



**Ngaka Modiri Molema District Municipality
Medium Term Revenue and Expenditure Framework for
2017/18 to 2019/2020**

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ABBREVIATIONS AND ACRONYMS

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

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C03/05/2017: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR 2017/18 TO 2019/2020

1. PURPOSE

The purpose of this item is for council to adopt:

- 1.1. Operating revenue framework to the amount of R 622,675 million.
- 1.2. Operating expenditure budget to the amount of R795, 216 million.
- 1.3. Capital expenditure budget to the amount of R307, 730 million.
- 1.4. Total revenue budget of R 930, 250 million.
- 1.5. New and existing capital projects on Table 18 to Table 21 of the budget document.
- 1.6. Grants and subsidies capital to the amount of R 307, 575 million.
- 1.7. Cashflow Management in Table A7 and SA30
- 1.8. The 2017/18 to 2019/20 Medium Term Revenue and Expenditure budget and accompanying annual budget schedules tables.
- 1.9. Notes budget-related policies accompanying the MTREF budget for 2017/18-2019/20
- 1.10. The budget-related policies accompanying the MTREF budget for 2017/18 to 2019/20.
- 1.11. Adopt the cost containment measures as suggested in the updated Municipal Finance Management Act 56 of 2003 circular 82.

2. LEGISLATIVE BACKGROUND

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

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

3. EXECUTIVE SUMMARY

The development of the budget which is an exercise of allocating resources is a difficult exercise under normal circumstances, due to competing demands for limited resources. This exercise is even more difficult with regard to Ngaka Modiri Molema District Municipality, due to the dire financial situation it finds itself in. By the end of the current financial year (2017/18), the municipality will be having estimated financial obligations of R 407,149 million, which translates to an increase of 10 % or R37, 017 million as compared to R 370,132 million of 2016/17 financial year. This amount includes the current year outstanding creditors of R140, 991 million and long outstanding debt of Sedibeng Water for an amount of R 266,158 million. In that view, this dilemma confirms that the municipality will continue operating under strain financial conditions.

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

- That capital budget figures talk to the infrastructure plans figures;
- That priority is given to core business areas of the municipality;
- That the budget provides for cost cutting/reduction measures;
- There will be no budget allocated to projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been Gazetted as required by the annual Division of Revenue Act; and
- A critical review was also undertaken of expenditures on non-core and 'nice to have' items.

National Treasury's MFMA Circular No. 78, 79, 85 and 86 other previous MFMA circulars were used to guide the compilation of the 2017/18 MTREF. As indicated above, the main challenges experienced during the compilation of the 2017/18 MTREF can be summarized as follows:

- Huge amount of outstanding amount of creditors for previous financial years;
- Non-compliance with conditional grants;
- Increasing demand of water due draught ;
- The ongoing difficulties in global and local macro economy;

- Aging and poorly maintained water, roads and sanitation infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality
- The increased cost of bulk water due to tariff increases from Sedibeng Water, which is placing upward pressure on water supply service to rural residents of Ngaka Modiri Molema District Municipality;
- Salaries and wage increases for municipal staff that continue to exceed consumer inflation (average CPI for Feb 2015 – Jan 2016) + 1 per cent).
- As well as, the need to fill critical vacancies of Accounting Officer ; Chief Financial Officer and other Senior Managers reporting directly to the Accounting Officer (Corporate Resource Services , District Growth and Economic Development, District Infrastructure Development and Maintenance, Project Management Unit, Business Process Support and Chief Executive Audit).
- The declining of credit ratings and creditworthiness of the municipality with financial institutions.

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

Table 1: Consolidated Operating budget overview of the 2017/18 MTREF

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	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
Total Revenue (excluding capital transfers and contributions)	447,553	456,240	695,304	557,876	560,617	560,617	622,675	704,411	772,746
Total Operating Expenditure	810,667	973,769	1,172,183	705,105	704,790	704,790	795,216	840,853	888,614
Surplus/(Deficit)	(363,114)	(517,530)	(476,879)	(147,229)	(144,173)	(144,173)	(172,541)	(136,442)	(115,868)
Total Capital expenditure	286,665	128,813	-	291,133	7,696	7,696	307,730	319,469	339,099

Total operating revenue has increased by 11.06 % or R62, 058 million for the 2017/18 financial year when compared to the 2016/17 adjustments budget. For the two outer years, operational revenue will increase by 13.12 % and 10 % respectively, equating to a total revenue growth of R 212,129 million over the MTREF when compared to the 2016/17 financial year.

Total operating expenditure for the 2017/18 financial year has been appropriated at R795, 216 million and translates into a budgeted deficit of R172, 541 million when compared to the

2016/17 adjustments budget. The operational expenditure has increased by 12.83 % in the 2017/18 budget and increases by 5.73 % and by 5.68 % for each of the respective outer years of the MTREF. The operating deficit for the two outer years decreases to R136, 442 million and then stabilizes at R 115,868 million in 2019/20 financial year.

The capital expenditure budget of R307, 730 million for 2017/18 is 3898.57 % increases when compared to the 2016/17 adjustment budget. For the two outer years, capital expenditure increases by 3.81 % and 6.14 % respectively. Owing to the declining of credit ratings and creditworthiness of the municipality with financial institutions, a note should be taken that the municipality has reached its prudential borrowing limits. As results, the municipality is unable to acquire more borrowing to fund capital project over the medium-term framework. Following that, in the beginning of 2016/17 financial year, the outstanding loan amount (interest portion) from Development Bank of South Africa was budgeted for R 2,850 million, which was expected to be the last instalment. However, due to the financial constraints that the municipality find itself in, the interest could not be paid, hence the outstanding balance of R500 thousand is budgeted for 2017/18 financial year.

4. OPERATING REVENUE FRAMEWORK

For the district to continue improving the quality of services provided to its citizens it needs to generate the required revenue. As it stands, the municipality relies entirely on grants which contribute 99% of total operating revenue allocated to the municipality. In these tough economic times strong revenue and expenditure management is critical for the sustainability of the municipality. The reality of the matter is that Ngaka Modiri Molema District is faced with service delivery backlogs, unemployment and poverty. The expenditure required to address these challenges will inevitably always exceed available funding, hence difficult choices have to be made in relation to cost cutting measures and balancing expenditures against realistically anticipated revenues. The municipality's own revenue is built around the following key components:

- Sales of tokens, yard connections, interest on primary bank account, sewer suction, and
- Rental of facilities and equipment.

The following table is a summary of the revenue for 2017/18 MTREF [main revenue classification].

Table 2: Summary of revenue classified by main revenue sources

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	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
Financial Performance									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Investment revenue	1,104	1,936	3,024	-	2,006	2,006	-	-	-
Transfers recognized - operational	439,126	447,684	688,321	554,376	554,509	554,509	619,361	700,757	768,792
Other own revenue	7,324	6,620	3,959	3,500	4,101	4,101	3,314	3,654	3,954
Total Revenue (excluding capital transfers and contributions)	447,553	456,240	695,304	557,876	560,617	560,617	622,675	704,411	772,746

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating revenue statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Transfers recognised – operational forms a significant percentage of the revenue basket for the district. The total budget for transfers recognised-operational is R619, 361 million for 2017/18 financial year and increases to R700, 757 million and R 768,792 million for two outer years respectively.

Operating grants and transfers totals to R622, 675 million in the 2017/18 financial year and steadily increases to R 704,411 million by 2018/19 financial year. Note that the year-on-year growth for the 2017/18 financial year is 11.06 % and then increases to 13.12 % and flattens to 9.70 % in 2019/2020 financial year. From the above table, it should be noted that the biggest portion of operating grants and transfers is equitable share which aimed for basic service delivery and other grants are for institutional transformation, such as capacity building and developing systems and procedures.

As highlighted before, own revenue comprises with sales of tokens, yard connections, interest on primary bank account, sewer sunction, and rental of facilities and equipment. However, it should be noted that for 2017/18 financial year, this revenue budget is projected for R 3,314 million, which translate to a decrease of 19.19 % as compared to the 2016/17 adjustment budget. For two outer years 2018/19 and 2019/20 financial years, own revenue is budget for R3, 654 million and R3, 954 million respectively. Following this explanation, this reduction is due

to the fact that the municipality has not been able to do water connections within reasonable time owing to financial constraints which resulted to lack of water materials, hence, an increase of water connections refund from customers.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term.

Table 3: Summary of Operating Transfers and Grants for 2017/18 MTREF

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Operating Transfers and Grants								
National Government:		438,827	447,539	587,127	554,376	619,361	700,757	768,792
Local Government Equitable Share		426,496	444,828	583,734	551,315	616,267	698,707	766,482
Finance Management		1,250	1,250	1,325	1,460	1,795	2,050	2,310
Municipal Systems Improvement		890	786	524	-	-	-	-
Water Services Operating Subsidy		9,191			-	-	-	-
EPWP Incentive		1,000	676	1,545	1,601	1,299	-	-
Provincial Government:		299	145	-	-	-	-	-
DLPGTA Fire Grant- Provincial Simulation		299	145	-	-	-	-	-
Total Operating Transfers and Grants	5	439,126	447,684	587,127	554,376	619,361	700,757	768,792

5. IN-KIND ALLOCATIONS

In terms of Section 21 subsection (1) (a), (b) and (i) of the Division of Revenue Act, 2016 states, if satisfies that the conversion will prevent under-expenditure or improve the level of service delivery in respect of the allocation in question National Treasury may convert any portion of an allocation listed in Part B of Schedule 5 to one listed in Part B if schedule 6. Procedurally, in-kind allocations are not directly deposited into municipal account neither disclosed as part of operating revenue instead the municipality is expected to develop business plans and submit them to the funding agent for approval and thereafter, spend and claim back from the funding agent.

Table 4 below, shows the summary of schedule 6 Part B as an in-kind allocations to the Ngaka Modiri Molema District Municipality,

Table 4: Summary of Schedule 6 Part B [In-Kind Allocations]

Schedule 6 Part B [In-Kind Allocations]	Current Year 2016/2017	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Water Service Infrastructure Grant	65,000,000.00	100,000,000.00	210,000,000.00	245,233,000.00
Regional Bulk Infrastructure Grant	100,000,000.00	88,000,000.00	114,586,000.00	95,000,000.00
Municipal System Improvement Grant	1,041,000.00	1,637,000.00	-	-
Total Allocations	166,041,000.00	189,637,000.00	324,586,000.00	340,233,000.00

5.1 Water services infrastructure grant

This grant aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services. The grant, administered by the Department of Water and Sanitation, provides funding for various projects, including the construction of new infrastructure and the refurbishment and extension of existing water schemes. It has both direct and indirect components. In areas where municipalities have the capacity to implement projects themselves, funds are transferred through a direct grant. In other areas, the Department of Water and Sanitation implements projects on behalf of municipalities through an indirect grant.

As with other indirect grants, the national department is required to transfer skills to the municipalities benefiting from the indirect grant so that they will be able to implement projects themselves in future. A maximum of 3 per cent of a municipal grant can be used for capacity building to ensure municipalities can operate and maintain projects in future. This grant will also be used to support the completion of the bucket eradication programme in formal residential areas, as the bucket eradication programme grant came to an end in 2016/17 financial year. The water services infrastructure grant can also be used to fund projects responding to water supply problems caused by drought. To ensure efficiency, these projects and their plans must be shared with the National Disaster Management Centre. Over the 2017/2018 MTREF period, the total allocation for the indirect portion of the grant is R100 million. This grant has increased by R35 million in 2017/18, R110 million in 2018/19 and R35, 233 million in 2019/20 financial year.

5.2 Regional bulk infrastructure grant

This grant supplements the financing of the social component of regional bulk water and sanitation infrastructure. It targets projects that cut across several municipalities or large bulk projects within one municipality. The grant funds the bulk infrastructure needed to provide reticulated water and sanitation services to individual households. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects. It has both direct and indirect components. In areas where municipalities have the capacity to implement projects themselves, funds are transferred through a direct grant. In other areas, the Department of Water and Sanitation implements projects on behalf of municipalities through an indirect grant.

A parallel programme, funded by the Department of Water and Sanitation, also funds water boards for the construction of bulk infrastructure. Though not part of the division of revenue, these projects still form part of the Department of Water and sanitation. For the 2017 MTREF period, this grant will also fund the cost of developing and implementing transfer plans for how assets built through the indirect grant will be handed over to municipalities, including skills transfer, training and planning for tariff alignment. This grant will also be used to fund the bulk infrastructure needed for the completion of the bucket eradication programme in formal residential areas. For 2017/18 financial year, Regional bulk infrastructure grant is allocated an amount of R88 million and increases to R114, 6 million in 2018/19 and decreases to R95 million over the 2019/20 MTREF period.

5.3 Municipal systems improvement grant

The municipal systems improvement grant has been implemented as an indirect grant since 2016/17 MTREF period. This grant fund a range of projects in municipalities in support of the Back to Basics strategy, including helping municipalities set up adequate record management systems, drawing up organograms for municipalities and reviewing their appropriateness relative to their assigned functions, and assisting municipalities with revenue collection plans. The indirect grant will be complemented by the Department draw data from, as well as a performance management system to track municipal performance. In 2017/18 financial year, this grant is budgeted for R1, 637 million.

6. PROPOSED TARIFFS -SETTING

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised, local economic conditions, input costs and the affordability of services is taken into account to ensure the financial sustainability of the district. National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, other materials and contracted services etc.

The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. As results, for the purpose of 2017/18 MTREF tariffs setting the municipality has taken into consideration the macroeconomic performance and projections from 2015/16 to 2019/20 financial years. The table below demonstrate the macroeconomic performance and projections of South African economy and inflation targets.

Table 5: Macroeconomic performance and projections from 2015 -2019

Fiscal year	2016/17 Estimate	2017/18	2017/18 Forecast	2019/20
Consumer Price Inflation (CPI)	6.4%	6.4%	5.7%	5.6%
Real GDP growth	0.5%	1.3%	2.0%	2.2%

The above macroeconomic performance and projections shows that, the global economic growth outlook has improved, but it is clouded by the prevailing policy uncertainty due to the increasing pressure within the world trading system. Furthermore, these factors may jeopardise South Africa’s prudent macroeconomic and fiscal policies, which include inflation targeting and a flexible exchange rate, the local economy’s ability to adjust to global volatility and the stable investment platform. The gross domestic product (GDP) growth rate is forecasted to increase by 1.3 % in 2017 and to improve moderately over the medium term with to 2 % and 2.2 % in 2018 and 2019 respectively.

This forecast is supported by marginally higher global growth, stabilising commodity prices, greater reliability of the electricity network, more favourable weather conditions, recovering

business and consumer confidence, and improved labour relations. The positive trajectory marks a shift from several years of declining growth however; this is still not high enough to markedly reduce unemployment, poverty and inequality. It is for these reasons that, these economic challenges will continue to pressurise municipal revenue generation and collection levels hence a conservative approach is advised for projecting revenue. In that view, the municipalities will be forced to improve their efforts to limit non-priority spending and implement stringent cost-containment measures. Considering the above outlook, the current municipal tariffs were adjusted accordingly in line with consumer price index (CPI) of 6.4%

The following are the proposed water and sanitation and other services tariffs for 2017/18 MTREF period.

Table 6: Proposed Water and Sanitation Tariffs for 2017/18 financial year

Water and Sanitation Tarrifs	Current Tariffs (01 July 2016)	Proposed Tariffs (2017/2018)
Water tariff (flat rate)	R 17/kl	R 18/kl
Water tanker - 10kl	R 14/km	R 15/km
Water tanker - 14kl	R 16/km	R 17/km
Water tanker- 16kl	R 18/km	R 19/km
Water tanker - 18kl	R 20/km	R 21/km
Water tanker - 20kl	R 22/km	R 23/km
Vacuum tanker (suction of sanitation facilities at a rate of R 14/km for a distance more than 10km)	R 371	R 395
Yard connection fee	R 3768	R 3987
Consumer Tag	R34	R36

To this end, it should be highlighted that services rendered by the municipality, as far water and sanitation is concern does not reflect cost benefit to the district municipality. However, it should be noted that, municipalities by law are not encouraged to make profit on services rendered instead service charged to our local communities should be cost effective and affordable. In that manner, for 2017/18 financial year, the district municipality will roll-out a programme of compiling an indigent register particularly were the district municipality is offering or rendering basic services. The reason behind this is that, our local communities, especially, rural communities are faced with high level of unemployment, inequality and poverty, as results they unable to access or pay for basic services. Thus, this refers to indigent communities.

Therefore, it is for this reasons that, district municipality needs to develop and adopt indigent policy to ensure that the indigent can have access to all packages of services included in the Free Basic Services programmes of the municipality. Finally, for 2017/18 financial year, the municipality has budgeted for R 1 million, which will focus on, among others, consultation, data collection and developing policy for the district and untimely informs, out service delivery measurement.

Table 7: Proposed Tariffs for Service Trucks

Service Trucks Tarrifs	Current Tarrifs (01 July 2016)	Proposed Tariffs (2017/18)
Maintenance motor grader (13 ton)	R 450/hr	R 479/hr
Construction motor grader (15 ton)	R 550/hr	R 585/hr
Tractor loader backhoe	R 310/hr	R 330/hr
6m3 tipper truck	R 360/hr	R 383/hr
6m3 tipper truck	R 15/km	R 16/km
2.7 m3 front end loader	R 450/hr	R 479/hr
Tracktor	R 450/hr	R 479/hr
Pedestrial roller	R 180/hr	R 192/hr
6kl water bowser	R 360/hr	R 383/hr
6kl water bowser	R 15/km	R 16/km
1 ton lowbed & hoarse	R 30.50/km	R 32/km
4 ton lowbed & hoarse	R 40.50/km	R 43/km
30-40 ton lowbed & hoarse	R 65.50/km	R 70/km

7. OPERATING EXPENDITURE FRAMEWORK

The district's business affairs and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. The cost containment measures were implemented to eliminate non-priority spending to reprioritize spending. However, during the 2016/17 financial year municipality acknowledge that the fact that there was no full compliance with this directive. The municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA; and

- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2017/18 budget and MTREF [classified per main type of operating expenditure].

Table 8: Summary of operating expenditure by standard classification item

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		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
Expenditure By Type	1									
Employee related costs		245,844	281,910	301,119	302,228	302,228	302,228	313,591	331,693	350,889
Remuneration of councillors		15,609	8,049	13,251	13,054	13,054	13,054	13,671	14,395	15,174
Debt impairment		-	-	-	-	-	-	-	-	-
Depreciation & asset impairment		236,971	229,415	323,478	229,415	229,415	229,415	323,478	339,652	356,635
Finance charges		7,103	7,166	1,621	3,150	3,150	3,150	800	350	400
Bulk purchases		-	-	-	-	-	-	-	-	-
Other materials		34,475	43,006	64,193	29,500	28,502	28,502	38,000	35,925	37,351
Contracted services		11,874	31,872	399,555	14,810	14,838	14,838	19,050	20,653	22,409
Transfers and subsidies		134,770	258,257	11,663	15,561	15,561	15,561	13,094	16,108	17,310
Other expenditure		124,021	114,095	57,303	97,387	98,043	98,043	73,532	82,077	88,446
Loss on disposal of PPE										
Total Expenditure		810,667	973,769	1,172,183	705,105	704,790	704,790	795,216	840,853	888,614

7.1 .1 Salaries and Wages

The budgeted allocation for employee related costs for the 2017/18 financial year amounts to R 313, 591 million. For the two outer years, employee related cost increases by R 18,102 million or 5.7 % and R19, 196 million or 5.78 % respectively. This translates to 39.43 % of the total operating expenditure budget. However, it should be noted that the total operating expenditure budget includes 6 % of Municipal Infrastructure Grant which is meant to support Project Management Unit. The South African Local Government Bargaining Council entered recently into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018.

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.

The annual increase of 5.7% and 5.6% has been included in the two outer years of the MTREF budget. As part of the municipalities cost reprioritization and cash management strategy a moratorium was placed in 2015/16 financial year on all new normal appointments and it was uplifted as when council needs to appoint new personnel [Political Administration personnel]. In addition to that, as part of the planning assumptions and interventions all new vacancies were not budgeted for except vacant positions for Accounting Officer and Managers reporting directly to the Accounting Officer.

According to MFMA Circular 71, the norm for remuneration budget (Employee related costs and councillors remuneration) should be between 25% and 40% of total operating expenditure budget. As results, the expenditure norm for remuneration budget for Ngaka Modiri Molema District Municipality is 41.15 % which is more by 1.15 %. Subsequent to that, a note should be taken that for the MTREF period overtime is not budgeted for and standby and shift allowances have been reduced by 50%, which forms part of cost containment measures.

7.1.2 Remuneration of Councillors

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 No. 1998 (Act 20 of 1998). The last proclamation in this regard was published on 21 December 2016 with an annual increase 4.5 % as results, the remuneration of councillors original budget has been budgeted on the actual cost increased from R13, 054 million to or 4.7% or R 13,671 million for 2017/18 financial year and R14, 395 million and R15, 174 million for the outer years.

7.1.3 Depreciation and Assets Impairment

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 of asset consumption. The budget appropriation in this regard is a total of R323, 478 million for

the 2017/18 financial year. For the two outer years depreciation is budgeted at R 339,652 million and R 356,634 million respectively.

7.1.4 Finance Charges

Finance charges consist primarily of the repayment of interest on the outstanding long-term borrowing (DBSA loan), bank charges and interest charged for late payments of creditors. For 2017/18 financial year, finance charges have been budgeted for R800 thousand and decreases to R350 thousand and R400 thousand respectively for two outer years. In addition, it should be noted that the current interest for Development Bank of South Africa is R500 thousand and it is suggested that, it must be settled to avoid further interest accumulation.

7.1.5 Materials and Bulk Purchases

Other material comprises of amongst others the purchase of materials for maintenance, water material. In line with the district's repairs and maintenance plans, this group of expenditure has been prioritized to ensure sustainability of the district's infrastructure. For 2017/18 the appropriation against this group of expenditure has increased by 33.32 % or R 9,498 million as compared to 2016/17 adjustment budget. This amount decreases by R 2,075 million in 2018/19 financial year and increases by R 1,425 million in the outer year. Due to aging and poorly maintained water, roads and sanitation infrastructure, this expenditure budget is aimed at repairing and maintaining of the above municipal assets particularly, to increase service delivery to our local communities.

7.1.6 Contracted Services

In the 2017/18 financial year, this group of expenditure totals to R19, 050 million and has increased by 28.38 %. For the two outer years this amount increases to R20, 623 million and R22, 409 million. This expenditure line item consists of, among others, security services that provide protection within district water and sanitation infrastructure which was due to municipal assets being vandalized. Secondly, security service budget must be in line with PSIRA regulations which control security services environment or businesses. Thirdly, the municipality is also planning to address challenges regarding asset management, in particular, compiling of assets register in terms of Generally Recognized Accounting Practices. Therefore, in 2017/18 financial year security service is budgeted for R15 million and Asset Management for R2 million. As part of the process of identifying further cost efficiencies, a business reengineering process

will continue in the 2017/18 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being outsourced.

7.1.7 Other expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. The description of this allocation includes among others goods and services, general expenses such as, Imbizo's, HIV/Aids programmes, Public Participation, Training, conferences & seminars, drought relief, tankering, fuel & oil vehicle, legal expenses, special projects, insurance, telephone ,quick wins water services, accommodation, bank charges, printing and stationery, detergents and postage and other expenditure line items that are mentioned under summary of operating expenditure by classification .

Furthermore, this item description of "other expenditure" is as per National Treasury template, whereas it should have been described as "goods and services" for example. The implementation of Municipal Standard Chart of Accounts (mSCOA) will address this issue by classification of these expenditure items in seven segments. In 2017/18 other expenditure is budgeted for R 92,582 million which translate to an increase to R 102,729 million and R 110,855 million in the outer years.

The following table gives a breakdown of the main expenditure categories for the 2017/18 financial year.

Figure 1: Main expenditure category for 2017/18 MTREF

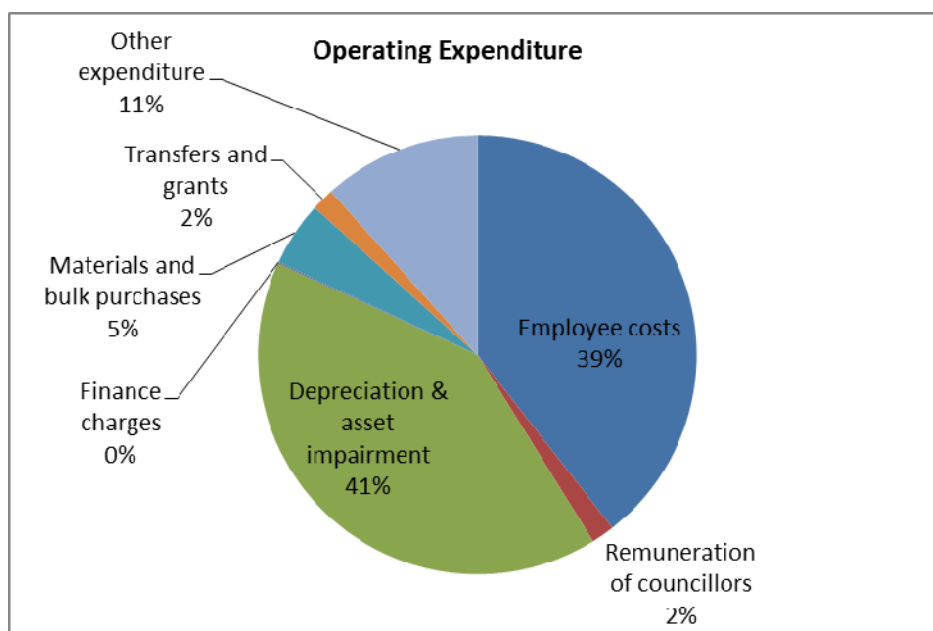


Table 9: Operating expenditure budget allocation per vote over 2017/18 MTREF

Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	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
<i>Expenditure by Vote to be appropriated</i>									
Vote 1 - Executive and Council	21,973	11,102	15,014	33,400	33,400	33,400	35,252	37,465	39,697
Vote 2 - Municipal Manager	63,040	31,378	30,499	45,344	45,344	45,344	51,136	53,948	57,050
Vote 3 - Budget and Treasury Office	506,658	552,410	633,738	260,351	260,351	260,351	356,545	373,314	393,132
Vote 4 - Corporate Services Support	31,666	20,200	23,696	60,655	61,608	61,608	66,278	68,149	72,443
Vote 5 - Growth and Economic Development	9,023	3,156	2,761	25,608	25,608	25,608	26,731	26,962	29,005
Vote 6 - District Public Health and Safety	8,136	5,607	3,365	119,965	119,965	119,965	119,783	125,838	131,604
Vote 7 - District Infrastructure Maintenance and Development	170,172	349,915	463,111	159,783	158,515	158,515	139,490	155,177	165,683
Total Expenditure by Vote	810,667	973,769	1,172,183	705,105	704,790	704,790	795,216	840,853	888,614

Vote 1 – Executive and Council

The total amount allocated for Vote 1 for the 2017/18 year is R 35,252 million, increasing to R37, 465 million in 2018/19 and R 39,697 million in the outer years.

Vote 2 – Municipal Manager

The total amount allocated for Vote 2 for the 2017/18 year is R 51,136 million, increasing to R53,948 million in 2018/19 and increase to R 57,050 million in the outer years.

Vote 3 – Budget and Treasury Office

The total amount allocated for Vote 3 for the 2017/18 year is R 356,545 million, increasing to R373, 314 million in 2018/19 and R 393,132 million in the outer years.

Vote 4 – Corporate Services Support

The total amount allocated for Vote 4 for the 2017/18 year is R66, 278 million, and increasing to R68, 149 million in 2018/19 and R72, 443 million in the outer years.

Vote 5 – Growth and Economic Development

The total amount allocated for Vote 5 for the 2017/18 year is R26, 731 million, increasing to R26, 962 million in 2018/19 and increasing to R29, 005 million in the outer years.

Vote 6 – District Public Health and Safety

The total amount allocated for Vote 6 for the 2017/18 year is R119, 783 million, increasing to R125, 838 million in 2018/19 and R131, 604 million in the outer years.

Vote 7 – District Infrastructure Maintenance and Development

The total amount allocated for Vote 7 for the 2017/18 year is R 139,490 million, increasing to R155, 177 million in 2018/19 and decreasing to R165, 683 million in the outer years.

8. CAPITAL EXPENDITURE FRAMEWORK

For 2017/18 an amount of R307, 730 million has been appropriated for the development of infrastructure which represents 99.55 % of the total capital budget. In the outer years, this amount increases to R319, 469 million and R 339,099 million respectively for each of the financial years. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. The following table provides a breakdown of budgeted capital expenditure by vote.

Table 10: Capital expenditure by vote, functional classification for 2017/18 MTREF

Vote Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	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
<i>Single-year expenditure to be appropriated</i>									
Vote 2 - Municipal Manager	319	-	-	-	-	-	1,500	1,700	1,900
Vote 4 - Corporate Services Support	709	9,756	-	1,000	1,000	1,000	6,000	-	-
Vote 7 - District Infrastructure Maintenance and Development	285,637	119,058	-	290,133	6,696	6,696	300,230	317,769	337,199
Total Capital Expenditure - Vote	286,665	128,813	-	291,133	7,696	7,696	307,730	319,469	339,099

Vote 2 – Municipal Manager

The total amount allocated for Vote 2 for the 2017/18 year is R1, 500 million, increasing to R1, 700 million in 2018/19 and R 1,900 million in the outer years. This expenditure budget relates to computer software and forms part of our assets.

Vote 4 – Corporate Services Support

The total amount allocated for Vote 4 for the 2017/18 year is R6, 000 million, which is budgeted for completions of municipal building and ultimately, reduce the current office and parking rental expenditure.

Vote 7 – District Infrastructure Maintenance and Development

The total amount allocated for Vote 7 for the 2017/18 year is R300, 320 million, increasing to R317, 769 million in 2018/19 and R337, 199 million in the outer years. This expenditure relates to water, sanitation and rural roads projects.

9. ALLOCATIONS MADE BY DISTRICT MUNICIPALITY TO LOCAL MUNICIPALITIES

The Division of Revenue Bill (DoRA) provides that the revenue raised nationally in respect of 2017/18 financial year must be divided among the national, provincial and local spheres of government. Moreover, section 29 of the DoRA states that category C municipality must, within 10 days after the act takes effect, submit to the National Treasury and all category B municipalities within the municipality's area of jurisdiction, the budget, as tabled in accordance with section 16 of the MFMA , for the 2017/18 financial year.

Therefore, Ngaka Modiri Molema District Municipality as category C must indicate all allocations from their equitable share and conditional grants allocations to be transferred to each local municipality within the area of jurisdiction. The intention of this transfer is to support local municipalities with provision of basic services rendered on behalf of district municipality. Furthermore, it is also suggested that the relationship between local municipalities and district municipality must be in a form of service level agreement, which should specify roles and responsibilities of each sphere and clarify the process of assets hand over and issues of repairs and maintenance after project completion. For 2017/18 financial year, an amount of R 10,000 million budgeted for local municipality and which one will receive R 1 million at the beginning of the first quarter and last payment in the second quarter.

The following table shows a breakdown of transfers and grants made by the district to local municipalities.

Table 11: Transfers and Grants made by the district municipality to locals for 2017/18 MTREF

Description R thousand	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Cash Transfers to other municipalities</u>							
Mafikeng Local Municipality	800	2,500	2,500	2,500	2,000	2,812	3,000
Ditsobotla Local Municipality	800	2,500	2,500	2,500	2,000	2,812	3,000
Ramotshere Moiloa Local	3,300	2,500	2,500	2,500	2,000	2,812	3,000
Ratlou Local Municipality	800	2,500	2,500	2,500	2,000	2,812	3,000
Tswaing Local Municipality	800	2,500	2,500	2,500	2,000	2,812	3,000
Total Cash Transfers To Municipalities:	6,500	12,500	12,500	12,500	10,000	14,058	15,000

10. OVERVIEW OF THE ANNUAL BUDGET PROCESS

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

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

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

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget. On 30 August 2016 the Mayor of Ngaka Modiri Molema District Municipality tabled in council the required IDP and budget time schedule as follows:

Table 13: Time schedule of Key deadlines for 2017/18 MTREF

TIME SCHEDULE OF KEY DEADLINES		
Mayor to Table in Council 10 Months Prior to Start of Budget Year		
Month	NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY	Budget Year : 2017/18
	Mayor and Council	Administration - Municipality
Jul 2016	<p>Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process</p> <p>MFMA s 53</p> <p>Planning includes review of the previous year's budget process and completion of the Budget Evaluation Checklist</p>	<p>Accounting officers and senior officials of municipality begin planning for next three-year budget</p> <p>MFMA s 68, 77</p> <p>Accounting officers and senior officials of municipality review options and contracts for service delivery</p> <p>MSA s 76-81</p>
Aug 2016	<p>Mayor tables in Council a time schedule outlining key deadlines for: preparing, tabling and approving the budget; reviewing the IDP (as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year.</p> <p>MFMA s 21,22, 23;</p> <p>MSA s 34, Ch 4 as amended</p> <p>Mayor establishes committees and consultation forums for the budget process</p>	
Sept 2016	<p>Council through the IDP review process determines its strategic objectives for service delivery & development for next three-year budgets including review of provincial and national government sector and strategic plans</p>	<p>Budget office of municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives</p> <p>Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)</p>
Oct 2016		<p>Accounting officer does initial review of national policies and budget plans and potential price increases of bulk resources with function and</p>

		<p>department officials</p> <p>MFMA s 35, 36, 42; MTBPS</p>
Nov 2016	<p>Council finalises tariff (rates and service charges) policies for next financial year</p> <p>MSA s 74, 75</p>	<p>Accounting officer reviews and drafts initial changes to IDP</p> <p>MSA s 34</p>
Dec 2016		<p>Accounting officer and senior officials consolidate and prepare proposed budget and plans for next financial year taking into account previous year's performance as per audited financial statements</p>
Jan 2017		<p>Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January)</p> <p>MFMA s 36</p>
Feb 2017		<p>Accounting officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report</p> <p>Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year</p> <p>MFMA s 37(2)</p>
Mar 2017	<p>Mayor tables municipality budget, resolutions, plans, and proposed revisions to IDP at least 90 days before start of budget year</p> <p>MFMA s 16, 22, 23, 87; MSA s 34</p>	<p>Accounting officer publishes tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to NT, PT and others as prescribed</p> <p>MFMA s 22 & 37; MSA Ch. 4 as amended</p> <p>Accounting officer reviews any changes in prices for bulk resources as communicated by 15 March</p> <p>MFMA s 42</p>
Apr 2017	<p>Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc.</p> <p>MFMA s 21</p> <p>Public hearings on the budget, and council debate. Council consider views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be</p>	<p>Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year</p>

	<p>provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. Council to consider approval of budget and plans at least 30 days before start of budget year.</p> <p>MFMA s 23, 24; MSA Ch. 4 as amended</p>	
May 2017	<p>Council must approve annual budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year</p> <p>MFMA s 16, 24, 26, 53</p>	<p>Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature</p>
Jun 2017	<p>Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval.</p> <p>MFMA s 53; MSA s 38-45, 57(2)</p> <p>Council must finalise a system of delegations.</p> <p>MFMA s 59, 79, 82; MSA s 59-65</p>	<p>Accounting officer submits to the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1) (b) of the MSA.</p> <p>MFMA s 69; MSA s 57</p> <p>Accounting officer of municipality publishes adopted budget and plans</p> <p>MFMA s 75, 87</p>

Abbreviations: IDP - Integrated Development Plan; MFMA - Local Government: Municipal Finance Management Act, No. 56 of 2003; MSA - Local Government: Municipal Systems Act, No. 32 of 2000, as amended; MTBPS - National Treasury annual publication, Medium Term Budget and Policy Statement; NT - National Treasury; PT - Provincial Treasuries; SDBIP - Service Delivery and Budget Implementation Plan

There were deviations from the key dates set out in the Budget Time Schedule tabled in council due to challenges that were facing the municipality, amongst others, limited financial resources.

11. IDP AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

This is the first five year Integrated Development Plan (IDP) for the new political administration which were inaugurated just after the local government democratic elections held in 03 August 2016. The district Integrated Development Plan is a principal strategic planning instrument which directly guides and informs its planning, budget, management and development actions.

This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

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

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

The IDP has taken into a business and financial planning process which lead up to the 2017/18 MTREF and this is called process plan. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections. As a results, the compilation of the 2017/18 MTREF forces each department/vote to review its business planning process (functions and mandate), including the setting of new priorities and targets. As said before, this process cannot be done or without taking into account the 2016/17 mid-year performance plan , in-year reports against the 2016/17 Service Delivery and Budget Implementation Plan. At the end, this process should be an integration of performance against initial plans not isolated process.

12. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipalities response to these requirements. The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. The following table shows the reconciliation of IDP strategic objectives and budget for operating expenditure and capital expenditure.

Table 14: Reconciliation between IDP Strategic Objectives and Operating Expenditure Budget for 2017/18 MTREF

Strategic Objective	Goal	2017/18 Medium Term Revenue & Expenditure Framework		
		Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand				
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Policy implementation and providing direction leading to effective service delivery	86,388	91,413	96,747
FINANCIAL VIABILITY	Sound Financial Management	356,545	373,314	393,132
GOOD GOVERNANCE AND COMMUNITY PARTICIPATION	Effective running of the institution that promotes high level of ethics and accountability	186,061	193,987	204,047
LOCAL ECONOMIC DEVELOPMENT	Contribute to the development of the district growth and improved economic conditions	26,731	26,962	29,005
BASIC SERVICES AND INFRASTRUCTURE INVESTMENT	Access to clean drinking water and basic sanitation services	139,490	155,177	165,683
Total Expenditure		795,216	840,853	888,614

Table 15: Reconciliation between IDP Strategic Objectives and Capital Expenditure budget for 2017/18 MTREF

Strategic Objective R thousand	Goal	2017/18 Medium Term Revenue & Expenditure Framework		
		Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Policy implementation and providing direction leading to effective service delivery	1,500	1,700	1,900
FINANCIAL VIABILITY	Sound Financial Management	-	-	-
GOOD GOVERNANCE AND COMMUNITY PARTICIPATION	Effective running of the institution that promotes high level of ethics and accountability	6,000	-	-
LOCAL ECONOMIC DEVELOPMENT	Contribute to the development of the district growth and improved economic conditions	-	-	-
BASIC SERVICES AND INFRASTRUCTURE INVESTMENT	Access to clean drinking water and basic sanitation services	300,230	317,752	337,199
Total Capital Expenditure		307,730	319,452	339,099

13. OVERVIEW OF BUDGET RELATED-POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. Given the work backlogs and problems that the municipality experienced during the year, no policies were reviewed. Ordinarily, if there is a change in legislation or national policies or prescripts that necessitates the changes of existing policies, the municipality is compelled to undertake a review and amend its policies. As results, it is recommended that attention be given to policy planning in order to identify any gaps on the policies and where necessary, to effect improvements accordingly.

As a matter of principle any review of tariffs that affects consumers will need to be accompanied by an improvement in the delivery of services. In addition to that, any review of the current tariffs needs to be supported by a rationale on which they are based. Furthermore,

the municipality needs assess whether the tariff increase is based on loss recovery, or are market related or are nominal. Under financial management recovery plan for 2017/18 financial year, this matter will be given attention. The following budget-related policies must be noted for 2017/18 MTERF budget.

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

A note should be taken that, the Municipal Tariff policy was adjusted accordingly in line with consumer price index of 6.4 % as outlined in Municipal Finance Management Act 56 of 2003, budget circular No. 86.

14. OVERVIEW OF BUDGET FUNDING

The total revenue of Ngaka Modiri Molema District Municipality for the budget year 2017/18 is R930, 250 million. The budget is primarily funded from government grants and subsidies which forms major portion of sources of revenue. The operating expenditure and other portion of capital expenditure are funded from own revenue and operating grants and subsidies such as Local Government: Equitable Shares, Finance Management Grant and EPWP incentive grant. The capital expenditure is funded from conditional grants as outlined in the Division of Revenue Act No. 1 of 2016 as amended. The following sources of funding forms part of funding as a percentage of total funding:

Table 16: Sources of budget funding for 2017/18 MTREF

Budget Funding	R'000	As % of total Funding
Grants and Subsidies Received Operating	619,361.00	66.5%
Grants and Subsidies Received Capital	307,575.00	33.06%
Own Revenue	3,314.00	0.35%
Total Budget Funding	930,250.00	100%

15. OVERVIEW OF BUDGET ASSUMPTIONS

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 No. 1998 (Act 20 of 1998). The last proclamation in this regard was published on 21 December 2016. As results, the benefits of different members of the municipal councils are budgeted at 5%. The Salaries, allowances and related benefits of Personnel for 2017/18 budget year are provided at 7.4 % which is inflation rate plus 1% as per three-year salary and wage collective agreement for the period 01 July 2015 to 30 June 2018.

All revenue from grants and subsidies has been budgeted as per Division of Revenue Act allocation including estimates for the two outer years. The operating expenditure has been provided at increase as per the current inflation estimated targets, previous financial year performance and needs analysis. Capital expenditure has been budgeted based on community needs and current infrastructure backlogs. Therefore, the current budget has been prepared in accordance with Municipal Finance Management Act 56 of 2003 together with Municipal Budget and Reporting Regulation of 2009 and MMFA circulars.

16. CAPITAL TRANSFERS AND GRANTS PROGRAMME

Capital grants and receipts equates to R307,575 million or 33.06% of the total funding source for the 2017/18 financial year and increase to R 326,297 million and R346,277 million for two outer years.

Table 17: Summary of capital and grants programme for 2017/18 MTREF

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	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
Capital Transfers and Grants	284,114	154,037	101,194	296,578	6,381	6,381	307,575	326,297	346,277
National Government:	258,242	127,347	99,242	290,197	-	-	305,040	323,639	343,468
Municipal Infrastructure Grant (MIG)	1,453	2,775	1,952	2,381	2,381	2,381	2,535	2,658	2,809
Rural Transport Services and Infrastructure	24,419	23,915		-	-	-	-	-	-
Regional Bulk Infrastructure				4,000	4,000	4,000	-	-	-
Water Service Infrastructure Grant	48,663	57,131	-	-	-	-	-	-	-
Provincial Government:	48,663	57,131	-						
Total Capital Transfers and Grants	332,777	211,168	101,194	296,578	6,381	6,381	307,575	326,297	346,277

17. CAPITAL BUDGET DETAILS

The allocations are made on condition that the projects are in line with the Integrated Development Plan of the local municipalities as aligned with the Ngaka Modiri Molema District Municipality's Integrated Development Plan and also to avoid duplication of implementation and Budgeting. The proposed projects are approved by the relevant local municipalities' council or by the district municipality council if part of the original IDP. Any changes to the approved budgeted projects will only be effected through the municipality's council resolution subject to the municipality's delegation to the Mayor regarding approval of such changes and in consultation with the affected local municipality.

The capital projects allocations by Ngaka Modiri Molema District Municipality to local municipalities are implemented by the Ngaka Modiri Molema District municipality on behalf of local municipalities for monitoring purposes as no funds are directly transferred to the local municipalities' but only completed projects. The transfer to the local municipalities is only in the form of the completed capital projects handover to the local municipalities, unless otherwise, stated funds can be transferred as per the service level agreement.

Figure 2: Capital projects allocations per local municipalities for 2017/18 MTREF

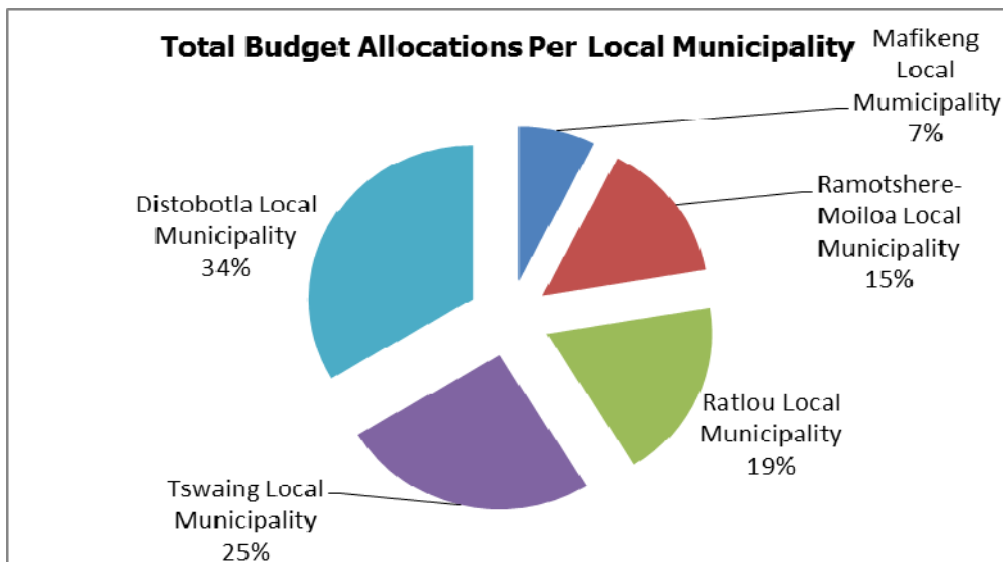


Figure 3: Total MIG Allocations and Expenditure Budget for Water and Sanitation for MTREF

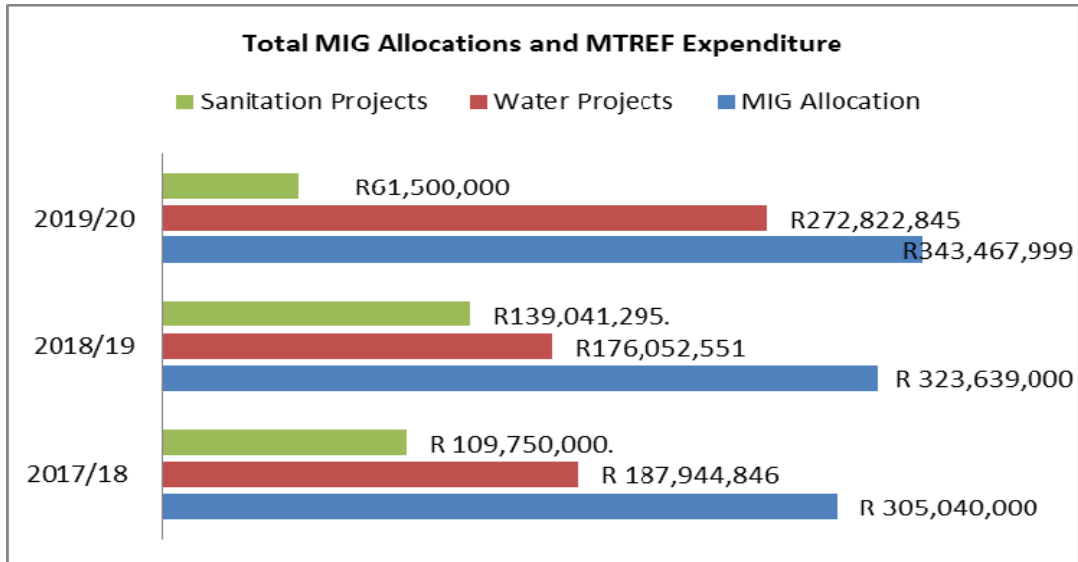


Table 18: Capital expenditure for Ditsobotla Local Municipality 2017/18 MTREF

CAPITAL PROJECTS	VTSD	WARD	STATUS	BUDGET 17/18FY	BUDGET 18/19 FY	BUDGET 19/20 FY
DITSOBOTLA LOCAL MUNICIPALITY						
WATER						
BODIBE WARD 17 WATER RETICULATION	Village	11, 17, 18 & 19	Tender	R 17,900,000	R 9,000,000	R 9,000,000
GAMOTLATLA WATER SUPPLY	Village	13	Tender	R 12,645,954	R 1,477,874	R -
GREATER LICHTENBURG BWS	Town	1, 2, 3, 4, 5 & 6	Tender	R -	R 10,000,000	R 46,000,000
MATILE 1 WATER SUPPLY	Village	19	Design	R 4,030,000	R 600,000	R -
MATILE 2 WATER SUPPLY	Village	19	Design	R 12,900,000	R 600,000	R -
MEETMEKAAR AND SPRINGBOKPAN WATER SUPPLY	Village	19	Design	R 10,880,000	R 29,000,000	R 25,000,000
VERDWAAL 2 BULK WATER SUPPLY AND RETICULATION	Village	10	Construction	R 4,600,000	R -	R -
TOTAL WATER				R 62,955,954	R 50,677,874	R 80,000,000
SANITATION						
COLIGNY SEWER NETWORK UPGRADE	Town	15 & 16	Design	R -	R -	R 8,000,000
DITSOBOTLA RURAL SANITATION PROGRAMME	Villages	Multiple Wards	Design	R -	R -	R 7,000,000
ITSOSENG WWTW UPGRADE	Small Dorpie	7, 8, 9 & 12	New project	R -	R -	R 7,000,000
LICHTENBURG WWTW	Town	5, 6	New project	R -	R -	R 8,000,000
TLHABOLOGANG BULK SANITATION (WWTW)	Township	15 & 16	Construction	R 3,300,000	R -	R -
TLHABOLOGANG BULK SANITATION (M & E)	Township	15 & 16	Construction	R 7,750,000	R -	R -
TLHABOLOGANG BULK SANITATION (OUT FALL SEWER)	Township	15 & 16	Construction	R 26,000,000	R 4,000,000	R -
TOTAL SANITATION				R 37,050,000	R 4,000,000	R 30,000,000
TOTAL DITSOBOTLA LM PROJECTS				R 100,005,954	R 54,677,874	R 110,000,000

For Ditsobotla LM, table 18 above shows that, for 2017/18 financial year, an amount of R100, 005 million have been appropriated for water and sanitation development of infrastructure which represents 32.51 % of the total capital budget. In the outer years, this amount totals R54, 677 million or 16.75 % and R110, 000 million or 31.76 % respectively. In that note, water supply infrastructure projects receives the highest allocation of R62,955 million in 2017/18 which equates to 62.95 % followed by sanitation projects at 37.05 % or R 37,050 million.

Table 19: Capital expenditure for Mahikeng Local Municipality 2017/18 MTREF

CAPITAL PROJECTS	VTSD	WARD	STATUS	BUDGET 17/18FY	BUDGET 18/19 FY	BUDGET 19/20 FY
MAHIKENG LOCAL MUNICIPALITY						
WATER						
DIHATSHWANE WATER SUPPLY	Village	27	Design	R -	R 5,000,000	R 15,000,000
DIBONO AND MANAWANA WATER SUPPLY	Village	2	Design	R -	R 5,000,000	R 15,000,000
DITHAKONG TSA GA SEHUBA (DHITAKONG EAST & WEST, DITSHILONG AND DIHATSHWANE) WATER SUPPLY	Village	27	Design	R -	R 5,000,000	R 15,000,000
LONELY PARK WATER SUPPLY	Village	29	Design		R -	R 3,000,000
LOTLHAKANE WATER SUPPLY	Village	23	Design		R -	R 3,000,000
MADIBE-A-TAU WATER SUPPLY	Village	26	Design	R -	R -	R 6,000,000
LETLHOGORING WATER SUPPLY	Village	26	Design	R -	R -	R 5,000,000
MORWATSHETLHA WATER SUPPLY	Village	26	Design	R -	R -	R 5,000,000
SEBOWANA WATER SUPPLY	Village	26	Design	R -	R -	R 6,000,000
SEIPONE WATER SUPPLY	Village	26	Design	R -	R -	R 5,000,000
MANJA WATER SUPPLY	Village	26	Design	R -	R -	R 3,000,000
MAKGOKGOANE WATER SUPPLY	Village	33	Construction	R 1,100,000	R -	R -
MAJEMANTSHO WATER SUPPLY	Village	21	Design	R 10,000,000	R 8,000,000	R -
MAKHUBUNG WATER SUPPLY	Village	1	Design	R -	R 7,000,000	R 7,000,000
MOGOSANE WATER SUPPLY	Village	6	Retention	R 2,600,000	R -	R -
MOLETSAMONGWE WATER SUPPLY	Village	6	Retention	R 1,000,000	R -	R -
MORAKA WATER SUPPLY					R -	R -
MOTLHABENG(MAFIKENG) WATER SUPPLY			-		R -	R -
SCHOONGEZIGHT WATER SUPPLY	Village	27	-	R 7,013,261	R 1,127,677	R -
SETLOPO WATER SUPPLY	Village	22	-		R -	R 3,000,000
SEWEDING , MAGOGOE TAR, PHOLA & PHATSIMA, MOCOSENG, TLOUNG WATER SUPPLY	Village	14, 11,	-	R -	R 10,000,000	R -
TOP VILLAGE BWS & RETICULATION	Village	7	Retention	R 610,000	R -	R -
TOTAL WATER				R 22,323,261	R 41,127,677	R 91,000,000
SANITATION						
MAHIKENG RURAL SANITATION PROGRAMME	Village	Multiple Wards	-	R -	R 15,000,000	R 15,000,000
TOTAL SANITATION				R -	R 15,000,000	R 15,000,000
TOTAL MAHIKENG LOCAL MUNICIPALITY PROJECTS				R 22,323,261	R 56,127,677	R 106,000,000

For Mahikeng LM, table 19 above illustrate that, for 2017/18 an amount of R 22,323 million has been appropriated for water and sanitation infrastructure development which represents 7.25 % of the total capital budget. In the outer years, this amount totals R56, 127 million or 17.20 % and R106, 000 million or 30.61 % respectively. As highlighted above, in 2017/18, only water supply infrastructure projects are



been prioritised for R22, 323 million and increases over the MTREF period. Over MTREF period, sanitation programmes are allocated an amount of R 15,000 million.

Table 20: Capital expenditure for Ramotshere Moiloa Local Municipality 2017/18 MTREF

CAPITAL PROJECTS	VTSD	WARD	STATUS	BUDGET 17/18FY	BUDGET 18/19 FY	BUDGET 19/20 FY
RAMOTSHERE-MOILOA LOCAL MUNICIPALITY						
WATER						
RIETVLEI WATER SUPPLY	Village	14	Tender	R 6,300,000	R -	R -
BORAKALALO WATER SUPPLY	Village	4	-	R -	R -	R 3,000,000
GOPANE WATER SUPPLY	Village	6	-	R -	R -	R 3,000,000
LEEUFONTEIN WATER SUPPLY	Village		-	R -	R -	R 3,000,000
LOBATLA WATER SUPPLY	Village	3	-	R -	R -	R 3,000,000
MMUTSHWEU WATER SUPPLY	Village	8	-	R -	R -	R 2,000,000
MOSHANA WATER SUPPLY	Village	2	Construction	R 3,400,000	R -	R -
MOTLHABA WATER SUPPLY	Village		-	R -	R -	R 2,000,000
MOTSWEDI WATER SUPPLY	Village	5	-	R -	R -	R 3,000,000
SUPINGSTAD BULK WATER SUPPLY	Village	1	-	R -	R -	R 4,000,000
TOTAL WATER				R 9,700,000	R -	R 35,000,000
SANITATION						
GROOT MARICO WWTW	Small Dorpie	17	Construction	R 11,500,000	R -	R -
RAMOTSHERE-MOILOA RURAL SANITATION	Villages	Multi wards	Construction	R 3,000,000	R 13,550,000	R 6,500,000
ZEERUST WWTP PHASE 2	Town	15	Construction	R 20,000,000	R 50,000,000	R -
TOTAL SANITATION				R 34,500,000	R 63,550,000	R 6,500,000
TOTAL RAMOTSHERE-MOILOA				R 44,200,000	R 63,550,000	R 41,500,000

For Ramotshere Moiloa LM, table 20 above illustrate that for 2017/18 an amount of R 44,200 million has been appropriated for water and sanitation infrastructure development which represents 14.37 % of the total capital budget. In the outer years this amount totals R63, 550 million or 19.47 % and R 41,500 million or 11.98 % respectively for each of the financial years. Sanitation receives the highest allocation of R34, 500 million in 2017/18 which equates to 78.05 % followed by water supply and sewer reticulation infrastructure at 21.94 % or R9, 700 million.



Table 21: Capital expenditure for Ratlou Local Municipality 2017/18 MTREF

CAPITAL PROJECTS	VTSD	WARD	STATUS	BUDGET 17/18FY	BUDGET 18/19 FY	BUDGET 19/20 FY
RATLOU LOCAL MUNICIPALITY						
DINGATENG-MABULE WATER SUPPLY EXTENSION	Village	1	-	R -	R 9,000,000	R 5,000,000
DISANENG BULK WATER SUPPLY	Village	3	-	R -	R -	R 6,000,000
DITLOUNG WATER SUPPLY	Village	2	Construction	R 5,522,592	R -	R -
KRAAIPAN WATER SUPPLY EXTENSION	Village	8	-	R -	R -	R 5,000,000
LOPORUNG WATER SUPPLY EXTENSION	Village	2	-	R -	R -	R 7,000,000
MADIBOGO WATER SUPPLY PHASE 1	Village	6	-	R -	R 8,000,000	R 23,000,000
MAIPENG WATER SUPPLY	Village	10	-	R -	R -	R 2,000,000
MAYAEYANE WATER SUPPLY	Village	1	Construction	R 6,200,000	R -	R -
MAREETSANE WATER EXTENSION	Village		-	R -	R -	R 3,822,845
MASAMANE WATER SUPPLY	Village	1	-	R -	R -	R 3,000,000
MATHATENG WATER SUPPLY EXTENSION	Village	1	-	R -	R -	R 2,000,000
MATLODING WATER SUPPLY EXTENSION	Village	4	-	R -	R -	R 3,000,000
PHITSANE-MAKGOBISTAD	Village		-	R -	R -	R 3,000,000
SASANE WATER SUPPLY	Village	2	Construction	R 4,946,687	R 280,000	R -
SELOSESHA WATER SUPPLY	Village	2	Construction	R 5,546,352	R 298,000	R -
SETLAGOLE BULK WATER SUPPLY	Village	5 & 14	Construction	R 27,000,000	R 25,000,000.0	R -
TSHIDLAMOLOMO WATER SUPPLY UPGRADE	Village	1	Construction	R 6,750,000	R 409,000.0	R -
TOTAL WATER				R 55,965,631	R 42,987,000.0	R 62,822,845
SANITATION						
RATLOU RURAL SANITATION	Villages	Multiple Wards	-	R -	R 700,000	R 10,000,000
TOTAL SANITATION				R -	R 700,000	R 10,000,000
TOTAL RATLOU LOCAL MUNICIPALITY				R 55,965,631	R 43,687,000	R 72,822,845

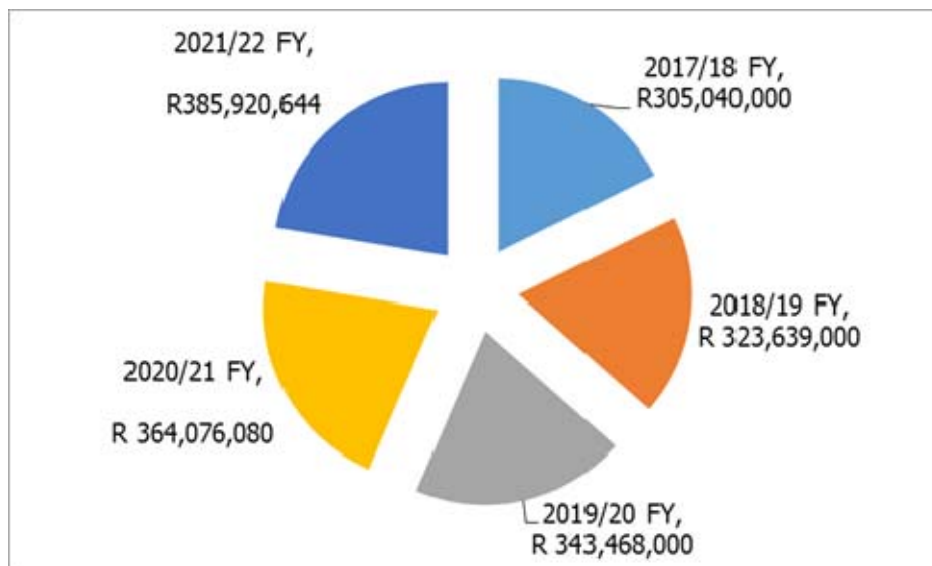
For Ratlou LM, table 21 above illustrate that for 2017/18 an amount of R 55,965 million has been appropriated for water infrastructure development which represents 18.19 % of the total capital budget. In the outer years, this amount totals R43, 687 million or 13.38 % and R72, 822 million or 21.02 % respectively for each of the financial years. As indicated above, a note should be taken that, for 2017/18 financial year only water supply infrastructure projects have been prioritised and receives full allocation of R55, 965 million.

Table 22: Capital expenditure for Tswaing Municipality for 2017/18 MTREF

CAPITAL PROJECTS	VTSD	WARD	STATUS	BUDGET 17/18FY	BUDGET 18/19 FY	BUDGET 19/20 FY
RATLOU LOCAL MUNICIPALITY						
DINGATENG-MABULE WATER SUPPLY EXTENSION	Village	1	-	R -	R 9,000,000	R 5,000,000
DISANENG BULK WATER SUPPLY	Village	3	-	R -	R -	R 6,000,000
DITLOUNG WATER SUPPLY	Village	2	Construction	R 5,522,592	R -	R -
TSWAING LOCAL MUNICIPALITY						
WATER						
DEELPAN WATER SUPPLY PHASE 2	Village	1		R -	R -	R -
DELAREYVILLE X8 WATER RETICULATION	Town	9	-		R -	R -
KHUNWANA WATER SUPPLY	Village	2	-	R -	R -	R 4,000,000
OTTOSDAL BULK WATER SUPPLY & RETICULATION PHASE 2	Town	13	Construction	R 22,000,000	R 33,260,000	R -
SANNIESHOF/AGISANANG BULK WATER SUPPLY & RETICULATION	Township	8	Design	R 15,000,000	R 8,000,000	R -
TOTAL WATER				R 37,000,000	R 41,260,000	R 4,000,000
SANITATION						
DELAREYVILLE WwTW UPGRADE-PH 2	Town	9	Construction	R 600,000	R -	R -
SANNIESHOF WWTW	Town	8	Construction	R 20,000,000.00	R 29,500,000.0	R -
TSWAING RURAL SANITATION	Villages	Multiple wards	Retention	R 17,600,000	R 26,291,295.0	R -
TOTAL SANITATION				R 38,200,000	R 55,791,295.0	R -
TOTAL TSWAING LOCAL MUNICIPALITY				R 75,200,000	R 97,051,295.0	R 4,000,000

For Tswaing LM, table 22 above illustrate that for 2017/18 an amount of R75, 200 million has been appropriated for water and sanitation infrastructure development which represents 24.44 % of the total capital budget. In the outer years this amount increases to R 97,051 million or 29.74 % and decreases to R4,000 million or 95.87 % respectively for each of the financial years. Sanitation receives the highest allocation of R 38,200 million in 2017/18 which equates to 50,79% followed by water supply and reticulation infrastructure at 49.21% or R37,000 million.

Figure 4: Projected Municipal Infrastructure Grant allocations for MTREF



18. COST CONTAINMENT MEASURES

In MFMA Circular No. 70 and updated MFMA Circular No. 82, municipalities were strongly advised to take note of the Cabinet resolution of 23 October 2013 by which all national and provincial departments, constitutional institutions and all public entities are required to implement cost containment measures with effect from January 2014. Subsequently, municipalities were strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible. Although it is acknowledged that municipalities are autonomous in their strategy formulation (IDP) and setting of budget appropriations, they remain a sphere of government and must therefore align themselves to the maximum extent possible to that of national and provincial government.

Across all municipal departments, cost containment measures were implemented to eliminate waste, reprioritise spending and ensure savings on the following focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and events as well as costs for accommodation. As a result, the implementation of austerity measures introduced in 2015/16 financial year has led to a reduction in municipal spending. However, the municipality does not compliance fully with these measures.

19. LEGISLATION COMPLIANCE STATUS

This section highlights compliance status with the Municipal Finance Management Act 56 of 2003 and implementation requirements throughout the year. The following compliance issues are reported.

19.1 In year reporting

Reporting to Provincial and National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

19.2 Internship programme

The municipality is participating in the Municipal Financial Management Internship programme and has employed 3 interns undergoing training in Internal Audit Department. These three interns were due to complete their two year contracts on 31 July 2016 but an extension for one year has been granted by the municipality until 31 July 2017. Since the introduction of the Internship programme the district municipality has successfully employed 17 and trained 20 interns through this programme and a majority of them were appointed in Budget and Treasury Office.

19.3 Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA but the position of the Chief Financial Officer is still vacant. Since 2014 intervention, the position of the Chief Financial Officer has been appointed on an acting basis by Department of Local government and Human Settlement.

19.4 Audit Committee

An Audit Committee has been established.

19.5 Service Delivery Budget and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2017/18 MTREF in May 2017 and it will be directly aligned and informed by the 2017/18 MTREF.

19.6 Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

19.7 MFMA Training

The municipality, in partnership with National Treasury have enrolled 16 municipal officials of the municipality for minimum competency requirement as envisaged by Government gazette No 29967 which was published in July 2007. A note should be taken that, out of sixteen (16) municipal officials registered with University of Pretoria, nine (9) of them are designated managers from different department within the municipality. Lastly, this training was concluded last year (October 2016).

19.8 Policies

All policies were not reviewed and therefore, no major changes were done. The Municipal Tariff policy was adjusted accordingly in line with consumer price index of 6.4% as outlined in Municipal Finance Management Act 56 of 2003 budget circular 86.

20. CASHFLOW MANAGEMENT

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with prescribed standards and norms of good financial management practice and also improves understanding for councillors, management and public at large. It should be remembered that over the last few years this municipality has been struggling to maintain cash movement against service delivery demands and previous commitments made by the municipality. As part of turnaround strategy and sound financial management, this budget book suggest that all senior managers, middle managers should undergo thorough Financial and Non-Financial training in order to have a deeper understanding of the pros and cons of cash flow management within the municipality.

In addition, this will also prepare them to develop procurement plans that will ease operations and enhance effective financial planning. Not limited to that, evaluation and monitoring as far as spending is concerned, will also be in place to avoid over or underspending, enhance accountability and promote transparency. Therefore, some specific features of cash flow management include the following:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government and other, and
- Net cash increase or decrease from operating, financing and investing activities.

The table below shows that cash and cash equivalents of the district were highly committed over the MTREF period taking into consideration of huge amount of accruals and service delivery demands. As it stands, the municipality will only be able to clear off trade creditors of R 150 million, which will leave the municipality with a balance of R226 million of debt owed to Sedibeng Water. Indeed, from 2017/18 financial year to 2019/20 financial year municipality will continue to operate with deficit budget; however, strict cost containment measures and strict adherence to cash flow management will be implemented. At the beginning of 2017/18 financial year, municipality will not have any cash available due to operational commitment already made by the municipality, such as salaries and other service delivery issues.

Table: 23 Cashflow Management Statements for 2017/18 MTREF

	Q1	Q2	Q3	Q4	Total
Cash at the beginning	-	99,927,873	132,955,256	148,053,635	
Operating Activities	R	R	R	R	R
Cash receipts from					
Equitable share	256,778,398	205,421,852	154,066,750	-	616,267,000
Operating conditional grants	2,119,547	-	584,185	390,268	3,094,000
Water and sanitation revenue	675,000	675,000	675,000	675,000	2,700,000
Rental of facilities and equipment	1,000	1,000	1,000	1,000	4,000
Interest on external investment	-	-	-	-	-
Interest on primary bank account	100,000	100,000	100,000	100,000	400,000
Other Receipts	-	-	-	-	-
Total Cash Receipts from Operating Activities	259,673,945	206,197,852	155,426,935	1,166,268	622,465,000
Cash paid for					
General and administrative expenses	22,746,237	18,279,067	16,105,940	12,369,224	69,500,468
Salaries and wages	72,367,233	96,489,645	72,367,233	72,367,233	313,591,345
Remuneration of councillors	3,417,666	3,417,666	3,417,666	3,417,666	13,670,662
Operating conditional grants	1,237,600	928,200	618,800	309,400	3,094,000
Bulk purchases water	-	-	-	-	-
Finance Charges	333,736	251,518	199,757	14,989	800,000
Transfers to local municipalities	5,000,000	5,000,000	-	-	10,000,000
Contracted services	7,947,095	5,989,272	4,756,706	356,926	19,050,000
Repairs and maintenance Operational	13,094,163	10,884,546	9,493,461	4,527,830	38,000,000
Trade creditors payable	60,623,239	60,623,239	29,535,812	-	150,782,290
Contributions to leave	1,612,556	1,209,417	806,278	403,139	4,031,389
Total cash paid for operating expenses	188,379,525	203,072,569	137,301,653	93,766,407	622,520,154
Net Cash Flow from Operating Activities	71,294,421	3,125,282	18,125,282	-92,600,139	-55,154
Investing Activities	R	R	R	R	R
Cash receipts from					
Sale of Property Plant & Equipment	-	-	-	-	-
Capital grants	111,666,595	118,111,808	77,796,596	-	307,575,000
Investments / Other grants	-	-	-	-	-
Rental of flats	52,500	52,500	52,500	52,500	210,000
Total Cash from investment activities	111,719,095	118,164,308	77,849,096	52,500	307,785,000
Cash paid for;					
Infrastructure Assets	81,585,643	86,762,208	77,875,999	54,005,996	300,229,846
Refurbishment of water supply schemes	-	-	-	-	-
Repairs & Maintenance Capital	-	-	-	-	-
Retention Fees	-	-	-	-	-
Other Assets	1,500,000	1,500,000	3,000,000	1,500,000	7,500,000
Trade creditors payable	-	-	-	-	-
Transfers to investment account	-	-	-	-	-
Total cash paid for investing activities	83,085,643	88,262,208	80,875,999	55,505,996	307,729,846
Net Cash Flow from Investing Activities	28,633,452	29,902,100	-3,026,903	-55,453,496	55,154
Financing Activities	R	R	R	R	R
Cash receipts from;					
Borrowings	-	-	-	-	-
Total cash receipts from financing activities	-	-	-	-	-
Cash paid for;					
Repayment of borrowings	-	-	-	-	-
Total cash paid for financing activities	-	-	-	-	-
Net Cash Flow from Financing Activities	-	-	-	-	-
Net Increase / Decrease in Cash	99,927,873	33,027,383	15,098,379	-148,053,635	0
Cash at the end	99,927,873	132,955,256	148,053,635	0	-0

21. RECOMMENDATIONS

It is recommended that council adopts:

21.1.1. Operating revenue framework to the amount of R 622,675 million.

21.1.2. Operating expenditure budget to the amount of R 795,216 million.

21.1.3. Capital expenditure budget to the amount of R 307,730 million.

21.1.4. Total Revenue budget of R 930,250 million.

21.1.5. New and existing capital projects on Table 18 to Table 21 of the budget document.

21.1.6. Grants and subsidies capital budget to the amount of R 307,575 million.

21.1.7. Cashflow Management in Table A7 and SA30

21.1.8. The 2017/18 -2019/20 Medium Term Revenue and Expenditure budget and accompanying annual budget schedules tables.

21.1.9. Notes budget-related policies accompanying the MTREF budget for 2017/18 -2019/20

21.1.10. Adopts the cost-cutting and reduction measures as outlined in MFMA Circular No. 82

21.1.11. The accounting officer of the municipality must submit the approval of annual budget both electronic and hardcopy to the National and Provincial Treasury within ten working days after the approval.

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Acting Municipal Manager of Ngaka Modiri Molema District Municipality , hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: _____

Acting Municipal Manager of Ngaka Modiri Molema District Municipality (DC38)

Signature: _____

Date: _____