

# **Kannaland Municipality Draft Budget**

**2020/2021 to 2022/2023**



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

**20 May 2020**

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## GLOSSARY

<b>Adjustments budget</b> - Prescribed in section 28 of the MFMA - the formal means by which a municipality may revise its annual budget during the year.
<b>Allocations</b> – Money received from provincial or national government or other municipalities.
<b>Budget</b> – The financial plan of municipality.
<b>Budget-related policy</b> – Policy of a municipality affecting or affected by the budget, such as the tariffs policy, rates policy and credit control and debts collection policy.
<b>Capital expenditure</b> – Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the municipality's statement of financial position (balance sheet).
<b>Cash flow statement</b> – A statement showing when actual cash will be received and spent by the municipality. Cash payments do not always coincide with the timing of budgeted expenditure. For example, when an invoice is received by the municipality it scores as expenditure in the month it is received, even though it may not be paid in the same period.
<b>DORA</b> – Division of Revenue Act. Annual piece of legislation that shows the amount of allocations from national to local government.
<b>Equitable share</b> – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.
<b>Fruitless and wasteful expenditure</b> – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.
<b>GFS</b> – Government finance statistics. An internationally recognized classification system that facilitates like for like comparison between municipalities.
<b>GRAP</b> – Generally Recognised Accounting Practice. The new standard for municipal accounting.
<b>IDP</b> – Integrated development plan. The main strategic planning document of the Municipality.

<b>KPIs</b> – Key performance indicators. Measures of services output and/or outcome.
<b>MFMA</b> – The Municipal Finance Management Act, 2003 – Act No. 56 of 2003. The principle piece of legislation relating to municipal financial management.
<b>MTREF</b> – Medium-term revenue and expenditure framework. A medium-term financial plan, usually three years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.
<b>Rates</b> – Local government taxation based on an assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.
<b>SDBIP</b> – Service delivery and budget implementation plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.
<b>Strategic Objectives</b> – The main priorities of the municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.
<b>Unauthorized expenditure</b> – Generally, spending without, or in excess of, an approved budget.
<b>Virement</b> – A transfer of budget
<b>Virement policy</b> – The policy that sets out the rules for the budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by council through an adjustments budget.
<b>Vote</b> – One of the main segments into which a budget is divided, usually directorate/department level.

## **PART 1 – ANNUAL BUDGET**

### **1 MAYORAL SPEECH**

See attached as Annexure 1.

### **2 Tabled Budget and Budget Related Policies**

All stakeholders were invited to comment on the Draft Budget and Budget Related policies to be tabled in the council meeting on the **28th of May 2020** and we have considered the written comments from various stakeholders which includes local small businesses, Department of Local government (DLG) and Provincial Treasury (PT).

- a. The annual budget for the financial year 2020/21 and indicative outer years 2021/22 and 2022/23 as set-out in terms of section 24 of the MFMA:
  - Capital expenditure by project as contained in Annexure "A" to the Agenda.
  - Capital funding by source as contained in Annexure "A" to the Agenda.
  - Operating revenue by source as contained in Table 1 of the report.
  - Operating expenditure by type as contained in Table 2 of the report.
- b. Property Rates for the budget year 2020/21.
- c. That tariffs and services charges as reflected in the formal tariff list for the budget year 2020/21.
- d. The capital funding, both internal and external funding, as they must be secured prior to the commencement of any new capital project.

### **3 RECOMMENDATIONS TO THE COUNCIL**

- a. That council to note and approves the Original Budget for 2020/21 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).
- b. That the council note and approves the proposed tariffs for the 2020/21 budget. (Annexure 2)
- c. That the council note and approved the partial exemption application on Employee Related Costs.
- d. That the Approved Original Budget documentation for 2020/21 – 2022/2023 as outlined in the budget regulations be submitted to National and Provincial Treasury.
- e. That the final approved budget and reviewed budget related policies be made available to all public places and social media platforms. The following policies have been reviewed and changes have been made in some of them. Refer to Annexure 3.

- i** Customer care, credit control and debt collection
- ii** Property rates
- iii** Tariff
- iv** Unauthorized, irregular and fruitless and wasteful expenditure
- v** Indigent
- vi** Virement Policy
- vii** Cash management and investment
- viii** Supply chain management
- ix** PPPFA
- x** Asset management
- xi** Funding borrowing and reserve
- xii** Long-term financial plan
- xiii** Liquidity policy
- xiv** Budget implementation and monitoring policy
- xv** Bad debt write-off
- xvi** Fleet management
- xvii** Grants-in-aid
- xviii** Travel and subsistence
- xix** Risk management
- xx** Capital contributions for new developments
- xxi** Water losses policy
- xxii** Electricity losses policy
- xxiii** Public participation policy

#### **4 EXECUTIVE SUMMARY**

A budget task team was established for the preparation of the 2020/21 budget. This team was confronted with numerous challenges during the budget process. The following matters will probably impact on the final annual budget:

- a) The continued negative effect of the economic downturn due the impact of COVID-19 disaster which has led to more job losses and increased poverty levels.
- 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 some of the Financial Recovery Plan objectives due to grant funding from Department of Local Government which did not materialize.
- h) Kannaland's outstanding creditor book due to previous financial challenges which the current budget must provide for.
- i) NERSA's rejection of our proposed 10% increase (only approved 6.22%) on Electricity Tariff which will result to loss of about 4% of potential revenue. directive that bulk purchases will once again increase above the inflation rate for municipalities.

The success of the financial recovery plan, as adopted by council during March 2018, is crucial to ensure the municipality is financially stable and is able to provide services on a sustainable basis.

The implementation of this strategy is a work-in-progress and there has been a lot of progress made thus far. About 80% of the objectives have been attained thus far.

Key budget considerations:

- The municipality must focus on its core functions during this COVID-19 pandemic in order to avoid unfunded mandates which might put more strain on the already cash strapped financial position.
- The need to maximize income through efficiencies and Revenue Enhancement Strategies such as Data Cleansing Project and stringent implementation of Debt and Credit Control policies.
- The municipality was unable in the past to realize a capital replacement reserve (CRR) due to previous financial limitations. This has resulted into the current situation which has led to an overdue creditor's account of **±R40 million**. The municipality however has a Financial Recovery Plan in place to remedy the situation.
- The capital contributions policy was reviewed to ensure that the municipality receives fair compensation from bulk capacity sold to bulk consumers.
- The municipality's updated cash management policy has been in effect since 1 July 2019 and we are in a process of reviving the Cash Management Committee.
- No external loans or Internally Generated Funds will be sourced to fund capital projects due to affordability. The capital acquisitions for 2020/2021 will be limited to the availability of cash funds and secured grant funding.
- The municipality has implemented a process to ensure that all available national and provincial government grants are accessed in order to service part of our capital programme.



- In spite of the above-mentioned challenges, the budget task team managed to build the tariffs around the CPI inflation base on the macro economic performance for 2020/2021 to 2022/2023. They have further applied electricity increases line with ESKOM tariffs, National Treasury guidelines and now await the outcome of NERSA's directive. The electricity tariffs are subject to the court judgement from Eskom versus NERSA.

#### **4.1 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. However, it is not always possible to ensure that budgeted inflows break even with budgeted inflows due to inherent financial and other constraints. Our 2020/2021 proposed budget is an indication that we are closer to achieving this objective.

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.

#### **4.2 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.

## 5 BUDGET OVERVIEW OF THE 2020/201 MTREF

This section provides an overview of the Kannaland Municipality's 2020 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. 99, the following headline inflation forecasts underpin the 2019/20 national budget:

Fiscal year	2019	2020	2021	2022
	Estimate	Forecast		
Headline CPI inflation	4.1%	4.5%	4.6%	4.6%

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 2019**. The budget task team was to examine, review and prioritize budget proposals from departments.

For the 2020/21 period, the municipality is planning to spend **R63 321 350** on capital projects. The MFMA requires municipalities to set out measurable performance objectives when tabling their budgets. These "key deliverables" link the financial inputs of the budget to service delivery requirements.

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

the basis for the municipalities in year monitoring.

Kannaland budgeted for an operational surplus of **R524 thousand**, we envisage more savings pending the approval of the New Organizational Structure which will be tabled on the next council meeting. The total expected Operational Revenue is **R163 710 290** and Operational Expenditure is **R163 186 300**. Contributed assets funded by conditional national grants in the budget to the amount of **R63 321 350**.

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

### 5.1 Table A1 Budget summary

WC041 Kannaland - Table A1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			Check
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
<b>R thousands</b>											
<b>Financial Performance</b>											
Property rates	-	17 244	15 549	17 117	17 117	17 117	14 769	19 540	21 251	23 107	Link from A4 0200
Service charges	-	68 729	69 672	88 958	90 425	90 425	76 139	92 033	97 805	103 970	Link from A4 (Sum)
Investment revenue	-	508	669	526	778	778	828	-	-	-	Link from A4 0900
Transfers recognised - operational	-	47 132	33 803	37 147	46 313	46 313	30 586	37 753	43 372	51 096	Link from A4 1500
Other own revenue	-	12 031	17 519	18 336	16 606	16 606	6 813	14 384	15 250	16 175	Link from A4 (Sum)
<b>Total Revenue (excluding capital transfers and contributions)</b>	-	145 643	137 213	162 083	171 238	171 238	129 136	163 710	177 678	194 347	
Employee costs	-	(35 221)	55 504	59 406	61 392	61 392	51 180	58 317	61 816	65 525	Link from A4 2000
Remuneration of councillors	-	2 924	3 323	3 277	3 408	3 408	1 786	3 578	3 757	3 945	Link from A4 2100
Depreciation & asset impairment	-	703	26 698	11 192	9 336	9 336	-	12 231	12 843	13 485	Link from A4 2300
Finance charges	-	3 499	2 921	722	670	670	428	227	229	231	Link from A4 2400
Materials and bulk purchases	-	42 118	36 457	44 282	43 883	43 883	30 384	48 900	52 175	55 467	Link from A4 (Sum)
Transfers and grants	-	304	1 899	558	308	308	57	470	494	518	Link from A4 2800
Other expenditure	-	49 053	42 266	43 518	46 259	46 259	33 691	39 462	44 486	54 558	Link from A4 (Sum)
<b>Total Expenditure</b>	-	63 379	169 068	162 954	165 255	165 255	117 525	163 186	175 800	193 730	
<b>Surplus/(Deficit)</b>	-	82 264	(31 855)	(871)	5 983	5 983	11 611	524	1 877	617	Sum
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	11 675	10 820	52 236	35 346	35 346	932	65 370	40 154	36 882	Link from A4 3300
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	-	93 939	(20 653)	51 366	41 329	41 329	12 543	65 894	42 031	37 499	
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	Link from A4 4100
<b>Surplus/(Deficit) for the year</b>	-	93 939	(20 653)	51 366	41 329	41 329	12 543	65 894	42 031	37 499	
<b>Capital expenditure &amp; funds sources</b>											
<b>Capital expenditure</b>	-	10 450	871	52 626	35 492	35 492	-	63 321	36 938	33 489	Link from A5 CAPEX
Transfers recognised - capital	-	16 305	(730)	52 236	35 002	35 002	-	63 321	36 938	33 489	Link from A5 2050
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	Link from A5 2060
Borrowing	-	-	-	-	-	-	-	-	-	-	Link from A5 2070
Internally generated funds	-	-	(64)	390	490	490	-	-	-	-	Link from A5 2080
<b>Total sources of capital funds</b>	-	16 305	(795)	52 626	35 492	35 492	-	63 321	36 938	33 489	
<b>Financial position</b>											
Total current assets	-	59 565	(15 205)	9 324	62 685	62 685	12 649	85 370	76 689	75 987	Link from A6 0180
Total non current assets	-	1 626	(7 507)	41 435	353 020	353 020	8 616	384 075	24 933	21 214	Link from A6 0290
Total current liabilities	-	233	(5 271)	(950)	92 147	92 147	8 735	131 586	75 094	81 311	Link from A6 0380
Total non current liabilities	-	3 086	2 567	343	31 930	31 930	38	33 493	2 065	2 230	Link from A6 0420
Community wealth/Equity	-	(555)	645	-	250 300	250 300	(52)	250 300	-	-	Link from A6 0480
<b>Cash flows</b>											
Net cash from (used) operating	-	(33 394)	(1 353)	(823)	(1 747)	(1 747)	(505)	(3 817)	(2 679)	(2 851)	Link from A7 0230
Net cash from (used) investing	-	(16 499)	(835)	(52 626)	(35 492)	(35 492)	-	(69 244)	(37 755)	(34 677)	Link from A7 0320
Net cash from (used) financing	-	-	11	(720)	(720)	(1 613)	49	(641)	(194)	(194)	Link from A7 0400
<b>Cash/cash equivalents at the year end</b>	-	(49 893)	(2 179)	(54 169)	(12 128)	(13 021)	(456)	(73 702)	(114 330)	(152 052)	Link from A7 0430
<b>Cash backing/surplus reconciliation</b>											
Cash and investments available	-	65 488	9 985	2 440	84 919	84 919	21 209	134 752	104 374	108 398	Link from A8
Application of cash and investments	-	826	14 875	(3 486)	(100 081)	(100 081)	(16 080)	(115 765)	(50 391)	(51 392)	Link from A8
<b>Balance - surplus (shortfall)</b>	-	64 662	(4 890)	5 926	185 000	185 000	37 289	250 517	154 765	159 789	
<b>Asset management</b>											
Asset register summary (WDV)	-	1 626	(7 471)	41 435	353 020	353 020	-	384 075	24 933	21 214	Link from A9 1580
Depreciation	-	703	26 698	11 192	9 336	9 336	-	12 231	12 843	13 485	Link from A9 9580
Renewal of Existing Assets	-	971	-	-	-	-	-	-	-	-	Link from A9 RENEW
Repairs and Maintenance	-	(547)	23 866	25 024	25 534	25 534	-	31 516	33 988	36 594	Link from A9 R&M
<b>Free services</b>											
Cost of Free Basic Services provided	-	(12 737)	(1 477)	19 275	19 275	19 275	20 152	20 152	20 152	20 152	Link from A10 FBS
Revenue cost of free services provided	-	(4 843)	4 383	2 693	2 693	2 693	4 931	4 931	5 178	5 437	Link from A10 SUBS
<b>Households below minimum service level</b>											
Water:	-	-	-	-	-	-	-	-	-	-	Link from A10 WATER
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	Link from A10 SEWER
Energy:	-	-	-	-	-	-	-	-	-	-	Link from A10 ELEC
Refuse:	-	-	-	-	-	-	-	-	-	-	Link from A10 REFUSE

## 5.2 BUDGETED FINANCIAL PERFORMANCE

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

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			A4	Check Import Sheet
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23		
R thousand	1												
<b>Revenue By Source</b>												<b>0100</b>	
Property rates	2	–	17 244	15 549	17 117	17 117	17 117	14 769	19 540	21 251	23 107	0200	A4 0200
Service charges - electricity revenue	2	–	44 660	44 924	59 573	60 970	60 970	46 887	55 943	59 423	63 120	0300	A4 0300
Service charges - water revenue	2	–	13 077	12 773	16 920	16 920	16 920	17 685	21 626	23 177	24 866	0400	A4 0400
Service charges - sanitation revenue	2	–	6 607	6 174	6 271	6 271	6 271	5 913	7 520	7 913	8 327	0500	A4 0500
Service charges - refuse revenue	2	–	4 385	5 801	6 193	6 263	6 263	5 655	6 945	7 292	7 657	0600	A4 0600
Rental of facilities and equipment		–	570	533	956	881	881	436	17	19	20	0800	A4 0800
Interest earned - external investments		–	508	669	526	778	778	828	–	–	–	0900	A4 0900
Interest earned - outstanding debtors		–	3 383	49	5 622	5 622	5 622	14	5 567	5 934	6 329	1000	A4 1000
Dividends received		–	–	–	–	–	–	–	–	–	–	1100	A4 1100
Fines, penalties and forfeits		–	6 664	15 314	8 928	7 370	7 370	4 191	7 384	7 802	8 243	1200	A4 1200
Licences and permits		–	139	173	160	198	198	147	50	53	55	1300	A4 1300
Agency services		–	–	828	1 010	1 010	1 010	731	1 000	1 050	1 103	1400	A4 1400
Transfers and subsidies		–	47 132	33 803	37 147	46 313	46 313	30 586	37 753	43 372	51 096	1500	A4 1500
Other revenue	2	–	1 274	622	1 660	1 526	1 526	1 295	365	393	425	1600	A4 1600
Gains		–	–	–	–	–	–	–	–	–	–	1700	A4 1700
<b>Total Revenue (excluding capital transfers and contributions)</b>		–	<b>145 643</b>	<b>137 213</b>	<b>162 083</b>	<b>171 238</b>	<b>171 238</b>	<b>129 136</b>	<b>163 710</b>	<b>177 678</b>	<b>194 347</b>	<b>1800</b>	
<b>Expenditure By Type</b>												<b>1900</b>	
Employee related costs	2	–	(35 221)	55 504	59 406	61 392	61 392	51 180	58 317	61 816	65 525	2000	A4 2000
Remuneration of councillors		–	2 924	3 323	3 277	3 408	3 408	1 786	3 578	3 757	3 945	2100	A4 2100
Debt impairment	3	–	20 194	25 922	14 077	11 584	11 584	77	11 923	12 772	13 706	2200	A4 2200
Depreciation & asset impairment	2	–	703	26 698	11 192	9 336	9 336	–	12 231	12 843	13 485	2300	A4 2300
Finance charges		–	3 499	2 921	722	670	670	428	227	229	231	2400	A4 2400
Bulk purchases	2	–	40 877	35 483	40 200	40 200	40 200	28 885	42 693	45 342	48 156	2500	A4 2500
Other materials	8	–	1 241	974	4 082	3 683	3 683	1 499	6 207	6 833	7 311	2600	A4 2600
Contracted services		–	16 576	7 849	15 531	22 799	22 799	7 564	15 682	19 190	27 624	2700	A4 2700
Transfers and subsidies		–	304	1 899	558	308	308	57	470	494	518	2800	A4 2800
Other expenditure	4, 5	–	9 318	8 100	13 911	11 877	11 877	26 049	11 857	12 524	13 227	2900	A4 2900
Losses		–	2 966	395	–	–	–	–	–	–	–	3000	A4 3000
<b>Total Expenditure</b>		–	<b>63 379</b>	<b>169 068</b>	<b>162 954</b>	<b>R165 254 822</b>	<b>165 255</b>	<b>117 525</b>	<b>163 186</b>	<b>175 800</b>	<b>193 730</b>	<b>3100</b>	
<b>Surplus/(Deficit)</b>		–	<b>82 264</b>	<b>(31 855)</b>	<b>(871)</b>	<b>5 983</b>	<b>5 983</b>	<b>11 611</b>	<b>524</b>	<b>1 877</b>	<b>617</b>	<b>3200</b>	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		–	11 675	10 820	52 236	35 346	35 346	932	65 370	40 154	36 882	3300	A4 3300
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	–	–	–	–	–	–	–	–	–	–	3400	A4 3400
Transfers and subsidies - capital (in-kind - all)		–	–	382	–	–	–	–	–	–	–	3500	A4 3500
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		–	<b>93 939</b>	<b>(20 653)</b>	<b>51 366</b>	<b>41 329</b>	<b>41 329</b>	<b>12 543</b>	<b>65 894</b>	<b>42 031</b>	<b>37 499</b>	<b>3600</b>	
Taxation		–	–	–	–	–	–	–	–	–	–	3700	A4 3700
<b>Surplus/(Deficit) after taxation</b>		–	<b>93 939</b>	<b>(20 653)</b>	<b>51 366</b>	<b>41 329</b>	<b>41 329</b>	<b>12 543</b>	<b>65 894</b>	<b>42 031</b>	<b>37 499</b>	<b>3800</b>	
Attributable to minorities		–	–	–	–	–	–	–	–	–	–	3900	A4 3900
<b>Surplus/(Deficit) attributable to municipality</b>		–	<b>93 939</b>	<b>(20 653)</b>	<b>51 366</b>	<b>41 329</b>	<b>41 329</b>	<b>12 543</b>	<b>65 894</b>	<b>42 031</b>	<b>37 499</b>	<b>4000</b>	
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–	4100	A4 4100
<b>Surplus/(Deficit) for the year</b>		–	<b>93 939</b>	<b>(20 653)</b>	<b>51 366</b>	<b>41 329</b>	<b>41 329</b>	<b>12 543</b>	<b>65 894</b>	<b>42 031</b>	<b>37 499</b>	<b>4200</b>	

### 5.3 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 of R29 803 000
- the prevention of water losses due to by-passed and faulty water meters

#### 5.3.1 SERVICE CHARGES AND MISCELLANEOUS TARIFFS:

The following tariff increases are proposed: Please see Annexure 2 (Tariff Book) for detailed tariffs

- Electricity - 6.22 %
- Water – 6 %
- Rates – 8 %
- Refuse - 8%
- Sewerage – 8%
- Other – 8 %

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

Below is the indication of the various grants envisaged to be received by the municipality as per gazetted transfers.

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					19-20	20-21	21-22	22-23
	▼	▼ Grant	▼ Gazette	▼ Dept	▼	▼	▼	▼
Opex		Equitable Share	All	National	28 147 000,00	29 803 000,00	31 659 000,00	33 315 000,00
Opex		FMG	CFO	National	2 215 000,00	2 647 000,00	2 911 000,00	3 132 000,00
Opex		Mun Syst Imp Grant (MSIG)	CFO	National		1 900 000,00	2 000 000,00	1 000 000,00
Opex		MIG - PMU	Public	National	513 550,00	511 650,00	536 200,00	554 150,00
Opex		EPWP	Public	National	1 184 000,00	1 171 000,00	-	-
Opex		WC - Fin Management Support	CFO	Provincial	330 000,00			
Opex		Human Settlement	Housing	Provincial	380 000,00	200 000,00	6 000 000,00	13 000 000,00
Opex		Fire kit	Housing	Provincial		2 402 760,00	2 643 033,00	
Opex		WC: Transport Infrastructure	Public	Provincial	50 000,00	50 000,00	50 000,00	50 000,00
Opex		WC Fin Mngmt Capacity Building	CFO	Provincial	380 000,00	401 000,00	-	-
Opex		Library (Replacement)	library	Provincial	2 826 000,00	3 049 000,00	3 216 000,00	3 393 000,00
Capex	Furniture & Equip : Bersig Bib	Library (Replacement)	library	Provincial	50 000,00			
Capex	Upgrading Bib Bersig	Community Serv Library Grant	library	Provincial	650 000,00	1 000 000,00	-	-
Opex		Thusong Centre	hall	Provincial	-	-	146 000,00	-
Opex		community development workers	hall	Provincial		112 000,00	112 000,00	112 000,00
Opex		Fire Services Capacity Building	Fire	Provincial	252 000,00			
Capex		Fire Services Capacity Building	Fire	Provincial	578 000,00			
Capex	Drought Relief	Drought Relief	Water	Provincial	3 300 000,00	2 600 000,00	-	-
Capex	RBIG - Dam Reallocation	Regional Bulk Infrastructure	Water	National	10 000 000,00	-	-	-
Capex	RBIG - WWTW	Regional Bulk Infrastructure	Sewerage	National	15 000 000,00	30 000 000,00	4 750 000,00	
Capex	WSIG	Water Serv Infrastructure Grant	Water	National	10 000 000,00	20 000 000,00	20 000 000,00	20 960 000,00
Capex	INEG	INEG	Elec	National	2 901 000,00	-	2 000 000,00	2 000 000,00
Capex	MIG Projects	MIG - Capital	Public	National	9 757 450,00	9 721 350,00	10 187 800,00	10 528 850,00
		<b>Total MIG ( including PMU)</b>			<b>10 271 000,00</b>	<b>10 233 000,00</b>	<b>10 724 000,00</b>	<b>11 083 000,00</b>
Opex		Equitable Share (Equit Share Formula		National	26 533 000,00	28 189 000,00	29 980 000,00	31 566 000,00
Opex		Equitable Share (Rem for Councillors)		National	1 374 000,00	1 374 000,00	1 439 000,00	1 509 000,00
Opex		Equitable Share (Ward Committee)		National	240 000,00	240 000,00	240 000,00	240 000,00

## 5.4 OPERATING EXPENDITURE FRAMEWORK

The expenditure framework for the 2020/21 budget and MTREF is informed by the guidelines of National Treasury.

Reasons for significant cost variances:

- *Debt impairment* – The calculation is based on the payment ratios and also the current economic climate in Kannaland and the implementation of GRAP 1 Presentation of Financial Statements.
- Bulk purchases for electricity will probably increase as a result of increase in Electricity prices for 2020/21 financial year – The increase is based on the tariff for bulk purchases as set out by NERSA and
- The wage increase of above **6 percent** provision will also contributes to a smaller surplus. However, we will apply for an exemption to this increase due to the current financial situation of the municipality.

In expenditure, debt impairment will be the offset of revenue to ensure that there are only budgeted for realistically realizable revenue. An amount of **R11 923 050** was budgeted to increase the provision.

The following table is a summary of the 2020/21 MTREF (classified by main expenditure types):



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

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue By Source</b>											
Property rates	2	–	17 244	15 549	17 117	17 117	17 117	14 769	19 540	21 251	23 107
Service charges - electricity revenue	2	–	44 660	44 924	59 573	60 970	60 970	46 887	55 943	59 423	63 120
Service charges - water revenue	2	–	13 077	12 773	16 920	16 920	16 920	17 685	21 626	23 177	24 866
Service charges - sanitation revenue	2	–	6 607	6 174	6 271	6 271	6 271	5 913	7 520	7 913	8 327
Service charges - refuse revenue	2	–	4 385	5 801	6 193	6 263	6 263	5 655	6 945	7 292	7 657
Rental of facilities and equipment		–	570	533	956	881	881	436	17	19	20
Interest earned - external investments		–	508	669	526	778	778	828	–	–	–
Interest earned - outstanding debtors		–	3 383	49	5 622	5 622	5 622	14	5 567	5 934	6 329
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		–	6 664	15 314	8 928	7 370	7 370	4 191	7 384	7 802	8 243
Licences and permits		–	139	173	160	198	198	147	50	53	55
Agency services		–	–	828	1 010	1 010	1 010	731	1 000	1 050	1 103
Transfers and subsidies		–	47 132	33 803	37 147	46 313	46 313	30 586	37 753	43 372	51 096
Other revenue	2	–	1 274	622	1 660	1 526	1 526	1 295	365	393	425
Gains		–	–	–	–	–	–	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		–	<b>145 643</b>	<b>137 213</b>	<b>162 083</b>	<b>171 238</b>	<b>171 238</b>	<b>129 136</b>	<b>163 710</b>	<b>177 678</b>	<b>194 347</b>
<b>Expenditure By Type</b>											
Employee related costs	2	–	(35 221)	55 504	59 406	61 392	61 392	51 180	58 615	62 131	65 859
Remuneration of councillors		–	2 924	3 323	3 277	3 408	3 408	1 786	3 578	3 757	3 945
Debt impairment	3	–	20 194	25 922	14 077	11 584	11 584	77	11 923	12 772	13 706
Depreciation & asset impairment	2	–	703	26 698	11 192	9 336	9 336	–	12 231	12 843	13 485
Finance charges		–	3 499	2 921	722	670	670	428	227	229	231
Bulk purchases	2	–	40 877	35 483	40 200	40 200	40 200	28 885	42 693	45 342	48 156
Other materials	8	–	1 241	974	4 082	3 683	3 683	1 499	6 207	6 833	7 311
Contracted services		–	16 576	7 849	15 531	22 799	22 799	7 564	15 682	19 190	27 624
Transfers and subsidies		–	304	1 899	558	308	308	57	470	494	518
Other expenditure	4, 5	–	9 318	8 100	13 911	11 877	11 877	26 049	11 857	12 524	13 227
Losses		–	2 966	395	–	–	–	–	–	–	–
<b>Total Expenditure</b>		–	<b>63 379</b>	<b>169 068</b>	<b>162 954</b>	<b>R165 254 822</b>	<b>165 255</b>	<b>117 525</b>	<b>163 483</b>	<b>176 115</b>	<b>194 064</b>
<b>Surplus/(Deficit)</b>											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		–	82 264	(31 855)	(871)	5 983	5 983	11 611	227	1 562	283
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatbns, Higher Educational Institutions)	6	–	11 675	10 820	52 236	35 346	35 346	932	65 370	40 154	36 882
Transfers and subsidies - capital (in-kind - all)		–	–	382	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		–	<b>93 939</b>	<b>(20 653)</b>	<b>51 366</b>	<b>41 329</b>	<b>41 329</b>	<b>12 543</b>	<b>65 597</b>	<b>41 716</b>	<b>37 165</b>
Taxation		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>		–	<b>93 939</b>	<b>(20 653)</b>	<b>51 366</b>	<b>41 329</b>	<b>41 329</b>	<b>12 543</b>	<b>65 597</b>	<b>41 716</b>	<b>37 165</b>
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>		–	<b>93 939</b>	<b>(20 653)</b>	<b>51 366</b>	<b>41 329</b>	<b>41 329</b>	<b>12 543</b>	<b>65 597</b>	<b>41 716</b>	<b>37 165</b>
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>		–	<b>93 939</b>	<b>(20 653)</b>	<b>51 366</b>	<b>41 329</b>	<b>41 329</b>	<b>12 543</b>	<b>65 597</b>	<b>41 716</b>	<b>37 165</b>

The Operating Expenditure has decreased from **R165 254 822** in 2019/20 to **R163 483 440**. This is due to the cost-containment measures which are influenced by the Financial Recovery Plan.

Employee related costs decreased from **R61 391 616** of the adjustment budget 2019/20 to **R58 614 550**. We have resolved not to implement the 6 percent approved by SALGA and apply for exemption in this regard. Furthermore, the municipality is in the process of scaling down its organizational structure to be more realistic and cost reflective.

The cost associated with the remuneration of Councilors is determined and informed directly by way of the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

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

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

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4	1	612 270	–	181 130	–	–	793 400
Chief Whip		–	–	–	–	–	–	–
Executive Mayor		1	888 020	35 060	54 930	–	–	978 010
Deputy Executive Mayor		1	412 470	–	54 930	–	–	467 400
Executive Committee		–	–	–	–	–	–	–
Total for all other councillors		–	881 360	56 330	401 960	–	–	1 339 650
<b>Total Councillors</b>	8	3	2 794 120	91 390	692 950			3 578 460
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)		1	1 571 010		114 000		–	1 685 010
Chief Finance Officer		1	1 126 230	–	–	–	–	1 126 230
Other Senior Managers		1	2 323 767	–	–	–	–	2 323 767
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
<i>List of each official with packages &gt;= senior manager</i>								
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
		–	–	–	–	–	–	–
<b>Total Senior Managers of the Municipality</b>	8,10	3	5 021 007	–	114 000	–		5 135 007

## 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	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Functional</b>										
<i><b>Governance and administration</b></i>		–	49 699	47 263	34 370	39 165	39 165	37 632	41 435	44 464
Executive and council		–	24 101	20 220	8 740	8 116	8 116	8 920	10 776	12 432
Finance and administration		–	25 598	27 043	25 630	31 048	31 048	28 712	30 660	32 032
Internal audit		–	–	–	–	–	–	–	–	–
<i><b>Community and public safety</b></i>		–	15 348	17 058	17 122	22 030	22 030	15 167	19 578	26 952
Community and social services		–	3 415	5 569	14 723	15 777	15 777	14 967	13 578	13 952
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	5 761	10 699	2 019	2 019	2 019	–	–	–
Housing		–	6 173	790	380	4 234	4 234	200	6 000	13 000
Health		–	–	–	–	–	–	–	–	–
<i><b>Economic and environmental services</b></i>		–	9 239	5 862	9 182	7 611	7 611	7 398	7 764	8 141
Planning and development		–	–	–	–	–	–	–	–	–
Road transport		–	9 239	5 862	9 182	7 611	7 611	7 398	7 764	8 141
Environmental protection		–	–	–	–	–	–	–	–	–
<i><b>Trading services</b></i>		–	83 032	78 231	153 646	137 779	137 779	168 884	149 055	151 673
Energy sources		–	52 990	44 940	64 873	66 270	66 270	59 735	65 301	69 088
Water management		–	16 759	21 316	46 059	43 725	43 725	50 507	49 586	52 350
Waste water management		–	7 332	6 174	28 768	13 768	13 768	44 106	19 256	14 928
Waste management		–	5 951	5 801	13 946	14 016	14 016	14 537	14 912	15 306
<i><b>Other</b></i>	4	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>	2	–	157 318	148 415	214 320	206 584	206 584	229 081	217 832	231 229
<b>Expenditure - Functional</b>										
<i><b>Governance and administration</b></i>		–	3 258	59 197	58 160	59 647	59 647	56 253	58 371	62 516
Executive and council		–	(2 735)	24 733	15 081	15 280	15 280	12 905	13 665	14 585
Finance and administration		–	5 993	34 464	43 079	44 367	44 367	43 349	44 706	47 930
Internal audit		–	–	–	–	–	–	–	–	–
<i><b>Community and public safety</b></i>		–	8 503	12 782	9 694	13 860	13 860	10 351	15 220	22 830
Community and social services		–	(4 070)	6 849	7 670	7 764	7 764	8 369	7 372	7 859
Sport and recreation		–	170	684	325	611	611	597	574	603
Public safety		–	6 511	3 208	59	59	59	259	275	292
Housing		–	5 891	2 040	1 640	5 426	5 426	1 126	6 999	14 077
Health		–	–	–	–	–	–	–	–	–
<i><b>Economic and environmental services</b></i>		–	1 377	10 914	18 573	16 243	16 243	19 200	20 727	22 255
Planning and development		–	14	21	–	–	–	–	–	–
Road transport		–	1 364	10 894	18 573	16 243	16 243	19 200	20 727	22 255
Environmental protection		–	–	–	–	–	–	–	–	–
<i><b>Trading services</b></i>		–	50 098	86 175	76 527	75 505	75 505	89 210	99 050	109 968
Energy sources		–	40 188	46 368	50 932	49 310	49 310	57 727	65 664	74 568
Water management		–	4 543	16 647	12 196	12 744	12 744	15 814	16 769	17 783
Waste water management		–	852	13 509	6 607	6 728	6 728	7 043	7 467	7 911
Waste management		–	4 515	9 652	6 792	6 724	6 724	8 626	9 149	9 706
<i><b>Other</b></i>	4	–	143	–	–	–	–	–	–	–
<b>Total Expenditure - Functional</b>	3	–	63 379	169 068	162 954	165 255	165 255	175 015	193 368	217 569
<b>Surplus/(Deficit) for the year</b>		–	93 939	(20 653)	51 366	41 329	41 329	54 065	24 463	13 660

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	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue by Vote	1									
Vote 1 - MUNICIPAL MANAGER		-	24 101	20 220	8 740	8 864	8 864	8 920	10 776	12 432
Vote 2 - CORPORATE SERVICES		-	15 553	17 345	25 275	27 669	27 669	21 132	27 080	34 839
Vote 3 - FINANCIAL SERVICES		-	24 394	26 667	24 910	30 574	30 574	28 412	30 336	31 682
Vote 4 - TECHNICAL SERVICES		-	93 271	84 183	155 394	139 477	139 477	170 617	149 641	152 277
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	157 318	148 415	214 320	206 584	206 584	229 081	217 832	231 229
Expenditure by Vote to be appropriated	1									
Vote 1 - MUNICIPAL MANAGER		-	(2 589)	23 900	15 081	15 280	15 280	12 905	13 665	14 585
Vote 2 - CORPORATE SERVICES		-	6 975	25 490	28 843	31 951	31 951	31 843	39 239	48 665
Vote 3 - FINANCIAL SERVICES		-	6 929	21 006	30 062	32 289	32 289	27 832	28 470	30 490
Vote 4 - TECHNICAL SERVICES		-	51 580	98 107	88 330	85 146	85 146	101 291	110 793	122 567
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		-	484	566	639	589	589	1 145	1 202	1 262
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	-	63 379	169 068	162 954	165 255	165 255	175 015	193 368	217 569
Surplus/(Deficit) for the year	2	-	93 939	(20 653)	51 366	41 329	41 329	54 065	24 463	13 660

**5.4 Capital Budget**

The capital budget increased from **R35 492 356** in 2019/20 to **R63 321 350**. The budget committee went through several stages of prioritizing 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, is it 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	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		-	-	-	650	650	650	-	1 000	-	-
<b>Capital multi-year expenditure sub-total</b>		-	-	-	650	650	650	-	1 000	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		-	-	-	3 733	11 708	11 708	-	11 889	-	-
Vote 3 - FINANCIAL SERVICES		-	-	-	360	1 040	1 040	-	430	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	47 883	54 210	54 210	-	82 117	36 960	33 511
<b>Capital single-year expenditure sub-total</b>		-	-	-	51 976	66 957	66 957	-	94 436	36 960	33 511
<b>Total Capital Expenditure - Vote</b>	3,7	-	-	-	52 626	67 607	67 607	-	95 436	36 960	33 511
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	(5 855)	1 601	360	610	610	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	(5 855)	1 601	360	610	610	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	4 213	568	4 383	4 922	4 922	-	5 454	-	-
Community and social services		-	19	-	700	650	650	-	4 145	-	-
Sport and recreation		-	4 194	568	3 105	3 595	3 595	-	1 309	-	-
Public safety		-	-	-	578	678	678	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	1 290	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	1 290	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	10 802	(1 298)	47 883	29 960	29 960	-	57 867	36 938	33 489
Energy sources		-	4 786	67	3 345	3 520	3 520	-	-	2 000	2 000
Water management		-	5 045	(1 366)	26 538	24 238	24 238	-	27 867	30 188	31 489
Waste water management		-	971	-	18 000	2 202	2 202	-	30 000	4 750	-
Waste management		-	-	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3,7	-	10 450	871	52 626	35 492	35 492	-	63 321	36 938	33 489
<b>Funded by:</b>											
National Government		-	-	-	-	-	-	-	-	-	-
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	-	-	-	-	-	-	-	-	-	-
<b>Public contributions &amp; donations</b>	5	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	-	(64)	390	490	490	-	-	-	-
<b>Total Capital Funding</b>	7	-	-	(64)	390	490	490	-	-	-	-

## 6 BUDGET SCHEDULES

Table A6 Budgeted financial position

WC041 Kannaland - Table A6 Budgeted Financial Position

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
ASSETS											
Current assets											
Cash	1	-	65 488	1 732	2 440	75 248	75 248	(9 398)	126 366	104 374	108 398
Call investment deposits		-	0	8 289	-	9 671	9 671	30 607	8 387	-	-
Consumer debtors		-	(5 117)	(101)	5 874	6 958	6 958	20 303	(17 826)	(24 836)	(29 162)
Other debtors		-	(791)	(26 043)	1 010	(31 874)	(31 874)	(29 507)	(28 559)	2 711	2 716
Current portion of long-term receivables		-	-	(5)	-	(8)	(8)	-	(8)	-	-
Inventory	2	-	(16)	924	-	2 691	2 691	644	(2 990)	(5 560)	(5 965)
Total current assets		-	59 565	(15 205)	9 324	62 685	62 685	12 649	85 370	76 689	75 987
Non current assets											
Long-term receivables	3	-	-	-	-	-	-	-	-	-	-
Investments		-	-	(36)	-	-	-	-	-	-	-
Investment property		-	(98)	(211)	-	1 489	1 489	-	1 489	-	-
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment		-	1 754	(7 208)	41 464	351 516	351 516	8 616	382 571	24 965	21 247
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		-	(29)	(52)	(29)	16	16	-	15	(32)	(33)
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets			-	1 626	(7 507)	41 435	353 020	353 020	8 616	384 075	24 933
TOTAL ASSETS		-	61 191	(22 712)	50 759	415 706	415 706	21 265	469 445	101 622	97 201
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	-	-	(566)	-	(446)	(446)	(419)	(446)	-	-
Consumer deposits		-	-	11	-	964	964	51	964	-	-
Trade and other payables	4	-	2 607	(4 359)	(950)	88 975	88 975	9 102	128 415	75 094	81 311
Provisions		-	(2 373)	(357)	-	2 654	2 654	-	2 654	-	-
Total current liabilities		-	233	(5 271)	(950)	92 147	92 147	8 735	131 586	75 094	81 311
Non current liabilities											
Borrowing		-	(120)	116	(1 157)	1 230	1 230	38	1 141	(1 246)	(1 246)
Provisions		-	3 206	2 452	1 500	30 699	30 699	-	32 352	3 310	3 476
Total non current liabilities		-	3 086	2 567	343	31 930	31 930	38	33 493	2 065	2 230
TOTAL LIABILITIES		-	3 319	(2 704)	(607)	124 076	124 076	8 773	165 080	77 158	83 541
NET ASSETS	5	-	57 872	(20 008)	51 366	291 629	291 629	12 491	304 365	24 463	13 660
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)	4	-	(476)	1 347	-	251 727	251 727	-	251 727	-	-
Reserves		-	(79)	(701)	-	(1 427)	(1 427)	(52)	(1 427)	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	-	(555)	645	-	250 300	250 300	(52)	250 300	-	-



Table A7 Budgeted cash flows

## WC041 Kannaland - Table A7 Budgeted Cash Flows

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		-	(244)	23 137	29 619	28 883	28 883	18 713	25 530	27 472	29 609
Service charges		-	52 949	61 683	73 778	73 230	73 230	72 873	88 086	97 946	108 869
Other revenue		-	114	2 787	3 884	3 717	3 717	3 427	4 081	4 444	4 758
Transfers and Subsidies - Operational	1	-	(46 696)	25 481	29 567	36 743	36 743	21 921	29 336	35 202	44 280
Transfers and Subsidies - Capital	1	-	-	118	-	-	-	-	-	-	-
Interest		-	-	-	16	16	16	10	11	11	11
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		-	(35 714)	(111 233)	(136 406)	(143 358)	(143 358)	(116 963)	(150 163)	(167 031)	(189 628)
Finance charges		-	(3 499)	(2 921)	(722)	(670)	(670)	(428)	(227)	(229)	(231)
Transfers and Grants	1	-	(305)	(406)	(558)	(308)	(308)	(57)	(470)	(494)	(518)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	(33 394)	(1 353)	(823)	(1 747)	(1 747)	(505)	(3 817)	(2 679)	(2 851)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	36	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		-	(16 499)	(871)	(52 626)	(35 492)	(35 492)	-	(69 244)	(37 755)	(34 677)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	(16 499)	(835)	(52 626)	(35 492)	(35 492)	-	(69 244)	(37 755)	(34 677)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	11	-	-	-	51	-	-	-
<b>Payments</b>											
Repayment of borrowing		-	-	0	(720)	(720)	(1 613)	(2)	(641)	(194)	(194)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	11	(720)	(720)	(1 613)	49	(641)	(194)	(194)
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	(49 893)	(2 177)	(54 169)	(37 959)	(38 852)	(456)	(73 702)	(40 628)	(37 722)
Cash/cash equivalents at the year begin:	2	-	-	(2)	-	25 831	25 831	-	-	(73 702)	(114 330)
Cash/cash equivalents at the year end:	2	-	(49 893)	(2 179)	(54 169)	(12 128)	(13 021)	(456)	(73 702)	(114 330)	(152 052)

# Table A8 Cash backed reserves/accumulated surplus reconciliation

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

W0044 Ramdama - Table A0- Cash-backed resources/accumulated surplus/accumulation											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	-	(49 893)	(2 179)	(54 169)	(12 128)	(13 021)	(456)	(73 702)	(114 330)	(152 052)
Other current investments > 90 days		-	115 381	12 200	56 609	97 047	97 940	21 664	208 454	218 703	260 450
Non current assets - Investments	1	-	-	(36)	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		-	65 488	9 985	2 440	84 919	84 919	21 209	134 752	104 374	108 398
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	(1 324)	(4 264)	-	(33 981)	(33 981)	(21 150)	(14 051)	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	1 902	19 083	(4 986)	(67 600)	(67 600)	4 809	(104 867)	(53 702)	(54 868)
Other provisions		-	249	92	1 500	1 500	1 500	260	3 153	3 310	3 476
Long term investments committed	4	-	-	(36)	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		-	826	14 875	(3 486)	(100 081)	(100 081)	(16 080)	(115 765)	(50 391)	(51 392)
<b>Surplus(shortfall)</b>		-	64 662	(4 890)	5 926	185 000	185 000	37 289	250 517	154 765	159 789

# Table A9 Asset Management

WC041 Kannaland - Table A9 Asset Management

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>										
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	—	8 267	506	44 415	19 983	19 983	60 020	37 755	34 677
Electrical Infrastructure		—	4 786	67	3 315	3 490	3 490	—	2 000	2 000
Water Supply Infrastructure		—	3 268	(947)	22 442	13 333	13 333	22 901	30 188	31 489
Sanitation Infrastructure		—	—	—	18 000	2 202	2 202	30 000	4 750	—
Infrastructure		—	8 054	(879)	43 757	19 025	19 025	52 901	36 938	33 489
Community Facilities		—	19	—	—	—	—	3 145	—	—
Sport and Recreation Facilities		—	—	—	—	—	—	—	—	—
Community Assets		—	19	—	—	—	—	3 145	—	—
Other Assets		—	—	—	—	—	—	—	—	—
Biological or Cultivated Assets		—	—	—	—	—	—	—	—	—
Servitudes		—	—	—	—	—	—	—	—	—
Licences and Rights		—	—	—	—	—	—	—	—	—
Intangible Assets		—	—	—	—	—	—	—	—	—
Computer Equipment		—	—	—	30	30	30	290	20	20
Furniture and Office Equipment		—	193	1 450	50	—	—	236	2	2
Machinery and Equipment		—	—	—	—	—	—	1 148	795	866
Transport Assets		—	—	(64)	578	928	928	2 300	—	300
Land		—	—	—	—	—	—	—	—	—
Zoo's, Marine and Non-biological Animals		—	—	—	—	—	—	—	—	—
<b>Total Renewal of Existing Assets</b>	2	—	971	—	—	—	—	—	—	—
Water Supply Infrastructure		—	971	—	—	—	—	—	—	—
Infrastructure		—	971	—	—	—	—	—	—	—
Community Assets		—	—	—	—	—	—	—	—	—
<b>Total Upgrading of Existing Assets</b>	6	—	7 261	364	8 211	15 509	15 509	9 224	—	—
Roads Infrastructure		—	1 290	—	—	—	—	—	—	—
Storm water Infrastructure		—	—	—	—	—	—	—	—	—
Electrical Infrastructure		—	—	—	—	—	—	—	—	—
Water Supply Infrastructure		—	1 777	(419)	4 096	10 905	10 905	4 966	—	—
Sanitation Infrastructure		—	—	—	—	—	—	—	—	—
Solid Waste Infrastructure		—	—	—	—	—	—	—	—	—
Rail Infrastructure		—	—	—	—	—	—	—	—	—
Coastal Infrastructure		—	—	—	—	—	—	—	—	—
Information and Communication Infrastructure		—	—	—	360	360	360	1 949	—	—
Infrastructure		—	3 067	(419)	4 456	11 265	11 265	6 915	—	—
Community Facilities		—	—	—	650	650	650	1 000	—	—
Sport and Recreation Facilities		—	4 194	568	3 105	3 595	3 595	1 309	—	—
Community Assets		—	4 194	568	3 755	4 245	4 245	2 309	—	—
Other Assets		—	—	—	—	—	—	—	—	—
Biological or Cultivated Assets		—	—	—	—	—	—	—	—	—
Servitudes		—	—	—	—	—	—	—	—	—
Licences and Rights		—	—	42	—	—	—	—	—	—
Intangible Assets		—	—	42	—	—	—	—	—	—
Computer Equipment		—	—	—	—	—	—	—	—	—
Furniture and Office Equipment		—	—	30	—	—	—	—	—	—
Machinery and Equipment		—	—	109	—	—	—	—	—	—
Transport Assets		—	—	34	—	—	—	—	—	—
Land		—	—	—	—	—	—	—	—	—
Zoo's, Marine and Non-biological Animals		—	—	—	—	—	—	—	—	—
<b>Total Capital Expenditure</b>	4	—	16 499	871	52 626	35 492	35 492	69 244	37 755	34 677
Roads Infrastructure		—	1 290	—	—	—	—	—	—	—
Storm water Infrastructure		—	—	—	—	—	—	—	—	—
Electrical Infrastructure		—	4 786	67	3 315	3 490	3 490	—	2 000	2 000
Water Supply Infrastructure		—	6 016	(1 366)	26 538	24 238	24 238	27 867	30 188	31 489
Sanitation Infrastructure		—	—	—	18 000	2 202	2 202	30 000	4 750	—
Information and Communication Infrastructure		—	—	—	360	360	360	1 949	—	—
Infrastructure		—	12 092	(1 298)	48 213	30 290	30 290	59 816	36 938	33 489
Community Facilities		—	19	—	650	650	650	4 145	—	—
Sport and Recreation Facilities		—	4 194	568	3 105	3 595	3 595	1 309	—	—
Community Assets		—	4 213	568	3 755	4 245	4 245	5 454	—	—
Heritage Assets		—	—	—	—	—	—	—	—	—
Other Assets		—	—	—	—	—	—	—	—	—
Biological or Cultivated Assets		—	—	—	—	—	—	—	—	—
Servitudes		—	—	—	—	—	—	—	—	—
Licences and Rights		—	—	42	—	—	—	—	—	—
Intangible Assets		—	—	42	—	—	—	—	—	—
Computer Equipment		—	—	—	30	30	30	290	20	20
Furniture and Office Equipment		—	193	1 480	50	—	—	236	2	2
Machinery and Equipment		—	—	109	—	—	—	1 148	795	866
Transport Assets		—	—	(30)	578	928	928	2 300	—	300
Land		—	—	—	—	—	—	—	—	—
Zoo's, Marine and Non-biological Animals		—	—	—	—	—	—	—	—	—
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		—	16 499	871	52 626	35 492	35 492	69 244	37 755	34 677
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	—	—	—	—	—	—	—	—	—
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	—	—	—	—	—	—	—	—	—
<b>EXPENDITURE OTHER ITEMS</b>										
Depreciation	7	—	703	26 698	11 192	9 336	9 336	12 231	12 843	13 485
<b>Repairs and Maintenance by Asset Class</b>	3	—	(547)	23 966	25 024	25 534	25 534	31 516	33 988	36 594
Roads Infrastructure		—	1 607	4 722	6 495	6 665	6 665	7 052	7 676	8 317
Storm water Infrastructure		—	—	—	—	—	—	—	—	—
Electrical Infrastructure		—	237	5 540	4 718	4 939	4 939	6 474	7 149	7 848
Water Supply Infrastructure		—	1 036	3 549	4 705	4 547	4 547	7 313	7 791	8 285
Sanitation Infrastructure		—	(696)	3 949	2 603	2 884	2 884	2 909	3 151	3 385
Solid Waste Infrastructure		—	303	3 055	3 882	3 686	3 686	4 272	4 577	4 905
Rail Infrastructure		—	—	—	—	—	—	—	—	—
Coastal Infrastructure		—	—	—	—	—	—	—	—	—
Information and Communication Infrastructure		—	—	—	—	—	—	—	—	—
Infrastructure		—	2 486	20 814	22 404	22 720	22 720	28 019	30 343	32 739
Community Facilities		—	177	647	419	739	739	693	685	729
Sport and Recreation Facilities		—	—	—	—	—	—	—	—	—
Community Assets		—	177	647	419	739	739	693	685	729
Heritage Assets		—	—	—	—	—	—	—	—	—
Revenue Generating		—	—	—	—	—	—	—	—	—
Non-revenue Generating		—	—	—	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Operational Buildings		—	(3 695)	1 839	1 562	1 486	1 486	1 659	1 758	1 863
Housing		—	—	—	—	—	—	—	—	—
Other Assets		—	(3 695)	1 839	1 562	1 486	1 486	1 659	1 758	1 863
Biological or Cultivated Assets		—	—	—	—	—	—	—	—	—
Servitudes		—	—	—	—	—	—	—	—	—
Licences and Rights		—	—	—	—	—	—	—	—	—
Intangible Assets		—	—	—	—	—	—	—	—	—
Computer Equipment		—	—	—	—	—	—	—	—	—
Furniture and Office Equipment		—	—	—	—	—	—	—	—	—
Machinery and Equipment		—	—	—	—	—	—	—	—	—
Transport Assets		—	484	566	639	589	589	1 145	1 202	1 262
Libraries		—	—	—	—	—	—	—	—	—
Zoo's, Marine and Non-biological Animals		—	—	—	—	—	—	—	—	—
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		—	156	50 564	36 215	34 870	34 870	43 747	46 831	50 079

Table A10 Basic Service Delivery Measurement

WC041 Kannaland - Table A10 Basic service delivery measurement										
		-2016	-2017	-2018	-2019-O	-2019-A	-2019-F	-2020	-2021	-2022
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		-	-	261 341	3 987 430	3 987 430	3 987 430	4 142 030	4 142 030	4 142 030
Sanitation (free minimum level service)		-	(1 646 696)	-	6 431 320	6 431 320	6 431 320	6 806 360	6 806 360	6 806 360
Electricity/other energy (50kwh per household per month)		-	(11 088 861)	(2 202 894)	2 171 500	2 171 500	2 171 500	2 171 500	2 171 500	2 171 500
Refuse (removed at least once a week)		-	(1 921)	464 845	6 684 850	6 684 850	6 684 850	7 032 040	7 032 040	7 032 040
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		-	-	261	3 987	3 987	3 987	4 142	4 142	4 142
Sanitation (free sanitation service to indigent households)		-	(1 647)	-	6 431	6 431	6 431	6 806	6 806	6 806
Electricity/other energy (50kwh per indigent household per month)		-	(11 089)	(2 203)	2 172	2 172	2 172	2 172	2 172	2 172
Refuse (removed once a week for indigent households)		-	(2)	465	6 685	6 685	6 685	7 032	7 032	7 032
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>		-	(12 737)	(1 477)	19 275	19 275	19 275	20 152	20 152	20 152
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) ( impermissible values per section 17 of MPRA)		-	-	-	-	-	-	-	-	-
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		-	175	1 287	2 693	2 693	2 693	4 931	5 178	5 437
Water (in excess of 6 kilolitres per indigent household per month)		-	(1 133)	2 697	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	(3 885)	400	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-
<b>Total revenue cost of subsidised services provided</b>		-	(4 843)	4 383	2 693	2 693	2 693	4 931	5 178	5 437

## PART 2 – SUPPORTING DOCUMENTATION

### 7 OVERVIEW BUDGET PREPERATION PROCESS

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.

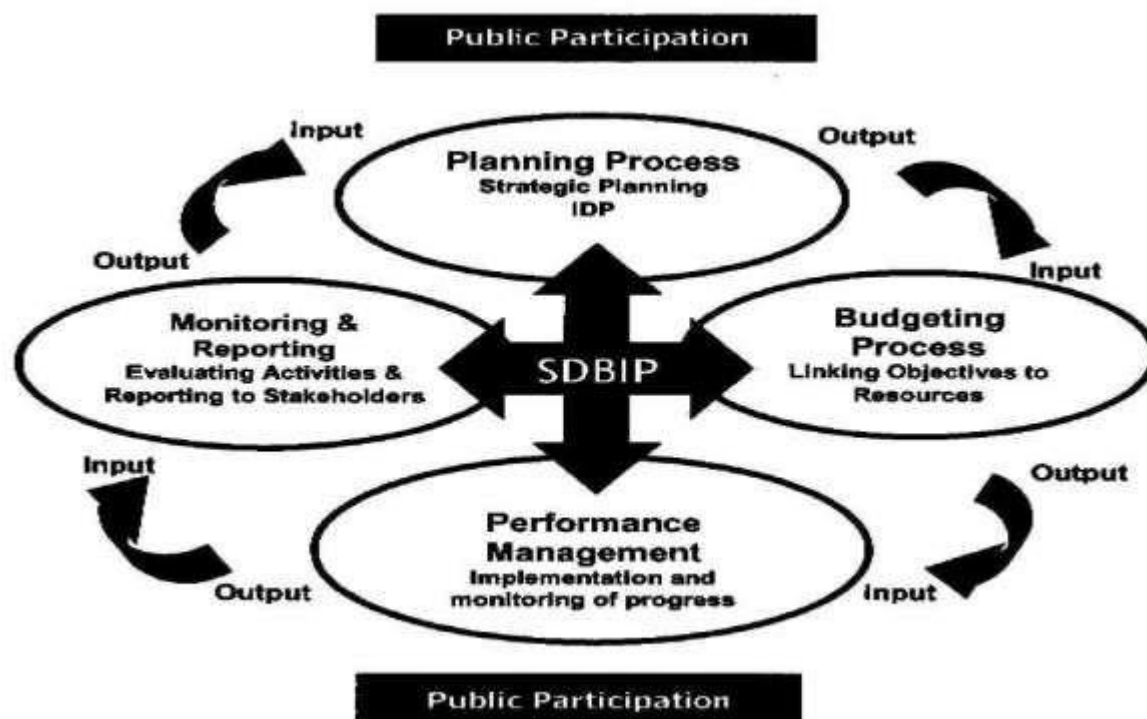
The budget may be funded only from realistic estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

#### 7.1 Budget preparation timetable

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

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

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



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

## 7.2 Key Deadlines relating to the budget process

The key deadline relating to the budget process are indicated in the Kannaland IDP process plan.

## 7.3 Tabling of the budget

The final budget will be tabled by the mayor towards the **end of May 2020**.

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.

## **7.4 Consultation with the community and key stakeholders**

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

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

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

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

Due to the COVID-19 pandemic, it remains uncertain if physical roadshows will take place however the municipality has placed the Tabled Budget and Budget Related Policies on its website and other social media platforms for public comments.

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

## **7.5 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 unauthorized or, in some cases, irregular or fruitless and wasteful. Unauthorized expenditure must be reported and may result in criminal proceedings.

## 7.6 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 conceptualization of five strategic goals for Kannaland. These goals are as follows:

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



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

The 2020/21 MTREF has, therefore, been directly informed by the IDP and the following tables provide reconciliation between the IDP strategic objectives and goals.

Please find attached:

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

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

## **7.7 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

## **7.8 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 done after the budget consultation process is completed. The policies are contained in the budget document and place on municipal website for public comment.

The following financial policies need to be reviewed in future:

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

## **7.9 Review of current policies**

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

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## **Virement policy**

Review of this policy is necessary.

## **Liquidity policy**

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

## **7.10 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.

### **7.10.1 National Treasury MFMA Circular Nos. 98 and 99**

These circulars were issued in December 2019 and March 2020, respectively, and they provide guidance to municipalities for the preparation of the 2020/21 budget and MTREF.

### **7.10.2 Inflation outlook**

According to MFMA Circular No. 99, the following headline inflation forecasts underpin the 2019/20 national budget:

<b>Fiscal year</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>Estimate</b>	<b>Forecast</b>		
Headline CPI inflation	4.1%	4.5%	4.6%	4.6%

### **7.10.3 Rates, tariffs, charges and timing of revenue collection**

The increases of tariffs and rates excluding Electricity tariffs will be within the norm set by National Treasury and the South African Reserve Bank's inflation target. The model indicated that this was not possible. In order to have a funded budget the following tariff increases are recommended for the 2020/2021 financial year:

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

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

#### 7.10.4 Collection rates for each revenue source and customer type

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

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

#### 7.10.5 Price movements on specifics e.g. bulk purchases

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

	2019/20 R	2020/21 R	2021/22 R
Bulk Purchases	6%	6.29%	6%

An extra-ordinary price increase is foreseen from ESKOM as a result of the court challenges ESKOM has against NERSA.

#### 7.10.6 Average salary increases

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

<b>Description</b>	<b>2019/2020 R</b>	<b>Proposed increases 2020/2021 R</b>	<b>2020/2021 R</b>
Councilors	5.5 %	4%	0 %
Section 57 employees	5.5%	4%	0 %
Salaried employees	5.9%	4%	0 %
Casual employees	5,9%	4%	0%

#### **7.10.7 Industrial relations climate, reorganization 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 prioritize critical training. The municipality is also facing capacity constraints which cannot be merely rectified through training.

#### **7.11 Trends in demand for free or subsidized basic services**

Kannaland criteria for supporting free or subsidized 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 subsidized basic services. Any costs over and above the equitable share allocation must be paid by the consumer.

#### **7.12 Capital budget**

The municipality provided grant funded projects as gazzeted in the Division of Revenue Act, for the 2020/2021 annual budget. No external funding will be used to finance capital projects.

#### **7.13 Implications of restructuring and other major events in the future**

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

## **7.14 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 realize 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.

## **7.15 MUNICIPAL MANAGER'S QUALITY CERTIFICATE**

See annexure for signed quality certificate

## **7.16 ANNEXURES TO THE DOCUMENT**

### **7.16.1 Annexure 1: Budget speech**

To be included with final budget approval

### **7.16.2 Annexure 2: Tariff list 2019/20**

### **7.16.3 Annexure 6: A-Schedule Budget and 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

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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 Councilor and staff benefits

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SA23: Salaries, allowances and benefits (political office bearers/councilors 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