

# 2020/21 ANNUAL BUDGET OF KOUGA LOCAL MUNICIPALITY

**08 JUNE 2020**

**Presented by: Riaaz Lorgat (CFO)**

# BUDGET CHALLENGES

- Maintaining an acceptable employee related costs ratio;
- Increased costs associated with bulk water purchases, placing upward pressure on municipal tariff increases;
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure;
- Maintaining electricity and water losses at acceptable levels;
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio;

# BUDGET PRINCIPLES

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs.
- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.

# COVID- 19

- Draft Budget approved at Special Council Meeting on 26 March 2020
- Lock down commenced 27 March 2020
- Only essential workers permitted to work (SCM / Creditors / Payroll / ICT)
- All other employees working remotely

# COVID-19

## Financial Operations

- All Electrical disconnections were reconnected
- All blocked prepaid meters unblocked
- All Debt recovery has been stopped
- No meter readings done
- Only registered e-mail holders received their accounts
- Printed accounts was not delivered – will continue under lockdown Level 3

# COVID-19

## Relief offered

### General relief measures

- All blocked meters will be unblocked from 26 March 2020
- No credit control will be implemented from the commencement of Lockdown up to 30 June 2020
- No Prepaid recoveries will be implemented up to 30 June 2020
- Prepaid recoveries will be implemented at a reduced rate of 25% from 1 July 2020 to 31 December 2020
- No interest will be charged on all accounts from the commencement of Lockdown up to 30 June 2020

# COVID-19 Relief offered

## Relief measures subject to an application process –

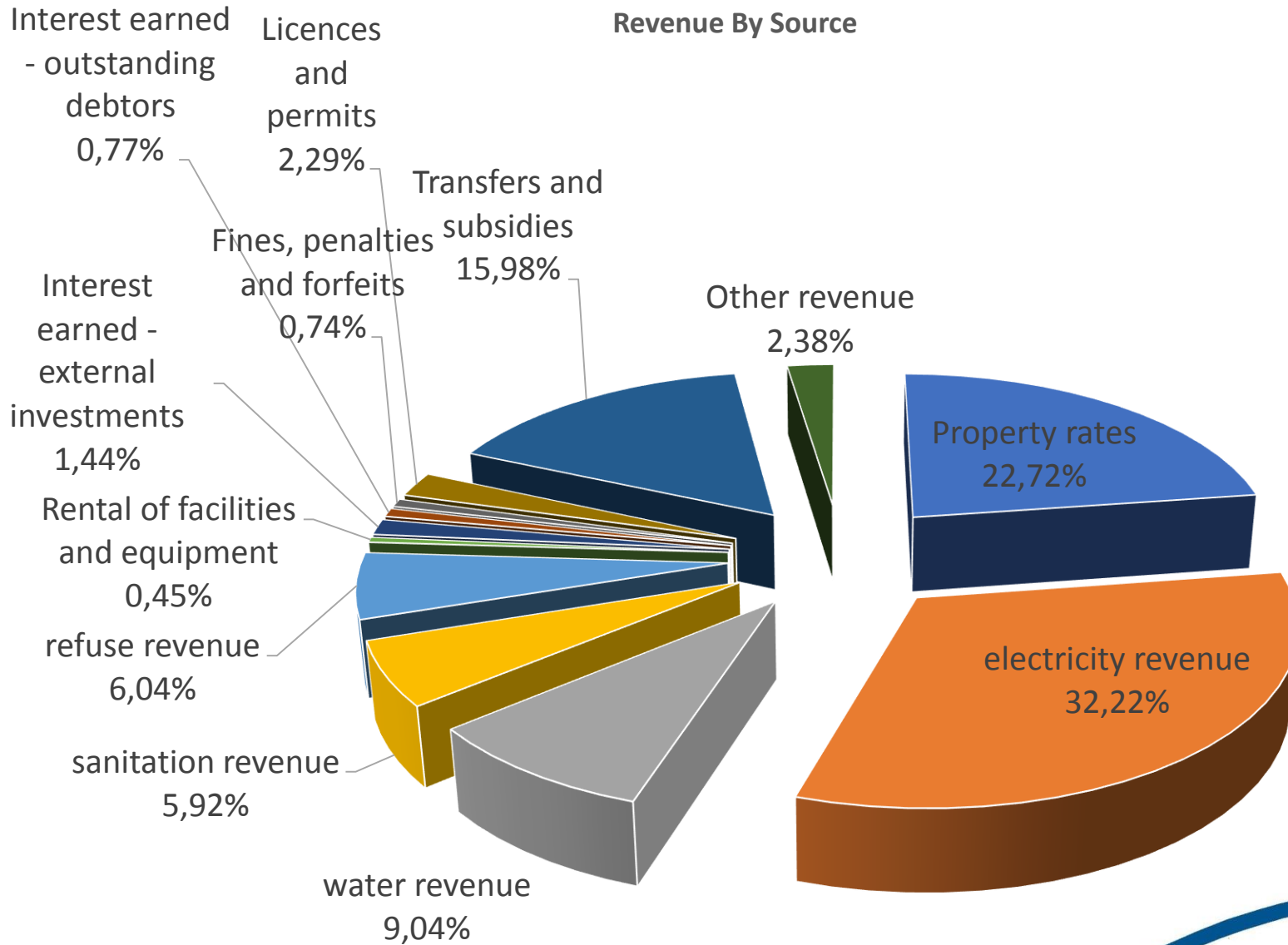
- A 3 month payment holiday will be granted i.e. April, May and June;
- No interest will be charged on outstanding accounts for account holders up to 31 December 2020;
- Payment arrangements between 3 to 6 months will be effective;
- A rates rebate of an additional R85 000 on the value of the property for Pensioners will be effective from 1 July 2020 based on the Tariff Listing;
- Any household where the breadwinner has lost his or her income over the last few weeks and where the household income has dropped to below the maximum income allowed for the Indigent Subsidy for free basket of services, can apply for the Indigent Subsidy for free basket of service and will immediately be put on a COVID-19 Indigent Register. All accountholders qualifying for the Indigent Subsidy during the COVID-19 will lapse on 31 December 2020 and will need to re-apply.

# FINANCIAL PERFORMANCE (REVENUE)

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework			
	Adjusted Budget	Budget Year 2020/21	% Increase	Budget Year 2021/22	Budget Year 2022/23
<b>R thousands</b>					
<b><u>Revenue By Source</u></b>					
Property rates	197 292	205 650	4.24%	216 447	227 810
electricity revenue	274 470	291 625	6.25%	309 851	329 217
water revenue	75 713	81 846	8.10%	88 476	95 642
sanitation revenue	50 051	53 555	7.00%	57 839	62 466
refuse revenue	52 072	54 690	5.03%	57 891	61 349
Rental of facilities and equipment	4 037	4 083	1.14%	4 270	4 467
Interest earned - external investments	15 375	13 013	-15.36%	13 612	14 238
Interest earned - outstanding debtors	10 892	6 993	-35.80%	7 482	8 006
Fines, penalties and forfeits	6 397	6 685	4.50%	6 993	7 314
Licences and permits	19 822	20 714	4.50%	21 667	22 663
Transfers and subsidies	133 112	144 597	8.63%	157 310	170 790
Other revenue	7 088	21 540	203.88%	10 887	11 250
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>846 322</b>	<b>904 990</b>	<b>6.93%</b>	<b>952 726</b>	<b>1 015 213</b>



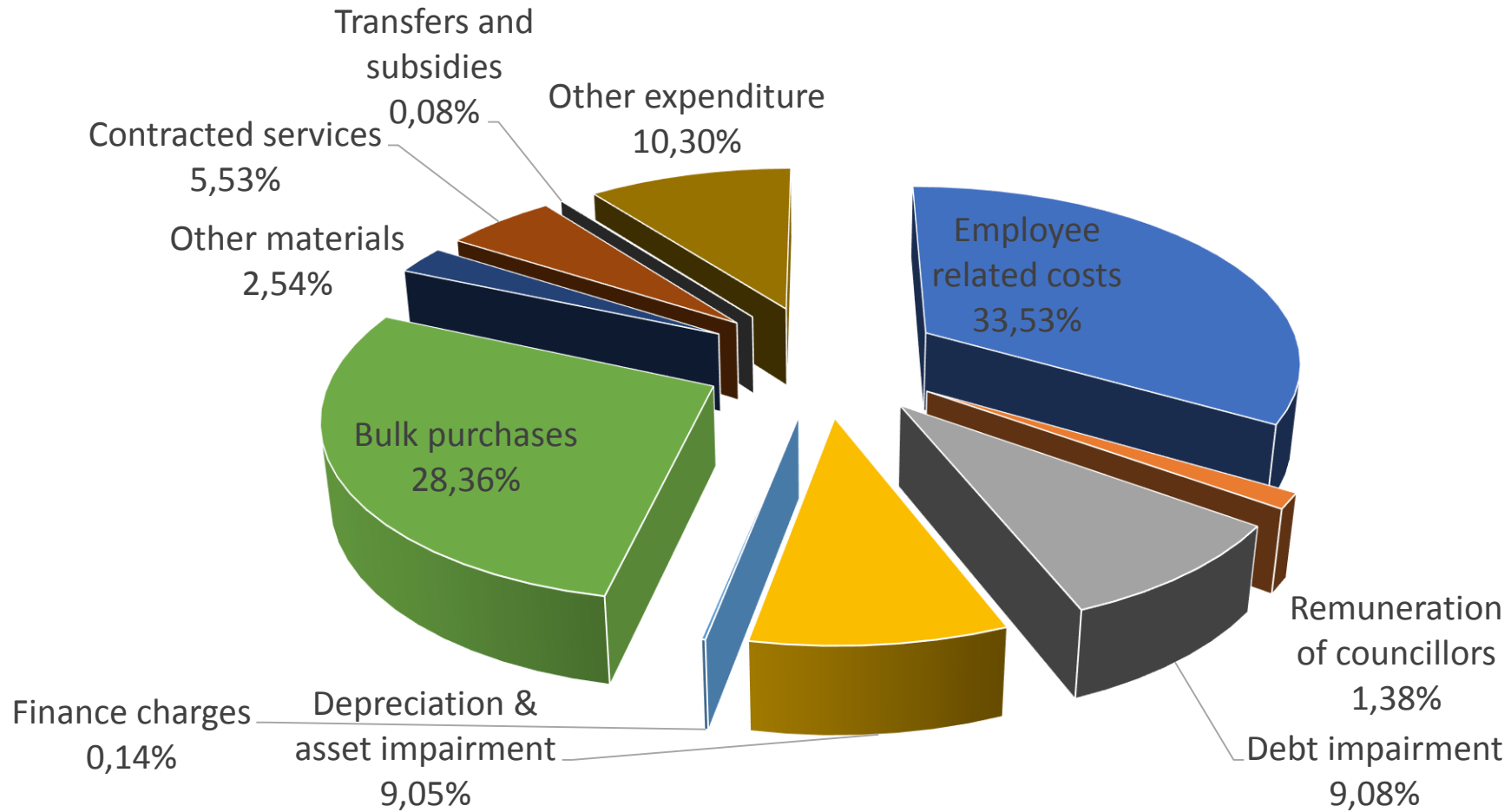
## Revenue By Source



# FINANCIAL PERFORMANCE (EXPENDITURE)

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework			
	Adjusted Budget	Budget Year 2020/21	% Increase	Budget Year 2021/22	Budget Year 2022/23
<b>R thousands</b>					
<b><u>Expenditure By Type</u></b>					
Employee related costs	304 894	330 664	8.45%	338 851	354 438
Remuneration of councillors	13 063	13 651	4.50%	14 279	14 936
Debt impairment	26 420	89 573	239.04%	29 519	31 380
Depreciation & asset impairment	85 101	89 271	4.90%	93 556	98 046
Finance charges	2 201	1 388	-36.95%	716	-
Bulk purchases	271 623	279 744	2.99%	295 063	320 818
Other materials	32 842	25 059	-23.70%	26 270	31 398
Contracted services	82 327	54 538	-33.76%	56 796	64 166
Transfers and subsidies	250	761	204.50%	773	946
Other expenditure	106 757	101 631	-4.80%	104 081	109 850
<b>Total Expenditure</b>	<b>925 477</b>	<b>986 278</b>	<b>6.57%</b>	<b>959 904</b>	<b>1 025 977</b>

## Expenditure By Type



# TARIFFS

- Major tariff increases for the MTREF

	2020/21	2021/22	2022/23
<b>Property rates</b>	5,25%	5,25%	5,25%
<b>Water</b>	8,1%	7,1%	7,1%
<b>Sanitation</b>	7%	6.5%	6.5%
<b>Refuse</b>	7%	6.5%	6.5%
<b>Electricity (average increase in electricity income)</b>	6,25%	6,25%	6,25%
<b>Environmental Management Fee</b>	0%	0%	0%

# Table A7: Cash Flow Statement

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
<b>R thousand</b>				
Cash/cash equivalents at the year begin:	214 228	74 455	48 229	94 544
Receipts	877 965	853 774	961 537	1 025 005
Payments	(1 017 738)	(880 001)	(915 221)	(970 037)
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(139 773)</b>	<b>(26 227)</b>	<b>46 316</b>	<b>54 968</b>
Cash/cash equivalents at the year end:	74 455	48 229	94 544	149 512

# TABLE A8: Cash Backed Reserves

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget 2019/20	Annual Budget 2020/21	Annual Budget 2021/22	Annual Budget 2022/23
<b>R thousand</b>				
<b><u>Cash and investments available</u></b>				
Cash/cash equivalents at the year end	74 455	48 229	94 544	149 512
Other current investments > 90 days			–	
Non current assets - Investments			–	
<b>Cash and investments available:</b>	<b>74 455</b>	<b>48 229</b>	<b>94 544</b>	<b>149 512</b>
<b><u>Application of cash and investments</u></b>				
Unspent conditional transfers			–	
Unspent borrowing				
Statutory requirements				
Other working capital requirements	42 920	44 851	46 914	49 072
Other provisions	2 982	3 116	3 260	3 410
Long term investments committed			–	
Reserves to be backed by cash/investments				
<b>Total Application of cash and investments</b>	<b>45 902</b>	<b>47 967</b>	<b>50 174</b>	<b>52 482</b>
<b>Surplus(shortfall)</b>	<b>28 554</b>	<b>261</b>	<b>44 370</b>	<b>97 030</b>
Cost Coverage		<b>0.72</b>	<b>1.36</b>	<b>2.00</b>

Project Description	Funding Source	Annual Budget 2020/21	Annual Budget 2021/22	Annual Budget 2022/23
<b>CORPORATE SERVICES</b>				
Biometric Systems	Internal	200 000	209 200	218 823
Computer Equipment	Internal	200 000	-	-
Computer Software and Applications	Internal	50 000	-	-
EDMS	Internal	799 455	-	-
Fencing of municipal buildings	Internal	100 000	100 000	100 000
Electronic Queing System	Internal	-	250 000	-
		<b>1 349 455</b>	<b>559 200</b>	<b>318 823</b>
<b>EXECUTIVE &amp; COUNCIL</b>				
Computer Equipment	Internal	85 000	150 000	150 000
Furniture and Equipment	Internal	-	100 000	-
Ward Councillors' Capital Projects	Internal	750 000	750 000	750 000
		<b>835 000</b>	<b>1 000 000</b>	<b>900 000</b>
<b>FINANCE</b>				
Cibex Software	Internal	600 000	600 000	600 000
Computer Equipment	Internal	200 000	-	-
		<b>800 000</b>	<b>600 000</b>	<b>600 000</b>

Project Description	Funding Source	Annual Budget 2020/21	Annual Budget 2021/22	Annual Budget 2022/23
<b>INFRASTRUCTURE &amp; ENGINEERING</b>				
Construct emergency overflow pond Koraal Sewer pump station	Internal	2 400 000	-	-
Fencing Kruisfontein waste water treatment plant	Internal	800 000	-	400 000
Fencing Mainsubstation Jeffrey's Bay	Internal	500 000	-	-
Fencing Sea Vista Reservoir	Internal	-	700 000	-
Generator 2	Internal	500 000	-	-
Humansdorp, Kruisfontein and Osean View Electrification	INEP	4 521 739	3 478 261	4 442 609
Machinery and Equipment	Internal	300 000	-	-
New by-pass sewer rising main and pump stations Jbay	Internal	1 500 000	6 000 000	11 000 000
New overheadlines 66kv overheadlines(Jbay to Melk	Internal	1 300 000	1 000 000	-
Patensie Sewage Package Plant	MIG	6 379 942	-	-
Piped Reticulation in St Francis	Internal	-	2 000 000	2 000 000
Repair leaking concrete water tower Paradise Beach	Internal	300 000	2 800 000	-
Replace 250mm Watermain Canal Rd, St Francis	Internal	1 500 000	1 000 000	-
Replace 250mm Watermain Mimosa Str Jbay	Internal	330 000	2 000 000	-



Project Description	Funding Source	Annual Budget 2020/21	Annual Budget 2021/22	Annual Budget 2022/23
<b>INFRASTRUCTURE &amp; ENGINEERING</b>				
Replace main waterline Sout Rivier bridge crossing St Francis Bay	Internal	1 000 000	5 000 000	-
Retrofit oil circuit breakers Main substation Jeffrey's Bay	Internal	-	800 000	800 000
Saffery Substation	Internal	1 500 000	-	-
Security Cameras & Substation Security	Internal	200 000	1 000 000	-
Sewer pump station level monitoring	Internal	-	-	250 000
Upgrade Centerton sewer pump station	Internal	1 000 000	-	2 000 000
Upgrade Hankey water treatment works	Internal	600 000	5 000 000	9 450 000
Upgrade Loerie sewer pump station	Internal	3 000 000	-	-
Upgrade Sanitation System Old Hankey	MIG	7 902 794	15 652 174	17 036 336
Upgrade sewer rising mains Jbay (La Mer-4A-4B) Prep	Internal	2 100 000	-	-
Upgrading of Gravel Roads in Jeffreys Bay	MIG	7 890 511	8 270 189	8 166 090
Upgrading of Sports Facilities	MIG	3 912 926	4 221 593	4 447 487
		<b>49 437 913</b>	<b>58 922 218</b>	<b>59 992 522</b>

Project Description	Funding Source	Annual Budget 2020/21	Annual Budget 2021/22	Annual Budget 2022/23
<b>PLANNING, DEVELOPMENT &amp; TOURISM</b>				
Commonage Land Agricultural Support	Internal	-	550 000	1 102 500
Computer Equipment	Internal	30 000	66 150	69 458
Computer Software and Applications	Internal	315 000	330 750	347 288
Furniture and equipment	Internal	-	430 500	452 025
Land acquisition housing projects	Internal	-	500 000	750 000
LED Project: Establishment of Business Support Centre (Ocean View)	Internal	300 000	315 000	330 750
Tourism: Restoration of Fisherman Gravesite	Internal	100 000	105 000	-
Tourism: Upgrading / Renovation of the Phillips Tunnel	Internal	-	105 000	110 250
Vehicles	Internal	400 000	-	-
		<b>1 145 000</b>	<b>2 402 400</b>	<b>3 162 270</b>

Project Description	Funding Source	Annual Budget 2020/21	Annual Budget 2021/22	Annual Budget 2022/23
<b>COMMUNITY SERVICES</b>				
Wheelie Bins	MDRG	1 192 000	-	-
Computer Equipment	Internal	30 000	63 000	66 150
Fencing community halls	Internal	750 000	1 050 000	1 102 500
Fencing of Cemeteries	Internal	-	825 000	903 750
Fencing of Yellow Woods	Internal	200 000	210 000	220 500
Furniture and equipment	Internal	-	210 000	220 500
Humansdorp Fire Station , Fencing	Internal	200 000	-	-
Jack Hammer and water pump	Internal	350 000	735 000	771 750
Security Cameras	Internal	750 000	1 000 000	1 000 000
Machinery and Equipment	Internal	278 500	287 425	296 796

Project Description	Funding Source	Annual Budget 2020/21	Annual Budget 2021/22	Annual Budget 2022/23
<b>COMMUNITY SERVICES</b>				
skip bins	Internal	200 000	210 000	220 500
Upgrading of Pellsrus, Kabeljous, Cape St Francis	Internal	150 000	165 000	180 750
Vehicles	Internal	1 325 000	1 441 250	1 563 312
Vehicles	DISTR	1 965 100	1 965 100	1 965 100
Spit - St Francis (New)	Internal	2 000 000		
		<b>9 390 600</b>	<b>8 161 775</b>	<b>8 511 608</b>
<b>CAPITAL BUDGET</b>		<b>62 957 968</b>	<b>71 645 593</b>	<b>73 485 223</b>
Internally generated funds		29 192 955	38 058 275	37 427 601
Transfers recognised - capital		33 765 013	33 587 318	36 057 622
<b>Total</b>		<b>62 957 968</b>	<b>71 645 593</b>	<b>73 485 223</b>

# WAY FORWARD

## Risks

- If Collection rate < 85%, Budget will need to reduce
- Equitable Share allocation can be reduced
- SA Economy to contract by 10 – 17% next year, loss of revenue

## Possibilities

- Awaiting outcome of application against R20 billion (R17m)
- SALGA – no increases for employees (+/- R20m)
- Collection rate higher than 85%

## Way forward

- Adjustment budget to be processed to incorporate additional projects

# Thank you