

Kannaland Municipality Draft Budget 2020/2021 to 2021/2022



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

Medium Term Revenue and Expenditure Framework (MTREF)

28 March 2021

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2 GLOSSARY

Ad Adjustment's budget - Prescribed in section 28 of the MFMA - the formal means by which a municipality may revise its annual budget during the year.
Allocations – Money received from provincial or national government or other municipalities.
Budget – The financial plan of municipality.
Budget-related policy – Policy of a municipality affecting or affected by the budget, such as the tariffs policy, rates policy and credit control and debts collection policy.
Capital expenditure – Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the municipality's statement of financial position (balance sheet).
Cash flow statement – A statement showing when actual cash will be received and spent by the municipality. Cash payments do not always coincide with the timing of budgeted expenditure. For example, when an invoice is received by the municipality it scores as expenditure in the month it is received, even though it may not be paid in the same period.
DORA – Division of Revenue Act. Annual piece of legislation that shows the amount of allocations form national to local government.
Equitable share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.
Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.
GFS – Government finance statistics. An internationally recognized classification system that facilitates like for like comparison between municipalities.
GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting.
IDP – Integrated development plan. The main strategic planning document of the Municipality.
KPIs – Key performance indicators. Measures of services output and/or outcome.
MFMA – The Municipal Finance Management Act, 2003 – Act No. 56 of 2003. The principal piece of legislation relating to municipal financial management.
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 currents years' financial position.
Rates – Local government taxation based on an assessed value of a property. To determine the rates payable, the assessed ratable value is multiplied by the rate in the rand.
SDBIP – Service delivery and budget implementation plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.
Strategic Objectives – The main priorities of the municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.
Unauthorized expenditure – Generally, spending without, or in excess of, an approved budget.

Virement – A transfer of budget
Virement policy – The policy that sets out the rules for the budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by council through an adjustments budget.
Vote – One of the main segments into which a budget is divided, usually directorate/department level.

3 PART 1 – ANNUAL BUDGET

3.1 MAYORAL SPEECH

The Mayoral Budget Speech will be made available on the day of approval of the Budget.

3.2 Draft Budget and Budget Related Workshop.

The Budget and Treasury Office has requested for the Budget Workshop in **April 2021** whereby all stakeholders were invited to discuss the Draft Budget to be tabled in the Council Meeting and all Councilors attended this fruitful meeting which discussed the following;

- a) The Annual Budget for the Financial Year 2021/22 and indicative outer years 2022/23 and 2023/24 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) That tariffs and services charges as reflected in the formal tariff list for the budget year 2021/22.
- c) The capital funding, both internal and external funding, as they must be secured prior to the commencement of any new capital project.

3.3 RECOMMENDATIONSTO THE COUNCIL

That Council notes that the **2021/22** Draft Budget was based on the Adjustment Budget of 2020/21 and therefore all the budget recommendations including the Financial Recovery Plan initiatives be taken into consideration.

That Council notes the Draft Budget for **2021/22** 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).

That the tabled budget be made available to all public places and social media platforms in order to obtain comments from the local communities and other related stakeholders. Furthermore, Budget Related Policies will also be posted on the municipal website for review.

That the following policies that are posted on the Municipal Website will be reviewed and approved by no later than **31 May 2021**:

- **Customer Care, Credit Control and Debt Collection;**
- **Property Rates;**

- **Tariff Policy;**
- **Unauthorized, Irregular and Fruitless and Wasteful Expenditure;**
- **Indigent;**
- **Virement Policy;**
- **Cash Management and Investment;**
- **Supply Chain Management;**
- **PPPFA;**
- **Asset Management;**
- **Funding Borrowing and Reserve;**
- **Long-Term Financial Plan;**
- **Liquidity Policy;**
- **Budget Implementation and Monitoring Policy;**
- **Bad Debt Write-Off;**
- **Fleet Management;**
- **Grants-In-Aid;**
- **Travel and Subsistence;**
- **Risk Management;**
- **Capital Contributions for New Developments;**
- **Water Losses Policy;**
- **Electricity Losses Policy;**
- **Public Participation Policy**

That the tabled budget documentation for 2021/22 – 2023/2024 as outlined in the budget regulations be submitted to National and Provincial Treasury.

4 EXECUTIVE SUMMARY

The Country as a whole has experienced negative economic growth as a result of the deadly disease known as Covid 19. Since March 2020, the whole country has been on lockdown from alert level 5 to alert level 1 as continuously applied by the National Government through the Covid 19 Command Council and COGTA.

Kannaland Municipality has also been affected by the unstable economic outlook locally. The continued presence of the Covid 19 in South Africa affects both livelihood and community health, that has resulted in job losses and death amongst the community.

The continued negative effect of the economic downturn, more so now that our national economic health is in a volatile state, increases shortcomings in respect of service delivery and the inability of the Municipality to fund the service delivery budget implementation plans. As the economy struggles, locally it results to increased non-payment of municipal services, while the need for basic services has risen immensely.

This has affected the inability of the Municipality to establish a capital replacement reserve to provide financial leverage for non-cash items in the budget. Insufficient funding for the rehabilitation and/or replacement of components that have reached the end of their designed life. Inadequate maintenance budgets, which could be attributed to the Municipality's limited income base.

This affects the Municipality efforts to improve the financial health and implementation of strategic plans, such as decreasing the outstanding creditor book, the current budget and increasing revenue collection of outstanding debtors. The Nersa's directive that bulk purchases will once again increase above the inflation rate for Municipalities puts a knock for the already frail economic output.

The success of the Financial Recovery Plan and the Budget Funding Plan will help the Municipality in addressing the short comings in respect of improving the financial health, service delivery and ensuring that the Municipality meets the legislated requirements. The implementation of the Financial Recovery Plan and The Budget Funding Plan strategies are a work-in-progress and progress has been made thus far.

Key budget considerations:

- The Municipality must focus on its core functions. During the Adjustment Budget of 2020/2021, the Municipality was faced with challenges in mitigating the low rate of debt collection against the increasing expenditure as a result of employee related costs.
- The need to maximize 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.
- The Municipality was unable in the past to realize a Capital Replacement Reserve (CRR) due to previous financial limitations and restrictions to take action against indigent households who are failing to adhere to the relevant policy and requirements. Council has envisaged to establish the revenue enhancement plan will, however, include the establishment of a CRR to be funded from a vigorous collection process to be applied in respect of prior year's outstanding debt. This process will be phased in over the next five (5) years. The aforementioned will be an excessive challenge especially due to overdue creditors' accounts of more than R39 million.
- The Capital Contributions Policy was reviewed to ensure that the Municipality receives fair compensation from bulk capacity sold to bulk consumers.
- The Municipality adopted a hands-on cash management approach through a planned Cash Flow Management Committee. The Municipality's updated Cash Management Policy will be in effect as of 1 July 2021.
- No external loans will be sourced to fund capital projects. The capital acquisitions for the 2021/2022 MTREF will only 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 team managed to build the tariffs around the CPI inflation base on the macro economic performance for 2021/2022 to 2023/2024. They have further applied electricity increases in line with ESKOM's tariffs, National Treasury guidelines and now awaiting the outcome of NERSA's directive.

4.1.1 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;
- 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 of the MFMA

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 outflows due to inherent financial and other constraints. Our 2021/2022 proposed budget is an indication that we are experiencing challenges but we are working toward that objective.

New budgeting, Mscoa 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. However, the Municipality is currently struggling with the Cash Flow and Balance sheet budgeting as a result of the different approaches envisaged by both National and Provincial Treasury. This is currently work in progress with the assistance of the MFIMP and Provincial Government.

4.1.2 A credible budget

It describes the ability of governments to accurately and consistently meet their expenditure and revenue targets. At its' core, budget credibility is about upholding local government commitments and seek to understand why government deviates from these commitments.

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

- Items budgeted for should be restricted to key performance indicators identified in the IDP for MTREF. Care should be taken that provision is only made provided that 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 is 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, with the sufficient staff complement.

4.2 BUDGET OVERVIEW OF THE 2021/2022 MTREF

This section provides an overview of the Kannaland Municipality's 2021/2022 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. 108, the following headline inflation forecasts underpin the 2021/2022 national budget:

FINANCIAL YEAR		INFLATION
• 2019/20 ACTUAL		• 4.1%
• 2020/21 ESTIMATE		• 3.3%
• 2021/22	FORECAST	• 3.9%
• 2022/23		• 4.2%
• 2023/24		• 4.4%

The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise.

The budget process in Kannaland followed the requirements of the MFMA. A table of key deadlines was tabled in Council by the Executive Mayor in August 2020. The budget task team was to examine, review and prioritize budget proposals from user departments.

For the 2021/2022 period, the Municipality is planning to spend **R27 273 300** on Capital Projects.

FUNDING	AMOUNT
National Government	R 23 047 300
Provincial Government	
Own Funded	R 4 226 000

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 Executive

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 **R210 840**. The total expected operational revenue is **R 181 637 370** and operational expenditure is **R 181 426 530**. Contributed assets funded by conditional national grants in the budget to the amount of **R 27 273 300**

Budget	Amount
Operating Expenditure	R 181 426 530
Operating Income	R 181 637 370
(Deficit)/ Surplus	R 210 840
Capital	R 27 273 300

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

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

Table A1 Summary

Description	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousands										
Financial Performance										
Property rates	17 244	51 186	173 977	19 540	22 821	22 821	76 547	27 540	28 917	30 363
Service charges	68 729	526 505	1 069 475	92 033	88 167	88 167	431 053	94 513	99 011	103 721
Investment revenue	508	1 169	6 981	-	815	815	2 107	864	898	934
Transfers recognised - operational	47 132	246 118	251 046	37 753	46 074	46 074	137 992	44 983	55 677	38 463
Other own revenue	12 031	52 985	137 626	14 384	14 154	14 154	39 488	13 738	14 334	14 955
Total Revenue (excluding capital transfers and contributions)	145 643	877 963	1 639 105	163 710	172 030	172 030	687 186	181 637	198 837	188 436
Employee costs	(34 968)	399 090	232 041	58 317	60 997	60 997	167 488	64 665	65 985	68 698
Remuneration of councillors	2 998	38 293	26 964	3 578	3 394	3 394	8 678	3 598	3 742	3 891
Depreciation & asset impairment	703	39 854	49 660	12 231	12 222	12 222	32 475	9 961	10 359	10 774
Finance charges	3 619	4 801	5 949	227	181	181	483	182	184	185
Materials and bulk purchases	42 118	424 083	146 207	48 900	54 640	54 640	130 278	59 273	64 065	69 265
Transfers and grants	4 453	22 220	(896)	470	470	470	1 100	838	872	907
Other expenditure	49 056	214 502	130 402	39 462	45 863	45 863	77 297	42 909	54 955	39 677
Total Expenditure	67 979	1 142 843	590 327	163 186	177 767	177 767	417 799	181 427	200 163	193 396
Surplus/(Deficit)	77 665	(264 880)	1 048 778	524	(5 738)	(5 738)	269 387	211	(1 325)	(4 960)
Transfers and subsidies - capital (monetary allocations) (11 675	55 468	271 376	65 370	36 843	36 843	90 110	22 763	22 081	34 805
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)	-	382	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	89 339	(209 030)	1 320 154	65 894	31 106	31 106	359 497	22 974	20 755	29 845
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	89 339	(209 030)	1 320 154	65 894	31 106	31 106	359 497	22 974	20 755	29 845
Capital expenditure & funds sources										
Capital expenditure	10 450	871	(13 299)	63 321	37 550	37 550	8 463	27 273	22 081	34 805
Transfers recognised - capital	16 305	(730)	(13 315)	63 321	36 850	36 850	8 463	23 047	22 081	34 805
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	(64)	-	-	700	700	-	4 226	-	-
Total sources of capital funds	16 305	(795)	(13 315)	63 321	37 550	37 550	8 463	27 273	22 081	34 805

4.3 BUDGETED FINANCIAL PERFORMANCE

4.3.1 Table A4 Budgeted financial performance (revenue and expenditure)

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 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 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Revenue By Source											
Property rates	2	17 244	51 186	173 977	19 540	22 821	22 821	76 547	27 540	28 917	30 363
Service charges - electricity revenue	2	44 660	309 703	598 096	55 943	56 494	56 494	213 362	63 726	66 471	69 341
Service charges - water revenue	2	13 077	84 341	209 606	21 626	17 113	17 113	97 941	16 102	17 121	18 191
Service charges - sanitation revenue	2	6 607	59 469	130 779	7 520	7 607	7 607	58 882	7 454	7 827	8 218
Service charges - refuse revenue	2	4 385	72 991	130 994	6 945	6 952	6 952	60 868	7 230	7 592	7 971
Rental of facilities and equipment		570	1 442	8 700	17	567	567	747	601	626	651
Interest earned - external investments		508	1 169	6 981	–	815	815	2 107	864	898	934
Interest earned - outstanding debtors		3 383	20 110	44 277	5 567	5 454	5 454	13 426	5 699	5 967	6 249
Dividends received		–	3	3	–	–	–	–	–	–	–
Fines, penalties and forfeits		6 664	24 724	70 685	7 384	6 354	6 354	21 300	5 544	5 771	6 007
Licences and permits		139	325	1 786	50	215	215	765	228	237	247
Agency services		–	1 788	3 808	1 000	1 025	1 025	1 836	1 087	1 130	1 175
Transfers and subsidies		47 132	246 118	251 046	37 753	46 074	46 074	137 992	44 983	55 677	38 463
Other revenue	2	1 274	4 593	8 368	365	538	538	1 413	580	603	627
Gains		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		145 643	877 963	1 639 105	163 710	172 030	172 030	687 186	181 637	198 837	188 436
Expenditure By Type											
Employee related costs	2	(34 968)	399 090	232 041	58 317	60 997	60 997	167 488	64 665	65 985	68 698
Remuneration of councillors		2 998	38 293	26 964	3 578	3 394	3 394	8 678	3 598	3 742	3 891
Debt impairment	3	20 194	99 878	38 730	11 923	13 538	13 538	15 096	8 927	9 314	9 757
Depreciation & asset impairment	2	703	39 854	49 660	12 231	12 222	12 222	32 475	9 961	10 359	10 774
Finance charges		3 619	4 801	5 949	227	181	181	483	182	184	185
Bulk purchases	2	40 877	393 901	129 808	42 693	42 763	42 763	116 018	49 434	53 834	58 625
Other materials	8	1 241	30 182	16 399	6 207	11 877	11 877	14 260	9 839	10 232	10 640
Contracted services		16 576	35 905	42 032	15 682	18 471	18 471	31 885	20 148	31 284	14 946
Transfers and subsidies		4 453	22 220	(896)	470	470	470	1 100	838	872	907
Other expenditure	4, 5	9 320	78 324	49 605	11 857	13 855	13 855	30 317	13 834	14 357	14 974
Losses		2 966	395	35	–	–	–	–	–	–	–
Total Expenditure		67 979	1 142 843	590 327	163 186	177 767	177 767	417 799	181 427	200 163	193 396
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		11 675	55 468	271 376	65 370	36 843	36 843	90 110	22 763	22 081	34 805
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)		–	382	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		89 339	(209 030)	1 320 154	65 894	31 106	31 106	359 497	22 974	20 755	29 845
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		89 339	(209 030)	1 320 154	65 894	31 106	31 106	359 497	22 974	20 755	29 845
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		89 339	(209 030)	1 320 154	65 894	31 106	31 106	359 497	22 974	20 755	29 845
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		89 339	(209 030)	1 320 154	65 894	31 106	31 106	359 497	22 974	20 755	29 845

4.3.2 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, 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 conditional grant funding;
- an increase in unconditional grant equitable share allocation;
 - Original Budget 2020/2021 **R28 803 000**;
 - Adjustment Budget 2020/2021 was **R34 011 00** increase as a result of additional allocation to fund Covid 19 expenditure;
 - Draft Budget 2021/2022 is **R30 553 000**.
- The application of stringent debt and credit control processes.

4.3.2.1 SERVICE CHARGES AND MISCELLANEOUS TARIFFS

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

- Electricity - 17.90 % (Awaiting NERSA approval)
- Water – 4.0%
- Rates – 6.0%
- Refuse – 4.0%
- Sewerage – 4.0%
- Other – 4.0%

4.3.3 TARIFF CHANGES SUGGESTED FOR 2021/2022

4.3.3.1 Property rates

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 6.0 % in rates income will be raised for 2021/2022.

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

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: R0,0180

- **Property tax on all business / industrial zoned sites is as follows:**
 - The tariff applied to the total valuation: R0,0342
- **Property tax on all agriculture and public service infrastructure is as follows:**
 - The tariff applied to the total valuation: R0.027
- **Property tax on all guesthouses is as follows:**
 - tariff applied to the total valuation: R0,0234
- **Property tax on all spaza shops is as follows:**
 - The tariff applied to the total valuation: R0,0342
- **Property tax on all public benefit organization properties is as follows:**
 - The tariff applied to the total valuation: R0.0045

4.3.4 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:

- 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 ratable 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, the following applies:

- 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 5% differential since the municipality does not provide municipal roads
 - a 5% differential since the municipality does not provide sewerage services
 - a 5% differential since the municipality does not provide electricity services
 - a 10% differential since the municipality does not provide water services
 - a 10% differential since the municipality does not provide refuse removal services
 - a 10% differential since the farm owner supplies 1 to 10 houses to farm workers
 - a 20% differential since the farm owner supplies more than 10 houses to farm workers.
 - a 10% differential since the owner supplies work opportunities for less than 10 permanent workers.
 - a 20% differential since the farm owner supplies work opportunities for more than 10 permanent farm workers.

- **Rebate for property to social-economic organizations**

- A rebate of 80% on rates will be granted to social-economic organizations based on the tariff applicable in the Kannaland area, but only when a tax certificate is provided.

4.3.5 Effective date

The above-mentioned property rates will become payable as from 1 July 2021, i.e., for the municipality's financial year ending on 30 June 2022.

4.3.6 Proposed rates increase to be levied for the 2021/2022 financial year

			Tariff After Rebate	0,0180
	2019/20	2020/21	2021/22	Increase
BASELINE RATE PER R1 ON THE VALUATION	R 0,0158	R 0,0170	R 0,0180	5,9%
Residential Properties	R 0,0158	R 0,0170	R 0,0180	5,9%
Vacant Land: Residential	R 0,0158	R 0,0170	R 0,0180	5,9%
Vacant Land: Business	R 0,0293	R 0,0323	R 0,0342	5,9%
Agricultural Properties	R 0,0023	R 0,0026	R 0,0027	3,8%
Businesses and Commercial Properties	R 0,0293	R 0,0323	R 0,0342	5,9%
Business Properties - Accommodation Establishment	R 0,0200	R 0,0221	R 0,0234	5,9%
Industrial Properties	R 0,0293	R 0,0323	R 0,0342	5,9%
Public Service Infrastructure	R 0,0039	R 0,0043	R 0,0045	4,7%
Public Service Properties/Organs of state	R 0,0293	R 0,0340	R 0,0360	5,9%
Public Benefit Organisations (Incl. Old Age Homes)	R 0,0032	R 0,0034	R 0,0036	5,9%
Place of Worship - Church				Impermissible
Protected Area				Impermissible
Municipal Properties				Exempt

4.4 Water tariffs

South Africa faces similar challenges with regards 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. However, this remains a challenge in specifically previously disadvantaged communities that cannot afford to pay for these services and the impact of Covid 19.

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 remodeled in future budgets.

A tariff increases of 4.0 % from 1 July 2021 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 kiloliter with certain consumers paying an average fixed rate for water. These consumers include:

- Industrial Areas;
- Large businesses and B&B's;

- Social and services institutions;
- Old age home and frail care centers;
- 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:

4.4.1 Table 5 – Proposed water tariffs

CATEGORY	CURRENT TARIFF (2020/2021)	PROPOSED TARIFF (2021/2022)	Proposed % increase to be levied from 1 July 2021
	Rand per kl	Rand per kl	
Residential			
(i) 0 to 6 kl per 30 -day period	6,10	6,30	4.0%
(ii) 7 to 15 kl per 30 -day period	7,10	7,40	4.0%
(iii) 16 to 20 kl per 30 -day period	11,39	11,80	4.0%
(iv) 21 to 30 kl per 30 -day period	13,80	14,40	4.0%
(iv) above 30 kl per 30 -day period	16,18	16,80	4.0%
Industries	13,30	13,80	4.0%
Large business and guesthouses	11,53	12,00	4.0%
Social and services institutions	9,22	9,60	4.0%
Old age home and frail care centers	9,22	9,60	4.0%
Churches, schools, hostels and clubs	9,22	9,60	4.0%
Stand pipe consumers	124,20	129,20	4.0%

4.5 Electricity tariffs

The Municipal Electrical Tariff is increased by 17.90% but will however be made 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:

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

Life line Tariff 0-20 AMPS

			2019/2020		2020/2021		2021/2022	
LIFELINE TARIFF: 0-20 AMPERE			SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug
	USAGE BLOCKS:							
	Block 1	0-350kWh	1,2882	1,5618	1,36	1,64	1,600	1,930
	Block 2	351-600kWh	1,4136	1,7214	1,50	1,81	1,770	2,130
	Block 3	>600kWh	2,0406	2,2344	2,16	2,37	2,540	2,790

Conventional Tariffs 0-59 AMPS

			2019/2020		2020/2021		2021/2022	
CONVENTIONAL TARIFF: 0-59 AMPERE			SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug
	Block 1	0-350kWh	1,5960	1,8126	1,66	1,82	1,950	2,140
	Block 2	>350kWh	1,7556	1,9380	1,88	2,03	2,220	2,390
	Basic - Fixed charge Rand per month		R 61,31	R 65,12	R 65,12	R 65,12	R 77,00	R 77,00

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

Conventional Tariffs 60-100 AMP

			2019/2020		2020/2021		2021/2022	
CONVENTIONAL TARIFF: 60 - 100 AMPERE			SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug
	Block 1	0-600kWh	1,6302	2,0748	1,7210	2,1860	2,030	2,580
	Block 2	>600kWh	1,9950	2,2002	2,1030	2,3300	2,480	2,750
	Basic - Fixed charge Rand per month		R 383,61	R 431,79	R 431,79	R 431,79	R 509,00	R 509,00

Prepaid tariffs 0-100 AMP

			2019/2020		2020/2021		2021/2022	
PREPAID TARIFF: 0 - 100 AMPERE			SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug	SUMMER: Sept-May	WINTER: June-Aug
	Block 1	0-600kWh	R 1,585	R 1,882	R 1,668	R 1,969	R 1,970	R 2,320
	Block 2	351-600kWh	R 1,630	R 1,936	R 1,721	R 2,040	R 2,030	R 2,410
	Block 3	>600kWh	R 1,836	R 2,101	R 1,944	R 2,230	R 2,290	R 2,630
			R -	R -			R -	R -
	Basic - Fixed charge Rand per month		DISCONTINUE		DISCONTINUE		DISCONTINUE	
	Environmental Levy (cent per kwh)		-	-	-	-	-	-

4.5.2 Commercial proposed tariffs

COMMERCIAL PRICING TARIFFS FOR KANNALAND 2021-2022 (SUMMER & WINTER PRICES)							
COMMERCIAL	2.2.1 Commercial - Small to Medium Consumers [30A - 60A] Conventional meters						
		2018/19	Description	2019/2020	2020/2021	2021/2022	Excl VAT
	Basic - Fixed charge per month	R 466,62	R / MONTH	531,95	560,43	661,00	
	Demand Cost per Ampère [Circuit breaker]			-			
	Energy Cost per unit [kWh] - Summer	R 1,5400	C / KWH	1,76	1,85	2,180	
	Energy Cost per unit [kWh] - Winter	R 1,9300	C / KWH	2,20	2,32	2,740	
	2.2.2 Commercial - Small to Medium Consumers [30A - 60A] Pre-Paid meters						
		2018/19	Description	2019/2020	2020/2021	2021/2022	Excl VAT
	Energy Cost per unit [kWh] - Summer	R 1,9100	C / KWH	2,17740	2,29000	2,700	
	Energy Cost per unit [kWh] - Winter	R 1,9600	C / KWH	2,23440	2,36000	2,780	
2.2.3 Commercial - Large Consumers [60A - 150A] Conventional meters							
	2018/19	Description	2019/2020	2020/2021	2021/2022	Excl VAT	
Basic - Fixed charge per month	R 523,18	R / MONTH	R 596,43	R 628,36	741,00		
Demand Cost per Ampère [Circuit breaker]							
Energy Cost per unit [kWh] - Summer	R 1,6700	C / KWH	R 1,9038	R 1,9800	2,340		
Energy Cost per unit [kWh] - Winter	R 1,8600	C / KWH	R 2,1204	R 2,2000	2,590		
2.2.4 Commercial - Large Consumers [60A - 150A] Pre-Paid meters							
	2018/19	Description	2019/2020	2020/2021	2021/2022	Excl VAT	
Basic - Fixed charge per month	R 281,61	R / MONTH	R 321,04	R 338,22	399,00		
Energy Cost per unit [kWh] - Summer	R 1,8100	C / KWH	R 2,0634	R 2,1800	2,570		
Energy Cost per unit [kWh] - Winter	R 1,9200	C / KWH	R 2,1888	R 2,3000	2,710		
BULK	2.2.5 Commercial Bulk Consumers < 500 kVA						
		2018/19	Description	2019/2020	2020/2021	2021/2022	Excl VAT
	Basic - Fixed charge per month	R 1 130,00	R / MONTH	R 1 288,20	R 1 357,16	1 601,00	
	Demand - Cost per kVA	R 206,00	R / KVA	R 234,84	R 240,21	283,00	
	Energy Cost per unit [kWh] - Summer	R 1,0200	C / KWH	R 1,1628	R 1,2200	1,440	
	Energy Cost per unit [kWh] - Winter	R 1,6200	C / KWH	R 1,8468	R 1,9400	2,290	
	2.2.6 Commercial Bulk Consumers > 500 kVA						
		2018/19	Description	2019/2020	2020/2021	2021/2022	Excl VAT
	Basic - Fixed charge per month	R 3 605,00	R / MONTH	R 4 109,70	R 4 329,72	5 107,00	
	Demand - Cost per kVA	R 200,00	R / KVA	R 228,00	R 240,21	283,00	
	Energy Cost per unit [kWh] - Summer	R 0,9600	C / KWH	R 1,0944	R 1,1600	1,370	
Energy Cost per unit [kWh] - Winter	R 1,5600	C / KWH	R 1,7784	R 1,8700	2,210		
2.2.7 Special Bulk Consumers Time of Use 50- 500 kVA							
	CHARGE:	2018/19	Description	2019/2020	2020/2021	2021/2022	Excl VAT
	BASIC:	R 42,90	R / DAY	R 48,91	R 51,53	R 66,00	
	DEMAND:	R 89,69	R / KVA (ACT.)	R 102,25	R 107,72	R 138,00	
	ACCESS:	R 41,52	R / KVA (MND)	R 47,33	R 49,87	R 64,00	
	ENERGY:						
	PEAK LOW:	R 1,1350	C / KWH	R 1,2939	R 1,4990	R 1,8900	
	STD LOW:	R 0,7620	C / KWH	R 0,8687	R 1,1150	R 1,3500	
	OFF-PEAK LOW:	R 0,5840	C / KWH	R 0,6658	R 0,7116	R 0,9100	
	PEAK HIGH:	R 3,6880	C / KWH	R 4,2043	R 4,3550	R 5,5100	
	STD HIGH:	R 1,0840	C / KWH	R 1,2358	R 1,4000	R 1,7700	
	OFF-PEAK HIGH:	R 0,6570	C / KWH	R 0,7490	R 0,8090	R 1,0300	
2.2.8 Special Bulk Consumers Time of Use > 500 kVA							
	CHARGE:	2018/19	Description	2019/2020	2020/2021	2021/2022	
	BASIC:	R 222,96	R / DAY	R 254,179	R 267,790	R 343,00	
	DEMAND:	R 87,36	R / KVA (ACT.)	R 99,593	R 104,920	R 134,00	
	ACCESS:	R 39,56	R / KVA (MND)	R 45,098	R 47,510	R 61,00	
	ENERGY:						
	PEAK LOW:	R 1,3880	C / KWH	R 1,582	R 1,640	R 1,9400	
	STD LOW:	R 0,9910	C / KWH	R 1,130	R 1,171	R 1,3800	
	OFF-PEAK LOW:	R 0,7080	C / KWH	R 0,807	R 0,838	R 0,9900	
	PEAK HIGH:	R 3,9500	C / KWH	R 4,503	R 4,672	R 5,6400	
	STD HIGH:	R 1,2760	C / KWH	R 1,455	R 1,508	R 1,8100	
	OFF-PEAK HIGH:	R 0,8350	C / KWH	R 0,952	R 0,986	R 1,1600	
	KWH LEVI	-	C / KWH	-			

4.5.3 Sanitation tariffs

A tariff increases of 4% for sanitation from 1 July 2021 is proposed.

SEWERAGE					
Sewerage Basic Tariff	2018/19	2019/20	2020/21	2021/22	Incl VAT
Availability per month	273,45	314,47	339,62	354,61	407,80
Residential unit per month	183,48	211,00	227,88	237,91	273,60
Residential old age unit per month	133,22	153,20	165,46	172,70	198,60
Sewerage per Pan per month					
Businesses [1 to 15 pans]	205,99	236,89	255,84	267,13	307,20
Businesses [16 and more pans]	164,07	188,68	203,77	212,78	244,70
Hotels B&B's and Guest Houses	191,42	220,13	237,74	248,17	285,40
Schools and Hostels (1 to 15 pans)	164,07	188,68	203,77	212,70	244,60
Schools and Hostels (16 and more pans)	175,55	201,89	218,04	227,65	261,80
Churches and Social Service centres	133,22	153,20	165,46	172,78	198,70
Septic Tanks	2018/19	2019/20	2020/21	2021/22	Incl VAT
Basic Charge fixed cost per month	70,12	80,63	87,08	90,96	104,60
Service on request -	-	-	-	-	-
Service - (Normal Hours) - Residential (Per Suction)	183,48	211,00	227,88	237,91	273,60
Service - (Normal Hours) - Businesses (Per Suction)	183,48	211,00	227,88	237,91	273,60
Service - After hours (Mon - Thur)	393,17	452,15	488,32	509,83	586,30
Service - After hours (Friday till Monday 7h30 including Public Holidays)	458,70	527,50	569,70	594,78	684,00
Travelling Cost outside Town per Km (Farms)	12,62	14,51	15,67	16,35	18,80
Sundry Tariffs	2018/19	2019/20	2020/21	2021/22	Incl VAT
Connection Costs	2 472,77	2 843,68	3 071,18	3 206,35	3 687,30
Connection Costs - Indigent	123,64	142,18	153,56	160,35	184,40
Actual Cost + 30% Administration fee	-	-	-	-	-
Stortings tarief (Vuil fabrik water in riool stelsel) (PER /M3)	6,82	7,85	R 8,47	8,87	10,20
Blockages - Service delivered on private property	-	-	-	-	-
* Week Days Cost per hour [minimum 1 Hour]	6 072,45	6 983,32	417,00	435,39	500,70
* After hours Cost per hour [Minimum 1 Hour]	6 072,45	6 983,32	625,00	652,52	750,40
Departmental Accounts	2018/19	2019/20	2020/21	2021/22	Incl VAT
Departmental Levy	93,53	107,56	116,17	121,30	139,50

4.5.4 Overall impact of tariff increases on households

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.

4.5.5 Overall Transfers and Subsidies funding

The following table provides a breakdown of the various grants allocated to Kannaland Municipality from National Government and Provincial government for both Capital and Operational grants over the 2021/2022 MTREF:

							-	-	-
Subsidies & Transfers 2021-2022				68 030 000,00	-	68 030 000,00	77 758 000,00	73 268 000,00	
					Grant rec	68 030 000,00	77 758 000,00	73 268 000,00	
					Original Budget				
					New Budget		Draft Budget	Draft Budget	
						Budget21/22	22/23	23/24	
		Grant	Gazett	Dept					
Opex	Equitable Share	All	National	30 553 000,00		30 553 000,00	31 856 000,00	31 393 000,00	
Opex	FMG (Audit)	CFO	National	2 211 000,00		2 211 000,00	2 332 000,00	2 332 000,00	
Opex	FMG (Intern Salaries)	Cfo	National	600 000,00		600 000,00	600 000,00	600 000,00	
Opex	Mun Syst Imp Grant (M	CFO	National	-		-			
	CoVID Grant		National	-		-			
				-		-			
Opex	MIG - PMU	Public	National	529 700,00		529 700,00	554 150,00	568 700,00	
Opex	EPWP	Public	National	1 359 000,00		1 359 000,00	-	-	
Opex	WC - Fin Management S	CFO	Provincial	-		-			
Opex	Human Settlement	Housing	Provincial	6 100 000,00		6 100 000,00	16 900 000,00	78 000,00	
Opex	Fire kit	Housing	Provincial	-		-			
Opex	WC: Transport Infrastruc	Public	Provincial	50 000,00		50 000,00	50 000,00	50 000,00	
Opex	WC Fin Mngmt Capacity	CFO	Provincial	250 000,00		250 000,00	-	-	
Opex	Library (Replacement)	library	Provincial	3 217 000,00		3 217 000,00	3 272 000,00	3 328 000,00	
Cape Furnit	Library (Replacement)	library	Provincial	-		-			
Cape Upgra	Communiry Serv Library	library	Provincial	-		-			
Opex	Thusong Centre	hall	Provincial	-		-			
Opex	community development v	hall	Provincial	113 000,00		113 000,00	113 000,00	113 000,00	
Opex	Fire Services Capacity B	Fire	Provincial	-		-			
Capex	Fire Services Capacity B	Fire	Provincial	-		-			
Cape Droug	Drought Relief	Water	Provincial	-		-			
Cape RBIG	Regional Bulk Infrastruct	Water	National	-		-			
Cape RBIG	Regional Bulk Infrastruct	Sewerag	National	-		-			
Cape WSIG	Water Serv Infrastructure	Water	National	10 000 000,00		10 000 000,00	9 552 000,00	21 000 000,00	
Cape INEG	INEG	Elec	National	2 699 000,00		2 699 000,00	2 000 000,00	3 000 000,00	
Cape INEG	(INEG (Eskom)	Elec	National	284 000,00		284 000,00	-	-	
Cape MIG	MIG - Capital	Public	National	10 064 300,00		10 064 300,00	10 528 850,00	10 805 300,00	
				-		-			

4.5.6 CREDIT CONTROL AND DEBT COLLECTION

Credit control has been implemented internally. The Municipality has made an appointment of a permanent person to deal rigorously with the implementation of credit and debt control. We are anticipating improved application of the debt collection and may not meet the industry benchmark set at 93% but the Municipality is striving for improved collection percentages.

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:

	2021/2022	2022/2023	2023/2024 R
Provision for bad debts and doubtful debts - service debt	R 8 926 900	R 9 314 030	R 9 756 970
Assumed collection rate	85%	85%	85%
Provision for bad and doubtful debts – fines	R 2 188 780	R 2 276 330	R 2 367 380

4.6 OPERATING EXPENDITURE FRAMEWORK

The expenditure framework for the 2021/2022 budget and MTREF is informed by the guidelines of National Treasury.

Reasons for significant cost variances:

- Debt impairment – The calculation is based on the assumed payment ratios and also the current economic climate in Kannaland and the implementation of GRAP 1 Presentation of Financial Statements.
- Bulk purchases for electricity will probably increase significantly as a result of increase in Electricity prices for 2021/20220 financial year – The increase is based on the tariff for bulk purchases as set out by NERSA
- The SALGA negotiated wage increases of above 6 % provision will also contribute to a smaller surplus.

In expenditure debt impairment will be the offset of revenue to ensure that that there are only budgeted for realistically realizable revenue.

The following table is a summary of the 2021/2022 MTREF (classified by main expenditure types):

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

2021/22 Medium Term Revenue & Expenditure Framework												
Description		Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 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 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Expenditure By Type												
Employee related costs	2		(34 968)	399 090	232 041	58 317	60 997	60 997	167 488	64 665	65 985	68 698
Remuneration of councillors			2 998	38 293	26 964	3 578	3 394	3 394	8 678	3 598	3 742	3 891
Debt impairment	3		20 194	99 878	38 730	11 923	13 538	13 538	15 096	8 927	9 314	9 757
Depreciation & asset impairment	2		703	39 854	49 660	12 231	12 222	12 222	32 475	9 961	10 359	10 774
Finance charges			3 619	4 801	5 949	227	181	181	483	182	184	185
Bulk purchases	2		40 877	393 901	129 808	42 693	42 763	42 763	116 018	49 434	53 834	58 625
Other materials	8		1 241	30 182	16 399	6 207	11 877	11 877	14 260	9 839	10 232	10 640
Contracted services			16 576	35 905	42 032	15 682	18 471	18 471	31 885	20 148	31 284	14 946
Transfers and subsidies			4 453	22 220	(896)	470	470	470	1 100	838	872	907
Other expenditure	4, 5		9 320	78 324	49 605	11 857	13 855	13 855	30 317	13 834	14 357	14 974
Losses			2 966	395	35	-	-	-	-	-	-	-
Total Expenditure			67 979	1 142 843	590 327	163 186	177 767	177 767	417 799	181 427	200 163	193 396

The Operating Expenditure has increased from **R177 767 450** in **2020/2021** to **R181 426 530** in **2021/2022**. The increase can be attributed to the application of wage increases and bulk purchases as major contributors.

Employee Related Costs increased from **R60 997 365** (35% of operating expenditure) to **R64 665 030** (36% of operating expenditure). Provision has been made for a 6 % salary increase which is below the average annual increases for the past five years.

4.6.1 Office bearers/councillors/senior managers)

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). The determined upper limits of salaries, allowances and benefits of members of Council are gazzeted annually in December/January. The latest gazette was published in December 2019/2020 by the Department of Cooperative Governance. The total cost to company cost for councillors amounted to R3 597 680.

The cost associated with the senior managers amounted to R3 779 650, that includes the Municipal Manager, Chief Financial Officer and Director Technical services as per the approved organogram.

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

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4	1	500 010	-	49 880	-	-	549 890
Chief Whip		-	-	-	-	-	-	-
Executive Mayor		1	881 600	181 470	49 880	-	-	1 112 950
Deputy Executive Mayor		1	404 210	-	49 880	-	-	454 090
Executive Committee		-	-	-	-	-	-	-
Total for all other councillors		-	1 109 050	-	371 700	-	-	1 480 750
Total Councillors	8	3	2 894 870	181 470	521 340			3 597 680
Senior Managers of the Municipality	5							
Municipal Manager (MM)		1	1 110 050	24 280	120 840	106 000	-	1 361 170
Chief Finance Officer		1	1 093 480	130	78 000	100 000	-	1 271 610
		1	1 045 110	-	101 760	-	-	1 146 870
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
<i>List of each official with packages >= senior manager</i>		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Total Senior Managers of the Municipality	8,10	3	3 248 640	24 410	300 600	206 000		3 779 650

4.6.2 Budgeted financial performance (revenue and expenditure by functional classification)

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

Functional Classification Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		8 883	254 821	333 557	37 632	46 730	46 730	44 596	47 316	48 476
Executive and council		59 485	216 127	179 729	8 920	13 134	13 134	9 071	10 374	9 911
Finance and administration		(50 602)	38 694	153 828	28 712	33 597	33 597	35 525	36 943	38 566
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		27 923	53 938	193 059	15 167	19 608	19 608	20 797	30 759	14 272
Community and social services		14 105	22 151	175 045	14 967	18 407	18 407	14 697	13 859	14 194
Sport and recreation		(4 502)	(901)	10 226	-	-	-	-	-	-
Public safety		11 293	30 732	7 028	-	-	-	-	-	-
Housing		7 027	1 957	760	200	1 201	1 201	6 100	16 900	78
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		12 451	8 435	64 418	7 398	6 490	6 490	6 917	7 195	7 473
Planning and development		(14)	333	111	-	-	-	-	-	-
Road transport		12 465	8 102	64 307	7 398	6 490	6 490	6 917	7 195	7 473
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		108 204	616 620	1 487 151	168 884	136 045	136 045	132 092	135 648	153 020
Energy sources		62 046	341 047	627 282	59 735	62 782	62 782	69 692	71 793	75 720
Water management		24 913	128 341	401 638	50 507	43 229	43 229	32 418	33 091	45 716
Waste water management		13 279	79 148	248 048	44 106	14 396	14 396	14 852	15 242	15 653
Waste management		7 968	68 083	210 184	14 537	15 637	15 637	15 130	15 521	15 932
<i>Other</i>	4	(143)	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	157 318	933 813	2 078 185	229 081	208 873	208 873	204 401	220 918	223 241
Expenditure - Functional										
<i>Governance and administration</i>		45 856	329 155	230 599	51 106	58 565	58 565	60 459	62 818	65 415
Executive and council		(38 016)	116 649	32 376	12 074	19 438	19 438	21 534	22 391	23 282
Finance and administration		83 872	212 506	198 223	39 031	39 128	39 128	38 925	40 427	42 133
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		(3 901)	91 874	(26 414)	10 729	11 409	11 409	16 901	26 646	10 139
Community and social services		(14 635)	33 387	(24 312)	8 333	8 409	8 409	8 907	7 776	8 012
Sport and recreation		4 672	2 771	(9 044)	812	597	597	624	649	675
Public safety		1 025	29 010	2 629	207	311	311	327	340	354
Housing		5 037	26 705	4 313	1 376	2 091	2 091	7 044	17 881	1 099
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		(1 815)	21 578	59 772	19 221	15 335	15 335	16 143	16 790	17 451
Planning and development		27	132	(111)	-	-	-	-	-	-
Road transport		(1 842)	21 446	59 883	19 221	15 335	15 335	16 143	16 790	17 451
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		27 553	700 236	158 665	82 131	92 458	92 458	87 923	93 909	100 391
Energy sources		31 143	430 297	167 654	53 186	54 962	54 962	53 665	58 270	63 277
Water management		(1 132)	128 935	3 701	13 240	16 435	16 435	14 705	15 321	15 964
Waste water management		(5 077)	61 551	12 442	6 906	8 413	8 413	8 122	8 419	8 765
Waste management		2 619	79 454	(25 131)	8 799	12 649	12 649	11 431	11 899	12 386
<i>Other</i>	4	286	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	67 979	1 142 843	422 623	163 186	177 767	177 767	181 427	200 163	193 396
Surplus/(Deficit) for the year		89 339	(209 030)	1 655 562	65 894	31 106	31 106	22 974	20 755	29 845

4.6.3 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	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand										
Revenue by Vote	1									
Vote 1 - MUNICIPAL MANAGER		-	207 563	122 043	8 920	13 134	13 134	9 071	10 374	9 911
Vote 2 - CORPORATE SERVICES		-	42 494	187 285	21 132	24 696	24 696	26 072	37 660	21 448
Vote 3 - FINANCIAL SERVICES		-	88 540	231 370	28 412	33 316	33 316	35 227	36 633	38 244
Vote 4 - TECHNICAL SERVICES		-	593 243	1 362 774	170 617	137 727	137 727	134 031	136 252	153 639
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	-	931 841	1 903 473	229 081	208 873	208 873	204 401	220 918	223 241
Expenditure by Vote to be appropriated	1									
Vote 1 - MUNICIPAL MANAGER		-	124 380	90 759	12 074	19 438	19 438	21 534	22 391	23 282
Vote 2 - CORPORATE SERVICES		-	162 871	92 049	29 255	28 160	28 160	34 429	46 289	30 567
Vote 3 - FINANCIAL SERVICES		-	99 654	58 411	25 429	26 266	26 266	25 345	26 304	27 445
Vote 4 - TECHNICAL SERVICES		-	751 373	332 921	93 246	100 571	100 571	96 484	102 813	109 641
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		-	1 766	4 650	1 145	1 145	1 145	1 190	1 237	1 287
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	-	1 140 042	578 789	161 150	175 579	175 579	178 982	199 034	192 222
Surplus/(Deficit) for the year	2	-	(208 202)	1 324 684	67 931	33 294	33 294	25 419	21 885	31 019

4.7 CAPITAL BUDGET

The Capital Budget decreased from **R36 843 000 (2020/2021)** to **R27 273 300 in 2021/2022**. The decrease is as a result decrease in Grant Funded Capital Projects.

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.

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

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

Vote Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure, to be appropriated	2										
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		-	-	-	1 000	1 650	1 650	-	-	-	-
Vote 3 - FINANCIAL SERVICES		-	-	-	-	700	700	-	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	(457)	-	-	-	-	-	-	-
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total		-	-	(457)	1 000	2 350	2 350	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	80	-	-
Vote 2 - CORPORATE SERVICES		-	(42 389)	(44 746)	11 889	4 454	4 454	(22 961)	145	-	-
Vote 3 - FINANCIAL SERVICES		-	(47 430)	(16 218)	430	-	-	(1 290)	4 001	-	-
Vote 4 - TECHNICAL SERVICES		-	(1 528 632)	(2 456 938)	82 117	46 584	46 584	(1 261 812)	22 763	22 081	34 805
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES (Continued)		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	(1 618 450)	(2 317 903)	94 436	51 038	51 038	(1 286 063)	26 989	22 081	34 805
Total Capital Expenditure - Vote	3,7	-	(1 618 450)	(2 318 360)	95 436	53 388	53 388	(1 286 063)	26 989	22 081	34 805
Capital Expenditure - Functional											
Governance and administration		(5 855)	1 601	16	-	700	700	-	4 226	-	-
Executive and council		-	-	-	-	-	-	-	80	-	-
Finance and administration		(5 855)	1 601	16	-	700	700	-	4 146	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		4 213	568	(10 491)	5 454	6 104	6 104	443	-	-	-
Community and social services		19	-	-	4 145	4 795	4 795	290	-	-	-
Sport and recreation		4 194	568	(10 491)	1 309	1 309	1 309	152	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		1 290	-	-	-	7	7	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		1 290	-	-	-	7	7	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		10 802	(1 298)	(2 824)	57 867	30 739	30 739	8 021	23 047	22 081	34 805
Energy sources		4 786	67	(1 221)	-	2 699	2 699	-	2 983	2 000	3 000
Water management		5 045	(1 366)	(1 590)	27 867	28 040	28 040	8 021	20 064	20 081	31 805
Waste water management		971	-	(12)	30 000	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3,7	10 450	871	(13 299)	63 321	37 550	37 550	8 463	27 273	22 081	34 805
Funded by:											
National Government		13 037	(1 684)	(13 185)	59 721	30 805	30 805	7 949	23 047	22 081	34 805
Provincial Government		3 268	954	(130)	3 600	6 045	6 045	514	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	16 305	(730)	(13 315)	63 321	36 850	36 850	8 463	23 047	22 081	34 805
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	(64)	-	-	700	700	-	4 226	-	-
Total Capital Funding	7	16 305	(795)	(13 315)	63 321	37 550	37 550	8 463	27 273	22 081	34 805

4.8 BUDGET SCHEDULES

4.8.1 Table A6 Budgeted financial position

The financial position has not been included with the opening balances for the financial year 2020/2021, these will be included in the final draft budget. We are in the process of adding the opening balances as the recent conclusion of the Audited Financial Statements.

WC041 Kannaland - Table A6 Budgeted Financial Position

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
ASSETS											
Current assets											
Cash		69 960	(176 208)	19 280	3 245	118 690	118 690	152 973	(116 987)	(126 125)	(133 795)
Call investment deposits	1	0	8 576	21 376	8 387	37 862	37 862	(1 377)	-	-	-
Consumer debtors	1	(5 117)	(653 807)	(148 851)	(92 866)	(23 678)	(23 678)	(70 961)	(20 806)	(21 846)	(22 938)
Other debtors		(791)	(26 043)	(48 207)	(31 256)	(86 667)	(86 667)	(54 711)	-	-	-
Current portion of long-term receivables		-	(5)	(13)	(8)	(26)	(26)	(8)	-	-	-
Inventory	2	(16)	(2 225)	(1 607)	2 025	(329)	(329)	6 462	-	-	-
Total current assets		64 036	(849 712)	(158 021)	(110 474)	45 853	45 853	32 378	(137 793)	(147 971)	(156 734)
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	(36)	-	-	-	-	-	-	-	-
Investment property		(98)	(211)	(3 002)	1 489	2 729	2 729	(2 878)	-	-	-
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	1 754	(227 426)	(751 496)	388 829	358 393	358 393	(707 145)	27 273	22 081	34 805
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		(29)	(52)	(1 177)	45	46	46	(1 189)	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		1 626	(227 724)	(755 676)	390 363	361 168	361 168	(711 212)	27 273	22 081	34 805
TOTAL ASSETS		65 662	(1 077 436)	(913 697)	279 889	407 021	407 021	(678 833)	(110 520)	(125 890)	(121 929)
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	-	(293)	(951)	(972)	(951)	(951)	(820)	(572)	(572)	(572)
Consumer deposits		-	11	(901)	964	2 055	2 055	(916)	-	-	-
Trade and other payables	4	2 607	(785 864)	(44 507)	(7 970)	119 167	119 167	21 175	(81 160)	(80 255)	(91 967)
Provisions		(2 373)	(357)	(11 428)	2 654	1 296	1 296	(9 423)	-	-	-
Total current liabilities		233	(786 503)	(57 787)	(5 325)	121 567	121 567	10 016	(81 733)	(80 827)	(92 539)
Non current liabilities											
Borrowing		(120)	(1 051)	(4 700)	1 141	1 095	1 095	(3 641)	(1 292)	(1 292)	(1 292)
Provisions		3 206	2 452	(12 207)	29 199	33 232	33 232	(26 046)	-	-	-
Total non current liabilities		3 086	1 401	(16 908)	30 340	34 327	34 327	(29 687)	(1 292)	(1 292)	(1 292)
TOTAL LIABILITIES		3 319	(785 102)	(74 694)	25 016	155 894	155 894	(19 671)	(83 025)	(82 120)	(93 832)
NET ASSETS	5	62 343	(292 335)	(839 002)	254 873	251 127	251 127	(659 162)	(27 494)	(43 771)	(28 097)
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		(476)	1 347	(256 730)	251 727	521 601	521 601	(251 727)	-	-	-
Reserves	4	(79)	(701)	(1 480)	(1 427)	(1 480)	(1 480)	(1 342)	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	(555)	645	(258 210)	250 300	520 121	520 121	(253 069)	-	-	-

4.8.2 Table A7 Budgeted cash flows

WC041 Kannaland - Table A7 Budgeted Cash Flows

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	24 007	(7 791)	18 701	15 571	15 571	(22 902)	20 806	21 846	22 938
Service charges		-	14 298	(73 513)	111 548	110 131	110 131	(154 070)	31 836	33 031	34 274
Other revenue		-	11 918	3 940	2 027	2 939	2 939	(3 156)	1 923	2 005	2 090
Transfers and Subsidies - Operational	1	-	28 700	(63 235)	35 224	40 228	40 228	(98 777)	41 391	52 190	34 961
Transfers and Subsidies - Capital	1	-	25 000	(59 725)	63 321	36 843	36 843	(79 208)	22 763	22 081	34 805
Interest		-	4 487	2 910	-	4 966	4 966	(702)	874	909	945
Dividends		-	3	3	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(2 522)	(603 071)	(353 610)	(107 815)	(102 859)	(102 859)	(187 274)	(161 518)	(179 434)	(171 774)
Finance charges		-	-	-	-	-	-	-	(182)	(184)	(185)
Transfers and Grants	1	-	-	(3 834)	-	-	-	-	(838)	(872)	(907)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(2 522)	(494 657)	(554 856)	123 006	107 819	107 819	(546 088)	(42 946)	(48 428)	(42 852)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	-	-	-	-	(27 273)	(22 081)	(34 805)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(27 273)	(22 081)	(34 805)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	(148)	(148)	(148)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	(148)	(148)	(148)
NET INCREASE/ (DECREASE) IN CASH HELD											
		(2 522)	(494 657)	(554 856)	123 006	107 819	107 819	(546 088)	(70 367)	(70 657)	(77 805)
Cash/cash equivalents at the year begin:	2	-	(2)	(276 099)	11 631	84 975	84 975	(276 099)	-	(70 367)	(141 024)
Cash/cash equivalents at the year end:	2	(2 522)	(494 659)	(830 955)	134 637	192 794	192 794	(822 188)	(70 367)	(141 024)	(218 828)

4.9 PART 2 – SUPPORTING DOCUMENTATION

4.9.1 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.

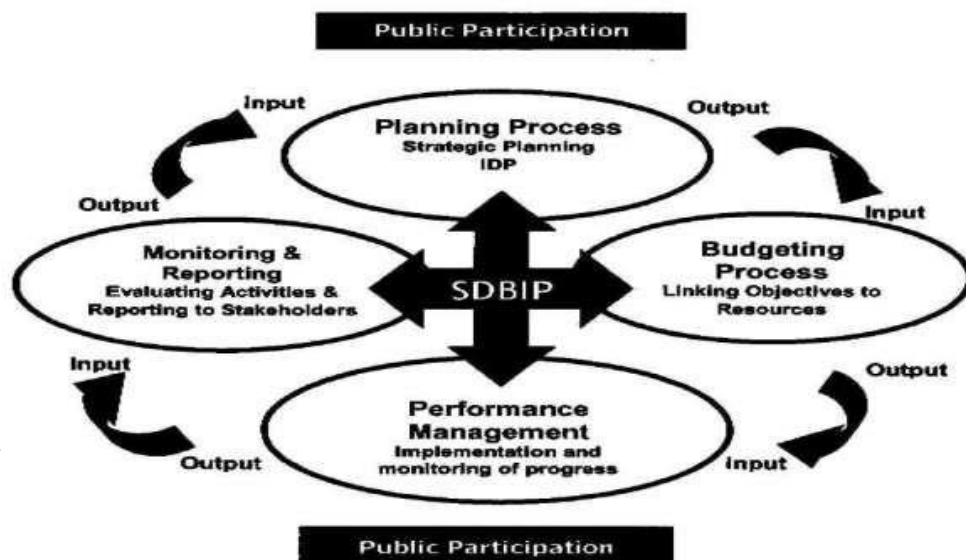
The budget may be funded only from realistic estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

4.9.1.1 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 Executive Mayor for Council to adoption ten (10) 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.

4.9.1.2 Key Deadlines relating to the budget process

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

4.9.1.3 Tabling of the budget

The final budget will be tabled by the mayor on 31 March 2021 to the Kannaland Municipality.

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

Consultation with the community and key stakeholders

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

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

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

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

The Public Participation meetings (road shows) will be held during April 2021 pending the lockdown regulations, 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.

4.9.2 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The Municipal Manager must within fourteen days after the approval of the annual budget submit to the Executive 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 Executive 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 Executive 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, Council 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.

4.9.3 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 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 2021/2022 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.

4.9.4 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

4.9.5 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 Policy
 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 finalized 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
- Cost Containment policies and policies envisaged to bring effect cost containment

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

4.9.5.1 Review of current policies

Except for the policies mentioned below, the budget-related policies must be reviewed and material changes be noted.

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 and it has been included in the draft budget policies.

4.9.6 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.

4.9.7 National Treasury MFMA Circular 108

These circulars were issued in December 2020 and they provide guidance to municipalities for the preparation of the 2021/2022 budget and MTREF.

4.9.8 Inflation outlook

In MFMA Circular No. 108, inflation forecasts are estimated at as actual 2020/2021 3.3% and 2021/2022 3.9% and 2022/2023 4.2% respectively for the MTREF.

4.9.8.1 2.6.3 – Rates, tariffs, charges and timing of revenue collection

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

	Final Budget 2018/19	Budget 2019/20	Budget 2020/21
Rates	6%	5.2%	6%
Tariffs:			
Water	6%	5.2%	4%
Sewerage	6%	5.2%	4%
Electricity (Pending NERSA)	6.0%	+7%*	4%
Cleansing	6%	5.2%	4%
General charges	6%	5.2%	4%

*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

4.9.8.2 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.

4.9.8.3 Price movements on specifics e.g. bulk purchases

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

	2020/2021	2021/2022	2022/2023
Bulk Purchases	16 %	17.90%	9%

4.9.8.4 Average salary increases

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

Description	2019/2020	2020/2021
Councillors	As Per Government Gazette	As Per Government Gazette
Section 57 employees	As Per Government Gazette	As Per Government Gazette
Salaried employees	6.25%	5.9%
Casual employees	4%	5,9%

4.9.8.5 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 priorities critical training. The Municipality is also facing capacity constraints which cannot be merely rectified through training.

4.9.8.6 2.6.8 – 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.

	Cost of Free Basic Services	2020/2021	2021/2022	2022/2023
Refuse	Revenue Cost for free Basic Services	R7 312 150,00	R7 312 150,00	R7 312 150,00
Electricity	Revenue Cost for free Basic Services	R2 171 500,00	R2 171 500,00	R2 171 500,00
Water	Revenue Cost for free Basic Services	R4 275 080,00	R4 275 080,00	R4 275 080,00
Sewerage	Revenue Cost for free Basic Services	R7 036 060,00	R7 036 060,00	R7 036 060,00
		R20 794 790,00	R20 794 790,00	R20 794 790,00

4.9.8.7 Capital budget

The Municipality provided grant funded projects as gazzeted in the Division of Revenue Act, for the 2021/2022 annual budget.

External funding will not be used to finance capital projects.

4.9.8.8 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.

4.9.8.9 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.

4.9.8.10 2.6.12 – Service level standards

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 finalizing their service level standards. The municipality is in the process to upgrade its fire services. A basic charge of R12 per month will be implemented as from 1 July 2021. The aforementioned will increase the property rates tariff slightly.

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

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

4.9.9 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Roland Butler, the Acting Municipal Manager of Kannaland Municipality hereby certifies that the Annual Budget and supporting documentation for the 2021/2022 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

4.9.9.1 ANNEXURES TO THE DOCUMENT

Annexure 1: Budget speech

To be included with final budget approval

Annexure 2: Tariff list 2021/2022

Annexure 3: MFMA Circular No. 108

Annexure 4: A-Schedule budget supporting tables (All Tables)

Annexure 5: Budget Summary Presentation