

**EXTRACT FROM THE MINUTES OF A SPECIAL COUNCIL MEETING OF KANNALAND MUNICIPALITY AS HELD ON THURSDAY, 30 MAY 2019 IN THE COUNCIL CHAMBERS AT LADISMITH.**

**COUNCIL 26/05/19 : MEDUIM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) FOR THE FINANCIAL PERIODS 2019/2020 – 2020/2021 FINAL BUDGET REPORT**

**RESOLUTION**

1. That Council approve the final budget for 2019/20 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:
2. The following policies reviewed be approved for implementation from 1 July 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
  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
  14. Budget implementation and monitoring
  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
  22. Electricity losses

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### 23. Public participation

3. The annual budget for the financial year 2019/20 and indicative outer years 2020/21 and 2021/22 be approved in terms of section 24 of the MFMA as set-out in the mSCOA electronic budget:
  - (i) Capital expenditure by project as contained in **annexure "3"**;
  - (ii) Capital funding by source as contained in **annexure "3"**;
  - (iii) Operating revenue by source as contained in **Table 1**; and
  - (iv) Operating expenditure by type as contained in **Table 2**.
4. Property rates as reflected in the report be imposed for the budget year 2019/20 (cognizance must be taken that electricity tariffs are subject to final approval by NERSA). The tariffs payable by the municipality's end users could be slightly higher due to the sharp increase of bulk purchases from ESKOM);
5. Council grants permission that a tariff increase application of 15 to 16% be submitted to NERSA instead of the average increase of 13%;
6. That tariffs and services charges, as reflected in the formal tariff list, be approved for the budget year 2019/20 for implementation with effect from 1 July 2019;
7. The capital funding, both internal and external funding, be secured prior to the commencement of any new capital project;
8. All comments that were received be considered for correction or inclusion in the budget. Most inputs regarding improvement of municipal services were received from municipal departments, budget holder and the provincial government assessment report discussed at LG MTEC (also considered). The mSCOA deviations have been addressed with the assistance of the vendor (Bytes). Applications for financial support have been received from various organisations such as from an NGO for biosphere projects, Tourism Boards (Calitzdorp and Ladismith) and the Zoar Annual Festival. Provision for social support in relation to indigent burials;

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9. Late requests such as capital contributions towards the sewerage network project in respect of 2020/21 and 2021/22 will be brought into consideration during the first Adjustment budget (in August 2019);
10. Permission be granted to the Municipal Manager and the CFO to negotiate with ESKOM and NERSA for the transfer of the distribution (selling) of electricity in Zoar and parts of Calitzdorp; and Van Wyksdorp;
11. The final budget documentation for 2019/20 – 2021/2022 as outlined in the budget regulations be submitted to National and Provincial Treasury.



2019.05.30

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**Kannaland Municipality**  
**Draft Budget**  
**2019/2020 to 2020/2021**



**Medium Term Revenue and Expenditure**  
**Framework (MTREF)**

**31 May 2019**

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## GLOSSARY

<b>Adjustments budget</b> - Prescribed in section 28 of the MFMA - the formal means by which a municipality may revise its annual budget during the year.
<b>Allocations</b> – Money received from provincial or national government or other municipalities.
<b>Budget</b> – The financial plan of municipality.
<b>Budget-related policy</b> – Policy of a municipality affecting or affected by the budget, such as the tariffs policy, rates policy and credit control and debts collection policy.
<b>Capital expenditure</b> – 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).
<b>Cash flow statement</b> – 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.
<b>DORA</b> – Division of Revenue Act. Annual piece of legislation that shows the amount of allocations from national to local government.
<b>Equitable share</b> – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.
<b>Fruitless and wasteful expenditure</b> – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.
<b>GFS</b> – Government finance statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.
<b>GRAP</b> – Generally Recognised Accounting Practice. The new standard for municipal accounting.
<b>IDP</b> – Integrated development plan. The main strategic planning document of the Municipality.
<b>KPIs</b> – Key performance indicators. Measures of services output and/or outcome.
<b>MFMA</b> – The Municipal Finance Management Act, 2003 – Act No. 56 of 2003. The principle piece of legislation relating to municipal financial management.



<b>MTREF</b> – 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.
<b>Rates</b> – 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.
<b>SDBIP</b> – Service delivery and budget implementation plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.
<b>Strategic Objectives</b> – The main priorities of the municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.
<b>Unauthorised expenditure</b> – Generally, spending without, or in excess of, an approved budget.
<b>Virement</b> – A transfer of budget
<b>Virement policy</b> – 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.
<b>Vote</b> – One of the main segments into which a budget is divided, usually directorate/department level.



## 1. PART 1 – ANNUAL BUDGET

### 1.1 MAYORAL SPEECH

The mayoral IDP/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 30 May 2019 will consider the final annual budget for 2019/20 – 2021/22 for approval.

The following recommendations are contained in the agenda of the council meeting scheduled for 30 May 2019 to table the above final budget for council's approval:

#### RECOMMENDATIONS FROM THE EXECUTIVE MAYOR

That council considers the final budget for 2019/20 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:

(a) that the following policies that reviewed be approved for implementation from 1 July 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
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
14. Budget implementation and monitoring
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
22. Electricity losses



### 23. Public participation

- (b) that the annual budget for the financial year 2019/20 and indicative outer years 2020/21 and 2021/22 be noted and approved 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 and
  - (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 (cognisance must be taken that electricity tariffs are subject to final approval by NERSA). The tariffs payable by the municipality's end users could be slightly higher due to the sharp increase of bulk purchases from Eskom).
- (d) that Council grants permission that an application to NERSA of 15 to 16% be submitted instead of the average increase of 13%.
- (e) that tariffs and services charges as reflected in the formal tariff list be approved for the budget year 2019/20 as from 1 July 2019.
- (f) that the capital funding, both internal and external funding, be secured prior to the commencement of any new capital project
- (g) that all comments that were received be considered for correction or inclusion in the budget. Most inputs were received from various departments and provincial government.
- (h) That late request such as capital contributions towards the sewerage network project in respect of 2020/21 and 2021/22 will be brought into consideration during the first Adjustment budget (in August 2019) and
- (i) 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 AND LATE SUBMISSION OF AFS FOR 2017/18

The reasons for various non-compliance issues on the draft budget was addressed successfully through the following:



- The vendor availed a team of experts to sort out certain discrepancies and also gave training to the BTO staff. A few technical problems must still be addressed in a few days but these won't affect the budget outcome and result.
- A lot of these changes relates to non-compliance and mistakes that occurred during the compilation of the previous year's budgets. Safe to add that the aforementioned seems to be one of the main reasons for late submission of financial statements of 2017/18. The core problems have been addressed and with further financial discipline and accurately processing of transactions to the correct item on the Chart of Accountants (mSCOA Register), our data and reports will be much more credible.
- The municipality does not host its own web-based accounting system and was accordingly completely dependent on the vendor to produce the required schedules.
- The similar system problems resulted in the late submission of the Annual Financial Statements for 2017/18. Finalisation of aforementioned financial directly impacted on the Adjustment Budget for 2018/19 especially with regard to the Budgeted Balance Sheet and Cash Flow prescribed annexures. The municipality will however experience similar challenges at year end (as 2018/19) due to the fact that the current year's budget was also not fully mSCOA compliant and aligned.

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 ledger (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 was called between the municipality and the vendor by the Provincial Treasury but all in vain.
- 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 Budget 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. The same arrangements were made regarding the Draft and Final Budget for 2019/20 to ensure compliance with mSCOA.



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

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

	2018/19	2019/20
<i>Total income</i>	- 212 720 913	- 214 319 940
<i>Total Oper Exp</i>	186 767 780	162 954 198
<i>Capital Expenses</i>	24 569 200	52 236 450

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

#### 1.4 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. No provision has been made but it will probably be possible to make contributions if NERSA would consider our application for higher electricity tariffs
- Insufficient funding for the rehabilitation and/or replacement of components that have reached the end of their lifespan;
- 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;



- g) Failure to implement strategic plans developed for the improvement of the financial health of the municipality;
- h) Kannaland's outstanding creditor book due to previous financial challenges which the current budget must provide for;
- i) 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 implementation 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.
- Provision 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 act against indigent households who are failing to adhere 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



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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.



## 1.5 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 R52 236 450 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.



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Kannaland budgeted for an operational deficit of R 871K. The total expected operational revenue is R214K and operational expenditure is R163K. Contributed assets funded by conditional national grants in the budget to the amount of R52K.

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:



**Table A1 Budget summary**



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WC041 Kannaland - Table A1 Budget Su

Description	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework			Check
	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	
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	17 244	20 113	(785)	(765)	10 811	17 117	18 049	19 031	Link A4
Service charges	68 727	74 994	99 992	99 992	60 948	88 958	93 762	85 218	Link A4
Investment revenue	508	500	636	636	588	526	554	584	Link A4
Transfers recognised - operational	47 132	33 611	26 506	26 506	23 739	37 147	15 174	16 404	Link A4
Other own revenue	12 079	17 248	17 055	17 055	6 458	18 336	18 073	19 048	Link A4
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>145 689</b>	<b>146 466</b>	<b>143 423</b>	<b>143 423</b>	<b>102 544</b>	<b>162 083</b>	<b>145 612</b>	<b>140 286</b>	
Employee costs	(35 221)	55 215	48 503	48 503	36 477	59 408	61 463	63 962	Link A4
Remuneration of councillors	2 924	3 053	3 186	3 186	40	3 277	3 408	3 544	Link A4
Depreciation & asset impairment	703	10 661	652	652	-	11 192	11 749	12 335	Link A4
Finance charges	3 499	422	692	692	479	722	751	781	Link A4
Materials and bulk purchases	42 118	35 312	40 550	40 550	20 664	44 282	46 062	47 907	Link A4
Transfers and grants	304	2 766	2 944	2 944	178	558	439	457	Link A4
Other expenditure	49 053	36 218	28 791	28 791	14 123	43 518	42 323	44 263	Link A4
<b>Total Expenditure</b>	<b>63 379</b>	<b>143 647</b>	<b>125 317</b>	<b>125 317</b>	<b>71 961</b>	<b>162 954</b>	<b>166 195</b>	<b>173 249</b>	
<b>Surplus/(Deficit)</b>	<b>82 311</b>	<b>2 819</b>	<b>18 106</b>	<b>18 106</b>	<b>30 583</b>	<b>(871)</b>	<b>(20 583)</b>	<b>(32 963)</b>	
Transfers and subsidies - capital (monetary allocation)	11 675	44 648	1 000	1 000	6 957	52 236	82 810	83 295	Link A4
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	Link A4
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>93 986</b>	<b>47 467</b>	<b>19 106</b>	<b>19 106</b>	<b>37 540</b>	<b>51 366</b>	<b>62 227</b>	<b>50 331</b>	
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	Link A4
<b>Surplus/(Deficit) for the year</b>	<b>93 986</b>	<b>47 467</b>	<b>19 106</b>	<b>19 106</b>	<b>37 540</b>	<b>51 366</b>	<b>62 227</b>	<b>50 331</b>	
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>(1 445)</b>	<b>44 978</b>	<b>69 369</b>	<b>69 369</b>	<b>(124)</b>	<b>52 626</b>	<b>82 810</b>	<b>83 295</b>	Link A5
Transfers recognised - capital	10 528	44 648	69 369	69 369	(124)	52 236	82 810	83 295	Link A5
Public contributions & donations	-	-	-	-	-	-	-	-	Link A5
Borrowing	-	-	-	-	-	-	-	-	Link A5
Internally generated funds	-	330	-	-	-	390	-	-	Link A5
<b>Total sources of capital funds</b>	<b>10 528</b>	<b>44 978</b>	<b>69 369</b>	<b>69 369</b>	<b>(124)</b>	<b>52 626</b>	<b>82 810</b>	<b>83 295</b>	
<b>Financial position</b>									
Total current assets	58 120	2 489	59 947	59 947	31 380	9 324	46 698	(22 792)	Link A6
Total non current assets	1 626	44 978	591 422	591 422	3 149	63 759	94 498	95 566	Link A6
Total current liabilities	(1 049)	-	29 713	29 713	(2 941)	(950)	55 128	(2 629)	Link A6
Total non current liabilities	3 086	-	39 025	39 025	12	343	403	466	Link A6
Community wealth/Equity	(555)	-	(227 928)	(227 928)	(164)	-	-	-	Link A6
<b>Cash flows</b>									
Net cash from (used) operating	90 771	(273 619)	(164 362)	(164 362)	34 449	15 325	28 383	(43 590)	Link A7
Net cash from (used) investing	(14 780)	(44 978)	(69 369)	(69 369)	124	(52 626)	(82 810)	(83 295)	Link A7
Net cash from (used) financing	-	-	-	-	42	(283)	(283)	(283)	Link A7
<b>Cash/cash equivalents at the year end</b>	<b>75 991</b>	<b>(318 598)</b>	<b>(99 180)</b>	<b>(233 730)</b>	<b>34 615</b>	<b>(37 585)</b>	<b>(92 295)</b>	<b>(219 463)</b>	Link A7
<b>Cash backing/surplus reconciliation</b>									
Cash and investments available	65 488	16 494	66 274	66 274	48 933	2 440	39 442	(16 832)	Link A8
Application of cash and investments	3 649	(13 287)	52 278	52 278	24 861	(4 169)	51 510	3 133	Link A8
<b>Balance - surplus (shortfall)</b>	<b>61 839</b>	<b>29 781</b>	<b>13 995</b>	<b>13 995</b>	<b>24 072</b>	<b>6 609</b>	<b>(12 068)</b>	<b>(19 965)</b>	
<b>Asset management</b>									
Asset register summary (WDV)	1 626	44 978	69 369	69 369	-	41 435	112 495	183 455	Link A9
Depreciation	703	10 661	652	652	-	11 192	11 749	12 335	Link A9
Renewal of Existing Assets	971	-	-	-	-	-	-	-	Link A9
Repairs and Maintenance	(9 222)	23 241	22 873	22 873	-	25 379	26 411	27 477	Link A9
<b>Free services</b>									
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	Link A10
Revenue cost of free services provided	(4 843)	5 555	(5 938)	(5 938)	2 693	2 693	2 628	2 969	Link A10
<b>Households below minimum service level</b>									
Water:	-	-	-	-	-	-	-	-	Link A10
Sanitation/sewerage:	-	-	-	-	-	-	-	-	Link A10
Energy:	-	-	-	-	-	-	-	-	Link A10
Refuse:	-	-	-	-	-	-	-	-	Link A10



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## 1.6 BUDGETED FINANCIAL PERFORMANCE

Table A4 Budgeted financial performance (revenue and expenditure)





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WCU41 Kannaland - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		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	17 244	20 113	(765)	(765)	10 811	17 117	18 049	19 031
Service charges - electricity revenue	2	44 658	46 578	51 457	51 457	39 699	59 573	62 790	52 573
Service charges - water revenue	2	13 077	13 824	18 912	18 912	11 106	16 920	17 835	18 799
Service charges - sanitation revenue	2	6 607	8 401	15 093	15 093	5 259	6 271	6 610	6 967
Service charges - refuse revenue	2	4 385	6 190	14 530	14 530	4 884	6 193	6 528	6 880
Rental of facilities and equipment		542	909	544	544	411	956	1 008	1 062
Interest earned - external investments		508	500	636	636	588	526	554	584
Interest earned - outstanding debtors		3 383	5 327	3 997	3 997	42	5 622	5 925	6 245
Dividends received		-	3	3	3	-	-	-	-
Fines, penalties and forfeits		6 664	8 486	11 046	11 046	4 643	8 928	9 410	9 918
Licences and permits		139	152	173	173	156	160	169	178
Agency services		-	960	-	-	735	1 010	1 064	1 122
Transfers and subsidies		47 132	33 611	26 506	26 506	23 739	37 147	15 174	16 404
Other revenue	2	1 350	1 411	1 293	1 293	471	1 660	496	523
Gains on disposal of PPE		-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		145 689	146 466	143 423	143 423	102 544	162 083	145 612	140 286
Expenditure By Type									
Employee related costs	2	(35 221)	55 215	48 503	48 503	36 477	59 406	61 463	63 962
Remuneration of councillors		2 924	3 053	3 186	3 186	40	3 277	3 408	3 544
Debt impairment	3	20 194	16 018	16 612	16 612	284	14 077	14 780	15 520
Depreciation & asset impairment	2	703	10 661	652	652	-	11 192	11 749	12 335
Finance charges		3 499	422	692	692	479	722	751	781
Bulk purchases	2	40 877	32 259	35 832	35 832	19 494	40 200	41 808	43 480
Other materials	8	1 241	3 054	4 719	4 719	1 169	4 082	4 254	4 427
Contracted services		16 576	8 710	4 018	4 018	2 517	15 531	13 059	13 747
Transfers and subsidies		304	2 766	2 944	2 944	178	558	439	457
Other expenditure	4, 5	9 641	11 491	8 161	8 161	11 322	13 911	14 483	14 997
Loss on disposal of PPE		2 642	-	-	-	-	-	-	-
Total Expenditure		63 379	143 647	125 317	125 317	71 961	162 954	166 195	173 249
Surplus/(Deficit)									
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		82 311	2 819	18 106	18 106	30 583	(871)	(20 583)	(32 963)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	11 675	44 648	1 000	1 000	6 957	52 236	82 810	83 295
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		93 986	47 467	19 106	19 106	37 540	51 366	62 227	50 331
Taxation		-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		93 986	47 467	19 106	19 106	37 540	51 366	62 227	50 331
Attributable to minorities		-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		93 986	47 467	19 106	19 106	37 540	51 366	62 227	50 331
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		93 986	47 467	19 106	19 106	37 540	51 366	62 227	50 331

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## 1.7 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 considering 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

## 1.8 SERVICE CHARGES AND MISCELLANEOUS TARIFFS:

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

- Electricity - 13 % provision but will probably increase (Awaiting NERSA approval)
- Water – 15 %
- Rates – between 13 to 15%
- Refuse - 15%
- Sewerage – 15%
- Other – 15%

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

Below is a summary of proposed tariff increases.

## 1.9 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 13,5 to 15,5 % 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: R0,01576

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

- The tariff applied to the total valuation: R0,02926

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

- The tariff applied to the total valuation: R0.00230

**Property tax on all guesthouses is as follows:**

- The tariff applied to the total valuation: R0,02004

**Property tax on all spaza shops is as follows:**

- The tariff applied to the total valuation: R0,01684

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

- The tariff applied to the total valuation: R0.01576

**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 (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**

Cognisance should be taken that a correction of rates on agricultural properties were made in respect of 2019/20 (0.00230) compare to 2018/19 (0.0034730). Further taxation on business activities on agricultural properties will be investigated and considered such as factories, guesthouses etc. in term of MSCOA.

- **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

PROPERTY RATES		(No VAT)	2016/17	2017/18	2018/19	Excluding VAT 2019/20
<b>General Rate Tariff</b>						
All Residential properties - Per R1 on Total Valuation - Residential		R	0,012128	R 0,013098	0,0138841	0,01576
All Residential properties - Per R1 on Total Valuation - Old Age Homes		R	0,002427	R 0,002621	0,0138841	0,01576
All Residential properties - Per R1 on Total Valuation (Guesthouses)		R	0,015157	R 0,016370	0,0173519	0,02004
All Residential properties - Per R1 on Total Valuation (Spaza Shops) - Resi		R	0,012734	R 0,013752	0,0145774	0,01684
All Residential properties - Per R1 on Total Valuation - Agricultural		R	0,003034	R 0,003276	0,0034730	0,00230
All Business properties - Per R1 on Total Valuation - Businesses		R	0,022129	R 0,023899	0,0253333	0,02926

#### 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 increases of 15 % 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

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

**Table 5 – Proposed water tariffs**

WATER		2016/17	2017/18	2018/19	2019/20
<b>Conventional Meters</b>					
<b>Standard Basic Levies</b>					
Basic Residential		73,17	79,02	83,76	96,33
Basic Small Business		81,62	88,15	93,44	107,45
Basic Medium to Large Business		116,60	125,93	133,48	153,51
Basic Institutions (School, Hospital, Old Age Homes )		93,28	100,74	106,79	122,80
Basic Institutions (Churches)		75,79	81,85	86,76	99,78
Basic Industrial		146,34	158,04	167,53	192,66
Availability Vacant Stands		92,70	100,11	106,12	122,04
<b>Standard Meter Usage Residential</b>					
<b>Sliding Scale Block Tariff</b>					
Free Basic Water	0 - 6 Kl Indigents only	4,37	4,72	5,00	5,75
Scale 1	7 - 15 Kl	4,99	5,39	5,71	6,57
Scale 2	16 - 20 Kl	7,86	8,49	9,00	10,35
Scale 3	21 - 30 Kl	9,36	10,11	10,71	12,32
Scale 4	Bo 30 Kl	10,98	11,86	12,57	14,45
<b>Standard Tariffs Other Institutions</b>					
<b>Categories</b>					
a) Industries		9,36	10,11	10,71	12,32
b) Large Businesses and B&B's		8,11	8,76	9,28	10,68
c) Social and Services institutions		6,49	7,01	7,43	8,54
Old Age Home and Frail Care Centres		6,49	7,01	7,43	8,54
Churches Schools Hostels and Clubs		6,49	7,01	7,43	8,54
Stand Pipe Consumers		6,49	7,01	100,00	115,00

## Electricity tariffs

It is foreseen that the municipal electrical tariff will increase above the average of 13 % but will however be subject to NERSA's approval. In addition to NERSA's recommended average increase, it will be necessary to apply for a further increase above the average of 13% due to the sharp increase of Eskom's bulk purchases price of more than 15%. Furthermore, it will also be



necessary to restructure the current tariff structure which will generate more income. Aforementioned restructuring will however ensure a bigger profit which will be utilised to build the CRR and to catch up with much needed maintenance and upgrading of our network. The medium bulk "time of use" tariff indicated a very low profit margin and will 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)**

RESIDENTIAL AND SOCIAL COMPANIES:2018/192019/20

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

LIFELINE TARIFF: 0-20 AMPERE

SUMMER: Sept- MayWINTER: June- AugSUMMER: Sept- MayWINTER: June- Aug

USAGE BLOCKS:

Block 10-350kWh1,13001,3700R 1,28R 1,54

Block 2350-600kWh1,24001,5100R 1,41R 1,70

Block 3>600kWh1,79001,9600R 2,03R 2,23

\* 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

CONVENTIONAL TARIFF: 0-59 AMPERE

MayAugMayAug

USAGE BLOCKS:

Block 10-350kWhR 1,377R 1,566R 1,56R 1,771

Block 2>350kWhR 1,540R 1,700R 1,75R 1,922

Basic - Fixed charge Rand per monthR 54,220R 61,31

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

CONVENTIONAL TARIFF: 60 - 100 AMPERE

MayAugMayAug

USAGE BLOCKS:

Block 10-600kWhR 1,430R 1,820R 1,62R 2,058

Block 2>600kWhR 1,750R 1,930R 1,98R 2,190

Basic - Fixed charge Rand per monthR 359,520R 406,51

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

PREPAID TARIFF: 0 - 100 AMPERE

MayAugMayAug

USAGE BLOCKS:

Block 10-349kWhR 1,381R 1,640R 1,57R 1,854

Block 2350-600kWhR 1,430R 1,700R 1,62R 1,923

Block 3>600kWhR 1,610R 1,840R 1,83R 2,098

\* TARIFF AIM: 0 -100 AMPS, Medium and Higher income groups. Benefit to consumers for buying energy upfront.

**Tariffs will apparently increase by more than 13% pending final approval by NERSA before the implementation of the 2019/20 Budget tariff increases.**



## Commercial proposed tariffs

COMMERCIAL PRICING TARIFFS FOR KANNALAND 2017-18 (SUMMER & WINTER PRICES)			
Commercial - Small to Medium Consumers (30A - 60A) Conventional meters			
	2018/19		2019/2020
Basic - Fixed charge per month	R 466,62	R / MONTH	R 527,61
Energy Cost per unit [kWh] - Summer	R 1,5400	C / KWH	R 1,74
Energy Cost per unit [kWh] - Winter	R 1,9300	C / KWH	R 2,18
Commercial - Small to Medium Consumers (30A - 60A) Pre-Paid meters			
	2018/19		2019/2020
Energy Cost per unit [kWh] - Summer	R 1,9100	C / KWH	R 2,16
Energy Cost per unit [kWh] - Winter	R 1,9600	C / KWH	R 2,22
Commercial - Large Consumers (60A - 150A) Conventional meters			
	2018/19		2019/2020
Basic - Fixed charge per month	R 523,18	R / MONTH	R 591,56
Energy Cost per unit [kWh] - Summer	R 1,6442	C / KWH	R 1,86
Energy Cost per unit [kWh] - Winter	R 1,8343	C / KWH	R 2,07
Commercial - Large Consumers (60A - 150A) Pre-Paid meters			
	2018/19		2019/2020
Basic - Fixed charge per month	R 281,61	R / MONTH	R 318,42
Energy Cost per unit [kWh] - Summer	R 1,8100	C / KWH	R 2,05
Energy Cost per unit [kWh] - Winter	R 1,9200	C / KWH	R 2,17
Commercial Bulk Consumers < 500 kVA			
	2018/19		2019/2020
Basic - Fixed charge per month	R 1 130,00	R / MONTH	R 1 277,69
Demand - Cost per kVA	R 200,00	R / KVA	R 226,14
Energy Cost per unit [kWh] - Summer	R 1,0200	C / KWH	R 1,15
Energy Cost per unit [kWh] - Winter	R 1,6200	C / KWH	R 1,83
Commercial Bulk Consumers > 500 kVA			
	2018/19		2019/2020
Basic - Fixed charge per month	R 3 605,00	R / MONTH	R 4 076,18
Demand - Cost per kVA	R 200,00	R / KVA	R 226,14
Energy Cost per unit [kWh] - Summer	R 0,9600	C / KWH	R 1,09
Energy Cost per unit [kWh] - Winter	R 1,5600	C / KWH	R 1,76

Tariffs will apparently increase by more than 13% pending final approval by NERSA before the implementation of the 2019/20 Budget tariff increases.

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Time Of Use - BULK (TOU)			
Special Bulk Consumers Time of Use 50-500 kVA			
CHARGE	2018/19	2019/2020	
BASIC:	R 42,90	R / DAY	R 48,51
DEMAND:	R 89,69	R / KVA (ACT.)	R 101,41
ACCESS:	R 41,52	R / KVA (MND)	R 46,95
ENERGY:			
PEAK LOW:	R 1,1400	C / KWH	R 1,411
STD LOW:	R 0,7600	C / KWH	R 1,005
OFF-PEAK LOW:	R 0,5800	C / KWH	R 0,674
PEAK HIGH:	R 3,6900	C / KWH	R 4,102
STD HIGH:	R 1,0800	C / KWH	R 1,318
OFF-PEAK HIGH:	R 0,6600	C / KWH	R 0,762
Special Bulk Consumers Time of Use > 500 kVA			
CHARGE	2018/19	2019/2020	
BASIC:	R 222,96	R / DAY	R 252,110
DEMAND:	R 87,37	R / KVA (ACT.)	R 98,780
ACCESS:	R 39,56	R / KVA (MND)	R 44,730
ENERGY:			
PEAK LOW:	R 1,3662	C / KWH	R 1,544
STD LOW:	R 0,9745	C / KWH	R 1,102
OFF-PEAK LOW:	R 0,6960	C / KWH	R 0,787
PEAK HIGH:	R 3,8903	C / KWH	R 4,398
STD HIGH:	R 1,2555	C / KWH	R 1,420
OFF-PEAK HIGH:	R 0,8203	C / KWH	R 0,928

Tariffs will apparently increase by more than 13% pending final approval by NERSA before the implementation of the 2019/20 Budget tariff increases.



## Sanitation tariffs

A tariff increase of 15 % for sanitation from 1 July 2019 is proposed.

The following table compares the current and proposed tariffs:

### Comparison between current sanitation charges and increases

SEWERAGE	2016/17	2017/18	2018/19	2019/20
<b>Sewerage Basic Tariff</b>				
Availability per month	238,86	257,97	273,45	314,47
Residential unit per month	160,27	173,09	183,48	211,00
Residential old age unit per month	116,37	125,68	133,22	153,20
<b>Sewerage per Pan per month</b>				
Businesses [ 1 to 15 pans]	179,94	194,33	205,99	236,89
Businesses [16 and more pans]	143,32	154,78	164,07	188,68
Hotels B&B's and Guest Houses	167,21	180,58	191,42	220,13
Schools and Hostels (1 to 15 pans)	143,32	154,78	164,07	188,68
Schools and Hostels (16 and more pans)	153,35	165,62	175,55	201,89
Churches and Social Service centres	116,37	125,68	133,22	153,20
<b>Septic Tanks</b>				
Basic Charge fixed cost per month	61,25	66,15	70,12	80,63
<b>Service on request -</b>				
Service - (Normal Hours) - Residential (Per Suction)	160,27	173,09	183,48	211,00
Service - (Normal Hours) - Businesses ( Per Suction)	160,27	173,09	183,48	211,00
Service - After hours (Mon - Thur)	343,44	370,92	393,17	452,15
Service - After hours (Friday till Monday 7h30 including Public Holidays)	400,68	432,73	458,70	527,50
Travelling Cost outside Town per Km (Farms)	11,02	11,91	12,62	14,51
<b>Sundry Tariffs</b>				
Connection Costs	2 160,00	2 332,80	2 472,77	2 843,68
Connection Costs - Indigent	108,00	116,64	123,64	142,18
Actual Cost + 30% Administration fee				
<b>Stortings tarief (Vuil fabriek water in riool stelsel) (PER /M3)</b>	5,96	6,44	R 6,82	7,85
<b>Blockages - Service delivered on private property</b>				
* Week Days Cost per hour [minimum 1 Hour]	5 304,38	5 728,73	6 072,45	6 983,32
* After hours Cost per hour [Minimum 1 Hour]	5 304,38	5 728,73	6 072,45	6 983,32
<b>Departmental Accounts</b>				
Departmental Levy	81,70	88,24	93,53	107,56



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## Waste removal tariff

A 15 % increase in the waste removal tariff is proposed from 1 July 2019.

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

REFUSE REMOVAL	2016/17	2017/18	2018/19	2019/20
<b>Standard Tariff One collection per week per month</b>				
Residential (4 Black bags per week)	166,59	179,92	190,71	219,32
Residential Additional Collection Black Bags (with removal cycle)	5,72	6,18	6,55	7,54
Residential Additional Collection Black Bags (outside removal cycle)	40,07	43,27	45,87	52,75
Small Businesses (7 Black bags per week)	206,29	222,80	236,16	271,59
Businesses (7 Black Bags per week)	206,29	222,80	236,16	271,59
Business (Additional Collection Black Bags)	40,07	43,27	45,87	52,75
Hotels B&B's and Self Catering (7 Black Bags per week)	208,23	224,89	238,39	274,15
Old Age Homes and Frail Care centres (7 Black bags per week)	166,59	179,92	190,71	219,32
<b>Standard tariff One removal per fortnight</b>				
Residential and Small Business	86,97	93,93	99,56	114,50
Old Age Homes and Frail Care centres	86,97	93,93	99,56	114,50
<b>Bulk Refuse Services</b>				
Business with Refuse Cage per month	1 273,93	1 375,85	1 458,40	1 677,16
Fines - Failure to comply to Terms & Conditions	1 620,00	1 749,60	1 854,58	2 132,76

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

Description	2017/18 R	2018/2019 R	2019/2020
Electricity (50 units) - Summer	65.70	70.20	80.03
Electricity (50 units) - Winter	78.00	83.34	95.01
Water (basic charge)	79.02	83.76	96.33
Sanitation (basic charge)	173.09	183.48	211.00
Refuse (basic charge)	179.92	190.71	219.32
<b>Total</b>	<b>575.73</b>	<b>611.49</b>	

### 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.

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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.

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

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## 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

### 1.8 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 7% 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.

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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)

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										
Expenditure By Type											
Employee related costs	2	-	-	-	55 215	55 627	55 627	36 402	57 991	60 355	62 823
Remuneration of councillors		-	-	-	3 063	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	178	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

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 7% 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 for councillors amounts 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)

<b>Table A - Supporting Data of 20 Salaries, allowances &amp; benefits (political office bearers/councillors/senior managers)</b>								
<b>Disclosure of Salaries, Allowances &amp; Benefits 1.</b>	<b>Ref</b>	<b>No.</b>	<b>Salary</b>	<b>Contributions</b>	<b>Allowances</b>	<b>Performance Bonuses</b>	<b>In-kind benefits</b>	<b>Total Package</b>
<b>Rand per annum</b>				<b>1.</b>				<b>2.</b>
<b>Councillors</b>	3							
Speaker	4	1	580 680	-	165 850	-	-	726 530
Chief Whip		-	-	-	-	-	-	-
Executive Mayor		1	813 200	32 100	50 290	-	-	895 590
Deputy Executive Mayor		1	377 710	-	50 290	-	-	428 000
Executive Committee		-	-	-	-	-	-	-
Total for all other councillors		-	807 100	51 570	368 080	-	-	1 226 750
<b>Total Councillors</b>	<b>8</b>	<b>3</b>	<b>2 558 690</b>	<b>83 670</b>	<b>634 510</b>			<b>3 276 870</b>
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)		1	1 228 920	25 920	274 780	273 400	-	1 803 020
Chief Finance Officer		1	954 480	-	-	-	-	954 480
		1	936 840	-	102 720	-	-	1 039 560
		1	-	2 200	32 160	-	-	34 360
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
List of each official with packages >= senior manager								
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
<b>Total Senior Managers of the Municipality</b>	<b>8,10</b>	<b>4</b>	<b>3 120 240</b>	<b>28 120</b>	<b>409 660</b>	<b>273 400</b>		<b>3 831 420</b>
<b>A Heading for Each Entity</b>	6,7							
List each member of board by designation								
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
<b>Total for municipal entities</b>	<b>8,10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>10</b>	<b>7</b>	<b>5 678 930</b>	<b>111 790</b>	<b>1 044 170</b>	<b>273 400</b>		<b>7 108 290</b>



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Provision has been made for a 7% 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	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			Check
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
<b>R thousand</b>	<b>1</b>								
<b>Revenue - Functional</b>									
<i>Governance and administration</i>		49 747	54 747	31 323	31 323	34 370	35 069	37 492	
Executive and council		24 101	26 422	11 785	11 785	8 740	9 539	10 454	Link A2A
Finance and administration		25 646	28 325	19 538	19 538	25 630	25 530	27 037	Link A2A
Internal audit		-	-	-	-	-	-	-	Link A2A
<i>Community and public safety</i>		15 348	20 757	9 467	9 467	17 122	13 481	14 007	
Community and social services		3 415	13 125	1 579	1 579	14 723	13 481	14 007	Link A2A
Sport and recreation		-	20	586	586	-	-	-	Link A2A
Public safety		5 761	7 232	6 809	6 809	2 019	-	-	Link A2A
Housing		6 173	380	493	493	380	-	-	Link A2A
Health		-	-	-	-	-	-	-	Link A2A
<i>Economic and environmental services</i>		9 239	1 629	646	646	9 182	9 670	10 183	
Planning and development		-	111	111	111	-	-	-	Link A2A
Road transport		9 239	1 518	535	535	9 182	9 670	10 183	Link A2A
Environmental protection		-	-	-	-	-	-	-	Link A2A
<i>Trading services</i>		83 030	113 982	102 624	102 624	153 646	170 202	161 898	
Energy sources		52 988	48 778	53 248	53 248	64 873	66 030	54 826	Link A2A
Water management		16 759	38 584	19 221	19 221	46 059	58 786	60 855	Link A2A
Waste water management		7 332	19 414	15 401	15 401	28 768	37 732	38 150	Link A2A
Waste management		5 951	7 205	14 754	14 754	13 946	7 653	8 066	Link A2A
<i>Other</i>		-	-	364	364	-	-	-	Link A2A
<b>Total Revenue - Functional</b>	<b>2</b>	<b>157 364</b>	<b>191 114</b>	<b>144 423</b>	<b>144 423</b>	<b>214 320</b>	<b>228 422</b>	<b>223 580</b>	
<b>Expenditure - Functional</b>									
<i>Governance and administration</i>		3 258	53 217	41 625	41 625	58 160	57 315	59 801	
Executive and council		(2 735)	14 073	12 209	12 209	15 081	15 021	15 615	Link A2A
Finance and administration		5 993	39 144	29 416	29 416	43 079	42 294	44 186	Link A2A
Internal audit		-	-	-	-	-	-	-	Link A2A
<i>Community and public safety</i>		8 503	17 505	11 969	11 969	9 694	9 738	10 097	
Community and social services		(4 070)	7 377	4 130	4 130	7 670	8 025	8 314	Link A2A
Sport and recreation		170	267	411	411	325	341	356	Link A2A
Public safety		6 511	7 541	6 934	6 934	59	61	64	Link A2A
Housing		5 891	2 320	493	493	1 640	1 311	1 363	Link A2A
Health		-	-	-	-	-	-	-	Link A2A
<i>Economic and environmental services</i>		1 377	6 795	3 262	3 262	18 573	19 355	20 164	
Planning and development		14	111	-	-	-	-	-	Link A2A
Road transport		1 364	6 684	3 262	3 262	18 573	19 355	20 164	Link A2A
Environmental protection		-	-	-	-	-	-	-	Link A2A
<i>Trading services</i>		50 098	66 129	68 098	68 098	76 527	79 787	83 187	
Energy sources		40 188	40 698	42 748	42 748	50 932	53 033	55 221	Link A2A
Water management		4 543	12 335	11 441	11 441	12 196	12 757	13 346	Link A2A
Waste water management		852	7 732	6 990	6 990	6 607	6 915	7 237	Link A2A
Waste management		4 515	5 364	6 920	6 920	6 792	7 082	7 384	Link A2A
<i>Other</i>		143	-	364	364	-	-	-	Link A2A
<b>Total Expenditure - Functional</b>	<b>3</b>	<b>63 379</b>	<b>143 647</b>	<b>125 317</b>	<b>125 317</b>	<b>162 954</b>	<b>166 195</b>	<b>173 249</b>	
<b>Surplus/(Deficit) for the year</b>		<b>93 986</b>	<b>47 467</b>	<b>19 106</b>	<b>19 106</b>	<b>51 366</b>	<b>62 227</b>	<b>50 331</b>	

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)

Table A5 Budgeted Financial Performance (revenue and expenditure by municipal vote)								
Vote Description	Ref	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue by Vote</b>								
Vote 1 - MUNICIPAL MANAGER	1	24 101	26 422	12 149	12 149	8 740	9 539	10 454
Vote 2 - CORPORATE SERVICES		15 553	22 210	20 836	20 836	25 275	23 112	24 158
Vote 3 - FINANCIAL SERVICES		24 442	26 887	8 279	8 279	24 910	24 983	26 461
Vote 4 - TECHNICAL SERVICES		93 269	115 594	103 159	103 159	155 394	170 789	162 507
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]		-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	157 364	191 114	144 423	144 423	214 320	228 422	223 580
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - MUNICIPAL MANAGER	1	(2 589)	14 073	12 573	12 573	15 081	15 021	15 615
Vote 2 - CORPORATE SERVICES		6 975	28 105	23 339	23 339	28 843	29 435	30 574
Vote 3 - FINANCIAL SERVICES		6 929	27 001	17 325	17 325	30 062	28 962	30 318
Vote 4 - TECHNICAL SERVICES		51 580	73 869	71 360	71 360	88 330	92 111	96 049
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		484	600	721	721	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]		-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	63 379	143 647	125 317	125 317	162 954	166 195	173 249
<b>Surplus/(Deficit) for the year</b>	2	93 986	47 467	19 106	19 106	51 366	62 227	50 331

## 1.9 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.

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

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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	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		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
<b>R thousand</b>	<b>1</b>								
<b>Capital expenditure - Vote</b>									
Multi-year expenditure to be appropriated	2								
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL SERVICES		-	-	-	-	-	650	750	800
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	-	-	-
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total		-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	7								
Vote 1 - MUNICIPAL MANAGER	2	-	-	-	-	-	650	750	800
Vote 2 - CORPORATE SERVICES		-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL SERVICES		-	330	-	-	-	628	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	360	-	-
Vote 5 - CALITZDORP SPA		-	8 000	-	-	-	16 487	20 000	20 000
Vote 6 - CORPORATE SERVICES (Continued)		-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Vote</b>		-	8 330	-	-	-	17 475	20 000	20 000
<b>Capital Expenditure - Functional</b>		-	8 330	-	-	-	18 125	20 750	20 800
<b>Governance and administration</b>									
Executive and council		39 371	-	-	-	-	360	-	-
Finance and administration		(35 384)	-	-	-	-	-	-	-
Internal audit		74 755	-	-	-	-	380	-	-
<b>Community and public safety</b>									
Community and social services		(12 575)	3 176	2 200	2 200	-	4 383	10 810	11 295
Sport and recreation		(10 890)	-	1 000	1 000	-	700	750	800
Public safety		4 502	3 176	1 200	1 200	-	3 105	10 060	10 495
Housing		(5 532)	-	-	-	-	578	-	-
Health		(854)	-	-	-	-	-	-	-
<b>Economic and environmental services</b>									
Planning and development		(3 212)	330	-	-	-	-	-	-
Road transport		14	-	-	-	-	-	-	-
Environmental protection		(3 225)	330	-	-	-	-	-	-
<b>Trading services</b>									
Energy sources		(25 173)	41 472	67 169	67 169	(124)	47 883	72 000	72 000
Water management		(9 058)	2 303	-	-	-	3 345	3 000	2 000
Waste water management		(8 154)	29 169	7 169	7 169	(124)	28 538	39 000	40 000
Waste management		(5 947)	10 000	60 000	60 000	-	18 000	30 000	30 000
Other		(2 016)	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	(1 445)	44 978	69 369	69 369	(124)	52 626	82 810	83 295
<b>Funded by:</b>									
National Government		4 876	44 648	69 369	69 369	(124)	47 658	82 060	82 495
Provincial Government		5 652	-	-	-	-	4 578	750	800
District Municipality		-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-
Transfers recognised - capital	4	10 528	44 648	69 369	69 369	(124)	52 236	82 810	83 295
Public contributions & donations	5	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-
Internally generated funds		-	330	-	-	-	390	-	-
<b>Total Capital Funding</b>	7	10 528	44 978	69 369	69 369	(124)	52 626	82 810	83 295

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## 1.10 BUDGET SCHEDULES

**Table A6 Budgeted financial position**

**WC041 Kannaland - Table A6 Budgeted Financial Position**

Description	Ref	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		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
<b>ASSETS</b>									
<b>Current assets</b>									
Cash		65 488	16 484	66 224	66 224	30 519	2 440	39 442	(16 832)
Call investment deposits	1	0	-	32	32	18 414	-	-	-
Consumer debtors	1	(6 562)	(14 005)	6 702	6 702	5 170	5 874	6 191	(7 082)
Other debtors		(791)	-	(13 475)	(13 475)	(22 358)	1 010	1 064	1 122
Current portion of long-term receivables		-	-	(6)	(6)	-	-	-	-
Inventory	2	(16)	-	469	469	(364)	-	-	-
<b>Total current assets</b>		<b>58 120</b>	<b>2 489</b>	<b>59 947</b>	<b>59 947</b>	<b>31 380</b>	<b>9 324</b>	<b>46 698</b>	<b>(22 792)</b>
<b>Non current assets</b>									
Long-term receivables		-	-	-	-	-	-	-	-
Investments		-	-	18	18	-	-	-	-
Investment property		(98)	-	2 174	2 174	-	-	-	-
Investment in Associate		-	-	-	-	-	-	-	-
Property, plant and equipment	3	1 754	44 978	588 635	588 635	3 149	63 789	94 528	95 598
Biological		-	-	-	-	-	-	-	-
Intangible		(29)	-	595	595	-	(29)	(31)	(32)
Other non-current assets		-	-	-	-	-	-	-	-
<b>Total non current assets</b>		<b>1 626</b>	<b>44 978</b>	<b>591 422</b>	<b>591 422</b>	<b>3 149</b>	<b>63 759</b>	<b>94 498</b>	<b>95 566</b>
<b>TOTAL ASSETS</b>		<b>59 746</b>	<b>47 467</b>	<b>651 369</b>	<b>651 369</b>	<b>34 529</b>	<b>73 083</b>	<b>141 196</b>	<b>72 774</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Bank overdraft	1	-	-	-	-	-	-	-	-
Borrowing	4	-	-	-	-	(332)	-	-	-
Consumer deposits		-	-	(12)	(12)	(42)	-	-	-
Trade and other payables	4	1 324	-	41 137	41 137	(2 567)	(950)	55 128	(2 629)
Provisions		(2 373)	-	(11 412)	(11 412)	-	-	-	-
<b>Total current liabilities</b>		<b>(1 049)</b>	<b>-</b>	<b>29 713</b>	<b>29 713</b>	<b>(2 941)</b>	<b>(950)</b>	<b>55 128</b>	<b>(2 629)</b>
<b>Non current liabilities</b>									
Borrowing		(120)	-	502	502	12	(1 157)	(1 157)	(1 157)
Provisions		3 206	-	38 523	38 523	-	1 500	1 560	1 622
<b>Total non current liabilities</b>		<b>3 086</b>	<b>-</b>	<b>39 025</b>	<b>39 025</b>	<b>12</b>	<b>343</b>	<b>403</b>	<b>466</b>
<b>TOTAL LIABILITIES</b>		<b>2 037</b>	<b>-</b>	<b>68 738</b>	<b>68 738</b>	<b>(2 929)</b>	<b>(607)</b>	<b>55 532</b>	<b>(2 164)</b>
<b>NET ASSETS</b>	5	<b>57 709</b>	<b>47 467</b>	<b>582 631</b>	<b>582 631</b>	<b>37 458</b>	<b>73 690</b>	<b>85 665</b>	<b>74 938</b>
<b>COMMUNITY WEALTH/EQUITY</b>									
Accumulated Surplus/(Deficit)		(476)	-	(228 099)	(228 099)	1	-	-	-
Reserves	4	(79)	-	171	171	(165)	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>(555)</b>	<b>-</b>	<b>(227 928)</b>	<b>(227 928)</b>	<b>(164)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**Table A7 Budgeted cash flows**

WC041 Kannaland - Table A7 Budgeted Cash Flows

Description	Ref	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		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		17 186	(33 085)	(9 071)	(9 071)	8 797	(2 488)	165	607
Service charges		30	(77 474)	25 370	25 370	59 823	79 153	84 468	76 504
Other revenue		10 466	(3 658)	6 119	6 119	6 234	8 625	8 049	8 538
Government - operating	1	103 742	—	(16 394)	(16 394)	23 558	9 452	(13 907)	(13 952)
Government - capital	1	(3 660)	(44 648)	(69 369)	(69 369)	7 080	52 136	82 810	23 295
Interest		2 523	—	4 633	4 633	630	6 132	6 463	6 813
Dividends		—	—	3	3	—	—	—	—
Payments									
Suppliers and employees		(35 714)	(113 781)	(104 417)	(104 417)	(71 020)	(136 406)	(138 475)	(144 157)
Finance charges		(3 499)	(422)	(692)	(692)	(479)	(722)	(751)	(781)
Transfers and Grants	1	(305)	(551)	(544)	(544)	(174)	(558)	(439)	(457)
NET CASH FROM/(USED) OPERATING ACTIVITIES		90 771	(273 619)	(164 362)	(164 362)	34 449	15 325	28 383	(43 550)
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		(14 780)	(44 978)	(69 369)	(69 369)	124	(52 626)	(82 810)	(83 295)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(14 780)	(44 978)	(69 369)	(69 369)	124	(52 626)	(82 810)	(83 295)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans		—	—	—	—	—	—	—	—
Borrowing long term/refinancing		—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits		—	—	—	—	42	—	—	—
Payments									
Repayment of borrowing		—	—	—	—	—	(283)	(283)	(283)
NET CASH FROM/(USED) FINANCING ACTIVITIES		—	—	—	—	42	(283)	(283)	(283)
NET INCREASE/ (DECREASE) IN CASH HELD		75 991	(318 598)	(233 730)	(233 730)	34 615	(37 585)	(54 710)	(127 168)
Cash/cash equivalents at the year begin:	2	—	—	134 550	—	—	—	(37 585)	(92 295)
Cash/cash equivalents at the year end:	2	75 991	(318 598)	(99 180)	(233 730)	34 615	(37 585)	(92 295)	(219 463)

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Table A8 Cash backed reserves/accumulated surplus reconciliation

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

Description	Ref	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		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
<b>R thousand</b>									
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	1	75 991	(318 598)	(99 180)	(233 730)	34 615	(37 585)	(92 295)	(219 463)
Other current investments > 90 days		(10 502)	335 091	165 437	299 986	14 318	40 025	131 737	202 630
Non current assets - Investments	1	-	-	18	18	-	-	-	-
<b>Cash and investments available:</b>		<b>65 488</b>	<b>16 494</b>	<b>66 274</b>	<b>66 274</b>	<b>48 933</b>	<b>2 440</b>	<b>39 442</b>	<b>(16 832)</b>
<b>Application of cash and investments</b>									
Unspent conditional transfers		1 324	-	4 622	4 622	1 739	-	-	(60 000)
Unspent borrowing		-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-
Other working capital requirements	3	2 076	(14 237)	47 289	47 289	23 041	(5 669)	49 950	61 511
Other provisions		249	950	350	350	81	1 500	1 560	1 622
Long term investments committed	4	-	-	18	18	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>3 649</b>	<b>(13 287)</b>	<b>52 278</b>	<b>52 278</b>	<b>24 861</b>	<b>(4 169)</b>	<b>51 510</b>	<b>3 133</b>
<b>Surplus(shortfall)</b>		<b>61 839</b>	<b>29 781</b>	<b>13 995</b>	<b>13 995</b>	<b>24 072</b>	<b>6 609</b>	<b>(12 068)</b>	<b>(19 965)</b>

WC041 Kannaland - Table A9 Asset Management

WC041 Kannaland - Table A9 Asset Management

Description	Ref	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast		Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>									
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5</b>	<b>1 626</b>	<b>44 978</b>	<b>69 369</b>	<b>69 369</b>		<b>41 435</b>	<b>112 495</b>	<b>183 455</b>
Roads Infrastructure		(2 350)	-	-	-		(2 648)	(5 428)	(8 348)
Storm water Infrastructure		(52)	-	-	-		-	-	-
Electrical Infrastructure		3 048	2 303	-	-		1 494	2 581	2 573
Water Supply Infrastructure		185	4 751	4 251	4 251		(2 218)	(4 547)	(6 993)
Sanitation Infrastructure		673	11 418	62 918	62 918		19 661	48 020	76 309
Solid Waste Infrastructure		(782)	-	-	-		(41)	(84)	(130)
Rail Infrastructure		-	-	-	-		-	-	-
Coastal Infrastructure		-	-	-	-		-	-	-
Information and Communication Infrastructure		-	-	-	-		360	360	360
<b>Infrastructure</b>		<b>724</b>	<b>18 472</b>	<b>67 169</b>	<b>67 169</b>		<b>16 608</b>	<b>40 901</b>	<b>63 772</b>
Community Assets		3 260	3 176	1 200	1 200		2 118	11 144	20 554
Heritage Assets		-	-	-	-		-	-	-
Investment properties		(98)	-	-	-		-	-	-
Other Assets		(183)	23 330	1 000	1 000		23 300	62 300	102 300
Biological or Cultivated Assets		-	-	-	-		-	-	-
Intangible Assets		(29)	-	-	-		(29)	(60)	(92)
Computer Equipment		(68)	-	-	-		(792)	(1 655)	(2 561)
Furniture and Office Equipment		(74)	-	-	-		(143)	(292)	(450)
Machinery and Equipment		(1 514)	-	-	-		-	-	-
Transport Assets		(208)	-	-	-		373	157	(69)
Land		(184)	-	-	-		-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-		-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5</b>	<b>1 626</b>	<b>44 978</b>	<b>69 369</b>	<b>69 369</b>		<b>41 435</b>	<b>112 495</b>	<b>183 455</b>

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Table A10 Basic service delivery measurement

WC041 Kannaland - Table A10 Basic service delivery measurement

Description	Ref	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Households receiving Free Basic Service</b>	7							
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8							
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>		-	-	-	-	-	-	-
<b>Highest level of free service provided per household</b>								
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)		-	-	-	-	-	-	-
<b>Revenue cost of subsidised services provided (R'000)</b>	9							
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		-	-	-	-	-	-	-
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		175	2 555	765	765	2 693	2 828	2 969
Water (in excess of 6 kilolitres per indigent household per month)		(1 133)	-	(3 338)	(3 338)	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		(3 885)	3 000	(3 365)	(3 365)	-	-	-
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		-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-
<b>Total revenue cost of subsidised services provided</b>		(4 843)	5 555	(5 938)	(5 938)	2 693	2 828	2 969

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## 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 consider, 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).

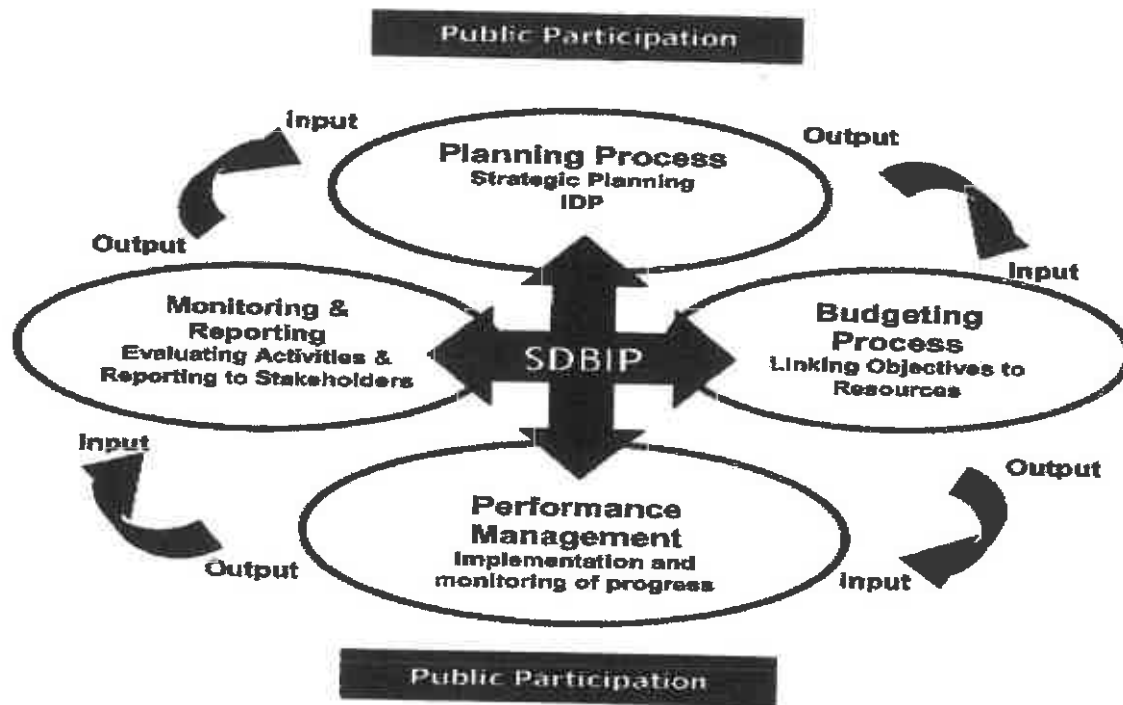
#### Budget preparation timetable

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

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 Councilors				15-19								
	1. Provide feedback on progress of ward priorities	Senior Management												
	2. Presentation of IDP Review & Budget time schedule													
	3. Obtain input on community needs for the IDP Review process													
Start up	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 30 May 2019.

The draft budget was tabled at council, thereafter the municipal manager made public the appropriate budget documentation and submitted it to both the national and the relevant provincial treasury and any other government departments as required. The local community was 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 was 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 was placed in the media, whereby the public was invited to submit written comments.

The public participation meetings (road shows) has taken place during April 2019, within the respective wards of Kannaland. The planned road shows was 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

## 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**

The budget-related policies have been reviewed and no material changes have been made.



## 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:



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	Final Budget 2018/19	Budget 2019/20	Budget 2020/21
<b>Rates</b>	6%	13.5 to 15.5 %	13%
<b>Tariffs:</b>			
• <b>Water</b>	6%	15%	15%
• <b>Sewerage</b>	6%	15%	15%
• <b>Electricity</b>	6.84%	15%*	15%
• <b>Cleansing</b>	6%	15%	15%
<b>General charges</b>	6%	15%	15%

\*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:

<b>Rates</b>	Monthly billing. Interim billing throughout the year.
<b>Tariffs</b>	Monthly billing. On-going prepayment meters. Seasonal fluctuations.
<b>Charges</b>	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%	15%	16%

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 %	5%	5.5 %
Section 57 employees	5.5%	5%	5.5%
Salaried employees	5.9%	5%	5.9%
Casual employees	5,9%	5%	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.



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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.





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#### **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.





## CONCLUSION

This has been a remarkable effort from a strategic and compliance perspective.

## SUCCESS STORY

*The CFO, supported by the BTO staff successfully drive a special training programme to capacitate the Budget Accountant and one intern to better understand the system while we have also addressed previous discrepancies, technical problems and MSCOA related issues. Provincial Treasury contributed funding and also played their oversight role in this regard.*

## WORD OF APPRECIATION:

*I would like to take this opportunity to thank the following people and institutions for their role and efforts:*

- The Mayor, Ward Councillors and other Councillors: for their participation and leadership especially during the community participation process.
- The Municipal Manager and Department Heads together with other budget holders, managers and supporting staff. The slogan of our Administrator, "Kannaland CAN" is indeed starting to become a reality especially from a compliance- and community engagements and project management point of view.
- The Provincial Administration for their commitment, oversight, monitoring and support role.
- To my staff especially those that were directly involved with providing statistical information, and reviewing of policies. The BTO literally worked day and night to ensure MSCOA and statutory compliance. The HR department for compiling the salary budget based on the new organogram and the IDP supporting staff for their dedication.

Together we are a Winning TEAM! God's grace is sufficient for KANNALAND.

**ROLAND F BUTLER**  
CFO



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## 2.7 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Reynold 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

R STEVENS

Municipal manager of

KANNALAND MUNICIPALITY

Signature



Date

27 MAY 2019

Municipality Kannaland Munisipaliteit  
P.O. Box 30 Posbus  
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## **ANNEXURES TO THE DOCUMENT**

### **IDP 2019/20**

#### **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





- 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)
- 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





**KANNALAND MUNICIPALITY  
RECOMMENDED TARIFFS - 2019/20**

Medium Term Budget 2019/20 -2021/2022

NB: All tariffs = VAT Exclusive

2019/20

2018/19

2017/18

2016/17

**TARIFF LIST INDEX**

**General Information**

§ 1 General Information	The Municipal Manager or his assignee has the authority to determine tariffs not contained herein.				
§ 2 Property Rates					
§ 3 Electricity					
§ 4 Water					
§ 5 Refuse Removal					
§ 6 Sewerage					
§ 7 Town Planning					
§ 8 Community Facilities					
§ 9 Sundry Tariffs					
§ 10 Indigent Subsidy	Indigent Subsidy is determined annually with reference to household income and merits of the applicant. The confirmation of the subsidy is subjected to monitoring and motivation of the status and the suspension of the subsidy if the conditions were not met.				

PROPERTY RATES		(No VAT)				Excluding VAT
		2016/17	2017/18	2018/19	2019/20	
1.1. General Rate Tariff						
All Residential properties - Per R1 on Total Valuation - Residential		R 0,012128	R 0,013098	0,0138841	0,01576	
All Residential properties - Per R1 on Total Valuation - Old Age Homes		R 0,002427	R 0,002621	0,0138841	0,01576	
All Residential properties - Per R1 on Total Valuation (Guesthouses)		R 0,015157	R 0,016370	0,0173519	0,02004	
All Residential properties - Per R1 on Total Valuation (Spaza Shops) - Residential +5%		R 0,012734	R 0,013752	0,0145774	0,01684	
All Business properties - Per R1 on Total Valuation - Agricultural		R 0,003034	R 0,003278	0,0034730	0,00230	
All Business properties - Per R1 on Total Valuation - Businesses		R 0,022129	R 0,023899	0,0253333	0,02926	
1.3. Rates Rebate Structure						
.01 Residential	Valuation reduction allowed		1.00 : 1	1.00 : 1	1.00 : 1	
.02 Guesthouses				1.00 : 1	1.00 : 1	
.03 Commercial			2.00 : 1	2.00 : 1	2.00 : 1	
.04 State						
.05 Agricultural / PSI			1.00 : 1	2.00 : 1	2.00 : 1	
.06 Social Entities			0.25 : 1	0.25 : 1	0.25 : 1	
1.5. Rates Exemptions						
Basic Exemption on Valuation - Residential properties occupied by owner						
Rebate to qualified pensioners (Age 65 years) / Disabled persons						
Registered Church properties used for religious purposes						
All Residential properties with a Total Valuation of R 70 000						
	Portion %					
	30%					
	100%					
	100%					
1.6 Cost for General Valuation per Rateable property per Annum (Excl) Properties with a Total Valuation of R 70 000						
1.7 A 15% deduction provision for objections of valuation						

Municipality Kannaland Munisipaliteit

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3.	WATER	2016/17	2017/18	2018/19	2019/20
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### 3.1 Conventional Meters

#### .01 Standard Basic Levies

Basic Residential	73.17	79.02	83.76	96.33
Basic Small Business	81.62	88.15	93.44	107.45
Basic Medium to Large Business	116.60	125.93	133.48	153.51
Basic Institutions (School, Hospital, Old Age Homes )	93.28	100.74	106.79	122.80
Basic Institutions (Churches)	75.79	81.85	86.76	99.78
Basic Industrial	146.34	158.04	167.53	192.66
Availability Vacant Stands	92.70	100.11	106.12	122.04

#### .02 Standard Meter Usage Residential

Sliding Scale Block Tariff	0 - 6 Kl	Indi jents only	4,37	4,72	5,00	5,75
Free Basic Water			4,99	5,39	5,71	6,57
Scale 1	7 - 15 Kl		7,86	8,49	9,00	10,35
Scale 2	16 - 20 Kl		9,36	10,11	10,71	12,32
Scale 3	21 - 30 Kl		10,98	11,86	12,57	14,45
Scale 4	Bo 30 Kl					

#### .03 Standard Tariffs Other Institutions

Categories	9,36	10,11	10,71	12,32
a) Industries	8,11	8,76	9,28	10,68
b) Large Businesses and B&B's	6,49	7,01	7,43	8,54
c) Social and Services Institutions	6,49	7,01	7,43	8,54
Old Age Home and Frail Care Centres	6,49	7,01	7,43	8,54
Churches Schools Hostels and Clubs	6,49	7,01	7,43	8,54
Stand Pipe Consumers	6,49	7,01	100,00	115,00

#### 3.2 Pre - Paid Meters Residential Only

Usage per Kl above free basic water	-	-	-	-
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### 3.3 Irrigation Water

a) Ladismith	5 379,50	-	-	-	-
Irrigation Water per turn per annum for 15 minutes					
Minute water for 10 minutes = 1 unit					
Minute water for 10 minutes = 1 unit (One Month)					
Minute water for 10 minutes = 1 unit (Per annum)	14,57	15,74	16,68	19,18	
Minute water for 10 minutes (Per Annum)	58,29	62,95	66,73	76,74	
	699,53	755,49	800,82	920,95	

### b) Callitxorp

Cost per minute for 15 minutes	54,42	58,77	62,30	71,65	
Equivalent tariff for 15 minutes per annum	816,20	881,50	934,39	1 074,54	

### 3.4 Connection Fees

Connection and Disconnection fee on request					
<b>New Connections</b>					
* Actual cost + 30% Administration fee	99,81	107,79	114,26	131,40	
<b>Upgrading cost of Connection</b>	2 420,00	2 613,60	2 770,42	3 185,98	
* Actual cost + 30% Administration fee					
Reconnection Mel payment - Indigent					
Reconnection Mel payment	110,00	118,80	125,93	144,82	
Reconnection - offence (Tempering)	469,15	506,68	537,08	617,64	
	3 119,05	3 368,57	3 570,89	4 106,29	

### 3.5 Service Deposit Water

Residential					
Small Business	561,43	606,30	642,68	739,08	
Medium - Large Business	583,00	629,60	667,38	767,48	
Industrial (Cost plus 25% Minimum)	1 166,00	1 259,30	1 334,86	1 535,09	
	2 332,00	2 518,60	2 669,72	3 070,17	

### 3.6 Water Tariff Draught Restrictions

Free Basic Water					
Scale 1	0 - 6 Kl	Inc gents only			
Scale 2	7 - 15 Kl		9,97	10,57	12,15
Scale 3	16 - 20 Kl		12,85	13,88	14,71
Scale 4	21 - 30 Kl		18,09	19,54	20,71
	Bo 30 Kl		25,33	27,35	28,99
			35,43	38,27	40,56
<b>Other Institutions</b>					
a) Industries					
b) Large Businesses and B&B's			17,61	19,02	20,16
c) Social and Services Institutions			15,89	17,16	18,19
			7,85	8,48	8,99

### 3.7 Water Draught Restriction

Penalty (R 1 000 X2)					
Contravention of Water and Sanitation By Laws	2 332,00	2 518,56	2 669,67	3 070,12	

### 3.8 Departmental Accounts

Departmental Levy					
	4,52	4,88	5,17	5,95	



4. REFUSE REMOVAL	2016/17	2017/18	2018/19	2019/20
<b>.01 Standard Tariff One collection per week per month</b>				
Residential (4 Black bags per week)	166,59	179,92	190,71	219,32
Residential Additional Collection Black Bags (with removal cycle)	5,72	6,18	6,55	7,54
Residential Additional Collection Black Bags (outside removal cycle)	40,07	43,27	45,87	52,75
Small Businesses (7 Black bags per week)	206,29	222,80	236,16	271,59
Businesses (7 Black Bags per week)	206,29	222,80	236,16	271,59
Business (Additional Collection Black Bags)	40,07	43,27	45,87	52,75
Hotels B&B's and Self Catering (7 Black Bags per week)	208,23	224,89	238,39	274,15
Old Age Homes and Frail Care centres (7 Black bags per week)	168,59	179,92	190,71	219,32
<b>.02 Standard tariff One removal per fortnight</b>				
Residential and Small Business	86,97	93,93	99,56	114,50
Old Age Homes and Frail Care centres	86,97	93,93	99,56	114,50
<b>.03 Bulk Refuse Services</b>				
Business with Refuse Cage per month	1 273,93	1 375,85	1 458,40	1 677,16
Fines - Failure to comply to Terms & Conditions	1 620,00	1 749,60	1 854,58	2 132,76
<b>.04 Refuse Tip site</b>				
Factories per month	1 717,20	1 854,58	1 965,85	2 260,73
Abattoir per month	629,64	680,01	720,81	828,93
Residential and Small Business per bag (Excl of Vat)	8,10	8,75	9,28	10,67
<b>Garden Refuse (By Owner)</b>		FREE / GRATIS	FREE / GRATIS	FREE / GRATIS
<b>Building Rubble (By Owner) per kg</b>	0,38	0,41	0,43	0,50
<b>STARTING VAN BOUROMMEL VULLIS @ 0.35C/KG</b>				
KAPASITEIT VAN VOERTUIG	VOLUME VAN VULLIS	GE M/G		
	1 0,25	18 KG	76,75	80,84
	1 0,5	37 KG	153,09	161,25
	1 0,75	56 KG	229,84	242,09
	1 1	75 KG	306,18	322,50
	2 0,25	37 KG	153,09	161,25
	2 0,5	75 KG	306,18	322,50
	2 0,75	115 KG	459,27	483,75
	2 1	150 KG	612,36	645,00
	3 0,25	56 KG	229,84	242,09
	3 0,5	115 KG	459,27	483,75
	3 0,75	168 KG	689,11	725,84
	3 1	220 KG	918,54	967,50
	4 0,25	75 KG	306,18	322,50
	4 0,5	150 KG	612,36	645,00
	4 0,75	220 KG	917,96	966,89
				1 111,92



# Municipality Kannaland Munisipaliteit

P.O. 30030 Postbus

LADIMITH

6655 8KG

175KG 1823

3:50KG

4	1	134,00	1 224,72	1 290,00	1 483,50
5	0,25	354,56	382,93	403,34	463,84
5	0,5	708,75	765,45	806,25	927,19
5	0,75	1 063,31	1 148,38	1 209,59	1 391,03
5	1	1 417,50	1 530,00	1 611,55	1 853,28
10	0,25	708,75	765,45	806,25	927,19
10	0,5	1 417,50	1 530,90	1 612,50	1 854,37
10	0,75	2 126,25	2 296,35	2 418,75	2 781,56
10	1	2 835,00	3 061,80	3 224,99	3 708,74
STARTING VAN HUISHOUDELIKE VULLIS @ 10C/KG					
KAPASITEIT VAN VOERTUIG					
VOLUME VAN VULLIS					
1	0,25	50 KG	11,66	12,50	14,37
1	0,5	100 KG	23,33	25,00	28,75
1	0,75	150 KG	34,99	37,50	43,12
1	1	200 KG	46,66	50,00	57,50
2	0,25	100 KG	23,33	25,00	28,75
2	0,5	200 KG	46,66	50,00	57,50
2	0,75	300 KG	69,98	75,00	86,25
2	1	400 KG	93,31	100,00	115,00
3	0,25	150 KG	34,99	37,50	43,12
3	0,5	300 KG	69,98	75,00	86,25
3	0,75	450 KG	104,98	112,50	129,37
3	1	600 KG	139,97	150,00	172,50
4	0,25	200 KG	46,66	50,00	57,50
4	0,5	400 KG	93,31	100,00	115,00
4	0,75	600 KG	139,97	150,00	172,50
4	1	800 KG	186,62	200,00	230,00
5	0,25	250 KG	58,32	62,50	71,88
5	0,5	500 KG	116,64	125,00	143,75
5	0,75	750 KG	174,99	187,50	216,62
5	1	1000 KG	233,28	250,00	287,50
10	0,25	500 KG	116,64	125,00	143,75
10	0,5	1000 KG	233,28	250,00	287,50
10	0,75	1500 KG	349,92	375,00	431,25
10	1	2000 KG	466,56	500,00	575,00

## 05 Sundry Tariffs

Refuse bags Black pack of 15  
Refuse bags Green pack of 10  
Clearing of Erven/ Stands

39,20	42,33	44,88	51,61
39,20	42,33	44,88	51,61
1 717,20	1 854,58	1 965,85	2 260,73



**.06 Departmental Accounts**  
Departmental Levy

62.35	67.34	71.38	82.08
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# 5. SEWERAGE

	2016/17	2017/18	2018/19	2019/20
<b>.01 Sewerage Basic Tariff</b>				
Availability per month				
Residential unit per month	238,86	257,97	273,45	314,47
Residential old age unit per month	160,27	173,09	183,48	211,00
	116,37	125,68	133,22	153,20

**.02 Sewerage per Pan per month**

Businesses [ 1 to 15 pans]

Businesses [16 and more pans]	179,94	194,33	205,99	236,89
Hotels B&B's and Guest Houses	143,32	154,78	164,07	188,68
Schools and Hostels (1 to 15 pans)	167,21	180,58	191,42	220,13
Schools and Hostels (16 and more pans)	143,32	154,78	164,07	188,68
Churches and Social Service centres	153,35	165,62	175,55	201,89
	116,37	125,68	133,22	153,20

# **.03 Septic Tanks**

Basic Charge fixed cost per month	61,25	66,15	70,12	80,63
<b>Service on request -</b>				
Service - (Normal Hours) - Residential (Per Suction)	160,27	173,09	183,48	211,00
Service - (Normal Hours) - Businesses ( Per Suction)	160,27	173,09	183,48	211,00
Service - After hours (Mon - Thur)	343,44	370,92	393,17	452,15
Service - After hours (Friday till Monday 7h30 including Public Holidays)	400,88	432,73	458,70	527,50
Travelling Cost outside Town per Km (Farms)	11,02	11,91	12,62	14,51

# **.04 Sundry Tariffs**

Connection Costs	2 160,00	2 332,80	2 472,77	2 843,68
Connection Costs - Indigent	108,00	116,64	123,64	142,18
Actual Cost + 30% Administration fee				
Startings tariff (Vuil fabrik water in riool stelsel) (PER /M3)	5,96	6,44	R 6,82	7,85
<b>Blockages - Service delivered on private property</b>				
* Week Days Cost per hour [minimum 1 Hour]	5 304,38	5 728,73	6 072,45	6 983,32
* After hours Cost per hour [Minimum 1 Hour]	5 304,38	5 728,73	6 072,45	6 983,32

# **.05 Departmental Accounts**

Departmental Levy	81,70	88,24	93,53	107,56
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# 6. TOWN PLANNING

# **6.1 Application Fees**

Rezoning, Permissible Use & other by-law applications				
Sub Division - Less than 20 erven per erf	1 231,11	1 329,60	1 409,37	1 620,78
Sub Division - per erf more than 20	270,84	292,51	310,06	356,57
Consolidation & Subdivision	123,11	132,96	140,94	162,08
Consent Use	1 625,07	1 755,08	1 860,38	2 139,44
	1 231,11	1 329,60	1 409,37	1 620,78



Deviations	979,95	1 058,34	1 121,85	1 290,12
Deviations Building line Sec. 15(1)(a)(ii) per case	612,47	661,47	701,15	806,33
Deviations Side & Street Building Lines [Small Works]	275,61	297,66	315,52	362,85
Deviations Main Structure Street Building Line	1 347,43	1 455,22	1 542,54	1 773,92
Transgression Side Building Line	1 347,43	1 455,22	1 542,54	1 773,92
Transgression Street Building Line	3 184,83	3 439,62	3 646,00	4 192,90
Transgression High Restriction First Storey	5 512,21	5 953,19	6 310,38	7 256,94
Huiswinkel / Spaza	307,78	332,40	352,35	405,20

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### 6.1.1 Advertising Costs

Municipal notice boards, municipal website

External media: Newspapers, Government Gazette

1 568,38	1 693,85	1 795,48	2 064,80
6 500,00	7 020,00	7 441,20	8 557,38

### 6.2 Building Plan Fees

Small Works: Varanda, Swimming Pools, Boundary Fences and Demolitions

Minimum building plan fee (Less than or equal to 19m2)

Changes to approved building plan where area is less than 19m2

Plan Fees - Temporary and permanent building between 20m2 and 300m2 (Rate per m2)

Plan Fees - Temporary and permanent building more than 300m2 (Rate per m2)

Plan Fees - Changes to internal (minimum fee)

Open side garage at dak, skulplek for a vehicle, boat or caravan above 40m2 per m2 or minimum fee of R 360.44

Boundary wall or fence (per application) per m2

Swimming Pool

Deernis Huishoudings

0-50000

50001-100000

100001-250000

250001+

336,86	363,81	385,63	443,48
14,25	15,39	16,31	18,76
19,00	20,52	21,75	25,01
336,86	363,81	385,63	443,48
20,33	21,96	R 23,27	26,76
20,33	21,96	23,27	26,76
168,43	181,90	192,82	221,74
		R 0	
6,33	6,84	7,25	8,33
9,50	10,26	10,88	12,51
14,25	15,39	16,31	18,76
19,00	20,52	21,75	25,01

### 6.3 Sundry Building Fees

Transgression Fees

Gas Installation

Erection of Advertising Boards

Builders Deposit (Houses & Alterations)

Builders Deposit other (Any Other Buildings)

Renewing Fees Minimum (50% of Application Fee)

Industrial Plans All sizes

Other Zoning etc. Business

Photocopies of building plans (A4)

Photocopies of building plans (A3)

Driveways

Lowering of Curb stones

Install Driveway [Single or Double]

Rental Advertising Boards [Enlightened]

Per Month

Rental of Tourism Sign

First Sign per annum

Additional signs per annum

Issuing of a certificate of occupancy

- Additions / Alterations (Per certificate applicable from 01 July 2014)

- New Buildings (Per certificate applicable from 01 July 2014)

- Re-issue of certificate

635,74	686,60	727,80	836,97
143,32	154,78	164,07	188,68
285,41	308,24	326,74	375,75
1 373,76	1 483,66	1 572,68	1 808,58
3 651,91	3 944,06	4 180,71	4 807,82
363,81	392,91	416,49	478,96
11 672,42	12 606,21	13 362,58	15 366,97
18 242,97	19 702,41	20 884,55	24 017,24
143,32	154,78	164,07	188,68
454,45	490,81	520,26	598,29
78,40	84,67	89,75	103,21
169,04	182,56	193,52	222,55
90,65	97,90	103,77	119,34
114,48	123,64	131,06	150,72
228,96	247,28	262,11	301,43

[Fine: Deposit Forfeiture plus removal Cost]

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### 7. COMMUNITY FACILITIES

Municipal Halls and Equipment

2016/17	2017/18	2018/19	2019/20
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.01 Deposit's - No VAT

Keys	84,52	91,30	96,80	111,32
Cleansing	84,52	91,30	96,80	111,32
Rental of Chairs [Per 100 or part thereof]	550,00	594,00	629,60	724,04
Social Meetings, Exhibits and Church gatherings	161,69	174,60	185,10	212,87
Functions, Concerts, Fates, matric-fair wells etc.	269,49	291,00	308,50	354,78
Marriages and Receptions	355,23	383,60	406,60	467,59
Rental per table	355,23	383,60	406,60	467,59
Public Dances	545,10	588,70	624,00	717,60

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**.02 Service Organisations - Without Deposit**

Registered Social and Welfare Organisations	116,37	125,68	133,22	153,20
Police forum, Ballroom-group and Service Centre (per month / forward Bookings)	169,04	182,56	193,52	222,55

**.03 Public Meetings**

Church Meetings	45,32	48,95	51,89	59,67
Meetings	208,24	224,90	238,39	274,15
Functions, Concerts, Fates, matric-fair wells etc.	208,24	224,90	238,39	274,15
Exhibits	415,25	448,47	475,38	546,69

**.04 Dances and Related Meetings**

Marriages and Receptions	415,25	448,47	475,38	546,69
Public Dances	570,82	616,49	653,47	751,50

**.05 Rental of Equipment**

Tables - per table, per function	25,72	27,78	29,45	33,87
Chairs - per chair, per function	13,47	14,55	15,43	17,74

**7.2 Swimming Pools**

Children under 12 [per Day]	5,00	5,40	5,72	6,58
Adults [per Day]	15,00	16,20	17,17	19,75
Use by registered NGO's for developmental purposes [pre-approval needed]				
(Maximum 4 hours per month - Rate per hour)				
Practice sessions				
Schools - 4 hours per week [per hour]	52,64	56,85	60,26	69,30
Swimming Clubs - 4 hours per week [per hour]	68,43	73,90	78,34	90,09

**7.3 Cemeteries**

**.01 Grave Digging and Building Fees**

Cemetery Sites	285,41	308,24	326,74	375,75
Rental of Compressor per hour	104,12	112,45	119,20	137,08
Single Grave Digging and Building	1 857,00	2 005,56	2 125,90	2 444,78
Double Grave Digging and Building	2 921,47	3 155,19	3 344,50	3 846,18

**.02 Sundry Services**

Refrigeration Services [Mortuary] first day	71,05	76,73	81,33	93,53
Refrigeration Services [Mortuary] per day afterwards	39,20	42,33	44,87	51,60
Opening of Grave	960,35	1 037,18	1 099,41	1 264,32
Tombstone permit	282,77	305,39	323,71	372,27

**.03 Guidance by Traffic Officers**

Up to 4 hours	259,58	280,34	297,16	341,74
More than 4 hours	519,15	560,68	594,32	683,47

**7.4 Health Services**

Meet Inspections Ladismith per month				Eden DM
Meet Inspections other areas				Eden DM


**7.5 Sports Facilities**

Towerkop Park and Zoar Sport Grounds



Use by Rugby/Soccer clubs per season per club  
 Rental of Towerkop Park or Zoar Sportgrounds [No access fees] per day  
 Rental of Towerkop Park or Zoar Sportgrounds [with access fees at gate] per day  
 Festivals per day  
 Schools [per occasion]  
**Bowling Facilities**  
 Deposit  
**Rental of facilities (Per day)**  
 Flood Lights (per hour)  
 As per Contract

2 063,10	2 228,15	2 361,84	2 716,11
154,73	167,11	177,14	203,71
206,31	222,82	236,18	271,61
825,24	891,26	944,74	1 086,45
154,73	167,11	177,14	203,71
			-

  
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Mar:et Related & MFMA Compliant Contracts

CAPITAL CONTRIBUTION	2016/17	2017/18	2018/19	2019/20
Capital Contribution for New Developments, Sub Divisions and Rezoned erven: (Review 2015/2016) per ERF				
Electricity	2 862,00	3 090,96	3 276,42	3 767,88
Water	5 569,69	6 015,27	6 376,18	7 332,61
Sewerage	2 510,29	2 711,12	2 873,79	3 304,85
Streets & Storm Water	3 987,53	4 306,54	4 564,93	5 249,67
NB: Uitbreiding van tariewe				

FIRE BRIGADE SERVICES	2016/17	2017/18	2018/19	2019/20
LEVY PER ANNUM (PER HOUSEHOLD)	157,90	170,53	180,76	144,00

Vehicle and Equipment Charges	2016/17	2017/18	2018/19	2019/20
a) Informal dwellings				
b) Fire appliance or specialist vehicle per hour or part thereof, for any type of call out incident other than in (a) and (b).	697,68	753,49	798,70	918,51
c) Service vehicle per hour or part thereof, for any type of call out incident other than in (a) and (b).	273,60	295,49	313,22	360,20
d) Fire appliance or specialist vehicle hired out for any purpose other than incident attendance: per hour or part thereof, for any type of call out incident.	984,96	1 063,76	1 127,58	1 296,72
e) Service vehicle hired out for any purpose other than incident attendance per hour or part thereof, for any type of call out incident other than in (a) and (b).	300,96	325,04	344,54	396,22
f) Equipment of a general or specialised nature hired out for any purpose other than incident attendance per hour or part thereof for any type of call out incident other than in (a) and (b).	164,16	177,29	187,93	216,12
Personnel Charges				
a) Informal dwellings				
b) Officers and staff at any type of callout incident including standby duties per person, per hour or part thereof other than in (a) and (b).	300,96	325,04	344,54	396,22
c) Officers and staff required in attendance i.r.o hired out vehicles and/or equipment per person, per hour or part thereof (Pre-contracted and paid in advance).	300,96	325,04	344,54	396,22
Consumables				
a) Informal dwellings				
b) Cost of all materials used plus 10% as an administration charge.				
Refer consumable Refer consumables				



## Documents

- Incident reports on request
- Emergency evacuation plans
- Inspection and issue of Registration certificate per premise for bulk flammable liquid storage
- Registration of lapsed registration certificate-fee for bulk flammable liquid - each year that registration certificate were not renewed, plus current registration fees.

95,76	103,42	109,63	126,07
260,00	270,00	286,20	329,13
2 772,00	2 993,76	3 173,39	3 649,39
2 640,00	2 851,20	3 022,27	3 475,61

## Inspection

- a) General inspection requested  
b) Fireworks display / Storage  
c) Fire safety compliance for Business application  
d) Fire safety compliance for Health permit application  
e) Warehouses / storage of dangerous goods internal or external  
f) Safety compliance certificate for swimming pool  
g) Certificate for fitness - Permanent and Temporary structure for public attendance  
1 - 1000  
1001 - 10000  
More than 10000

287.28	310.26	328.88	378.21
300.96	325.04	344.54	396.22
300.96	325.04	344.54	396.22
300.96	325.0368	344.539008	396.22
300.96	325.0368	344.539008	396.22
164.16	177.2928	187.930368	216.12
533.52	576.2016	610.773696	702.39
889.2	960.336	1017.95616	1 170.65
1778.4	1920.672	2035.91232	2 341.30

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**General application principles****Rebate**

- a) If the service is utilised for a building used exclusively for residential purposes, the Executive Head may, in his/her sole discretion, limit the total amount payable in respect of 1(b), 1(c), 2(b), 3(b) to the maximum of Rs3000.00. In addition that further discretion be exercised where the poor areas are concerned and have the authority to cancel or reduce and account where such request is received.
- b) The fees applicable in 1n(b), 1(c), 2(b), 3(b) do not apply to void fires on vacant even within the area of Jurisdiction
- c) The fees payable in 1(b), 1(c), 2(b), 3(b) does not apply to calls of Humanitarian nature.

**Exclusions**

- a) Fire Service by means of parades and exhibits are in most cases regarded as promotions, awareness and training, thus not charge for
- b) Joint exercises with other Emergency Services/Institutions are not charged.
- c) All registration certificates and permits for flammable substances and dangerous goods are renewable annually, application for renewal to be submitted 30 days before certificate expiry date.
- d) All time and tariff calculations are taken from time of departure to time of return.
- e) Discretionary or authority exercise, if any, in terms of 6(a) be reported to Council quarterly.

**Municipality Kannaland Municipality**

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**SUNDY TARIFFS**

	2016/17	2017/18	2018/19	2019/20
<b>Valuation Certificates</b>				
Zoning Certificate	166,00	179,28	190,03	218,54
Clearance Certificates	166,00	179,28	190,03	218,54
Indigents - 10% of standard tariff above			19,00	21,85
<b>Photo Stats (Municipal Offices)</b>				
A4 Copy	7,35	7,94	8,41	9,68
A3 Copy	12,25	13,23	14,02	16,13
A4 Copy	7,35	7,94	8,41	9,68
A3 Copy	2,45	2,65	2,80	3,23
A4 Copy	0,50	0,54	0,58	0,66
Per Page	15,92	17,20	18,23	20,96
Per Case	25,72	27,78	29,45	33,87
<b>Search Fees</b>				
Tender Document Fees	324,61	350,58	371,61	427,35
Equipment Rental - Hire of JCB per hour (Excluding VAT)	489,97	529,17	560,92	645,06
Stand Hawkers per occasion (Residents)	57,24	61,82	65,53	75,36
Stand Hawkers per month (Residents)				
Stand Hawkers per occasion (Non Residents)				
Stand Hawkers per month (Non Residents)				
<b>Access to Information (per page)</b>				
Per Case - as advertised	171,72	185,46	196,59	226,07
<b>Rates - Valuation Information fee</b>				
<b>FINES</b>				
Removal of Political and Events Posters (Per Poster)	915,84	989,11	1 048,45	1 205,72
Removal of Political and Events Posters (Banners)	22,90	24,73	26,21	30,14
Removal of Political and Events Posters (Banners)	114,48	123,64	131,06	150,72

**INDIGENT SUBSIDY**

	2016/17	2017/18	2018/19	2019/20

**Qualification Requirements**

Bruto household income per month: Maximum (2 x State Pension)	3 932,60	3 200,00	6 000,00	6 500,00
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Consider all applications
Evaluation Committee to evaluate all applications
Boundary cases will be treated on merit (3 x State Pension)

**10.2 Subsidy Allocations**

Maximum subsidy per service, per Household, per month					
Metered Services Conventional Meters only					
	Electricity	Basic plus circuit breaker @ 10A & 50 KWh] 50Kwh	51,52	50,75	54,22
Water					70,00
Refuse			103	107,34	113,78
Sewerage			176,26	179,92	190,71
			169,89	173,09	183,47
					62,35
					80,50
					130,84
					219,31
					210,99

**10.3 Free Basic Services**

Free units per month					
	Electricity	Water	- kWh	- KI	
			50	6	6
					50
					6



**Province: Municipality(WC041) - Schedule of Service Delivery Standards Table Kannaland Municipality 2019/20**

Standard	Description	Service Level
<b>Solid Waste Removal</b>		
Premise based removal (Residential Frequency)		Once per week in Ladismith, Zoar, Callizdorp and Vanwyksdorp. Per quarter it will be 16x3= 48 refuse removals per quarter
Premise based removal (Business Frequency)		Businesses receive refuse removals once per week, except for businesses in Vanwyksdorp who receive business removals once every two weeks. Per quarter it will be 16x3=48 refuse removals per quarter
Bulk Removal (Frequency)		Refuse cages are cleared once per week. The 2 cheese factories does not receive refuse removals, but dispose their waste at the landfill sites daily
Removal Bags provided(Yes/No)		Yes, the Municipality provides black bags quarterly
Garden refuse removal Included (Yes/No)		No, garden refuse does not get collected, but can be disposed at the landfill sites free of charge
Street Cleaning Frequency in CBD		Street cleaning in the CBD is a function of Community Services
Street Cleaning Frequency in areas excluding CBD		Street cleaning in residential areas are also a function of Community Services, but on a weekly basis it is done by the Youth Jobs In Waste (EPWP) workers
How soon are public areas cleaned after events (24hours/48hours/longer)		This is also a function of Community Services
Clearing of illegal dumping (24hours/48hours/longer)		Illegal dumping sites are cleared within 72hours after a formal complaint has been lodged with the Municipality's customer care service
Recycling or environmentally friendly practices(Yes/No)		No recycling or environmentally friendly practices are taking place in the Municipality
Licensed landfill site(Yes/No)		Ladismith landfill site is licensed for Household refuse, garden waste and builders rubble Zoar landfill site is licensed for household waste, garden waste and builders rubble Callizdorp landfill site is licensed for garden waste and builders rubble

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<b>Water Service</b>		
Water Quality rating (Blue/Green/Brown/NO drop)		Blue / Green
Is free water available to all? (All/only to the indigent consumers)		Yes only to indigents
Frequency of meter reading? (per month, per year)		Per month
Are estimated consumption calculated on actual consumption over (two month's/three month's/longer period)		No estimates are used. The officials read the actual reading on the meters.
On average for how long does the municipality use estimates before reverting back to actual readings? (months)		Immediately
<b>Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)</b>		
One service connection affected (number of hours)		two hours
Up to 5 service connection affected (number of hours)		three hours
Up to 20 service connection affected (number of hours)		three hours
Feeder pipe larger than 800mm (number of hours)		five hours
What is the average minimum water flow in your municipality?		3.5 ml per day
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)		No
How long does it take to replace faulty water meters? (days)		one day
Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)		No
<b>Electricity Service</b>		
What is your electricity availability percentage on average per month?		100 percent
Do your municipality have a ripple control in place that is operational? (Yes/No)		No
How much do you estimate is the cost saving in utilizing the ripple control system?		No
What is the frequency of meters being read? (per month, per year)		once per month
Are estimated consumption calculated at consumption over (two month's/three month's/longer period)		No estimates allowed
On average for how long does the municipality use estimates before reverting back to actual readings? (months)		No estimates allowed
Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)		Immediately
Are accounts normally calculated on actual readings? (Yes/no)		Yes
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)		No
How long does it take to replace faulty meters? (days)		Immediately
Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)		Yes
How effective is the action plan in curbing line losses? (Good/Bad)		Good
How soon does the municipality provide a quotation to a customer upon a written request? (days)		Two days
How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days)		One Day
How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)		One Day
How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)		One day

  
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<b>Sewerage Service</b>			
Are your purification system effective enough to put water back in to the system after purification?			No we do not use this type of service. This is only for irrigation purposes
To what extend do you subsidize your indigent consumers?			Only to indigent consumers
<b>How long does it take to restore sewerage breakages on average</b>			
Severe overflow? (hours)			24 hours
Sewer blocked pipes: Large pipes? (Hours)			24 hours
Sewer blocked pipes: Small pipes? (Hours)			24 hours
Spillage clean-up? (hours)			24 hours
Replacement of manhole covers? (Hours)			24 hours
<b>Road Infrastructure Services</b>			
Time taken to repair a single pothole on a major road? (Hours)			1 day
Time taken to repair a single pothole on a minor road? (Hours)			1 week
Time taken to repair a road following an open trench service crossing? (Hours)			24 hours
Time taken to repair walkways? (Hours)			1 month
<b>Property valuations</b>			
How long does it take on average from completion to the first account being issued? (one month/three months or longer)			1 month
Do you have any special rating properties? (Yes/No)			No
<b>Financial Management</b>			
Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)			Decrease
Are the financial statement outsources? (Yes/No)			Yes
Are there Council adopted business process structuring the flow and management of documentation feeding to Trial Balance?			No
How long does it take for an Tax/Invoice to be paid from the date it has been received?			
Is there advance planning from SCM unit linking all departmental plans quarterly and annually including for the next two to three years procurement plans?			
<b>Administration</b>			
Reaction time on enquiries and requests?			Immediately
Time to respond to a verbal customer enquiry or request? (working days)			within one day
Time to respond to a written customer enquiry or request? (working days)			Normally within one day depending on the availability of the supervisor
Time to resolve a customer enquiry or request? (working days)			one day
What percentage of calls are not answered? (5%, 10% or more)			5%
How long does it take to respond to voice mails? (hours)			Immediately
Does the municipality have control over locked enquiries? (Yes/No)			Yes
Is there a reduction in the number of complaints or not? (Yes/No)			Yes. It must be noted that this cannot be predict in any manner as their will always be complaints. It is our duty to see if this matter is resolved.
How long does in take to open an account to a new customer? (1 day/ 2 days/ a week or longer)			one day
How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings?			On a regular basis

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<b>Community safety and licensing services</b>	
How long does it take to register a vehicle? (minutes)	five minutes
How long does it take to renew a vehicle license? (minutes)	two minutes
How long does it take to issue a duplicate registration certificate vehicle? (minutes)	10 minutes
How long does it take to de-register a vehicle? (minutes)	three minutes
How long does it take to renew a drivers license? (minutes)	ten minutes
What is the average reaction time of the fire service to an incident? (minutes)	It depends if there is not another fire outage in the area as we do not have this services owned by the municipality. There is only one fire truck (services owned by Garden dm)
What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)	It depends if there is no other incidents. Kannaland has a shortage of ambulances. It was raised at indabas and still waits for responses.
What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	It depends if there is no other incidents. Kannaland has a shortage of ambulances. It was raised at indabas and still waits for responses.
<b>Economic development</b>	
How many economic development projects does the municipality drive?	ACJP: 4
How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	MIG: 2
What percentage of the projects have created sustainable job security?	EPWP: 6
Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)	All
	100%
	Yes
<b>Other Service delivery and communication</b>	
Is a information package handed to the new customer? (Yes/No)	Yes
Does the municipality have training or information sessions to inform the community? (Yes/No)	Yes
Are customers treated in a professional and humanly manner? (Yes/No)	Yes

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