

# BEAUFORT WEST MUNICIPALITY

## PROPOSED BUDGET 2020/21



# Operational - & Capital Budget 2020/21

## Introduction

The 2020/21 Draft Operating and Capital budget was prepared taking into consideration:

- The municipality's Integrated Development Plan (IDP);
- National Treasury guidelines;
- The National, Provincial and Local Economic conditions facing our municipality; and
- Local Economic Development.

# Operational - & Capital Budget 2020/21

## Assumptions

The following assumptions were made when the budget 2020/21 budget was prepared:

- The forecasted CPIX is estimated at 4.5% for the 2020/21 financial year and 4.6%; 4.6% for the two outer years;
- Employee costs will increase by 6.25%;
- Electricity bulk purchases increase by 6.9%.
- Provision for debt impairment is 7.9% of total rates and service charges.

# Operational - & Capital Budget 2020/21

## Assumptions

- Although inflation expectations as projected by National Treasury are 4.5%, most expenditure items were increased by more than this percentage due to expected increases in input costs.

## Proposed Capital Budget 2020/21

A capital budget amounting to R 23,583 million is proposed for 2020/21 (R 20,637 million and R 20,800 million for the two outer years).

- The 2020/21 Capital Budget will be financed as follows:

R thousand	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b><u>Funded by:</u></b>			
National Government	19,611	19,002	20,450
Provincial Government	1,200	935	0
<b>Internally generated funds</b>	2,772	700	350
<b>Total Capital Funding</b>	<b>23,583</b>	<b>20,637</b>	<b>20,800</b>

# Proposed Capital Budget 2020/21

The following represents a summary of the major capital projects to be undertaken during 2020/21:

Project Name	Funding Source	Budget 2020/2021
Kwa-Mandlenkosi: Dliso Ave & Matshaka St: Upgrade Streets	Municipal Infrastructure Grant	1,305,400.00
Storm Water Drainage Project_Murraysburg: New Stormwater Drainage	Municipal Infrastructure Grant	1,339,000.00
Beaufort West: Expansion of Goue Akker Cemetery	Municipal Infrastructure Grant	2,173,923.00
Merweville: Kamp Street: Upgrading of Gravel Roads	Municipal Infrastructure Grant	2,377,520.00
Merweville: Construction of New Reservoir	Municipal Infrastructure Grant	3,943,005.00
Graceland, N1 South & Hooyvlakte: New High Mast Lighting	Municipal Infrastructure Grant	2,071,852.00
Upgrading of Main Substation - Phase 3	INEP	3,600,000.00
Upgrading of Low Smit Substation - Phase 2	INEP	2,800,000.00
Enhancement of Borehole Monitoring and Security Upgrades	Municipal Drought Relief	600,000.00
Supply and Install Generator at WTW	Municipal Drought Relief	600,000.00
Electrical Service Connection - Skills Centre	CRR	920,000.00
Office furniture and machinery equipment project	CRR	100,000.00
Office furniture and machinery equipment project	CRR	200,000.00
Computer equipment Project_New Production Server	CRR	400,000.00
Cetralized UPS: Finance Server Room	CRR	120,000.00
10 X New Laptops & Desktop Computers	CRR	250,000.00
Computer equipment Project_10 X 1000VA UPS's	CRR	12,000.00
Computer equipment Project_65 X 4GB DDR 3 RAM Modules	CRR	35,000.00
Computer equipment Project_100 X 120GB SATA SSD drives	CRR	35,000.00
Office furniture and machinery equipment project	CRR	200,000.00
Office furniture and machinery equipment project	CRR	50,000.00
Office furniture and machinery equipment project	CRR	200,000.00
Office furniture and machinery equipment project	CRR	50,000.00
Office furniture and machinery equipment project	CRR	200,000.00
		<b>23,582,700.00</b>

# Proposed Operational Budget 2020/21

Total revenue amounting to R 347,326 million is projected for 2020/21 (R 358,437 million and R 384,942 million for the two outer years).

The major revenue items are as follows:

	<b>Budget Year 2020/21</b>	<b>% of Total Revenue</b>
<b>MAIN REVENUE ITEMS</b>		
<b>R thousands</b>	<b>R'000</b>	<b>%</b>
Property rates	40,903	11.78%
Service charges	135,403	38.98%
Investment revenue	1,155	0.33%
Transfers recognised - operational	84,105	24.22%
Other own revenue	64,949	18.70%
Transfers and subsidies - capital	20,811	5.99%
<b>Total Revenue</b>	<b>347,326</b>	<b>100%</b>

# Proposed Operational Budget 2020/21

The major other own revenue items are as follows:

<b>OTHER REVENUE</b>	<b>2020/21</b>
<b>R THOUSAND</b>	<b>R'000</b>
Rental of facilities and equipment	1,358
Interest earned - outstanding debtors	4,798
Fines	56,326
Licences and Permits	580
Agency Services	968
Other sundry income	920
<b>Totale Income</b>	<b>64,949</b>



# Proposed Operational Budget 2020/21

Total expenditure amounting to R 344,510 million is projected for 2020/21 (R 350,436 million and R 374,403 million for the two outer years).

The major expenditure items are as follows:

<b>Major Expenditure Items</b>	<b>Budget Year 2020/2021</b>	<b>% of total revenue</b>
<b>R THOUSAND</b>	<b>R'000</b>	<b>%</b>
Employee related costs	112,012	32.5%
Remuneration of councillors	6,515	1.9%
Debt impairment	54,689	15.9%
Depreciation & asset impairment	25,096	7.3%
Finance charges	2,324	0.7%
Bulk purchases	77,451	22.5%
Other materials	7,737	2.2%
Contracted services	29,568	8.6%
Transfers and subsidies	500	0.1%
Other expenditure	28,618	8.3%
<b>Total Expenditure</b>	<b>344,510</b>	<b>100.0%</b>

# Proposed Operational Budget 2020/21

- Other general expenditure include the following:

<b>Other General Expenditure</b>	<b>2020/2021</b>
Advertising, Publicity and Marketing	625,000
Bank Charges, Facility and Card Fees	635,700
Communication : Telephone, Fax, Telegraph and Telex, Postage/Stamps/Frinking Machines	1,460,372
External Audit Fees	8,350,000
External Computer Service : Software Licences	2,733,120
External Computer Service : Specialised Computer Service	1,128,396
Insurance Underwriting : Premiums	537,269
Remuneration to Ward Committees	420,000
Wet Fuel	3,053,944
Levies Paid - Water Resource Management Charges	2,500,000
Professional Bodies; Membership and Subscription	495,001
Travel and Subsistence	1,722,388
Uniform and Protective Clothing	771,466
Skills Development Fund Levy	817,997
Hire Charges	713,390
Printing, Publications and Books	894,007
Other Expenditure	1,760,004
<b>Total General Expenditure</b>	<b>28,618,054</b>

## Proposed Operational Budget 2020/21

The following tariff increases are proposed for the 2020/21 financial year:

- Property rates - 5%
- Water - 7%
- Sewerage - 7%
- Refuse removal - 9%
- Electricity - 6.24%
- Other sundry tariffs - 6%

# Effect of the tariff increases on household accounts

The following assumptions were made for a larger household:

**Property Valuation:** R 681 000 ( R 700 000 less R 19 000 rebate)

**Average Electricity:** 1000 Kwh per month

**Average Water:** 30 kl per month

# Effect of the tariff increases on household accounts

Tariff increases will have the following effect on household service accounts:

Description	Large Households			
	2019/2020	2020/2021	% Increase	
Property Rates	R 1,032.85	R 1,084.49	5.00%	
Electricity : Basic Levy (75 amps)	R 785.25	R 834.25	6.24%	
Electricity Consumption : 1000 kwh	R 1,119.36	R 1,189.21	6.24%	
Water : Basic Levy	R 152.17	R 162.83	7.00%	
Average water consumption : 30 kl	R 295.18	R 315.84	7.00%	
Sanitation : 1 Sewerage Point	R 115.57	R 123.66	7.00%	
Refuse Removal	R 67.83	R 73.93	9.00%	
<b>Sub-total</b>	R 3,568.22	R 3,784.21	6.05%	R 216.00
VAT on Services	R 380.30	R 404.96	6%	
<b>Total</b>	R 3,948.52	R 4,189.17	6.09%	R 240.65
Prepaid water meter : 20 kl	R 511.19	R 546.98	7.00%	R 35.78

# Effect of the tariff increases on household accounts

The following assumptions were made for a medium household:

**Property Valuation:** R 431 000 (R 450 000 less R 19 000 rebate)

**Average Electricity:** 600 Kwh per month

**Average Water:** 15 kl per month

# Effect of the tariff increases on household accounts

Tariff increases will have the following effect on household service accounts:

Description	Medium Households			
	2019/2020	2020/2021	% Increase	
Property Rates	R 653.68	R 686.37	5.00%	
Electricity : Basic Levy (35 amps)	R 459.93	R 488.63	6.24%	
Electricity Consumption : 600 kwh	R 877.54	R 932.30	6.24%	
Water : Basic Levy	R 152.17	R 162.83	7.00%	
Average water consumption : 15 kl	R 218.41	R 233.70	7.00%	
Sanitation : 1 Sewerage Point	R 115.57	R 123.66	7.00%	
Refuse Removal	R 67.83	R 73.93	9.00%	
<b>Sub-total</b>	R 2,545.14	R 2,701.41	6.14%	R 156.28
VAT on Services	R 283.72	R 302.26	7%	
<b>Total</b>	R 2,828.86	R 3,003.67	6.18%	R 174.82
Prepaid water meter : 15 kl	R 397.60	R 425.43	7.00%	R 27.83

## Effect of the tariff increases on household accounts

The following assumptions were made for a small household:

**Property Valuation:** R 11 600 ( R 30 600 less R 19 000 rebate)

**Average Electricity:** 200 Kwh per month

**Average Water:** 10 kl per month



# Effect of the tariff increases on household accounts

Tariff increases will have the following effect on household service accounts:

Description	Small Households			
	2019/2020	2020/2021	% Increase	
Property Rates	R 17.59	R 18.47	5.00%	
Electricity Consumption: 200 units 20 A	R 426.44	R 453.05	6.24%	
Water : Basic Levy	R 152.17	R 162.83	7.00%	
Average water consumption : 10 kl	R 141.70	R 151.62	7.00%	
Sanitation : 1 Sewerage Point	R 115.57	R 123.66	7.00%	
Refuse Removal	R 67.83	R 73.93	9.00%	
<b>Sub-total</b>	R 921.31	R 983.56	6.76%	R 62.26
VAT on Services	R 135.56	R 144.76	7%	
<b>Total</b>	R 1,056.86	R 1,128.33	6.76%	R 71.46
Prepaid water meter : 10 kl	R 249.48	R 266.94	7.00%	R 17.46

## **Free Basic Services Equitable Share Allocations**

An amount of R 26.55 million is allocated to the provision of free basic services in terms of council's indigent policy.

The free basic services is for 50 kWh electricity and 6 kl water per month to all households with an income up to R 3,760 per month.

# Free Basic Services Equitable Share Allocations

**Equitable Share Subsidy from 01 July 2020**

<b>Group A : Income R 0 - R 445 p.m</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>% Incr</b>	
Prepaid Elek. 50 kWh	R 78.68	R 83.59	6.24%	
Prepaid Water : 6kl	R 127.01	R 135.90	7.00%	
Sanitation	R 115.57	R 123.66	7.00%	
Refuse Removal	R 67.83	R 73.93	9.00%	
<b>Sub-total</b>	<b>R 389.09</b>	<b>R 417.08</b>	<b>7.19%</b>	R 27.99
VAT on Services	R 58.36	R 62.56	7%	
<b>Total</b>	<b>R 447.45</b>	<b>R 479.65</b>	<b>7.19%</b>	R 32.19

# Free Basic Services Equitable Share Allocations

**Equitable Share Subsidy from 01 July 2020**

<b>Group B : Income R 446 - R 1 880 p.m</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>% Incr</b>	
Prepaid Elek. 50kWh	R 78.68	R 83.59	6.24%	
Prepaid Water : 6kl	R 127.01	R 135.90	7.00%	
Sanitation	R 80.90	R 86.56	7.00%	
<b>Sub-total</b>	<b>R 286.59</b>	<b>R 306.05</b>	<b>6.79%</b>	<b>R 19.46</b>
VAT on Services	R 42.99	R 45.91	6.79%	
<b>Total</b>	<b>R 329.58</b>	<b>R 351.96</b>	<b>6.79%</b>	<b>R 22.38</b>

# Free Basic Services

## Equitable Share Allocations

### Equitable Share Subsidy from 01 July 2020

<b>Group C : Income R 1 881 - R 3 760 p.m</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>% Incr</b>	
Prepaid Elek. 50kWh	R 78.68	R 83.59	6.24%	
Prepaid Water : 6kl	R 127.01	R 135.90	7.00%	
Sanitation	R 23.11	R 24.73	7.00%	
<b>Sub-total</b>	<b>R 228.80</b>	<b>R 244.22</b>	<b>6.74%</b>	<b>R 15.42</b>
VAT on Services	R 34.32	R 36.63	6.74%	
<b>Total</b>	<b>R 263.12</b>	<b>R 280.86</b>	<b>6.74%</b>	<b>R 17.73</b>

# Free Basic Services Equitable Share Allocations

**Equitable Share Subsidy from 01 July 2020**

Prepaid water : 6kl	2019/2020	2020/2021		
Total VAT included	R 146.07	R 156.29	7.00%	R 10.22

# Discount granted to Pensioners

A rates rebate shall be granted to owners of properties who meet the following criteria:

- The property must be occupied by the owner;
- The rebate will be available to one property only in cases where more than one property is owned by the applicants;
- The owner must be older than 60 years;
- The rebate shall be granted on properties where the municipal valuation is less than R750,000.

The rebate referred to in the previous paragraph shall be dependent on the monthly household income as follows:

Less than R 1,880 per month	- 30%
R 1,881 to R 2,200	-20%
R 2,200 to R 7,500	- 10%

The first R19,000 of all residential properties shall not be subject to rates

**Thank You**

**Baie Dankie**

**Enkosi**

