

Kannaland Municipalit
Final Budget
2018/2019 to 2020/2021



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

28 May 2018

Contents

GLOSSARY	4
1. PART 1 – ANNUAL BUDGET	6
1.1 MAYORAL SPEECH	6
1.2 COUNCIL RESOLUTIONS	6
1.3 NON-COMPLIANCE WITH THE SUBMISSION OF THE DRAFT –ANNUAL BUDGET	7
1.4 BUDGET 2017/2018 MID-YEAR REVIEW AND ADJUSTMENTS BUDGET 10	
1.5 EXECUTIVE SUMMARY	10
1.6 BUDGET OVERVIEW OF THE 2018/2019 MTREF	14
Table A1 Budget summary	16
1.7 BUDGETED FINANCIAL PERFORMANCE	17
Table A4 Budgeted financial performance (revenue and expenditure)	17
1.8 OPERATING REVENUE FRAMEWORK	18
1.9 OPERATING EXPENDITURE FRAMEWORK	30
Supporting Table SA23 Salaries, allowances and benefits (political office bearers/councillors/senior managers)	32
Table A2 Budgeted financial performance (revenue and expenditure by functional classification)	34
Table A3 Budgeted financial performance (revenue and expenditure by municipal vote)	35
1.10 CAPITAL BUDGET	35
Table A5 Budgeted capital expenditure by vote, functional classification and funding	37
1.11 BUDGET SCHEDULES	38
Table A6 Budgeted financial position	38
Table A7 Budgeted cash flows	39
Table A8 Cash backed reserves/accumulated surplus reconciliation	40
WC041 Kannaland - Table A9 Asset Management	41
Table A10 Basic service delivery measurement	42
2. PART 2 – SUPPORTING DOCUMENTATION	43
2.1 BUDGET PREPERATION PROCESS	43
2.2 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN	48
2.3 ALIGNMENT OF BUDGET TO IDP	48

2.4	MEASURABLE PERFORMANCE OBJECTIVES (MPOS) AND INDICATORS	50
2.5	OVERVIEW OF BUDGET RELATED POLICIES	50
	Review of current policies.....	51
2.6	BUDGET ASSUMPTIONS	52
2.6.1	– National Treasury MFMA Circular Nos. 89 and 91	52
2.6.2	– Inflation outlook.....	52
2.6.3	– Rates, tariffs, charges and timing of revenue collection.....	52
2.6.4	– Collection rates for each revenue source and customer type	53
2.6.5	– Price movements on specifics e.g. bulk purchases	54
2.6.6	– Average salary increases.....	54
2.6.7	– Industrial relations climate, reorganisation and capacity building.....	54
2.6.8	– Trends in demand for free or subsidised basic services	55
2.6.9	– Capital budget.....	55
2.6.10	– Implications of restructuring and other major events in the future.....	56
2.6.11	– Budgeting for contingency plans for prolonged power outages.....	56
2.6.12	– Service level standards	56
2.7	MUNICIPAL MANAGER’S QUALITY CERTIFICATE	57
	ANNEXURES TO THE DOCUMENT	58
	Annexure 1: Budget speech.....	58
	Annexure 2: Tariff list 2018/19.....	58
	Annexure 3: MFMA Circular No. 89.....	58
	Annexure 4: MFMA Circular No. 91	58
	Annexure 5: Service level standards	58
	Annexure 6: A-Schedule budget supporting tables.....	58
	Annexure 7: Objections and comments	Error! Bookmark not defined.
	Annexure 8: Notification of actual non-compliance (schedule G)	Error! Bookmark not defined.

GLOSSARY

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

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

1. PART 1 – ANNUAL BUDGET

1.1 MAYORAL SPEECH

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

1.2 COUNCIL RESOLUTIONS

The council of Kannaland Municipality at a meeting that will take place on 28 May 2018 will take note of the final annual budget for 2018/19 – 2020/21.

The following resolutions are contained in the agenda of the special council meeting:

RECOMMENDATION

That council take note of the final budget for 2018/19 budget in terms of section 17(2) of the Municipal Finance Management Act, (Act 56 of 2003), as well as section 24 of the Municipal Finance Management Act, (Act 56 of 2003) as follows:

- (a) that the following policies has been reviewed and approved by no later than 30 May 2018:
1. Customer care, credit control and debt collection
 2. Property rates
 3. Tariff
 4. Unauthorised, irregular and fruitless and wasteful expenditure
 5. Indigent
 6. Virement Policy
 7. Cash management and investment
 8. Supply chain management
 9. PPPFA
 10. Asset management
 11. Funding borrowing and reserve
 12. Long-term financial plan
 13. Liquidity policy
 14. Budget implementation and monitoring policy
 15. Bad debt write-off
 16. Fleet management
 17. Grants-in-aid
 18. Travel and subsistence
 19. Risk management
 20. Capital contributions for new developments
 21. Water losses policy
 22. Electricity losses policy
 23. Public participation policy

- (b) that the annual budget for the financial year 2018/19 and indicative outer years 2019/20 and 2020/21 be noted in terms of section 24 of the MFMA as set-out:
 - (i) Capital expenditure by project as contained in annexure "3" to the agenda
 - (ii) Capital funding by source as contained in annexure "3" to the agenda
 - (iii) Operating revenue by source as contained in Table 1 of the report
 - (iv) Operating expenditure by type as contained in Table 2 of the report
- (c) that property rates as reflected in the report be imposed for the budget year 2018/19
- (d) that tariffs and services charges as reflected in the formal tariff list be noted for approval for the budget year 2018/19
- (e) that the capital funding, both internal and external funding, be secured prior to the commencement of any new capital project
- (f) all comments that were received be considered for correction or inclusion in the budget
- (g) that the final budget documentation for 2018/19 – 2020/2,1 as outlined in the budget regulations be submitted to National and Provincial Treasury.

1.3 NON-COMPLIANCE WITH THE SUBMISSION OF THE DRAFT – ANNUAL BUDGET

Following the tabling of the draft annual budget in council on 29 March 2018, Provincial Treasury notified the municipality that it had not complied with section 17(1) of the MFMA, 2003 and regulation 9 of the Municipal Budget and Reporting Regulations (MBRRs) (Government Gazette 321414 dated 19 April 2009) and version 6.2 of schedule A1 as per MFMA circular 91, relating to contents of the budget and supporting documentation.

The mayor accordingly was required to submit a notification to the provincial minister of finance of actual non-compliance with the relevant legislation, as required by section 27(3) of the MFMA and regulation 63 of the MBRRs.

Regulation 63(2) of the MBRRs further requires the mayor to table a copy of the notification of actual non-compliance in the first council meeting following the submission of the notification. Refer to annexure 8 for the notification of actual non-compliance.

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

- Despite reasonable efforts by the municipality to monitor the budget preparation process, the undertaking by the appointed vendor to resolve

the MSCoA errors to enable the timely preparation of the annual budget in the prescribed format did not materialise due to system-related problems on the vendor's side.

- The vendor did not inform the municipality of those challenges to produce the required schedule A1, version 6.2, as per MFMA Circular 91 until it was too late remedy the situation.
- 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 schedule A1 produced by the accounting system was inaccurate and incomplete and the chief financial officer (CFO) was then forced to prepare the budget manually and could not submit the annual budget in the prescribed format.

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

- Delay by 16 days in the publication of the annual budget and invitation to the local community to submit representations in connection with the budget (sections 22(a) and 17(3) of the MFMA)
- Reduction of the public participation period by 16 days (section 22(a)(ii) of the MFMA)
- Delay by 16 days in the submission of both the printed and electronic formats of the annual budget to the National Treasury and Provincial Treasury (sections 22(b) of the MFMA)

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

- Disrupted flow of information with the income and expenditure (I&E) and general (GL) not functioning as they should.
- The GL had about 106 000 accounts with some 2 000 duplications.
- The Income & Expenditure duplicate accounts led to multiple misallocations.
- Random billing errors occurred.
- Error batches occurred due to parameter-related problems.
- Budget disappeared and changed without notice.
- mSCOA segmentation problems were not resolved in a timely manner.

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

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

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

Recommendation to council

That council take note of the mayor's notification of the actual non-compliance with section 17(1) of the MFMA, 2003 and regulation 9 of the Municipal Budget and Reporting Regulations (Government Gazette 321414 dated 19 April 2009) and version 6.2 of schedule A1 as per MFMA circular 91, relating to contents of the budget and supporting documentation.

1.4 BUDGET 2017/2018 MID-YEAR REVIEW AND ADJUSTMENTS BUDGET

The following table shows the original and adjustments budget for 2017/18:

Item	Original Budget 2017/2018 R'000	MYR Adjusted Budget 2017/2018 R'000	Difference R'000
Capital expenditure	30 801	21 652	9 149
Operating income	130 337	134 763	4 427
Operating expenditure	126 312	136 478	10 166

The 2017/18 adjustments budget, which reflects a more realistic estimation of revenue and expenditure, was taken into account in the preparation of the 2018/19 MTREF.

1.5 EXECUTIVE SUMMARY

A budget task team was established for the preparation of the 2018/19 budget. The budget task team was confronted with numerous challenges during the budget process. The following matters had an impact on the final annual budget:

- a) The continued negative effect of the economic downturn, more so now that our national economic health is in a volatile state
- b) The increasing service delivery shortcomings and the inability of the municipality to properly fund service delivery requirements
- c) The inability of the municipality to establish a capital replacement reserve to provide financial leverage for non-cash items in the budget
- d) Insufficient funding for the rehabilitation and/or replacement of components that have reached the end of their design life
- e) inadequate maintenance budgets, which could be attributed to the municipality's limited income base
- f) 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 increase by 7.32% for municipalities and municipal electricity tariff increase should not exceed 6.84%
- j) The biggest impact on the budget preparation was without a doubt the problematic implementation of MSCoA.

The 2017/18 adjustments budget in February 2018 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 2018/19 budget, but it should be taken in consideration that a lot of historic financial data had to be used to base assumptions on due to the negative impact of MSCoA and the inability to accurately recognise expenditure when incurred.

The successful of the financial recovery plan, as adopted by council during March 2017, 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.

Key budget considerations:

- The municipality must focus on its core functions. During the adjustments budget of 2017 the budget committee and the portfolio councillors in conjunction with the heads of department scrutinised the budget to affect all possible savings.
- The need to maximise income through efficiencies and the way we do business was investigated before we decided to increase our rates, service charges and other tariffs within reasonable levels.
- An initiative as part of the revenue enhancement project was implemented to ensure, among other, that all consumers are billed correctly and are contributing to the municipality's income as set out in our tariff policy.
- A provision of R22.8 million 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 will be applied to the write-off of indigent consumer debt of prior years.
- The municipality was unable in the past to realise a capital replacement reserve (CRR) due to previous financial limitations. 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 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 2018.
- No external loans will be sourced to fund capital projects. The capital acquisitions for 2018/2019 will be limited to the availability of cash funds.
- 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 2016/2017 to 2018/2019. 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 in December 2017 providing guidance to municipalities on their 2018/19 budgets and medium-term revenue and expenditure framework (MTREF). Circular 89 was followed up by Circular no. 91, dated March 2018. Circular Nos. 89 and 91 remind us of the key focus areas for the 2018/19 budget process and that they must be read together with previous MFMA Circular Nos. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75, 79, 80 and 82 to understand the background to this budget.

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

Funding the budget

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

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

The municipality is committed to achieving the outcomes, as outlined by the above legislation. It is, however, it is not always possible to ensure that budgeted inflows break even with budgeted inflows due to inherent financial and other constraints. Our 2018/2019 proposed budget is an indication that we are closer to achieving this objective.

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

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

A credible budget

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

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

1.6 BUDGET OVERVIEW OF THE 2018/2019 MTREF

This section provides an overview of the Kannaland Municipality's 2018/19 to 2020/21 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 2018/19 national budget:

Fiscal year	2017/18	2018/19	2019/20	2020/21
	Estimate	Forecast		
Headline CPI inflation	5.3%	5.3%	5.4%	5.5%

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 2017. The budget task team was to examine, review and prioritise budget proposals from departments.

For the 2018/19 period, the municipality is planning to spend R44 978 200 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 municipality's in year monitoring.

Kannaland budgeted for an operational surplus of R2 488 974. The total expected operational revenue is R146 466 217 and operational expenditure is R143 977 243. Contributed assets funded by conditional national grants in the

amount of R44 648 200 will increase the addition to community wealth to R47 137 174.

The financial position will see an increase in community wealth from R291 530 806 to R330 410 736. A significant reduction in current liabilities is projected due to credit issued in terms of deferred payment arrangements, corrections within provisions, allocation corrections in unspent conditional grants and a reduction in audit expenses through the application of the 1% of total operational expenditure rule.

An increase in cash flow is projected with a decrease of R720 000 from investing activities and an increase in cash flows from operating activities.

With reference to asset management, depreciation was budgeted for to the amount of R10.6 million and for repairs and maintenance an amount of R 3m.

The cost for the provision of free basic services amounted to R11 450 000. It should be noted that it is not a full representation of the true extent of indigent households as there is still a significant amount of household not registered, especially in wards where electricity cannot be used for credit control purposes.

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

Table A1 Budget summary

WC041 Kannalad - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
Financial Performance										
Property rates	13 135	13 998	14 900	15 956	16 003	16 003	16 003	20 113	20 991	21 930
Service charges	58 439	60 503	65 141	69 258	65 390	65 390	65 390	74 994	78 032	82 276
Investment revenue	966	266	845	600	350	350	350	500	500	560
Transfers recognised - operational	28 884	42 697	42 534	32 310	41 067	41 067	41 067	33 146	33 256	35 259
Other own revenue	12 280	18 814	21 026	12 213	11 954	11 954	11 954	17 713	18 676	19 879
Total Revenue (excluding capital transfers and contributions)	113 705	136 278	144 446	130 337	134 764	134 764	134 764	146 466	151 454	159 904
Employee costs	43 725	50 741	47 710	45 190	47 485	47 485	47 485	55 215	56 807	59 798
Remuneration of councillors	2 663	2 884	2 613	3 056	2 928	2 928	2 928	3 053	3 207	3 369
Depreciation & asset impairment	13 432	11 839	15 077	10 549	11 581	11 581	11 581	10 661	11 205	11 747
Finance charges	4 114	4 882	4 077	800	800	800	800	422	426	453
Materials and bulk purchases	27 028	32 822	28 704	30 964	29 544	29 544	29 544	35 312	37 283	39 357
Transfers and grants	-	-	-	-	-	-	-	3 126	2 766	2 868
Other expenditure	40 265	61 727	61 368	35 752	44 140	44 140	44 140	36 188	37 137	38 253
Total Expenditure	131 227	164 896	159 548	126 312	136 478	136 478	136 478	143 977	148 830	155 843
Surplus/(Deficit)	(17 522)	(28 618)	(15 102)	4 025	(1 714)	(1 714)	(1 714)	2 489	2 624	4 060
Transfers and subsidies - capital (monetary allocations)	32 449	34 842	22 963	30 801	21 652	21 652	21 652	44 648	59 828	58 260
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	14 927	6 224	7 862	34 825	19 938	19 938	19 938	47 137	62 452	62 320
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	14 927	6 224	7 862	34 825	19 938	19 938	19 938	47 137	62 452	62 320
Capital expenditure & funds sources										
Capital expenditure	-	-	-	22 282	35 309	35 309	35 309	44 978	59 828	58 260
Transfers recognised - capital	-	-	-	22 282	35 309	35 309	35 309	44 648	59 828	58 260
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	330	-	-
Total sources of capital funds	-	-	-	22 282	35 309	35 309	35 309	44 978	59 828	58 260
Financial position										
Total current assets	40 537	33 072	10 488	61 592	72 572	72 150	72 150	64 474	68 641	71 567
Total non current assets	293 454	305 705	317 205	324 009	313 949	313 828	313 828	347 815	407 100	464 817
Total current liabilities	69 330	87 804	61 409	60 386	55 930	55 261	55 261	44 028	38 215	31 358
Total non current liabilities	46 417	30 114	37 709	30 103	39 186	39 186	39 186	37 851	38 012	37 513
Community wealth/Equity	218 244	220 859	228 575	295 112	291 405	291 531	291 531	330 411	399 515	467 513
Cash flows										
Net cash from (used) operating	30 886	38 837	25 565	34 825	27 174	27 174	27 174	47 190	59 948	57 581
Net cash from (used) investing	(27 994)	(33 269)	(26 152)	(30 801)	(21 652)	(21 652)	(21 652)	(44 648)	(59 828)	(58 260)
Net cash from (used) financing	(575)	(5 994)	(1 408)	-	4 000	4 000	4 000	(720)	(720)	(720)
Cash/cash equivalents at the year end	3 747	3 321	277	4 025	9 522	9 522	9 522	2 381	1 781	382
Cash backing/surplus reconciliation										
Cash and investments available	8 958	3 338	295	2 000	2 000	2 000	2 000	1 510	3 331	2 681
Application of cash and investments	41 435	61 092	48 501	2 053	139	139	73	(2 648)	(12 175)	(21 778)
Balance - surplus (shortfall)	(32 477)	(57 754)	(48 206)	(53)	1 861	1 861	1 927	4 158	15 507	24 459
Asset management										
Asset register summary (WDV)	305 688	313 390	324 009	313 949	313 828	313 828		347 815	407 100	464 817
Depreciation	13 432	11 839	15 077	10 549	11 581	11 581		10 961	11 205	11 747
Renewal of Existing Assets	-	-	-	5 000	5 000	5 000		-	-	-
Repairs and Maintenance	-	-	-	19 700	19 359	19 359		23 241	24 620	26 078
Free services										
Cost of Free Basic Services provided	-	-	-	10 312	7 950	7 950	11 450	11 450	13 197	13 939
Revenue cost of free services provided	-	-	-	4 087	4 087	4 087	5 555	5 555	5 901	6 270
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

1.7 BUDGETED FINANCIAL PERFORMANCE

Table A4 Budgeted financial performance (revenue and expenditure)

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

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	13 135	13 998	14 900	15 956	16 003	16 003	16 003	20 113	20 991	21 930
Service charges - electricity revenue	2	34 658	38 800	41 953	44 425	41 101	41 101	41 101	46 578	49 169	51 841
Service charges - water revenue	2	13 775	11 143	12 003	11 329	11 971	11 971	11 971	13 824	13 364	14 099
Service charges - sanitation revenue	2	5 161	5 733	5 832	7 744	6 366	6 366	6 366	8 401	8 848	9 319
Service charges - refuse revenue	2	4 846	4 826	5 353	5 760	5 952	5 952	5 952	6 190	6 651	7 016
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		271	253	484	308	488	488	488	909	1 013	1 108
Interest earned - external investments		966	266	845	600	350	350	350	500	500	560
Interest earned - outstanding debtors		4 649	5 125	5 423	3 856	3 856	3 856	3 856	5 327	5 627	5 943
Dividends received			3	3	3	3	3	3	3	3	3
Fines, penalties and forfeits		696	5 354	6 107	6 053	6 053	6 053	6 053	8 486	8 931	9 432
Licences and permits		267	320	280	295	295	295	295	152	160	169
Agency services		734	763	780	905	905	905	905	960	1 017	1 078
Transfers and subsidies		28 884	42 697	42 534	32 310	41 067	41 067	41 067	33 146	33 256	35 259
Other revenue	2	4 853	6 569	7 949	793	354	354	354	1 876	1 924	2 144
Gains on disposal of PPE		811	427	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		113 705	136 278	144 446	130 337	134 764	134 764	134 764	146 466	151 454	159 904
Expenditure By Type											
Employee related costs	2	43 725	50 741	47 710	45 190	47 485	47 485	47 485	55 215	56 807	59 798
Remuneration of councillors		2 663	2 884	2 613	3 056	2 928	2 928	2 928	3 053	3 207	3 369
Debt impairment	3	7 123	18 224	27 409	14 475	14 475	14 475	14 475	16 018	16 898	17 828
Depreciation & asset impairment	2	13 432	11 839	15 077	10 549	11 581	11 581	11 581	10 661	11 205	11 747
Finance charges		4 114	4 882	4 077	800	800	800	800	422	426	453
Bulk purchases	2	25 596	28 165	26 558	30 964	29 544	29 544	29 544	32 259	34 033	35 905
Other materials	8	1 432	4 657	2 146	-	-	-	-	3 054	3 250	3 452
Contracted services		10 202	18 951	16 012	-	-	-	-	8 280	8 417	7 967
Transfers and subsidies		-	-	-	-	-	-	-	3 126	2 766	2 868
Other expenditure	4, 5	22 941	24 552	17 946	21 277	29 665	29 665	29 665	11 891	11 821	12 459
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		131 227	164 896	159 548	126 312	136 478	136 478	136 478	143 977	148 830	155 843
Surplus/(Deficit)		(17 522)	(28 618)	(15 102)	4 025	(1 714)	(1 714)	(1 714)	2 489	2 624	4 060
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		32 449	34 842	22 963	30 801	21 652	21 652	21 652	44 648	59 828	58 260
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		14 927	6 224	7 862	34 825	19 938	19 938	19 938	47 137	62 452	62 320
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		14 927	6 224	7 862	34 825	19 938	19 938	19 938	47 137	62 452	62 320
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		14 927	6 224	7 862	34 825	19 938	19 938	19 938	47 137	62 452	62 320
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		14 927	6 224	7 861 709,00	34 825	19 938	19 938	19 938	47 137	62 452	62 320

References

1.8 OPERATING REVENUE FRAMEWORK

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

The increase in revenue is mainly due to:

- an increase in tariffs
- an increase in grant funding
- an increase in equitable share allocation (R24 023 000 – 2017/18 to R25 957 000 – 2018/19);
- the prevention of water losses due to by-passed and faulty water meters

SERVICE CHARGES AND MISCELLANEOUS TARIFFS:

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

- Electricity - 6.84 % (Awaiting NERSA approval)
- Water - 6%
- Rates - 6%
- Refuse - 6%
- Sewerage - 6%
- Other - 6%

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

Below is a summary of proposed tariff increases.

TARIFF CHANGES SUGGESTED FOR 2018/19

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 6 % in rates income will be raised for 2018/19.

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

Property rates

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

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

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

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

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

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

Property tax on all guesthouses is as follows:

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

Property tax on all spaza shops is as follows:

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

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

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

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

- **Exclusion of impermissible rates**

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

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

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

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

Please note the following:

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

Effective date

The above-mentioned property rates will become payable as from 1 July 2018, i.e. for the municipality's financial year ending on 30 June 2019.

Comparison of proposed rates to be levied for the 2018/19 financial year

Category	CURRENT TARRIFF (1 July 2017) cent	PROPOSED TARRIFF (from July 2018) cent
Residential	0.0130983	0.01388
Old age homes	0.0026211	0.01388
Guesthouses	0.0163697	0.01735
Spaza shops (residential + 5%)	0.0137523	0.01735
Agricultural	0.0032764	0.00347
Business	0.0238993	0.02533

Water tariffs

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

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

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

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

A tariff increase of 6% from 1 July 2018 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

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

Electricity tariffs

The proposed municipal electrical tariff increase is 6.84%, which is in line with the prescribed NERSA tariffs. The medium bulk “time of use” tariff does indicate a very low profit margin and will need to be revisited. The municipality applies a seasonal tariff to the electricity usage thus an increased tariff is applied for the winter periods.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sanitation tariffs

A tariff increase of 6 % for sanitation from 1 July 2018 is proposed.

The following table compares the current and proposed tariffs:

Comparison between current sanitation charges and increases

Description	CURRENT TARIFF 2017/2018 Rand per month	PROPOSED TARIFF 2018/19 Rand per month	DIFFERENCE R	% INCREASE
Residential unit p/a	173.09	183.48	10.39	6%
Residential old age unit p/a	125.68	133.22	7.54	6%

Waste removal tariff

A 6 % increase in the waste removal tariff is proposed from 1 July 2018.

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

Description	CURRENT TARIFF 2017/2018	PROPOSED TARIFF 2018/19	DIFFERENCE R	% INCREASE
Small businesses	222.80	236.16	13.36	6%
Businesses	222.80	236.16	13.36	6%
Hotels B&B's and self- catering	224.89	238.39	13.50	6%
Old age homes and frail care centres	179.92	190.71	10.79	6%

Indigent household rebates

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

Overall impact of tariff increases on households

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

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

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

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

Local government allocations 2018/2019 - 2020/2021			
	2018-2019	2019-2020	2020-2021
	R	R	R
National grants (DORA)	74 383 000	90 459 000	91 106 000
Equitable share	25 957 000	27 902 000	29 670 000
RBIG - Kannaland Dam re-allocation	15 000 000	20 000 000	15 000 000
Municipal infrastructure grant	10 156 000	10 271 000	10 589 000
Water service infrastructure grant	8 000 000		
RGIB - LDS & CAL WWTW	10 000 000	27 000 000	30 000 000
Financial MANAGEMENT GRANT (FMG)	2 215 000	2 215 000	2 647 000
Expanded public works programme (EPWP)	1 055 000		
Integrated Nat. electrification programme (municipal)	2 000 000	3 071 000	3 200 000
Provincial grants (Gazette)	3 411 000	2 625 000	2 413 000
Library services replacement fund	2 070 000	2 184 000	2 302 000
Human settlement development grant	380 000		
Proclaimed roads	50 000		
Financial management support grant	330 000	330 000	
Financial management capacity building	360 000		
Thusong Centre - operational support grant	110 000		
CDWs	111 000	111 000	111 000
Other	-	-	-
Total Allocations	77 794 000	93 084 000	93 519 000

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:

	2018/19 R	2019/20 R	2020/21 R
Provision for bad debts and doubtful debts - service debt	18,591,000.00	19,613,505.00	20,690,710.60
Assumed collection rate	81.5%	82.5%	83%
Provision for bad and doubtful debts – fines	4,200,000.00	4,431,000.00	4,674,705.00

1.9 OPERATING EXPENDITURE FRAMEWORK

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

Reasons for significant cost variances:

- Debt impairment – The calculation is based on the 2017/18 payment ratios and also the current economic climate in Kannaland and the implementation of GRAP 1 *Presentation of Financial Statements*.
- Bulk purchases – The increase is based on the tariff for bulk purchases as set out by NERSA and the SALGA negotiated wage increase.

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 16 018 520 was budgeted to increase the provision.

The following table is a summary of the 2018/19 MTREF (classified by main expenditure types):

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Expenditure By Type											
Employee related costs	2	43 725	50 741	47 710	45 190	47 485	47 485	47 485	55 215	56 807	59 798
Remuneration of councillors		2 663	2 884	2 613	3 056	2 928	2 928	2 928	3 053	3 207	3 369
Debt impairment	3	7 123	18 224	27 409	14 475	14 475	14 475	14 475	16 018	16 898	17 828
Depreciation & asset impairment	2	13 432	11 839	15 077	10 549	11 581	11 581	11 581	10 661	11 205	11 747
Finance charges		4 114	4 882	4 077	800	800	800	800	422	426	453
Bulk purchases	2	25 596	28 165	26 558	30 964	29 544	29 544	29 544	32 259	34 033	35 905
Other materials	8	1 432	4 657	2 146					3 054	3 250	3 452
Contracted services		10 202	18 951	16 012	-	-	-	-	8 280	8 417	7 967
Transfers and subsidies		-	-	-	-	-	-	-	3 126	2 766	2 868
Other expenditure	4, 5	22 941	24 552	17 946	21 277	29 665	29 665	29 665	11 891	11 821	12 459
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		131 227	164 896	159 548	126 312	136 478	136 478	136 478	143 977	148 830	155 843

The operating expenditure has increased from R136 477 718 in 2017/18 to R143 977 243 in 2018/19. The increase can be attributed to increases and decreases on several expenditure components.

Employee related costs increased from R47 484 741.66 (35% of operating expenditure) to R55,215,411 (37% of operating expenditure). The increase is a result of contract worker positions that will have to be filled and will have an additional expense in the form of 'company' contributions. There technical director position was also provided for, which is a critical position that needs to be filled as soon as possible.

The cost associated with the remuneration of Councillors is determined and informed directly by way of the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The determined upper limits of salaries, allowances and benefits of members of Council are gazetted annually in December/January. The latest gazette was published in December 2017 by the Department of Cooperative Governance
The total cost to company cost for councillors amounted to R3 022 500.

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

Summary of Employee and Councillor remuneration	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21

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

Disclosure of Salaries, Allowances & Benefits 1.	Ref	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum	No.	1.					2.
Councillors	3						
Speaker	4	524 000	-	155 000	-	-	679 000
Chief Whip		-	-	-	-	-	-
Executive Mayor		760 000	30 000	47 000	-	-	837 000
Deputy Executive Mayor		353 000	-	47 000	-	-	400 000
Executive Committee		-	-	-	-	-	-
Total for all other councillors		744 300	48 200	344 000	-	-	1 136 500
Total Councillors	8	-	2 381 300	78 200	593 000	-	3 052 500

Senior Managers of the Municipality	5						
Municipal Manager (MM)		781 000	-	394 000	160 000	-	1 335 000
Chief Finance Officer		619 000	-	341 000	130 000	-	1 090 000
Corporate Dir		619 000	-	341 000	130 000	-	1 090 000
Technical Dir		619 000	-	341 000	130 000	-	1 090 000
Designation - 03		-	-	-	-	-	-
Designation - 04		-	-	-	-	-	-
<i>List of each official with packages >= senior manager</i>							
Designation - 05		-	-	-	-	-	-
Designation - 06		-	-	-	-	-	-
Designation - 07		-	-	-	-	-	-
Designation - 08		-	-	-	-	-	-
Designation - 09		-	-	-	-	-	-
Designation - 10		-	-	-	-	-	-
Designation - 11		-	-	-	-	-	-
Designation - 12		-	-	-	-	-	-
Designation - 13		-	-	-	-	-	-
Designation - 14		-	-	-	-	-	-
Designation - 15		-	-	-	-	-	-
Total Senior Managers of the Municipality	8,10	-	2 638 000	-	1 417 000	550 000	4 605 000

Summary of Employee and Councillor remuneration	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Other Municipal Staff										
Basic Salaries and Wages		-	-	-	28,684	29,982	29,982	33,590	34,262	36,091
Pension and UIF Contributions		-	-	-	3,983	4,341	4,341	5,988	6,309	6,646
Medical Aid Contributions		-	-	-	1,745	2,099	2,099	3,683	3,834	4,022
Overtime		-	-	-	1,979	2,399	2,399	2,163	2,287	2,398
Performance Bonus		-	-	-	1,909	1,870	1,870	2,624	2,765	2,913
Motor Vehicle Allowance	3	-	-	-	1,159	1,891	1,891	1,710	1,798	1,891
Cellphone Allowance	3	-	-	-	137	64	64	26	27	28
Housing Allowances	3	-	-	-	345	172	172	364	383	403
Other benefits and allowances	3	-	-	-	526	867	867	363	382	403
Payments in lieu of leave		-	-	-	771	735	735	433	457	482
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Other Municipal Staff		-	-	-	41,237	44,419	44,419	50,943	52,506	55,278

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	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional										
Governance and administration		86 285	104 511	78 741	30 947	34 614	34 614	54 747	57 473	60 805
Executive and council		1 384	84 397	3 837	2 738	2 738	2 738	26 422	28 402	30 220
Finance and administration		84 901	20 114	74 903	28 208	31 875	31 875	28 325	29 071	30 585
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	-	29	4 125	4 373	4 373	13 525	12 229	12 676
Community and social services		-	-	-	2 065	2 266	2 266	13 125	12 207	12 654
Sport and recreation		-	-	-	-	-	-	20	21	22
Public safety		-	-	-	-	47	47	-	-	-
Housing		-	-	29	2 060	2 060	2 060	380	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		1 429	6 106	7 153	18 726	18 726	18 726	8 861	9 272	9 768
Planning and development		-	-	-	-	-	-	111	111	111
Road transport		1 429	6 106	7 153	18 726	18 726	18 726	8 750	9 161	9 657
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		58 439	60 503	81 488	107 339	98 703	98 703	113 982	132 309	134 914
Energy sources		34 658	38 800	46 904	57 608	54 485	54 485	48 778	52 451	55 264
Water management		13 775	11 143	15 013	14 485	10 159	10 159	38 584	35 221	31 058
Waste water management		5 161	5 733	10 347	25 426	24 048	24 048	19 414	36 917	40 446
Waste management		4 846	4 826	9 224	9 820	10 012	10 012	7 205	7 721	8 146
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	146 154	171 119	167 410	161 137	156 415	156 415	191 114	211 283	218 163
Expenditure - Functional										
Governance and administration		105 631	57 037	58 870	41 164	46 233	46 233	53 547	54 991	56 801
Executive and council		2 663	20 996	20 302	11 595	12 623	12 623	14 073	14 753	14 709
Finance and administration		102 967	36 041	38 568	29 569	33 609	33 609	39 474	40 238	42 092
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	6 824	18 088	6 148	7 796	7 796	9 964	9 096	9 707
Community and social services		-	5 530	4 929	2 861	3 682	3 682	7 377	6 756	7 237
Sport and recreation		-	767	519	795	896	896	267	293	310
Public safety		-	-	-	-	159	159	-	-	-
Housing		-	528	12 640	2 492	3 058	3 058	2 320	2 047	2 160
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	29 774	13 133	13 665	14 922	14 922	14 336	15 119	15 946
Planning and development		-	-	-	-	-	-	111	111	111
Road transport		-	29 774	13 133	13 665	14 922	14 922	14 225	15 008	15 835
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		25 596	71 261	69 457	65 335	67 527	67 527	66 129	69 625	73 390
Energy sources		24 789	38 363	32 667	37 455	36 690	36 690	40 698	42 936	45 298
Water management		807	16 770	14 180	12 344	15 532	15 532	12 335	13 012	13 726
Waste water management		-	8 743	8 923	8 772	8 681	8 681	7 732	8 164	8 598
Waste management		-	7 385	13 688	6 764	6 624	6 624	5 364	5 513	5 769
Other	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	131 227	164 896	159 548	126 312	136 478	136 478	143 977	148 830	155 843
Surplus/(Deficit) for the year		14 927	6 224	7 862	34 825	19 938	19 938	47 137	62 452	62 320

The table splits operational expenditure into their respective functional classification.

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

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

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote										
Vote 1 - MUNICIPAL MANAGER	1	1 384	84 397	3 837	2 738	2 738	2 738	26 422	28 402	30 220
Vote 2 - CORPORATE SERVICES		1 985	6 117	8 826	12 371	13 105	13 105	22 210	22 431	23 533
Vote 3 - FINANCIAL SERVICES		84 345	20 102	73 259	27 268	30 448	30 448	26 887	27 627	28 967
Vote 4 - TECHNICAL SERVICES		58 439	60 503	81 488	118 759	110 123	110 123	115 594	132 823	135 443
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	146 154	171 119	167 410	161 137	156 415	156 415	191 114	211 283	218 163
Expenditure by Vote to be appropriated										
Vote 1 - MUNICIPAL MANAGER	1	2 663	20 996	20 302	11 595	12 623	12 623	14 403	14 753	14 709
Vote 2 - CORPORATE SERVICES		43 719	50 335	42 273	25 960	29 455	29 455	28 435	29 660	31 361
Vote 3 - FINANCIAL SERVICES		59 248	22 304	27 516	16 558	19 875	19 875	27 271	27 740	28 943
Vote 4 - TECHNICAL SERVICES		25 596	71 261	69 457	72 198	74 525	74 525	73 869	76 677	80 830
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	131 227	164 896	159 548	126 312	136 478	136 478	143 977	148 830	155 843
Surplus/(Deficit) for the year	2	14 927	6 224	7 862	34 825	19 938	19 938	47 137	62 452	62 320

References

1.10 CAPITAL BUDGET

The capital budget increased from R30 800 500 (2017/18) to R 44 978 200 in 2018/19.

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.

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.

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	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	-	-	27 000	59 828	-
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	27 000	59 828	-
Single-year expenditure to be appropriated	2										
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		-	-	-	-	-	-	-	3 506	-	-
Vote 3 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	-	-	14 472	-	58 260
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	17 978	-	58 260
Total Capital Expenditure - Vote		-	-	-	-	-	-	-	44 978	59 828	58 260
Capital Expenditure - Functional											
Governance and administration		-	-	-	-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	4 405	4 907	4 907	4 907	3 176	-	-
Community and social services		-	-	-	1 000	29	29	29	-	-	-
Sport and recreation		-	-	-	3 405	4 879	4 879	4 879	3 176	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	670	1 396	1 396	1 396	330	9 757	10 060
Planning and development		-	-	-	(519)	-	-	-	-	-	-
Road transport		-	-	-	1 189	1 396	1 396	1 396	330	9 757	10 060
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	-	-	17 206	29 006	29 006	29 006	41 472	50 071	48 200
Energy sources		-	-	-	-	8 000	8 000	8 000	2 303	3 071	3 200
Water management		-	-	-	4 000	7 800	7 800	7 800	29 169	20 000	15 000
Waste water management		-	-	-	13 206	13 206	13 206	13 206	10 000	27 000	30 000
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	-	-	-	22 282	35 309	35 309	35 309	44 978	59 828	58 260
Funded by:											
National Government		-	-	-	22 801	35 309	35 309	35 309	44 648	59 828	58 260
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	(519)	-	-	-	-	-	-
Transfers recognised - capital	4	-	-	-	22 282	35 309	35 309	35 309	44 648	59 828	58 260
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	330	-	-
Total Capital Funding	7	-	-	-	22 282	35 309	35 309	35 309	44 978	59 828	58 260

References

1.11 BUDGET SCHEDULES

Table A6 Budgeted financial position

WC041 Kannaland - Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS											
Current assets											
Cash		3 747	3 321	277	2 000	2 000	2 000	2 000	560	2 381	1 781
Call investment deposits	1	5 212	-	-	-	-	-	-	950	950	900
Consumer debtors	1	18 256	13 183	4 094	52 399	62 957	62 957	62 957	62 964	65 310	68 886
Other debtors		12 857	16 315	5 663	7 193	7 193	7 193	7 193	-	-	-
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	466	253	453	-	422	-	-	-	-	-
Total current assets		40 537	33 072	10 488	61 592	72 572	72 150	72 150	64 474	68 641	71 567
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	17	18	-	-	-	-	-	-	-
Investment property		1 897	1 844	1 692	-	-	-	-	-	-	-
Investment in Associates		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	291 429	303 758	311 597	324 009	313 828	313 828	313 828	347 815	407 100	464 817
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		128	87	101	-	121	-	-	-	-	-
Other non-current assets		-	-	3 798	-	-	-	-	-	-	-
Total non current assets		293 454	305 705	317 205	324 009	313 949	313 828	313 828	347 815	407 100	464 817
TOTAL ASSETS		333 992	338 777	327 693	385 601	386 521	385 978	385 978	412 290	475 741	536 384
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	686	1 500	514	1 500	720	720	720	512	500	485
Consumer deposits		669	703	742	-	669	-	-	-	-	-
Trade and other payables	4	63 259	85 601	55 328	58 886	54 541	54 541	54 541	43 516	37 715	30 873
Provisions		4 716	-	4 824	-	-	-	-	-	-	-
Total current liabilities		69 330	87 804	61 409	60 386	55 930	55 261	55 261	44 028	38 215	31 358
Non current liabilities											
Borrowing		8 770	1 988	2 391	1 988	1 988	1 988	1 988	1 803	1 360	861
Provisions		37 647	28 126	35 318	28 115	37 198	37 198	37 198	36 048	36 652	36 652
Total non current liabilities		46 417	30 114	37 709	30 103	39 186	39 186	39 186	37 851	38 012	37 513
TOTAL LIABILITIES		115 747	117 918	99 118	90 489	95 116	94 447	94 447	81 879	76 227	68 871
NET ASSETS	5	218 244	220 859	228 575	295 112	291 405	291 531	291 531	330 411	399 515	467 513
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		218 244	220 859	228 575	295 112	291 405	291 531	291 531	330 411	399 515	467 513
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	218 244	220 859	228 575	295 112	291 405	291 531	291 531	330 411	399 515	467 513

Table A7 Budgeted cash flows

WC041 Kannaland - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		8 968	13 998	–	15 956	13 421	13 421	13 421	16 058	15 294	15 919
Service charges		46 799	60 855	70 716	69 258	58 745	58 745	58 745	61 803	64 115	67 595
Other revenue		2 484	2 324		8 355	2 597	2 597	2 597	11 931	12 029	12 855
Government - operating	1	72 722	78 134	71 173	32 310	41 067	41 067	41 067	33 146	33 256	35 259
Government - capital	1				30 801	21 652	21 652	21 652	44 648	59 828	58 260
Interest		5 615	5 757	6 268	4 456	4 456	4 456	4 456	3 434	6 127	6 503
Dividends			3		3	3	3	3	3	3	3
Payments											
Suppliers and employees		(101 943)	(117 352)	(118 516)	(111 837)	(113 966)	(113 966)	(113 966)	(122 861)	(129 727)	(138 140)
Finance charges		(3 759)	(4 882)	(4 077)	(14 475)	(800)	(800)	(800)	(422)	(426)	(453)
Transfers and Grants	1				–	–	–	–	(551)	(551)	(221)
NET CASH FROM/(USED) OPERATING ACTIVITIES		30 886	38 837	25 565	34 825	27 174	27 174	27 174	47 190	59 948	57 581
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		676	995	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors					–	–	–	–	–	–	–
Decrease (increase) other non-current receivables					–	–	–	–	–	–	–
Decrease (increase) in non-current investments				(1)	–	–	–	–	–	–	–
Payments											
Capital assets		(28 670)	(34 264)	(26 151)	(30 801)	(21 652)	(21 652)	(21 652)	(44 648)	(59 828)	(58 260)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(27 994)	(33 269)	(26 152)	(30 801)	(21 652)	(21 652)	(21 652)	(44 648)	(59 828)	(58 260)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		(10)	(816)			4 000	4 000	4 000	–	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits		40	34	39					–	–	–
Payments											
Repayment of borrowing		(606)	(5 212)	(1 447)	–	–	–	–	(720)	(720)	(720)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(575)	(5 994)	(1 408)	–	4 000	4 000	4 000	(720)	(720)	(720)
NET INCREASE/ (DECREASE) IN CASH HELD		2 317	(425)	(1 995)	4 025	9 522	9 522	9 522	1 821	(601)	(1 399)
Cash/cash equivalents at the year begin:	2	1 430	3 747	2 272	–	–	–	–	560	2 381	1 781
Cash/cash equivalents at the year end:	2	3 747	3 321	277	4 025	9 522	9 522	9 522	2 381	1 781	382

Table A8 Cash backed reserves/accumulated surplus reconciliation

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

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	3 747	3 321	277	4 025	9 522	9 522	9 522	2 381	1 781	382
Other current investments > 90 days		5 212	-	-	(2 025)	(7 522)	(7 522)	(7 522)	(871)	1 551	2 299
Non current assets - Investments	1	-	17	18	-	-	-	-	-	-	-
Cash and investments available:		8 958	3 338	295	2 000	2 000	2 000	2 000	1 510	3 331	2 681
Application of cash and investments											
Unspent conditional transfers		10 850	17 237	10 279	-	10 279	10 279	10 279	10 279	9 279	8 279
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	3 000	-	-
Other working capital requirements	3	30 585	43 855	38 222	1 653	(10 510)	(10 510)	(10 510)	(16 877)	(22 305)	(30 907)
Other provisions		-	-	-	400	370	370	240	950	850	850
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	64	-	-	-
Total Application of cash and investments:		41 435	61 092	48 501	2 053	139	139	73	(2 648)	(12 175)	(21 778)
Surplus(shortfall)		(32 477)	(57 754)	(48 206)	(53)	1 861	1 861	1 927	4 158	15 507	24 459

WC041 Kannaland - Table A9 Asset Management

ASSET REGISTER SUMMARY - PPE (WDV)	5									
Roads Infrastructure		-	-	-	1 189	1 396	1 396	-	9 757	10 060
Storm water Infrastructure		305 688	313 390	324 009	292 406	278 805	278 805	326 167	367 272	421 558
Electrical Infrastructure		-	-	-	-	8 000	8 000	2 303	3 071	3 200
Water Supply Infrastructure		-	-	-	2 000	3 800	3 800	4 751	-	-
Sanitation Infrastructure		-	-	-	14 949	16 949	16 949	11 418	27 000	30 000
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		305 688	313 390	324 009	310 544	308 949	308 949	344 639	407 100	464 817
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	3 405	4 879	4 879	3 176	-	-
Community Assets		-	-	-	3 405	4 879	4 879	3 176	-	-
Heritage Assets		-								
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-								
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-								
Biological or Cultivated Assets		-								
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-								
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	305 688	313 390	324 009	313 949	313 828	313 828	347 815	407 100	464 817

Table A10 Basic service delivery measurement

WC041 Kannaland - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1									
Water:										
Piped water inside dwelling		-	-	4 700	4 700	-	4 876	4 880	5 016	5 159
Piped water inside yard (but not in dwelling)	2	-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	4	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>				4 700	4 700	-	4 876	4 880	5 016	5 159
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>				-	-	-	-	-	-	-
Total number of households	5	-	-	4 700	4 700	-	4 876	4 880	5 016	5 159
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		-	-	4 266	4 266	-	4 426	4 430	4 566	4 709
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>				4 266	4 266	-	4 426	4 430	4 566	4 709
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>				-	-	-	-	-	-	-
Total number of households	5	-	-	4 266	4 266	-	4 426	4 430	4 566	4 709
Energy:										
Electricity (at least min.service level)		-	-	-	-	-	-	462	598	741
Electricity - prepaid (min.service level)		-	-	2 243	2 243	-	2 693	2 235	2 371	2 514
<i>Minimum Service Level and Above sub-total</i>				2 243	2 243	-	2 693	2 697	2 969	3 255
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>				-	-	-	-	-	-	-
Total number of households	5	-	-	2 243	2 243	-	2 693	2 697	2 969	3 255
Refuse:										
Removed at least once a week		-	-	4 631	4 631	-	4 767	4 770	4 906	5 049
<i>Minimum Service Level and Above sub-total</i>				4 631	4 631	-	4 767	4 770	4 906	5 049
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>				-	-	-	-	-	-	-
Total number of households	5	-	-	4 631	4 631	-	4 767	4 770	4 906	5 049
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	-	2 059	-	-	2 342	2 342	2 478	2 485
Sanitation (free minimum level service)		-	-	2 059	-	-	2 342	2 342	2 458	2 465
Electricity/other energy (50kwh per household per month)		-	-	2 059	-	-	2 342	1 822	1 822	1 822
Refuse (removed at least once a week)		-	-	2 059	-	-	2 342	2 342	2 478	2 485
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		-	-	-	3 091	459	459	2 300	3 647	3 848
Sanitation (free sanitation service to indigent households)		-	-	-	3 116	2 221	2 221	3 000	3 180	3 371
Electricity/other energy (50kwh per indigent household per month)		-	-	-	260	1 462	1 462	2 150	2 270	2 395
Refuse (removed once a week for indigent households)		-	-	-	3 845	3 808	3 808	4 000	4 100	4 326
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided		-	-	-	10 312	7 950	7 950	11 450	13 197	13 939

<u>Highest level of free service provided per household</u>										
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)										
<u>Revenue cost of subsidised services provided (R'000)</u>										
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)	9	-	-	-	-	-	-	-	-	-
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		-	-	-	4 087	4 087	4 087	2 555	2 721	2 899
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	3 000	3 180	3 371
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	6	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided		-	-	-	4 087	4 087	4 087	5 555	5 901	6 270

References

2. PART 2 – SUPPORTING DOCUMENTATION

2.1 BUDGET PREPERATION PROCESS

Overview

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

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

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure,

a cash flow statement and particulars on borrowing, investments, municipal entities and service delivery agreements, grant allocations and details of employment costs.

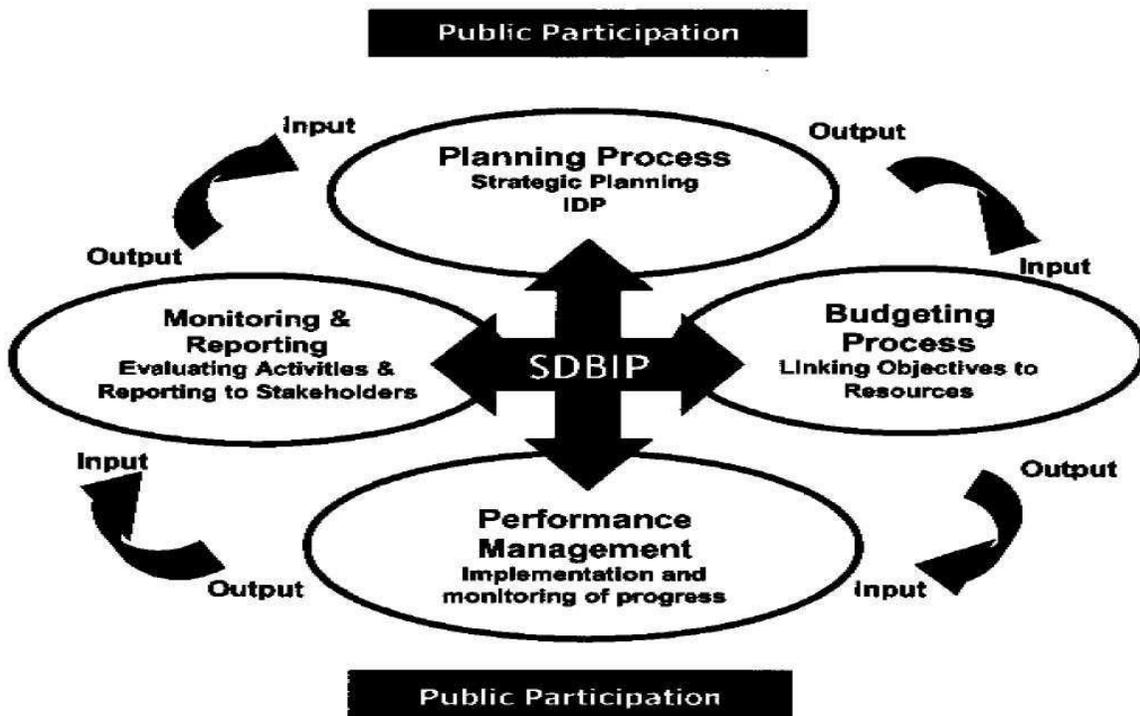
The budget may be funded only from realistic estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

Budget preparation timetable

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

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

The next diagram depicts the planning, implementation and monitoring process that is followed in Kannaland Municipality.



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 Councillors				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														
Strategy	Strategic Planning Session to conduct a mid-term review.	Executive mayor							14					

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 Councillors				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														
Strategy	Strategic Planning Session to conduct a mid-term review:	Executive mayor							14					

Tabling of the budget

The budget is tabled by the mayor on 28 May 2018.

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

Consultation with the community and key stakeholders

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

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

An extensive public participation process 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 local newspaper in April 2018, whereby the public was invited to submit written comments by 15 May 2018.

The public participation meetings (road shows) will be held during April – May 2018, within the respective wards of Kannaland. The planned road shows will be driven by a steering committee constituted by politicians and officials from all directorates. This committee will provide guidance and feedback on areas that required improvement as the IDP and budget road shows unfolded.

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

2.2 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

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

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

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

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

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

2.3 ALIGNMENT OF BUDGET TO IDP

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

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

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

Strategic objective	Key performance area
To provide access to reliable infrastructure that will contribute to a higher quality of life for Kannalanda citizens	Infrastructure
To provide adequate services and improve our public relations	Services and public relations
To strive towards a safe community in Kannalanda 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 2018/19 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 placed on municipal website for public comment.

The following financial policies need to be reviewed in future:

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

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

Review of current policies

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

Virement policy

National Treasury must inform us as to the MSCoA changes.

Liquidity policy

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

2.6 BUDGET ASSUMPTIONS

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

2.6.1 – National Treasury MFMA Circular Nos. 89 and 91

These circulars were issued in December 2017 and March 2018, respectively, and they provide guidance to municipalities for the preparation of the 2018/19 budget and MTREF.

2.6.2 – Inflation outlook

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

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

The budget committee made use of tariff modelling to calculate realistic tariff increases. Although the budget committee endeavoured to contain the increase within the 6% upper boundary of 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 2018/2019 financial year:

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

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

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

2.6.4 – Collection rates for each revenue source and customer type

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

	2018/19 R	2019/20 R	2020/21 R
Provision for bad debts and doubtful debts - service debt	18,591,000	R19,613,505	R20,690,710
Assumed collection rate	81.5%	82.5%	83%
Provision for bad and doubtful debts – fines	4,200,000	4,431,000	4,674,705

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

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

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

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	2019/2020 R	2020/2021 R
Councillors	5.5 %	5.5 %	5.5 %
Section 57 employees	5.5%	5.5%	5.5%
Salaried employees	5.9%	5.9%	5.9%
Casual employees	5,9%	5,9%	5,9%

2.6.7 – Industrial relations climate, reorganisation and capacity building

The ability of the municipality to deliver quality services is virtually entirely dependent on its staff. Failure by the municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faced by Kannaland will ultimately mean a failure to deliver services. Currently, the municipality face financial constraints which do not make it possible for all employees to receive the required training. As result, the municipality has developed a training plan to prioritise critical training. The municipality is also facing capacity constraints which cannot be merely rectified through training.

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

Description	2018/19 R	2019/20 R	2020/21 R
Training budget	R760 000	R450 000	R500 000

Training will have to be funded via main the financial management grant and included within the 2018/19 financial year is the provincial capacity building grant that amounts to R360 000.

2.6.8 – Trends in demand for free or subsidised basic services

Kannaland’s 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		2018/2019	2019/2020	2020/2021
Electricity Services	Revenue Cost of Free Basic Services	R 2,150,000.00	R 2,270,000.00	R 2,395,000.00
Refuse	Revenue Cost of Free Basic Services	R 4,000,000.00	R 4,100,000.00	R 4,325,500.00
Sewerage	Revenue Cost of Free Basic Services	R 3,000,000.00	R 3,180,000.00	R 3,370,800.00
Water Services	Revenue Cost of Free Basic Services	R 2,300,000.00	R 3,647,140.00	R 3,847,740.00
		R 11,450,000.00	R 13,197,140.00	R 13,939,040.00

2.6.9 – Capital budget

The municipality provided grant funded projects as gazetted in the Division of Revenue Act, for the 2018/2019 annual budget.

External funding will not be used to finance capital projects.

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

The municipality is currently in the process of implementing minor 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 2018/19 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.

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

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

2.7 MUNICIPAL MANAGER’S QUALITY CERTIFICATE

I, Reynold Stevens, the municipal manager of Kannaland Municipality hereby certify that the annual budget and supporting documentation for the 2018/2019 financial year, have been prepared in accordance with the Municipal Finance Management Act and regulations made under the act, and that the annual budget and supporting documentation are consistent with the integrated development plan.

Print name

Municipal manager of

Signature

Date

ANNEXURES TO THE DOCUMENT

Annexure 1: Budget speech

To be included with final budget approval

Annexure 2: Tariff list 2018/19

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