

THE BUDGET OF
DR RUTH SEGOMOTSI MOMPATI DISTRICT
MUNICIPALITY



2017/18 TO 2019/20
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS

SCHEDULE A

ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF A MUNICIPALITY

Abbreviations and Acronyms

ACIP Accelerated Community Infrastructure Programme	MIG Municipal Infrastructure Grant
BSC Budget Steering Committee	MM Municipal Manager
CAPEX Capital Budget/Expenditure	MMC Member of Mayoral Committee
CBD Central Business District	MSA Municipal Systems Act
CFO Chief Financial Officer	MTEF Medium-term Expenditure Framework
CPI Consumer Price Index	MTREF Medium-term Revenue and Expenditure Framework
DBSA Development Bank of South Africa	MWIG Municipal Water Infrastructure Grant
DoRA Division of Revenue Act	NGO Non-Governmental organisations
DWA Department of Water Affairs	NKPIs National Key Performance Indicators
EDTA Economic Development, Tourism and Agriculture	NT National Treasury
EE Employment Equity	OHS Occupational Health and Safety
EEDSM Energy Efficiency Demand Side Management	OP Operational Plan
EM Executive Mayor	OPEX Operating Budget/Expenditure
FBS Free basic services	DrRSM Dr Ruth Segomotsi Mompati District Municipality
GAMAP Generally Accepted Municipal Accounting Practice	PBO Public Benefit Organisations
GDP Gross domestic product	PMS Performance Management System
GFS Government Financial Statistics	PPE Property Plant and Equipment PPP Public Private Partnership
GRAP General Recognised Accounting Practice	PT Provincial Treasury
HR Human Resources	RBIG Regional Bulk Infrastructure Grant
IDP Integrated Development Plan	RRAMS Rural Road Asset Management System
ICT Information & Communication Technology	RHIG Rural Household Infrastructure Grant
KPA Key Performance Area	SALGA South African Local Government Association
KPI Key Performance Indicator	SDBIP Service Delivery & Budget Implementation Plan
LED Local Economic Development	SMME Small Micro and Medium Enterprises
MEC Member of the Executive Committee	WSOG Water Services Operating Grant
MFMA Municipal Finance Management Act	

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PART 1 – ANNUAL BUDGET

1.1 Mayor's Comments on the budget

The district municipality is faced with serious challenges in as far its finances are concerned. An inadequate equitable share also affect the operations and meeting the core objectives the municipality negatively. However, we always strive to ensure that the equitable share received is spent on service delivery and on the planned objectives as outlined in the IDP and the SDBIP.

The challenge that the municipality faces over the MTREF period is to allocate funding to achieve a balance between the needs and requirements of the various strategic focus areas relevant to the Municipality's powers and functions as identified in the IDP process. One of the highest budgetary constraints that we face as the district municipality is, to meet the high demands of water in the district with the limited financial resources that we have. We are striving hard to achieve this balance, as a municipality and we are open to constructive criticism.

Funding of various capital projects and the budget for the provision of free basic water has been addressed in this draft budget. Strict financial budget control will have to be implemented and all departments will have to make certain financial sacrifices in order to ensure that the budget is balanced and essential services are rendered without risking the financial and cash flow health of the Municipality over the short to medium term. This budget accommodates the issues that were raised in the previous engagements with all the relevant stakeholders, as well as the issues that were raised by the Provincial and National Treasuries during the budget engagements. The budget also focuses on addressing the gap in the socio-economic concerns within our municipality and takes into consideration the fourth administration's strive for radical economic change.

It is also very important that, all municipal officials know what is contained in the budget, so that they can be able to support in understanding the balance between available resources and the objectives of their various departments. It is their budget also, they must be brought to light as to what can the municipality afford and what cannot be afforded and the budgetary constraints of the municipality in general. Therefore all staff members need to engage with the budget and the engagements should not only be limited to Senior Management.

Cllr B Mahlangu
Executive Mayor
Dr Ruth S. Mompoti District Municipality

1.2 Council Resolutions

During a special council meeting of the 30 May 2017 the Council of Dr Ruth Segomotsi Mompati District Municipality in their Council Chambers will consider the annual budget of the municipality for the financial year 2017/18 and the MTREF.

It therefore recommended that the Council of Dr Ruth Segomotsi Mompati District Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- a) The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
 - i. Table A1 - Budget Summary
 - ii. Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 7 on page 16;
 - iii. Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 8 on page 17;
 - iv. Table A4 - Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 9 on page 14; and
 - v. Table A5 - Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 10 on page 19.
 - vi. Table A6 - Budgeted Financial Position as contained in Table 11 on page 20;
 - vii. Table A7 - Budgeted Cash Flows as contained in Table 11 on page 20;
 - viii. Table A8 - Cash backed reserves and accumulated surplus reconciliation as contained in Table 11 on page 22;
 - ix. Asset management as contained in MBRR Table A9 as contained in Table 12 on page 23; and

- b) The attached measurable objectives for the annual budget for each year of the MTREF

- c) The approved budget be submitted to the Provincial and National Treasury within 10 days of approval.

1.3 Executive Summary

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

The Municipality'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 expenditure on non-core and 'nice to have' items.

The publishing of the regulation on the Standard chart of Accounts (SCOA) on 22 April 2014 will have a profound effect on the business of local government. This reform is not limited to a financial reform, but a business reform as a whole. It is the largest reform since the promulgation of the Municipal Finance Management Act in 2003, and municipalities are expected to actively start with the process for the preparation of the implementation of this reform for which the target date is 01 July 2017. The mSCOA Regulations aim to ensure a standardised and uniform reporting of financial transactions of municipalities. The following are extracts from the preamble to the regulations:-

“Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards.” “These Regulations propose segments and a classification framework for the standard chart of accounts to be applied in local government in similar form to that implemented for national and provincial government departments. In order to enable the National Treasury to provide consolidated local government information for incorporation in national accounts, national policy and other purposes, it must obtain financial information from individual municipalities.”

The regulations contain amongst others, segment and classification framework for SCOA, minimum business process and system requirements and responsibilities of municipal councils and accounting officers.

The segments classification consists of the following:

Funding segment – This segment relates to the various sources of funding available to municipalities and municipal entities for financing expenditure relating to the operation of the municipality and provides for both capital and operational spending.

Function segment - This segment provides for the classification of the transaction according to the function or service delivery objective and provides for the standardisation of functions and sub functions across local government.

Municipal Standard Classification Segment - This segment provides for the organisational structure and functionality of an individual municipality, which is not prescribed.

Project Segment - This segment provides for the classification of capital and operating projects on the basis of whether it relates to a specific project and if so, the type of project.

Regional Indicator Segment - This segment identifies and assigns government expenditure to the lowest relevant geographical region within which the intended beneficiaries of the service or capital investment are located.

Item Segment - This segment provides for the classification of item detail in the presentation of the financial position, performance and cash flow according to the nature of the transaction either as revenue, expenditure, asset, liability or net asset.

Costing Segment - This segment provides for a classification structure for secondary cost elements with reference to departmental charges, internal billing etc. and acts as a cost collector in determining inter alia total cost of services.

National Treasury's MFMA Circulars No. 78,79 & 82, 85 and 86 were used as guidance for the compilation of the 2017/18 MTREF. Some of the main key challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Ever aging water, roads, sewage and electricity infrastructure;
- Lack of revenue sources and grant dependency, Dr Ruth S Mompati District Municipality is heavily dependent on grants for funding for the municipality;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities of the municipality;
- Wage increases for municipal staff that have exceeded headline consumer inflation in the past, as well as the need to restructure certain components for operational efficiencies;
- Lack of adequate and sufficient office space or office accommodation for the municipality
- Maintaining a positive cash flow.
- Support to local municipalities.

1.3.2 The Municipality's Budget Structure

A vote is one of the main segments of a budget. The structure is for reporting requirements and links the accounting performance both to the IDP and responsible officials. The high level budget structure for Dr Ruth S Mompoti District Municipality as included in the budget documentation is shown in the table below:

BUDGET VOTE	VOTE DESCRIPTION
Vote 1	Office of the Executive Mayor
Vote 2	Office of the Speaker
Vote 3	Office of the Municipal Manager
Vote 4	Internal Audit
Vote 5	Budget and Treasury Office
Vote 6	Corporate Services
Vote 7	Planning and Development
Vote 8	Community Services: Environmental Health
Vote 9	Community Services: Fire and Disaster Management
Vote 10	Engineering Services
Vote 11	Project Management Unit
Vote 12	Economic Dev. Tourism and Agriculture
Vote 11 and Vote 10 were merged to form one vote.	

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

1.4 Table 1 Operating Revenue Framework

For Dr Ruth Segomotsi Mompoti District Municipality to continue improving the quality of services provided to its citizens there is a need for the municipality to generate revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality. The reality is that, the district municipality is not selling any services nor does it charge for any services to the communities, meaning that there is no revenue generated internally at all and therefore dependence of conditional grants is still very high.

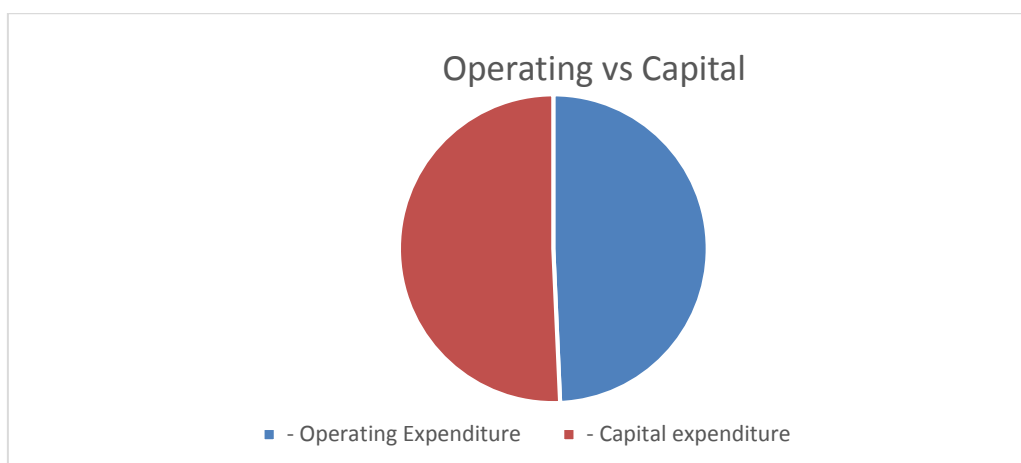
The District Municipality is faced with challenges which include amongst others, an increasing population demand for services as the populations and the demographics of the district are growing, as well as development backlogs and increasing poverty levels. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation balancing expenditures against available financial resources.

The municipality still needs to develop a revenue strategy which will be built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Identification of new possible revenue sources and the sustainability of such sources
- Increased pressure to deliver and maintain services and recover costs;

1.4.1 Table 1 Consolidated Overview of the 2017/2018 and the MTREF

TOTAL BUDGET SUMMARY			MTREF		
	Approved Budget 2016/2017	Adjustments Budget 2016/2017	Draft Budget 2017/2018	Indicative Budget for the year 2018/19	Indicative Budget for the year 2019/2020
	R	R	R	R	R
Total expenditure					
- Operating Expenditure	322 192 380	347 085 488	382 060 230	409 525 063	440 077 884
- Capital expenditure	319 020 150	424 708 150	393 843 850	413 735 510	388 584 711
			-		
Total expenditure	641 212 530	771 793 638	775 904 080	823 260 574	828 662 595
Funded as follows:					
Operating revenue	620 032 000	730 830 575	733 043 900	775 466 270	775 521 613
Total funding	620 032 000	730 830 575	733 043 900	775 466 270	775 521 613
Nett cash inflow / (outflow)	-21 180 530	-40 963 063	-42 860 181	-47 794 304	-53 140 982



Operating Budget - 49% Capital Budget - 51%
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The total revenue for the 2017/2018 as indicated in the Division of Revenue Bill indicates a small percentage increase of 2%. This slight increase is as a result of the change in revenue on the Regional Bulk Infrastructure Grant (RBIG) which has been changed from an indirect grant to being a direct grant. The two outer years also include the Regional Bulk Infrastructure Grant (RBIG) from the Department of Water and Sanitation as a direct allocation.

It should be noted that the Equitable Share of R308m as per the Division of Revenue Act (DoRA) presents a slight increase as compared to the total allocation of the prior year which was R282million. This minimal increase will be spread on the budget and mainly focusing on the bulk services provision. There is a slight

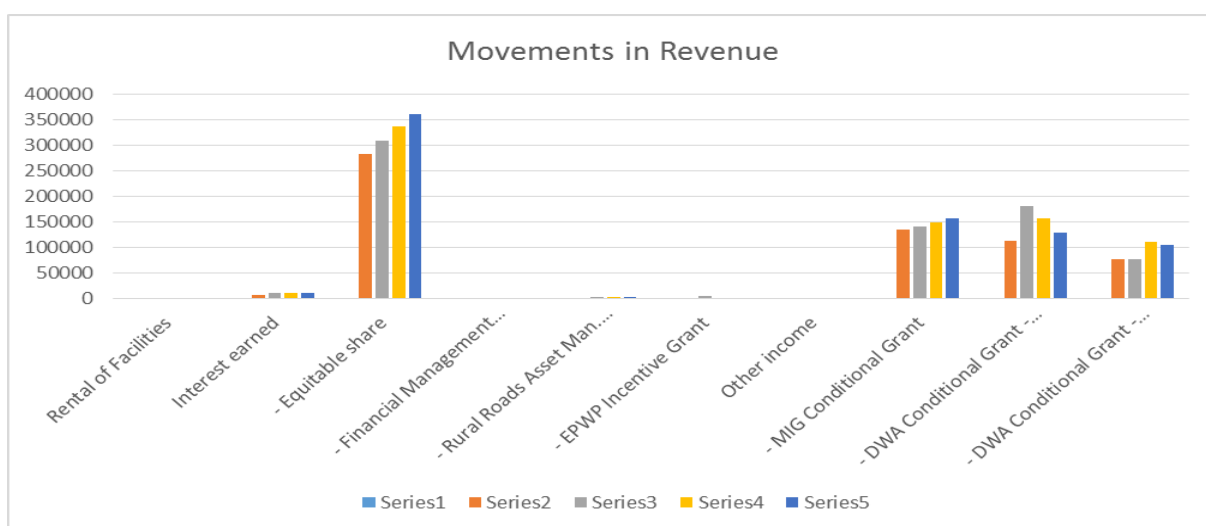
indicative increase of 9% and 8% in the Equitable Share for the two outer years of 2018/2019 and 2019/20 respectively. The operating expenditure amounts to 49% of the total revenue whereas the total capital expenditure amounts to 51% of the total revenue, meaning that the budget focuses mainly on service delivery rather than on operations.

Table 2 Revenue by Source

The following table presents the summary classification of Revenue by Source;

Table 3 Operating Transfers and Grant Receipts per Grant

SUMMARY OF OPERATING REVENUE PER TYPE	Approved Budget 2016/2017 R	Adjustments Budget 2016/2017 R	MTREF		
			Budget 2017/2018 R	Indicative Budget for the year 2018/19 R	Indicative Budget for the year 2019/2020 R
INCOME					
Rental of Facilities	800 000	979 000	1 076 900	1 184 590	1 279 357
Interest earned	4 640 000	8 049 075	13 874 000	14 845 180	15 884 343
Government grant and subsidies					
- Equitable share	282 287 000	282 287 000	308 448 000	337 065 500	360 359 175
- Municipal Systems Improvement Grant	-	-	-	-	-
- Financial Management Grant	1 250 000	1 250 000	1 250 000	1 505 000	1 765 000
- Rural Roads Asset Management System Gra	2 290 000	2 290 000	2 439 000	2 568 000	2 714 000
- EPWP Incentive Grant	2 273 000	2 273 000	4 842 000	-	-
Other income	736 000	2 258 500	225 000	414 000	301 739
TOTAL OPERATING REVENUE	294 276 000	299 386 575	332 154 900	357 582 270	382 303 613
- MIG Conditional Grant	134 717 000	240 405 000	140 903 000	149 327 000	158 218 000
- DWA Conditional Grant - RBIG	113 339 000	113 339 000	182 000 000	157 000 000	130 000 000
- DWA Conditional Grant - WSIG	77 700 000	77 700 000	77 986 000	111 557 000	105 000 000
TOTAL CAPITAL REVENUE	325 756 000	431 444 000	400 889 000	417 884 000	393 218 000
TOTAL REVENUE	620 032 000	730 830 575	733 043 900	775 466 270	775 521 613



1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

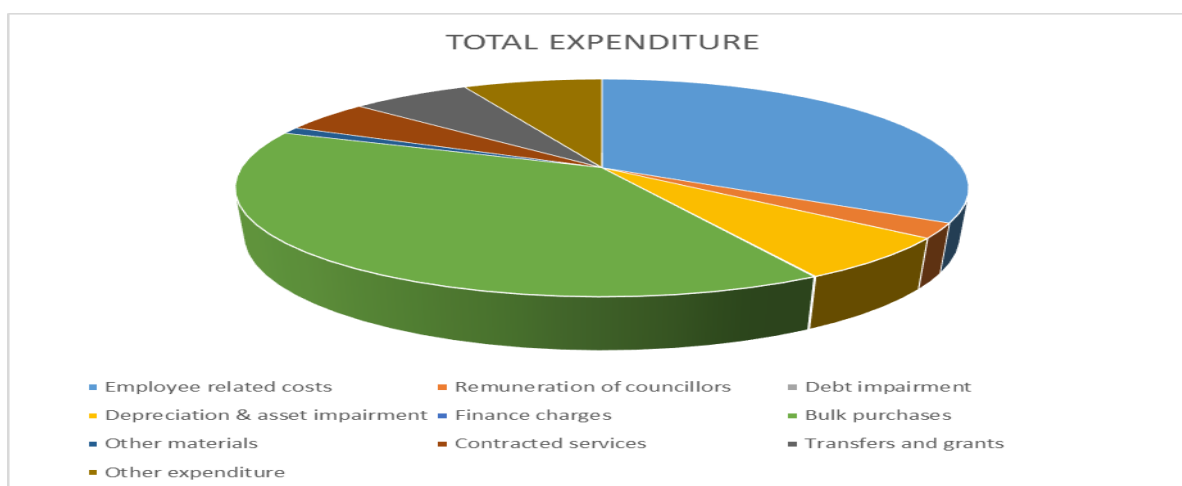
- Guidance provided by National Treasury in all budget circulars issued by the National Treasury and mostly on Circular 78, 79,82,85 and 86
- Balanced budget constraint
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and core services; and

The following table is a high level summary of the 2017/18 draft budget and MTREF (classified per main type of operating expenditure:

Table 4 Summary Operating Expenditure by standard classification item

DC39 Dr Ruth Segomotsi Mompoti - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term		
	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
Expenditure By Type										
Employee related costs	90 026	96 787	102 661	106 096	107 597	107 597	107 597	131 645	141 009	150 974
Remuneration of councillors	5 584	5 875	6 177	7 068	7 078	7 078	7 078	7 455	7 977	8 535
Debt impairment	–	–	11 931	50	2 000	50	50	1 000	1 073	1 151
Depreciation & asset impairment	38 249	42 049	37 215	21 020	39 076	39 076	39 076	47 243	51 896	57 009
Finance charges	12 672	21 200	2 862	–	120	10 950	10 950	10 928	12 018	13 216
Bulk purchases	64 929	61 573	134 364	102 000	106 800	107 300	107 300	113 659	121 615	130 068
Other materials	1 515	5 740	1 710	3 169	715	715	715	1 335	1 430	1 530
Contracted services	100 236	20 063	32 821	12 707	19 769	19 769	19 769	21 818	23 366	25 016
Transfers and subsidies	55 602	103 775	53 163	20 240	19 799	19 799	19 799	15 720	16 826	17 881
Other expenditure	31 699	30 153	30 683	34 126	27 399	27 399	27 399	31 256	30 229	32 395
Loss on disposal of PPE	–	9 657	1 303	–	–	–	–	–	–	–
Total Expenditure	400 510	396 872	414 890	306 475	330 352	339 732	339 732	382 060	407 439	437 776



Employee related costs are provided for within the threshold set by the National Treasury of a maximum of 35 – 40%. This draft budget presents the total employee related costs at 34,6% of the total operating budget. There has been a challenge of providing sufficiently for personnel costs as only critical and vacant positions could be provided for. Not all vacant posts could be budgeted for. The organizational structure has been reviewed and approved by Council on the 27 August 2015. The total cost of the current approved structure is estimated at R148m, however, only those filled and budgeted critical positions are included in this budget.

The actual cost of increases for the 2017/2018 are based on an incremental percentage based on the budget circular plus the additional critical posts that were not funded in the prior year due to financial limitations and are now funded.

The cost associated with the remuneration of Councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). For the budgeting purposes, the same increase of 7,1 per cent, as for other employees has been factored into the budget.

Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R47million for the 2017/18 financial year and equates to 7 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register which brings the total asset value of the municipality to R1,8 billion as audited in June 2016 which means that for the municipality to sufficiently provide for the depreciation, an amount of atleast R40m should be included in the budget.

Bulk purchases addresses the bulk water and bulk sanitation services which the District Municipality is providing through the entire district. The municipality is the Water Services Authority(WSA) and contracted Sedibeng Water Board to provide the service on their behalf on some of its areas. A portion of the budgeted amount on the bulk purchases goes to address the old accounts between the district municipality and the water board. There has been a difficulty in providing sufficiently for bulk water as due to limited financial resources. The municipality was also instructed by the Minister of Water and Sanitation to take over the Bloemhof Sewer Plant which was initially not in the financial plans of the municipality, and this directive was not followed by the financial resources to support it.

1.6 Capital Expenditure

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

Table 5 2017/18 Medium-term capital budget per vote

DC39 Dr Ruth Segomotsi Mompati - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure		
		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
R thousand	1										
Capital expenditure - Municipal Vote											
Single-year expenditure appropriation	2										
Vote 1 - OFFICE OF THE EXECUTIVE MAYOR		-	-	47	-	674	674	674	50	50	80
Vote 2 - OFFICE OF THE SPEAKER		-	-	-	-	100	100	100	700	50	50
Vote 3 - OFFICE OF THE MUNICIPAL MANAGER		-	-	11	-	50	50	50	70	50	50
Vote 4 - INTERNAL AUDIT		-	-	-	-	50	50	50	100	50	50
Vote 5 - BUDGET NAD TREASURY OFFICE		471	-	109	-	258	258	258	400	230	200
Vote 6 - CORPORATE SERVICES		1 538	828	1 307	-	227	227	227	861	100	100
Vote 7 - PLANNING AND DEVELOPMENT		-	-	-	-	100	100	100	-	-	-
Vote 8 - ENVIRONMENTAL HEALTH		-	-	-	-	100	100	100	-	-	-
Vote 9 - FIRE AND DISASTER MANAGEMENT		-	724	116	-	127	127	127	-	-	-
Vote 10 - ENGINEERING		130 240	149 427	192 947	325 756	424 708	424 708	424 708	393 844	413 736	388 585
Vote 11 - PROJECT MANAGEMENT UNIT		-	-	-	-	110	110	110	-	-	-
Vote 12 - EDTA		-	-	-	-	100	100	100	-	-	-
Capital single-year expenditure sub-total		132 249	150 979	194 536	325 756	426 604	426 604	426 604	396 025	414 266	389 115
Total Capital Expenditure		132 249	150 979	194 536	325 756	426 604	426 604	426 604	396 025	414 266	389 115

For 2017/18 an amount of R396,844million has been appropriated for the development of infrastructure which represents 51 per cent of the total revenue. This amount is grant will be allocated for grant funded projects relating to water and sanitation infrastructure.

1.7 Annual Budget Tables

The following pages (10 – 20) present the nine main budget tables (Table A1- A9) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes (Narration)*.

1.7.1 Table 6 MBRR Table A1 - Budget Summary

DC39 Dr Ruth Segomotsi Mompati - Table A1 Budget Summary

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	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance										
Investment revenue	3 544	5 025	6 643	6 175	7 113	7 113	7 113	13 874	14 845	15 885
Transfers recognised - operational	221 114	234 374	264 945	294 836	289 520	289 520	289 520	316 979	341 139	364 838
Other own revenue	1 620	1 303	1 433	1 030	3 238	3 238	3 238	1 302	1 599	1 581
Total Revenue (excluding capital transfers and contributions)	226 278	240 702	273 021	302 041	299 871	299 871	299 871	332 155	357 582	382 304
Employee costs	90 026	96 787	102 661	106 096	107 597	107 597	107 597	131 645	141 009	150 984
Remuneration of councillors	5 584	5 875	6 177	7 068	7 078	7 078	7 078	7 455	7 977	8 535
Depreciation & asset impairment	38 249	42 049	37 215	21 020	39 076	39 076	39 076	47 243	51 896	57 009
Finance charges	12 672	21 200	2 862	-	120	10 950	10 950	10 928	12 018	13 216
Materials and bulk purchases	66 443	67 313	136 074	105 169	107 515	108 015	108 015	114 994	123 045	131 658
Transfers and grants	55 602	103 775	53 163	20 240	19 799	19 799	19 799	15 720	16 826	17 881
Other expenditure	131 935	59 873	76 737	46 883	49 167	47 217	47 217	54 074	56 755	60 795
Total Expenditure	400 510	396 872	414 890	306 475	330 352	339 732	339 732	382 060	409 525	440 078
Surplus/(Deficit)	(174 232)	(156 170)	(141 869)	(4 435)	(30 481)	(39 861)	(39 861)	(49 905)	(51 943)	(57 774)
Transfers and subsidies - capital (monetary allocations)	200 479	240 405	251 291	319 020	240 405	240 405	240 405	400 889	417 884	393 218
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	26 247	84 235	109 423	314 585	209 924	200 544	200 544	350 984	365 941	335 444
Surplus/(Deficit) for the year	26 247	84 235	109 423	314 585	209 924	200 544	200 544	350 984	365 941	335 444
Capital expenditure & funds sources										
Capital expenditure	132 249	150 979	194 536	325 756	426 194	426 194	426 194	396 025	414 266	389 115
Transfers recognised - capital	131 778	149 427	192 947	325 756	424 708	424 708	424 708	393 844	410 418	385 307
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	471	1 552	1 589	-	1 486	1 486	1 486	2 181	530	530
Total sources of capital funds	132 249	150 979	194 536	325 756	426 194	426 194	426 194	396 025	410 948	385 837
Financial position										
Total current assets	105 514	131 538	111 754	111 088	111 088	111 088	111 088	71 777	73 140	59 762
Total non current assets	1 775 998	1 824 679	1 969 822	1 883 577	2 396 605	2 396 605	2 396 605	2 782 798	3 194 127	3 580 371
Total current liabilities	158 315	143 048	163 058	71 603	142 054	142 054	142 054	151 241	161 072	171 591
Total non current liabilities	25 479	111 992	107 875	111 920	111 920	111 920	111 920	114 432	106 795	99 381
Community wealth/Equity	1 697 718	1 701 177	1 810 644	1 811 142	2 253 720	2 253 720	2 253 720	2 588 903	2 999 399	3 369 161
Cash flows										
Net cash from (used) operating	109 357	193 849	193 726	314 545	314 545	309 229	462 215	385 390	390 429	363 181
Net cash from (used) investing	(132 025)	(196 945)	(194 519)	(325 756)	(424 708)	(424 708)	(424 708)	(396 025)	(414 266)	(389 115)
Net cash from (used) financing	-	(1 200)	(7 200)	(10 800)	(10 800)	(10 800)	(10 800)	(10 800)	(10 800)	(10 800)
Cash/cash equivalents at the year end	57 992	53 700	45 699	23 688	(75 264)	(80 580)	72 406	50 972	16 335	(20 398)
Cash backing/surplus reconciliation										
Cash and investments available	57 991	53 692	45 699	72 489	72 489	72 489	72 489	30 510	31 872	18 494
Application of cash and investments	145 385	(1 525 061)	147 787	68 655	127 294	127 294	(2 051 157)	92 830	102 217	112 261
Balance - surplus (shortfall)	(87 394)	1 578 753	(102 089)	3 833	(54 805)	(54 805)	2 123 646	(62 320)	(70 344)	(93 766)
Asset management										
Asset register summary (WDV)	1 659 942	1 824 679	1 969 822	1 878 611	2 396 605	2 396 605	2 399 239	2 399 239	2 782 892	3 194 227
Depreciation	38 249	42 049	37 215	21 020	39 076	39 076	47 243	47 243	51 896	57 009
Renewal of Existing Assets	3 813	3 800	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380
Repairs and Maintenance	1 515	5 740	1 710	3 169	715	715	1 335	1 335	1 430	1 530
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. No provision for any borrowing is incorporated in the net cash from financing on the Cash Flow Budget as the municipality anticipates not borrowing over the MTREF;
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that over the MTREF there is significant decline in cash levels. It is anticipated that the goal of having all obligations cash-back will be achieved by 2017/18, when a small surplus is reflected.

1.7.2 Table 7 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

DC39 Dr Ruth Segomotsi Mompati - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term		
	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
R thousand									
Revenue - Functional									
Governance and administration	79 948	76 644	88 244	88 286	93 712	93 712	120 095	126 296	135 023
Executive and council	34 522	36 918	37 660	39 860	40 666	40 666	39 427	41 456	44 210
Finance and administration	45 425	39 725	50 584	48 426	53 046	53 046	65 862	68 997	73 862
Internal audit	–	–	–	–	–	–	14 806	15 843	16 952
Community and public safety	36 244	40 067	32 798	31 645	33 177	33 177	37 021	39 612	42 385
Community and social services	–	–	–	–	–	–	–	–	–
Sport and recreation	–	–	–	–	–	–	–	–	–
Public safety	28 558	32 071	20 018	20 017	21 421	21 421	24 696	26 425	28 275
Housing	–	–	–	–	–	–	–	–	–
Health	7 686	7 997	12 779	11 628	11 757	11 757	12 325	13 187	14 110
Economic and environmental services	5 720	10 006	10 440	3 912	5 675	5 675	12 722	13 540	14 410
Planning and development	5 720	10 006	10 440	3 912	5 675	5 675	12 722	13 540	14 410
Road transport	–	–	–	–	–	–	–	–	–
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	221 114	234 374	264 945	294 836	289 520	289 520	152 906	167 992	179 555
Energy sources	–	–	–	–	–	–	–	–	–
Water management	221 114	234 374	264 945	294 836	289 520	289 520	152 906	167 992	179 555
Waste water management	–	–	–	–	–	–	–	–	–
Waste management	–	–	–	–	–	–	–	–	–
Other	16 504	13 258	16 318	15 240	14 960	14 960	16 457	17 709	18 772
Total Revenue - Functional	359 529	374 349	412 744	433 919	437 044	437 044	339 200	365 149	390 145
Expenditure - Functional									
Governance and administration	14 429	88 160	90 778	88 286	95 516	95 516	117 471	124 729	133 515
Executive and council	24 301	26 182	27 747	28 164	27 448	27 448	38 477	41 256	44 010
Finance and administration	(19 056)	52 168	51 804	48 425	56 132	56 132	64 288	67 730	72 653
Internal audit	9 183	9 810	11 227	11 696	11 937	11 937	14 706	15 743	16 852
Community and public safety	40 743	41 278	34 310	31 645	33 168	33 168	36 921	39 509	42 278
Community and social services	–	–	–	–	–	–	–	–	–
Sport and recreation	–	–	–	–	–	–	–	–	–
Public safety	31 827	30 417	21 383	20 017	21 938	21 938	24 646	26 375	28 225
Housing	–	–	–	–	–	–	–	–	–
Health	8 916	10 861	12 926	11 628	11 229	11 229	12 275	13 134	14 053
Economic and environmental services	3 715	3 608	3 954	10 648	10 777	10 777	12 592	13 437	14 377
Planning and development	3 715	3 608	3 954	10 648	10 777	10 777	12 592	13 437	14 377
Road transport	–	–	–	–	–	–	–	–	–
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	260 122	192 612	256 127	160 807	175 799	175 799	198 719	214 292	231 120
Energy sources	–	–	–	–	–	–	–	–	–
Water management	260 122	192 612	256 127	160 807	175 799	175 799	198 719	214 292	231 120
Waste water management	–	–	–	–	–	–	–	–	–
Waste management	–	–	–	–	–	–	–	–	–
Other	14 273	12 417	16 218	15 240	15 239	15 239	16 357	17 559	18 788
Total Expenditure - Functional	333 282	338 074	401 386	306 625	330 498	330 498	382 060	409 525	440 078
Surplus/(Deficit) for the year	26 247	36 275	11 358	127 293	106 546	106 546	(42 860)	(44 376)	(49 933)

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
- Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

1.7.3 Table 8 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

DC39 Dr Ruth Segomotsi Mompoti - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure		
	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
Revenue by Vote									
Vote 1 - OFFICE OF THE EXECUTIVE MAYOR	17 681	17 900	18 673	18 579	18 719	18 719	25 194	26 976	28 860
Vote 2 - OFFICE OF THE SPEAKER	4 212	4 382	4 877	4 971	5 827	5 827	9 388	9 195	9 673
Vote 3 - OFFICE OF THE MUNICIPAL MANAGER	3 431	3 570	3 443	4 614	4 134	4 134	4 845	5 285	5 677
Vote 4 - INTERNAL AUDIT	9 198	11 066	10 667	11 696	11 987	11 987	14 806	15 843	16 952
Vote 5 - BUDGET NAD TREASURY OFFICE	14 841	16 606	23 281	21 078	23 858	23 858	32 478	34 919	37 518
Vote 6 - CORPORATE SERVICES	30 584	23 119	27 303	27 348	29 188	29 188	33 384	34 078	36 344
Vote 7 - PLANNING AND DEVELOPMENT	4 566	4 725	4 842	3 912	5 675	5 675	5 676	6 074	6 499
Vote 8 - ENVIRONMENTAL HEALTH	7 686	7 997	12 779	11 628	11 757	11 757	12 325	13 187	14 110
Vote 9 - FIRE AND DISASTER MANAGEMENT	28 558	32 071	20 018	20 017	21 421	21 421	24 696	26 425	28 275
Vote 10 - ENGINEERING	288 342	100 727	124 182	160 657	176 092	185 472	152 906	167 992	179 555
Vote 11 - PROJECT MANAGEMENT UNIT	1 154	5 281	5 598	6 736	6 736	6 736	7 045	7 466	7 911
Vote 12 - EDTA	16 504	13 258	17 358	15 240	14 960	14 960	16 457	17 609	18 841
Total Revenue by Vote	426 757	240 702	273 021	306 475	330 352	339 732	339 200	365 049	390 215
Expenditure by Vote to be appropriated									
Vote 1 - OFFICE OF THE EXECUTIVE MAYOR	17 392	18 297	18 573	18 579	18 045	18 045	25 144	26 926	28 810
Vote 2 - OFFICE OF THE SPEAKER	3 503	4 398	4 857	4 971	5 777	5 777	8 538	9 095	9 573
Vote 3 - OFFICE OF THE MUNICIPAL MANAGER	3 406	3 487	3 393	4 614	3 626	3 626	4 795	5 235	5 627
Vote 4 - INTERNAL AUDIT	9 183	9 810	10 617	11 696	11 937	11 937	14 706	15 743	16 852
Vote 5 - BUDGET NAD TREASURY OFFICE	16 431	16 513	23 081	21 078	26 991	26 991	31 803	34 115	36 606
Vote 6 - CORPORATE SERVICES	31 740	35 656	26 353	27 348	29 141	29 141	32 485	33 615	36 048
Vote 7 - PLANNING AND DEVELOPMENT	3 715	3 608	4 782	3 912	4 151	4 151	5 626	6 020	6 442
Vote 8 - ENVIRONMENTAL HEALTH	8 916	10 861	10 559	11 628	11 229	11 229	12 275	13 134	14 053
Vote 9 - FIRE AND DISASTER MANAGEMENT	31 827	30 417	19 913	20 017	21 938	21 938	24 646	26 375	28 225
Vote 10 - ENGINEERING	283 409	240 405	270 836	160 807	190 297	190 297	198 719	214 292	231 120
Vote 11 - PROJECT MANAGEMENT UNIT	(23 287)	11 005	6 736	6 736	6 626	6 626	6 965	7 416	7 935
Vote 12 - EDTA	14 273	12 417	15 190	15 240	14 776	14 776	16 357	17 559	18 788
Total Expenditure by Vote	400 510	396 872	414 890	306 625	344 534	344 534	382 060	409 525	440 078
Surplus/(Deficit) for the year	26 247	(156 170)	(141 869)	(150)	(14 182)	(4 802)	(42 860)	(44 476)	(49 863)

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 above, is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means that, it is possible to present a deficit or a surplus in a municipal vote.

1.7.4 Table 9 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

DC39 Dr Ruth Segomotsi Mompoti - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure		
		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
R thousand	1										
Revenue By Source											
Rental of facilities and equipment		812	733	785	980	980	980	980	1 077	1 185	1 279
Interest earned - external investments		3 544	5 025	6 643	6 175	7 113	7 113	7 113	13 874	14 845	15 885
Transfers and subsidies		221 114	234 374	264 945	294 836	289 520	289 520	289 520	316 979	341 139	364 838
Other revenue	2	295	570	649	50	2 259	2 259	2 259	225	414	302
Gains on disposal of PPE		514	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		226 278	240 702	273 021	302 041	299 871	299 871	299 871	332 155	357 582	382 304
Expenditure By Type											
Employee related costs	2	90 026	96 787	102 661	106 096	107 597	107 597	107 597	131 645	141 009	150 984
Remuneration of councillors		5 584	5 875	6 177	7 068	7 078	7 078	7 078	7 455	7 977	8 535
Debt impairment	3	-	-	11 931	50	2 000	50	50	1 000	1 073	1 151
Depreciation & asset impairment	2	38 249	42 049	37 215	21 020	39 076	39 076	39 076	47 243	51 896	57 009
Finance charges		12 672	21 200	2 862	-	120	10 950	10 950	10 928	12 018	13 216
Bulk purchases	2	64 929	61 573	134 364	102 000	106 800	107 300	107 300	113 659	121 615	130 128
Other materials	8	1 515	5 740	1 710	3 169	715	715	715	1 335	1 430	1 530
Contracted services		100 236	20 063	32 821	12 707	19 769	19 769	19 769	21 818	23 366	25 016
Transfers and subsidies		55 602	103 775	53 163	20 240	19 799	19 799	19 799	15 720	16 826	17 881
Other expenditure	4, 5	31 699	30 153	30 683	34 126	27 399	27 399	27 399	31 256	32 315	34 628
Loss on disposal of PPE		-	9 657	1 303	-	-	-	-	-	-	-
Total Expenditure		400 510	396 872	414 890	306 475	330 352	339 732	339 732	382 060	409 525	440 078
Surplus/(Deficit)		(174 232)	(156 170)	(141 869)	(4 435)	(30 481)	(39 861)	(39 861)	(49 905)	(51 943)	(57 774)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		200 479	240 405	251 291	319 020	240 405	240 405	240 405	400 889	417 884	393 218
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		26 247	84 235	109 423	314 585	209 924	200 544	200 544	350 984	365 941	335 444
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		26 247	84 235	109 423	314 585	209 924	200 544	200 544	350 984	365 941	335 444
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		26 247	84 235	109 423	314 585	209 924	200 544	200 544	350 984	365 941	335 444
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		26 247	84 235	109 423	314 585	209 924	200 544	200 544	350 984	365 941	335 444

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

- Total operating revenue for 2017/2018 is allocated at R332,155 million and a projected increase to R357,582million for the 2018/2019, a further increase to R382,304million in the 2019/20.

1.7.5 Table 10 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

DC39 Dr Ruth Segomotsi Mompoti - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure		
		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
Capital expenditure - Municipal Vote											
Single-year expenditure appropriation	1										
Vote 1 - OFFICE OF THE EXECUTIVE MAYOR	2	-	-	47	-	674	674	674	50	50	80
Vote 2 - OFFICE OF THE SPEAKER		-	-	-	-	100	100	100	700	50	50
Vote 3 - OFFICE OF THE MUNICIPAL MANAGER		-	-	11	-	50	50	50	70	50	50
Vote 4 - INTERNAL AUDIT		-	-	-	-	50	50	50	100	50	50
Vote 5 - BUDGET NAD TREASURY OFFICE		471	-	109	-	258	258	258	400	230	200
Vote 6 - CORPORATE SERVICES		1 538	828	1 307	-	227	227	227	861	100	100
Vote 7 - PLANNING AND DEVELOPMENT		-	-	-	-	100	100	100	-	-	-
Vote 8 - ENVIRONMENTAL HEALTH		-	-	-	-	100	100	100	-	-	-
Vote 9 - FIRE AND DISASTER MANAGEMENT		-	724	116	-	127	127	127	-	-	-
Vote 10 - ENGINEERING		130 240	149 427	192 947	325 756	424 708	424 708	424 708	393 844	413 736	388 585
Vote 11 - PROJECT MANAGEMENT UNIT		-	-	-	-	110	110	110	-	-	-
Vote 12 - EDTA		-	-	-	-	100	100	100	-	-	-
Capital single-year expenditure sub-total		132 249	150 979	194 536	325 756	426 604	426 604	426 604	396 025	414 266	389 115
Total Capital Expenditure		132 249	150 979	194 536	325 756	426 604	426 604	426 604	396 025	414 266	389 115

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital budget estimates in relation to capital expenditure by municipal vote. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations, however, only single year projections are appropriated on this table. The capital expenditure is here presented by vote, standard classification as well as the relevant funding sources that will fund it.
- The capital expenditure presented in table A5 is 50.20 % of the total revenue. This does not mean that the service delivery requirements are limited or measured at that percentage. However, this percentage is the only amount that could be affordable at this stage given the economic conditions and the available resources. The capital budget is fully grant funded.
- Single-year capital expenditure has been appropriated at R393,843 million for the 2017/18 financial year and remains relatively constant over the MTREF at levels of R413,736 million and R388,585 million respectively for the two outer years.
- Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year. The budget appropriations for the two outer years are indicative allocations based on the departmental estimates as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
- The capital programme is funded from grants and transfers, and small portion of the operating revenue.

1.7.6 Table 11 MBRR Table A6 - Budgeted Financial Position

DC39 Dr Ruth Segomotsi Mompati - Table A6 Budgeted Financial Position

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	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS											
Current assets											
Cash		38 742	3 541	11 704	9 064	9 064	9 064	9 064	3 501	3 747	4 009
Call investment deposits	1	19 250	50 151	33 994	63 425	63 425	63 425	63 425	27 008	28 126	14 485
Consumer debtors	1	9 448	–	–	–	–	–	–	–	–	–
Other debtors		59	77 846	66 056	465	38 599	38 599	38 599	41 268	41 268	41 268
Current portion of long-term receivables		37 654	–	–	38 134	–	–	–	–	–	–
Inventory	2	361	–	–	–	–	–	–	–	–	–
Total current assets		105 514	131 538	111 754	111 088	111 088	111 088	111 088	71 777	73 140	59 762
Non current assets											
Investment property		3 813	3 800	3 940	3 826	3 826	3 826	3 826	4 094	4 380	4 687
Investment in Associate											
Property, plant and equipment	3	1 771 485	1 819 819	1 964 917	1 878 493	2 391 521	2 391 521	2 391 521	2 777 358	3 188 306	3 574 143
Intangible		700	1 061	965	1 258	1 258	1 258	1 258	1 346	1 440	1 541
Other non-current assets											
Total non current assets		1 775 998	1 824 679	1 969 822	1 883 577	2 396 605	2 396 605	2 396 605	2 782 798	3 194 127	3 580 371
TOTAL ASSETS		1 881 513	1 956 217	2 081 576	1 994 665	2 507 693	2 507 693	2 507 693	2 854 576	3 267 267	3 640 133
LIABILITIES											
Current liabilities											
Borrowing	4	–	7 286	11 072	10 800	10 800	10 800	10 800	10 800	10 800	10 800
Consumer deposits		404	404	404	480	480	480	480	513	549	588
Trade and other payables	4	154 894	130 355	146 490	60 000	125 325	125 325	125 325	134 098	143 485	153 529
Provisions		3 016	5 002	5 092	323	5 449	5 449	5 449	5 830	6 238	6 675
Total current liabilities		158 315	143 048	163 058	71 603	142 054	142 054	142 054	151 241	161 072	171 591
Non current liabilities											
Borrowing		–	76 434	65 634	80 941	80 941	80 941	80 941	69 234	58 434	47 634
Provisions		25 479	35 558	42 241	30 979	30 979	30 979	30 979	45 198	48 362	51 747
Total non current liabilities		25 479	111 992	107 875	111 920	111 920	111 920	111 920	114 432	106 795	99 381
TOTAL LIABILITIES		183 794	255 039	270 933	183 523	253 973	253 973	253 973	265 673	267 868	270 972
NET ASSETS	5	1 697 718	1 701 177	1 810 644	1 811 142	2 253 720	2 253 720	2 253 720	2 588 903	2 999 399	3 369 161
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1 689 993	1 693 452	1 802 918	1 802 345	2 244 923	2 244 923	2 244 923	2 579 490	2 989 328	3 358 385
Reserves	4	7 726	7 726	7 726	8 797	8 797	8 797	8 797	9 413	10 072	10 777
TOTAL COMMUNITY WEALTH/EQUITY	5	1 697 718	1 701 177	1 810 644	1 811 142	2 253 720	2 253 720	2 253 720	2 588 903	2 999 399	3 369 161

Explanatory notes to Table A6 - Budgeted Financial Position

1. MBRR Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting”. The order of items within each group illustrates items in the order of liquidity.
3. MBRR Table A6 contains mainly the following items:
 - Consumer debtors - The district municipality does not have any consumer base and therefore there are not consumer debtors. However, the debtors reflected in table A6 is mainly the Department of Water Affairs (DWA) and other sundry debtors.
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions noncurrent;
 - Changes in net assets, and
 - Reserves

4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. Therefore any budget assumptions are critical as they form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed by directly forecasting the statement of financial position.

5. Reserves as presented in the above table are not cash backed. These are indicative amounts by which the movements in assets occurred. The Accumulated surplus is just an accounting figure used to calculate the value of the municipality in line with GRAP 1, it does not have any financial backing attached, therefore there are no monetary cash amounting to the value attached to the accumulated surplus.

1.7.7 Table 10 MBRR Table A7 - Budgeted Cash Flow Statement

DC39 Dr Ruth Segomotsi Mompoti - Table A7 Budgeted Cash Flows

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	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Other revenue	1 106	27 927	250	1 030	1 030	1 030	183 798	1 302	1 599	1 581
Government - operating	230 806	234 374	264 945	294 836	294 836	294 836	285 731	316 979	341 139	364 838
Government - capital	200 733	287 846	236 157	319 020	319 020	319 020	270 660	400 889	417 884	393 218
Interest	3 645	5 025	6 643	6 175	6 175	6 175	9 866	13 874	14 845	15 885
Payments										
Suppliers and employees	(270 595)	(257 473)	(258 244)	(286 275)	(286 275)	(291 591)	(263 624)	(316 225)	(340 100)	(363 655)
Finance charges	-	(74)	(2 862)	-	-	-	-	(10 928)	(12 018)	(13 216)
Transfers and Grants	(56 337)	(103 775)	(53 163)	(20 240)	(20 240)	(20 240)	(24 216)	(20 500)	(32 920)	(35 470)
NET CASH FROM/(USED) OPERATING ACTIVITIES	109 357	193 849	193 726	314 545	314 545	309 229	462 215	385 390	390 429	363 181
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	(354)	-	17	-	-	-	-	-	-	-
Payments										
Capital assets	(131 671)	(196 945)	(194 536)	(325 756)	(424 708)	(424 708)	(424 708)	(396 025)	(414 266)	(389 115)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(132 025)	(196 945)	(194 519)	(325 756)	(424 708)	(424 708)	(424 708)	(396 025)	(414 266)	(389 115)
CASH FLOWS FROM FINANCING ACTIVITIES										
Payments										
Repayment of borrowing	-	(1 200)	(7 200)	(10 800)	(10 800)	(10 800)	(10 800)	(10 800)	(10 800)	(10 800)
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	(1 200)	(7 200)	(10 800)	(10 800)	(10 800)	(10 800)	(10 800)	(10 800)	(10 800)
NET INCREASE/ (DECREASE) IN CASH HELD	(22 668)	(4 296)	(7 993)	(22 011)	(120 963)	(126 279)	26 707	(21 434)	(34 637)	(36 733)
Cash/cash equivalents at the year begin:	80 660	57 996	53 692	45 699	45 699	45 699	45 699	72 406	50 972	16 335
Cash/cash equivalents at the year end:	57 992	53 700	45 699	23 688	(75 264)	(80 580)	72 406	50 972	16 335	(20 398)

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality remain positive over the MTREF period though highly declining as compared to the prior years. The municipality is encountering a serious cash flow problem, which is also evident in the 2016/2017 budget.
4. The 2017/18 MTREF provide for a further break even in cash and cash equivalents for the year and for the two outer years. This means that it is projected that the municipality will have no cash available at the end of the financial years.

1.7.8 Table 11 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

DC39 Dr Ruth Segomotsi Mompati - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available										
Cash/cash equivalents at the year end	80 660	57 992	53 722	15 193	41 474	41 474	823	27 068	(1 733)	(32 271)
Other current investments > 90 days	(0)	(1)	-	101 799	30 719	30 719	71 371	40 797	74 348	109 970
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-
Cash and investments available:	80 660	57 991	53 722	116 992	72 193	72 193	72 193	67 865	72 615	77 698
Application of cash and investments										
Unspent conditional transfers	106 858	69 940	42 683	47 615	-	-	-	-	-	-
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	17 566	75 445	99 244	(10 225)	59 563	59 563	59 997	59 563	64 563	69 563
Other provisions	-	-	-	-	-	-	-	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	124 424	145 385	141 927	37 390	59 563	59 563	59 997	59 563	64 563	69 563
Surplus(shortfall)	(43 764)	(87 394)	(88 205)	79 602	12 630	12 630	12 196	8 302	8 052	8 135

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2017/2018 Budget and MTREF is funded.

1.7.9 Table 12 MBRR Table A9 - Asset Management

DC39 Dr Ruth Segomotsi Mompoti - Table A9 Asset Management

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue &		
		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
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	132 249	150 979	194 536	325 756	426 604	426 604	426 604	396 025	414 266
<i>Water Supply Infrastructure</i>		129 673	149 427	192 947	325 756	424 708	424 708	424 708	393 844	413 736
Infrastructure		129 673	149 427	192 947	325 756	424 708	424 708	424 708	393 844	413 736
Other Assets		-	-	-	-	-	-	-	-	-
<i>Servitudes</i>		-	-	-	-	-	-	-	-	-
<i>Licences and Rights</i>		471	8	-	-	-	-	1 059	1 059	-
Intangible Assets		471	8	-	-	-	-	1 059	1 059	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		840	820	1 007	-	1 222	1 222	137	1 072	450
Machinery and Equipment		567	724	116	-	-	-	-	-	-
Transport Assets		698	-	466	-	674	674	700	50	80
Total Renewal of Existing Assets	2	3 813	3 800	3 940	3 826	3 826	3 826	3 826	4 094	4 380
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		3 813	3 800	3 940	3 826	3 826	3 826	3 826	4 094	4 380
<i>Housing</i>		-	-	-	-	-	-	-	-	-
Other Assets		3 813	3 800	3 940	3 826	3 826	3 826	3 826	4 094	4 380
Total Capital Expenditure	4	129 673	149 427	192 947	325 756	424 708	424 708	424 708	393 844	413 736
<i>Water Supply Infrastructure</i>		129 673	149 427	192 947	325 756	424 708	424 708	424 708	393 844	413 736
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		129 673	149 427	192 947	325 756	424 708	424 708	424 708	393 844	413 736
<i>Community Facilities</i>		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		3 813	3 800	3 940	3 826	3 826	3 826	3 826	4 094	4 380
<i>Housing</i>		-	-	-	-	-	-	-	-	-
Other Assets		3 813	3 800	3 940	3 826	3 826	3 826	3 826	4 094	4 380
<i>Licences and Rights</i>		471	8	-	-	-	-	1 059	1 059	-
Intangible Assets		471	8	-	-	-	-	1 059	1 059	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		840	820	1 007	-	1 222	1 222	137	1 072	450
Machinery and Equipment		567	724	116	-	-	-	-	-	-
Transport Assets		698	-	466	-	674	674	700	50	80
TOTAL CAPITAL EXPENDITURE - Asset class		136 062	154 779	198 476	329 582	430 430	430 430	430 430	400 118	418 646
ASSET REGISTER SUMMARY - PPE (WDV)	5									
<i>Water Supply Infrastructure</i>		1 626 606	1 788 953	1 937 173	1 873 527	2 391 521	2 391 521	2 391 521	2 777 358	3 188 306
Infrastructure		1 626 606	1 788 953	1 937 173	1 873 527	2 391 521	2 391 521	2 391 521	2 777 358	3 188 306
Investment properties		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		3 813	3 800	3 940	3 826	3 826	3 826	3 826	4 094	4 380
<i>Housing</i>		-	14 633	14 209	-	-	-	-	-	-
Other Assets		3 813	18 433	18 149	3 826	3 826	3 826	3 826	4 094	4 380
<i>Licences and Rights</i>		1 147	1 061	965	1 258	1 258	1 258	1 346	1 440	1 541
Intangible Assets		1 147	1 061	965	1 258	1 258	1 258	1 346	1 440	1 541
Computer Equipment		28 376	2 205	2 258	-	-	-	2 546	-	-
Furniture and Office Equipment		-	1 205	959	-	-	-	-	-	-
Machinery and Equipment		-	2 231	1 794	-	-	-	-	-	-
Transport Assets		-	10 591	8 523	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	1 659 942	1 824 679	1 969 822	1 878 611	2 396 605	2 396 605	2 399 239	2 782 892	3 194 227
EXPENDITURE OTHER ITEMS										
Depreciation	7	38 249	42 049	37 215	21 020	39 076	39 076	47 243	51 896	57 009
Repairs and Maintenance by Asset Class	3	1 515	5 740	1 710	3 169	715	715	1 335	1 430	1 530
<i>Water Supply Infrastructure</i>		1 515	5 740	1 710	3 169	715	715	1 335	1 430	1 530
Infrastructure		1 515	5 740	1 710	3 169	715	715	1 335	1 430	1 530
TOTAL EXPENDITURE OTHER ITEMS		39 764	47 789	38 925	24 189	39 791	39 791	48 578	53 326	58 539
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		2,8%	2,5%	2,0%	1,2%	0,9%	0,9%	0,9%	1,0%	1,0%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		10,0%	9,0%	10,6%	18,2%	9,8%	9,8%	8,1%	7,9%	7,7%
<i>R&M as a % of PPE</i>		0,1%	0,3%	0,1%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%
<i>Renewal and upgrading and R&M as a % of PPE</i>		0,0%	1,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Explanatory notes to Table A9 - Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets, no renewal of existing assets is provided for.

Part 2
OTHER SUPPORTING
INFORMATION

2.1 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 aims of the Budget Steering Committee are 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 Municipality'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.

2.1.1 The Budget Process Overview

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 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and Budget Time schedule on 27 August 2016 and the schedule with key deadlines was approved by council during that meeting.

2.1.2 Community Consultation on the Draft Budget

The draft 2017/18 MTREF, will be tabled during a Special Council meeting dated 30 March 2017 whereby community members were present. The draft budget document is further made available on the municipal website: www.rsmompatidm.gov.za. Furthermore, a Mayoral Roadshow on the budget will be held during April 2017 to seek the community inputs on the budget. Submissions received during the community consultation process and additional information regarding revenue and expenditure and capital projects will be considered by the Budget Steering Committee at a meeting to be held between April 2017 – May 2017 after which the budget will be approved by Council on or before the 31 May 2017.

2.1.3 IDP and Service Delivery and Budget Implementation Plan

The Municipality'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:-

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

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/2017 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 2017/18 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.

2.2 Overview of Alignment of the Annual Budget with the 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 realised through a credible integrated developmental planning process. Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals.

A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. 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. It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area.

Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities. The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's 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. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2017/18

MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 14 – Table 16 below presents the reconciliation of the IDP Strategic Objectives. In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above. In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years for infrastructure planning. This process is aimed at influencing the development path to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. It provides

direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

The 2017/18 MTREF has therefore been directly informed by the IDP revision process and the following tables MBRR Tables SA4-SA6 as outlined in Table 14 – 16 below provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly at each quarter, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks. Additional to the MFMA and the Municipal Budget and Reporting Regulations, the following policies are used to guide the budget process:-

2.4.1 Asset Management Policy

The Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the revenue base.

2.4.2 Budget Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its

developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.3 Supply Chain Management Policy

The revised SCM Policy which incorporates the new PPPFA regulations will be tabled to the Council meeting together with this draft budget.

2.4.4 Investment & Cash Management Policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

2.5 Overview of budget assumptions

2.5.1 External factors

The effects of recession are still evident. After a protracted hike in the interest rates, this increased recently. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration.

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality chiefly engages in amortisation-style loans requiring both regular principal and interest payments. Surplus cash is invested and re-invested at short intervals.

2.5.4 Growth or decline in tax base of the municipality

Lack of revenue collection sources for the district municipality being one critical concerning point. The municipality is 99% grant dependent.

2.5.5 Salary increases

Salary increases were based on the proposed increase as per the MFMA budget circular.

2.5.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at 100 per cent is achieved on operating expenditure and 95 per cent on the capital programme for the 2017/18 MTREF.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

Investment revenue contributes marginally to the revenue base. It needs to be noted that these allocations have been conservatively estimated. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2017/18 medium-term capital programme:

Capital grants and receipts equates to 51 per cent of the total funding source which represents R393m million for the 2017/18 financial year.

The municipality did not raise new loans, however, the municipality is still servicing old loans from the DBSA, which arose as demarcation liabilities between the Southern and the then Bophirima District Municipalities.

2.6.3 Cash Flow 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 international standards of good financial management practice and also improves understanding for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

Table 11 above, MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation below meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year? • How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that is available. A shortfall (applications cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded' It is also important to analyse trends to understand the consequences. Small cash surpluses have been realised over the past three years, which is inevitably utilised to finance operations. No meaningful growth in cash has occurred. The working capital has to be optimally managed.



Municipal Manager's Quality Certificate

DR RUTH S. MOMPATI DISTRICT MUNICIPALITY

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I **ZEBO EDWIN LESEGO TSHETLHO**, Municipal Manager of Dr Ruth S Mompoti District Municipality, hereby certify that this Operating and Capital 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 2017/2018 Operating And Capital Budget and the MTREF and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name: ZEBO EDWIN LESEGO TSHETLHO

Municipal Manager of Dr Ruth S Mompoti District Municipality

Signature: _____

Date: 30 May 2017