

ITEM C /05/2017

BUDGET 2017/2018, 2018/2019, AND 2019/2020 FINANCIAL YEARS

4/1/2 – 2017/2018

REPORT OF THE MUNICIPAL MANAGER

INTRODUCTION

The purpose of this report is to table the Draft Budget for the 2017/2018 Medium Term Revenue and Expenditure Framework (MTREF) which takes into consideration ,where practical previous Budget Circulars addressing the format and guidelines to be adopted when preparing the Draft Budget. Further, to inform Council of key aspects that has influenced the compilation of the above-mentioned budget and to consider recommendations on the financing and approval of this budget. In addition preparation has been in compliance with the New Format Reform Initiatives Promulgated in terms of the Gazette No. 32141 Municipal Budget and Reporting Regulations (MBRR).Also to ensure that the Draft Budget will be prepared in compliance with the Regulations requirements of the Municipal Standard Chart of Accounts (mSCOA) – per MFMA Circular No. 80 and Government Gazette No. 37577 and addressing municipal revenue generation challenges. The Draft Budget also has been prepared on the basis of limiting non-priority spending and implementing stringent cost –containment measures.

BACKGROUND

It must be noted that in addition to complying with the new format in terms of Gazette no 32141, the budget has been prepared in terms of the MFMA Circular no 85 issued on the 9th December 2016.

Further, the MFMA requires that the Draft Budget be tabled before 1st April 2017 to comply with the Regulations and the final budget is to be adopted by Council before 31st May 2017.

It must be highlighted that currently there are IDP/ Budget related consultations being undertaken whereby extensive deliberations are held and following on from these meetings, the 2017/18 MTREF Budget is being prepared.

The IDP/ Budget consultation workshops were held at all seven local municipalities as follows;

LOCAL MUNICIPALITY	Dates	Time
Mkhondo	9 May 2017	10:00
Dipaleseng	26 April 2017	10:00
Dr Pixley Ka Isaka Seme	9 May 2017	14:00
Lekwa	4 May 2017	10:00
Msukaligwa	3 May 2017	14:00
Chief Albert Luthuli	3 May 2017	10:00
Govan Mbeki	26 April 2017	14:00

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

It must be noted and as referred to above the next five year Integrated Development Plan (IDP) is also being prepared and this process will permit the District to re-examine plans and strategies that need to be to included in the IDP. Also, to ensure that these plans contain

strategies that informs Institutional and Financial Planning through the entire budget process and are in line with key National and Provincial Government Policies and programmes.

Further, the final annual budget will be fully aligned to the IDP process and will be 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 responsive, accountable, effective and efficient local government system
- Protection and enhancement of environmental assets and natural resources
- A better South Africa and a better and safer Africa in the world
- A development-orientated public service and inclusive citizenship

BUDGET FOR FINANCIAL YEARS ENDING 2017/18, 2018/19 and 2019/20

Factors influencing the budget

The inflation forecast recommended in terms of the MFMA Circular No 85 when preparing the 2016/17 budget and MTREF projections are as follows:

<u>Year</u>	<u>Percentage</u>
2017/2018	- 6.1%
2018/2019	- 5.9%
2019/2020	- 5.8%

FUNDING CHOICES AND MANAGEMENT ISSUES IN TERMS OF CIRCULAR NO.85

The Circulars reflects on the following aspects:

The South African Local Government Bargaining Council entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30th June 2018. It must be highlighted that the preparation of the 2017/18 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:

- 2017/18 Financial Year- Average CPI(Feb 2016-Jan 2017)+ 1 per cent

The previous years were.

- 2015/16 Financial Year – 7 per cent
- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 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 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.

INCOME PROJECTIONS OVER THE ENSUING YEARS

It must be highlighted that since the approval of the Draft budget on the 31st March 2017 and after extensive deliberations held with the Budget Committee the following material changes have been effected - refer table below:

Details	Approved Draft Budget 31 March 2017	Budget Committee Amendments 12 May 2017	Reasons for Amendments
Loan Funding	R50,000,000	R nil	Loan Funding not to be considered to finance budget
Contribution Accumulated Surplus	R19,387,610	R90,129,765	Funding for Multi - year and certain uncompleted projects from 2016/17 transferred to 2017/18 financial year.

In view of the above mentioned amendments and illustrated per the table below is the Revenue Earning Projections in terms of the DORA Allocations that will be utilized to finance the total Budget.

Detail	Budget 2017/2018 R	Budget 2018/2019	Budget 2019/2020
Revenue			
Grants	292 094 000	294 474 000	300 267 000
Interest	7 000 000	7 420 000	7 865 200
Income from tariffs	1 900 000	1 924 000	1 949 440
Other income	373 190	379 680	387 460
DWS funding - RBIG	119 518 000	183 621 000	359 347 000
Contribution Accumulated Surplus	90 129 765	19 377 860	20 540 540
Sub Total	511 014 955	507 196 540	690 356 640
Shortfall	0	-25 467 580	7 505 830
Total Income	511 014 955	532 664 120	697 862 470

GRANT INCOME IN TERMS OF THE DIVISION OF REVENUE ACT (DORA)

Details	Budget 2017/18 R
GRANTS	
Equitable Share and Revenue Replacement Grant	278 576 000
Rural Roads Assets Management Systems Grant	2 309 000
Financial Management Grant	1 250 000
Expanded Public works Programme Grant	4 459 000
Infrastructure Skills Development Grant	5 500 000
Sub Total	287 818 000
Regional Bulk Infrastructure Grant	119 518 000
Total	411 612 000

OTHER INCOME

DESCRIPTION	BUDGET	BUDGET	BUDGET
	2017/2018	2018/2019	2019/2020
	R	R	R
DEPOSIT TENDERS	40,000	42,400	44,940
REFUND TELEPHONE	83,190	87,280	95,520
LGSETA INCOME	250,000	250,000	250,000
Total	373,190	379,680	390,460

The Revenue Replacement Grant and the Equitable Share, increases are approximately up to 2% per annum on a year-on-year basis. 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 Department of Water and Sanitation (DWS) has agreed to allocate funding regarding the RBIG Projects to the following Local Municipalities:

- Chief Albert Luthuli LM
- Msukaligwa LM
- Dipaleseng LM

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 income are likely to be earned on fixed investments held with the major financial institutions. Other income comprises the sale of tenders and telephone recoupment, deposits on tenders etc.

EXPENDITURE PROJECTIONS OVER THE ENSUING YEARS

In addition, Expenditure amendments were effected to the approved Draft Budget - 31 March 2017

DETAILS	APPROVED DRAFT BUDGET 31 MARCH 2017	BUDGET COMMITTEE AMENDMENTS 12 MAY 2017	Reasons
Allocation to LM's	R35,430,000	R6, 400,000	Borehole maintenance and sanitation(VIP) now being consolidated and will be expended based on the needs of the LM's. RBIG counter funding expenditure by GSDM now being moved to outer years - 2018/19 and 2019/20
Transfer Projects	NIL	R70,791,285	Expenditure for Multi -year and certain uncompleted projects from 2016/17 transferred to 2017/18 financial year.
Administration of the Act	R237,951,950	R227,557,630	Reduction in vacant posts
Donations	R1,500,000	R500,000	Re-allocation of donations to include specific donation to Traditional Leaders vote thereby remaining with discretionary donation allocations of R500,000
Capital Expenditure	R41,550,000	R28,050,000	Yellow fleet expenditure allocations reduced however, in the first year adequate funding is available to purchase yellow fleet equipment
Office Rights of the Child	R200,000	R500,000	Increase in budget allocation
Mayoral Imbizo	R1,300,000	R1,500,000	Increase in budget allocation
Capacity Building	R1,000,000	R600,000	Decrease in budget allocation
Traditional Affairs	R1,000,000	R100,000	R650,000 now specifically allocated to Traditional Leaders Donations vote
Regional Airport	R200,00	R1,400,000	Increase in budget allocation
Hi-mast lights	NIL	R2,000 000	Increase in budget allocation
Community Hall Renovations	R6,000,000	R5,000,000	Decrease in budget allocation

Municipal Health	R1,100,000	R900,000	Decrease in budget allocation
Regional Library	R600,000	R400,000	Decrease in budget allocation
Disaster Management	R850,000	R700,000	Decrease in budget allocation
Local Municipalities - Boreholes sanitation (VIP)	R2,030,000	NIL	Consolidated amount re-allocated to Departmental allocations
Mkhondo- RBIG co-funding	R9,600,000	R2,600,000	R7,000,000 deferred to outer years in terms of the Multi year project allocations
Dipaleseng RBIG co-funding	R20,000,000	NIL	R20,000 000 deferred to outer years in terms of the Multi year project allocations

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

Detail	Budget 2017/2018 R	Budget 2018/2019	Budget 2019/2020
Expenditure			
Allocations to Local Municipalities	6 400 000	30 800 000	22 800 000
Transfer Projects	70 791 285		
RBIG Projects	119 518 000	183 621 000	359 347 000
Departmental Allocations	58 198 040	50 602 040	50 945 040
Administration of the Act	227 557 630	242 241 080	253 470 430
Donations	500 000	500 000	500 000
Capital Expenditure	28 050 000	24 900 000	10 800 000
Total Expenditure	511 014 955	532 664 120	697 862 470

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 Roads, Water, Sanitation, Electricity and Infrastructural Projects.

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 that have to been identified amount to R793 million over the 2017/18 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 Direct Allocations must be prioritized and be in line with the Powers and Functions of the District Council.

BULK INFRASTRUCTURE FOR NEW TOWNSHIPS-LEGACY PROJECTS

It must be highlighted that the District Municipality is re-assessing its support to the Local Municipalities in line with its core Mandate for providing funding and other related assistance towards Bulk Infrastructure within planned new Townships.

Outlined below is a table that illustrates newly established Townships without bulk infrastructure:

Municipality	Project Name	Township establishment	Bulk water	Bulk electricity	Bulk Sewer	Access Road
Govan Mbeki	Ekuthuleni Integrated human settlement	Yes	No	No	No	No
	Kinross Ext 30	Yes	No	No	No	No
	Charles Cilliers Ext	No (In process)	No	No	No	No
Dr Pixley Ka Isaka Seme	Esizimeleni	Yes	Yes	Yes	Yes	Yes
	Ezamokuhle	Yes	Yes	Yes	Yes	Yes
	Perdekop	Yes	Yes	Yes	Yes	Yes
Msukaligwa	Rietspruit Integrated Human Settlement	Yes	No	No	No	No

Further, the District Municipality will liaise with the Human Settlements Sector Department and the Local Municipalities to prioritize Annual Funding over the five year period which includes the three year MTREF period. In this regard it is recommended that the current 2017/2018 allocation toward Sanitation-VIP and Boreholes should be consolidated and be re-aligned towards the Bulk Infrastructure commitments which are deemed to be legacy projects going forward.

DETAIL	Budget	Budget	Budget
	2017/2018	2018/2019	2019/2020
DEPARTMENT -OFFICE - EXE MAYOR			
DONATIONS	500 000	500 000	500 000
DONATIONS TRADITIONAL LEADERS	650 000	650 000	650 000
MAYORAL EXCELLANCE AWARDS	400 000	400 000	400 000
CO-ORDINATION HIV AND AIDS	700 000	700 000	700 000
YOUTH DEVELOPMENT	2 000 000	2 000 000	2 000 000
WOMEN'S DEVELOPMENT CAPACITY	200 000	200 000	200 000
RELIGIOUS AFFAIRS(MORAL REGENERATION)	100 000	100 000	100 000
OFFICE - RIGHTS OF THE CHILD	500 000	500 000	500 000
PEOPLE WITH DISABILITY	250 000	250 000	250 000
PROMOTION OF THE DISTRICT/COMM	1 600 000	1 600 000	1 600 000
MAYORAL IMBIZO	1 500 000	1 500 000	1 500 000
SUB-TOTAL	8 400 000	8 400 000	8 400 000
OFFICE OF THE SPEAKER			
CAPACITY BUILDING	600 000	600 000	600 000
COMMUNITY PARTICIPATION	3 000 000	3 000 000	3 000 000
SUB-TOTAL	3 600 000	3 600 000	3 600 000

DEPARTMENT - PLANNING & ECO DEV			
REVENUE COLLECTION/DATA CLEANS	1 893 650	1 893 650	1 893 650
TRADITIONAL AFFAIRS/PROJECTS	100 000	100 000	100 000
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	1 400 000	600 000	600 000
PHEZUKOMKHONO - ALBERT LUTHULI	1 551 360	1 551 360	1 551 360
PHEZUKOMKHONO - MSUKALIGWA	909 710	909 710	909 710
PHEZUKOMKHONO - GOVAN MBEKI	1 024 140	1 024 140	1 024 140
PHEZUKOMKHONO - MKHONDO	1 551 360	1 551 360	1 551 360
PHEZUKOMKHONO - LEKWA	1 008 990	1 008 990	1 008 990
PHEZUKOMKHONO - DIPALESENG	760 530	760 530	760 530
PHEZUKOMKHONO - DR PIXLEY KA ISAKA SEME	959 300	959 300	959 300
RURAL ROADS ASSET MAN SYSTEMS	2 309 000	2 413 000	2 548 000
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
SUB-TOTAL	16 068 040	15 372 040	15 507 040
DEPARTMENT - INFRA & TECH SERVICES			
POTHOLE REPAIR MATERIALS (ASPHALT)	5 000 000	5 000 000	5 000 000
HI - MAST LIGHTS	2 000 000	0	0
COMMUNITY HALL RENOVATION	5 000 000	0	0
BOREHOLES	1 190 000	1 190 000	1 190 000
SANITATION(VIP'S)	840 000	840 000	840 000
ALLOCATION TO MUNICIPALITIES	18 494 600	30 800 000	22 800 000
RBIG PROJECTS	178 214 685	183 621 000	359 347 000
SUB-TOTAL	210 739 285	221 451 000	389 177 000
DEPARTMENT - CORPORATE SERVICES			
BURSARIES	2 000 000	2 000 000	2 000 000
IT FOR THE REGION	1 400 000	1 400 000	1 400 000
ISDG	5 500 000	5 600 000	5 808 000
SUB-TOTAL	8 900 000	9 000 000	9 208 000
DEPARTMENT - COM & SOCIAL SERVICES			
CULTURE, SPORT & RECREATION	1 500 000	1 500 000	1 500 000
MUNICIPAL HEALTH	900 000	900 000	900 000
GSDM MARATHON - ANNUAL EVENT	600 000	600 000	600 000
REG LIBRARY & INFORMATION SERV	400 000	400 000	400 000
ENVIROMENTAL SERVICES	300 000	300 000	300 000
DISASTER MANGEMENT	700 000	700 000	700 000
SUB-TOTAL	4 400 000	4 400 000	4 400 000
DEPARTMENT - FINANCIAL SERVICES			
EMERGENCY/CONTINGENCIES	500 000	500 000	500 000
OPERATION CLEAN AUDIT	2 800 000	2 800 000	2 800 000
SUB-TOTAL	3 300 000	3 300 000	3 300 000
TOTAL	255 407 325	265 523 040	433 592 040

ADMINISTRATION OF THE ACT

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

Detail	Vote	Budget	Budget	Budget
		2017/2018	2018/2019	2019/2020
<u>COUNCIL</u>	-			
Executive Mayor & Mayoral Committee	100	11 248 270	11 923 160	12 638 550
Speaker, Chief Whip & Councillors	106	8 745 100	9 269 810	9 826 010
Council Support	096	13 792 510	14 620 070	15 497 270
TOTAL: Council		33 785 880	35 813 040	37 961 830
<u>MUNICIPAL MANAGER</u>	-			
Municipal Manager	101	6 479 330	6 868 090	7 280 200
Internal Audit	092	8 197 970	8 689 860	9 211 290
Communication	109	3 429 630	3 635 410	3 853 520
IDP	620	1 353 350	1 434 540	1 520 620
TOTAL: Municipal Manager		19 460 280	20 627 900	21 865 630
<u>PLANNING & ECONOMIC DEVELOPMENT</u>	-			
Planning Services	091	13 131 430	13 919 320	14 754 470
TOTAL: Planning & Economic Development		13 131 430	13 919 320	14 754 470
<u>CORPORATE SERVICES</u>	-			
Building	089 & 094	31 150 390	31 453 410	33 314 620
IT	095	10 279 170	10 895 910	11 549 670
Legal	097	3 238 910	3 433 240	3 639 240
Human Resources	098	7 997 360	8 477 200	8 985 830
Administration	099	17 537 240	18 589 480	19 704 840
TOTAL: Corporate Services		70 203 070	72 849 240	77 194 200
<u>FINANCE</u>	-			
Finance	107	13 942 150	14 778 680	15 665 400
Supply Chain Management	102	3 895 390	4 129 110	4 376 860
Budget and Treasury Office	610	1 898 240	2 012 140	2 132 870
MSIG	630	0	3 123 000	0
TOTAL: Finance		19 735 780	24 042 930	22 175 130
<u>MUNICIPAL INFRASTRUCTURE & SERVICES</u>	-			
Roads & Community Facilities	105	3 899 640	4 133 600	4 381 610
Infrastructure Maintenance	104	11 842 880	12 553 450	13 306 660
Water & Sanitation	093	14 347 500	14 681 350	15 593 450
TOTAL: Municipal Infrastructure & Services		30 090 020	31 368 400	33 281 720

COMMUNITY & SOCIAL SERVICES	-			
Community & Social Services	108	9 744 760	10 329 450	10 949 190
Municipal Health Services	103	21 569 540	22 863 710	24 235 540
Disaster Management	090	9 836 870	10 427 090	11 052 720
TOTAL: Community & Social Services		41 151 170	43 620 250	46 237 450
GRAND TOTAL		227 557 630	242 241 080	253 470 430

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

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

Detail	Budget	Budget	Budget
	2017/2018	2018/2019	2019/2020
	R	R	R
Salaries and wages	113 758 240	120 583 700	127 818 740
Social Contributions	25 229 360	26 743 150	28 347 750
Councillor Allowances	13 282 370	14 079 310	14 924 070
Depreciation	18 281 000	19 377 860	20 540 540
Repair and Maintenance	11 044 000	9 675 640	10 261 390
General Expenditure	45 962 660	51 781 420	51 577 940
Total	227 557 630	242 241 080	253 470 430

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 and the following amounts are recommended:

Year	Amount (R)
2017/18	500,000
2018/19	500,000
2019/20	500,000

FINANCING OF THE BUDGET

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

Detail	Budget 2017/2018 R	Budget 2018/2019	Budget 2019/2020
<u>Revenue</u>			
Grants	-292 094 000	-294 474 000	-300 267 000
Interest	-7 000 000	-7 420 000	-7 865 200
Income from tariffs	-1 900 000	-1 924 000	-1 949 440
Other income	-373 190	-379 680	-387 460
DWS funding - RBIG	-119 518 000	-183 621 000	-359 347 000
Contribution Accumulated Surplus	-90 129 765	-19 377 860	-20 540 540
Total Income	-511 014 955	-507 196 540	-690 356 640
Shortfall	0	-25 467 580	-7 505 830
	-511 014 955	-532 664 120	-697 862 470
<u>Expenditure</u>			
Allocations to Local Municipalities	6 400 000	30 800 000	22 800 000
Transfer Projects	70 791 285		
RBIG Projects	119 518 000	183 621 000	359 347 000
Departmental Allocations	58 198 040	50 602 040	50 945 040
Administration of the Act	227 557 630	242 241 080	253 470 430
Donations	500 000	500 000	500 000
Capital Expenditure	28 050 000	24 900 000	10 800 000
Total Expenditure	511 014 955	532 664 120	697 862 470

CAPITAL BUDGET

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

Description	BUDGET 2017/2018	BUDGET 2018/2019	BUDGET 2019/2020
CAPITAL			
FURNITURE AND EQUIPMENT	1 000 000	800 000	800 000
COMPUTER EQUIPMENT	1 000 000	1 000 000	1 000 000
DISASTER CENTRE DR PIXLEY KA ISAKA SEME	14 000 000	13 000 000	1 000 000
LAB EQUIPMENT	3 050 000	1 000 000	1 000 000
YELLOW FLEET: LOW BED TRUCK, TIPPER TRUCK, COMPACTION ROLLER, FRONT END LOADER & BACK HOE LOADER/WATER TANKER	8 000 000	8 100 000	6 000 000
VEHICLES: SEDANS AND LDV'S	1 000 000	1 000 000	1 000 000
TOTAL	28 050 000	24 900 000	10 800 000

RECOMMENDATIONS

1. That the final Budget for 2017/2018, 2018/2019, and 2019/2020 **BE APPROVED**. Refer Annexures A relating to administration votes and Annexures B relating to allocations to municipalities, Annexures C and D relating to MFMA Circular 85 and 86. The DORA Bill per Annexure E
2. That the final multi-year Annual Budget of Capital and Operating Expenditure as illustrated per the table below for 2017/2018, 2018/2019, and 2019/2020, **BE APPROVED**.

Detail	Budget 2017/2018 R	Budget 2018/2019	Budget 2019/2020
Revenue			
Grants	-292 094 000	-294 474 000	-300 267 000
Interest	-7 000 000	-7 420 000	-7 865 200
Income from tariffs	-1 900 000	-1 924 000	-1 949 440
Other income	-373 190	-379 680	-387 460
DWS funding - RBIG	-119 518 000	-183 621 000	-359 347 000
Contribution Accumulated Surplus	-90 129 765	-19 377 860	-20 540 540
Total Income	-511 014 955	-507 196 540	-690 356 640
Shortfall	0	-25 467 580	-7 505 830
	-511 014 955	-532 664 120	-697 862 470
Expenditure			
Allocations to Local Municipalities	6 400 000	30 800 000	22 800 000
Transfer Projects	70 791 285		
RBIG Projects	119 518 000	183 621 000	359 347 000
Departmental Allocations	58 198 040	50 602 040	50 945 040
Administration of the Act	227 557 630	242 241 080	253 470 430
Donations	500 000	500 000	500 000
Capital Expenditure	28 050 000	24 900 000	10 800 000
Total Expenditure	511 014 955	532 664 120	697 862 470

3. That the capital budget tabled below, **BE APPROVED**.

Description	BUDGET	BUDGET	BUDGET
	2017/2018	2018/2019	2019/2020
CAPITAL			
FURNITURE AND EQUIPMENT	1 000 000	800 000	800 000
COMPUTER EQUIPMENT	1 000 000	1 000 000	1 000 000
DISASTER CENTRE DR PIXLEY KA ISAKA SEME	14 000 000	13 000 000	1 000 000
LAB EQUIPMENT	3 050 000	1 000 000	1 000 000
YELLOW FLEET: LOW BED TRUCK, TIPPER TRUCK, COMPACTION ROLLER, FRONT END LOADER & BACK HOE LOADER/WATER TANKER	8 000 000	8 100 000	6 000 000
VEHICLES: SEDANS AND LDV'S	1 000 000	1 000 000	1 000 000
TOTAL	28 050 000	24 900 000	10 800 000

4. That the IDP/Budget consultation meetings which were held at the seven Local Municipalities, **BE NOTED**.

5. That the projects for the Local Municipalities for the 2017/2018, 2018/2019, and 2019/2020 financial years, **be subjected to an annual review, BE APPROVED**.

6. That, the statutory tables referred to in annexure F 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 Table A5 - Budgeted Capital Expenditure by vote, Std Class and funds
- 6.6 Table A6 - Budgeted financial position
- 6.7 Table A7 - Budgeted cash flow
- 6.8 Table A8 - Cash back reserves/ accumulated surplus reconciliation
- 6.9 Table A9 - Asset Management
- 6.10 Table A10 - Basic service delivery measurement

7. That, the following Budget Related Policies that was tabled at the Bi-Laws and Policies meeting, **BE APPROVED**

- 7.1 Supply Chain Management Policy
- 7.2 Cash Management and Investment Policy
- 7.3 Budget Policy
- 7.4 Fixed Assets Policy
- 7.5 Proposed Tariffs for Municipal Health and Environmental Services/ water quality services
- 7.6 Impairment of Sundry Debtors Policy
- 7.7 Virement Policy
- 7.8 Petty Cash Policy
- 7.9 Credit Control and Customer Care Policy

8. That the organogram as per Annexure G **BE APPROVED.**
9. That, the Municipal Manager be delegated to authorize the Quality Certificate relating to the Annual Budget and supporting documentation , **BE APPROVED.**

*Gert Sibande District
Municipality*

DIRECT ALLOCATIONS

PROJECTS ALLOCATED

TO THE SEVEN

LOCAL MUNICIPALITIES

**FOR 2017/2018; 2018/19 &
2019/2020 YEARS**

CHIEF ALBERT LUTHULI

Department	Account Code	Description	BUDGET 2017/2018	BUDGET 2018/2019	BUDGET 2019/2020
130		GRANTS TRANSFER			
130	256703	WATER QUALITY TESTING	400 000	400 000	400 000
130	256705	ROADS EMPULUZI(UPGRADE)	911 700	-	-
130		TOTAL GRANTS TRANSFER	1 311 700	400 000	400 000

MSUKALIGWA

Department	Account Code	Description	BUDGET 2017/2018	BUDGET 2018/2019	BUDGET 2019/2020
150		GRANTS TRANSFER			
150	256713	WATER QUALITY TESTING	550 000	550 000	550 000
150	256790	REFURBISHMENT OF ELECTRICITY	3 000 000	-	-
150		TOTAL GRANTS TRANSFER	3 550 000	550 000	550 000

GOVAN MBEKI

Department	Account Code	Description	BUDGET 2017/2018	BUDGET 2018/2019	BUDGET 2019/2020
160		GRANTS TRANSFER			
160	256721	WATER QUALITY TESTING	600 000	600 000	600 000
160		TOTAL GRANTS TRANSFER	600 000	600 000	600 000

MKHONDO

Department	Account Code	Description	BUDGET 2017/2018	BUDGET 2018/2019	BUDGET 2019/2020
172		GRANTS TRANSFER			
172	256734	WATER QUALITY TESTING	700 000	700 000	700 000
172		CO FUNDING:REG BULK INFRASTRUCTURE	2 600 000	7 000 000	-
172		TOTAL GRANTS TRANSFER	3 300 000	7 700 000	700 000

LEKWA					
Department	Account Code	Description	BUDGET 2017/2018	BUDGET 2018/2019	BUDGET 2019/2020
180		GRANTS TRANSFER			
180	256744	WATER QUALITY TESTING	400 000	400 000	400 000
180		TOTAL GRANTS TRANSFER	400 000	400 000	400 000

DIPALESENG					
Department	Account Code	Description	BUDGET 2017/2018	BUDGET 2018/2019	BUDGET 2019/2020
184		GRANTS TRANSFER			
		CO FUNDING: REG BULK INFRAS			
184	256751	BALFOUR	-	20 000 000	19 000 000
184	256754	WATER QUALITY TESTING	400 000	400 000	400 000
184		TOTAL GRANTS TRANSFER	400 000	20 400 000	19 400 000

DR PIXLEY KA ISAKA SEME					
Department	Account Code	Description	BUDGET 2017/2018	BUDGET 2018/2019	BUDGET 2019/2020
190		GRANTS TRANSFER			
190	256761	WATER QUALITY TESTING	750 000	750 000	750 000
190	256774	AMERSFOORT SEWER RET/OUTFALL S	3 432 900	-	-
190	256786	LOWBED TRUCK	1 750 000	-	-
190	256787	UPGRAD OF VOLKSRUST WWTW	3 000 000	-	-
190		TOTAL GRANTS TRANSFER	8 932 900	750 000	750 000

RBIG CHIEF ALBERT LUTHULI

Department	Account Code	Description	BUDGET	BUDGET	BUDGET
			2017/2018	2018/2019	2019/2020
330		GRANTS TRANSFER			
330	256664	REGIONAL BULK EMPULUZI/METULA	5 000 000	41 879 000	98 781 000
330	256779	LUSHUSHWANE BULK WATER SCHEME	28 108 000	36 450 000	3 000 000
330	256788	AMSTERDAM/SHEEPMOOR BULK WATER	5 000 000	23 000 000	5 000 000
330		EERSTEHOEK/EKULINDENI BULK WATER			
330		TOTAL GRANTS TRANSFER	41 108 000	126 950 000	141 623 000

RBIG MSUKALIGWA

Department	Account Code	Description	BUDGET	BUDGET	BUDGET
			2017/2018	2018/2019	2019/2020
350		GRANTS TRANSFER			
350		MSUKALIGWA REG WATER SUPPLY SCHEME	3 000 000	10 000 000	90 000 000
350		TOTAL GRANTS TRANSFER	3 000 000	10 000 000	90 000 000

RBIG DIPALESENG

Department	Account Code	Description	BUDGET	BUDGET	BUDGET
			2017/2018	2018/2019	2019/2020
384		GRANTS TRANSFER			
384	256666	CONSTR BULK PVC PIPELINE SIYA-GROOTVLEI	78 612 000	31 328 000	124 224 000
384	256784	BALFOUR WASTE WATER TREATMENT	55 494 685	15 343 000	3 500 000
384		TOTAL GRANTS TRANSFER	134 106 685	46 671 000	127 724 000

Gert Sibande District
Municipality

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

ANNUAL BUDGET



2017/2018, 2018/2019 &
2019/2020

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Budget Related Policies

Supply Chain Management Policy with amendments
Supply Chain Management Standard Operating Procedures Manual
Municipal Health Tariff Policy
Cash Management and Investment Policy
Budget Policy
Virement Policy
Fixed Asset Policy
Petty Cash Policy
Credit Control and Customer Care Policy
Impairment of Sundry Debtors Policy
Proposed Tariffs for Municipal Health and Environmental Services/ Water Quality Services
MFMA Circular No. 85
MFMA Circular No 86

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 Orientated*

NEW DISCLOSURE REQUIREMENTS

ANNUAL BUDGET 2017/18; 2018/19 & 2019/20 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.

Annexures F contains Tables A1 – A10. 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 – SA38 – also Schedules 1 (Organogram) and Schedule 2 (Budget related Policies) are illustrated on Annexures F herewith.

As per schedule 2 the Budget related Policies per Annexure A are as follows:

- Supply Chain Management Policy
- Cash Management and Investment Policy
- Budget Policy
- Fixed Assets Policy
- Proposed Tariffs for Municipal Health and Environmental Services/ water quality services
- Impairment of Sundry Debtors Policy
- Virement Policy
- Petty Cash Policy
- Credit Control and Customer Care Policy
- MFMA Circular No. 85
- MFMA Circular No. 86

Part 3 – Service Delivery and Budget Implementation Plans.

That the Service Delivery and Budget Implementation Plan (SDBIP) for the 2017/2018 financial will be submitted to the Executive Mayor in terms of the MFMA regulations once final approval of the Budget by Council is undertaken.

NEW FORMAT

The new format relating to the 2017/2018 budget and the ensuing years are attached

FOREWORD

BY THE EXECUTIVE MAYOR ON THE ANNUAL BUDGET FOR THE 2017/2018, 2018/2019 AND 2019/2020 FINANCIAL YEARS

It gives me great pleasure to present the Final Budget for the 2017/2018 and ensuing years in terms of the Medium Term Revenue and Expenditure Framework (MTREF).

The budget has been fully aligned to the Integrated Development Plan for the 2017/2018 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 2017/2018 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, with an emphasis on bulk infrastructure

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 expends 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 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 failures in the management of waste water.

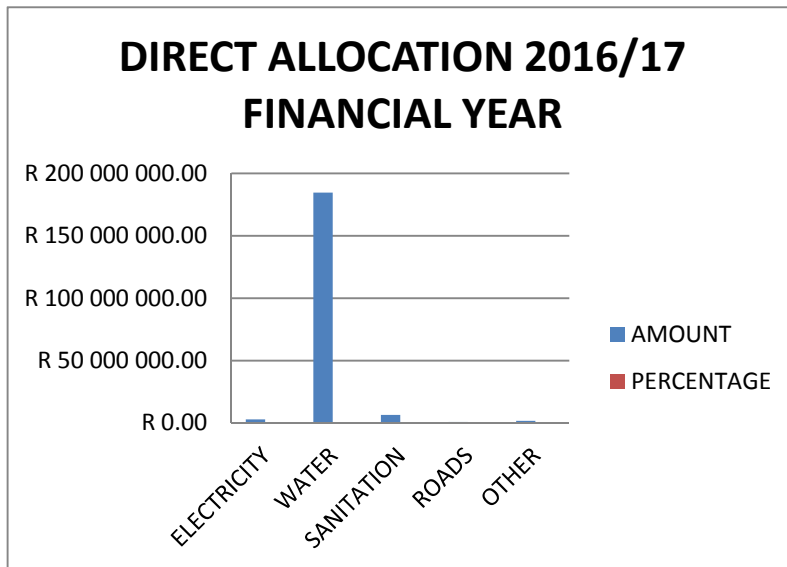
The District has always maintained strong financial viability in undertaking its business operations. In addition the 2017/2018 budget has been prepared with a view of implementing significant cost curtailment initiatives and once again the major portion of funding has been directed towards addressing essential service delivery activities, thereby excluding non essential items.

The District would be administering a budget of R511 million for the 2017/2018 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:-

	AMOUNT	PERCENTAGE
ELECTRICITY	R 3 000 000.00	1.53%
WATER	R 184 614 685.00	93.85%
SANITATION	R 6 432 900.00	3.27%
ROADS	R 911 700.00	0.46%
OTHER	R 1 750 000.00	0.89%
TOTAL	R 196 709 285.00	100.00%



As illustrated above and in order to ensure that the above-mentioned objectives are achieved, funding of R184,6 million is to be applied predominately towards addressing the water in all local municipalities.

During the 2016/17 financial year the laboratory was fully functional. Further, the primary goal during the 2017/2018 financial year is to ensure that the laboratory achieves Accreditation Status. One of the main objectives of the testing of water samples at the Ermelo Laboratory will be to ensure that the contaminated water would now be made safe for drinking purposes.

Once again in order for the laboratory to achieve its SANS – 17025 status this laboratory will ensure that high quality controls relating to clean water will be implemented and be maintained over the ensuing financial years. The laboratory currently has been equipped with first world standard type of equipment in order to ensure that the SANS – 17025 status is achieved.

Prominence has been given to the creation of job opportunities directly or indirectly through the budgeting process and in this regard an amount of R7,765,390 has been provided for the Job Creation Fund – Phezukomkhono for the 2017/18 financial year.

The District as a result of its latest employee statistics and with the minimum proposed vacant positions anticipated is likely to reach the **31.1%** employee administrative costs in comparison relative to the total budget

The Circulars reflects on the following aspects:

In terms of Circular No. 85, the following needs to be highlighted The South African Local Government Bargaining Council entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30th June 2018. It must be highlighted that the preparation of the 2017/18 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:

- 2017/18 Financial Year- Average CPI(Feb 2016-Jan 2017)+ 1 per cent

The previous years were.

- *2015/16 Financial Year – 7 per cent*
- *2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent*

It must be noted that the Executive Summary and the supporting documentation attached herewith, illustrates in detail the various funding allocations for the ensuing 2017/2018 financial years 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 2017.

RECOMMENDATIONS OF THE EXECUTIVE MAYOR

10. That the final Budget for 2017/2018, 2018/2019, and 2019/2020 **BE APPROVED**. Refer Annexures A relating to administration votes and Annexures B relating to allocations to municipalities, Annexures C and D relating to MFMA Circular 85 and 86. The DORA Bill per Annexure E
11. That the final multi-year Annual Budget of Capital and Operating Expenditure as illustrated per the table below for 2017/2018, 2018/2019, and 2019/2020, **BE APPROVED**.

Detail	Budget 2017/2018 R	Budget 2018/2019	Budget 2019/2020
<u>Revenue</u>			
Grants	-292 094 000	-294 474 000	-300 267 000
Interest	-7 000 000	-7 420 000	-7 865 200
Income from tariffs	-1 900 000	-1 924 000	-1 949 440
Other income	-373 190	-379 680	-387 460
DWS funding - RBIG	-119 518 000	-183 621 000	-359 347 000
Contribution Accumulated Surplus	-90 129 765	-19 377 860	-20 540 540
Total Income	-511 014 955	-507 196 540	-690 356 640
Shortfall	0	-25 467 580	-7 505 830
	-511 014 955	-532 664 120	-697 862 470
<u>Expenditure</u>			
Allocations to Local Municipalities	6 400 000	30 800 000	22 800 000
Transfer Projects	70 791 285		
RBIG Projects	119 518 000	183 621 000	359 347 000
Departmental Allocations	58 198 040	50 602 040	50 945 040
Administration of the Act	227 557 630	242 241 080	253 470 430
Donations	500 000	500 000	500 000
Capital Expenditure	28 050 000	24 900 000	10 800 000
Total Expenditure	511 014 955	532 664 120	697 862 470

12. That the capital budget tabled below, **BE APPROVED**.

Description	BUDGET	BUDGET	BUDGET
	2017/2018	2018/2019	2019/2020
CAPITAL			
FURNITURE AND EQUIPMENT	1 000 000	800 000	800 000
COMPUTER EQUIPMENT	1 000 000	1 000 000	1 000 000
DISASTER CENTRE DR PIXLEY KA ISAKA SEME	14 000 000	13 000 000	1 000 000
LAB EQUIPMENT	3 050 000	1 000 000	1 000 000
YELLOW FLEET: LOW BED TRUCK, TIPPER TRUCK, COMPACTION ROLLER, FRONT END LOADER & BACK HOE LOADER/WATER TANKER	8 000 000	8 100 000	6 000 000
VEHICLES: SEDANS AND LDV'S	1 000 000	1 000 000	1 000 000
TOTAL	28 050 000	24 900 000	10 800 000

13. That the IDP/Budget consultation meetings which were held at the seven Local Municipalities, **BE NOTED**.

14. That the projects for the Local Municipalities for the 2017/2018, 2018/2019, and 2019/2020 financial years, **be subjected to an annual review, BE APPROVED**.

15. That, the statutory tables referred to in annexure F 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	Table A5	-	Budgeted Capital Expenditure by vote, Std Class and funds
6.6	Table A6	-	Budgeted financial position
6.7	Table A7	-	Budgeted cash flow
6.8	Table A8	-	Cash back reserves/ accumulated surplus reconciliation
6.9	Table A9	-	Asset Management
6.10	Table A10	-	Basic service delivery measurement

16. That, the following Budget Related Policies that was tabled at the Bi-Laws and Policies meeting, **BE APPROVED**

- 7.1 Supply Chain Management Policy
- 7.2 Cash Management and Investment Policy
- 7.3 Budget Policy
- 7.4 Fixed Assets Policy
- 7.5 Proposed Tariffs for Municipal Health and Environmental Services/ water quality services
- 7.6 Impairment of Sundry Debtors Policy
- 7.7 Virement Policy
- 7.8 Petty Cash Policy
- 7.9 Credit Control and Customer Care Policy

17. That the organogram as per Annexure G **BE APPROVED.**
18. That, the Municipal Manager be delegated to authorize the Quality Certificate relating to the Annual Budget and supporting documentation , **BE APPROVED.**

REPORT OF THE CHIEF FINANCIAL OFFICER

EXECUTIVE SUMMARY ON THE 2017/2018, 2018/2019 AND 2019/2020 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) FINAL BUDGET

In terms of the MFMA Guidelines Circular No 85 and 86 per Annexure C and D it is recommended that the District should take the following inflation parameters into consideration in preparing the 2017/2018 budgets and MTREF.

<u>Year</u>		<u>Percentage</u>
2017/2018	-	6.1%
2018/2019	-	5.9%
2019/2020	-	5.8%

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 with an emphasis on Bulk related Projects. 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 R7,765,390 has been provided for the Job Creation Fund – Phezukomkhono for the 2015/16 financial year.

In terms of the latest balance sheet of the District, Council is in a favourable position of maintaining strong financial viability. 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

Annexures F

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
Table A5	-	Budgeted Capital Expenditure by vote, Std Class and funding
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 2017/2018 budget and ensuing years. The total revenue that would be generated over the three year MTREF period is as follows:

Detail	Budget 2017/2018 R	Budget 2018/2019	Budget 2019/2020
Revenue			
Grants	292 094 000	294 474 000	300 267 000
Interest	7 000 000	7 420 000	7 865 200
Income from tariffs	1 900 000	1 924 000	1 949 440
Other income	373 190	379 680	387 460
DWS funding - RBIG	119 518 000	183 621 000	359 347 000
Contribution Accumulated Surplus	90 129 765	19 377 860	20 540 540
Sub Total	511 014 955	507 196 540	690 356 640
Shortfall	0	25 467 580	7 505 830
Total Income	511 014 955	532 664 120	697 862 470

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 and Other related projects.

Further, expenditure is applied with a view to addressing backlogs in mainly service delivery type of projects. In addition, based on the strength of the financial position of the District in terms of its balance sheet the District is in a position to attract material loan funding. Also it must be noted that there are certain Key State Owned Governmental Financial Institutions that are willing to provide the much needed funding at extremely attractive interest rates.

EXPENDITURE PROJECTIONS OVER THE ENSUING YEARS

Detail	Budget 2017/2018 R	Budget 2018/2019	Budget 2019/2020
Expenditure			
Allocations to Local Municipalities	6 400 000	30 800 000	22 800 000
Transfer Projects	70 791 285		
RBIG Projects	119 518 000	183 621 000	359 347 000
Departmental Allocations	58 198 040	50 602 040	50 945 040
Administration of the Act	227 557 630	242 241 080	253 470 430
Donations	500 000	500 000	500 000
Capital Expenditure	28 050 000	24 900 000	10 800 000
Total Expenditure	511 014 955	532 664 120	697 862 470

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 (31.1%) and General Expenditure (13%).

Table A2 – Budgeted Financial Performance (Revenue & Expenditure by functional 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

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 represented in: -

With regard to the 2015/2016 financial year the audited results for total revenue reflected an amount of R299,348 million. During the mid-year 2016/2017 assessment the Budgeted Revenue was realigned from R393.723 million to R396,452 million.

The year-on-year increases relating to Operating Expenditure was pegged at approximately 6-10% per annum where appropriate.

Table A5 – Budgeted Cap Expenditure by Vote Functional Classification and funding

The budgeted Capital Expenditure increased marginally to the amount of R28,050 million due to the erection of the Disaster Centre in Dr Pixley Ka Isaka Seme.

Table A6 – Budgeted Financial Position

Table A7 – Budgeted Cash Flows

Table A8 - Cash backed Reserves – Accumulated surplus reconciliation

Table A9 - Asset Management refer

Table A10 - Basic Service Level Agreement

**PERSONNEL BUDGET
VACANT POSITIONS**

NAME	TASK	JOB TITLE	NOTCH
CORPORATE SERVICES			
VACANT		General Manager: Corporate	698 335.00
PLANNING SERVICES			
VACANT	17	Senior Manager: Planning	534 890.00
VACANT	14	Coordinator: Land & Agric	340 852.34
COMMUNITY AND SOCIAL DEVELOPMENT			
VACANT	11	Coordinator: Sports, Culture & Recreation	238 821.00
VACANT	6	Admin Sign Language Interpreter	111 813.00
VACANT	11	Climate change & Green House officer	227 757.68
VACANT	11	Compliance & Enforcement Officer	227 757.68
VACANT	6	Data Capture Environmental Services	111 813.00
VACANT	12	SNR EHP - Lekwa	374 777.76
VACANT	13	SNR EHP - Mkhondo	302 752.47
VACANT	10	Clerk Admin: EHP	192 928.00
VACANT	5	Intern	100 000.00
VACANT	5	Intern	100 000.00
VACANT	5	Intern	100 000.00
Council Support Services			
VACANT	7	Public Participation Officers	135 166.57
VACANT	7	Public Participation Officers	135 166.57
VACANT	7	Public Participation Officers	135 166.57
INFRASTRUCTURE			
VACANT	17	Senior Manager: Roads and Comm facilities	534 890.00
VACANT	18	Senior Manager: Water & Sanitation	616 675.00
VACANT	13	Senior Engineering Technician	302 752.00
VACANT	10	Technician Quality Systems	192 928.00

VACANT	10	Lab Technician: Chemistry	192 928.00
VACANT	10	Lab Technician: Chemistry	192 928.00
VACANT	5	Lab Receptionist	94 714.00
FINANCE			
VACANT	10	Accountant Municipal Support	192 928.43
VACANT	10	MSCOA Accountant	192 928.43
VACANT	12	Ass Manager: Monitoring & Compliance	268 898.64
VACANT	5	Intern	100 000.00
VACANT	5	Intern	100 000.00

TABLE A1

TO

TABLE A10

**BUDGET
RELATED
POLICIES,
PROCEDURES &
CIRCULARS**

Are attached

PER ANNEXURE A

PART 2

SUPPORTING DOCUMENTS

PART 2 – SUPPORTING DOCUMENTS

Included in Part 2 are supporting tables “SA1” to “SA38” per Annexure F and the information relating to these supporting tables is as follows:

Overview of the Annual Budget Process

It must be noted that a Draft Integrated Development Plan (IDP) was tabled in March 2017. 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 2016 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 and May 2017. These meetings, in the main reflected firstly, on the actual performance / deliverables rolled out in the 2016/2017 and 2017/2018, 2018/2019 and 2019/2020 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 2015/2016	Financial year 2016/2017	Financial year 2017/2018
July 2016	Commence process to close all accounts and prepare 2015/2016 Statutory Financial Statements	Monthly financial report for June 2016 including expenditure on staff benefits and results of cash flow for 2015/2016	<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 2016	Complete Statutory Annual Financial Statements for the 2015/2016 financial year and submit it to Auditor-General by 31 August 2016 Finalize narrative on 2015/2016 Annual Report to coincide with actual performance results for the respective financial year	Monthly financial report for July 2016	<ul style="list-style-type: none"> - Phase 1 IDP: Analysis phase – Assessment of performance and changing needs
September 2016	Complete Annual Report	Monthly financial report for August 2016	<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 2016	Auditing of Financial Statements and Performance Audit by office of the Auditor-General Furnishing	<ul style="list-style-type: none"> - Monthly / Quarterly Financial Report for September 2016, including expenditure on staff remuneration and cash flow report. - Report of Executive 	<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 2015/2016	Financial year 2016/2017	Financial year 2017/2018
	Management comments on audit queries etc.	Mayor on implementation of budget and financial state of affairs of the municipality	
November 2016	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 2016	<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 2016	<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 2016	<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 2017	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 2016. - Report of Executive Mayor on implementation of budget and financial state of affairs of the municipality. 	<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.
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		<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 	
February 2017	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 2017.	<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 2017	Oversight Committee to consider the Annual Report and submit Oversight Report to Council.	Monthly financial report for February 2017.	<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 2017	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 2017 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 2017	-	Monthly financial report for April 2017.	<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 2017	-	<p>Monthly financial report for May 2017. Year end cut off procedures to be implemented.</p> <p>Verification of fixed assets and cash on hands and other related balance sheet assertions</p>	Complete performance contract of section 57 employees

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

DETAILS	2017/2018	2018/2019	2019/2020
<u>REVENUE MANAGEMENT</u>			
Outstanding debt to revenue	4.8%	4.1%	2.2%
<u>OTHER INDICATORS</u>			
Employee related cost	33%	30.2%	23.3%
Remuneration	36.2%	33.1%	25.5%

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 and due to the implementation of GRAP 17, several amendments were made to the policy during the 2016/17 financial year.
- 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 2016/17 year the Supply Chain Management Policy has been enhanced to take into consideration the latest Legislation as well as Best Practices.
- 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
- 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. Council received the directive from the Bargaining Council regarding Salary and Wage increases for the 2016/17 financial year.

OVERVIEW OF BUDGET FUNDING

In order to ensure that a balanced budget is achieved internal working capital which is cash backed amounting to R25 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 R118.04 million. With regard to Project Expenditure the cumulative expenditure over the three year MTREF Budget period amounts to R793 million (Inclusive of RBIG Projects).

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

Detail	Budget 2017/2018 R	Budget 2018/2019	Budget 2019/2020
Revenue			
Grants	292 094 000	294 474 000	300 267 000
Interest	7 000 000	7 420 000	7 865 200
Income from tariffs	1 900 000	1 924 000	1 949 440
Other income	373 190	379 680	387 460
DWS funding - RBIG	119 518 000	183 621 000	359 347 000
Contribution Accumulated Surplus	90 129 765	19 377 860	20 540 540
Sub Total	511 014 955	507 196 540	690 356 640
Shortfall	0	-25 467 580	7 505 830
Total Income	511 014 955	532 664 120	697 862 470

Committed 2016/17 cash flows that are currently invested on a short term basis with the respective Financial Institutions earn interest at approximately 7,2% per annum.

EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

In terms of the Division of Revenue Act, 2017/2018 and ensuing years allocations to the District by National Treasury are Gazetted.

The supporting tables "SA18", "SA19" and "SA20" per Annexure F 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

LOCAL GOVERNMENT MTEF ALLOCATIONS: 2017/18 - 2019/20			
DC30 Gert Sibande	2017/18 R thousands	2018/19 R thousands	2019/20 R thousands
Direct transfers			
Equitable share and related	278 576	282 338	290 911
Infrastructure	121 827	186 034	361 895
Rural roads assets management systems grant	2 309	2 413	2 548
Regional bulk infrastructure grant	119 518	183 621	359 347
Capacity building and other current transfers	11 209	6 600	6 808
Local government financial management grant	1 250	1 000	1 000
Expanded public works programme integrated grant for municipalities	4 459		
Infrastructure skills development grant	5 500	5 600	5 808
Sub total direct transfers	411 612	474 972	659 614
Capacity building and other current transfers	-	3 123	-
Municipal systems improvements grant		3 123	
Sub total indirect transfers	-	3 123	-
Total	411 612	478 095	659 614

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 and Departmental Allocations.

DETAILS	2017/2018 RM	2018/2019 RM	2019/2020 RM
Total allocations to the 7 LM’s	255.4	265.5	433.6

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:-

- Summary 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 2017/2018 year.

BUDGET MONTHLY CASH FLOW

The supporting table “SA30” per Annexure F 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 as per table "SA33" per Annexure F 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” per Annexure F 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.

mSCOA

COMPLIANCE

**CLASSIFICATION OF THE BUDGET ACCROSS
THE SEVEN mSCOA SEGMENTS**

PART 4 mSCOA LEGISLATIVE BACKGROUND AND REGULATIONS

1. To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:
2. Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant Provincial Treasury within ten working days after the Council has approved the annual budget. If the Council only approves the annual budget on 30 June 2017, the final date for such a submission is Friday, 14 July 2017, otherwise an earlier date applies.
3. The municipal manager must submit:

Item	Status
1. the budget documentation as set out in Schedule A (version 6.1) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in both printed and electronic formats;	Attached per Annexure F
2. the draft service delivery and budget implementation plan in both printed and electronic format;	To Follow
3. the service delivery standards;	Attached
4. the integrated development plan;	Attached
5. the council resolution;	C24/02/2017 for the draft budget
6. signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations;	To be submitted with the final budget
7. schedules D, E and F specific for the entities; and	Not Applicable
8. the budget locking certificate.	To be submitted with the final budget

9. The mSCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017.
10. Technically, for a municipality to be regarded as mSCOA compliant on 1 July 2017 it must be able to transact across all the 7 mSCOA segments and its core system and all sub-systems (including that of its municipal entities) must seamlessly integrate.
11. Among the lessons learnt from the pilot municipalities, stems the recommendation that a municipality's point of departure for achieving systems integration is that it prioritises the maximum integration potential of its core system so that it integrates with the Debtors main sub-system (including cash management and receipting), Payroll and the Assets Management sub-system modules.
12. Furthermore, all municipalities must accommodate seamless integration of the Integrated Development Plan (IDP), Service Delivery and Budget Implementation

Plan (SDBIP) and Budget facilities into the core financial system as these documents create a point of departure for the transactional environment with effect 1 July 2017.

13. This means that the compilation of the 2017/18 Medium-Term Budget and Expenditure Framework (MTREF) must be compliant with the mSCOA classification framework. See Annexure H.
14. In summary, mSCOA compliance in respect of the tabled 2017/18 MTREF Draft Budget and IDP submission means that the data strings uploaded to the LG Database portal must meet the following requirements:
 - a) No mapping;
 - b) Correct use of all segments;
 - c) Seamless integration of core system with sub-systems (municipalities must ensure the integration of the Debtors, Payroll and Asset sub-systems); and
 - d) Integrated budgeting facility directly linked to the IDP and SDBIP facilities on the system.