



DRAFT BUDGET 2019-2022



Kou-kamma
Municipality (EC109)

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Part 1- Annual Budget

1.1 Mayor's Report

Mayors report to be inserted after the meeting

**THE MAYOR/SPEAKER
COUNCILLOR S VUSO**

1.2 Council Resolutions

On the 26th May 2019 the Council of Kou-kamma Local Municipality will meet in Kareedouw, to consider the approval of the Draft Annual budget of the municipality for the financial year 2019/20 MTREF. It is recommended that Council approves and adopts the following resolutions:

1. The Council of Kou-kamma Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act (Act 56 of 2003) approves:
 - 1.1. The Draft Annual Budget of the municipality for the financial year 2019/20 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance(revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/ accumulated surplus, asset management and basic service delivery targets are approved as set out in the following table:
 - 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Kou-kamma Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act, (Act 32 of 2000) approves:
 - 2.1. The property rates tariffs- as set out in Annexure B,
 - 2.2. The tariffs for electricity- as set out in Annexure B
 - 2.3. The tariffs for Sanitation-as set out in Annexure B
 - 2.4. The tariffs for refuse- as set out in Annexure B and
 - 2.5. Any other municipal tariffs as set out in the Tariff book

3. That Council approves the following budget related policies in terms of Section 24 (2)(c)(i)(ii)(iii)(v) of the Municipal Finance Management Act (Act 56 of 2003) as per Annexure C to the document:
 - Supply chain management
 - Credit Control and Debt Collection
 - Indigent Support
 - Property Rates
 - Write off
 - Tariff
 - Virement

4. For Council to adopt the Draft Service Level Standards as required by the National Treasury in MFMA Circular 89 and 91, as per annexure D of the document

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Section 21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with the co-ordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting Officer, as per Section 68 of the MFMA, is required to assist the Mayor in developing and implementing the budgetary process.

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought.

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA require that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable. The budget was drafted in conjunction with the IDP.

Furthermore, the National Treasury has regulated a Municipal Standard Chart of Accounts, which was effective from 01 July 2017. This requires all municipalities and municipal entities to transact live on the new chart of accounts. It is therefore a requirement that the Draft budget be Mscoa complaint.

The annual budget was prepared in accordance to the National Treasury's content and format as contained in Circular 93 & 94. The two concepts considered were:

- 1) That the budget must be funded according to Section 18 of the MFMA(as mentioned above), and
- 2) That the budget must be credible.

A credible budget is described as one that:

- Funds only activities consistent with the draft IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality.
- Is achievable in terms of agreed service delivery and performance targets.
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions.
- Does not jeopardise the financial viability of the municipality(ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds are transferred from low-to high- priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have items'.

The Municipality has embarked on implementing a range of revenue collection strategies to optimise the collection of debt owed by consumers. The Municipality has also adopted a conservative approach when projecting its expected revenue and cash receipts.

The main challenges experienced during the compilation of the 2019/20 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy
- Aging and poorly maintained roads and electricity and water infrastructure.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality'
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents,
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Low collection rates
- Poor communities and
- Cash flow challenges

The following budget principles and guidelines directly informed the compilation of the 2019/20 MTREF:

- The 2018/19 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget adopted as upper limits for new baselines for the 2019/20 draft annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.
- There will be no budget allocated to National and Provincial funded projects unless the necessary grants to the municipality are reflected in the National and Provincial budget and have been gazetted as required by the annual Division of Revenue Act (DoRA) or MTBPS.

Table 1 Consolidated Overview of the 2018/19 MTREF

DESCRIPTION	2018/19	2019/20	Budget year +1	Budget year +2
	ADJUSTMENTS BUDGET		2020/21	2021/22
Operational Income (excl allocatins in kind)	-175 290 611.00	-177 135 263.07	-181 834 883.04	-187 855 593.14
Operational Expenditure	180 128 586.03	171 379 486.90	179 117 396.09	187 976 343.09
Capital Expenditure	39 238 887.00	32 041 651.93	30 422 800.00	29 080 650.00
(SURPLUS) / DEFICIT	R 44 076 862.03	R 26 285 875.76	R 27 705 313.05	R 29 201 399.96
Depreciation	24 797 996.00	26 285 875.76	27 705 313.05	29 201 399.96
NET (SURPLUS) / DEFICIT	R 19 278 866.03	R -	R -	R -

Total operating revenue has increased by 1.0 per cent or R1 844 million for the 2019/20 financial year compared to the 2018/19 Adjustments Budget. This is mainly due to the decrease in transfers and subsidies. For the two outer years, operational revenue for rates and services will increase by 3.0 per cent respectively.

Total operating expenditure for the 2019/20 financial year has decreased by R8 749 million or 5.0 per cent, when compared to the 2018/19 Adjustments Budget. This is mainly due to belt tightening measures being implemented by the municipality to ensure non-service related operational expenditure is kept to a minimum. For the two outer years, operational expenditure will increase by 5.0 per cent respectively.

1.3.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations (MBRR) states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.

1.3.2 Overview of budget related- policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following budget polices will be tabled for consideration with the draft budget:

- Supply chain management
- Credit Control and Debt Collection
- Indigent Support
- Rates
- Write off
- Tariff
- Virement

1.3.3 Overview of budget assumptions

1.3.3.1 External factors

Due to the slowdown of the economy, companied by the geographical are of the municipality; financial resources are limited as result of slow/no economic growth, this therefore reduces payment levels by consumers. The high levels of unemployment, resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.3.3.2 General Inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2019/20 MTERF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses.
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

1.3.3.3 Collection rate for revenue services

The current collection rate of the municipality is below 60%, this necessitates aggressive revenue enhancement strategies. Therefore base assumption is that tariff and rating increases will increase at the same rate as CPI.

As part of the revenue enhancement strategies that was implemented and approved by the municipal council to address the low collection rate. Based on the above, the municipality is anticipating a collection rate of 60% for the 2019/20 financial year.

1.3.3.4 Salary increases

In accordance with the guidance in the MFMA circular 93 and 94, the Wage collective agreement has been concluded during the 2018/19 financial year, based on this the municipality has budgeted for salary increases as follows:

- Employees: 7.0% - plus 2.5% notch increase
- Councillors: CPI – 7.0%
- Directors: CPI – 7.0%

1.3.3.5 Impact of national, provincial and local policies

In compilation of the budget for 2019/20, cognisance was taken of Provincial and National strategies.

1.3.3.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 90.0 per cent is achieved on Operating expenditure and 85.0 per cent on the Capital Programme for the 2018/19 of which performance has been factored into the cash flow budget. This basis has thus been used as a benchmark for the 2019/20 draft annual budget.

1.3.3.7 Cost containment

Due to cash flow constraints within the municipality, operational costs are kept at a minimum. The following cost containment measures have been implemented and the effects of these have been realised throughout the 2018/19 financial year:

- Officials do not make use of air transport and workshops, trainings and other events are not attended, unless special permission is granted by the Municipal Manager.
- All Travel and subsistence claims, must be accompanied by a pre-approval (trip authority) as well as a memo directed to the CFO as to why an official attended a specific event.
- A maximum of two officials per departments is allowed to attend meeting/trainings/workshops.
- Accommodation is limited to R1000 per person per night including meals.
- Telephone usage has set limits per employees and no colour printing is made use of.
- No catering is bought for internal meetings
- All meetings and strategic sessions are held at municipal owned venues
- Stationary are being signed for
- No bottled water/refreshments are bought for the MM or mayor's office
- Restrictions are placed on the purchases of laptops.
- Restriction on the use of consultants unless critical.
- Overtime is limited to 40 hours and only approved if a pre-approved plan is presented.
- Overtime is limited to essential use staff

1.4 Operating Revenue Framework

For Kou-kamma to continue improving the quality of services provided to its community it needs to generate the required revenue. The municipality is currently faced with a collection rate of <60%, in these tough economic times strong revenue management is fundamental. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/ calculating the revenue requirement of each service;
- The municipality's Property Rates Act, 2004 (Act No. 6 of 2004) (MPRA) and amendment of 2014.
- Increase ability to extend new services and recover costs.
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff Policies of the Municipality.

Table 2 Summary of revenue classified by main revenue source

EC109 Kou-Kamma - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	15 596	16 256	15 727	14 600	15 851	15 851	-	16 802	17 709	18 666
Service charges - electricity revenue	2	2 205	2 033	1 814	437	2 138	2 138	-	669	742	820
Service charges - water revenue	2	11 619	11 765	12 216	10 754	15 257	15 257	-	16 172	17 046	17 966
Service charges - sanitation revenue	2	8 041	8 580	8 700	4 347	5 847	5 847	-	6 198	6 533	6 886
Service charges - refuse revenue	2	3 905	4 092	2 481	3 120	3 870	3 870	-	4 102	4 324	4 557
Rental of facilities and equipment		408	380	334	402	1 000	1 000		1 060	1 117	1 177
Interest earned - external investments		206	73	214	157	357	357		378	398	420
Interest earned - outstanding debtors		7 156	9 188	11 359	11 603	13 603	13 603		14 419	15 198	16 019
Dividends received						-	-				
Fines, penalties and forfeits		1 580	5 123	9 846	5 000	13 000	13 000		13 000	13 000	13 000
Licences and permits		30	18	-		-	-				
Agency services		2 841	5 783	5 145	2 889	2 889	2 889		3 062	3 228	3 402
Transfers and subsidies		44 192	48 540	55 128	52 928	52 586	52 586		57 389	56 467	60 292
Other revenue	2	2 444	3 667	934	10 555	10 721	10 721	-	17 857	15 651	15 570
Gains on disposal of PPE		-	334								
Total Revenue (excluding capital transfers and contributions)		100 223	115 833	123 899	116 791	137 118	137 118	-	151 109	151 412	158 775
Surplus/(Deficit)		(27 667)	(6 763)	(8 026)	(35 455)	(43 010)	(43 010)	-	(20 420)	(27 705)	(29 201)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		22 201	15 951	23 975	14 412	38 173	38 173		26 176	30 423	29 081
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		(5 466)	9 188	15 950	(21 043)	(4 838)	(4 838)	-	5 756	2 718	(121)

As the municipality is largely grant dependant, most revenue is from the National government, comprising of 47.1 per cent. All income from these grants has been gazetted as part of the Division of revenue act. Secondly revenue generated from rates and services charges also forms a significant percentage of the revenue basket. In the 2019/20 financial year, revenue from services charges is estimated to total R27 142 million and property rates at R16 802 million.

The other item contributing to revenue is "other income" which consists of various items such as income received from permits and licences, building plan fees, connection fees, rental of facilities and other sundry income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Table 3 Operating and Capital Grants Receipts

<u>Grants</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
<u>Capital</u>			
Direct			
MIG	15 396 000.00	16 024 000.00	16 927 000.00
INEP	1 550 000.00	3 200 000.00	3 000 000.00
WSIG	10 000 000.00	12 000 000.00	10 000 000.00
Indirect			
RBIG	-	5 000 000.00	30 000 000.00
INEP	543 000.00	2 083 000.00	2 198 000.00
National Treasury (Audit fees)	30 000.00	-	-
	27 519 000.00	38 307 000.00	62 125 000.00
<u>Operational</u>			
Equitable share	49 376 000.00	52 799 000.00	56 579 000.00
FMG	2 435 000.00	2 867 000.00	2 867 000.00
DSRAC	1 300 000.00	-	-
Environmental health	891 000.00	-	-
EPWP	1 087 000.00	-	-
Sarah Baartman	1 500 000.00	-	-
	56 589 000.00	55 666 000.00	59 446 000.00
Total	84 108 000.00	93 973 000.00	121 571 000.00

As indicated in the table above, is a breakdown of both capital and operational grants to be received in the 2019/20 MTREF.

1.4.1 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.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the ratio for the non-residential categories, Public Service Infrastructure and agricultural properties relative to residential properties. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

In terms of the Municipal Property Rates Act, property valuations need to be assessed every four years for inclusion in the General Valuation Roll. The municipality has an updated valuation roll; and is in the process of completing the supplementary valuation roll.

Table 4 Comparison of proposed rates to be levied for the 2017/18 financial year
Tariffs are attached as a separate appendix to the report.

1.4.2 Sale of Electricity and Impact of Tariff Increases

During the 2015/16 budget process, the decision was taken concluded that the step- tariff structure will need to be implemented; an application in this regard was made to NERSA. The decision was kept constant. Registered indigents will again be granted 50 kWh per 30 day period free of charge. The Sarah Baartman District municipality has started with a project to get municipalities’ cost effective tariffs, based on this assessment and coupled with the approved Eskom increase of 9.4% by NERSA, the municipality has increased electricity tariffs by 9% for the 2019/20 financial year.

The following tables show the proposed changes to the current tariff structure:

Table 4: Tariff structure (Electricity)

	Excl VAT	VAT	Incl VAT	
Block 1 (0 - 50Kwh)	0.97	0.17	1.14	cent p'kwh
Block 2 (51 - 350Kwh)	1.26	0.22	1.48	cent p'kwh
Block 3 (351 - 600Kwh)	1.84	0.32	2.16	cent p'kwh
Block 4 (>600Kwh)	2.08	0.37	2.45	cent p'kwh

With the above increases the aim is to both increase revenue and encourage consumers to use electricity wisely as our country’s national grid is under severe pressure. No basic charge will be levied for electricity. These tariffs are in line with the guidelines as prescribed by NERSA, an application for approval has been submitted to the regulator.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- Balanced budget constrain (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the assets renewal and backlogs eradication.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

Table 5 Summary of operating expenditure by standard classification item

EC109 Kou-Kamma - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type											
Employee related costs	2	39 820	41 817	42 883	54 445	51 450	51 450	-	48 613	51 530	54 622
Remuneration of councillors		3 000	3 123	3 433	3 477	3 738	3 738		3 952	4 166	4 391
Debt impairment	3	19 741	19 605	31 895	22 755	54 474	54 474		45 409	47 429	49 559
Depreciation & asset impairment	2	22 383	17 493	18 505	24 798	24 798	24 798	-	26 286	27 705	29 201
Finance charges		995	1 961	1 071	1 130	1 130	1 130		1 198	1 262	1 331
Bulk purchases	2	3 199	3 513	3 362	5 015	5 015	5 015	-	5 482	5 864	6 272
Other materials	8		1 026	1 812	4 985	5 175	5 175		5 857	6 132	6 421
Contracted services		3 839	2 714	4 794	13 541	13 306	13 306	-	13 110	12 557	12 985
Transfers and subsidies		15 846	16 702	8 098	-	-	-	-	-	-	-
Other expenditure	4, 5	18 740	14 641	16 047	22 101	21 042	21 042	-	21 621	22 472	23 195
Loss on disposal of PPE		325		23							
Total Expenditure		127 890	122 597	131 925	152 246	180 129	180 129	-	171 529	179 117	187 976

The budgeted allocation for employee related costs for the 2019/20 financial year totals R52 656 million, which equals 30.6 per cent of the total operating expenditure. Circular 70 guidelines have been implemented with regards to the percentage of employee costs to operational expenditure is between 30-40%, the municipality is thus within these limits. Furthermore as per the wage negotiations agreed upon, salaries has been budgeted in accordance with this.

The cost associated with the Remuneration of Councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of

Public Office Bearers Act, 1998 (Act 20 of 1998). Amounts paid to councillors are in line with these gazetted amounts.

The provision of debt impairment was determined based on an annual collection rate of 65.0%. The revised collection rate is based on the revenue enhancement plan that was adopted by council.

While the expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Provision for depreciation and asset impairment has been informed by the Municipality's Asset Values and prior year expenditures incurred.

Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R26 286 million for the 2019/20 financial year and equate to 15.0 per cent of the total operational expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increase of 9.4 per cent has been factored into the budget appropriations and directly informs the revenue provisions. The expenditures include distribution losses. In addition to this the municipality has made an application to Eskom to change tariff structures to cheaper tariffs.

Other materials comprise of amongst others the purchase of materials for maintenance. In line with the Municipality's repairs and maintenance the expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

The following are the main expenditure categories for 2019/20 financial year:

- Employee related costs
- Remuneration of Councillors
- Debt impairment
- Depreciation and Asset Impairment
- Bulk Purchases

1.5.1 Free Basic Services: Basic Welfare Package

The welfare package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services that households are required to register in terms of the Municipality's Indigent Policy. An amount of R22 769 million has been allocated from the 2019/20 equitable share to provide relief to the indigent consumers. Taking cognizance of the plight of the poor and affordability of basic services, 6kl of free water and 50kwh of electricity per month, refuse, sanitation; grave site as well as rebates on rates is applicable.

1.6 Capital Expenditure

Capital expenditure for the next three years will be funded solely by Grants and other external fund sources. This is due to significant constraints of Council funds as highlighted in the sections above and the significant impact that the increase in the bulk electricity tariffs had on the cash flow of the municipality. The Capital Grants to be received are highlighted in the Executive Summary above.

Table 6 Capital expenditure by standard classification

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional											
Governance and administration	1	1 089	44	-	1 372	353	353	-	1 722	-	-
Executive and council		-	-	-	8	-	-	-	101	-	-
Finance and administration		1 089	44	-	1 364	353	353	-	1 621	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		6 297	3 764	429	740	3 054	3 054	-	12 560	-	-
Community and social services		5 911	3 764	427	240	3 054	3 054	-	11 660	-	-
Sport and recreation		386	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	500	-	-	-	900	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	2	-	-	-	-	-	-	-
Economic and environmental services		262	2 033	5 329	5 349	5 704	5 704	-	1 000	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		262	2 033	5 329	5 349	5 704	5 704	-	1 000	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		9 893	9 950	10 583	12 483	30 128	30 128	-	16 760	30 423	29 081
Energy sources		1 891	616	2 213	3 000	-	-	-	1 550	-	-
Water management		5 310	6 014	8 369	9 463	24 371	24 371	-	5 558	12 000	10 000
Waste water management		2 692	3 320	-	-	5 757	5 757	-	8 502	15 223	16 081
Waste management		-	-	-	20	-	-	-	1 150	3 200	3 000
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	17 541	15 791	16 341	19 944	39 239	39 239	-	32 042	30 423	29 081
Funded by:											
National Government		16 926	13 740	16 064	19 161	38 173	38 173	-	25 860	30 423	29 081
Provincial Government		386	2 033	275	240	433	433	-	420	-	-
District Municipality		-	-	2	500	-	-	-	900	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	17 312	15 772	16 341	19 901	38 606	38 606	-	27 180	30 423	29 081
Borrowing	6										
Internally generated funds		230	19	-	43	633	633	-	4 862	-	-
Total Capital Funding	7	17 541	15 791	16 341	19 944	39 239	39 239	-	32 042	30 423	29 081

Table A5 as per the MBBR excludes all indirect capital expenditures that will be incurred during the 2019/20 financial year.

The table below highlights total service delivery project planned for the next financial year

Table 7 Capital expenditure by project

FUNCTION	ITEM DESCRIPTION	REGION	ORIGINAL BUDGET	FUNDING SOURCE
Administration	Renovation of new council chambers	Main Building	R 1 000 000.00	Internal Funds
Administration	Upgrading of JBT Offices	Main Building	R 400 000.00	Internal Funds
Administration	Furniture for ward councilors	All wards	R 100 000.00	Internal Funds
Administration	Office furniture	Main Building	R 21 000.00	Internal Funds
ICT	Laptops & Desktops	All offices	R 100 000.00	Internal Funds
MMO	Office furniture	Main Building	R 10 000.00	Internal Funds
MMO	Office furniture	Main Building	R 91 000.00	Internal Funds
Roads	Upgrading of landfill site access roads	Tweeriviere, Woodlands and Coldstream	R 900 000.00	Internal Funds
Roads	Tools an Equipment	All wards	R 100 000.00	Internal Funds
Community Halls	Fencing of community halls	Ravinia	R 200 000.00	Internal Funds
Community Halls	Upgrading of community hall	Woodlands	R 300 000.00	Internal Funds
Cemetries	Paving and construction of abluion facilities	Stormsriver	R 200 000.00	Internal Funds
Cemetries	Expansion of cemetry	Krakeel	R 90 000.00	Internal Funds
Cemetries	Fencing of cemetry	Woodlands	R 200 000.00	Internal Funds
Waste Management	Fencing of landfill sites	Tweeriviere & Woodlands	R 1 000 000.00	Internal Funds
Waste Management	Tools an Equipment	All wards	R 150 000.00	Internal Funds
Libraries	Upgrading of library	Krakeel	R 120 000.00	DSRAC
Libraries	Extention of paving	Stormsriver	R 150 000.00	DSRAC
Protection Services	Replacement of fire truck	All wards	R 600 000.00	SBDM
Water Management	Refurbishment of Water Treatment Works	Kareedouw	R 5 557 950.00	WSIG
Waste Water Management	Refurbishment of Waste Water Treatment Works	Coldstream	R 3 116 100.00	WSIG
Waste Water Management	Refurbishment of Waste Water Treatment Works	Misgund	R 1 325 950.00	WSIG
Electricity	New electrical connections	Ravinia	R 1 550 000.00	DOE
Community Halls	Constrcution of new Multi Purpose Centre	Louterwater	R 10 250 046.73	MIG
Waste Water Management	Replacement of full bore sewer system	Clarkson	R 4 059 605.20	MIG
Libraries	Furniture for libraries	All wards	R 150 000.00	DSRAC
Protection Services	Trailers_Fire services	All wards	R 300 000.00	SBDM
			R 32 041 651.93	

In addition to the above the following in-kind transfers has been allocated to the municipality. Projects relating to these allocation still needs to be confirmed:

- INEP: R543 000

Part 2: Supporting Documentation

Table 12 MBRR Table A7- Budgeted Cash Flow Statement

EC109 Kou-Kamma - Table A7 Budgeted Cash Flows

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		16 037	10 656	14 942	10 220	7 926	7 926		10 081	10 626	11 199
Service charges		9 970	6 235	1 747	13 061	13 556	13 556		16 285	17 186	18 137
Other revenue		5 724	9 848	7 773	16 845	16 845	16 845		9 122	9 345	9 579
Government - operating	1	42 103	44 436	47 809	52 928	52 586	52 586		57 359	56 467	60 292
Government - capital	1	21 450	17 947	23 362	14 412	38 173	38 173		-	-	-
Interest		206	73	214	5 958	5 958	5 958		7 588	7 997	8 429
Dividends					-	-	-		-	-	-
Payments											
Suppliers and employees		(62 276)	(57 617)	(72 222)	(103 564)	(99 726)	(99 726)		(98 636)	(102 720)	(107 886)
Finance charges		(995)	(194)	(992)	(1 130)	(1 130)	(1 130)		(1 198)	(1 262)	(1 331)
Transfers and Grants	1	(15 846)	(16 702)	(8 098)	-	-	-		-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		16 371	14 681	14 534	8 730	34 188	34 188	-	601	(2 362)	(1 579)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		106							26 176	30 423	29 081
Decrease (increase) in non-current debtors					377	377			4 474	2 362	1 579
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(17 541)	(15 805)	(13 763)	(19 707)	(39 239)	(39 239)		(32 042)	(30 423)	(29 081)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(17 435)	(15 805)	(13 763)	(19 330)	(38 862)	(39 239)	-	(1 391)	2 362	1 578
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		1 900	836						-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		1 900	836	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		836	(288)	771	(10 600)	(4 675)	(5 051)	-	(791)	0	(0)
Cash/cash equivalents at the year begin:	2	166	1 002	714	10 600	4 675	4 675		791	0	0
Cash/cash equivalents at the year end:	2	1 002	714	1 485	(0)	-	(377)		0	0	0

Explanatory notes to Table A7- Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows be expected level of cash inflow versus cash out-flow that is likely to result from the implementation of the budget.

2. Municipal Manager's quality certificate

I, **Pumelelo Kate**, Municipal Manager of Kou-kamma Local Municipality, hereby certify that the 2019/20 Draft Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations, and that the Annual Budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name: PUMELELO KATE

Signature -  PP

Date: 26 MAY 2019