2 - CORPORATE SERVICES		-	-	-	22 210	45 864	45 864	21 467	22 395	20 952
Vote 3 - FINANCIAL SERVICES		-	-	-	26 887	31 585	31 585	27 879	29 359	31 076
Vote 4 - TECHNICAL SERVICES		-	-	-	115 594	94 394	94 394	123 078	160 595	165 454
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	-	-	191 114	198 266	198 266	200 571	242 203	249 204
Expenditure by Vote to be appropriated	1									
Vote 1 - MUNICIPAL MANAGER		-	-	-	14 073	13 957	13 957	14 259	14 822	15 408
Vote 2 - CORPORATE SERVICES		-	-	-	28 105	51 922	51 922	30 040	30 885	32 048
Vote 3 - FINANCIAL SERVICES		-	-	-	27 001	31 706	31 706	28 698	29 524	30 884
Vote 4 - TECHNICAL SERVICES		-	-	-	73 869	74 578	74 578	77 690	80 920	84 293
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		-	-	-	600	600	600	639	666	694
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	-	-	143 647	172 763	172 763	151 326	156 817	163 327
Surplus/(Deficit) for the year	2	-	-	-	47 467	25 503	25 503	49 245	85 386	85 878

1.10 CAPITAL BUDGET

The capital budget increased from R24 569 200(2018/19) to R 51 658 450 in 2019/20.

The budget committee went through several stages of prioritising the capital budget to contain the budget within the available funding.

This capital budget has been compiled with due consideration to the direct impact that it would have on the operating budget and our cash position where projects are to be funded solely from internal sources and not external borrowings.

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With the current financial constraints that exist on budget it was decided to not obtain external funding for capital projects.

The capital budget reflects the following budget allocation to the various departments and reflects the strategic priorities outlined in the IDP. (A5)

The demand for future capital expenditure cannot be completely reliable on grant funding but will have to be expanded. All capital expenditure has been funded in recent years by conditional grants that have the objective to eradicate backlogs in service delivery as a result of the inequalities of our past. The problem arising from this is that the infrastructure that is responsible for economic activity is not only outdated but has not been properly maintained for decades. The economic life of the before-mentioned infrastructure is coming to an end with no strategy or provision in place to address the inevitable situation where general reactive maintenance and repairs will just not suffice. Therefore, it is of the utmost importance that a CRR (capital replacement reserve) be established in the near future to ensure not only a sustainable municipality but a self-sustainable local economy that would contribute to job creation and the eradication of poverty. Industry norm and good practice would be to contribute two per cent of the net carrying value of immovable assets to the CRR and to aim in achieving this objective should be a priority as the liquidity position of Kannaland Municipality improves.

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Table A5 Budgeted capital expenditure by vote, functional classification and funding

WC041 Kannaland - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote 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	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		-	-	-	-	-	-	-	3 755	10 810	-
Vote 3 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - CALITZDORP SPA		-	-	-	27 000	2 000	2 000	-	37 901	72 000	-
Vote 6 - CORPORATE SERVICES (Continued)		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	27 000	2 000	2 000	-	41 656	82 810	-
Single-year expenditure to be appropriated	2										
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		-	-	-	3 506	3 506	3 506	-	50	-	11 295
Vote 3 - FINANCIAL SERVICES		-	-	-	-	-	-	(1 028)	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	14 472	19 063	19 063	905	9 952	-	72 000
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	17 978	22 569	22 569	(124)	10 002	-	83 295
Total Capital Expenditure - Vote		-	-	-	44 978	24 569	24 569	(124)	51 658	82 810	83 295
Capital Expenditure - Functional											
Governance and administration											
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety											
Community and social services		-	-	-	3 176	3 176	3 176	-	3 805	10 810	11 295
Sport and recreation		-	-	-	-	-	-	-	700	750	800
Public safety		-	-	-	3 176	3 176	3 176	-	3 105	10 060	10 495
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services											
Planning and development		-	-	-	330	330	330	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	330	330	330	-	-	-	-
Trading services											
Energy sources		-	-	-	41 472	21 063	21 063	(124)	47 853	72 000	72 000
Water management		-	-	-	2 303	2 303	2 303	-	3 315	3 000	2 000
Waste water management		-	-	-	29 169	18 169	18 169	(124)	26 538	39 000	40 000
Waste management		-	-	-	10 000	200	200	-	18 000	30 000	30 000
Other		-	-	-	-	391	391	-	-	-	-
Total Capital Expenditure - Functional	3	-	-	-	44 978	24 569	24 569	(124)	51 658	82 810	83 295
Funded by:											
National Government		-	-	-	44 648	19 648	19 648	(124)	50 958	82 060	82 495
Provincial Government		-	-	-	-	3 800	3 800	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	-	-	-	44 648	23 448	23 448	(124)	50 958	82 060	82 495
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	330	1 121	1 121	-	-	-	-
Total Capital Funding	7	-	-	-	44 978	24 569	24 569	(124)	50 958	82 060	82 495

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1.11 BUDGET SCHEDULES

Table A6 Budgeted financial position

WC041 Kannaland - Table A6 Budgeted Financial Position

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	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Current assets											
Cash		-	-	-	-	-	-	26 867	-	-	-
Call investment deposits	1	-	-	-	-	-	-	16 411	-	-	-
Consumer debtors	1	-	-	-	-	-	-	9 101	-	-	-
Other debtors		-	-	-	-	-	-	(17 808)	-	-	-
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	-	-	-	-	-	-	(204)	-	-	-
Total current assets		-	-	-	-	-	-	34 367	-	-	-
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	-	-	-	44 978	24 569	24 569	905	51 658	134 468	217 763
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		-	-	-	-	-	-	-	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		-	-	-	44 978	24 569	24 569	905	51 658	134 468	217 763
TOTAL ASSETS		-	-	-	44 978	24 569	24 569	35 271	51 658	134 468	217 763
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Consumer deposits		-	-	-	-	-	-	42	-	-	-
Trade and other payables	4	-	-	-	-	-	-	(2 267)	-	-	-
Provisions		-	-	-	-	-	-	-	-	-	-
Total current liabilities		-	-	-	-	-	-	(2 224)	-	-	-
Non current liabilities											
Borrowing		-	-	-	-	-	-	(3)	-	-	-
Provisions		-	-	-	-	-	-	-	-	-	-
Total non current liabilities		-	-	-	-	-	-	(3)	-	-	-
TOTAL LIABILITIES		-	-	-	-	-	-	(2 227)	-	-	-
NET ASSETS	5	-	-	-	44 978	24 569	24 569	37 498	51 658	134 468	217 763
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		-	-	-	-	-	-	1	-	-	-
Reserves	4	-	-	-	-	-	-	160	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	-	-	-	-	-	-	161	-	-	-

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Table A7 Budgeted cash flows

WC041 Kannaland - Table A7 Budgeted Cash Flows

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	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	(33 085)	(11 666)	(11 666)	10 423	-	-	-
Service charges		-	-	-	(77 474)	-	-	47 680	-	-	-
Other revenue		-	-	-	(330)	(1 121)	(1 121)	4 746	-	-	-
Government - operating	1	-	-	-	-	-	-	23 625	-	-	-
Government - capital	1	-	-	-	(44 648)	(23 448)	(23 448)	7 080	-	-	-
Interest		-	-	-	-	4 488	4 488	375	-	-	-
Dividends		-	-	-	-	3	3	-	-	-	-
Payments											
Suppliers and employees		-	-	-	129 799	158 714	158 714	58 256	-	-	-
Finance charges		-	-	-	422	422	422	176	-	-	-
Transfers and Grants	1	-	-	-	2 766	2 966	2 966	137	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES											
		-	-	-	(22 551)	130 357	130 357	152 498	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	44 978	24 569	24 569	(124)	-	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES											
		-	-	-	44 978	24 569	24 569	(124)	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	(6)	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	42	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES											
		-	-	-	-	-	-	37	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	-	-	-	22 427	154 926	154 926	152 411	-	-	-
Cash/cash equivalents at the year end:	2	-	-	-	22 427	154 926	154 926	152 411	-	-	-

Could not be completed due to outstanding capturing of opening balances of unaudited financials for 2017/18.

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Table A8 Cash backed reserves/accumulated surplus reconciliation

WC041 Kannaland - Table A8 Cash backed reserves/accumulated surplus reconciliation

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	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	-	-	-	22 427	154 926	154 926	152 411	-	-	-
Other current investments > 90 days		-	-	-	(22 427)	(154 926)	(154 926)	(109 133)	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		-	-	-	-	-	-	43 277	-	-	-
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	1 739	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	-	-	-	-	-	13 726	-	-	-
Other provisions		-	-	-	950	928	928	33	965	1 004	1 044
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		-	-	-	950	928	928	15 499	965	1 004	1 044
Surplus(shortfall)		-	-	-	(950)	(928)	(928)	27 779	(965)	(1 004)	(1 044)

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WC041 Kannaland - Table A9 Asset Management

WC041 Kannaland - Table A9 Asset Management

Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			A9
		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	
ASSET REGISTER SUMMARY - PPE (WDV)	5										
Roads Infrastructure		-	-	-	-	-	-	-	-	-	0110
Storm water Infrastructure		-	-	-	-	-	-	-	-	-	0160
Electrical Infrastructure		-	-	-	2 303	2 303	2 303	3 315	6 315	8 315	0200
Water Supply Infrastructure		-	-	-	4 751	16 551	16 551	-	-	-	0300
Sanitation Infrastructure		-	-	-	11 418	1 418	1 418	21 938	52 688	83 488	0410
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-	0480
Rail Infrastructure		-	-	-	-	-	-	-	-	-	0560
Coastal Infrastructure		-	-	-	-	-	-	-	-	-	0660
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-	0720
Infrastructure		-	-	-	18 472	20 272	20 272	25 253	59 003	91 803	0100
Community Assets		-	-	-	-	-	-	-	-	-	0770
Heritage Assets		-	-	-	-	-	-	-	-	-	1050
Investment properties		-	-	-	-	-	-	-	-	-	1110
Other Assets		-	-	-	-	-	-	-	-	-	1180
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-	1360
Intangible Assets		-	-	-	-	-	-	-	-	-	1370
Computer Equipment		-	-	-	-	-	-	-	-	-	1470
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-	1480
Machinery and Equipment		-	-	-	-	791	791	-	-	-	1510
Transport Assets		-	-	-	-	-	-	-	-	-	1530
Land		-	-	-	-	-	-	-	-	-	1550
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-	1570
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	18 472	21 063	21 063	25 253	59 003	91 803	1580

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Table A10 Basic service delivery measurement

WC041 Kannaland - Table A10 Basic service delivery measurement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	(2 323 000)	(2 439 150)	(2 561 110)
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	(2 171 500)	(2 280 080)	(2 394 080)
Refuse (removed at least once a week)		-	-	-	-	-	-	(4 040 000)	(4 242 000)	(4 454 100)
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	(2 323)	(2 439)	(2 561)
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	(2 172)	(2 280)	(2 394)
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	(4 040)	(4 242)	(4 454)
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		-	-	-	-	-	-	-	-	-
Total cost of FBS provided		-	-	-	-	-	-	(8 535)	(8 961)	(9 409)
Highest level of free service provided per household										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermisable values per section 17 of MPRA)		-	-	-	-	-	-	-	-	-
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		-	-	-	2 555	2 555	2 555	2 580	2 709	2 845
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	3 000	3 000	3 000	3 120	3 245	3 375
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	6	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided		-	-	-	5 555	5 555	5 555	5 700	5 954	6 220

2. PART 2 – SUPPORTING DOCUMENTATION

2.1 BUDGET PREPERATION PROCESS

Overview

A central element of the reforms is a change to the way that municipalities prepare their budgets.

The MFMA requires a council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities (as contained in the IDP) and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and particulars on borrowing, investments, municipal entities and service delivery agreements, grant allocations and details of employment costs.

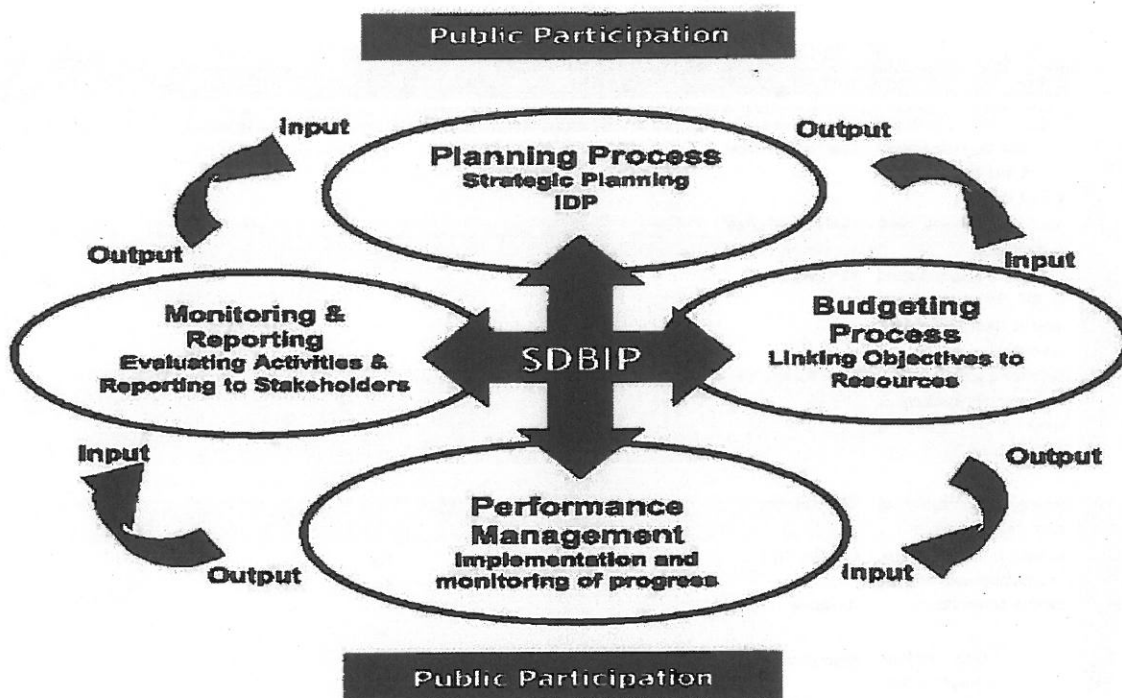
The budget may be funded only from realistic estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

Budget preparation timetable

The first step in the budget preparation process is to develop a timetable of all key deadlines relating to the budget and to review the municipality's IDP and budget-related policies.

The budget preparation timetable should be prepared by senior management and tabled by the mayor for council adoption ten months before the commencement of the next budget year.

The next diagram depicts the planning, implementation and monitoring process that is followed:



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

Key Deadlines relating to the budget process

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KANNALAND MUNICIPALITY IDP REVIEW AND BUDGET PROCESS			JULY 2018 – JUNE 2019											
Phase	Activity	Responsible person	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
	Determine the likely financial outlook and identify changes to fiscal strategies	Chief Financial Officer				17								
	Refine funding policies, review tariff structures	Chief Financial Officer								27				
	Evaluation of matters identified in IDP Assessment Report received from MEC, Local Government	IDP Coordinator										09		
	Determine any changes in the Socio-economic conditions & trends of Kannaland Municipality	Senior Management						05						
Consultation	Advertising a schedule of public meetings per ward	IDP Coordinator			05									
	Embarking on a public participation process via public meetings per ward to	Executive Mayor				15-								
		Councillors				19								
	1. Provide feedback on progress of ward priorities	Senior Management												
	2. Presentation of IDP Review & Budget time schedule													
Strategy	3. Obtain input on community needs for the IDP Review process													
	Strategic Planning Session to conduct a mid-term review	Executive mayor							14					

Tabling of the budget

The final budget will probably be tabled by the mayor on 26 April 2019.

Once tabled at council, the municipal manager must make public the appropriate budget documentation and submit it to both the national and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

Consultation with the community and key stakeholders

When the budget is tabled, council must have considered the views of the local community, the national and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

The consultation with national and provincial Treasuries regarding the MTREF is attached as an annexure to this document.

An extensive public participation process will be conducted as part of the IDP and budget road shows. The overall objective of this road show is to ensure an authentic and inclusive public participation process for the IDP and budget.

A notice will be placed in the local newspaper in, whereby the public was invited to submit written comments.

The public participation meetings (road shows) will be held during April 2019, within the respective wards of Kannaland. The planned road shows will be driven by a steering committee constituted by politicians and officials from all directorates. This committee will provide guidance and feedback on areas that required improvement as the IDP and budget road shows unfolded.

A complete report regarding the feedback on the public participation process will be included in the IDP document.

2.2 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The municipal manager must within fourteen days after the approval of the annual budget submit to the mayor for approval a service delivery and budget implementation plan and annual performance agreements for all pertinent senior staff.

A service delivery and budget implementation plan is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The mayor must approve the service delivery and budget implementation plan within 28 days of the approval of the annual budget.

This plan must then be monitored by the mayor and reported on to council on a regular basis. The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

Generally, councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote – and in the case of capital expenditure, only if council has approved the project. Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful. Unauthorised expenditure must be reported and may result in criminal proceedings.

2.3 ALIGNMENT OF BUDGET TO IDP

Local priorities were identified as part of the IDP process which is directly aligned to that of national and provincial priorities.

The IDP strategic objectives and goals are set out in the IDP document.

Kannaland is the place of choice and this along with the strategic vision and mission has led to the conceptualisation of five strategic goals for Kannaland. These goals are as follows:



Strategic objective	Key performance area
To provide access to reliable infrastructure that will contribute to a higher quality of life for Kannaland citizens	Infrastructure
To provide adequate services and improve our public relations	Services and public relations
To strive towards a safe community in Kannaland through the proactive management of traffic, environmental health, fire and disaster risks	Safe community environment
To facilitate economic growth and social and community development	Economic growth and development
To promote efficient and effective governance with high levels of stakeholder participation.	Governance and stakeholder participation
To provide an efficient workforce by aligning our institutional arrangements to our overall strategy	Institutional transformation
To strive towards a financially sustainable municipality	Financial sustainability

The above strategic goals are set to become the catalysts to ensure that the vision and mission is achieved in the next five years.

The 2019/20 MTREF has, therefore, been directly informed by the IDP and the following tables provide reconciliation between the IDP strategic objectives and goals.

Please find attached:

- Table 27 – SA4: Reconciliation between IDP strategic objectives and budgeted operating revenue
- Table 28 – SA5: Reconciliation between IDP strategic objectives and budgeted operating expenditure
- Table 29 – SA6: Reconciliation between IDP strategic objectives and budgeted capital expenditure

Abovementioned documents will be adjusted accordingly to rectify deviations and missing information, prior to the approval of the final budget.



2.4 MEASURABLE PERFORMANCE OBJECTIVES (MPOS) AND INDICATORS

The MPOs included in the table below are only those that are linked to basic service delivery. See Annexure SA7: Measurable performance objectives

The key financial indicators and ratios are expressed in the table attached:

See Annexure SA8: Financial indicators and benchmarks

2.5 OVERVIEW OF BUDGET RELATED POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

Section 17(3)(e) of the Municipal Finance Management Act, (Act No 56 of 2003) prescribes that the municipality must review the budget related policies annually. Herewith follows suggested changes to council's budget related policies:

The budget committee considered amendments to various policies and the following budget-related policies were reviewed:

1. Customer care, credit control and debt collection
2. Property rates
3. Tariff
4. Unauthorized, irregular and fruitless and wasteful expenditure
5. Indigent
6. Virement
7. Cash management and investment
8. Supply chain management
9. PPPFA
10. Asset management
11. Funding borrowing and reserve
12. Liquidity
13. Budget implementation and monitoring
14. Bad debt write-off
15. Fleet management
16. Grants-in-aid
17. Travel and subsistence
18. Risk management
19. Capital contributions for new developments



- 20. Water losses
- 21. Electricity losses
- 22. Public participation

The following by-laws need to be advertised after council approval:

- Revenue by-laws
- Property rates by-laws

The budget committee has indicated that the finalization of the policy changes will be finalised after the budget consultation process is completed. The policies are contained in the budget document and place on municipal website for public comment.

The following financial policies need to be reviewed in future:

- Infrastructure Investment and capital projects including planning and approval of capital projects policy on developer contributions – this is included in the tariff policy.
- Unforeseen and unavoidable expenditure
- Policy dealing with management and oversight

Budget-related policies are attached as annexures to this document.

Review of current policies

Except for the policies mentioned below, the budget-related policies have been reviewed and no material changes have been made.

Virement policy

National Treasury must inform us as to the MSCoA changes.

Liquidity policy

A new policy is necessary for the long-term financial plan.

2.6 BUDGET ASSUMPTIONS

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. Documentation of the assumptions used in preparing the budget assists understanding of the information. This section provides a comprehensive summary of all the assumptions used in preparing the budget.

2.6.1 – National Treasury MFMA Circular Nos. 89 and 91

These circulars were issued in December 2017 and March 2018, respectively, and they provide guidance to municipalities for the preparation of the 2019/20 budget and MTREF.

2.6.2 – Inflation outlook

In MFMA Circular No. 91, inflation forecasts are estimated at 5.3%, 5.2% and 5.5%, respectively for the years 2019 to 2021.

2.6.3 – Rates, tariffs, charges and timing of revenue collection

The increases of tariffs and rates excluding Electricity tariffs will be within the norm set by National Treasury and the South African Reserve Bank's inflation target. the model indicated that this was not possible. In order to have a funded budget the following tariff increases are recommended for the 2019/2020 financial year:



	Final Budget 2018/19	Budget 2019/20	Budget 2020/21
Rates	6%	5.2%	6%
Tariffs:	6%	5.2%	6%
• Water	6%	5.2%	6%
• Sewerage	6%	5.2%	6%
• Electricity	6.84%	+7%*	6%
• Cleansing	6%	5.2%	6%
General charges	6%	5.2%	6%

*The Electricity tariffs is subject to approval by NERSA before the approval of the final budget.

The final reviewed cash flow statement will show when rates and tariffs are expected to be collected over the financial year. In general terms, the timing of rates, tariffs and charges are based on the following:

Rates	Monthly billing. Interim billing throughout the year.
Tariffs	Monthly billing. On-going prepayment meters. Seasonal fluctuations.
Charges	Generally steady state throughout the financial year with seasonal fluctuations

2.6.4 – Collection rates for each revenue source and customer type

The following bad debt provisions and collection rates are assumed in the MTREF for rates and tariffs.

	2019/20 R	2020/21 R	2021/22 R
Provision for bad debts and doubtful debts - service debt	12,619,890.00	13,124,680.00	13,649,660.00
Assumed collection rate	81.5%	82.5%	83%
Provision for bad and doubtful debts – fines	4,083,320.00	4,199,850.00	4,367,840.00

2.6.5 – Price movements on specifics e.g. bulk purchases

The following amounts are included in the MTREF for increases in bulk purchases;

	2018/19 R	2019/20 R	2020/21 R
Bulk Purchases	6%	*6%	6%

An extra-ordinary price increase is foreseen.

2.6.6 – Average salary increases

The MTREF includes the following average percentage increases for wages, salaries and for councillors' remuneration;

Description	2018/2019 R	Proposed increases 2019/2020 R	2020/2021 R
Councillors	5.5 %	4%	5.5 %
Section 57 employees	5.5%	4%	5.5%
Salaried employees	5.9%	4%	5.9%
Casual employees	5,9%	4%	5,9%

2.6.7 – Industrial relations climate, reorganisation and capacity building

The ability of the municipality to deliver quality services is virtually entirely 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 Kannaland will ultimately mean a failure to deliver services. Currently, the municipality face financial constraints which do not make it possible for all employees to receive the required training. As result, the municipality has developed a training plan to prioritise critical training. The municipality is also facing capacity constraints which cannot be merely rectified through training.



The Municipality has made the following amounts available for training over the MTREF period.

Description	2018/19 R	2019/20 R	2020/21 R
Training budget	R760 000	R 0	R0

The Budget for training will have to be revised and included in the final budget for 2019/20. Grant funding allocated for training will also be brought into consideration.

Thus will result in a reduction of the operating surplus.

2.6.8 – Trends in demand for free or subsidised basic services

Kannaland criteria for supporting free or subsidised basic services are set out in the indigent policy. The government allocates revenue via the equitable share grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services. Any costs over and above the equitable share allocation must be paid by the consumer.

	Cost of Free Basic Services	2019/20	2020/21	2021/2022
Refuse	Revenue Cost fo free Basic Services	4 040 000	4 242 000	4 454 100
Electricity	Revenue Cost fo free Basic Services	2 171 500	2 439 150	2 561 110
Water	Revenue Cost fo free Basic Services	2 323 000	2 439 150	2 561 110
Sewerage	Revenue Cost fo free Basic Services	3 120 000	3 244 800	3 374 590
		11 654 500	12 365 100	12 950 910

2.6.9 – Capital budget

The municipality provided grant funded projects as gazetted in the Division of Revenue Act, for the 2019/2020 annual budget.

External funding will not be used to finance capital projects.

2.6.10 – Implications of restructuring and other major events in the future

The municipality is currently in the process of implementing changes to the micro structure. These changes are being done internally with the existing staff component. These changes will be implemented to streamline service delivery and to affect savings.

2.6.11 – Budgeting for contingency plans for prolonged power outages

This municipality is in the process of implementing contingency plans to address Eskom power outages such as the procurement of generators. Due to financial constraints the municipality would only be able to realise these goals in the adjustment budget.

However, it has been established that the government is collectively working with Eskom to mitigate the impact of power cuts. These efforts will improve the availability of electricity over the medium term, and plans are under way to ensure that South Africa can generate sufficient energy to power its economy over the long term. The government consistently encourages a reduction in energy consumption and promotion of energy efficiency.

Consequently, the response from government is to address the immediate challenge and it would therefore be premature for municipalities to invest in contingency infrastructure with the expectation of funding.

2.6.12 – Service level standards

MFMA Circular No. 72 indicated that all municipalities must formulate service level standards which must form part of the 2019/20 tabled MTREF budget documentation.

A broad guideline was provided on the minimum service standards to be incorporated in the budget documentation. In addition to the guideline, a framework was developed as an outline to assist municipalities in finalising their service level standards. The municipality is in the process to upgrade its fire services. A basic charge of R12 per month will be implemented as from 1 July 2019. The aforementioned will increase the property rates tariff slightly.

It is accepted that it is not possible to have the same service level standards across all municipalities. Therefore, the outline must be used as a guideline and be amended accordingly to align to the municipality's specific circumstances.

The service level standards will be tabled before council for formal adoption with the final budget and is attached as an annexure to this document.

2.7 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Reynolds Stevens, the municipal manager of Kannaland Municipality hereby certify that the annual budget and supporting documentation for the 2019/2020 financial year, have been prepared in accordance with the Municipal Finance Management Act and regulations made under the act, and that the annual budget and supporting documentation are consistent with the integrated development plan.

Print name

Municipal manager of

Signature

Date

ANNEXURES TO THE DOCUMENT

Annexure 1: Budget speech

To be included with final budget approval

Annexure 2: Tariff list 2019/20

Annexure 3: MFMA Circular No. 89

Annexure 4: MFMA Circular No. 91

Annexure 5: Service level standards

Annexure 6: A-Schedule budget supporting tables

A1: Budget summary

A2: Budgeted financial performance by standard classification

A3: Budgeted financial performance by municipal vote

A4: Budgeted financial performance by revenue source and expenditure type

A5: Budgeted capital expenditure by vote, standard classification and funding

A6: Budgeted financial position

A7: Budgeted cash flow

A8: Cash backed reserves/accumulated surplus reconciliation

A9: Asset management

A10: Basic service delivery measurement

SA1: Supporting detail to budgeted financial performance

SA2: Matrix financial performance budget (revenue source/expenditure type and dept.)

SA3: Supporting detail to budgeted financial position

SA4: Reconciliation between IDP strategic objectives and budgeted operating revenue

SA5: Reconciliation between IDP strategic objectives and budgeted operating expenditure

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- SA6: Reconciliation between IDP strategic objectives and budgeted capital expenditure
- SA7: Measurable performance objectives
- SA8: Financial Indicators and benchmarks
- SA9: Social, economic and demographic statistics and assumptions
- SA10: Funding measurement
- SA11: Property rates summary
- SA12: Property rates by category
- SA13: Service Tariffs by category
- SA14: Household bills
- SA15: Investment particulars by type
- SA17: Borrowing
- SA18: Transfer and grants receipt
- SA19: Expenditure on transfers and grants
- SA20: Reconciliation of transfers, grants receipts and unspent funds
- SA21: Transfers and grants made by the municipality
- SA22: Summary on councillor and staff benefits
- SA23: Salaries, allowances and benefits (political office bearers/councillors and senior managers)
- SA24: Summary of personnel numbers
- SA25: Budgeted monthly revenue and expenditure by revenue source and expenditure type
- SA26: Budgeted monthly revenue and expenditure by municipal vote
- SA27: Budgeted monthly revenue and expenditure by standard classification
- SA28: Budgeted monthly capital expenditure (municipal vote)
- SA29: Budgeted monthly capital expenditure (standard classification)



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SA30: Budgeted monthly capital monthly cash flow

SA32: List of external mechanisms

SA34a: Capital expenditure on new assets by asset class

SA34b: Repairs and expenditure on the renewal of assets class

SA34c: Repairs and maintenance expenditure by asset class

SA35: Future financial implications of the capital budget

SA36: Detailed capital budget

SA37: Projects delayed from previous financial year/s

SA38: Consolidated detailed operational projects

PLEASE NOTE THAT SOME OF ABOVE DOCUMENTS ARE NOT COMPLETED DUE TO SYSTEM SHORTCOMINGS HENCE THE REASON WHY DATA STRINGS ARE INCOMPLETE. These will hopefully be resolved before the final approval of the budget.

Major deviations:

TABLE	DESCRIPTION OF TABLE	COMMENTS ON DEVIATIONS								
A5		Shows a total amount of R 51 658 450 for Capital Projects funded by Government as reflected by DORA.								
A6©		<p>Shows a total amount of R47 658 450 which is R 4million less than the total amount funded by Government. The difference of R4 million is made up as follows:</p> <table><tr><td>Drought relieve</td><td>R 3 300 000</td></tr><tr><td>Upgrading of Bergsig Library</td><td>R 650 000</td></tr><tr><td>Furniture for Bergsig Library</td><td>R 50 000</td></tr><tr><td>TOTAL DIFFERENCE</td><td>R 4 000 000</td></tr></table>	Drought relieve	R 3 300 000	Upgrading of Bergsig Library	R 650 000	Furniture for Bergsig Library	R 50 000	TOTAL DIFFERENCE	R 4 000 000
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Upgrading of Bergsig Library	R 650 000									
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TOTAL DIFFERENCE	R 4 000 000									