

**SPECIAL
ADJUSTMENT
BUDGET**

OF

**PHOKWANE LOCAL
MUNICIPALITY**

2020/21 TO 2022/23

**MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

1 Executive Summary

1.1 The economic outlook

The most recent official sector forecast issued by the South African Reserve Bank expects GDP in 2020 to contract by 6.1 per cent, compared to the -0.2 per cent expected just three weeks ago. GDP is expected to grow by 2.2 per cent in 2021 and by 2.7 per cent in 2022. The Bank's headline consumer price inflation forecast averages 3.6 per cent for 2020, 4.5 per cent for 2021, and 4.4 per cent in 2022. The forecast for core inflation is lower at 3.8% in 2020, 4.0 per cent in 2021, and 4.2 per cent in 2022.

1.2 Socio-economic Impact

The National State of Disaster and subsequent lockdown comes amidst already dire macroeconomic conditions which have seen South Africa slump into a technical recession and downgraded to sub-investment grade ("junk" status) and worsening already high levels of unemployment.

The lockdown will likely have a devastating effect on economic activity as non-essential business are forced to shut down completely resulting in a reduction in overall economic output and job losses. National Government, in conjunction with prominent private sector role-players, has introduced various forms of relief programmes to aid small businesses and employees alike during the period of the lockdown to compensate for a loss of income and wages, etc.

The municipality will be impacted negatively due to a loss of revenue streams as businesses, households and communities reel from the economic fallout caused by COVID-19. The Municipality may also be required to expand their scope of basic services and free basic services to respond directly to the socio-economic impacts of the pandemic and prevent the transmission of communicable diseases.

Given the developmental role of Local Government articulated in the Constitution, the municipality will strive to assist Small-Medium Micro Enterprises (SMMEs) and communities to access the information on relief measures to ease the impact of COVID-19 provided by government.

1.3 Generic principles for considering a municipal response

The following core principles have been identified as being relevant in an event of disasters, where governance and financial management practices are still required, but balanced with the need for rapid and impactful responses:

- **Strategic management:**

- (i) Extraordinary operations that are different from day-to-day activities are required.
- (ii)** (ii) A balance is required between the controls and speed of decision-making within the applicable legal framework, and the need to be responsive to COVID -19 requirements; and
- (iii)** (iii) Disaster-related decisions will be sub-delegated to and exercised by those closest to and critical to the need to respond to the pandemic;

- **Supply chain management:**

- (i) Sourcing rules will be appropriately adapted within the applicable legal framework to enable procurement decisions to be exercised in a manner that

- achieves the desired procurement outcomes with the required urgency and responsiveness as far as is reasonably possible. MFMA Circular No. 100 already provide guidance in this regard.
- (ii) (ii) Applicable procurement roles will be adapted for the purposes of ensuring adequate emergency preparedness planning and responsiveness to the pandemic; and
 - (iii) (iii) Resources will be deployed by organs of state most suitable to respond to the COVID-19 relief procurement needs from a legal, practical, resource and skill capability perspective;
- **Donations and sponsorship:** regulation 48 of the Municipal Supply Chain Management Regulations provides that the accounting officer of a municipality or municipal entity must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorships promised, offered or granted to the municipality, whether directly or through a representative or intermediary, by any person who is
 - (i) a provider or prospective provider of goods or services to the municipality or municipal entity or
 - (ii) (ii) a recipient or prospective recipient of goods disposed or to be disposed of by the municipality or municipal entity.

Therefore, the municipality will, as part of the envisaged reporting in terms of MFMA Circular No. 100, report all donations/sponsorships received from the local or international donor community to the National Treasury and the relevant provincial treasury within 30 days of receipt.

- **Disaster Response Plans:** The Municipality will commit to pre-approved response plans, adjusted as necessary, and guard against deviations from established disaster response frameworks;
- **Risk assessment and mitigation:** As the pandemic rapidly spreads, the municipality will conduct a localised risk assessment to help identify areas of most pressing need. The assessment will reflect on likelihood and impact/magnitude of each risk.

- **Revenue Management:** Most business and households will feel the financial impact of COVID-19 (albeit to a varying degree) and will likely reprioritise their own spending patterns; Revenue streams will be actively protected to mitigate the financial impact of COVID-19.
- **Expenditure Management:** All non-essential spending will be curtailed to optimise savings that can in turn be applied for disaster relief. Strategic management of priority functional classifications of budget allocations and basic incremental increases to primary mandates and functions to ensure basic operational effectiveness (recurrent budgeting) will be undertaken, with savings and developmental project allocations channelled to areas of need identified through risk assessment while not losing sight of existing capital projects requirements; and records will be maintained for all expenditure incurred to ensure effective internal controls, special adjustments budget allocations and appropriations, and audit purposes

1.4 Budgetary Implications

The municipality will follow the following guiding principles as recommended by National Treasury:

- (i) Where the municipality considers initiatives to reduce the impact of COVID-19 on businesses and economic households such as rebates, payment holidays, relaxation of credit control measures, the municipality –
 - a. will ensure that their liquidity and overall financial sustainability is not compromised;
 - b. in granting rebates to their consumers, will consider all the relevant legislation, regulations such as Municipal Property Rates Act (MPRA), MFMA dealing with revenue management within the disaster management principles;

- c. will ensure that the relaxation of levying of interest for overdue payments for municipal services should be in line with Council's policies, by-laws and other applicable legislation;
 - d. will from a tariff perspective, understand that the prohibition on increasing tariffs in terms of section 28(6) of the MFMA still remains. Any tariff increase required during this national disaster period will be considered on a case by case basis. The municipality is however allowed to decrease its tariffs in-year. With regard to tariffs tabled as part of the budget, the National Treasury views this as "indicative" and might change after the public consultation process.
 - e. will as it relate to public consultation consider section 17(3)(a) of the MFMA which requires that the budget must be accompanied by resolutions that amongst others, impose any municipal taxes and setting any municipal tariff for the specific budget year. If the indicative tariff that was used to consult the public on the budget changed significantly post consultation, the municipal council/Administrator will have to consult again on the revised tariff given the impact on the consumer.
 - f. Expenditure side measures and cost savings on the budget will also allow for limitations on increases as the levels of affordability for households and business may be breached.
- (ii) With respect to relief strategies to indigent households, the municipality will consider:
- a. reviewing its indigent policy to factor in the potential economic impact of COVID-19 on poor households; and
 - b. the possibility of an increase in the number of indigent households while the quantum for free basic services remains within the national policy e.g. 6 kilolitres for water. The municipality will ensure that financial sustainability is not compromised in implementing this policy. If the increase is implemented for the remainder of 2019/20 financial year (quarter four), it can be effected as part of the anticipated adjustments

budgets allowed for by the Exemption Notice No. 43181 dated 30 March 2020.

Expenditure related to COVID-19 will be limited to the implementation of the mandates of the municipality as outlined in the Constitution, specifically related to the provision of basic services i.e. water, sanitation, refuse and electricity amongst others. Currently the municipality carries unfunded mandates in respect of Human settlements and libraries of R2.6 million.

These functions invariably tap on the meagre resources of the municipality due to insufficient funding from the assigning departments. By implication the municipality will henceforth avoid accepting unfunded mandates.

1.5 Consolidated Overview of the 2020/21 MTREF

The challenge of Phokwane Local Municipality over the past five years has been the persistent operating deficit due to non-cost reflective tariffs for services and property rate unfunded budget over the years. The municipality was selling electricity to consumers at a tariff below the cost of supply from Eskom. Hence the failure to service the Eskom account. Similarly, the water service was sold to consumers at a tariff below the cost of supply by the water boards. The non-cost reflective tariffs of the aforesaid services coupled with the low property base kept the revenue of the municipality at a level lower than the cost of services. This was exacerbated by poor financial management, including understatement of expenditure and overstatement of revenue to hide the unfunded nature of the budget. Over the years the municipality was able to pay salaries in lieu of payment to bulk suppliers.

Consolidated Overview of the 2020/21 MTREF

	Adjustment Budget 2019/20	Budget 2020/21	Special Adjustment Budget 2020/21	Budget 2021/22	Budget 2022/23
Total Operating Revenue	339,994,014	424,931,462	421,180,837	369,098,925	387,007,251
Total Operating Expenditure	294,430,553	346,620,452	400,971,031	325,310,110	340,861,126
Surplus/Deficit	45,563,461	78,311,010	20,209,806	43,788,815	46,146,125
Total Capital Expenditure	62,434,043	93,082,214	118,967,194	49,657,536	164,813,845

Total operating revenue has decreased by 0.88% from an original budget of R424,9 million to a special adjustment budget of R421 million in the 2020/21 MTREF.

Total proposed operating expenditure for the 2020/21 from an original budget of R346.6 million to an adjusted budget of R400 million, which represents an increase of 15.68%. The difference between the Operating Revenue and Expenditure results in an adjustment budget surplus of R20.2 million for the 2020/21 financial year. This surplus will be used to fund capital expenditure and to further ensure cash backing of reserves and funds. The proposed capital budget amounts increased from R93 million to R 118 million, largely due to the additional national transfers for Covid 19 funding.

1.6 Operating Revenue Framework

The municipality continues to strive on improving the quality of services provided to its citizens. In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality. 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 had to

be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is informed by the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Maintenance of economic growth and development;
- Efficient revenue management, which aims to ensure a 60 per cent annual collection rate for property rates and other key service charges;
- 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 Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- 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.

The following table is a summary of the 2020/21 MTREF (classified by main revenue source):

NC094 Phokwane - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 14/10/2020

Description	Ref	Budget Year 2020/21									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Revenue By Source												
Property rates	2	59 315	-	-	-	-	-	(22 241)	(22 241)	37 074	37 160	38 937
Service charges - electricity revenue	2	106 470	-	-	-	-	-	-	-	106 470	114 465	119 959
Service charges - water revenue	2	100 084	-	-	-	-	-	-	-	100 084	31 963	33 497
Service charges - sanitation revenue	2	5 850	-	-	-	-	-	-	-	5 850	15 864	16 530
Service charges - refuse revenue	2	2 375	-	-	-	-	-	-	-	2 375	12 245	12 785
Rental of facilities and equipment		500	-	-	-	-	-	-	-	500	520	55
Interest earned - external investments		3 014	-	-	-	-	-	-	-	3 014	3 158	3 310
Interest earned - outstanding debtors		30 612	-	-	-	-	-	-	-	30 612	30 298	31 753
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		270	-	-	-	-	-	-	-	270	305	330
Licences and permits		-	-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		116 384	-	-	-	-	-	18 490	18 490	134 874	123 058	129 784
Other revenue	2	58	-	-	-	-	-	-	-	58	62	68
Gains		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		424 931	-	-	-	-	-	(3 751)	(3 751)	421 181	369 099	387 007

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue for the municipality. Adjusted anticipated revenue to be generated decreased to R 37 million compared to R59.3 million for this years original budget. This decrease can be mainly attributed to the decreased levies on property rates charges.

1.6.1 Property Rates Tariff Decreases

The Provincial EXCO approved temporary budget of Phokwane municipality for 2020/21, including attendant revenue raising measures, on the 29 July 2020 with effect from the 1st of July 2020. The said revenue raising measures includes approval of the Rates Policy and property rates for 2020/21 financial year.

During the month of August 2020, the Business and Farmers Rate Payers submitted a letter to MEC for COGHSTA, asking for a meeting with Administrator and Senior Officials of the Provincial Government to discuss the financial implications and effect of the approved property rates on their respective business. The MEC granted the request and issued a directive that the said meeting with business and farmers rate payers be attended by the Administrator and CFO on one hand and senior officials from both COGHSTA and Provincial Treasury.

The meeting was held in Hartswater on the 22 September 2020 at which the business/farmers rate payers submitted a document outlining the genesis of the objection to the approved property rates as a combination of the rates increase and the property values in terms of the new General Valuation Roll (GVR) which came into effect on the 1st of July 2020. The business/farmers rate payers argued that although on paper, the rate randages (levy) range between 3% and 68%, the financial effect on the actual amount of the rate payable is astronomical; thus not affordable due to the fact that the property values on the new GVR have increased by 300% to 650%.

GENERAL VALUATION ROLL 2020 - 2025			GENERAL VALUATION ROLL 2013 - 2020			COMPARISON	
PROPERTY CATEGORY	TOTAL SUM GV VALUE	TOTAL NUMBER ENTRIES	PROPERTY CATEGORY	TOTAL SUM GV VALUE	TOTAL NUMBER ENTRIES	PROPERTY COUNT DIFFERENCE	VALUE DIFFERENCE
AGRICULTURAL PROPERTIES	6 559 320 000	1 584	FARM	1 038 714 000	1 663	-79	5 520 606 000
BUSINESS AND COMMERCIAL PROPERTIES	786 789 000	400	BUSINESS	523 800 601	448	-48	262 988 399
CROSS REFERENCE	0	1 013				1 013	0
INDUSTRIAL PROPERTIES	238 930 000	142	INDUSTRIAL	56 340 000	82	60	182 590 000
MINING PROPERTIES	250 000	1				1	250 000
PLACE OF PUBLIC WORSHIP	63 727 000	60	PLACE OF WORSHIP	25 332 000	72	-12	38 395 000
PRIVATE ROAD	880 000	8				8	880 000
PROPERTIES OWNED BY AN ORGAN OF STATE AND USED FOR PUBLIC SERVICE PURPOSES	282 319 000	226	GOVERNMENT	27 988 901	109	117	254 330 099
PROPERTIES OWNED BY PUBLIC BENEFIT ORGANISATIONS AND USED FOR SPECIFIED PUBLIC BENEFIT ACTIVITIES (PBO)	9 570 000	7				7	9 570 000
PUBLIC SERVICE INFRASTRUCTURE PROPERTIES (PSI)	35 149 000	78	PUBLIC SERVICE INFRASTRUCTURE	7 180 027	72	6	27 968 973
REFERENCE NOTE	13 300	134				134	13 300
RESIDENTIAL PROPERTIES	1 858 307 000	15 911	RESIDENTIAL	1 117 994 656	9 515	6 396	740 312 344
			FLAT	186 000	1	-1	-186 000
			MUNICIPALITY	295 067 725	5 160	-5 160	-295 067 725
			SMALL BUSINESS	1 800	2	-2	-1 800
TOTAL	9 835 254 300	19 564	TOTAL	3 092 605 710	17 124	2 440	6 742 648 590

The business/farmers rate payers proposed a flat increase of 15% on the amount they were paying in the proceeding financial year (2019/20). In simple terms, the proposition

was that the increase in property rates should be premised on the property values of the lapsed GVR of 2013-2019 as opposed to the property values of the new GVR of 2020-2025. During the discussions, the Administrator and the Team clarified the legal principle pertaining to property rates and imposition of rate levy on the properties. The point is that rates may not be levied on properties in terms of a previous GVR. Property rates must be based on the current GVR and values of the properties on the GVR.

After extensive discussion on the submitted document in general and the legal principles regulating imposition of property levies in particular, the meeting was adjourned to the 29 September 2020 to give the Government team (Administrator & CFO, COGHSTA and Provincial Treasury) to reflect on the business/farmers presentation and:

- Translate the proposition of the business/farmer' into a rate determination framework
- Generate rates determination options

On the 29 September 2020 the Administrator and CFO presented different options, including the proposition of the business/farmers rates payers, to the meeting. After discussion the meeting agreed on the preferred option as set out hereinafter.

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. The tariff increases are as follows:

Ref No	Category	Rate per Rand 2020/21 Original Budget	Rate per Rand 2020/21 Special Adjustment Budget	Variance %
1	Residential Properties	0,0160	0,00793256	-86,78%
2	Business/Commercial Properties	0,028	0,010312328	-63,17%
3	Industrial Properties	0,030	0,010312328	-65,63%
4	Agricultural Properties	0,002	0,00198314	-9,86%
5	Mining Properties	0,030	0,010312328	-65,63%
6	Properties Owned By An Organ of State	0,028	0,008725816	-68,84%
7	Properties Owned By Public Benefit Organisations	0,004	0,00198314	-50,42%
8	Public Service Infrastructure	0,004	0,00198314	-50,42%
9	Vacant Land	0,016	0,00793256	-50,42%

Mining has been categorized for the first instance in the 2020/21 financial year in terms of the requirements of the Local Government: Municipal property Rates Act. The rate per rand for this category of properties has been reduced by 65.6 % from 0.03 to 0.01031238. The rate per rand levied on Agricultural properties decreased from 0.0022 to 0.00198314, a decrease of 9.9% from the randage in the 2020/21 original budget. Properties owned by public benefit organisations and public service infrastructure have been reduced by 50% respectively in the adjustment budget. The rate per rand for properties owned by the state, Business/Commercial properties, Industrial properties and residential properties were decreased by 50.42%, 63.2% and 65.6% respectively in the 2020/21 special adjustment budget..

1.6.2 Sale of Water and Impact of Tariff Increases

WATER:	2019/2020	WATER: @10%	2020/2021	
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Residential 0-6kl	R9.19	Residential 0-6kl	R10.11	
6-10kl	R14.03	6-10kl	R15.43	
10-50kl	R16.11	10-50kl	R17.72	
50-100kl	R18.81	50-100kl	R20.69	
100kl>	R22.47	100kl>	R24.78	
Basic charge	R47.02	Basic charge	R51.72	
Commercial 0-6kl	R14.03	Commercial: 0-6kl	R15.43	
6-10kl	R16.11	6-10kl	R17.72	
10-50kl	R18.81	10-50kl	R20.69	
50-100kl	R22.47	50-100kl	R24.78	
100kl>	R23.91	100kl>	R26.30	
Basic charge	R138.92	Basic charge	R152.81	
Schools and sport clubs: 0-6kl	R9.19	Schools and sport clubs: 0-6kl	R10.11	
6-10kl	R14.03	6-10kl	R15.43	
10-50kl	R16.11	10-50kl	R17.72	
50-100kl	R18.81	50-100kl	R20.69	
100kl>	R22.47	100kl>	R24.78	
Basic charge	R613.86	Basic charge	R675.25	
CHURCHES AND NGO'S: 0-6kl	R9.19	CHURCHES AND NGO'S: 0-6kl	R10.11	
6-10kl	R14.03	6-10kl	R15.43	
10-50kl	R16.11	10-50kl	R17.72	
50-100kl	R18.81	50-100kl	R20.69	
100kl>	R22.47	100kl>	R24.78	

Basic charge	R105.10	Basic charge	R115.61	
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Table 1 Comparison between current electricity charges and increases

Current Tariffs 2019/20 FY		New Tariffs 2020/21 FY @6.22%		
<u>Domestic conventional</u> Electricity: Basic Charge	R146.22	<u>Domestic conventional</u> :Basic Charge	R165.70	
0-50kwh	0.9362c/kWh	0-50 kwh	1.1244c/kWh	
51-350kwh	1.1746c/kWh	51-350kwh	1.4107c/kWh	
351-600kwh	1.7909c/kWh	351-600kwh	2.1172c/kWh	
>600kwh	1.9527 c/kWh	>600kwh	2.3452c/kWh	
<u>Domestic Prepaid</u> <60 Amps : Basic Charge	R146.22	<u>Domestic Prepaid</u> <60 Amps : Basic Charge	R165.70	
0-50kwh	0.9362c/kWh	0-50 kwh	1.1244c/kWh	
51-350kwh	1.1746c/kWh	51-350kwh	1.4107c/kWh	
351-600kwh	1.6517c/kWh	351-600kwh	1.9838c/kWh	
>600kwh	1.8367c/kWh	>600kwh	2.3568c/kWh	
Commercial Pre-paid >60 amps :Energy Charge(c/kWh)	1.9623c/kWh	Commercial Pre-paid >60 amps :Energy Charge(c/kWh)	2.3568c/kWh	
<u>Commercial Tariffs</u>		<u>Commercial Tariffs</u>		
Electricity: Business <200 amps :Basic charge :Energy Charge (kwh)	R531.42 1.6601c/kwh	Electricity: Business <200 amps Basic charge :Energy Charge (kwh)	R618.29 2.0182c/kwh	
Business >200amps Demand Charges(R/kVA) (Bulk consumers) :Basic Charge :Energy Charge (kWh)	R197.23 R3621.72 1.2484c/kWh	>200amps Demand Charges(R/kVA) (Bulk consumers) :Basic Charge :Energy Charge (kWh)	R219.46 R4213.70 1.3809c/kWh	
Government/Schools & Sport Clubs : Basic charge	R136.41	: Basic charge	R163.83	

: Energy Charge	1.4460c/kwh	: Energy Charge	1.7367c/kwh
Churches/NGO organizations basic charge energy charge	R136.41 1.4513c/kwh	Basic charge Energy charge	R160.82 1.7452c/kwh

1.6.3 Sanitation and Impact of Tariff Increases

SEWAGE	2019/2020	SEWAGE @10%	2020/2021
Residential	R113.16	Residential	R124.49
Commercial:	R250.00	Commercial:	R275.00
Schools	R200.00	Schools	R220.00
Churches and NGO'S	R150.00	Churches and NGO's	R165.00

1.6.4 Waste Removal and Impact of Tariff Increases

REFUSE	2019/2020	REFUSE @10%	2020/2021
Residential	R68.94	Residential	R75.83
Commercial	R107.34	Commercial	R118.09
Bulk holders	R1267.20	Bulk holders	R1393.92
Schools	R54.80	Schools	R60.28

1.7 Operating Expenditure Framework

The following table is a high-level summary of the 2020/21 special adjustment budget and MTREF (classified per main type of operating expenditure):

Summary of operating expenditure by standard classification item

NC094 Phokwane - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 13/10/2020

Description	Ref	Budget Year 2020/21									Budget Year +1 2021/22	Budget Year +2 2022/23
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		

Expenditure By Type													
Employee related costs	86 095	-	-	-	-	-	(4 930)	(4 930)	81 165	89 847	94 157		
Remuneration of councillors	7 200	-	-	-	-	-	(3 600)	(3 600)	3 600	7 545	7 907		
Debt impairment	30 081	-	-	-	-	-	-	-	30 081	55 629	58 299		
Depreciation & asset impairment	30 000	-	-	-	-	-	50 000	50 000	80 000	10 908	11 504		
Finance charges	150	-	-	-	-	-	-	-	150	157	165		
Bulk purchases	151 427	-	-	-	-	-	-	-	151 427	120 813	126 612		
Other materials	11 172	-	-	-	-	-	5 371	5 371	16 542	11 795	12 356		
Contracted services	17 402	-	-	-	-	-	500	500	17 902	14 825	15 503		
Transfers and subsidies	1 250	-	-	-	-	-	-	-	1 250	1 310	1 373		
Other expenditure	11 843	-	-	-	-	-	7 010	7 010	18 853	12 480	12 984		
Losses	-	-	-	-	-	-	-	-	-	-	-		
Total Expenditure	346 620	-	-	-	-	-	54 351	54 351	400 971	325 310	340 861		

The main reason for increases in the expenditure budget in the 2020/21 special adjustment budget is the additional allocation for depreciation and asset impairment of R50 million, Other materials and Other Expenditure items of R5.3 million and R7 million respectively :

1.7.1 Free Basic Services:

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The target is to register more indigent households during the 2020/21 financial year, a process reviewed annually.

Provision is made in the 2020/2021 budget for the free basic services that consist of the following:

- Water : 6 Kilolitre per month for 4200 indigent households
- Sewerage : Free basic sanitation for 4200 indigent households per month
- Refuse Removal :Free refuse removal for 4200 indigent households per month
- Electricity : 50 kWh per month for 4200 indigent households

1.8 Capital expenditure

As a result of the strict expenditure control measures implemented in the 2019/20 financial year, the municipality was able to realise cash savings to purchase new tools of trade for the improvement of service delivery. For the first time in many years, the municipality was able to fund capital expenditure from own internal funding to the tune of R30 million, a and elimination of wasteful expenditure.

The following table provides a breakdown of proposed capital projects

Description	Original Budget	Special Adjustment Budget	FUNDING
ASSET MANAGEMENT SYSTEM	-	250 000	FMG
FINANCIAL MANAGEMENT SYSTEM	4 000 000	4 000 000	INTERNAL
WIRELESS NETWORK UPGRADE	-	700 000	FMG
SCM SYSTEM	-	200 000	FMG
ACCOUNT FOLDING MACHINE	-	200 000	FMG
PRINTING MACHINE	-	200 000	FMG
BAKKIES (3)	1 200 000	1 200 000	INTERNAL
METER READING DEVICES	-	250 000	FMG
BULK METERING OF PUMPS&RESEVOIR AT PAMPIERSTAD WTW	2 000 000	2 000 000	FBDM
REMEDIAL WORKS TO JAN KEMPDORP WWTW(MITIGATION TO DIRECTIVE ISSUES	2 500 000	-	
COVID-19 WATER PIPES PAMPIERSTAD	-	6 320 000	COVID19
COVID-19 WATER SUPPLY IN GANSPAN	-	3 871 900	COVID19
UPGRADE OF WASTE WATER PUMP STATION&BULK OUTFALL LINES PAMPIERSTAD	18 434 214	18 434 214	WSIG
FEASIBILTY STUDY BULK WATER SYSTEM JAN KEMPDORP&GANSPAN	1 000 000	1 000 000	WSIG
FEASIBILTY STUDY BULK WATER SYSTEM HARTSWATER	1 000 000	1 000 000	WSIG
FEASIBILTY STUDY BULK WATER SYSTEM PAMPIERSTAD	1 000 000	1 000 000	WSIG
UPGRADE OF EXISTING ASBESTOS WATER RETICULATION NETWORK PAMPIERSTAD	13 851 934	13 851 934	MIG
NEW PUMPSTATION &RELATED BULK SEWER OUTFALL LINES MASAKENG	11 500 000	-	
ELECTRIFICATION OF NKANDLA (2640 STANDS) PHASE 2	6 600 000	-	
BULK METERING PAMPIERSTAD WTW	3 000 000	3 000 000	INTERNAL/FBDM
Refurbishment of Ablution Facilities	3 000 000	3 000 000	INTERNAL
HONEY SUCKER (3)	3 200 000	3 200 000	INTERNAL
BAKKIES (3)	1 200 000	1 200 000	INTERNAL
TLB (3)	3 200 000	3 200 000	INTERNAL
GANSPAN WASTE WATER TREATMENT	-	3 959 384	MIG
UPGRADING HARTSWATER WASTE WATER PLANT	-	7 223 831	WSIG
HIGH VELOCITY SEWER CLEANING MACHINE (3)	1 300 000	1 300 000	INTERNAL
ELECTRICITY METERS	-	500 000	FMG
BULK ELECTRICITY NKANDLA	-	10 636 354	INEP
UPGRADING ELECTRIFICATION INKANDLA 2501	-	6 600 000	INEP
ELECTRIFICATION OF UTLWANANG PHASE 2	-	1 470 622	INEP
Cherry Picker	1 300 000	1 300 000	INTERNAL
Bossieslaner (3)	1 300 000	1 300 000	INTERNAL
HIGHMAST LIGHTING	2 196 066	6 298 955	MIG
REFUSE TRUCK (3)	6 300 000	6 300 000	INTERNAL
TIPPER TRUCK (2)	1 900 000	1 900 000	INTERNAL
SKIP LOADER TRUCK (1)	1 100 000	1 100 000	INTERNAL
6M3 REFUSE SKIPS (40)	1 000 000	1 000 000	INTERNAL
TOTAL	93 082 214	118 967 194	

1.9 Municipal manager's quality certificate

I BAMBA NDWANDWE, The Administrator of Phokwane Municipality, hereby certify that the 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 annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: BAMBA NDWANDWE

The Administrator

Signature: _____

Date: _____