

**VHEMBE DISTRICT MUNICIPALITY  
DC 34**



**DRAFT ANNUAL BUDGET**

**2017/18 – 2019/20**

**DRAFT ANNUAL BUDGET OF  
VHEMBE DISTRICT MUNICIPALITY**

**2017/18– 2019/20  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS**

**Copies of this document can be viewed:**

- **At the Records section in the District municipal building**
- **At the head public at local municipalities within the District**  
**At: [www.vhembe.gov.za](http://www.vhembe.gov.za)**

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## 2. MAYOR'S REPORT

Council report presented by Her Worship the Executive Mayor of Vhembe District Cllr Radzilani FF during the special Council meeting held on Thursday 30<sup>th</sup> of March 2017.

Speaker of Council Cllr Nkondo F

Chief Whip of Council Cllr Ndou R.S

Members of the Mayoral Committee

All Councillors

Administration under the Leadership of Acting Municipal Manager

Representatives of various Media Houses

Distinguished community members in the gallery

The seating of this important house come at a time when the country is mourning the passing on of struggle veteran Ahmed Kathrada popularly known as comrade Uncle Kathy. Members of this house are today free because of sacrifices, commitment and good leadership of Kathrada who served 26 years in prison for the struggle of oppressed South Africans. Kathrada spent 18 years in Robben Island Prison with Nelson Mandela, Elias Motsoaledi, Walter Sisulu, Andrew Mlangeni and Dennis Goldberg. The ANC lost a great stalwart and one of the Rivonia trialists. Uncle Kathy joined the revolution at a young age, at the age of 12 he became a member of Young Communist League of South Africa. How many of us here fought for democratic South Africa to the end but continue to be humble and principled. During the funeral of his long-time friend and comrade Nelson Mandela Ahmed Kathrada said "I am lost without you". We are also today lost without this humbly servant of our people. On behalf of the people of Vhembe I convey message of condolences to the Kathrada family and pray that his legacy live long to all of us.

Yesterday South Africans also buried Mr Mafela Joe popularly known as Sdumo of Sgudi is Snaysi sitcom. Sdumo started acting at the age of 22, a multi - talented actor, comedian and film producer. At the age of 77 he was a generation actor. "Vha edele zwa vhudi vha tshiheni tsha Netshiavha". His death robbed us as he is one of the greatest actor and musician. We will continue to watch his legacy features and hear him sing songs such as "combo"!

Madam Speaker

Allow me to congratulate a team of learners of Tshilwavhusiku Special School for doing well in World Winter Games that were held in Austria early this month. As a District Municipality we did a sent off function of 15 learners from that school who went there to represent South Africa on Floor Hockey sporting code. The school did well by beating Canada 3-0 in the finals and they brought back gold medal which is a victory to all South African

more especial Vhembe District and Limpopo Province in particular. Congratulations to our learners for the job well done.

Madam Speaker

Allow me to congratulate the district for celebrating International Woman's month. The celebration provides woman an opportunity to evaluate gender equity progress and acknowledge successful female leaders who proved that woman are capable if given opportunity. As woman Executive Mayor indeed I agree that the ANC led government has done very well in building an equal society hence fair representation of woman in this Council. Last week the district IGR was launched by MEC Makoma Makhurupetje and as convenor of this cooperative governance forum I will ensure that those who are responsible do their work. The functionality of the forum will not be compromised as our community voted for effective government. Premier Stan Mathabatha launched King Makhado book in this chamber, let's read the book while also thanking Dr. Nemudzivhadi for collecting historical data of King Makhado. It will be very sad if we continue to ignore our history.

Madam Speaker

**Municipal performance continues to improve and it is through collective leadership that today the financial management and accountability of the institution produced tangible improvement of service delivery. The MIG grant expenditure is good resulting in municipality budget not withdrawn like in other municipality with lower expenditure. The improvement means that this Council is doing good work and I urge all portfolio heads and MPAC to continue with their oversight work. The outstanding task now is to improve the audit opinion which will be realised through effective Internal Audit and implementation of audit action plan. The revenue collection challenge remains unresolved and it should be us who should lead by example in paying for services. Let's collect where we should and put pre-paid meters in areas with sufficient water.**

As an accountable and people driven municipality the IDP consultative meetings from the 10<sup>th</sup> April will strengthen democracy and participation of people in governance matters.

All municipalities will be visited for projects engagements because nothing can be done without them. Last week I handed over 10 vehicles to technical services operation and maintenance unit, I made commitment that those vehicles should be used for service delivery to address transport challenges and any abuse of such vehicles will not be tolerated. Yesterday I instructed administration to finalise logistics of new trucks that remain parked at parking bays. Those water tankers and construction trucks should provide services to our people.

Madam Speaker

On the 8<sup>th</sup> of April next week members of this house and the community of Vhembe will be in a closer session with God through prayers during the district prayer day. This humble initiative requires all of us to pray for a peaceful and stable district. It is not through our wisdom that we have overcome societal challenges and through prayers the hope for better Vhembe will be realised. The Christian community is ready for the day as I have held

meetings with key stakeholders. The student protest in UNIVEN campus should also get necessary attention from government to allow classes to resume.

Next week the ANC and people of South Africa will be celebrating the lives of struggle Icon and former Minister Collins Chabane. On the 7<sup>th</sup> the community will attend his memorial lecture followed by the unveiling of his tombstone on the 8<sup>th</sup> at Xikundu village. This son of the soil will never be forgotten through his contribution to struggle for liberation.

In my conclusion allow me to submit the following issues for consideration by this council:-

Ndo Livhuwa !!!

### **3. RESOLUTIONS**

On 30<sup>th</sup> of March 2017 the Council of Vhembe District Municipality meets at Vhembe Council Chamber to consider the annual draft budget of the municipality for the financial year 2017/2018 to 2019/2020. The Council approved and adopted the draft budget for public consultation in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003)

- 3.1 The annual budget of the municipality for the financial year 2017/2018 and the multi-year and single-year capital appropriations as set out in the following tables:
- 3.2 Budgeted Financial Performance (revenue and expenditure by standard classification);
- 3.3 Budgeted Financial Performance (revenue and expenditure by municipal vote);
- 3.4 Budgeted Financial Performance (revenue by source and expenditure by type); and
- 3.5 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
- 3.6 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
- 3.7 Budgeted Financial Position as contained in Table 23.
- 3.8 Budgeted Cash Flows as contained in Table 24;
- 3.9 Cash backed reserves and accumulated surplus reconciliation as contained in Table 25.
- 3.10 Asset management as contained in Table 26 and
- 3.11 Basic service delivery measurement as contained in Table 27.

That Council of Vhembe District Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014: the tariffs for the supply of water – as set out in

Annexure A (Attached)

#### 4. BUDGET

##### 4.1 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the District's financial plan is essential and critical to ensure that the District remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The District's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. Key areas where savings were realized were on operational administrative expenditure.

The District has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 70, 72,74,75,78,82 and 85 were used to guide the compilation of the 2017/2018 to 2019/2020 MTREF.

The main challenges experienced during the compilation of the 2017/2018 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Ageing of water and Sanitation Infrastructure network;
- The need to reprioritise projects and expenditure within the existing resource given the cash flow realities;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

The following budget principles and guidelines directly informed the compilation of the 2017/2018 MTREF:

- The 2016/2017 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/2018 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- A reduction has been proposed in the following line items in terms of Instruction number one on cost containment measures as issued by parliament,
  - Special Projects;
  - Consultant Fees;
  - Furniture and office equipment;
  - Special Events;
  - Refreshments and entertainment;
  - Ad-hoc travelling; and
  - Subsistence, Travelling & Conference fees (national & international)

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework

Total operating revenue has increased by 15% from R 662,463 million to R 780,849 million for the 2017/2018 financial year when compared to the 2016/2017 Adjustments Budget. For the two outer years, operational revenue will increase by 6.1% and 5.9% respectively.

Total operating expenditure for the 2017/2018 financial year has been appropriated at R780, 849 million when compared to the 2016/2017 Adjustments Budget of R 662,463 million operational expenditure has increase by 15% in the 2017/18 budget year

The capital budget of R 634,432 million for 2017/2018 has decreased by 11% compared to the R709, 376 million for 2016/2017 Adjustment Budget. The capital budget will be funded from grants attached to conditions.



## 4.2 OPERATING REVENUE FRAMEWORK

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

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

- National Treasury guidelines
- Growth in the District and continued economic development
- Efficient revenue management

The following table is a summary of the 2017/2018 MTREF (classified by main revenue source):

**Table 1 Summary of revenue classified by main revenue source**

DC34 Vhembe - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)										
Description	2013/14	2014/15	2015/16	Budget Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue By Source</b>										
Service charges - water revenue	79,200	87,208	61,568	93,031	45,876	45,876	27,720	46,000	51,000	54,000
Service charges – other								460	481	509
Rental of facilities and equipment				2	2	33	33	15	24	38
Interest earned - external investments	8,439	11,664	11,507	15,761	28,000	28,000	21,196	24,000	27,000	30,000
Transfers and subsidies	608,117	589,931	760,033	751,753	748,898	748,898	470,300	827,856	915,103	1,001,489
Other revenue	70,590	4,155	6,268	800	1,644	1,644	1,689	2,893	3,078	3,254
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>766,346</b>	<b>692,959</b>	<b>839,377</b>	<b>861,347</b>	<b>824,420</b>	<b>824,451</b>	<b>520,938</b>	<b>901,224</b>	<b>996,686</b>	<b>1,089,290</b>

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

Operating Grants form a significant percentage of the revenue projections for the District. In the 2017/2018 financial year, the operating grants total R 827,856 million. The main portion of the operating grants is the Equitable Share which include portion of RSC Levy Replacement grant, which can be classified as own revenue as well because it replaced the RSC Levies that were abolished in 2006. The table below indicates the breakdown.

**Table 2 Operating Transfer and Grant Receipts**

DC34 Vhembe - Supporting Table SA18 Transfers and grant receipts									
Description	2013/14	2014/15	2015/16	Budget Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>RECEIPTS:</b>									
-									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	602,300	633,675	760,041	751,903	751,903	751,903	827,871	915,127	1,001,527
Local Government Equitable Share	524,104	592,795	681,432	746,981	746,981	746,981	824,760	913,077	999,217
Municipal Systems Improvement	890	934	940	-					
Finance Management	1,250	1,250	1,325	1,460	1,460	1,460	1,795	2,050	2,310
Water Services Operating Subsidy	70,881	35,000	72,000	-					
EPWP Incentive	5,175	3,696	4,344	3,462	3,462	3,462	1,316	-	-
<b>Total Operating Transfers and Grants</b>	<b>684,134</b>	<b>663,791</b>	<b>777,817</b>	<b>769,129</b>	<b>751,903</b>	<b>751,903</b>	<b>827,871</b>	<b>915,127</b>	<b>1,001,527</b>

Water Sales its contributes R46 million of the total operating revenue Investment revenue its contributes R 24 million Other source is 'other revenue' which consists of various items such as income received from , sale of tender documents, Health compliance certificates, landing depot, new connections, fire services and other income.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, petrol, diesel, chemicals, cement etc. The current challenge facing the District is managing the gap between cost drivers and revenue income, as any shortfall must be made up by either operational efficiency gains or service level reductions.

#### 4.3 OPERATING EXPENDITURE FRAMEWORK

- The District's expenditure framework for the 2017/2018 budget and MTREF is informed by the following:
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;  
The following table is a high level summary of the 2017/2018 budget and MTREF (classified per main type of operating expenditure):

**Table 3 Summary of operating expenditure by standard classification item**

DC34 Vhembe - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)										
Description	2013/14	2014/15	2015/16	Budget Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Expenditure By Type</b>										
Employee related costs	398,230	395,227	417,926	465,117	407,087	407,087	293,854	505,511	535,336	566,385
Remuneration of councillors	9,546	12,399	11,034	10,313	9,915	9,915	6,538	10,520	11,140	11,786
Debt impairment				35,813	-			15,000	15,885	16,806
Depreciation & asset impairment	65,000	76,000	108,720	31,770	1,832	1,832	-	30,933	32,758	34,658
Bulk purchases	2,270	2,506	1,000	11,500	6,239	6,239	-	5,000	5,295	5,602
Other materials	67,650	160,029	143,957	23,405	62,782	62,782	24,103	56,260	59,580	63,035
Contracted services	-	-	-	19,454	34,523	34,523	4,907	30,000	5,295	5,602
Transfers and subsidies	1,850	11,408	4,114	4,353	3,013	3,013	4,353	7,039	7,454	7,887
Other expenditure	195,853	256,878	182,444	146,720	137,073	137,073	71,090	120,586	127,700	135,107
<b>Total Expenditure</b>	<b>740,399</b>	<b>914,446</b>	<b>869,197</b>	<b>748,446</b>	<b>662,463</b>	<b>662,463</b>	<b>404,845</b>	<b>780,849</b>	<b>800,444</b>	<b>846,870</b>

The budgeted allocation for employee related costs for the 2017/2018 financial year totals R505, 511 million, which equals 65% of the total operating expenditure of R780, 849 million. Based on circulars 74, 75, 78, 79 & 85 salary increases have been factored into this budget at a percentage increase of 6.1 per cent for the 2017/2018. An annual increase of 5.9 and 5.8 per cent has been included in the two outer years of the MTREF.

Provision has been made in the budget to include positions in the organogram to ensure that the priorities set out in the IDP to be a full functional institution. These positions aim to strengthen accelerate Budget expenditure.

The cost associated with the remuneration of councillors is determined by the Minister of Co- operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the District's.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 30.9 million for the 2017/2018 financial of the total operating expenditure of R 780,849 and its funded by Accumulated from appropriation and there is a provision for debt impairment.

Other materials comprise of amongst others the procurement of materials for maintenance, cleaning materials and chemicals. In line with the District's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the District's infrastructure.

## 5. SUPPORTING DOCUMENTATION

### 5.1 BUDGET PROCESS OVERVIEW

The budget process is an effective process that every local government must undertake to ensure good governance and accountability. The process outlines the current and future direction that the district would follow in order to meet legislative stipulations. The budget process enables the district to optimally involve residents and other stakeholders in the budgeting process.

The preparation process is guided by the following legislative, requirements:

- Municipal Finance Management Act
- Municipal Systems Act and
- Municipal Structures Act

Vhembe District Municipality Budget/Integrated Development Plan (IDP) Review processes for the 2017/2018 financial year started with the development and approval in August 2016 of the "Process Plan for the Budget formulation see below schedule

## ANNEXURE B

### BUDGET PROCESS PLAN FOR THE 2017/18 FINANCIAL YEAR

FIRST QUARTER		JULY-SEPTEMBER 2016		
ACTIVITY	TASK	RESPONSIBLE PERSON	PARTICIPANTS	TIME-SCHEDULE
1/1 Tabling Budget Process Plan	<ul style="list-style-type: none"> <li>• Tabling at the Council for approval of the IDP and Budget Process Plan in terms of Municipal Systems Act and Section 34 of MFMA</li> <li>• Distribution of the Council approved IDP and Budget Process plan to all relevant stakeholders.</li> </ul>	C.F.O, Finance Portfolio Chairperson and Executive Mayor	IDP/budget Steering, Portfolio & Mayoral committees and Council	12 August 2016  14/22/28 Aug 2016
1/2 Revenue Allocation	Preparation of the initial Medium Term Financial Forecast and identification of likely level of resources to be available. Determining Proposed Rates & Service Charges	C.F.O	IDP/Budget Steering Committee & Management Committee	16 Sep 2016  01/29 Sept 2016
SECOND QUARTER		OCTOBER-DECEMBER 2016		
2/1 Report	Presenting of Auditor General	C.F.O	& IDP/Budget	1 Dec 2016

of the previous year Audited statement and Annual Report	Report to the Steering Committee	Municipal Manager	Steering & Management Committees	01/04/10/17/29 Dec 2016
2/3 Prepare proposed Budget and Plans for the next Financial year.	Issuing Budget guidelines	C.F.O	IDP Steering Committee and Management.	
	Departmental Presentation of proposed Budget & Plans Presentation of Budget related Policies	All Departments	IDP Steering committee, Management Committees, and Local Labour Forum	
<b>THIRD QUARTER</b>			<b>JANUARY- MARCH 2017</b>	
3/1 Budget Adjustment	The Executive Mayor Tables to the council, <ul style="list-style-type: none"> <li>The 2016/17 mid-year performance and budget assessment reports</li> <li>The 2016/17 Adjustment Budget Report, if one is required.</li> </ul>	C.F.O & Portfolio and Executive Mayor	Budget Steering & Management Committees,	15-30 Jan 2017
3/2 Reporting of Audited Statement & Annual Report	Submission of Annual Report and Audited Financial Statements and Audited Financial Statements and other information as required by section 127 of the MFMA	Executive Mayor	Finance Portfolio & Mayoral Committees, Council and Budget Steering committee	13/16 & 22 Jan 2017  30 January 2017
3/3 Consolidate Budget and Plans for the next Financial year.	<ul style="list-style-type: none"> <li>The IDP, Budget Policies and draft SDBIP tabled at all relevant Portfolio Committee and Mayoral prior tabling to the Council</li> <li>The Executive Mayor tables the Municipality Draft Budget and IDP at the Council.</li> </ul>	C.F.O, Municipal Manager & Portfolio and Executive Mayor	IDP/Budget Steering, Management, Mayoral Committees, IDP Rep Forum and Council	31 Mar 2017
<b>FOURTH QUARTER</b>			<b>APRIL-JUNE 2017</b>	
4/1 Approval of Budget	Submission of Draft Multi Year Budget to Stakeholders	C.F.O	National & Provincial Treasury and COGTA (DPLGH)	03 Apr 2017  03-04 Apr 2017
	Public Participation & Consultation Process	Executive Mayor	Public	

	Consolidation of inputs, Finalization and Submission of Multi Year Budget.	C.F.O, Municipal Manager, Finance Portfolio Chairperson & Executive Mayor	IDP/Budget Steering, Management, Mayoral Committees, IDP Rep Forum and Council	01-25 May 2017
	Approval of the Budget and related Policies by the Council	C.F.O, Municipal Manager, Finance Portfolio Chairperson & Executive Mayor	IDP/Budget Steering, Management, Mayoral Committees, IDP Rep Forum and Council	29 May 2017
	Submission of Approved Multi Year Budget to Stakeholders and placing the Budget on the website as well inviting comments from the public.	C.F.O GM Corporate Services	National & Provincial Treasury and COGTA (DPLGH)	12 June 2017
	<ul style="list-style-type: none"> <li>• Executive mayor approving the SDBIP within 28 days after the approval of the budget and ensuring that all the performance agreements are concluded in accordance with section 57(2) of MSA.</li> <li>• Submission of the approved SDBIP and performance agreement to council, MEC for local Government and make it public within 14 days after approval</li> </ul>	Executive Mayor	Municipal Manager & Section 57 Managers	30 Jun 2017

## 5.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

This is the Sixth review of the IDP as adopted by Council in May 2016. It started in August 2016. The draft reviewed IDP was tabled to council for approval on the 31 March 2016.

The District's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Considering the community Needs
- Compilation of departmental business plans including key performance indicators and targets

- Financial planning and budget process
- Public Participation through Indaba and IDP Reap Forum
- Compilation of the SDBIP
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/2018 MTREF, based on the approved 2017/2018 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/2018 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/2018 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **5.3. OVERVIEW OF BUDGET- RELATED POLICIES AND AMENDMENTS**

The District's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The following policies are in place

#### **5.3.1 Review of credit control and debt collection procedures/policies**

The Credit Control and Debt Collection Policy as approved by Council and were reviewed during the 2017/2018 budget process. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt.

The 2016/17 MTREF has been prepared on the basis of achieving an average debtors' collection rate on debtors. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the District's cash levels.



### **5.3.2 Asset Management Policy**

The reviewed asset management policy was adopted by Council in 2013/14. The policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment. The depreciation and capitalization of assets are dealt with in terms of this policy.

### **5.3.3 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council. The policy provides for processes to be followed in the procurement of goods and services. The principles of this policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procurement of goods and services, disposing of goods and selection of contractors in the provision of municipal services.

### **5.3.4 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the District's system of delegations. The Budget and Virement Policy was reviewed during the budget process in 2014/15.

### **5.3.5 Cash Management and Investment Policy**

The policy provides for the management of cash and investment of surplus funds. The aim of the policy is to ensure that surplus cash and investments are adequately managed especially the funds set aside for the cash banking of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks. This policy was adopted by Council

### **5.3.6 Fraud and Corruption Prevention Policy**

The policy provides for the mitigating, preventing, and reporting any corrupt or fraudulent activities. The policy was adopted by Council.

### **5.3.7 Travel and Subsistence Policy**

The objective of this policy is to enforce the promulgated legislation in terms of ad-hoc travel and subsistence allowances, in order to set uniform guidelines for Councillors and officials from Vhembe District Municipality. Furthermore, this policy sets out the basis for the payment of a subsistence and travel allowance for the purposes of such official travelling.

### 5.3.8 Budget policy

The objective of the budget policy is to set out

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to the Vhembe District Municipality's IDP review and budget processes.

## 5.4 OVERVIEW OF BUDGET ASSUMPTIONS

In preparation their annual 2017/18 budgets and MTREFs the municipalities are expected to pay particular attention on the following issues when compiling their budgets, as they may have far reaching implications on municipal budgets.

- Ensuring that drinking water and waste water management meets the required quality standards at all the times.
- Protecting the poor
- Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation.
- Securing the health of their asset base by increasing spending on repairs and maintenance.
- Expediting spending on capital projects that are funded by conditional grants and
- Ensuring that borrowed funds are invested in revenue generating assets as part of the capital programme.
- Ensuring that the capital budgets reflect consistent efforts to address the backlogs in basic services and the renewal of the infrastructure of existing network services.

Municipalities are expected to pay particular attention on the following issues when compiling their budgets, as they may have far reaching implications on municipal budgets.

- The local response to the global economic crisis.
- Headline inflation forecasts as it is on the bill

<b>Fiscal year</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>Actual</b>	<b>Estimate</b>		<b>Forecast</b>	
<b>CPI Inflation</b>	6.4%	6.4%	6.1%	5.9%	5.8%

- Revision of rates, tariffs and other sundry charges
- Revenue management

- Collection of outstanding debts
- Pricing services correctly
- Under budgeting on repairs and maintenance
- Spending on non-priorities

The minister emphasized on the 2011/2018 budget speech that, job creation, reducing of poverty, building infrastructure and expanding the economy is the central priority of the 2011/2017 budget. It is therefore expected that municipal budgets should align to these priorities.

## 5.5 OVERVIEW OF BUDGETING FUNDING

The funding of the operating and capital budget per source is as follows:

Type Of allocation	Column B	Column C	
	Allocations	Forecast	
	2017/2018	2018/2019	2018/19
	Budget	Budget	Budget
Conditional grant	562,193,000.00	605,940,000.00	645,309,000.00
Unconditional Grant	824,760,000.00	913,077,000.00	999,217,000.00
Water Sales	46,000,000.00	51,000,000.00	54,000,000.00
Interest Received	24,000,000.00	27,000,000.00	30,000,000.00
Other Income	3,813,123.57	4,040,391.00	4,271,800.46
<b>TOTAL BUDGET</b>	<b>1,460,766,123.57</b>	<b>1,601,057,391.00</b>	<b>1,732,797,800.46</b>

## 5.6 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

No allocation will be transferred to Local Municipalities.

## 5.7 COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Provision is made for an increase in Councillors by 10% and employee benefits Salary was increased 6.1% as provision due the negotiation which are underway.

## 5.8 CASH FLOW BY SOURCE

DC34 Vhembe - Table A7 Consolidated Budgeted Cash Flows								
Description	2015/16	Budget Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Service charges	61,568	54,568	45,876	45,876	66,138	46,000	51,000	54,000
Other revenue	761	761	1,644	1,644	1,689	3,813	4,040	4,272
Government - operating	760,041	751,753	748,898	748,898	470,300	827,871	915,127	1,001,527
Government - capital	698,707	678,880	678,880	678,880	438,371	559,082	603,890	642,999
Interest	11,507	10,984	28,000	28,000	21,196	24,000	27,000	30,000
<b>Payments</b>								
Suppliers and employees	(681,638)	(703,303)	(659,161)	(659,161)	(400,345)	(728,810)	(771,810)	(816,575)
Finance charges	(212)	(289)	(289)	(289)	(148)	(15,000)	(15,885)	(16,806)
Transfers and Grants	(4,114)	(23,807)	(3,013)	(3,013)	(4,353)	(37,039)	(12,749)	(13,489)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>846,620</b>	<b>769,546</b>	<b>840,835</b>	<b>840,835</b>	<b>592,848</b>	<b>679,917</b>	<b>800,614</b>	<b>885,928</b>

## 5.9 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Attached on the on the IDP

## 5.10 LEGISLATION COMPILATION STATUS

### Disclosure on implementation of MFMA chapter Legislation

The passing of the MFMA into law was a key milestone that had a fundamental impact on municipal financial management that required transformation in financial discipline and planning processes.

The budget preparation for 2017/2018 has met this entire key requirement.

The following are some of the MFMA areas and relative status

#### IDP

The 2017/2018 review process is done and the public consultation will be done as required by legislation see below schedule.

## VDM 2016/17 IDP REVIEW AND BUDGET CONSULTATION MEETINGS

The consultation meetings are arranged as follows:

Date	Municipality	Venue	Time
10 April 2017	Musina Local Municipality	Madimbo Community Hall	09h00
11 April 2017	Makhado Local Municipality	Makhado Show Ground	09h00
12 April 2017	LIM345 Local Municipality	Malamulele Boxing Gym	09h00
19 April 2017	Thulamela Local Municipality	Thohoyandou Indoor Sports Centre	09h00

#### BUDGET

This annual budget has been develop taking the MFMA and national treasury requirements into account budget are being tabled and approved with the required legislative timeframes.

#### ANNUAL

The annual report has been developed in terms of the MFMA.

#### IN YEAR REPORT

Reports was done in terms of MFMA and National Treasury and send electronically copy National and Provincial Treasury

### **BUDGET AND TREASURY OFFICE**

A budget and treasury office has been established in accordance with the MFMA and national treasury requirements

### **SDBIP**

The SDBIP document is at preparation stage taking the MFMA requirements into account.

### **AUDIT COMMITTEE**

An audit committee has been established and it's functional

Operating grants and subsidies represent the bulk of the revenue sources of the District

### **5.11 SUMMARY OF DETAILED CAPITAL PLAN**

<b>CAPITAL EXPENDITURE</b>			
<b>OWN FUNDING PROJECTS</b>	<b>85,350,290.58</b>	<b>87,444,207.72</b>	<b>92,515,971.77</b>
<b>GRANTS PROJECTS</b>	<b>549,082,000.00</b>	<b>548,798,000.00</b>	<b>582,774,000.00</b>
<b>TOTAL</b>	<b>634,432,290.58</b>	<b>636,242,207.72</b>	<b>675,289,971.77</b>

### **5.12 BUDGET FINANCIAL STATEMENTS**

<b>DC34 Vhembe - Table A6 Consolidated Budgeted Financial Position</b>								
Description	2015/16	Budget Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19
R thousand								
<b>ASSETS</b>								
Current assets								
Cash	79,796	175,000	75,000	75,000	73,895	79,425	84,111	84,032
Call investment deposits	11,507	255,000	100,000	100,000	305,390	106,100	112,360	118,877
Consumer debtors	63,423	67,101	57,533	57,533	341,989	61,043	64,645	68,394
Other debtors	268,641	284,223						
Current portion of long-term receivables								
Inventory	48,612	51,431	51,431	51,431	1,811,916	54,466	57,679	57,625

Total current assets	471,979	832,755	283,965	283,965	2,533,190	301,034	318,795	328,927
<b>Non-current assets</b>								
Long-term receivables								
Investments								
Investment property								
Investment in Associate								
Property, plant and equipment	4,597,995	3,439,197	3,485,982	3,485,982	1,811,916	3,698,627	3,916,846	4,144,023
Agricultural								
Biological								
Intangible	4,640	9,093	349	349				
Other non-current assets								
<b>Total non-current assets</b>	<b>4,602,635</b>	<b>3,448,290</b>	<b>3,486,331</b>	<b>3,486,331</b>	<b>1,811,916</b>	<b>3,698,627</b>	<b>3,916,846</b>	<b>4,144,023</b>
<b>TOTAL ASSETS</b>	<b>5,074,614</b>	<b>4,281,045</b>	<b>3,770,295</b>	<b>3,770,295</b>	<b>4,345,106</b>	<b>3,999,660</b>	<b>4,235,640</b>	<b>4,472,950</b>
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Bank overdraft								
Borrowing	-	-	-	-	-	-	-	-
Consumer deposits	5,198	5,500	1,050	1,050	720			
Trade and other payables	587,801	243,444	375,010	375,010	9,911	397,886	421,361	445,800
Provisions	75,023	79,375	79,375	79,375				
<b>Total current liabilities</b>	<b>668,022</b>	<b>328,318</b>	<b>455,434</b>	<b>455,434</b>	<b>10,631</b>	<b>397,886</b>	<b>421,361</b>	<b>445,800</b>
<b>Non-current liabilities</b>								
Borrowing	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>668,022</b>	<b>328,318</b>	<b>455,434</b>	<b>455,434</b>	<b>10,631</b>	<b>397,886</b>	<b>421,361</b>	<b>445,800</b>
<b>NET ASSETS</b>	<b>4,406,592</b>	<b>3,952,726</b>	<b>3,314,861</b>	<b>3,314,861</b>	<b>4,334,475</b>	<b>3,601,775</b>	<b>3,814,279</b>	<b>4,027,150</b>
<b>COMMUNITY WEALTH/EQUITY</b>								
Accumulated Surplus/(Deficit)	4,406,592	3,952,726	3,314,861	3,314,861	4,334,475	3,601,775	3,814,279	4,027,150
Reserves	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>4,406,592</b>	<b>3,952,726</b>	<b>3,314,861</b>	<b>3,314,861</b>	<b>4,334,475</b>	<b>3,601,775</b>	<b>3,814,279</b>	<b>4,027,150</b>

### 5.13 OTHER SUPPORTING DOCUMENTS

**See Schedule A1 to A10**

**5.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

Municipal Manager Signed off the budget as per attached certificate