

GERT SIBANDE DISTRICT
MUNICIPALITY



FINAL BUDGET:

2016/17, 2017/18, 2018/19

FINANCIAL YEARS

ITEM C35/05/2015
FINAL BUDGET 2016/17, 2017/18 AND 2018/19 FINANCIAL YEARS
4/1/2 – 2016/17

REPORT OF THE MUNICIPAL MANAGER(CFO)

INTRODUCTION

The purpose of this report is to table the final Budget for the 2016/2017, 2017/2018 and 2018/19 financial years. Further, to inform Council of key focus areas that have influenced the compilation of the above-mentioned budget and to consider recommendations on the financing and approval of this budget. Further the final budget is prepared in compliance with the New Format Reform Initiatives Promulgated in terms of the Gazette No. 32141 Municipal Budget and Reporting Regulations (MBRR).

BACKGROUND

In addition to complying with the New Format in terms of Gazette no 32141, the final budget has been prepared in terms of the latest MFMA Circular no 78 issued on the 7th December 2015 and MFMA Circular no 79 issued on the 7th March 2016. Further, the MFMA requires that the Draft Budget be tabled before 1st April 2016 to comply with the Regulations and the final budget is to be adopted by Council before 31st May 2016.

A Draft budget for the 2016/2017 and ensuing financial years was tabled at a Council meeting held on the 23 March 2016 as per Item C22/03/2016.

In compliance with the above mentioned resolution the following budget workshops were held, with a view to ensure that the due process of public participation and consultation was addressed with the respective Communities within the GSDM area of jurisdiction. All budgeting comments and requests from Communities were taken into consideration and where practical, the final 2016/2017 Budget was amended accordingly.

LOCAL MUNICIPALITY	ACTUAL DATES
Mkhondo	4/04/2016
Dipaleseng	5/04/2016
Lekwa	7/04/2016
Msukaligwa	8/04/2016
Chief Albert Luthuli	11/04/2016
Govan Mbeki	12/04/2016
Dr Pixley Ka Isaka Seme	13/04/2016

OVERVIEW OF THE BUDGET PROCESS AND THE ALIGNMENT OF THE ANNUAL BUDGET WITH THE IDP

It must be noted that the Integrated Development Plan (IDP) was also reviewed and this process allowed the District to re-examine plans and strategies to include strategic matters reflected in the IDP. Also, to ensure that these plans contain strategies that informs Institutional and Financial Planning through the entire budget process.

Further, the final annual budget was fully aligned to the IDP process and is linked to 12 outcomes of Government illustrated per the MFMA Circular no. 54 and the role of Local Government which include the following:

- Improve the quality of basic education
- Improve health and life expectancy
- All people in South Africa protected and feel safe
- Decent employment through inclusive economic growth
- A skilled and capable workforce to support inclusive growth
- An efficient, competitive and responsive economic infrastructure network
- Vibrant, equitable and sustainable rural communities and food security
- Sustainable human settlements and improved quality of household life
- A response and , accountable, effective and efficient local government system
- Protection and enhancement of environmental assets and natural resources
- A better South Africa, a better and safer Africa and world
- A development-orientated public service and inclusive citizenship

In addition in compiling the final Budget MFMA Circular No 78 MFMA dated 7th December 2015 and Circular No 79 dated 7th March 2015 service improvements guides where practical were taken into consideration.

FACTORS INFLUENCING THE BUDGET

The headline inflation forecasts is recommended in terms of the MFMA Circular No 79 when preparing the 2016/2017 budgets and MTREF are as follows:

<u>Year</u>	<u>Percentage</u>
2016/2017	- 6.6%
2017/2018	- 6.2%
2018/2019	- 5.9%

FUNDING CHOICES AND MANAGEMENT ISSUES IN TERMS OF CIRCULAR

Priority of expenditure still needs to be taking into consideration the following:

- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- Protecting the poor;
- Ensure that public investments, services regulations and incentives are focused in defined spatial areas (spatial targeting) to optimize overall connectivity and access to opportunities;
- Provide clear signals to private sector;
- Transport, human settlements, bulk infrastructure, economic infrastructure, land use management (e.g. zoning), tax and subsidy incentives;
- Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation;
- Securing the health of their assets base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance ;
- Expediting spending on capital projects that are funded by conditional grants;

- Ensuring that borrowed funds are invested in revenue generating assets as part of the capital programme; and
- To implement cost containment measures.

FUNDING CHOICES AND MANAGEMENT ISSUES IN TERMS OF CIRCULAR no.78 and 79

The Circulars reflects on the following aspects:

- Employee related costs in terms of a collective agreement commencing the 1st of July 2015 to the 30th June 2018.
 - *2015/16 Financial Year – 7 per cent*
 - *2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent*
 - *2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent*
- General-Expenditure (Cost-containment measures and non-priority spending) – Municipalities to continue to implement the cost-containment measures on the six focus areas namely;
 - Consultancy fees
 - No credit cards
 - Travel and related costs
 - Advertising
 - Catering
 - Events costs and accommodation
- Budgeting for unfunded/ underfunded mandates
- Municipalities must prioritize for the provision of basic services such as electricity, water, sanitation and refuse removal.
- Municipalities are reminded to implement issues that were dealt with in previous circulars which are 48, 51, 54, 55, 66, 67 and 70.

COST-CONTAINMENT MEASURES ISSUES IN TERMS OF CIRCULAR no.82

It must be highlighted that National Treasury recommends that in the preparation of the Final Budget the measures contained in the abovementioned Circular should be taken into consideration. Further, it must be noted that measures implemented together with regular reports need to be submitted to MPAC for review and recommendations to Council on additional measures to be taken.

The Circular reflects in particular on the following aspects:

- Engagement of Consultants
- Travel and subsistence
- Air Travel
- Domestic Hotel Accommodation
- Vehicle Hire
- Credit Cards
- Catering Costs
- Events, advertising and sponsorship
- Conferences, meetings, study tours, etc
- Office furnishing
- Staff study, perks and suspension costs
- Cost containment on other related expenditure items.

INCOME PROJECTIONS OVER THE ENSUING YEARS

Detail	Budget 2016/2017 R	Budget 2017/2018	Budget 2018/2019
Revenue			
Grants	287,818,000	289,474,000	301,322,000
Interest on investments	5,500,000	5,830,000	6,179,800
Income from tariffs	2,200,000	2,332,000	2,471,920
Other income	545,300	578,030	612,710
DWS funding – RBIG	97,264,000	89,400,000	152,621,000
Contribution Accumulated Surplus	42,621,365	29,732,680	24,535,700
Total Income	435,948,665	417,346,710	487,743,130

Grant Income

The Revenue Replacement Grant Equitable Share and other related grants FMG,MSIG, increases are 1.1% in the 2016/2017 per annum on a year-on-year basis and 2.1% thereafter these funds are utilized to fund material infrastructural project expenditure on behalf of the seven local municipalities, within the GSDM area of jurisdiction. In addition, the unconditional grants are utilized to fund expenditure allocations in terms of the Administration of the Act.

The Grant Income is made up as follows:

Detail	Budget 2016/17 R
<u>GRANTS</u>	
Equitable Share and Revenue Replacement Grant	275 755 000
Rural Roads Assets Management Systems Grant	2 200 000
Financial Management Grant	1 250 000
Expanded Public works Programme Integrated Grant for LMS-Planning	3 113 000
Infrastructure Skills Development Grant	5 500 000
Sub Total	287 818 000
Regional Bulk Infrastructure Grant	97,264,000
Total	385,082,000

The Department of Water Affairs (DWS) have agreed to allocate funding regarding the RBIG Projects are for the following Local Municipalities:

- Chief Albert Luthuli Local Municipality
- Dipaleseng Local Municipality

Income from Tariffs

The tariff income earnings relate to income from the Laboratory operations and the Health monitoring operations on By-Laws for the MTREF period. Also, in this regard tariff income is likely to be earned from local municipalities and other stakeholders that will be utilising the services of the laboratory.

Interest & Other Income

Interest earnings are likely to be received from the major financial institutions where GSDM Investments are held. Other income comprises the sale of tenders and telephone recoupment, deposits on tenders etc.

Description	BUDGET	BUDGET	BUDGET
	2016/2017	2017/2018	2018/2019
DEPOSIT TENDERS	-200,000	-212,000	-224,720
REFUND TELEPHONE	-95,300	-101,030	-107,090
LGSETA INCOME	-250,000	-265,000	-280,900
Total	-545,300	-578,030	-612,710

EXPENDITURE PROJECTIONS OVER THE ENSUING YEARS

Outlined below are the overall expenditure projections for the ensuing years:-

Detail	Budget 2016/2017 R	Budget 2017/2018	Budget 2018/2019
Expenditure			
Allocations to Local Municipalities	50,620,000	48,620,000	48,620,000
Transfer Projects	22,086,325		
RBIG Projects	97,264,000	89,400,000	152,621,000
Departmental Allocations	36,471,700	36,721,700	37,016,700
Administration of the Act	211,506,640	224,105,010	240,485,430
Donations	1,500,000	1,500,000	1,500,000
Capital Expenditure	16,500,000	17,000,000	7,500,000
Total Expenditure	435,948,665	417,346,710	487,743,130

Further, expenditure is applied with a view to addressing backlogs in mainly service delivery type of projects. The project expenditure referred to above mainly relate to Road, Water, Water quality testing, Sanitation, Electricity Infrastructural Projects, Operation and Maintenance Support, Sports Facilities and job creation Phezukomkhono activities.

ALLOCATIONS TO LOCAL MUNICIPALITIES

Funding has also been provided for the Direct Allocations on behalf of Local Municipalities over the three year MTREF period. With regard to the Direct Allocations these amounts relate to project

expenditure financed on behalf of the seven local municipalities, which predominantly relate to infrastructural projects.

Projects have been identified for the amount of R509.2 million(including RBIG allocations) over the MTREF three year period as per attached documents.

With regard to the Departmental Allocations, funds were mainly applied towards bursaries, people with disabilities, municipal health, co-operatives, LED and Tourism. ensuring that other subsidiary activities are performed adequately. The departmental allocations needs to be prioritized and be in compliance with the Powers and Functions of the District Council.

DEPARTMENTAL ALLOCATIONS

DETAIL	Budget	Budget	Budget
	2016/2017	2017/2018	2018/2019
DEPARTMENT -OFFICE - EXE MAYOR			
DONATIONS	500,000	500,000	500,000
MAYORAL EXCELLANCE AWARDS	400,000	400,000	400,000
CO-ORDINATION HIV AND AIDS	600,000	600,000	600,000
YOUTH DEVELOPMENT	2,000,000	2,000,000	2,000,000
WOMEN'S DEVELOPMENT CAPACITY	300,000	300,000	300,000
RELIGIOUS AFFAIRS(MORAL REGENA	100,000	100,000	100,000
OFFICE - RIGHTS OF THE CHILD	100,000	100,000	100,000
PEOPLE WITH DISABILITY	200,000	200,000	200,000
MAYORAL IMBIZO'S	1,300,000	1,300,000	1,300,000
TRADITIONAL FESTIVALS(DONATIONS)	1,000,000	1,000,000	1,000,000
PROMOTION OF THE DISTRICT/COMM	1,600,000	1,600,000	1,600,000
	8,100,000	8,100,000	8,100,000
OFFICE OF THE SPEAKER/ CHIEF WHIP			
CAPACITY BUILDING	1,000,000	1,000,000	1,000,000
COMMUNITY PARTICIPATION	1,000,000	1,000,000	1,000,000
VOTERS EDUCATION	2,000,000	2,000,000	2,000,000
	4,000,000	4,000,000	4,000,000
DEPARTMENT - PLANNING & ECO DEV			
REVENUE COLLECTION/DATA CLEANS	1,721,500	1,721,500	1,721,500
TRADITIONAL AFFAIRS/PROJECTS	1,000,000	1,000,000	1,000,000
LED, TOURISM AND AGRICULTURE	1,000,000	1,000,000	1,000,000
IDP - NEW AND UPDATE	350,000	350,000	350,000
REGIONAL AIRPORT PLANNING	200	200	200
CO - OPERATIVES	500,000	500,000	500,000
MUNICIPAL PLANNING SECTOR PLAN	250,000	250,000	250,000
RURAL AND AGRI DEVELOPMENT	500,000	500,000	500,000
	5,321,700	5,321,700	5,321,700
DEPARTMENT - INFRA & TECH SERVICES			
ALLOCATION TO MUNICIPALITIES	67,706,325	43,620,000	43,620,000
RBIG PROJECTS	97,620,000	89,400,000	152,621,000
	164,970,325	133,020,000	196,241,000
DEPARTMENT - CORPORATE SEVICES			
BURSARIES	1,500,000	1,500,000	1,500,000
IT FOR THE REGION	1,400,000	1,540,000	1,694,000

ISDG	5,500,000	5,500,000	5,500,000
	8,400,000	8,540,000	8,694,000
DEPARTMENT - COM & SOCIAL SEVICES			
CULTURE, SPORT & RECREATION	2,100,000	2,100,000	2,100,000
MUNICIPAL HEALTH	1,000,000	1,000,000	1,000,000
GSCM MARATHON - ANNUAL EVENT	700,000	700,000	700,000
REG LIBRARY & INFORMATION SERV	600,000	600,000	600,000
ENVIROMENTAL SERVICES	500,000	500,000	500,000
	4,900,000	4,900,000	4,900,000
DEPARTMENT - FINANCIAL SERVICES			
EMERGENCY/CONTINGENCIES	500,000	500,000	500,000
OPERATION CLEAN AUDIT	2,800,000	2,800,000	2,800,000
	3,300,000	3,300,000	3,300,000
DEPARTEMENTAL ALLOCATION - HUMAN SETTLEMENT			
DISASTER MANGEMENT	750,000	750,000	750,000
RURAL ROADS ASSET MAN SYSTEMS	2,200,000	2,310,000	2,451,000
HIRING OF EARTHMOVING AND ROAD	1,000,000	1,000,000	1,000,000
POTHOLE REPAIR	5,000,000	5,000,000	5,000,000
	8,950,000	9,060,000	9,201,000
GRAND TOTAL	207,942,025	176,241,700	239,757,700

ADMINISTRATION OF THE ACT

Illustrated below is the Administration of the Act expenditure over the three year MTREF period.

Detail	Budget 2016/2017	Budget 2017/2018	Budget 2018/2019
<u>COUNCIL</u>			
Executive Mayor & Mayoral Committee	9,892,840	10,486,410	11,115,600
Speaker, Chief Whip & Councillors	8,433,910	8,939,950	9,476,350
Council Support	7,976,270	8,454,850	8,962,160
Communication	2,578,460	2,733,170	2,897,160
TOTAL: Council	28,881,480	30,614,380	32,451,270
<u>MUNICIPAL MANAGER</u>			
Municipal Manager	4,800,520	5,088,550	5,393,870
Internal Audit	7,660,940	8,120,610	8,607,860
TOTAL: Municipal Manager	12,461,460	13,209,160	14,001,730
<u>PLANNING & ECONOMIC DEVELOPMENT</u>			
Planning Services	10,181,610	10,792,490	11,440,040
IDP	1,318,400	1,397,490	1,481,340
TOTAL: Planning & Economic Development	11,500,010	12,189,980	12,921,380
<u>CORPORATE SERVICES</u>			
Building	28,375,200	30,077,720	31,882,380
IT	10,481,110	11,109,970	11,776,570
Legal	2,999,180	3,179,140	3,369,900
Human Resources	6,940,430	7,356,860	7,798,280

Administration	17,426,480	18,472,060	19,580,420
TOTAL: Corporate Services	66,222,400	70,195,750	74,407,550
FINANCE			
Finance	11,862,850	12,574,630	13,329,100
Supply Chain Management	4,703,320	4,985,500	5,284,640
Municipal Management & Support	1,772,490	1,878,840	1,991,570
MSIG	0	0	3,123,000
TOTAL: Finance	18,338,660	19,438,970	23,728,310
MUNICIPAL INFRASTRUCTURE & SERVICES			
Planning, Implementation & Support	7,897,880	8,371,760	8,874,050
Infrastructure Maintenance	6,970,290	7,388,500	7,831,820
Water & Sanitation	9,572,540	10,146,900	10,755,720
TOTAL: Municipal Infrastructure & Services	24,440,710	25,907,160	27,461,590
COMMUNITY & SOCIAL SERVICES			
Community & Social Services	10,822,170	11,471,480	12,159,770
Municipal Health Services	20,348,360	21,477,280	22,576,920
TOTAL: Community & Social Services	31,170,530	32,948,760	34,736,690
HUMAN SETTLEMENT & PUBLIC SAFETY			
Human settlement	8,408,840	8,913,360	9,448,170
Disaster Management	10,082,550	10,687,490	11,328,740
TOTAL: Human Settlement & Public Safety	18,491,390	19,600,850	20,776,910
GRAND TOTAL	211,506,640	224,105,010	240,485,430

EXPENDITURE BREAKDOWN – With reference to the Administration of the Act Allocations

As referred to below are the consolidated expenditure categories relating to the Administration of the Act Financial figures.

Detail	Budget 2016/2017	Budget 2017/2018	Budget 2018/2019
	R	R	R
Salaries and wages	105,837,800	112,188,050	118,919,340
Social Contributions	23,449,970	24,856,970	26,348,410
Councillor Allowances	13,245,750	14,040,500	14,882,920
Depreciation	20,662,900	21,902,670	23,216,840
Repair and Maintenance	8,824,000	9,353,440	9,914,660
Contracted Services	800,000	848,000	898,880
General Expenditure	38,686,220	40,915,380	46,304,380
Total	211,506,640	224,105,010	240,485,430

DONATIONS

During the course of the ensuing financial years applications are normally received for Council to consider whether assistance may be rendered toward community related projects in dire need of financial support.

During the course of the ensuing years the following amounts are recommended.

Year	Amount (R)
2016/17	1,500,000
2017/18	1,500,000
2018/19	1,500,000

FINANCING OF THE BUDGET

Outlined below is a summary of the Revenue and Expenditure for the three year MTREF Financial Years.

Detail	Budget 2016/2017 R	Budget 2017/2018	Budget 2018/2019
Revenue			
Grants	287,818,000	289,474,000	301,322,000
Interest on investments	5,500,000	5,830,000	6,179,800
Income from tariffs	2,200,000	2,332,000	2,471,920
Other income	545,300	578,030	612,710
DWS funding – RBIG	97,264,000	89,400,000	152,621,000
Contribution Accumulated Surplus	42,621,365	29,732,680	24,535,700
Total Income	435,948,665	417,346,710	487,743,130

CAPITAL BUDGET

The Capital Budget for the ensuing years are summarized as follows:

Description	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
FURNITURE AND EQUIPMENT	500 000	500 000	500 000
COMPUTER EQUIPMENT	1 000 000	1 000 000	1 000 000
DISASTER CENTRE DR PIXLEY KA ISAKA	12 000 000	12 000 000	3 000 000
LAB EQUIPMENT	500 000	500 000	500 000
VEHICLES	2 500 000	1 500 000	1 500 000
MOBILE AIR QUALITY EQUIPMENT	0	1 500 000	1 000 000
TOTAL	16 500 000	17 000 000	7 500 000

RECOMMENDATIONS OF THE EXECUTIVE MAYOR

1. That the Final MTREF Budget for 2016/2017, 2017/2018, and 2018/2019 **BE APPROVED**, together with the attachments, Annexures A – 1 to A – 29 relating to Administration votes and B -1 to B – 3 relating to Allocations to Local Municipalities, C-1 to C-21 relating to MFMA Circular 78, D-1 to D-16 relating to MFMA Circular No. 79 and E – 1 to E – 11 relating to MFMA Circular 82 regarding Cost-containment Measures, F - 1 to F- 16 relating to mSCOA Circular No. 80 together with the Local Government Assessment of the 2016/17 MTREF – G – 1 to G – 17. Also H -1 To H – 2 relating to the RBIG Grant.
2. That the Final categories relating to the MTREF Budget of Capital and Operating Expenditure as illustrated per the table below for 2016/2017, 2017/2018, and 2018/2019, **BE APPROVED**.

Detail	Budget 2016/2017 R	Budget 2017/2018	Budget 2018/2019
Revenue			
Grants	-287,818,000	-289,474,000	-301,322,000
Interest on investments	-5,500,000	-5,830,000	-6,179,800
Income from tariffs	-2,200,000	-2,332,000	-2,471,920
Other income	-545,300	-578,030	-612,710
DWA funding – RBIG	-97,264,000	-89,400,000	152,621,000
Contribution Accumulated Surplus	-42,621,365	-29,732,680	-24,535,700
Total Income	435,948,665	417,346,710	487,743,130
Expenditure			
Allocations to Local Municipalities	50,620,000	48,620,000	48,620,000
Transfer Projects	22,086,325		
RBIG Projects	97,624,000	89,400,000	152,621,000
Departmental Allocations	36,471,700	36,721,700	37,016,700
Administration of the Act	211,506,640	224,105,010	240,485,430
Donations	1,500,000	1,500,000	1,500,000
Capital Expenditure	16,500,000	17,000,000	7,500,000
Total Expenditure	435,948,665	417,346,710	487,743,130

3. That the capital budget tabled below **BE approved**.

Description	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
FURNITURE AND EQUIPMENT	500 000	500 000	500 000
COMPUTER EQUIPMENT	1 000 000	1 000 000	1 000 000
DISASTER CENTRE DR PIXLEY KA ISAKA	12 000 000	12 000 000	3 000 000
LAB EQUIPMENT	500 000	500 000	500 000
VEHICLES	2 500 000	1 500 000	1 500 000
MOBILE AIR QUALITY EQUIPMENT	0	1 500 000	1 000 000
TOTAL	16 500 000	17 000 000	7 500 000

4. That the Budget consultation meetings which were advertised resulting in the respective consultations with the stakeholders and which were held at the following Local Municipalities, **BE NOTED**

LOCAL MUNICIPALITY	ACTUAL DATES
Mkhondo	4/04/2016
Dipaleseng	5/04/2016
Lekwa	7/04/2016
Msukaligwa	8/04/2016
Chief Albert Luthuli	11/04/2016
Govan Mbeki	12/04/2016
Dr Pixley Ka Isaka Seme	13/04/2016

5. That the projects for the Local Municipalities(Annexure B – 1 to B – 3) for the 2016/2017, 2017/2018, and 2018/2019 financial years, **BE APPROVED**.

6. That, the Statutory tables referred to in annexure I - 1 to I - 68 and attached to this report in terms of the New Budget Format and reporting regulations, **BE APPROVED:-**

- | | | | |
|------|------------------------|---|---|
| 6.1 | Table A1 | - | Budget Summary |
| 6.2 | Table A2 | - | Budgeted financial performance by Standard Classification |
| 6.3 | Table A3 | - | Budgeted financial performance by vote |
| 6.4 | Table A4 | - | Budgeted financial performance by revenue source & expenditure type |
| 6.5 | Chart A1 | - | Revenue by Municipal Vote Classification |
| 6.6 | Chart A2a
Chart A2b | - | Expenditure by Municipal Vote |
| 6.7 | Chart A3 | - | Revenue by Standard Classification |
| 6.8 | Chart A4 | - | Expenditure by Standard Classification |
| 6.9 | Chart A5/A | - | Revenue by source - major |
| 6.10 | Table A5 | - | Budgeted Capital Expenditure by vote, Std Class and funds |
| 6.11 | Chart A6 | - | Revenue by source - minor |
| 6.12 | Chart A7 | - | Expenditure by type |
| 6.13 | Table A6 | - | Budgeted financial position |
| 6.14 | Table A7 | - | Budgeted cash flow |
| 6.15 | Table A8 | - | Cash back reserves/ accumulated surplus reconciliation |
| 6.16 | Table A9 | - | Asset Management |
| 6.17 | Table A10 | - | Basic service delivery measurement |

7. That, the following budget related policies tabled and reviewed by the By-Laws and Policies Committee **BE APPROVED:-**

- Supply Chain Management Policy
- Cash Management and Investment Policy
- Budget Policy
- Fixed Assets Policy
- Tariffs for Municipal Health and Environmental Services/ water quality services
- Impairment of Sundry Debtors Policy

- g) Virement Policy
 - h) Petty Cash Policy
8. That the organogram as approved on 29 May 2015 as per **Annexure J – 1 to J - 24** be **BE NOTED**.
 9. That, the Municipal Manager be delegated to authorize the Quality Certificate relating to the Annual Budget and supporting documentation attached per **Annexure K - 1**, **BE APPROVED**.
 10. That the service delivery and budget implementation plan (SDBIP) for the 2016/2017 financial year be submitted to the Executive Mayor in compliance with the MFMA regulations, **BE NOTED**.

Gert Sibande District
Municipality

NEW BUDGET FORMAT PREPARED IN TERMS OF GAZETTE
NO. 32141 MUNICIPAL BUDGET AND REPORTING
REGULATIONS (MBRR)

ANNUAL BUDGET



2016/2017, 2017/2018 &
2018/2019

Gert Sibande District Municipality

VISION

"A District Municipality striving to Excel in Good Governance and Quality Infrastructure"

MISSION

Ensuring a better life for all in the District through:

- *Municipal Infrastructure Development*
- *Economic and Tourism Promotion*
- *Functioning Ward Committee System*
- *Community and Stakeholder Participation*
- *Efficient Systems and Administration*
- *Human Development*

CORPORATE VALUES

- *Customer Focus*
- *Accountability*

- *Responsiveness*
- *Service Oriented*

NEW DISCLOSURE REQUIREMENTS

ANNUAL BUDGET 2016/17; 2017/18 & 2018/19 YEARS IN TERMS OF THE MUNICIPAL BUDGET AND REPORTING REGULATIONS (MBRR)

In order to comply with the legislative requirements in terms of the new format initiatives promulgated in terms of the Gazette No 32141, Municipal Budgets and Reporting Regulations (MBRR) the Annual Budget comprises of three (3) main parts with Supporting Information, Charts and explanations of trends and deviations.

Part 1 – Annual Budget Disclosures.

These Annexures contain Tables A1 – A10 and Charts A1 – A7. Further, under Part 1 is the Foreword of the Executive Mayor and Schedule 1 – Draft Resolution on approval of the Annual Budget.

Part 2 – Supporting Documents.

The supporting tables SA1 – SA37 – Refer annexures I -19 to I – 68.

The Budget related Policies per Annexures together with the MFMA Circulars are as follows:

POLICIES

- Supply Chain Management Policy
- Cash Management and Investment Policy
- Budget Policy
- Virement Policy
- Fixed asset policy
- Tariffs For Municipal Health and Environmental services/ water quality services
- Petty Cash Policy
- Impairment Of Sundry Debtors Policy

CIRCULARS

- MFMA Circular No 78
- MFMA Circular No 79
- MFMA Circular No 82
- MSCOA Circular 80

Budget Implementation Plans.

That the Service Delivery and Budget Implementation Plan (SDBIP) for the 2016/2017 Financial Year will be submitted to the Executive Mayor in terms of the MFMA regulations in compliance with the Statutory deadlines.

NEW FORMAT

The new format relating to the 2016/2017 budget and the ensuing years is attached herewith.

FOREWORD

BY THE EXECUTIVE MAYOR ON THE FINAL MTREF BUDGET FOR THE 2016/2017, 2017/2018 AND 2018/19 FINANCIAL YEARS

It gives me great pleasure to present the Final Budget for the 2016/2017 and ensuing years in terms of the Medium Term Revenue and Expenditure Framework (MTREF).

The budget had been fully aligned to the Integrated Development Plan for the 2016/2017 financial year. Further, there had been budget consultation meetings regarding all the GSDM's constituent Local Municipalities. In addition consultations were held with various Stakeholders using the Annual IDP / Budget Mayoral Outreaches, IDP Representative Forum and other IGR Structures Institutionalized within our Municipality. These consultations ensured that all Key Stakeholders had the ability to participate fully and meaningfully and thereby comment on the Budget before Council's final adoption process is undertaken.

This year's 2016/2017 budget was primarily based on the twelve outcomes reflected in the National Treasury Guidelines as well as mandates which are as follows:

- Improve the quality of basic education
- Improve health and life expectancy
- All people in South Africa protected and feel safe
- Decent employment through inclusive economic growth
- A skilled and capable workforce to support inclusive growth
- An efficient, competitive and responsive economic infrastructure network
- Vibrant equitable and sustainable rural communities and food security
- Sustainable human settlements and improved quality of household life
- A response and, accountable, effective and efficient local government system
- Protection and enhancement of environmental assets and natural resources
- A better South Africa, a better and safer Africa and World
- A development-orientated public service inclusive citizenship

The primary goals to be attained by the District Municipality relate to appropriate service delivery objectives and funds had to be reprioritized to cater for the dire needs of communities.

In terms of the Division of Revenue Act (DORA) funds have been promulgated for the District at increases of approximately 1- 2% on a year on year basis and the District allocates the majority of its funds on infrastructural projects relating to projects within the area of jurisdiction of the local municipalities. These projects are mainly infrastructural relating to Electricity, Water, Sanitation, Roads, Operation & Maintenance, Regional Sports Facilities and other related projects. Further, the District has been adopting a prudent approach in the equitable distribution of grant funding and the applicable allocations to the LM's. Once again the budget has been prepared on the basis of addressing backlogs relating to basic services and the refurbishment of existing network services. In addition, a major priority of the District has been to earmark funding towards addressing the major concerns relating to the quality of municipal drinking water and the enhancement of projects relating to Sanitation.

The District has always maintained strong financial viability in undertaking its business operations. In addition the 2016/2017 budget has been prepared with a view of implementing significant cost curtailment initiatives/measures and once again the major portion of funding has been directed towards addressing essential service delivery activities, thereby excluding non priority items.

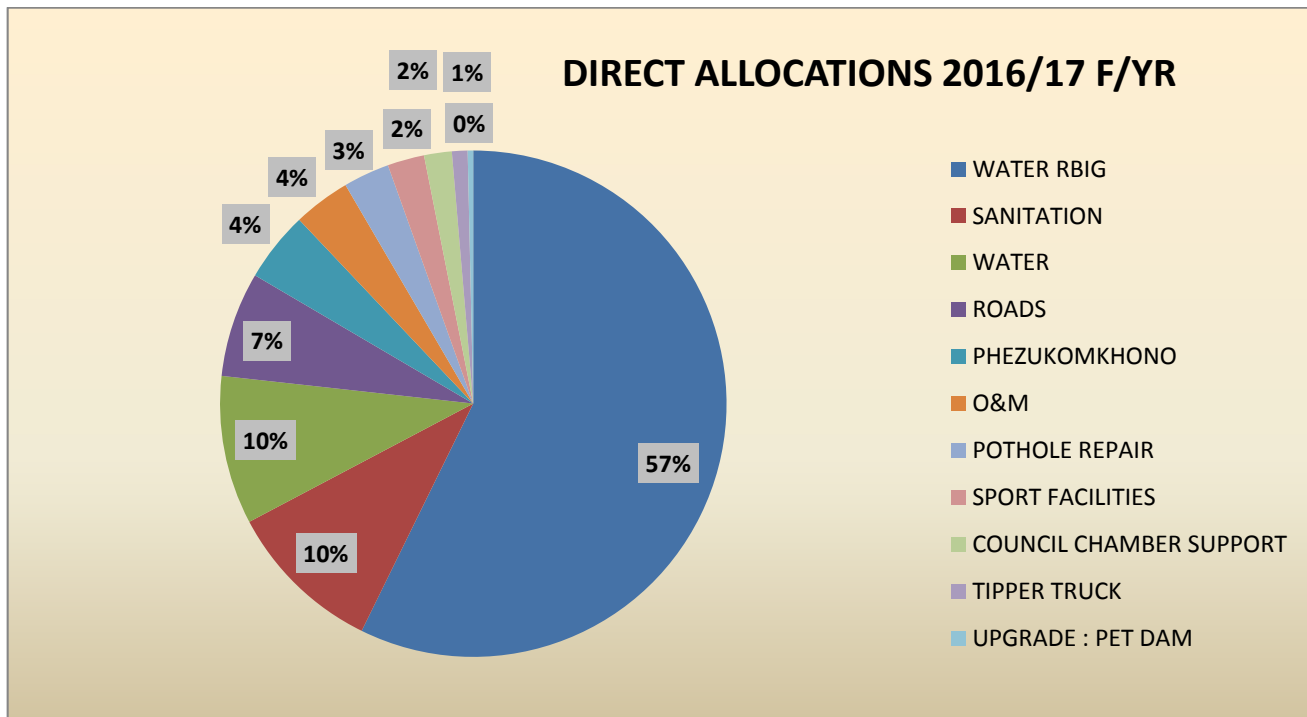
The District would be administering a budget of R370.6 million for the 2016/2017 financial year.

GRAPHICAL REPRESENTATIONS OF INFRASTRUCTURAL PROJECTS BEING FUNDED BY THE DISTRICT

The main categories of projects whereby funding would be applied are as follows:-

Project Category DIRECT ALLOCATIONS - 2016/2017 Financial Year

CATEGORY	R Mill	%
WATER RBIG	97	57.00%
SANITATION	17	10.00%
WATER	16	9.00%
ROADS	11	7.00%
PHEZUKOMKHONO	8	4.00%
O&M	6	4.00%
POTHOLE REPAIR	5	3.00%
SPORT FACILITIES	4	2.00%
COUNCIL CHAMBER SUPPORT	3	2.00%
TIPPER TRUCK	2	1.00%
UPGRADE : PET DAM	1	0.10%



As illustrated on the previous page and in order to ensure that the above-mentioned objectives are achieved, funding of R16.4 million is to be applied predominately towards addressing the degenerating road conditions, R130.9 million for water and sanitation projects (Inclusive of RBIG) in all Local Municipalities. Further to that the District Municipality is also supporting the majority of Local Municipalities with Operations and Maintenance to the amount of R 6.25 million, Sport related infrastructure to the amount of R 4.0million. The District also provide support to the Local Municipality- Chief Albert Luthuli regarding the Council Chambers in Chief Albert Luthuli LM to the amount of R 3 million.

In addition to the Infrastructural Project expenditure referred to above the District is providing funding amounting to R7.6million relating to Job Creation in the form of the Phezukomkhono initiatives which is now in its third year of implementation. Further an amount of R1.75million is being allocated towards the funding of a Tipper Truck for Dr Pixley Ka Isaka Seme.

The District as a result of its 2016/17 payroll expenditure allocations together with the proposed vacant positions is anticipated to be pegged at 33% in comparison relative to the total budget which is deemed to be below the norm of 35% benchmarked for Municipalities.

Owing to the devolution of the health related functions the district had additional Municipal Health Practitioners (MHP) transferred from Province. Further appointments had to made with regards to drivers for the graders and the salary expenditure increased by approximately 6% in comparison to the previous year.

It must be noted that the Executive Summary and the supporting documentation attached herewith, illustrates in detail the various funding allocations for the ensuing 2016/2017 financial year and with a view of complying with Section 22 (B)(1) of the MFMA, the Budget needs to be submitted to National –and- Provincial Treasury by no later than the 30th June 2016.

RECOMMENDATIONS OF THE EXECUTIVE MAYOR

1. That the Final MTREF Budget for 2016/2017, 2017/2018, and 2018/2019 **BE APPROVED**, together with the attachments, Annexures A – 1 to A – 29 relating to Administration votes and B -1 to B – 3 relating to Allocations to Local Municipalities, C-1 to C-21 relating to MFMA Circular 78, D-1 to D-16 relating to MFMA Circular No. 79 and E – 1 to E – 11 relating to MFMA Circular 82 regarding Cost-containment Measures, F -1 to F -16 relating to mSCOA Circular No. 80 together with the Local Government Assessment of the 2016/17 MTREF – G-1 to G -17. Also H – 1 to H – 2 relating to the RBIG Grant.
2. That the Final categories relating to the MTREF Budget of Capital and Operating Expenditure as illustrated per the table below for 2016/2017, 2017/2018, and 2018/2019, **BE APPROVED**.

Detail	Budget 2016/2017 R	Budget 2017/2018	Budget 2018/2019
Revenue			
Grants	-287,818,000	-289,474,000	-301,322,000
Interest on investments	-5,500,000	-5,830,000	-6,179,800
Income from tariffs	-2,200,000	-2,332,000	-2,471,920
Other income	-545,300	-578,030	-612,710
DWA funding – RBIG	-97,264,000	-89,400,000	152,621,000
Contribution Accumulated Surplus	-42,621,365	-29,732,680	-24,535,700
Total Income	435,948,665	417,346,710	487,743,130
Expenditure			
Allocations to Local Municipalities	50,620,000	48,620,000	48,620,000
Transfer Projects	22,086,325		
RBIG Projects	97,624,000	89,400,000	152,621,000
Departmental Allocations	36,471,700	36,721,700	37,016,700
Administration of the Act	211,506,640	224,105,010	240,485,430
Donations	1,500,000	1,500,000	1,500,000
Capital Expenditure	16,500,000	17,000,000	7,500,000
Total Expenditure	435,948,665	417,346,710	487,743,130

3. That the capital budget tabled below **BE approved**.

Description	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
FURNITURE AND EQUIPMENT	500 000	500 000	500 000
COMPUTER EQUIPMENT	1 000 000	1 000 000	1 000 000
DISASTER CENTRE DR PIXLEY KA ISAKA	12 000 000	12 000 000	3 000 000
LAB EQUIPMENT	500 000	500 000	500 000
VEHICLES	2 500 000	1 500 000	1 500 000
MOBILE AIR QUALITY EQUIPMENT	0	1 500 000	1 000 000
TOTAL	16 500 000	17 000 000	7 500 000

4. That the Budget consultation meetings which was advertised appropriately consultative with the stakeholders were held at the following Local Municipalities, **BE NOTED**

LOCAL MUNICIPALITY	ACTUAL DATES
Mkhondo	4/04/2016
Dipaleseng	5/04/2016
Lekwa	7/04/2016
Msukaligwa	8/04/2016
Chief Albert Luthuli	11/04/2016
Govan Mbeki	12/04/2016
Dr Pixley Ka Isaka Seme	13/04/2016

5. That the projects for the Local Municipalities(Annexure B – 1 to B -3) for the 2016/2017, 2017/2018, and 2018/2019 financial years, **BE APPROVED.**

6. That, the statutory tables referred to in annexure I - 1 to I - 68 and attached to this report in terms of the New Budget Format and reporting regulations, **BE APPROVED:-**

6.1	Table A1	-	Budget Summary
6.2	Table A2	-	Budgeted financial performance by Standard Classification
6.3	Table A3	-	Budgeted financial performance by vote
6.4	Table A4	-	Budgeted financial performance by revenue source & expenditure type
6.5	Chart A1	-	Revenue by Municipal Vote Classification
6.6	Chart A2a Chart A2b	-	Expenditure by Municipal Vote
6.7	Chart A3	-	Revenue by Standard Classification
6.8	Chart A4	-	Expenditure by Standard Classification
6.9	Chart A5/A	-	Revenue by source - major
6.10	Table A5	-	Budgeted Capital Expenditure by vote, Std Class and funds
6.11	Chart A6	-	Revenue by source - minor
6.12	Chart A7	-	Expenditure by type
6.13	Table A6	-	Budgeted financial position
6.14	Table A7	-	Budgeted cash flow
6.15	Table A8	-	Cash back reserves/ accumulated surplus reconciliation
6.16	Table A9	-	Asset Management
6.17	Table A10	-	Basic service delivery measurement

7. That, the following budget related policies tabled and reviewed by the By-Laws and Policies Committee **BE APPROVED:-**

- i) Supply Chain Management Policy
- j) Cash Management and Investment Policy
- k) Budget Policy
- l) Fixed Assets Policy
- m) Tariffs for Municipal Health and Environmental Services/ water quality services
- n) Impairment of Sundry Debtors Policy

- o) Virement Policy
- p) Petty Cash Policy

8. That the organogram as approved on 29 May 2015 as per **Annexure J – 1 to J - 24** be **BE NOTED**.

9. That, the Municipal Manager be delegated to authorize the Quality Certificate relating to the Annual Budget and supporting documentation attached per **Annexure K - 1**, **BE APPROVED**.

10. That the service delivery and budget implementation plan (SDBIP) for the 2016/2017 financial year be submitted to the Executive Mayor in compliance with the MFMA regulations, **BE NOTED**.

REPORT OF THE CHIEF FINANCIAL OFFICER

EXECUTIVE SUMMARY ON THE 2016/2017, 2017/2018 AND 2018/2019 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) FINAL BUDGET

In terms of the MFMA Guidelines Circular No 79 per Annexure D it is recommended that the District should take the following inflation parameters into consideration in preparing the 2016/2017 budgets and MTREF.

<u>Year</u>	<u>Percentage</u>
2016/2017	- 6.6%
2017/2018	- 6.2%
2018/2019	- 5.9%

The District has adopted a conservative approach when projecting income and has been prudent in earmarking funds towards Capital Expenditure and Operating Expenditure. Once again considerable emphasis has been placed on the funding of Infrastructural Projects within the GSDM's area of jurisdiction. Further, emphasis has once again been placed on the recommendations by National Treasury relating to the twelve outcomes for Service Delivery.

Prominence has been given to the creation of job opportunities directly or indirectly through the budgeting process and in this regard an amount of R7,620,000 has been provided for the Job Creation Fund – Phezukomkhono for the 2016/17 financial year.

In terms of the latest balance sheet of the District, Council is in a favourable position of maintaining strong financial viability over the MTREF period. In addition with sound financial management the District has the ability of requesting additional grants from National Treasury, DBSA as well as other leading Financial Institutions in order to expand on Service Delivery requirements and consequently eradicate backlogs experienced by the local municipalities. In addition, it is proposed that business plans be submitted to National Treasury/DBSA to access additional grants that may be allocated towards the funding of pilot projects earmarked by National Treasury.

Outlined below is the Annual Budget consisting of three (3) main parts with supporting information charts and explanations of trends and deviations.

PART 1 –ANNUAL BUDGET

The attached Annexures contain tables A1 to A10 and the recommendations / resolutions that are to be approved by Council with the respective Supporting Schedules which includes the following:

Executive summary

Annual Budget Tables & Charts

Table A1	-	Budget Summary
Table A2	-	Budgeted financial performance (revenue and expenditure) by Standard Classification
Table A3	-	Budgeted financial performance by vote
Table A4	-	Budgeted financial performance by revenue source & expenditure
Chart A1	-	Revenue by Municipal Vote Classification
Chart A2a	-	Expenditure by Municipal Vote
Chart A2(b Trend)	-	Expenditure by Municipal Vote
Chart A3	-	Revenue by Standard Classification
Chart A4	-	Expenditure by Standard Classification
Chart A5a	-	Revenue by source - major
Table A5	-	Budgeted Capital Expenditure by vote, Std Class and funding
Chart A6	-	Revenue by source - minor
Chart A7	-	Expenditure by type
Table A6	-	Budgeted Financial Position
Table A7	-	Budgeted Cash Flow
Table A8	-	Cash back reserves/ accumulated surplus reconciliation
Table A9	-	Asset Management
Table A10	-	Basic Service Delivery Measurement

Executive summary – financial performance

Table A1 – Budget Summary

As illustrated on table “A1” is a consolidated budget summary on the revenue and expenditure relating to the 2016/2017 budget and ensuing years. The total revenue that would be generated over the three year MTREF period is as follows:

Detail	Budget 2016/2017 R	Budget 2017/2018	Budget 2018/2019
Revenue			
Grants	-287,818,000	-289,474,000	-301,322,000
Interest on investments	-5,500,000	-5,830,000	-6,179,800
Income from tariffs	-2,200,000	-2,332,000	-2,471,920
Other income	-545,300	-578,030	-612,710
DWA funding – RBIG	-97,264,000	-89,400,000	152,621,000
Contribution Accumulated Surplus	-42,621,365	-29,732,680	-24,535,700
Total Income	435,948,665	417,346,710	487,743,130

The revenue replacement grant that increases by approximately 1-2% on a year-on-year basis is applied to fund material Infrastructural Project Expenditure on behalf of the seven local municipalities within the GSDM area of jurisdiction. The project expenditure referred to above mainly relate to Electricity, Water and Sanitation, Roads, Operational and Maintenance, Regional Sports Facilities and Other related projects.

Further, expenditure is applied with a view to addressing backlogs in mainly service delivery type of projects

EXPENDITURE PROJECTIONS OVER THE ENSUING YEARS

Detail	Budget 2016/2017 R	Budget 2017/2018	Budget 2018/2019
Expenditure			
Allocations to Local Municipalities	50,620,000	48,620,000	48,620,000
Transfer Projects	22,086,325		
RBIG Projects	97,624,000	89,400,000	152,621,000
Departmental Allocations	36,471,700	36,721,700	37,016,700
Administration of the Act	211,506,640	224,105,010	240,485,430
Donations	1,500,000	1,500,000	1,500,000
Capital Expenditure	16,500,000	17,000,000	7,500,000
Total Expenditure	435,948,665	417,346,710	487,743,130

As illustrated per the table above a material part of the funding is applied towards Infrastructural Projects.

With regard to Operating Costs this relates to the funding of Salaries and Wages (38%) and General Expenditure (13%).

Table A2 – Budgeted Financial Performance (Revenue & Expenditure by standard Classification)

The table “A2” illustrates details on the budgeted financial performance by standard classification. The categories illustrated on this table are related to Governance and Administration, Community and Public Safety (Health issues) and Economic and Environmental Services.

Table A3 – Budgeted Financial Performance by vote (Revenue & Expenditure by Municipal vote)

This table addresses the revenue & expenditure by vote which is relating globally to Council, MM, Corporate Services, Finance, Municipal Infrastructure Services and Community and Social Services.

Table A4 – Budgeted Financial Performance – Revenue and Expenditure

Table “A4” and supporting tables “SA1” and “SA2” provides details on the budgeted financial performance by revenue source and expenditure type. Further, table “A4” is graphically represented in: -

- Chart 1 - Revenue by Municipal Vote Classification
- Chart 2 - Expenditure by Municipal Vote
- Chart 3 - Revenue by Standard Classification

With regard to the 2013/2014 financial year the audited results for total revenue reflected an amount of R292,7 million. During the mid-year 2014/2015 assessment the Budgeted Revenue was realigned from R403,8 million to R360,6 million.

The year-on-year increases relating to Operating Expenditure was pegged at approximately 6-10% per annum where appropriate. The Operating Expenditure allocations are graphically illustrated in the following charts.

- Chart A1 - Revenue by Municipal Vote Classification**
- Chart A2a - Expenditure by Municipal Vote**
- Chart A2(b Trend) - Expenditure by Municipal Vote**
- Chart A3 - Revenue by Standard Classification**
- Chart A4 - Expenditure by Standard Classification**
- Chart A5a - Revenue by source – major**
- Chart A6 - Revenue by source – minor**
- Chart A7 - Expenditure by typ**

**PERSONNEL BUDGET
VACANT POSITIONS ONLY**

CORPORATE SERVICES

NAME	TASK	JOB TITLE
CORPORATE SERVICES		
Vacant	6	Records & Registry Controller
Vacant	3	General Assistant x 5
Legal		
Vacant	8	Legal Officer
IT		
VACANT	15	ICT Security Specialist
VACANT	12	System administrator

PLANNING & ECONOMIC DEVELOPMENT

PLANNING SERVICES		
VACANT	9	Land & Agri Officers

COMMUNITY AND SOCIAL DEVELOPMENT

COMMUNITY & SOCIAL SERVICES		
vacant	10	Librarian
vacant	6	Admin Sign Language Interpreter
MUNICIPAL HEALTH SERVICES		
VACANT	12	EHP

COUNCIL SUPPORT

Council Support Services		
VACANT	5	Secretary: Speaker
VACANT	17	Senior Manager: Office of the mayor

HUMAN SETTLEMENT

HUMAN SETTLEMENT		
VACANT		General Manager
VACANT	8	Executive Secretary

DISASTER MANAGEMENT		
VACANT	16	Manager: Disaster Management
<u>DISASTER CENTRE MKHONDO</u>		
VACANT	11	Disaster Management Officer
<u>DISASTER CENTRE ALBERT LUTHULI</u>		
VACANT	3	General Assistant
INFRASTRUCTURE		
<u>ITS</u>		
VACANT		General Manager
VACANT	13	Chief Engineering Technician
VACANT	13	Senior Engineering Technician
VACANT	10	Artisan: Electrical
VACANT	10	Artisan: Plumbing
VACANT	15	Manager: Impement Project
VACANT	13	Senior Engineering Technician
INFRASTRUCTURE LABORATORY		
VACANT	18	Senior Manager: Water & Sanitation
VACANT	10	Technician: Microbiology
VACANT	5	Driver
FINANCE		
<u>BUDGET & TREASURY</u>		
VACANT	15	Manager: Assets
VACANT	15	Manager: Special Projects
VACANT	10	Accountant: Creditors
VACANT	6	Clerk Accounts
VACANT	5	Intern
VACANT	5	Intern
<u>SCM</u>		
VACANT	9	SMC Officer
VACANT	9	SMC Officer
VACANT	6	Clerk: Database Maintenance

PART 2 – SUPPORTING DOCUMENTS

Included in Part 2 are supporting tables “SA1” to “SA37” and the information relating to these supporting tables is as follows:

Overview of the Annual Budget Process

It must be noted that a Final Integrated Development Plan (IDP) was tabled on 25 March 2016. This process allows the District to re-examine plans and strategies to include additional issues and to ensure that these plans are strategies that inform Institutional and Financial Planning through the entire budget process.

The IDP revision process and budget process time table was approved in August 2015 and this indicated all the key deadlines relating to the review of the IDP and the preparation of the MTREF budget.

As highlighted, Community Consultation Meetings were held during the months of April 2016. These meetings, in the main reflected firstly, on the actual performance / deliverables rolled out in the 2015/2016 (six months ending December 2015) and 2016/2017, 2017/2018 and 2018/2019 financial year and the way forward. The key deadlines in the budget process plan for the preparation and review of the budget document as well as the IDP document and the preparation of the multi-year IDP / Budget is outlined on the next page:

BUDGET PROCESS PLAN – TIMES SCHEDULE OF KEY DEADLINES

Month	Financial year 2014/15	Financial year 2015/2016	Financial year 2016/2017
July 2015	Commence process to close all accounts and prepare 2014/15 Statutory Financial Statements	Monthly financial report for June 2015 including expenditure on staff benefits and results of cash flow for 2015/16	<ul style="list-style-type: none"> - Drafting of IDP Process Plans by Local Municipalities as per the District Framework Plan. - First sitting of the IDP-RF to deliberate on the review and implementation M& E process - Complete Budget Process and Financial Management Calendar - Table budget process and financial calendar to Council.
August 2015	<p>Complete Statutory Annual Financial Statements for the 2014/15 financial year and submit it to Auditor-General by 31 August 2015</p> <p>Finalize narrative on 2014/15 Annual Report to coincide with actual performance results for the respective financial year</p>	Monthly financial report for July 2015	<ul style="list-style-type: none"> - Phase 1 IDP: Analysis phase – Assessment of performance and changing needs
September 2015	Complete Annual Report	Monthly financial report for August 2015	<ul style="list-style-type: none"> - Update policies, priorities, objectives and determine revenue for next three years - Determine allocations to Local Municipalities - Review strategies in terms of Phase 2 of the IDP
October 2015	<p>Auditing of Financial Statements and Performance Audit by office of the Auditor-General</p> <p>Furnishing Management</p>	<ul style="list-style-type: none"> - Monthly / Quarterly Financial Report for September 2015, including expenditure on staff remuneration and cash flow report. - Report of Executive Mayor on implementation of 	<ul style="list-style-type: none"> - Determine allocations to Local Municipalities, review projects and align it with Council's priorities - Phase 3 of the IDP

Month	Financial year 2014/15	Financial year 2015/2016	Financial year 2016/2017
	comments on audit queries etc.	budget and financial state of affairs of the municipality	
November 2015	Receive and discuss management letter from Auditors with Auditor-General. Receive final audit report and issue management comments on queries accordingly	Monthly financial report for October 2015	<ul style="list-style-type: none"> - Engage with National and Provincial Departments to share plans on national expenditure frameworks - Complete phase 4 of IDP-integration - Complete departmental budgets
December 2015	<ul style="list-style-type: none"> - Reports in relation to the preparation of the Annual Report to be submitted by the Municipal Manager, Section 57 Managers and Mayoral Department. - Collation of reports - Auditor-General's final report to be included in the Annual Report. 	Monthly financial report for November 2015	<ul style="list-style-type: none"> - Consolidation of departmental budgets and plans - First Draft IDP finalized - Preparation of the Adjustment Budget - Departmental Heads to submit updated information regarding the Adjustment Budget.

January 2016	Table Annual report, audited Financial Statements, Audit Report and comments thereon to Council. Make public Annual Report in terms of section 127(5) of the MFMA.	<ul style="list-style-type: none"> - Monthly / Quarterly Financial Report including expenditure on staff remuneration and cash flow statement for December 2015. - Report of Executive Mayor on implementation of budget and financial state of affairs of the municipality. <p>Mid-year assessment on:</p> <ul style="list-style-type: none"> - Service delivery performance against targets and performance indicators and budget implementation plan. - Reports on assessment to National and Provincial Treasury. - Monthly financial report 	<ul style="list-style-type: none"> - Finalise draft budget and table to Executive Mayor - 2nd IDP-RF consider the Draft IDP - Draft IDP ready for Council approval - Executive Mayor tables draft budget to Council - Tabling of Adjustment Budget to Mayoral Committee & Council for approval.
February 2016	Forward comments of Council on audit report and possible action plans in terms of the audit report to the Auditor-General, MEC for Finance and MEC for Local Government and Housing.	Monthly financial report for January 2016.	<ul style="list-style-type: none"> - Inform Local Municipalities on allocation to them in terms of section 37(2) of the MFMA - Program for consultation with Local Municipalities to be drawn up
March 2016	Oversight Committee to consider the Annual Report and submit Oversight Report to Council.	Monthly financial report for February 2016.	<p>Consultation on draft budget with stakeholders as follows:</p> <ul style="list-style-type: none"> - National Treasury - Provincial Treasury - Local Municipalities - 3rd IDP-RF consider Draft IDPs with complete projects lists from NG and PG - Publish IDP for 21 days public comments

April 2016	Oversight Report publicise for comments in terms of Section 129(3) of the MFMA.	<ul style="list-style-type: none"> - Monthly/ Quarterly Financial Report for March 2015 including expenditure on staff benefits and results of cash flow for 3rd quarter. - Report of Executive Mayor on implementation of budget and financial state of affairs of Council 	<ul style="list-style-type: none"> - Verifications of Budget-IDP Alignment - Update IDP project list
May 2016	-	Monthly financial report for April 2016.	<ul style="list-style-type: none"> - 4th IDP-RF consider the alignment of the IDP and Budget prior Council approval - Council approves budget and IDP for next financial year - Publish budget and IDP within 14 days of approval - Complete service delivery and budget implementation plan and table to Executive Mayor 28 days after budget has been approved
June 2016	-	Monthly financial report for May 2016. Year end cut off procedures to be implemented. Verification of fixed assets and cash on hands and other related balance sheet assertions	Complete performance contract of section 57 employees

The above IDP/Budget deadline processes were met and the 2016/2017 Final Budget together with the ensuing years is now being tabled for approval at the next Council Meeting to be held on the 30th May 2016.

OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The annual budget had been fully aligned to the IDP process and is linked to the twelve outcomes, which are:

- Improve the quality of basic education
- Improve health and life expectancy
- All people in South Africa protected and feel safe
- Decent employment through inclusive economic growth
- A skilled and capable workforce to support inclusive growth
- An efficient, competitive and responsive economic infrastructure network
- Vibrant equitable and sustainable rural communities and food security
- Sustainable human settlements and improved quality of household life
- A response and, accountable, effective and efficient local government system
- Protection and enhancement of environmental assets and natural resources
- A better South Africa, a better and safer Africa and World
- A development-orientated public service inclusive citizenship

Further, in terms of the IDP process the District is committed to undertake on an overall basis the following:

- The rendering of services in an efficient, effective and economical manner to all customers.
- The ensuring that Financial and Institutional Resources are maximized.
- Where practical attending to Gender and Key Social Development Programmes.
- The regular view of Management Systems, internal controls and procedures to ensure that the effectiveness of these systems is sustainable.
- The introduction of initiatives relating to LED programmes.
- Maintaining effective co-operations with the relevant Stakeholders.
- To ensure skilled, motivated and committed workforce.
- Full compliance with the Batho Pele Principles.

PERFORMANCE INDICATORS AND BENCHMARKS

Supporting table “SA8” provides details on the financial indicators and benchmarks. The table budget was compiled considering the following main key performance indicators as a benchmark:

DETAILS	2016/2017	2017/2018	2018/2019
<u>REVENUE MANAGEMENT</u>			
Outstanding debt to revenue	0%	0%	0%
<u>OTHER INDICATORS</u>			
Employee related cost	32.9%	35.4%	31.4%
Remuneration	36.2%	39%	34.6%

OVERVIEW OF BUDGET RELATED POLICIES

It must be noted that the purpose of budget related and financial policies is to provide a sound environment to manage the financial affairs of the District. The following are key budget related policies:

- Budget Policy - this policy sets out the principles which must be followed in preparing a medium term revenue and expenditure framework budget. Further, it ensures that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies.
- Investment Policy - this policy ensures that cash resources are managed in the most efficient and effective manner.
- Asset Management Policy – this policy is to prescribe the accounting and administrative procedures relating to property, plant and equipment assets.
- Accounting Policy – this policy relates to the basis of presentation of the Annual Financial Statements in accordance with Generally Recognized Accounting Practices (GRAP).
- Supply Chain Management Policy – this policy is prepared in terms of Section 111 of the Municipal Finance Management Act, Act 56 of 2003. The application of this policy is to provide effective, fair, equitable, transparent and cost effective systems, when procuring goods and services of contractors and other related business matters. Currently in the 2014/15 year the Supply Chain Management Policy has been enhanced to take into consideration the latest Legislation as well as Best Practices.
- Transport and Subsistence Policy – this policy ensures that the reimbursement of travelling and subsistence costs relating to officials and councilors undertaking official business are properly administered – this policy needs to be updated on an annual basis.
- Short Term Insurance and Known Risks and Liabilities Policy – the main objective of this policy is to ensure Council's assets are secure.
- Virement Policy – the main objectives of this policy is to allow flexibility in the use of budget funds to enable management to act on occasions as disasters, unforeseen expenditure of savings identified etc. as they arise to accelerate service delivery in a financially responsible manner. Further, another objective is to give Heads of Departments greater flexibility in managing their budgets.
- Credit Control & Debt Collection Policy
- Donations Policy – this policy will address the allocations of funding for community related projects.
- Municipal Health Policy – relates to tariffs
- Petty Cash Policy
- Impairment of Sundry Debtors Policy

OVERVIEW OF BUDGET ASSUMPTIONS

The District had been faced with major challenges, and these were taken into consideration in the preparation of the budget. Also the District's limiting factor are related to funding resources and institutional capacity requirements. In addition, there are compelling demands made on the funding resources and priority had to be also be given to multi-year projects.

With regard to escalation over the ensuing Medium Term Revenue and Expenditure Framework (MTREF) and to accommodate price increases on materials as well as staff costs, an overall amount of approximately 10% on a year-on-year basis in this regard was included in the budget.

OVERVIEW OF BUDGET FUNDING

In order to ensure that a balanced budget is achieved internal working capital which is cash backed amounting to R20 million was applied towards meeting proposed relevant project expenditure.

FUNDING REQUIREMENT FOR THE PROJECT AND CAPITAL EXPENDITURE

In terms with the IDP process, the required Capital Project Expenditure over the next three years amounts to R41 million. With regard to Project Expenditure the cumulative expenditure over the three year MTREF Budget period amounts to R370.6 million (Inclusive of RBIG Projects).

The funding sources that would be applied towards Project and Capital Budget Expenditure are as follows:

Detail	Budget 2016/2017 R	Budget 2017/2018	Budget 2018/2019
Revenue			
Grants	-287,818,000	-289,474,000	-301,322,000
Interest on investments	-5,500,000	-5,830,000	-6,179,800
Income from tariffs	-2,200,000	-2,332,000	-2,471,920
Other income	-545,300	-578,030	-612,710
DWA funding – RBIG	-97,264,000	-89,400,000	152,621,000
Contribution Accumulated Surplus	-42,621,365	-29,732,680	-24,535,700
Total Income	435,948,665	417,346,710	487,743,130

Committed 2015/16 Cash Flows that are currently invested on a short term basis with the respective Financial Institutions earn interest at approximately 6,2% per annum.

EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

In terms of the Division of Revenue Act, 2016/2017 and ensuing years allocations to the District by National Treasury are Gazetted.

The supporting tables “SA18”, “SA19” and “SA20” provide details of planned expenditure against each allocation and grants that are received. During the current MTREF period the following grants have been allocated to the district.

Grant Income- Local Government MTEF Allocations as per Division of Revenue Act

			2016/17	2017/18	2018/19
			R	R	R
102	55020	EQUITABLE SHARE	-12,494,000	-10,247,000	-10,842,000
102	55090	REVENUE REPLACEMENT GRANT	-263,261,000	-270,167,000	-278,406,000
102		TOTAL GRANTS AND SUBSIDIES	-275,755,000	-280,414,000	-289,248,000
104	55080	RURAL ROADS	-2,200,000	-2,310,000	-2,451,000
610	55040	FMG	-1,250,000	-1,250,000	-1,250,000
630	55040	MSIG	0	0	-3,123,000
105	55040	EPWPG	-3,113,000	0	0
99	55096	ISDG	-5,500,000	-5,500,000	-5,500,000
104	55065	GRANT DWS	-97 264 000	-89 400 000	-152 621 000
			-385,082,000	-378,874,000	-453,943,000

TRANSFERS AND GRANTS MADE BY THE DISTRICT

As reflected in table “SA21” are the details regarding allocations made by the District to the Local Municipalities.

DETAILS	2016/2017 RM	2017/2018 RM	2018/2019 RM
Total allocations to the 7 LM's	169.9	138.0	201.2

COUNCILLOR AND STAFF BENEFITS

The supporting tables “SA22”, “SA23” and “SA24” illustrates the costs regarding Councillor Allowances and Employee Remuneration Expenditure and are categorized as follows:-

- Councillors and staff benefits for the District – SA22
- Councillors, Municipal Manager and Senior Managers – SA23
- Other Municipal Staff – Personnel numbers – SA24

BUDGET MONTHLY TARGETS FOR REVENUE EXPENDITURE AND CASH FLOW

The supporting tables “SA25”, “SA26” and “SA27” disclose the monthly targets for operating revenue by source, operating expenditure by type as well as a consolidated projected of revenue and expenditure by vote, whilst supporting table “SA29” provides monthly projections for capital expenditure by vote.

All the above schedules will be included in the final SDBIP which relates to the National Treasury Format per table **as Part 3.**

The SDBIP furnishes a detailed cash flow plan of the manner in which income would be earned as well as expenditure outlaid during the financial 2015/2016 year.

BUDGET MONTHLY CASH FLOW

The supporting table “SA30” provides a consolidated projection of cash flow for the budget setting out receipts by source and payments by type, both operating and capital categorized per month for the budget year.

CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

There are no commitments in this regard relating to contracts with financial obligations beyond three (3) years.

CAPITAL EXPENDITURE ON NEW ASPECTS BY ASSET CLASS

The supporting table “SA34” discloses capital expenditure by asset class and table “SA36” provides a list of capital projects.

PART 3 –ANNUAL BUDGETS AND SDBIP’S FOR INTERNAL DEPARTMENTS

A high level executive summary is attached in these Annexures

- Report by the Chief Financial Officer on the Final SDBIP which include the following Annexures:
 - Supporting Table SA 25 - Monthly projections of revenue for each source and expenditure type.
 - Supporting Table SA 27 - Monthly projection of operating revenue and expenditure by vote
 - Supporting Table SA 29 - Monthly projections of capital expenditure by vote
- Executive summaries for internal departments.
- Departmental Annual Operating Budget.
- Departmental detailed Capital Expenditure.

COMPLIANCE WITH LEGISLATION

The district fully complies with the following legislation:

- Local Government: Municipal Structures Act 117 of 1998, as amended.
- Local Government: Municipal Systems Act No. 32 of 2000, as amended
- Local Government: Local Government Finance Act, Act 56 of 2004
- National Treasury Circulars: In terms of the Municipal Systems / Municipal Finance Management Act.

**BUDGET
RELATED
POLICIES,
PROCEDURES**

Gert Sibande District Municipality

Please address all correspondence to:

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2350

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Corner Joubert & Oosthuise Street
ERMELO
2350
e-mail: records@gsibande.gov.za

OFFICE OF THE MUNICIPAL MANAGER

QUALITY CERTIFICATE

I **CIJIMPI ABSENIA HABILE** Municipal Manager of **Gert Sibande District Municipality**, hereby certify that the 2016/17 Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, and the regulations made under the Act, and also that the Adjustment Budget and supporting documents are consistent with the Integrated Development Plan of the District Municipality.

Print Name: Cijimpi Absenia Habile

Municipal Manager of: Gert Sibande District Municipality – DC 30

Signature:

Date: