

# GREAT KEI MUNICIPALITY



## DRAFT BUDGET 2019/2020 – 2020/2022

### MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

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## **PART 1 – ANNUAL BUDGET**

### **Section 1: MAYOR`S REPORT**

This marks the second year of the new council, wherein the objectives and strategies of GKM will be developed for a five year period. I therefore, have pleasure in presenting the Draft Medium Term Revenue and Expenditure Framework for the budget year 2019/2020 – 2019/22.

Local government reforms in South Africa pose a challenge to all Municipalities and smaller municipalities like ours. Indeed the Great Kei Municipality has set its targets to comply with accounting reforms as envisaged in the MFMA and other pieces of legislation. To date National Treasury has introduced a new reform mSCOA which requires more attention to detail and huge financial resources.

The economic viability of the region remains a priority for our municipality. Every effort has been made and continues to be made to stimulate investment in the Great Kei Municipality with the limited resources and high rate of unemployment that is faced by the municipality.

The council's strategic objective of service delivery includes improving delivering acceptable levels of services in roads, refuse removal and electricity.

National, Provincial, District and local priorities have been considered through Integrated Development Plan process, whereby communities gave inputs into service needs and these are incorporated in the IDP process.

I must however admit that the IGR processes are running smoothly as expected, however some of the other stakeholders are not attending these meetings, therefore improvement still needs to be made regarding this as they also form an integral part of compiling IDP document.

The council as an institution is faced with numerous challenges. The greatest challenge is the culture of non-payment of rates and services by customers on a regular basis. Due to this challenge the municipality has become increasingly reliant on grant funding received from National Government. In this budget grant funding contributes 49% and 51% from own revenue.

To be able to generate own revenue, council has increased electricity tariff with 6,84%, refuse and rates tariffs has increased by 5,2%. The electricity increase is in line with Guideline on the Consultation Paper Issued by NERSA on 28 February 2018.

The electricity services though is supposed to generate revenue to improve electricity infrastructure and subsidize other services, but this service is currently running at a loss. The number of queries on the existing Valuation Roll and high unemployment rate in the

area coupled with unwillingness of the customers to register for indigent has become the major contributing factor towards the inability of customers to service their accounts. In this budget an allocation of R1,9M has been provided for to deal with the issue of Valuation Roll and the process has already started.

The municipality has however enhanced its credit control policy, employed a debt collector and is continuously implementing revenue turnaround plan which enables the Municipality to deliver on its mandate and achievement of National and Provincial priorities. The municipality has good relations with Provincial Departments, however the relationship with Ratepayers and Farmers Association has worsened due to a number of queries not resolves on time, but the municipality has a plan to rescue the situation. The municipality has improved in many areas to count but a few, it has recently attracted senior managers, qualified electricians, town planners and is continuously assisted by Amathole District Municipality and DEDEAT in areas regarding electricity and landfill site to assist in the revenue generation and service delivery of the Municipality.

As a summary, the medium term service delivery objectives include the following:

- The registration of indigent consumers and the rollout of free basic services;
- Implementation of an improved debt and credit control policy
- Improve Financial Management;
- Implementation of Revenue Turnaround Plan
- Continuous implementation and monitoring of mSCOA project.
- Upgrading and rehabilitation of roads;
- Implementation of EPWP and MIG projects;

- Bulk Electricity upgrade;
- Implementation of Land Audit Report
- Construction of AgriPark

The Great Kei Municipal Draft Budget has prioritized service delivery projects and creation of job opportunities through SMME, Agriculture development and Extended Public Works Programme (EPWP) and DEDEAT Funding.

The total draft budget of the municipality is R154 792 993 of which R16 691 125 is for capital expenditure and R101 601 686 is for operating expenditure and R31 500 000 for Depreciation and Provision for bad debts. Due to limited resources, 100% of the capital expenditure is funded from Municipal Infrastructure Grant (MIG) and Integrated National Electrification Grant (INEG).

<b>Detail</b>	<b>Original Budget 2019/20</b>	<b>Original Budget 2020/21</b>	<b>Original Budget 2021/22</b>
Total Revenue	138 695 787	124 535 479	132 934 804
Total Operating Exp	138 101 868	131 914 225	137 877 914
Total Capex	16 691 125	16 048 500	18 316 350
<b>Surplus/(Deficit)</b>	<b>(16 097 205)</b>	<b>(23 427 246)</b>	<b>(23 259 459)</b>

Despite the numerous challenges facing Council, I and my fellow councilors are confident for the future of the Great Kei Municipality and are committed to building the financially sound and prosperous municipality that delivers services on time to Great Kei

communities. I would like to thank the communities for their inputs into the IDP and budget process, my fellow councilors, the Municipal Manager and his staff for their continued support.

**N W TEKILE**  
**MAYOR**

## **SECTION 2: BUDGET RELATED RESOLUTIONS**

The resolutions approved by Council with a draft budget on the 29<sup>th</sup> March 2019:

RESOLVED:

- a) That the draft budget of Great Kei Municipality for financial years 2019/2020; and indicative for two projected years 2020/2021 and 2021/2022 as set out in the following schedules , be approved:

Table A1 – Budget Summary

EC123 Great Kei - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)										
Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 medium term Revenue & Expenditure Framework		
					Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue - Functional</b>										
<b>Governance and administration</b>		70 593	73 222	73 640	83 482	76 343	76 343	99 140	85 664	90 567
Executive and council		74	104	331	221	321	321	-	-	-
Finance and administration		70 518	73 118	73 309	83 260	76 021	76 021	99 140	85 664	90 567
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		1 653	2 543	1 875	2 832	2 834	2 834	2 923	3 081	3 247
Community and social services		245	1 026	724	629	1 129	1 129	1 129	1 190	1 254
Sport and recreation		189	-	-	-	-	-	-	-	-
Public safety		1 219	1 517	1 151	2 203	1 705	1 705	1 794	1 891	1 993
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		34 345	13 206	12 836	12 784	12 976	12 976	12 919	12 133	12 703
Planning and development		280	183	204	500	454	454	477	503	530
Road transport		34 065	13 023	12 632	12 284	12 522	12 522	12 442	11 630	12 173
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		6 772	19 931	20 547	28 068	26 619	26 619	23 713	23 658	26 417
Energy sources		5 460	10 672	10 660	14 199	12 174	12 174	12 174	11 495	13 598
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		1 311	9 260	9 886	13 869	14 445	14 445	11 540	12 163	12 820
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	113 363	108 903	108 897	127 165	118 771	118 771	138 696	124 535	132 935
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		74 923	120 974	70 296	81 909	71 699	71 699	73 873	74 310	77 847
Executive and council		15 313	15 943	14 863	13 446	11 897	11 897	12 398	13 067	13 773
Finance and administration		59 610	105 030	55 433	68 463	59 802	59 802	61 475	61 243	64 075
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		4 503	4 453	4 073	7 430	6 118	6 118	6 399	6 723	7 063
Community and social services		2 518	2 385	1 415	2 521	2 059	2 059	1 970	2 055	2 143
Sport and recreation		3	-	-	-	-	-	-	-	-
Public safety		1 982	2 068	2 658	4 909	4 059	4 059	4 429	4 668	4 920
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		15 508	16 666	17 867	15 968	16 947	16 947	27 565	19 673	20 735
Planning and development		4 468	5 620	6 388	7 023	6 971	6 971	7 635	8 047	8 482
Road transport		11 040	11 047	11 478	8 945	9 975	9 975	19 930	11 625	12 253
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		14 603	17 542	37 905	29 380	26 445	26 445	30 265	31 570	32 613
Energy sources		8 409	11 300	28 443	13 406	15 253	15 253	17 686	18 311	18 638
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		6 194	6 242	9 462	15 974	11 192	11 192	12 580	13 259	13 975
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	109 537	159 635	130 141	134 687	121 209	121 209	138 102	132 276	138 259
<b>Surplus/(Deficit) for the year</b>		3 826	(50 732)	(21 244)	(7 522)	(2 438)	(2 438)	594	(7 741)	(5 324)



Table A2A - Budget Financial Performance (revenue and expenditure by standard classification)

EC123 Great Kei - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)								2019/20 medium term Revenue & Expenditure Framework		
Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			Budget Year	Budget Year	Budget Year
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	2019/20	+1 2020/21	+2 2021/22
<b>Revenue - Functional</b>										
<b>Governance and administration</b>		70 593	73 222	73 640	83 482	76 343	76 343	99 140	85 664	90 567
Executive and council		74	104	331	221	321	321	-	-	-
Finance and administration		70 518	73 118	73 309	83 260	76 021	76 021	99 140	85 664	90 567
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		1 653	2 543	1 875	2 832	2 834	2 834	2 923	3 081	3 247
Community and social services		245	1 026	724	629	1 129	1 129	1 129	1 190	1 254
Sport and recreation		189	-	-	-	-	-	-	-	-
Public safety		1 219	1 517	1 151	2 203	1 705	1 705	1 794	1 891	1 993
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		34 345	13 206	12 836	12 784	12 976	12 976	12 919	12 133	12 703
Planning and development		280	183	204	500	454	454	477	503	530
Road transport		34 065	13 023	12 632	12 284	12 522	12 522	12 442	11 630	12 173
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		6 772	19 931	20 547	28 068	26 619	26 619	23 713	23 658	26 417
Energy sources		5 460	10 672	10 660	14 199	12 174	12 174	12 174	11 495	13 598
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		1 311	9 260	9 886	13 869	14 445	14 445	11 540	12 163	12 820
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	<b>113 363</b>	<b>108 903</b>	<b>108 897</b>	<b>127 165</b>	<b>118 771</b>	<b>118 771</b>	<b>138 696</b>	<b>124 535</b>	<b>132 935</b>
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		74 923	120 974	70 296	81 909	71 699	71 699	73 873	74 310	77 847
Executive and council		15 313	15 943	14 863	13 446	11 897	11 897	12 398	13 067	13 773
Finance and administration		59 610	105 030	55 433	68 463	59 802	59 802	61 475	61 243	64 075
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		4 503	4 453	4 073	7 430	6 118	6 118	6 399	6 723	7 063
Community and social services		2 518	2 385	1 415	2 521	2 059	2 059	1 970	2 055	2 143
Sport and recreation		3	-	-	-	-	-	-	-	-
Public safety		1 982	2 068	2 658	4 909	4 059	4 059	4 429	4 668	4 920
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		15 508	16 666	17 867	15 968	16 947	16 947	27 565	19 673	20 735
Planning and development		4 468	5 620	6 388	7 023	6 971	6 971	7 635	8 047	8 482
Road transport		11 040	11 047	11 478	8 945	9 975	9 975	19 930	11 625	12 253
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		14 603	17 542	37 905	29 380	26 445	26 445	30 265	31 570	32 613
Energy sources		8 409	11 300	28 443	13 406	15 253	15 253	17 686	18 311	18 638
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		6 194	6 242	9 462	15 974	11 192	11 192	12 580	13 259	13 975
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	<b>109 537</b>	<b>159 635</b>	<b>130 141</b>	<b>134 687</b>	<b>121 209</b>	<b>121 209</b>	<b>138 102</b>	<b>132 276</b>	<b>138 259</b>
<b>Surplus/(Deficit) for the year</b>		<b>3 826</b>	<b>(50 732)</b>	<b>(21 244)</b>	<b>(7 522)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>594</b>	<b>(7 741)</b>	<b>(5 324)</b>

Table A3A – Budgeted Financial Performance (revenue and expenditure by municipal vote)

EC123 Great Kei - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)										
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	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue by Vote</b>	1									
Vote 1 - COUNCIL & ADMINISTRATION		74	104	331	221	321	321	-	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL MANAGEMENT & INFORMATION TECHNICAL		70 456	73 046	73 297	83 150	75 821	75 821	98 930	85 444	90 337
Vote 4 - HUMAN RESOURCES & ADMINISTRATION		62	72	12	111	200	200	210	220	230
Vote 5 - COMMUNITY SERVICES		2 965	11 803	11 761	16 701	17 279	17 279	14 462	15 243	16 066
Vote 6 - INFRASTRUCTURE SERVICES		39 774	23 854	23 495	26 983	25 149	25 149	25 093	23 628	26 301
Vote 7 - STRATEGIC SERVICES & LED		31	23	1	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>113 363</b>	<b>108 903</b>	<b>108 897</b>	<b>127 165</b>	<b>118 771</b>	<b>118 771</b>	<b>138 696</b>	<b>124 535</b>	<b>132 935</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - COUNCIL & ADMINISTRATION		8 591	7 422	7 746	6 570	5 974	5 974	6 104	6 433	6 781
Vote 2 - MUNICIPAL MANAGER		6 723	8 521	7 117	6 876	5 923	5 923	6 294	6 634	6 992
Vote 3 - FINANCIAL MANAGEMENT & INFORMATION TECHNICAL		46 687	90 441	43 562	55 024	48 482	48 482	48 255	48 068	50 188
Vote 4 - HUMAN RESOURCES & ADMINISTRATION		12 923	14 590	11 871	13 440	11 320	11 320	13 220	13 175	13 886
Vote 5 - COMMUNITY SERVICES		10 693	10 695	13 535	23 404	17 310	17 310	18 979	19 620	20 657
Vote 6 - INFRASTRUCTURE SERVICES		20 825	24 047	41 675	23 844	26 838	26 838	39 600	32 029	33 097
Vote 7 - STRATEGIC SERVICES & LED		3 092	3 919	4 635	5 530	5 361	5 361	5 650	5 955	6 277
<b>Total Expenditure by Vote</b>	2	<b>109 533</b>	<b>159 635</b>	<b>130 141</b>	<b>134 687</b>	<b>121 209</b>	<b>121 209</b>	<b>138 102</b>	<b>131 914</b>	<b>137 878</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>3 829</b>	<b>(50 733)</b>	<b>(21 244)</b>	<b>(7 522)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>594</b>	<b>(7 379)</b>	<b>(4 943)</b>

Table A 4 – Budgeted Financial Performance (revenue and expenditure)

EC123 Great Kei - 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
<b>Revenue By Source</b>											
Property rates	2	17 000	22 787	23 727	25 791	25 791	25 791	25 791	27 132	28 597	30 141
Service charges - electricity revenue	2	5 181	5 375	6 945	3 401	3 401	3 401	3 401	6 495	6 832	7 188
Service charges - refuse revenue	2	1 311	9 258	9 886	10 469	10 469	10 469	10 469	11 540	12 163	12 820
Rental of facilities and equipment		317	287	529	277	277	277	277	926	976	1 029
Interest earned - external investments		896	319	111	225	500	500	500	526	554	584
Interest earned - outstanding debtors		4 670	6 304	5 286	2 104	4 104	4 104	4 104	4 317	4 551	4 796
Fines, penalties and forfeits		33	105	29	3	3	3	3	5	6	6
Licences and permits		1 186	1 412	1 122	2 200	1 700	1 700	1 700	1 788	1 885	1 987
Agency services						-	-	-			
Transfers and subsidies		48 787	44 804	44 478	45 547	45 547	45 547	45 547	46 673	47 280	47 280
Other revenue	2	2 333	808	802	20 033	9 626	9 626	9 626	21 640	3 662	9 074
Gains on disposal of PPE				1 284							
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>81 714</b>	<b>91 459</b>	<b>94 198</b>	<b>110 049</b>	<b>101 417</b>	<b>101 417</b>	<b>101 417</b>	<b>121 043</b>	<b>106 505</b>	<b>114 905</b>
<b>Expenditure By Type</b>											
Employee related costs	2	42 570	48 740	50 636	50 444	51 596	51 596	51 596	55 602	58 604	61 769
Remuneration of councillors		3 993	4 157	4 137	4 600	4 600	4 600	4 600	4 600	4 848	5 110
Debt impairment	3	3 973	10 237	17 459	12 500	12 500	12 500	12 500	13 000	14 500	15 000
Depreciation & asset impairment	2	25 267	21 542	17 103	25 000	18 000	18 000	18 000	18 500	19 000	19 500
Finance charges		1 238	2 256	3 076	665	700	700	700	-	-	-
Bulk purchases	2	7 954	8 497	8 378	8 700	10 736	10 736	10 736	11 595	12 221	12 881
Other materials	8		16								
Other expenditure	4, 5	24 456	39 731	29 205	32 678	23 077	23 077	23 077	34 805	22 740	23 617
Loss on disposal of PPE		85	24 459	147							
<b>Total Expenditure</b>		<b>109 537</b>	<b>159 635</b>	<b>130 141</b>	<b>134 587</b>	<b>121 209</b>	<b>121 209</b>	<b>121 209</b>	<b>138 102</b>	<b>131 914</b>	<b>137 878</b>
<b>Surplus/(Deficit)</b>		<b>(27 823)</b>	<b>(68 177)</b>	<b>(35 943)</b>	<b>(24 538)</b>	<b>(19 791)</b>	<b>(19 791)</b>	<b>(19 791)</b>	<b>(17 059)</b>	<b>(25 409)</b>	<b>(22 973)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		33 065	16 028	14 699	17 116	17 354	17 354	17 354	17 653	18 030	18 030
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)											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>5 242</b>	<b>(52 149)</b>	<b>(21 244)</b>	<b>(7 422)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>594</b>	<b>(7 379)</b>	<b>(4 943)</b>
<b>Surplus/(Deficit) after taxation</b>		<b>5 242</b>	<b>(52 149)</b>	<b>(21 244)</b>	<b>(7 422)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>594</b>	<b>(7 379)</b>	<b>(4 943)</b>
<b>Surplus/(Deficit) attributable to municipality</b>		<b>5 242</b>	<b>(52 149)</b>	<b>(21 244)</b>	<b>(7 422)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>594</b>	<b>(7 379)</b>	<b>(4 943)</b>
<b>Surplus/(Deficit) for the year</b>		<b>5 242</b>	<b>(52 149)</b>	<b>(21 244)</b>	<b>(7 422)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>(2 438)</b>	<b>594</b>	<b>(7 379)</b>	<b>(4 943)</b>

Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding

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
<b>R thousand</b>	1										
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - COUNCIL & ADMINISTRATION		143	36	-	40	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		50	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL MANAGEMENT & INFORMATION TECHNOLOGY		1 275	132	7 772	260	150	150	-	-	-	-
Vote 4 - HUMAN RESOURCES & ADMINISTRATION		70	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		5 661	-	-	50	1 760	1 760	-	-	-	-
Vote 6 - INFRASTRUCTURE SERVICES		27 133	13 473	13 505	17 277	26 335	26 335	26 335	16 691	16 049	18 316
Vote 7 - STRATEGIC SERVICES & LED		40	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>34 372</b>	<b>13 641</b>	<b>21 277</b>	<b>17 627</b>	<b>28 245</b>	<b>28 245</b>	<b>26 335</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>
<b>Total Capital Expenditure - Vote</b>		<b>34 372</b>	<b>13 641</b>	<b>21 277</b>	<b>17 627</b>	<b>28 245</b>	<b>28 245</b>	<b>26 335</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		<b>1 538</b>	<b>168</b>	<b>7 772</b>	<b>300</b>	<b>150</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Executive and council		193	36		40						
Finance and administration		1 345	132	7 772	260	150	150				
Internal audit											
<b>Community and public safety</b>		<b>70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Community and social services		70									
Sport and recreation											
<b>Economic and environmental services</b>		<b>26 022</b>	<b>13 473</b>	<b>13 505</b>	<b>11 247</b>	<b>20 335</b>	<b>20 335</b>	<b>20 335</b>	<b>10 291</b>	<b>11 049</b>	<b>11 564</b>
Planning and development		548	-		70						
Road transport		25 474	13 473	13 505	11 177	20 335	20 335	20 335	10 291	11 049	11 564
Environmental protection											
<b>Trading services</b>		<b>6 701</b>	<b>-</b>	<b>-</b>	<b>6 080</b>	<b>7 760</b>	<b>7 760</b>	<b>6 000</b>	<b>6 400</b>	<b>5 000</b>	<b>6 752</b>
Energy sources		1 110	-		6 030	6 000	6 000	6 000	6 400	5 000	6 752
Waste management		5 591	-		50	1 760	1 760				
<b>Other</b>											
<b>Total Capital Expenditure - Functional</b>	3	<b>34 331</b>	<b>13 641</b>	<b>21 277</b>	<b>17 627</b>	<b>28 245</b>	<b>28 245</b>	<b>26 335</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>
<b>Funded by:</b>											
National Government		31 226	13 473	13 505	17 207	16 798	16 798	16 798	16 691	16 049	18 316
Provincial Government						1 760	1 760	1 760			
<b>Transfers recognised - capital</b>	4	<b>31 226</b>	<b>13 473</b>	<b>13 505</b>	<b>17 207</b>	<b>18 558</b>	<b>18 558</b>	<b>18 558</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>
<b>Internally generated funds</b>		<b>3 146</b>	<b>168</b>	<b>7 772</b>	<b>420</b>	<b>9 687</b>	<b>9 687</b>	<b>9 687</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>	7	<b>34 372</b>	<b>13 641</b>	<b>21 277</b>	<b>17 627</b>	<b>28 245</b>	<b>28 245</b>	<b>28 245</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>

- Multiyear and single year capital appropriations by municipal vote and standard classification and associated funding by source

Table A5A – Capital Expenditure

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
<b>R thousand</b>	1										
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - COUNCIL & ADMINISTRATION		143	36	-	40	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		50	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL MANAGEMENT & INFORMATION TE		1 275	132	7 772	260	150	150	-	-	-	-
Vote 4 - HUMAN RESOURCES & ADMINISTRATION		70	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		5 661	-	-	50	1 760	1 760	-	-	-	-
Vote 6 - INFRASTRUCTURE SERVICES		27 133	13 473	13 505	17 277	26 335	26 335	26 335	16 691	16 049	18 316
Vote 7 - STRATEGIC SERVICES & LED		40	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>34 372</b>	<b>13 641</b>	<b>21 277</b>	<b>17 627</b>	<b>28 245</b>	<b>28 245</b>	<b>26 335</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>
<b>Total Capital Expenditure - Vote</b>		<b>34 372</b>	<b>13 641</b>	<b>21 277</b>	<b>17 627</b>	<b>28 245</b>	<b>28 245</b>	<b>26 335</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		<b>1 538</b>	<b>168</b>	<b>7 772</b>	<b>300</b>	<b>150</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Executive and council		193	36	-	40	-	-	-	-	-	-
Finance and administration		1 345	132	7 772	260	150	150	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		<b>70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Community and social services		70	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>26 022</b>	<b>13 473</b>	<b>13 505</b>	<b>11 247</b>	<b>20 335</b>	<b>20 335</b>	<b>20 335</b>	<b>10 291</b>	<b>11 049</b>	<b>11 564</b>
Planning and development		548	-	-	70	-	-	-	-	-	-
Road transport		25 474	13 473	13 505	11 177	20 335	20 335	20 335	10 291	11 049	11 564
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>6 701</b>	<b>-</b>	<b>-</b>	<b>6 080</b>	<b>7 760</b>	<b>7 760</b>	<b>6 000</b>	<b>6 400</b>	<b>5 000</b>	<b>6 752</b>
Energy sources		1 110	-	-	6 030	6 000	6 000	6 000	6 400	5 000	6 752
Waste management		5 591	-	-	50	1 760	1 760	-	-	-	-
<b>Other</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	3	<b>34 331</b>	<b>13 641</b>	<b>21 277</b>	<b>17 627</b>	<b>28 245</b>	<b>28 245</b>	<b>26 335</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>
<b>Funded by:</b>											
National Government		31 226	13 473	13 505	17 207	16 798	16 798	16 798	16 691	16 049	18 316
Provincial Government		-	-	-	-	1 760	1 760	1 760	-	-	-
<b>Transfers recognised - capital</b>	4	<b>31 226</b>	<b>13 473</b>	<b>13 505</b>	<b>17 207</b>	<b>18 558</b>	<b>18 558</b>	<b>18 558</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>
<b>Internally generated funds</b>		<b>3 146</b>	<b>168</b>	<b>7 772</b>	<b>420</b>	<b>9 687</b>	<b>9 687</b>	<b>9 687</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>	7	<b>34 372</b>	<b>13 641</b>	<b>21 277</b>	<b>17 627</b>	<b>28 245</b>	<b>28 245</b>	<b>28 245</b>	<b>16 691</b>	<b>16 049</b>	<b>18 316</b>

Table A 6 – Budgeted Financial Position

EC123 Great Kei - Table A6 Budgeted Financial Position											
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
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		185	–	556	3 495	3 495	3 495	3 495	550	1 000	3 000
Call investment deposits	1	1 971	53	(5)	56	707	707	707	745	786	828
Consumer debtors	1	11 252	15 780	14 113	11 252	14 113	14 113	14 113	12 557	11 149	15 043
Inventory	2	175	184								
<b>Total current assets</b>		<b>13 583</b>	<b>16 017</b>	<b>14 663</b>	<b>14 803</b>	<b>18 315</b>	<b>18 315</b>	<b>18 315</b>	<b>13 853</b>	<b>12 935</b>	<b>18 872</b>
<b>Non current assets</b>											
Investment property		71 544	71 544	71 544	71 544	71 544	71 544	71 544	71 544	71 544	71 544
Property, plant and equipment	3	303 213	269 895	263 836	269 895	263 836	263 836	263 836	278 215	293 238	310 000
Intangible		114	75	1	114	1	1	1	1	1	1
Other non-current assets		–	36	36							
<b>Total non current assets</b>		<b>374 871</b>	<b>341 549</b>	<b>335 416</b>	<b>341 552</b>	<b>335 380</b>	<b>335 380</b>	<b>335 380</b>	<b>349 759</b>	<b>364 783</b>	<b>381 544</b>
<b>TOTAL ASSETS</b>		<b>388 454</b>	<b>357 567</b>	<b>350 079</b>	<b>356 355</b>	<b>353 695</b>	<b>353 695</b>	<b>353 695</b>	<b>363 612</b>	<b>377 718</b>	<b>400 416</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	–	315								
Borrowing	4	487	798	–	418	804	804	804	–	–	–
Trade and other payables	4	24 860	40 607	54 828	31 630	31 630	31 630	31 630	25 000	22 000	20 000
Provisions		971	1 002	804	1 002	1 002	1 002	1 002	1 054	1 111	1 171
<b>Total current liabilities</b>		<b>26 319</b>	<b>42 722</b>	<b>55 632</b>	<b>33 050</b>	<b>33 437</b>	<b>33 437</b>	<b>33 437</b>	<b>26 054</b>	<b>23 111</b>	<b>21 171</b>
<b>Non current liabilities</b>											
Borrowing		1 024	700	–	265	–	–	–	–	–	–
Provisions		17 756	19 313	23 977	10 756	23 977	23 977	23 977	26 000	27 404	28 884
<b>Total non current liabilities</b>		<b>18 779</b>	<b>20 013</b>	<b>23 977</b>	<b>11 021</b>	<b>23 977</b>	<b>23 977</b>	<b>23 977</b>	<b>26 000</b>	<b>27 404</b>	<b>28 884</b>
<b>TOTAL LIABILITIES</b>		<b>45 098</b>	<b>62 735</b>	<b>79 609</b>	<b>44 071</b>	<b>57 414</b>	<b>57 414</b>	<b>57 414</b>	<b>52 054</b>	<b>50 515</b>	<b>50 055</b>
<b>NET ASSETS</b>	5	<b>343 357</b>	<b>294 831</b>	<b>270 470</b>	<b>312 284</b>	<b>296 281</b>	<b>296 281</b>	<b>296 281</b>	<b>311 558</b>	<b>327 203</b>	<b>350 361</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		343 357	294 831	270 470	312 284	296 281	296 281	296 281	311 558	327 203	350 361
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>343 357</b>	<b>294 831</b>	<b>270 470</b>	<b>312 284</b>	<b>296 281</b>	<b>296 281</b>	<b>296 281</b>	<b>311 558</b>	<b>327 203</b>	<b>350 361</b>

Table A 7 – Budgeted Cash Flows

EC123 Great Kei - 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
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		11 460	16 339	21 583	18 936	18 936	18 936	18 936	20 349	21 448	22 606
Service charges		5 571	11 515	16 831	9 073	9 073	9 073	9 073	13 526	14 256	15 026
Other revenue		3 278	8 656	2 738	22 512	22 512	22 512	22 512	15 360	6 809	7 177
Government - operating	1	48 789	44 848	44 478	45 547	45 547	45 547	45 547	46 673	47 280	47 280
Government - capital	1	33 065	16 028	14 699	17 116	17 116	17 116	17 116	17 653	18 030	18 030
Interest		5 567	6 623	5 397	2 329	2 329	2 329	2 329	4 843	5 105	5 381
<b>Payments</b>											
Suppliers and employees		(90 879)	(89 768)	(92 812)	(96 840)	(96 840)	(96 840)	(96 840)	(138 102)	(131 914)	(137 878)
Finance charges		(5 651)	(2 430)	(7 395)	(247)	(247)	(247)	(247)	-	-	-
Transfers and Grants	1								-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>11 199</b>	<b>11 811</b>	<b>5 519</b>	<b>18 426</b>	<b>18 426</b>	<b>18 426</b>	<b>18 426</b>	<b>(19 698)</b>	<b>(18 986)</b>	<b>(22 379)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE				156					9 000	-	-
Decrease (Increase) in non-current debtors									15 000	20 000	25 000
<b>Payments</b>											
Capital assets		(29 559)	(13 641)	(5 045)	(17 627)	(28 245)	(28 245)	(28 245)	(16 691)	(16 049)	(18 316)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(29 559)</b>	<b>(13 641)</b>	<b>(4 890)</b>	<b>(17 627)</b>	<b>(28 245)</b>	<b>(28 245)</b>	<b>(28 245)</b>	<b>7 309</b>	<b>3 952</b>	<b>6 684</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
<b>Payments</b>											
Repayment of borrowing		(488)	(587)	(341)	(418)	(418)	(418)	(418)	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(488)</b>	<b>(587)</b>	<b>(341)</b>	<b>(418)</b>	<b>(418)</b>	<b>(418)</b>	<b>(418)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(18 849)</b>	<b>(2 417)</b>	<b>289</b>	<b>381</b>	<b>(10 236)</b>	<b>(10 236)</b>	<b>(10 236)</b>	<b>(12 389)</b>	<b>(15 035)</b>	<b>(15 695)</b>
Cash/cash equivalents at the year begin:	2	21 005	2 156	262	550	550	550	550	550	(11 839)	(26 874)
Cash/cash equivalents at the year end:	2	2 156	(261)	550	931	(9 686)	(9 686)	(9 686)	(11 839)	(26 874)	(42 569)

Table A 8 – Cash backed reserves/accumulated surplus reconciliation

Table A 9 – Asset Management

Table A 10 – Basic Service Delivery measurement

Supporting Tables SA1 – SA38

(b) It should be noted that in respect of capital expenditure estimates”

- Instances where information has been provided in terms of Sec19 (2) (b) of the MFMA, the consideration and adoption of capital budget constitutes projects as reflected in the detailed capital budget. Where information in terms of Sec 19(2) (b) is not provided, specific project approval be sought from council during the course of the year.

(c) That council consider and adopt the amendments to its Proposed Tariffs of Rates and Service Charges as depicted on the schedule annexed hereto and

marked as annexure B and that these tariffs come into operation on 1<sup>st</sup> July 2019.

- (d) That the council approves mSCOA version 6.3 Schedule A for audited and current years (2019/20) and version 6.3 Schedule A for 2019/20 – 2020/2022 MTREF.

### **SECTION 3: EXECUTIVE SUMMARY**

The Municipality has utilized budget formats mSCOA version 6.3 A Schedule that was extracted from National Treasury website to report on the 2019/2020 draft budget.

#### **Effect of the draft budget**

- The Municipality uses external mechanisms to provide service delivery, in particular, the construction of capital assets and professional engineering services associated with these service.
- The Municipality distributes electricity to the area of Komga only, as all other municipal areas are supplied by Eskom directly. Funding of R 6,4M from National government for the electrification of housing has been gazetted in the year 2019/2020. The draft budget for Bulk electricity purchases is R 11,5M for the year, however, the collection rate for this service has slightly improved in the previous year, irrespective of high rate of tampering. The budget provision for free basic services is R1M this increase is due to an increased number of indigent registrations in the GKM area. Eskom has approved an increase in the tariff for bulk electricity purchases of 8%; in turn the Municipality will utilize a charge of 5,2%% (Nersa has not yet published the rate that the municipalities can charge therefore an inflation rate has been used) and the tariff will differ depending on the consumption of different users. The Municipality will ensure that cost reflective



tariffs are utilized only 2020/2021 because the municipality is in a process of preparing the General Valuation Roll to eliminate the queries on the existing GV

- Refuse removal is done internally in all GKM areas; but the challenge we are facing is that wear and tear of our vehicles is very high and this poses a challenge on the delivering of this service. A funding from DEDEAT has been set aside to purchase a new compactor truck in order to improve the delivering of waste services. The proposed annual tariff for 2019/2020 on this service is 5,2%. The budget allocation for refuse removal is distributed among the expenditure votes including fuel, vehicle licensing, depreciation, truck service, landfill site renovation, repairs on caged truck as well as the human capital associated with the service.
- The budget for MIG funding has increased to R11,2M and this funding has been allocated to the following projects: Construction of Elityeni Internal Street, Icwili Internal Street, Icwili Sport Field, Construction of Agri Park PH1, Construction of Ward 6 Youth Centre and 5% of that budget is for Project Management Unit's administration costs.
- The other operational costs excluding personnel costs are budgeted for utilizing the funds received from Rates and Taxes; Municipal services; Equitable Share and Library Subsidy. The amount allocated to Library Subsidy this year is R410 000 and it only funds library projects excluding personnel costs. However the Municipality is running this service at a loss, because the cost of running this service is more than the allocated amount.

- The major proposed tariff adjustments are as follows:

Assessment Rates - 5,2% increase with an annual rebate of R15 000 for all residential properties.

Waste Management - 5,2%

Electricity - 5,2%

Other Sundries tariffs - 5,2%

#### **SECTION 4: DRAFT BUDGET TABLES**

#### **PART 2 – SUPPORTING DOCUMENTATION**

#### **SECTION 5: Overview of draft budget process**

Municipal Finance Management Act section 21 requires that the process for preparing the annual budget and for reviewing the municipality's integrated development plan and budget should be well co-ordinate to ensure consistency as well as credibility.

The budget and IDP process plan of the municipality was tabled to Council in August 2018. Communities gave priorities per ward in the various consultative meetings during the month of November 2018. The draft budget and IDP will be tabled in the Ordinary Council meeting that will be held on the 29<sup>th</sup> March 2019 and draft budget will be approved in May 2019.

The draft budget will be placed on the Municipal website and in all municipal libraries as well as in Municipal Satellite Offices for public viewing.

The Municipality's draft budget is prepared on a three year basis, with comparatives of the past three years, the current year as well as the two outer years as required by the MFMA and in order to ensure that thorough financial planning and provision for continuous service delivery. In preparation of this budget the National and Provincial allocations to the Municipality has been considered.

### **SECTION 6: ANNUAL BUDGET PROCESS**

Each year National Treasury issues circulars for municipalities indicating the budget parameters within which municipalities could utilize as a guide in their budgets, for this budget year Circular 93 and 94 were issued. Circular 94 has reflected the following headline forecast for the year 2019/2020, 2020/2021 and 2021/2022 as 5,2%, 5,4% and 5,4% respectively.

#### **Assumptions that informs the 2019/20 budget are as follows:**

- 5% increase for Councilor's Allowances,
- 5,2% increase for S 56 Managers,
- 7,7% increase for employees below S 56 Managers,
- Municipality will strive to collect 75 % of the billing in all services with the assistance of Debt Collector, continuous implementation of credit control policy and implementation of new General Valuation Roll and that will lead in the reduction of debtors book for budget year and two outer years.
- Administration costs – activity based costing budgeting has been used and as per municipality's affordability,

- Repairs and maintenance costs – activity based costing budgeting and as per municipality’s affordability,
- There are no capital projects budgeted for internally due cash flow constraints.
- The municipality has prioritized bulk electricity upgrade, construction of roads, construction of AgriPark; Implementation of mSCOA and Valuation Roll.

**SECTION 7: Overview and alignment of the Draft Budget with the Draft Integrated Development Plan**

The Integrated Development Plan is the strategic document of the municipality which forms the basis of all projects undertaken. The budget is an enabling tool and consists of community priorities and indicates funded and non-funded projects.

Community consultation allow for proper prioritization of needs per ward and takes into account available resources, particularly, financial resources.

The highlights of the draft budget that are aligned to draft IDP for the year 2019/20 which include, but not limited to the following projects to be funded by internal and grants funding: This is on the assumption that all revenue projected will be received during the 2019/20209 financial year.

<b>Project name</b>	<b>Department allocated to</b>	<b>Amount budgeted</b>
Bulk Electricity Upgrade Project	Technical Services	R6 400 000
Repairs to Municipal Buildings	Technical Services	R8 900 000

mSCOA	Budget & Treasury Office	R1 000 000
Free Basic Services	Budget & Treasury Office	R1 052 000

Municipal Infrastructure Grant income amount to R 11,2M for the year 2019/2020 and includes Project Management unit operating expenses of 5%.

**Identifiable projects to be funded by the MIG grant include:**

- Construction of Elityeni Internal Streets R1 692 500
- Construction of Chintsa Internal Streets R1 683 625
- Construction of Icwili Sportfiled R1 600 000
- Construction of Komga Agri Park PH 1 R3 700 000
- Construction of Ward 6 Youth Centre R1 615 000

**SECTION 8: Measurable performance objectives and indicators**

In developing measurable performance objectives, consideration has been given to:

- The IDP of the Municipality,
- The Draft Budget
- Economic development initiatives that facilitate job creation, economic growth, poverty alleviation as well as provision for basic services.

**Measurable performance objectives and indicators are aligned to the following:**

- (a) Borrowing management
- (b) Debtors and creditors management

- (c) Expenditure types
- (d) Revenue sources
- (e) Unaccounted for losses in respect of services rendered i.e. electricity losses.

Measurable performance objectives for:

- Revenue for each vote
- Revenue for each source
- Operating and capital expenditure for each vote

## **SECTION 9: Overview of budget assumptions**

### **Budget assumptions:**

- In this budget, the municipality has focused in paying its creditors and payment of municipal day to day activities until the municipality is financially stable.
- The budget of the municipality is not funded due to increase on the cost of employees in the previous years and a low collection rate due to non - payment of customers
- Debt collector is assisting to collect as well as continuous implementation of financial recovery plan which entails long, medium and short term strategies.
- The Municipality has creditors more that R30M and yet has no reserves and the fact that debtors take a very long time to pay their debtors or not pay at all.
- Circular 93 and 94 has been utilized as the primary source of obtaining guidance on percentages to be utilized on all expenditure and revenue increases with the exception of electricity tariffs.
- Internal and external factors affecting the budget have also been considered.

**External factors:**

- (a) The high rate of unemployment within the municipal area has resulted in the decline in revenue collection.
- (b) The recent economic downturn has also affected the ability for other consumers to pay the services as well as the attitude of non-payment for services due to queries related to General Valuation Roll.
- (c) The general inflation is estimated at 5,2% for the 2019/20 financial year. This affects the general tariff increases levied by the Municipality from year to year.
- (d) The recent increase in electricity tariffs has not been published by Nersa
- (e) To date there is high rate of tampering with this service by communities.
- (f) The municipality has increased salaries by 7,7% which is (CPI 5,2%) and 2,5% which is incremental notch for employees not yet reached ceiling.
- (g) Impact of VAT increase to 15%.

**MUNICIPAL STANDARD CHART OF ACCOUNTS (mSCOA)**

National Treasury has introduced a business reform Municipal Standard Chart of Accounts (mSCOA) which guides business processes of the municipality. This Reform enables the Municipalities to have uniform and standardized classification of transactions. mSCOA implementation is in progress, but is done in phases for the smooth running of the project. The Municipality has to date an existing mSCOA steering committee chaired by the Municipal Manager; terms of reference and project implementation team which assists the municipality in implementing and monitoring mSCOA readiness. The Municipality has submitted its mSCOA compliant final budget in May 2018 and an Adjustment Budget in February 2019. The

Municipality s still facing huge implementation challenges regarding to mSCOA, but these are discussed on a continuous basis in the steering committee meeting with service provider which Provincial Treasury also forms part.

## **SECTION 10: Funding Compliance**

The municipality depends mostly on grants and subsidies in order to finance its operations, these grants and subsidies contributes 46% of the total revenue. Factors affecting the financial viability of the municipality have been highlighted in the above paragraphs. Revenue raising strategies have been identified and are continuously implemented throughout the current financial year. The Municipality is also implementing Circular 82 for cost cutting measures to reduce spending on nice to haves. There has been a slight decrease in the Municipality's revenue collection compared to the past years, due challenges regarding non – payment of services still exists and other external factors. The financial viability of the municipality has been identified as one of the key priorities in the New Year and implementation of revenue raising strategies including:

- Reviewing all municipal leases;
- Preparation of General Valuation Roll
- Improving monitoring tools and controls at traffic services;
- Sale of residential plots
- Sourcing of funding for projects previously funded internally

The Municipality's draft budget is considered credible because it is only the non – cash items e.g depreciation and provisions for bad debts that are not cash backed. The municipality has financial arrangements in place to repay all long outstanding creditors, eg. Eskom, South African Revenue



Services. The Municipality has also focused on prioritization of payment of its creditors and limiting the spending in the first quarter of the Financial Year 2019/20 until revenue has improved and this will be in line with the SDBIP of the Municipality.

## **SECTION 11: OVERVIEW OF BUDGET FUNDING**

The MFMA S 18 (1) states that the annual budget may only be funded from:

- Realistically anticipated revenues to be collected
- Cash backed accumulated funds from previous year`s surplus funds nor committed for other purposes, and
- Borrowed funds, but only for capital budget referred to in S17

This section requires that projected revenues be based on recorded revenues of the previous period which forms a clear indication of how projections should be set.

### **A Credible Budget**

- A Budget is Credible when it is an implementing tool for the Municipal IDP, this ensures that projects indicated in the IDP will be achieved within the financial constraints of the Municipality.
- The service delivery and budget implementation plan of the municipality and set performance targets can be achieved with the budget.
- Contains revenue and expenditure projections that are consistent with current and past performance and are supported by documented evidence of future assumptions.
- Does not compromise the financial viability of the Municipality.

- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

## **FISCAL OVERVIEW OF GREAT KEI MUNICIPALITY**

The Great Kei Municipality is largely dependent on Grant funds that are allocated by the National Revenue Fund. The Municipality has to enforce tight controls regarding revenue collection to fund its budget. The amount generated from internal revenue is largely affected by external factors, including the attitude or culture of non-payment for services by rate payers, but the reasons for non-payment are known by the Municipality and are addressed as they come. Furthermore, the municipality with the assistance from ADM and other sector departments is in process to reduce the problem of electricity losses within the municipality. The municipality has also limited spending on cost of employees by not approving any appointments in the current year and going forward, but yet focusing on service delivery related position in order to increase revenue.

## Section 12 – Expenditure on allocations and grant Programmes

Grant allocations are detailed in the following schedule:

Grant funding	Purpose	Allocating Authority	Amount 18/19 R 000	Amount 19/20 R 000	Amount 20/21 R 000	Amount 21/22 R 000
Equitable Share	Unconditional - Free basic services – councilor allowances	National Treasury	R38 154	R42 659	R45 120	R47 802
Finance Management Grant	Conditional	National Treasury	R2 415	R2 415	R2 415	R2 679
Extended Public Works Programme	Conditional	National Treasury	R1 168	R1 189	-	-
Library Subsidy	Conditional	Provincial	R 410	410	410	410
Municipal Infrastructure Grant	Conditional	National Treasury	R11 116	R11 253	R11 630	12 173

Integrated	Conditional	National	R6 000	R6 400	R5 000	R6 752
National		Treasury				
Electrification						
Programme						

### **SECTION 13: GRANT ALLOCATIONS TO OTHER MUNICIPALITIES**

The Great Kei Municipality is a category B municipality which is located in a semi-rural area of the Eastern Cape. The majority of communities are unemployed as there are no developed industries within the Municipal area. The towns making up the municipal area include: Chintsa, Kei Mouth, Morgans Bay, Haga Haga.

This therefore means the Municipality does not make any allocations to other institutions.

### **SECTION 14: COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Supporting Table SA 22 and SA 23 give a summary of councilor allowances and employee benefits for all the budget years.

### **SECTION 15: MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW**

Monthly cash flows by Source

Supporting tables SA 24 to SA 30 show the monthly cash flows of the municipality for the budget year.

## **SECTION 16: ANNUAL BUDGET AND MUNICIPAL SCORECARD**

The scorecard of the Municipality is linked to the Integrated Development Plan (IDP). It is this document that details the activities to be undertaken by the Municipality to realize the IDP. Departmental service delivery and budget implementation plans are then annealed from the Municipal strategic scorecard.

## **SECTION 17: ANNUAL BUDGET AND SERVICE DELIVERY AGREEMENTS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISIMS**

The Great Kei Municipality does not have a municipal entity.

The Municipality does not have any other service delivery agreements with external parties for the delivery of Municipal services.

## **SECTION 18: CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

The Municipality does not have any agreements that have future budgetary implications.

## **SECTION 19: CAPITAL EXPENDITURE DETAILS**

Details on capital expenditure are listed in Supporting Table SA 34 to SA 37.

## **SECTION 20: LEGISLATION COMPLIANCE STATUS**

The Municipal Finance Act together with the latest budget regulations and circulars, have been utilized to compile the budget for the MTREF.

The Act covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The Great Kei Municipality is a low capacity Municipality as designated according to National Treasury capacity levels.

### **The MFMA and the budget**

The following explains the budgeting process in terms of the MFMA as well as with the guidance of the Municipal Budget Regulations effective to low capacity municipalities by 1 July 2010.

#### The budget preparation process

The MFMA S 21 requires the Mayor of the Municipality to lead the budget preparation process through a coordinated cycle of events. The budget cycle should commence at least 10 months before the start of the budget year to ensure that the budget is approved before the start of the financial year.

A Budget and IDP Process Plan was tabled before Council in August 2018 for the budget preparation process of the 2019/2020 financial year as well as the two outer years. The Draft Integrated Development Plan of the Municipality has been developed for a five year period starting from 2019/2020 and the national fiscal and micro-economic policies have been taken into consideration with regard to funding allocations as well as prioritization of projects. The Municipality has also taken into consideration the National, Provincial and District budgets in reviewing of the IDP document such that communities and all other stakeholders are consulted on projects to be undertaken.

The Mayor has to ensure that the IDP review forms an integral part of the Budget Process and that any changes to the Strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure.

### Tabling of Draft Budget

The Draft Budget will be tabled before Council on the 29 March 2019.

The final budget will be adopted on the 31<sup>th</sup> May 2019

### Publication of the Annual Budget

Once tabled to Council, the draft budget is submitted to National Treasury, Provincial Treasury and also placed on the Municipal website in terms of S75 of MFMA. In that Council meeting members of the community are invited to ensure they participate fully in the budget process.

MFMA requirements:

The MFMA S 17, requires that an annual budget of a municipality must be a schedule in the prescribed format setting out realistically anticipated revenues to be collected from each revenue source. National Treasury introduces updated budget A1 schedules each year that the Municipalities have to comply with. The Great Kei Municipality has made efforts to comply with Circular 89 and 91 of the MFMA.

## **SECTION 21: QUALITY CERTIFICATION**

I, Ms O Kwababana, Acting Municipal Manager of Great Kei Municipality, hereby certify that the draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft budget and supporting documentation are consistent with the Draft Integrated Development Plan of the municipality and the service delivery agreement of the municipality.

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O Kwababana  
ACTING MUNICIPAL MANAGER of Great Kei Municipality EC 123

29 March 2019