



NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY  
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS  
2015/16 TO 2017/18

## **ABBREVIATIONS AND ACRONYMS**

CPI	Consumer Price Index
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	General Recognised Accounting Practice
IDP	Integrated Development Plan
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	Litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MSA	Municipal Systems Act
MTREF	Medium-term Revenue and Expenditure Framework
PMS	Performance Management System
RSC	Regional Services Council
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

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# **SC 01/05/2015 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR 2015/16 TO 2017/18**

## **1. PURPOSE**

The purpose of this item is for council to:

- Adopts the 2015/16 -2017/18 Medium Term Revenue and Expenditure (MTREF) budget and accompanying annual budget schedules tables
- Adopts the budget related policies accompanying the MTREF budget for 2015/16-2017/18
- Adopts the own revenue tariffs accompanying the budget
- Adopts the cost-cutting and reduction measures accompanying the budget.

## **2. BACKGROUND**

In terms of Municipal Finance Management Act, No. 56 of 2003, Chapter 4, Section 24, approval of annual budget states that:

- 1) The municipality council must at 30 days before that start of the budget year consider approval of the annual budget.
- 2) An annual budget –
  - a) Must be approved before the start of the budget year
  - b) Is approved by adoption of resolution approving the budget of the municipality, and
  - c) Must be approval together with the resolution as may be necessary
- 3) The accounting officer of the municipality must submit the approval of annual budget to the National and Provincial Treasury.

## **3. EXECUTIVE SUMMARY**

The development of the budget, which is an exercise of allocating resources, is a difficult exercise under normal circumstances, due to competing demands for limited resources. This exercise is even more difficult with regard to Ngaka Modiri Molema District Municipality, due to the dire financial situation it finds itself in. By the end of the current financial year (2014/15), the municipality will be having estimated operational financial obligations that it has not honoured of R259 million, which is on record to date. This consists of R180 million of unpaid creditors' claims and R49 million of unpaid salaries for May and June 2015 and outstanding debt of R 30 million for Sedibeng Water. And amount of R 86 million is set aside for part payment of the accruals which leaves the municipality with a deficit of R 140 million.

With regard to the capital budget, the municipality will be having estimated capital financial obligations that it has not honoured of R20 million, which is on record to date. However, these accruals are not backed by any rollovers or savings, this will exert pressure on the 2015/16 MIG funding.

### **The Impact of the 2014/15 budget on the 2015/16 budget**

The 2014/15 Adjustment budget will have a negative impact on the 2015/16 – 2017/18 MTREF budget. As the cash flow projections show, there is not enough cash to fund all the financial obligations of the municipality for the current financial year. The amounts of creditors are such that they could not be catered by the adjustment budget due to the lack of cash resources. As a result, by the end of the financial year, obligations related to creditors will be standing at an estimated amount of R259 million; consisting of R190 million operational and R20 million capital.

Also there will be accruals from salaries amounting to R49 million emanating from the unpaid May and June salaries for 2015. The transfer of municipal public health and safety personnel to the municipality without any additional funds and the 2009 council resolution on promotion of staff had a negative impact on the staff establishment as well as personnel expenditure of the municipality.

An amount of R55 million was withheld by the National Treasury, consisting of R20 million of equitable share and R35 million of Municipal Infrastructure Grant (MIG). All these will put enormous pressure on the 2015/16 budget.

We ensured that the budget process is a collective effort, where various departments were consulted and informed, and the budget allocations are based on principles that reflect the financial situation of the municipality. This is part of the budget reform measures that the municipality is initiating, to ensure that the process is in line with best practices. For example we have ensured that the budget reflects the following:

- That capital budget figures talk to the infrastructure plans figures
- That priority is given to core business areas of the municipality.
- That the budget provides for cost cutting/reduction measures

- There will be no budget allocated to projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been Gazetted as required by the annual Division of Revenue Act;
- A critical review was also undertaken of expenditures on non-core and 'nice to have' items.

## SUMMARY OF 2015/16 BUDGET ALLOCATIONS

### Operating revenue and expenditure

The total operating revenue allocated for 2015/16 amounts to R 519, 704 million and the total operating expenditure is R 401, 910 million.

The total operating expenditure of R 401, 910 will be funded from the total operating revenue of R519, 704 leaving as saving of R117, 715 million this savings was obtained after providing for fixed cost and cutting discretionary items and leaving most critical needs. This saving will be utilized to fund a total debt of R259, 139 million which was on record on the time of finalizing the budget. This will leave a budget shortfall of R 141, 423 million. This represent the portion of the budget that will be unfunded.

### Capital revenue and expenditure

The total capital revenue allocated for amounts to R 279,313 million and the total capital expenditure allocation is R 279,313 million. This will fund the roll overs, retentions, uncompleted projects and new projects

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

**Table 1: Consolidated operational budget overview of the 2015/16 draft MTREF budget**

R thousand	Adjustments Budget 2014/15	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Operating Revenue	524,047	519,626	588,696	602,647
Total Operating Expenditure	489,246	463,867	477,031	496,964
<i>(Surplus)/Deficit for the year</i>	388,886	352,371	390,825	433,709
Total Capital Expenditure	324,714	282,764	312,153	331,168

The municipality, being a district municipality relies mainly on revenue from the National Revenue Fund. Total operating revenue has decreased by 0,84% per cent or R4,4 million for the 2015/16 financial year when compared to the 2014/15 adjustments Budget. For the two outer years, operational revenue will increase by 13.29% and 2.31% per cent respectively, equating to a total revenue growth of R78,60 million over the MTREF when compared to the 2014/15 financial year.

Total operating expenditure for the 2015/16 financial year has been appropriated at R463,867 million and translates into a budgeted surplus of R352,371 million when compared to the 2014/15 adjustments Budget. Operational expenditure has decreased by 5,18% per cent in the 2015/16 budget and increases by 2.83% and 4.17% per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R390,825 million and then stabilize at R433,709 million.

The capital budget of R282,764 million for 2015/16 is 12.91% decrease when compared to the 2014/15 Adjustment Budget. Note that the district has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term. The repayment of capital and interest of Development Bank of South Africa (DBSA) is now remaining with an amount of R160,658 thousand which will be the last installment.

#### **4. Operating Revenue Framework**

For the district to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability for the municipality. The reality of the matter is that we are faced with service delivery backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to cost cutting measures and balancing expenditures against realistically anticipated revenues.

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

- Sales of water and sanitation (yard connections, water tokens and sewer suction);
- Interest earned (interest earned on external investments and current account);
- Other revenue (sale of tender documents, plant hire and rental income).

**Table 2: Summary of revenue classified by main revenue source**

DC38 Ngaka Modiri Molema - Table A1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Financial Performance</b>									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Investment revenue	14,019	8,575	1,104	5,200	5,200	5,200	1,949	1,000	500
Transfers recognised - operational	378,069	377,825	439,126	472,152	471,223	471,223	514,504	554,371	598,661
Other own revenue	4,453	3,161	7,324	29,949	47,624	47,624	3,173	3,325	3,486
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>396,542</b>	<b>389,561</b>	<b>447,553</b>	<b>507,301</b>	<b>524,047</b>	<b>524,047</b>	<b>519,626</b>	<b>558,696</b>	<b>602,647</b>

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.

The total amount for operating grants and transfers is R514, 504 million in the 2015/16 financial year and steadily increases to R554, 371 million and R 598,661 million. Note that the year-on-year increase for the 2015/16 financial year is 9.18% per cent and then flattens out to 7.74% and 7.98% per cent in the two outer years respectively. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:



**Table 3: Operating grants and transfers**

DC38 Ngaka Modiri Molema - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		382,995	377,709	17,440	501,752	480,823	480,823	514,504	554,371	598,661
Local Government Equitable Share		357,615	355,942	-	332,375	311,446	311,446	366,915	396,479	428,125
RSC Levy Replacement		-	-	-	133,426	133,426	133,426	143,345	155,472	167,708
Finance Management		1,250	1,250	1,250	1,250	1,250	1,250	1,325	1,460	1,795
Municipal Systems Improvement		1,000	1,000	890	934	934	934	930	960	1,033
Water Services Operating Subsidy		17,530	18,496	14,000	30,000	30,000	30,000	-	-	-
EPWP Incentive		-	1,021	1,000	3,142	3,142	3,142	1,989	-	-
Disaster Management Grant		5,600	-	300	625	625	625	-	-	-
<b>Provincial Government:</b>		352	931	377	400	20,400	20,400	-	-	-
Health subsidy		-	-	-	-	-	-	-	-	-
Department of local government		-	-	-	-	20,000	20,000	-	-	-
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
SETA, Popo Molefe Hall		352	931	377	-	-	-	-	-	-
DLPGTA Fire Grant- Provincial Simulation		-	-	-	400	400	400	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>(insert description)</i>		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<i>(insert description)</i>		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	383,347	378,639	17,817	502,152	501,223	501,223	514,504	554,371	598,661

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Tariff setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised, local economic conditions, input costs and the affordability of services is taken into account to ensure the financial sustainability of the district. National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, other materials and contracted services etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Given the challenges that the Municipality is faced with, a decision was taken not to increase the current tariffs. The tariffs will remain as follows:-

**Sale of Water and Sanitation, Tender Documents and Service Trucks**

**Table 4: Water and Sanitation Tariffs**

<b>WATER AND SANITATION TARIFFS</b>	<b>2014/15 Tariffs</b>	<b>2015/16 Tariffs (1 July 2015)</b>
Water tariff (flat rate)	R 17/kl	R 17/kl
Water tanker - 10kl	R 14/km	R 14/km
Water tanker - 14kl	R 16/km	R 16/km
Water tanker - 16kl	R 18/km	R 18/km
Water tanker - 18kl	R 20/km	R 20/km
Water tanker - 20kl	R 22/km	R 22/km
Vacuum tanker (suction of sanitation facilities at a rate of R 14/km for a distance of more than 10km)	R 371.00	R 371.00
Yard connection fee	R 3,768.00	R 3,768.00

**Table 5: Service Trucks Tariffs**

<b>SERVICE TRUCKS</b>	<b>2014/15 Tariffs</b>	<b>2015/16 Tariffs (1 July 2015)</b>
Maintenance motor grader (13 ton)	R 450/hr	R 450/hr
Construction motor grader (15 ton)	R 550/hr	R 550/hr
Tractor loader backhoe	R 310/hr	R 310/hr
6m <sup>3</sup> tipper truck	R 360/hr	R 360/hr
6m <sup>3</sup> tipper truck	R 15/km	R 15/km
2.7 m <sup>3</sup> front end loader	R 450/hr	R 450/hr
Tractor	R 450/hr	R 450/hr
Pedestrian roller	R 180/hr	R 180/hr
6kl water bowser	R 360/hr	R 360/hr
6kl water bowser	R 15/km	R 15/km
1 ton lowbed & hoarse	R 30.50/km	R 30.50/km
4 ton lowbed & hoarse	R 40.50/km	R 40.50/km
30-40 ton lowbed & hoarse	R 65.50/km	R 65.50/km

**Table 6: Tender Documents Tariffs**

<b>TENDER DOCUMENTS</b>	<b>2014/15 Tariffs</b>	<b>2015/16 tariffs (1 July 2015)</b>
R 200 000 - R 500 000	R 212.00	R 212.00
R 500 001 - R 1 000 000	R 342.00	R 342.00
R 1 000 000 - R 2 000 000	R 530.00	R 530.00
R 2 000 001 - R 10 000 000	R 1,590.00	R 1,590.00
R 10 000 001 and above	R 2,650.00	R 2,650.00

## **5. Operating Expenditure Framework**

The district's business affairs and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. The cost containment measures were implemented to eliminate non-priority spending to reprioritize spending. Key areas where savings were realized were on salaries, expenses related to catering and events, substance and travelling & conference fees, advertising and hiring of private venues; furniture and office equipment; refreshments and entertainment; excessive printing and stationery, and consultant fees.

The municipality's expenditure framework for the 2015/2016 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

**Table 7: Summary of operating expenditure by standard classification item**

R thousands	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Employee costs	240,000	277,225	277,225	276,643	291,012	305,562
Remuneration of councillors	11,800	12,031	12,031	12,753	13,518	14,329
Depreciation & asset impairment	29,827	29,827	29,827	65,406	60,836	59,882
Finance charges	1,000	3,000	3,000	3,000	3,150	3,308
Materials and bulk purchases	17,300	38,794	38,794	52,300	54,915	57,661
Transfers and grants	17,351	17,351	17,351	9,244	7,420	7,828
Other expenditure	137,957	111,018	111,018	44,520	46,180	48,394
<b>Total Expenditure</b>	<b>455,235</b>	<b>489,246</b>	<b>489,246</b>	<b>463,867</b>	<b>477,031</b>	<b>496,964</b>

The Salary and Wage Collective Agreement for the period 01 July 2012 to 30 June 2015 has come to an end. The South Africa Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:

- 2015/16 Financial Year 4.4 per cent (inflation linked)
- 2016/17 and 2017/18 Financial Years – inflation related increase plus additional 0.25 per cent.

The budgeted allocation for employee related costs for the 2015/16 financial year amounts to R 276, 643 million which translate to 59.63 % of the total operating expenditure budget. However, there is a saving of R14 million or 4.8 % from the 2014/15 adjustment budget.,

An annual increase of 5 % has been included in the two outer years of the MTREF. As part of the municipalities cost reprioritization and cash management strategy a moratorium has been placed on all new appointments. As part of the planning assumptions and interventions all vacancies were not budgeted for.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The recent proclamation in this regard has been published; as a result, remuneration of councillor's original budget has increased from R 12, 480 million to R 12, 753 million. As from that period municipality was unable to implement the circular as per directive of the Minister effectively from 1st July 2014, this is due to dire financial position that municipality finds itself in.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total of R 65, 406 million for the 2015/16 financial year. For the two outers year's depreciation is budgeted at R 60, 836 million

and R 59, 882 million respectively. The declining amount from 2015/16 to 2017/18 financial year is due to the fact that, most of municipality's assets have reached the end of their useful life and cannot be depreciated any further.

Finance charges consist primarily of the repayment of interest on the outstanding long-term borrowing (DBSA loan), bank charges and interest charged for late payments of creditors. Finance charges make up R 3 million of operating expenditure.

Other material comprises of amongst others the purchase of fuel, diesel, materials for maintenance, water material and chemicals. In line with the district's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the district's infrastructure. For 2015/16 the appropriation against this group of expenditure has increased by 34.81 % or R 52, 300 million from the 2014/15 adjustment budget and continues to grow at 3.03 % or R 54, 915 million and 5.0% or R 57,661 million for the two outer years. The budget includes the R 36 million which has been ring-fenced for Sedibeng Water as per agreement. This amount represent the servicing of the current account. The R 30 million has also been ring-fenced as part of the savings that will fund the accruals, this also part of the payment agreement.

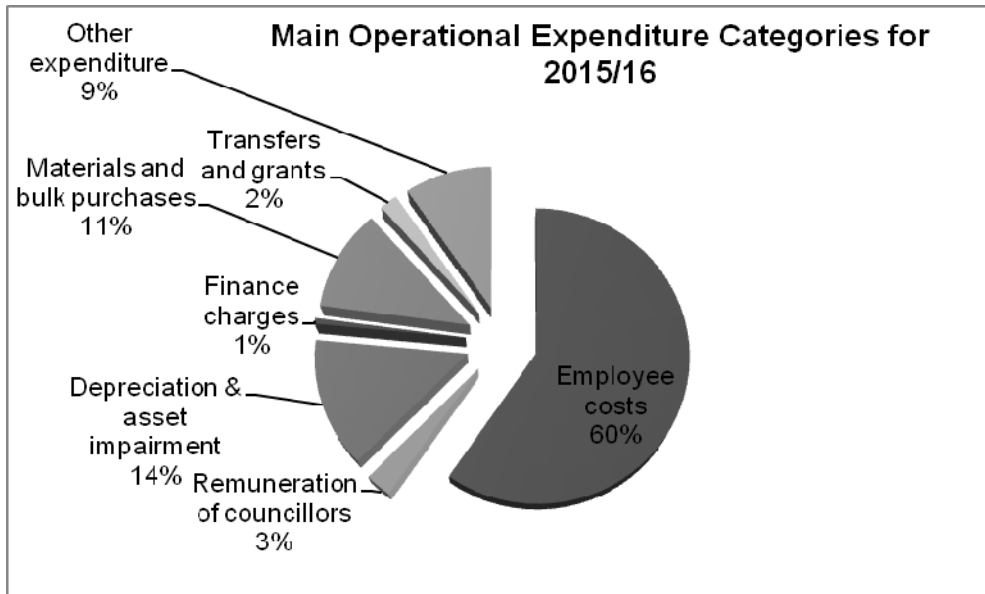
Contracted services have been identified as a cost saving area for the district. As part of the compilation of the 2015/16 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2015/16 financial year, this group of expenditure totals R 6,650 million and has reduced by 61.77 %, clearly demonstrating the application of cost efficiencies. For the two outer years has been limited to 6,982 million and R 7,331. As part of the process of identifying further cost efficiencies, a business reengineering process will continue in the 2015/16 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out.

Other expenditure comprises of various line items relating to the daily operations of the municipality. In the final budget only critical items were budgeted for to save money for outstanding obligations

The item description of "other expenditure" is as per National Treasury template, whereas it should have been described as "goods and services" for example. The implementation of Standard Chart of Accounts (SCOA) in 2017 will address this issue. In 2015/16 other expenditure is budgeted for R 44, 520 million which translate to a decreased of 59.89 % from

2014/15 adjustment budget and indicating that significant cost savings have been already realised.

**Table 8: The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.**



**Table 9: Operational expenditure budget allocation per vote over MTREF budget**

DC38 Ngaka Modiri Molema - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	Current Year 2014/15	2015/16 Medium Term Revenue &
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R thousand					Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue by Vote</b>							
	1						
Vote 1 - Executive and Council		39 470	39 039	39 039	29 406	31 004	32 689
Vote 2 - Municipal Manager		49 296	49 907	49 907	40 821	43 488	45 568
		101				166	191
Vote 3 - Budget and Treasury Office		864	122 295	122 295	140 869	802	342
Vote 4 - Corporate Services Support		69 974	71 022	71 022	58 367	61 285	64 349
Vote 5 - Growth and Economic Development		37 410	30 953	30 953	28 852	28 189	29 624
		119				111	116
Vote 6 - District Public Health and Safety		766	122 946	122 946	107 087	155	713
Vote 7 - District Infrastructure Maintenance and Development		409				425	450
		886	441 970	441 970	410 836	933	387
<b>Total Revenue by Vote</b>	2	<b>827 665</b>	<b>878 132</b>	<b>878 132</b>	<b>816 237</b>	<b>867 856</b>	<b>930 673</b>
<b>Expenditure by Vote to be appropriated</b>							
	1						
Vote 1 - Executive and Council		39 470	39 039	39 039	29 406	31 004	32 689
Vote 2 - Municipal Manager		47 466	49 114	49 114	39 971	42 596	44 631
Vote 3 - Budget and Treasury Office		57 691	58 122	58 122	91 334	88 129	88 802
Vote 4 - Corporate Services Support		59 024	64 122	64 122	56 367	59 185	62 144
Vote 5 - Growth and Economic Development		32 475	30 953	30 953	28 852	28 189	29 624
		101					
Vote 6 - District Public Health and Safety		176	112 356	112 356	106 487	111 155	116 713
Vote 7 - District Infrastructure Maintenance and Development		117					
		934	135 540	135 540	111 450	116 773	122 361
<b>Total Expenditure by Vote</b>	2	<b>455 235</b>	<b>489 246</b>	<b>489 246</b>	<b>463 867</b>	<b>477 031</b>	<b>496 964</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>372 430</b>	<b>388 886</b>	<b>388 886</b>	<b>352 371</b>	<b>390 825</b>	<b>433 709</b>

## Expenditure budget by Municipal Vote

### Vote 1 – Executive and Council

The total amount allocated for Vote 1 for the 2015/16 year is R 29,406 million, increasing to R 31, 004 million in 2016/17 and R 32, 689 million in the outer years.

### Vote 2 – Municipal Manager

The total amount allocated for Vote 2 for the 2015/16 year is R 39,971 million, increasing to R 42,596 million in 2016/17 and R44, 631 million in the outer years. The decrease in 2015/16 budget as compared to 2014/15 budget is due to the removal of capital expenditure to Vote 7.

### Vote 3 – Budget and Treasury Office

The total amount allocated for Vote 3 for the 2015/16 year is R 91,334 million, increasing to R88, 129 million in 2016/17 and R88, 802 million in the outer years. With regard to Vote 3 the repayment of DBSA loan has been removed and allocated to Vote 7.

### Vote 4 – Corporate Services Support

The total amount allocated for Vote 4 for the 2015/16 year is R56, 367 million, increasing to R59, 185 million in 2016/17 and R62, 144 million in the outer years.

### **Vote 5 – Growth and Economic Development**

The total amount allocated for Vote 5 for the 2015/16 year is R28,852 million, decreasing to R28,189 million in 2016/17 and increasing to R 29,624 million in the outer years. The decrease of budget allocation for 2015/16 as compared to 2014/15 budget is due to the fact that the EPWP conditional grants decreased from R 3. 2 million to R 1, 9 million.

### **Vote 6 – District Public Health and Safely**

The total amount allocated for Vote 6 for the 2015/16 year is R106, 487 million, increasing to R111, 155 million in 2016/17 and R 116,713 million in the outer years. The decrease of budget allocation for 2015/16 as compared to 2014/15 budget is due to the fact that the DPLG fire grant has been terminated.

### **Vote 7 – District Infrastructure Maintenance and Development**

The total amount allocated for Vote 7 for the 2015/16 year is R 111,450 million, increasing to R 116, 773 million in 2016/17 and R122, 361 million in the outer years. The net decrease in the 2015/16 budget as compared to 2014/15 budget is due to the fact that the operational allocation to fund projects has been removed from this vote. Capital projects are only funded by conditional grants.

## **6. Capital Expenditure**

The following table provides a breakdown of budgeted capital expenditure by vote:

Budgeted Capital Expenditure by vote, standard classification and funding

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Vote Description	R ef	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>	1						
<u>Capital expenditure - Vote</u>							
Vote 1 - Executive and Council		-	-	-	-	-	-
Vote 2 - Municipal Manager		1,830	793	793	850	893	937
Vote 3 - Budget and Treasury Office		-	-	-	-	-	-
Vote 4 - Corporate Services Support		8,450	6,900	6,900	2,000	2,100	2,205
Vote 5 - Growth and Economic Development		4,935	-	-	-	-	-
Vote 6 - District Public Health and Safety		21,090	10,590	10,590	600	-	-
Vote 7 - District Infrastructure Maintenance and Development		291,952	306,430	306,430	279,314	309,160	328,026
<b>Total Capital Expenditure - Vote</b>		<b>328,257</b>	<b>324,713</b>	<b>324,713</b>	<b>282,764</b>	<b>312,153</b>	<b>331,168</b>

For 2015/16 an amount of R 279,314 million has been appropriated for the development of infrastructure which represents 98.7% per cent of the total capital budget. In the outer years this amount totals R 309, 160 million or 99, 04 % and R 328,026 million, 99, 05% respectively for each of the financial years.

Total new projects represent % per cent or R 145 732 million of the total capital budget while asset renewal equates to % per cent or R 132, 032 million. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

## Allocations made by district municipality to local municipalities

DC38 Ngaka Modiri Molema - Supporting Table SA21 Transfers and grants made by the municipality

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash Transfers to other municipalities										
<i>Transfers to municipalities</i>	1	11,496	-	354	-	-	-	-	-	-
<i>Mafikeng Local Municipality</i>		-	-	-	3,000	3,000	3,000	1,000	1,000	1,000
<i>Ditsobotla Local Municipality</i>		-	-	-	2,000	2,000	2,000	1,000	1,000	1,000
<i>Ramotshere Moiloa Local Municipality</i>		-	-	-	2,000	2,000	2,000	1,000	1,000	1,000
<i>Ratlou Local Municipality</i>		-	-	-	1,500	1,500	1,500	1,000	1,000	1,000
<i>Tswaing Local Municipality</i>		-	-	-	2,500	2,500	2,500	1,000	1,000	1,000
<i>Municipality Health &amp; Fire Service</i>		5,183	-	-	-	-	-	-	-	-
<b>Total Cash Transfers To Municipalities:</b>		<b>16,679</b>	<b>-</b>	<b>354</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>

## 7. Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act. The Budget Steering Committee consists of the Municipal Manager and Senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the district's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget. On 19 August 2014 the Mayor tabled in Council the required IDP and budget time schedule as follows: -

- **August 2014** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2015/16 MTREF;
- **November 2014** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2015** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- Council considers the 2014/15 Mid-year Review and Adjustments Budget;
- **February 2015** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2015/16 MTREF is revised accordingly;
- **March 2015** - Tabling in Council of the draft 2015/16 IDP and 2015/16 MTREF for public consultation;
- **April 2015** – Public consultation;
- **May 2015** - Closing date for written comments;
- finalization of the 2015/16 IDP and 2015/16 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- Tabling of the 2015/16 MTREF before Council for consideration and approval.

There were deviations from the key dates set out in the Budget Time Schedule tabled in Council due to challenges that were facing the municipality during the intervention period October 2014.

## **8. IDP and Service Delivery and Budget Implementation Plan**

This is the last review of the IDP which was adopted by Council in May 2011. It started in August 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August. The district IDP is a principal strategic planning instrument which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The process plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2015/16 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections. With regard to the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after the mid-year and fourth quarter performance against the 2014/15 Service Delivery and Budget Implementation Plan.

## **9. Overview of Alignment of Annual Budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area.

The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipalities response to these requirements. The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning.

## **10. Overview of Budget Related-Policies**

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. Given the work backlogs and problems that the municipality experienced during the year, there was not enough time to have a thorough review of the policies. However, there were no changes in legislation or national policies or prescripts that necessitated the changes of existing policies to be in line with the changes. The Municipality should further given the work backlogs and problems that Municipality experienced during the year. Later there was not enough time to do a thorough review of the policies. During the course of the next financial year, attention will be given to identifying any gaps on the policies and where necessary, to effect improvements accordingly.

As a principle any review of tariffs that affects consumers will need to be accompanied by an improvement in the delivery of services. Any review of the current tariffs will need a thorough determination of the rationale on which they are based. It will need to be determined whether tariffs are based on loss recovery, or are market related or are nominal. This matter will be given attention in the new financial year.

The following budget-related policies must be noted for 2015/16 budget.

- Municipal Budget Policy
- Asset Management Policy
- Supply Chain Management Policy
- Cash Management and Investment Policy
- Funding and Reserves Policy
- Policy on Borrowing
- Tariff Policy

## 11. Capital Transfers And Grants Programme

Capital grants and receipts equates to R 296,611 or 36.56% of the total funding source which for the 2015/16 financial year and steadily increase to R 309,160 and R 328 026 for two outer years .

### DC38 Ngaka Modiri Molema - Expenditure on transfers and grant programme

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		169,151	208,146	271,721	286,164	318,426	318,426	296,611	309,160	328,026
Municipal Infrastructure Grant (MIG)		167,463	203,144	245,317	283,852	283,852	283,852	294,295	306,779	325,492
Rural Transport Services and Infrastructure		-	-	-	-	2,775	2,775	-	-	-
Regional Bulk Infrastructure		-	3,226	24,419	-	23,799	23,799	-	-	-
Rural Households Infrastructure		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Rural Roads Asset Management Systems Grant		1,688	1,776	1,985	2,312	8,000	8,000	2,316	2,381	2,534
DPLG/DBSA, Bucket Eradication		12,000	55,714	-	-	-	-	-	-	-
Municipal Water Infrastructure Grant		-	-	18,459	-	-	-	-	-	-
<b>Provincial Government:</b>		3,506	18,217	4,572	-	-	-	-	-	-
IDT - Call Centre, DWAF- ACIP		3,506	18,217	4,572	-	-	-	-	-	-
Provincial Infrastructure Grant		-	37,500	-	-	-	-	-	-	-
Premier Legacy Projects		-	-	-	-	8,000	8,000	-	-	-
DPLGTA Fire Grant		-	-	-	4,200	4,200	4,200	-	-	-
DPLGTA Water and Sanitation Grant		-	-	-	-	-	-	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>		172,657	226,363	276,293	286,164	318,426	318,426	296,611	309,160	328,026

## 12. Capital Budget Expenditure

CAPITAL PROJECTS	VTSD	WARD	STATUS	14/15 FY ACCRUALS	14/15 FY ROLL OVER		NEW PROJECTS	TOTAL BUDGET 15/16 FY	BUDGET 16/17 FY	BUDGET 17/18 FY
					14/15 FY RETENTION	COST TO COMPLETION				
<b>DITSOBOTLA LOCAL MUNICIPALITY</b>										
<b>WATER</b>										
BODIBE WARD 17 WATER RETICULATION	Village	11, 17, 18 & 19	-					R -	R 15,000,000	R 12,000,000
BOIKHUTSO BULK WATER SUPPLY	Township	1 & 2	Retention	R 708,317				R 708,317	R -	R -
GAMOTLATLA WATER SUPPLY	Village	13	-					R -	R 5,000,000	R 15,400,000
GREATER LICHTENBURG BWS	Town	1, 2, 3, 4, 5 & 6	-					R -	R -	R 28,300,000
ITSOSENG BULK WATER SUPPLY PHASE 2 (BULK SUPPLY LINE)	Small Dorpie	7, 8 & 9	Construction	R 1,060,239.64		R 2,569,760		R 3,630,000	R -	R -
MATILE 1 WATER SUPPLY	Village	19	-					R -	R 5,000,000	R 2,000,000
MATILE 2 WATER SUPPLY	Village	19	-					R -	R -	R 12,000,000
MEETMEKAAR AND SPRINGBOKPAN WATER SUPPLY	Village	19	-					R -	R 8,000,000	R 20,000,000
RIETVLEI WATER SUPPLY	Village	14	Tender				R 6,000,000	R 6,000,000	R 300,000	R -
SCHOONGEZICHT WATER SUPPLY	Village	27	-					R -	R 6,000,000	R 4,000,000
VERDWAAL 2 BULK WATER SUPPLY AND RETICULATION	Village	10	Construction	R 1,573,988.23	R 326,012			R 1,900,000	R -	R -
<b>TOTAL WATER</b>				<b>R 3,342,545</b>	<b>R 326,012</b>	<b>R 2,569,760</b>	<b>R 6,000,000</b>	<b>R 12,238,317</b>	<b>R 39,300,000</b>	<b>R 103,700,000</b>
<b>SANITATION</b>										
BLYDEVILLE OUTFALL SEWER UPGRADE	Small Dorpie		Construction	R 2,615,000.00		R 7,585,000		R 10,200,000	R 1,500,000	R -
COLIGNY SEWER NETWORK UPGRADE	Town							R -	R -	R 3,000,000
DITSOBOTLA RURAL SANITATION PROGRAMME	Villages	Multiple Wards	-					R -	R 2,000,000	R 7,000,000
ITEKENG & BIESIESVLEI BULK SANITATION	Small Dorpie	11	Retention	R 104,169.45	R 695,831			R 800,000	R -	R -
ITSOSENG WWTW UPGRADE	Small Dorpie	8 & 9	-					R -	R -	R 3,000,000
LICHTENBURG WWTW	Town	10, 14 & 17	-					R -	R -	R 3,000,000
TLHABOLOGANG BULK SANITATION (WWTW)	Township	12 & 18	Construction			R 25,000,000		R 25,000,000	R 2,700,000	R -
TLHABOLOGANG BULK SANITATION (M & E)	Township	12 & 18	Construction			R 8,365,184		R 8,365,184	R 1,350,000	R -
TLHABOLOGANG BULK SANITATION (OUT FALL SEWER)	Township	12 & 18	Tender				R 24,250,000	R 24,250,000	R 10,000,000	R 1,700,000
<b>TOTAL SANITATION</b>				<b>R 2,719,169</b>	<b>R 695,831</b>	<b>R 40,950,184</b>	<b>R 24,250,000</b>	<b>R 68,615,184</b>	<b>R 17,550,000</b>	<b>R 17,700,000</b>
<b>TOTAL DITSOBOTLA LM PROJECTS</b>				<b>R 6,061,714</b>	<b>R 1,021,842</b>	<b>R 43,519,945</b>	<b>R 30,250,000</b>	<b>R 80,853,501</b>	<b>R 56,850,000</b>	<b>R 121,400,000</b>
<b>MAHIKENG LOCAL MUNICIPALITY</b>										
<b>WATER</b>										
BROOKSBY WATER SUPPLY	Village	24	Retention		R 250,000			R 250,000	R -	R -
DIBONO AND MANAWANA WATER SUPPLY	Village	2	-					R -	R 2,000,000	R 12,000,000
DITHAKONG TSA GA SEHUBA (DITHAKONG EAST & WEST, DITSHILONG AND DIHATSHWANE) WATER SUPPLY	Village	27	-					R -	R -	R 3,000,000
IKOPELENG, DIMOROGOANE WATER SUPPLY	Village	3	Retention	R 171,526.69	R 128,473			R 300,000	R -	R -
LOKALENG WATER SUPPLY	Village	6	Construction	R 1,497,907.05		R 902,093		R 2,400,000	R -	R -
LOKALONG WATER SUPPLY	Village	6	Construction		R 445,574			R 445,574		R -
LOMBAARDSLAAGTE WATER SUPPLY	Village	24	Retention		R 250,000			R 250,000	R -	R -

LOTLHAKANE WATER SUPPLY	Village	23	-					R	-		R	3,000,000
MADIBE-A-TAU WATER SUPPLY	Village	26	-					R	-	R	-	R 3,000,000
LETLHOGORING WATER SUPPLY	Village	26	-					R	-	R	-	R 2,000,000
MORWATSHETLHA WATER SUPPLY	Village	26	-					R	-	R	-	R 2,000,000
SEBOWANA WATER SUPPLY	Village	26	-					R	-	R	-	R 2,000,000
SEPONE WATER SUPPLY	Village	26	-					R	-	R	-	R 2,000,000
MANJA WATER SUPPLY	Village	26	-					R	-	R	-	R 2,000,000
MAKGOKGOANE WATER SUPPLY	Village	33	Construction	R 1,717,481.00		R 15,282,519		R	17,000,000	R	850,000	R -
MAGOGOE KOIKOI AND MAGOGOE CENTRAL( SEWEDING PHOLA PHATSIMA?) WATER SUPPLY	Village	19	Design				R 10,000,000	R	10,000,000	R	20,000,000	R 1,800,000
MAHIKENG BOLA WATER SUPPLY (PH2)LOKALENG TLINKMANS		6						R	-	R	-	R -
MAJEMANTSHO WATER SUPPLY	Village	21	Design	R 1,323,043.96				R	1,323,044	R	10,000,000	R 10,000,000
MIGA WATER SUPPLY	Village	3	Construction			R 500,000		R	500,000	R	-	R -
EMERGENCY UPGRADING & REFURBISHMENT OF MMABATHO WATER TREATMENT WORKS-PH 1								R	-	R	-	R -
MMABATHO WATER PURIFICATION WORKS(PH2)-CIVIL & STRUCTURAL								R	-	R	-	R -
MMABATHO WATER PURIFICATION WORKS(PH3)-M&E								R	-			R -
MOGOSANE WATER SUPPLY	Village	6	Construction			R 3,028,279		R	3,028,279	R	-	R -
MOLETSAMONGWE WATER SUPPLY	Village	6	Construction			R 3,000,000		R	3,000,000	R	400,000	R -
MOOIPAN WATER SUPPLY	Village	24	Retention		R 300,000			R	300,000	R	-	R -
MORAKA WATER SUPPLY								R	-			R -
MOSHAWANE WATER SUPPLY (MAHIKENG)	Village	6	Retention		R 400,000			R	400,000	R	-	R -
MOTLHABENG(MAFIKENG) WATER SUPPLY								R	-			R -
SETLOPO WATER SUPPLY	Village	22	-					R	-	R	-	R 3,000,000
SEWEDING , MAGOGOE TAR, PHOLA & PHATSIMA, MOCOSENG, . TLONG WATER SUPPLY	Village	14, 11,	-					R	-	R	-	R -
SIX HUNDRED WATER SUPPLY	Village	3	-					R	-	R	-	R -
TLAPENG WATER SUPPLY	Village	6	Construction	R 4,101,973.14		R 698,027		R	4,800,000	R	-	R -
TOP VILLAGE BWS & RETICULATION	Village	7	Construction			R 3,000,000		R	3,000,000	R	650,000	R -
TSETSE WATER SUPPLY	Village	3	Retention	R 400,000.00				R	400,000	R	-	R -
WELTEVREDE WATER SUPPLY	Village	24	Retention		R 250,000			R	250,000	R	-	R -
<b>TOTAL WATER</b>				<b>R 9,211,932</b>	<b>R 2,024,047</b>	<b>R 26,410,918</b>	<b>R 10,000,000</b>	<b>R</b>	<b>47,646,897</b>	<b>R</b>	<b>36,900,000</b>	<b>R 63,800,000</b>
<b>SANITATION</b>												
MAHIKENG RURAL SANITATION PROGRAMME	Village	Multiple Wards	-					R	-	R	-	R 10,000,000
UPGRADING MAHIKENG & MMABATHO WWTP-PH 1 CIVIL	Town	12 & 9	Construction	R 649,596.51		R 750,403		R	1,400,000	R	-	R -
UPGRADING MAHIKENG & MMABATHO WWTP-PH 1 M&E	Town	9 & 12	Construction			R 3,000,000		R	3,000,000	R	-	R -
MAHIKENG MMABATHO WWTP PH2		9 & 12	Construction			R 3,000,000		R	3,000,000	R	15,000,000	R 850,000
<b>TOTAL SANITATION</b>				<b>R 649,597</b>	<b>R -</b>	<b>R 6,750,403</b>	<b>R -</b>	<b>R</b>	<b>7,400,000</b>	<b>R</b>	<b>15,000,000</b>	<b>R 10,850,000</b>
<b>TOTAL MAHIKENG LOCAL MUNICIPALITY PROJECTS</b>				<b>R 9,861,528</b>	<b>R 2,024,047</b>	<b>R 33,161,321</b>	<b>R 10,000,000</b>	<b>R</b>	<b>55,046,897</b>	<b>R</b>	<b>51,900,000</b>	<b>R 74,650,000</b>



RAMOTSHERE-MOILoa LOCAL MUNICIPALITY										
WATER										
BRAKLAAGTE WATER SUPPLY	Village	8	Construction	R 395,359.98		R 1,054,640		R 1,450,000	R -	R -
GOPANE WATER SUPPLY	Village	6	-					R -	R -	R 3,000,000
GROOT MARICO BULK WATER SUPPLY	Small Dorpie	17	-					R -	R -	R -
LEEUFONTEIN WATER SUPPLY	Village		-					R -	R -	R 3,000,000
LOBATLA WATER SUPPLY	Village	3	-					R -	R -	R 3,000,000
MMUTSHWEU WATER SUPPLY	Village	8	-					R -	R -	R 2,000,000
MOSHANA WATER SUPPLY	Village	2	Construction			R 10,018,267		R 10,018,267	R 7,000,000	R 850,000
MOTLHABA WATER SUPPLY	Village		-					R -	R -	R 2,000,000
MOTSWEDI WATER SUPPLY	Village	5	-					R -	R -	R 3,000,000
OLIENHOUTPARK WATER AND SEWER RETICULATION PHASE 1	Township	15	Design			R 10,000,000		R 10,000,000	R 850,000	R -
OLIENHOUTPARK WATER AND SEWER RETICULATION PHASE 2	Township	15	Design			R 1,000,000		R 1,000,000	R 8,000,000	R 10,000,000
SUPINGSTAD BULK WATER SUPPLY	Village	1	-					R -	R 4,200,000	R 13,800,000
WELBEDACHT WATER & SEWAGE RETICULATION	Small Dorpie	13	Design			R 13,000,000		R 13,000,000	R 850,000	R -
<b>TOTAL WATER</b>				<b>R 395,360</b>	<b>R -</b>	<b>R 25,054,640</b>	<b>R 10,018,267</b>	<b>R 35,468,267</b>	<b>R 24,400,000</b>	<b>R 50,650,000</b>
SANITATION										
GROOT MARICO WWTP	Small Dorpie	17	Tender			R 10,000,000		R 10,000,000	R 20,000,000	R 1,200,000
GROOTMARICO OUTFALL SEWER & RETICULATION	Small Dorpie	17	Tender			R 10,000,000		R 10,000,000	R 500,000	R -
IKAGELENG OUTFALL SEWER	Township	16	Retention	R 36,726.49	R 463,274			R 500,000	R -	R -
RAMOTSHERE-MOILoa RURAL SANITATION	Villages		Retention	R 680,409.43	R 319,591			R 1,000,000	R 9,500,000	R -
ZEERUST WWTP PHASE 2	Town	15	Tender			R 31,400,000		R 31,400,000	R 37,000,000	R 10,000,000
<b>TOTAL SANITATION</b>				<b>R 717,136</b>	<b>R 782,864</b>	<b>R -</b>	<b>R 51,400,000</b>	<b>R 52,900,000</b>	<b>R 67,000,000</b>	<b>R 11,200,000</b>
<b>TOTAL RAMOTSHERE-MOILoa</b>				<b>R 1,112,496</b>	<b>R 782,864</b>	<b>R 25,054,640</b>	<b>R 61,418,267</b>	<b>R 88,368,267</b>	<b>R 91,400,000</b>	<b>R 61,850,000</b>
RATLOU LOCAL MUNICIPALITY										
WATER										
DISANENG BULK WATER SUPPLY	Village	3	-					R -	R -	R 4,142,000
DITLOUNG WATER SUPPLY	Village	2	Tender			R 5,000,000		R 5,000,000	R 350,000	R -
LOPORUNG WATER SUPPLY EXTENSION	Village	2	-					R -	R 8,000,000	R 5,000,000
MAIPENG WATER SUPPLY	Village	10	-					R -	R -	R 2,000,000
MAYAEYANE WATER SUPPLY	Village	1	Tender			R 6,000,000		R 6,000,000	R 300,000	R -
MASAMANE WATER SUPPLY	Village	1	-					R -	R -	R 6,000,000
MATHATENG WATER SUPPLY EXTENSION	Village	1	-					R -	R -	R 2,000,000
MATLODING WATER SUPPLY EXTENSION	Village	4	-					R -	R 2,000,000	R 5,000,000
PHITSANE-MAKGOBISTAD	Village		-					R -	R -	R 3,000,000
SASANE WATER SUPPLY	Village	2	Tender			R 4,500,000		R 4,500,000	R 350,000	R -
SELOSESHA WATER SUPPLY	Village	2	Tender			R 5,000,000		R 5,000,000	R 350,000	R -
SETLAGOLE BULK WATER SUPPLY	Village	5 & 14	Tender			R 19,000,000		R 19,000,000	R 1,000,000	R -
TSHIDLAMOLOMO WATER SUPPLY UPGRADE	Village	1	Tender			R 1,500,000		R 1,500,000	R 11,500,000	R 550,000
<b>TOTAL WATER</b>				<b>R -</b>	<b>R -</b>	<b>R -</b>	<b>R 41,000,000</b>	<b>R 41,000,000</b>	<b>R 32,850,000</b>	<b>R 45,692,000</b>

<b>SANITATION</b>										
RATLOU RURAL SANITATION	Villages	Multiple Wards	-					R -	R 9,000,000	R -
<b>TOTAL SANITATION</b>				R -	R -	R -	R -	R -	<b>R 9,000,000</b>	<b>R -</b>
<b>TOTAL RATLOU LOCAL MUNICIPALITY</b>				<b>R -</b>	<b>R -</b>	<b>R -</b>	<b>R 41,000,000.00</b>	<b>R 41,000,000</b>	<b>R 41,850,000</b>	<b>R 45,692,000</b>
<b>TSWAING LOCAL MUNICIPALITY</b>										
<b>WATER</b>										
DEELPAN WATER SUPPLY PHASE 2	Village	1						R -	R -	R -
DELAREYVILLE BULK WATER SUPPLY (STORAGE 4.75 ML)	Town	9	Retention		R 1,025,000			R 1,025,000	R -	R -
DELAREYVILLE BULK WATER SUPPLY (BULK SUPPLY LINE)	Town	9	Retention	R 2,500,000				R 2,500,000	R -	R -
DELAREYVILLE X8 WATER RETICULATION	Town	9	-					R -	R -	R -
KHUNWANA WATER SUPPLY	Village	2	-					R -	R 3,000,000	R 5,000,000
MIDDELTON A, B & C, SIONE WATER SUPPLY	Village	3	-					R -	R 1,000,000	R 3,000,000
OTTOSDAL BULK WATER SUPPLY & RETICULATION PHASE 2	Town	13	Design				R 2,000,000	R 2,000,000	R 18,429,000	R 800,000
SANNIESHOF/AGISANANG BULK WATER SUPPLY & RETICULATION	Township	8	Tender				R 6,676,956	R 6,676,956	R 9,000,000	R 1,100,000
<b>TOTAL WATER</b>				<b>R 2,500,000</b>	<b>R 1,025,000</b>	<b>R -</b>	<b>R 8,676,956</b>	<b>R 12,201,956</b>	<b>R 31,429,000</b>	<b>R 9,900,000</b>
<b>SANITATION</b>										
DELAREYVILLE WwTW UPGRADE-PH 2	Town	9	Tender	R 536,709.54				R 6,463,290	<b>R 7,000,000.00</b>	R 350,000
ERADICATION OF BUCKETS IN LETSOPA X 6 AND INSTALLATION OF VIP TOILETS IN DELAREYVILLE X8 AND AGISANANG	Village	12	Retention					R -	R -	R -
SANNIESHOF WWTW	Town	8	Design				R 9,424,378	<b>R 9,424,378.39</b>	R 33,000,000	R 2,000,000
TSWAING RURAL SANITATION	Villages	Multiple wards	Retention		R 400,000			<b>R 400,000.00</b>	R -	R 10,000,000
<b>TOTAL SANITATION</b>				<b>R 536,710</b>	<b>R 400,000</b>	<b>R -</b>	<b>R 15,887,669</b>	<b>R 16,824,378</b>	<b>R 33,350,000</b>	<b>R 12,000,000</b>
<b>TOTAL TSWAING LOCAL MUNICIPALITY</b>				<b>R 3,036,710</b>	<b>R 1,425,000</b>	<b>R -</b>	<b>R 24,564,625</b>	<b>R 29,026,334</b>	<b>R 64,779,000</b>	<b>R 21,900,000</b>
<b>TOTAL CAPITAL PROJECTS</b>				<b>R 20,072,448</b>	<b>R 5,253,754</b>	<b>R 101,735,906</b>	<b>R 167,232,892</b>	<b>R 294,295,000</b>	<b>R 306,779,000</b>	<b>R 325,492,000</b>

From above table, the total amount of R 294, 295 is allocated to capital projects will be utilised to fund accruals of R20, 072 million, retentions of R5.2 million , on-going projects of R 101,735 million and new projects of R167,232 million

### **13. Cost Containment Measures**

The Minister of Finance and the MEC for Finance emphasized the need for cost containment measures. This appeal is even more relevant to this municipality, particularly given the municipality's dire financial situation. The National Treasury issued a directive on cost containment measures in 2013. In this regard, we have to among others; review the strategy of the supply of water to communities through outsourced tankering services. The price the municipality pays for these services is not realistic. If we honestly engage communities and government stakeholders, in the spirit of Saamtrek, and Saamwerk, we definitely can come up with a better solution.

Due to the dire financial situation confronting the municipality, the following cost containment measures are being implemented;

- Moratorium on new contractual commitments
- Moratorium on new personnel appointments
- Moratorium on catering
- Moratorium on S&T for officials
- Moratorium on refreshments

The following cost containment measures are being looked into;

- Review of supplier contracts with the aim of cancellation where necessary
- Restriction on telephone usage
- Moratorium on advertisements
- Minimization on overtime costs
- No purchasing of newspapers
- Strict implementation of the National Treasury cost containment directive

## **14. Recommendations**

It is recommended that Council:

- a. Adopts the 2015/16 -2017/18 Medium Term Revenue and Expenditure (MTREF) budget and accompanying annual budget schedules tables
- b. Adopts the following budget related policies accompanying the MTREF budget for 2015/16-2017/18
  - i. Municipal Budget Policy
  - ii. Asset Management Policy
  - iii. Supply Chain Management Policy
  - iv. Cash Management and Investment Policy
  - v. Funding and Reserves Policy
  - vi. Policy on borrowing
  - vii. Tariff Policy
- c. Adopts the own revenue tariffs accompanying the budget
- d. Adopts the cost-cutting and reduction measures accompanying the budget.