



LESEDI
Local Municipality

**Annual Budget
2017/18**



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ANNEX A – Budget summary

DISCUSSION

Overview of the Budget Process

As required by section 21 (1) of the MFMA Council approved an IDP/ Budget Process Plan for the 2017/18 Financial Year in August 2016. The plan outlined schedule of key deadlines for the review of the IDP and adoption of the budget.

Various consultation processes were held with stakeholders in terms of the process plan, at public participation engagements, during the second half of the financial year. Furthermore, engagements were held to discuss the IDP priorities and budget formulation and implementation. Inter-alia, the municipality considered National Treasury's budget circular 86, which provided guidance and assumptions.

1. Budget assumptions

- The budget has been prepared in line with circular no. 86 which aims to support municipalities with giving effect to National Treasury's Municipal Budget and Reporting Regulations within the current economic climate.
- Circular 86's key focus is the implementation of municipal Standard Chart of Accounts and addressing municipal revenue generation challenges.

The following CPI's were used to project expenditure for the 2017/18 financial year as well as the two subsequent years:

Item	2016/17	2017/18	2018/19
Salaries	7.4%	7.4%	6.7%
General expenditure	6.4%	6.4%	5.7%

2. FUNDING OF THE BUDGET

In terms of section 18(1)(a)(b)(c) of the MFMA, an annual budget may only be funded from realistically anticipated revenues to be collected; cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and borrowed funds, but only for the capital budget referred to in section 17(2).

3. Tariff increases

It is well understandable that the municipality's ability to fund its operations is also based on its own generated revenue. MFMA circular 58 advises municipalities to apply cost-reflective tariffs. The following tariff increments are proposed to be effected in the 2017/18 financial year.

Assessment Rates	-	6.4%
Electricity	-	1.88%
Water	-	10.2%
Sanitation	-	6.4%
Refuse	-	6.4%
Other income	-	6.4%

The electricity tariff application is in line with NERSA's guidelines and as a result should be approved by them.

NERSA has proposed 0.31% increase on bulk electricity purchases.

4. Revenue

Proposed revenue for the 2017/18 financial year is as follows:

Revenue	Adjustment Budget R'000 2016/17	Budget R'000 2017/18	Per. increase
Property rates	98 249	104,446	5.3
Service charges - Electricity revenue	288,285	291,261	3.0
Service charges - Water revenue	98,856	104,598	9.1
Service charges - Sanitation revenue	27,308	26,643	6.4
Service charges - Refuse revenue	30,099	30,370	12.0
Other Service Charges	1,302	1,358	7.2
Rental of facilities	4,727	4,842	1.0
Interest earned: investments	1,674	1,250	-25.3
Interest earned: Outstanding debtors	6,656	10,716	61.0
Fines	46,518	45,902	-1.3
Other Income	7,377	1,216	-62.4
Operational Transfers	102,471	121,014	18.1
Total Revenue	713,571	743,674	5.5

5. Expenditure

Proposed expenditure for the financial year is as follows:

Expenditure	Adjustment Budget R'000 2016/17	Budget R'000 2017/18	Per increase
Employee cost	155,324	160,143	3.1
Councillors remuneration	9,819	10,170	3.6
Debt Impairment	98,403	100,373	2.0
Depreciation	41,808	41,742	-0.2
Finance charges	10,346	10,053	-2.8

Bulk purchases – Electricity & Water	276,671	283,672	1.4
Repairs and maintenance	24,777	24,797	0.1
Contracted services	600	790	31.7
Other Expenditure	86,004,299	99,246,913	15.4
Total Expenditure	703,753,303	730,986,503	3.9

6. Capital Budget

The Capital Budget amounts to R95 562 925 and is funded as follows:

Description	Adjustment Budget 2016/17 R'000	Budget 2017/18 R'000	Weighting
<i>Lesedi L.M. (own funded)</i>	4,183,970	R16,877,925	18%
National Government funded	39,060,104	R78,685,000	82%
TOTAL	43,244,074	R95 562 925	100%



Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. **In year reporting**
Reporting to National Treasury in electronic format was fully complied with on a monthly basis.
2. **Internship programme**
Lesedi Local Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully employed and trained 20 interns through this programme and a majority of them were appointed in the municipality.
3. **Budget and Treasury Office**
The Budget and Treasury Office has been established in accordance with the MFMA.
4. **Audit Committee**
An Audit Committee has been established and is fully functional.
5. **Service Delivery and Implementation Plan**
The detail SDBIP document is at a draft stage and will be finalized after approval of the 2017/18 MTREF in June 2017 directly aligned and informed by the 2017/18 MTREF.
6. **Annual Report**
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. **MFMA Training**
The MFMA training module in electronic format is presented at the municipality's internal centre and training is ongoing.