

FINAL BUDGET OF

# **INGQUZA HILL LOCAL MUNICIPALITY**



Ingquza hill local municipality

2018/19 TO 2020/21

REVENUE AND EXPENDITURE  
FORECASTS

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## Abbreviations and Acronyms

BPC	Budget Planning Committee	Programme	
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipality Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
Dora	Division of Revenue Act	MSA	Municipal Systems Act
EE	Employment Equity	MTEF	Medium-term Expenditure Framework
EM	Executive Mayor	MTREF	Medium-term Revenue and Expenditure Framework Regulator South Africa
FBS	Free basic services	NGO	Non-Governmental organisations
GAMAP	Generally Accepted Municipal Accounting Practice	NKPIs	National Key Performance Indicators
GDP	Gross domestic product	OHS	Occupational Health and Safety
GFS	Government Financial Statistics	OP	Operational Plan
GRAP	General Recognised Accounting Practice	PMS	Performance Management System
HR	Human Resources	PPE	Property Plant and Equipment
HSRC	Human Science Research Council	SALGA	South African Local Government Association
IDP	Integrated Development Strategy	SDBIP	Service Delivery Budget Implementation Plan
IT	Information Technology	SMME	Small Micro and Medium Enterprises
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act		

# Part 1 – Annual Budget

## 1 Executive Report:

### 1.1.1. Purpose:

The purpose of the report is to submit the multi-year draft 2018/19 budget of Ingquza Hill Local Municipality.

### 1.1.2. Legal Requirements:

Section 16 of the Municipal Finance Management Act, 2003 (MFMA) required that-

- The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- In order for a municipality to comply with subsection (1), the mayor of the municipality must table the draft budget at a council meeting at least 90 days before the start of the budget year.
- This will allow the municipality to ensure that a credible budget is compiled.
- Section 24(2) (c) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:
- An annual budget must be approved together with the adoption of resolutions ... approving any changes to the municipality's integrated development plan.
- MFMA circular 89 is used as a guide municipalities with their compilation of the 2018/19 Medium Term Revenue and Expenditure Framework (MTREF).

### 1.1.3. Overview of the budget process:

- The 2017/18 mid-year performance assessment was conducted in February 2018 which determined the 2017/18 Adjustment Budget and formed the baseline of drafting the 2018/19 Operating Expenditure budget (both zero-based and incremental budgeting was used).
- The 2017/18 mid-year performance assessment was used to budget for own revenue and conditional grants was based on the 2018/19 DORA issued in March 2018.
- The draft 2018/19 budget & IDP is therefore tabled for approval on 31 March 2018, within the deadlines as stipulated by legislation and circular 89 and 91.

**2. Budget financial performance:**

EC153 Ngquza Hills - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>	1										
<b>Revenue By Source</b>											
Property rates	2	16,101	19,667	21,368	29,628	-	29,628	29,628	28,628	30,174	31,834
Service charges - refuse revenue	2	264	922	1,119	1,219	-	1,219	1,219	1,286	1,355	1,430
Rental of facilities and equipment		20	18	12	250	(238)	12	12	1,482	1,562	1,648
Interest earned - external investments		3,207	6,405	7,953	28,180	29,624	57,805	57,805	41,099	43,319	45,701
Interest earned - outstanding debtors		1,048	1,452	1,898			-	-			
Fines, penalties and forfeits		1,472	1,111	1,315	534	(290)	244	244	364	384	405
Licences and permits		-	-	-			-	-	138	145	153
Agency services		2,749	2,918	2,969	5,934	(1,934)	4,000	4,000	5,934	6,255	6,599
Transfers and subsidies		157,041	205,725	200,211	214,481		214,481	214,481	231,918	253,096	272,960
Other revenue	2	9,040	2,387	1,483	28,866	(17,450)	11,416	11,416	4,939	5,206	5,492
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>190,942</b>	<b>240,605</b>	<b>238,327</b>	<b>309,092</b>	<b>9,712</b>	<b>318,804</b>	<b>318,804</b>	<b>315,789</b>	<b>341,496</b>	<b>366,222</b>
<b>Expenditure By Type</b>											
Employee related costs	2	75,953	83,579	91,911	127,870	(11,567)	116,303	116,303	143,497	151,246	159,564
Remuneration of councillors		16,779	17,825	18,984	19,960	-	19,960	19,960	22,954	24,194	25,524
Debt impairment	3	2,214	5,472	5,581	-	5,000	5,000	5,000	9,000	9,486	10,008
Depreciation & asset impairment	2	31,194	36,136	40,333	-	39,526	39,526	39,526	41,000	43,214	45,591
Finance charges		537	578	388	106	(0)	106	106	1,173	1,236	1,304
Bulk purchases	2	-	-	-	515	423	938	938	-	-	-
Other materials	8	-	15,166	17,644	11,326	(4,080)	7,246	7,246	14,472	15,254	16,093
Contracted services		-	-	-	5,053	358	5,411	5,411	2,120	2,234	2,357
Transfers and subsidies		-	-	-	-	-	-	-	4,000	4,216	4,448
Other expenditure	4, 5	93,988	48,463	73,939	70,685	3,425	74,110	74,110	72,408	76,318	80,516
Loss on disposal of PPE		933									
<b>Total Expenditure</b>		<b>221,598</b>	<b>207,218</b>	<b>248,781</b>	<b>235,515</b>	<b>33,085</b>	<b>268,600</b>	<b>268,600</b>	<b>310,625</b>	<b>327,399</b>	<b>345,406</b>
<b>Surplus/(Deficit)</b>		<b>(30,656)</b>	<b>33,387</b>	<b>(10,453)</b>	<b>73,576</b>	<b>(23,372)</b>	<b>50,204</b>	<b>50,204</b>	<b>5,164</b>	<b>14,097</b>	<b>20,816</b>

Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		82,076	68,217	61,832	69,937	-	69,937	69,937	79,326	62,706	67,094
Transfers and subsidies - capital (in-kind - all)											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		51,420	101,604	51,379	143,513	(23,372)	120,141	120,141	84,490	76,803	87,910
Taxation											
<b>Surplus/(Deficit) after taxation</b>		51,420	101,604	51,379	143,513	(23,372)	120,141	120,141	84,490	76,803	87,910
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		51,420	101,604	51,379	143,513	(23,372)	120,141	120,141	84,490	76,803	87,910
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		51,420	101,604	51,379	143,513	(23,372)	120,141	120,141	84,490	76,803	87,910

2.1 Funding of budget:

- Council's main source of income is Government Grants.
- The council did not increase the property rates tariffs for the 2018/19 financial year. Our property rates have decreased by 3.38% from 2017/18 mainly because of the decrease in the value of certain properties during the supplementary valuation.
- The council increased refuse tariffs for 2018/19 by 5.5%. Refuse charge increased by 5.5% from 2017/18 because of the increase in the number of properties that are rented that require refuse collection services.
- The tariffs for rental of facilities also increased by 5.5%. The drastic increase in rental of facilities is as a result of including investment-Ad hoc rentals in other revenue item in the previous years.
- The municipality does not charge interest on debtors as per council resolution because the rate payers need to pay their existing overdue debts first.
- Fines have decreased by R1 071 000 which is 59.39% from 2016/17 to R244 000 in 2017/18 because our courts do not give priority to the fine charges ending up in non-payment. In 2018/19 the fines have increased by 49.18% to R364 000 because we will also be busy with pound & sport field fines.
- Agency fees have increased by R1 934 000 (48.35%) in 2018/19 compared with the current year. The reason for the increase is because the municipality is building the Vehicle testing centre.
- Transfers & subsidies have increased compared to 2017/18 from R284 418 000 to R311 285 000 because of the increase in allocations such as MIG, EPWP, Library grant and Equitable share and allocation for Small town revitalization.
- In capital transfers and subsidies, the MIG allocation have increased from R55 437 000 to R61 976 000 and INEP decreased from R14 500 000 to R12 350 000.
- The interest on investment was R7 953 million in 2016/17 and increased by 86.83% to R57 805 million in 2017/18 because the expenditure funded from reserves is included under other income. In 2018/19 the budget is R41 099 276.
- The total allocations that the municipality will receive for the 2018/19 financial year as per DORA is R311 285 000 including capital transfers. Our own revenue collection is anticipated to be R83 830 038.24 which make a total revenue of R395 115 038.24.
- Our revenue enhancement strategies include amongst others, appointing the debt collector and calling in the rate payers to sign payment arrangements and also make sure that we do data cleansing on debtors and that the statements reaches the rate payers on time.

2.2 Operating Expenditure:

- The SALGA Wage Curve Agreement has lapsed and MFMA circular 91 was used to budget for Employee costs. The municipality increased the employee costs by 8% and the other reason for the variance compared to 2017/18 financial year is that the municipality has got more employees and there are posts that are vacant that will be filled in 2018/19 that are also budgeted for. Our employee costs consists 42% of the total operating expenditure and that is within the acceptable norm of 40%-50. Councilors' salaries and allowances were based on the Government Gazette Determination of Earnings Threshold.
- Zero based budget was used to budget for Repairs and since we are facing elections in 2019 the municipality intends to do repairs on roads going to voting stations and our fleet will increase in the next financial year hence the increase of 99.72% from R7 246 247 in 2017/18 to R14 472 277.20 in 2018/19.
- The actual for Depreciation, Asset impairment & Debt Impairment on audited Annual financial statement were used to budget for Depreciation, Asset impairment & Debt Impairment.
- Contracted services of R2 120 000 include contracts for Telkom, Munsoft, Vodacom, Payday and maintenance for website.
- Our total operational costs is R 310 624million including non- cash items of R50 000000. The deficit of R50 000 000 in our budget relates to non-cash items of R41 000 000 for Depreciation and R9000 000 for debt impairment and provisions.
- An increase of 5.4% in 2019/20 and 5.5% in 2020/21 was used as per circular 91.
- Transfers and subsidies of R4000 000 relates to the donations/ support that the municipality will give to the local SMME's.

3. Capital Expenditure:

EC153 Nqquza Hills - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital Expenditure - Functional</b>	1										
<i>Governance and administration</i>		520	5,084	1,368	11,060	4,383	15,443	15,443	13,997	14,753	15,564
Executive and council									-	-	-
Finance and administration		520	5,084	1,368	11,060	4,383	15,443	15,443	13,997	14,753	15,564
Internal audit		-	-	-							
<i>Community and public safety</i>		21,033	-	41,588	848	12,629	13,477	13,477	8,645	9,112	9,613
Community and social services		21,033		41,588	848	12,629	13,477	13,477	8,645	9,112	9,613
<i>Economic and environmental services</i>		74,495	99,445	56,732	110,635	3,643	114,278	114,278	83,847	76,084	87,152
Planning and development		7,190		13,285	5,746	1,000	6,746	6,746			
Road transport		67,305	99,445	43,447	104,890	2,643	107,533	107,533	83,847	76,084	87,152
Environmental protection											
<i>Trading services</i>		-	-	-	21,470	-	21,470	21,470	28,000	29,512	31,135
Energy sources					21,470	-	21,470	21,470	28,000	29,512	31,135
<b>Total Capital Expenditure - Functional</b>	3	<b>96,048</b>	<b>104,529</b>	<b>99,688</b>	<b>144,013</b>	<b>20,655</b>	<b>164,668</b>	<b>164,668</b>	<b>134,489</b>	<b>129,461</b>	<b>143,464</b>
<b>Funded by:</b>											
National Government		96,048	104,529	99,688	69,937	-	69,937	69,937	79,326	62,706	67,094

Transfers recognised - capital	4	96,048	104,529	99,688	69,937	-	69,937	69,937	79,326	62,706	67,094
Internally generated funds					74,076	20,655	94,731	94,731	55,163	66,755	76,370
<b>Total Capital Funding</b>	<b>7</b>	<b>96,048</b>	<b>104,529</b>	<b>99,688</b>	<b>144,013</b>	<b>20,655</b>	<b>164,668</b>	<b>164,668</b>	<b>134,489</b>	<b>129,461</b>	<b>143,464</b>

- Capital projects are being identified in terms of community needs that are identified through budget roadshows and through Council's priorities.
- The budget for capital budget amount to R134 489 999.98, R61 976 000 is for MIG projects and R12 350 000 is for INEP. All other projects will be funded with the equitable share and the allocation of Small town revitalization of 5000 000.
- The capital project budget has decreased by 22.5% from 2017/18 because in 2017/18 the municipality was constructing municipal offices which are now in the completion stages hence the decrease in the 2018/19 budget.
- The budget for 2019/20 will decrease by 3.83% because of the decrease in the MIG allocations in the next financial year as per DORA and the expenditure will then increase by 10.87% in 2020/21 also because of the increase in MIG allocation.
- The budget in the outer years was determined by adding 5.4% and 5.5% in 2018/19 and 2020/21 respectively, except for the roads transport function because their expenditure is determined by the allocations they receive from government.

**4. Transfers and grants made to the Municipality:**

EC153 Ngquza Hills - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>RECEIPTS:</b>	1, 2									
<u>Operating Transfers and Grants</u>										
<b>National Government:</b>		131,597	202,833	198,836	213,707	213,707	213,707	230,660	253,096	272,960
Local Government Equitable Share		130,097	200,197	195,945	210,127	210,127	210,127	227,562	251,396	271,260
EPWP Incentive		-	1,036	1,266	1,880	1,880	1,880	1,398	-	-
Finance Management		1,500	1,600	1,625	1,700	1,700	1,700	1,700	1,700	1,700
<b>Provincial Government:</b>		800	724	724	774	774	774	774	8,190	865
Library Grant		800	724	724	774	774	774	774	8,190	865
<b>District Municipality:</b>		-	-	-	-	-	-	525	525	525
<i>LG SETA</i>								525	525	525

Total Operating Transfers and Grants	5	132,397	203,557	199,560	214,481	214,481	214,481	231,959	261,811	274,350
<b>Capital Transfers and Grants</b>										
National Government:		70,594	70,704	59,057	69,937	69,937	69,937	74,326	62,706	67,094
Municipal Infrastructure Grant (MIG)		50,594	52,704	52,025	55,437	55,437	55,437	61,976	54,506	57,494
(INEP)Municipal Intergrated National Electricity Programme		20,000	18,000	7,032	14,500	14,500	14,500	12,350	8,200	9,600
District Municipality:		-	-	-	-	-	-	5,000	5,000	5,000
<i>Small town revitalization</i>								5,000	5,000	5,000
Total Capital Transfers and Grants	5	70,594	70,704	59,057	69,937	69,937	69,937	79,326	67,706	72,094
TOTAL RECEIPTS OF TRANSFERS & GRANTS		202,991	274,261	258,617	284,418	284,418	284,418	311,285	329,517	346,444

- The operating transfers and grants have increased compared to 2017/18 because of the increase in equitable share and LG SETA.
- The capital transfers and grants have increased because of the increase in MIG allocation even though the allocation for INEP has decreased from R14 500 000 to R12 350 000 in 2018/19.

## 5 Cash flow statement

EC153 Ngquza Hills - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		16,101	19,667	21,368	29,628	-	29,628	29,628	28,628	30,174	31,834
Service charges			3,981	5,113	1,219	-	1,219	1,219	1,286	1,355	1,430
Other revenue		21,726	11,508	3,682	35,884	(20,213)	15,671	15,671	12,858	13,552	14,297
Government - operating	1	157,041	205,725	200,211	214,481	-	214,481	214,481	231,918	253,096	272,960
Government - capital	1	82,076	68,217	61,832	69,937	-	69,937	69,937	79,326	62,706	67,094
Interest		3,207	6,405	7,952	28,180	29,624	57,805	57,805	41,099	43,319	45,701
Dividends									-	-	-
<b>Payments</b>											
Suppliers and employees		(224,744)	(214,063)	(251,794)	(231,630)	11,242	(220,388)	(220,388)	(255,452)	(269,246)	(284,055)
Finance charges		(537)	(578)	(388)	(106)	-	(106)	(106)	(1,173)	(1,236)	(1,304)
Transfers and Grants	1		(6,487)		(3,580)	-	(3,580)	(3,580)	(4,000)	(4,216)	(4,448)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>54,870</b>	<b>94,374</b>	<b>47,977</b>	<b>144,013</b>	<b>20,653</b>	<b>164,667</b>	<b>164,667</b>	<b>134,490</b>	<b>129,503</b>	<b>143,509</b>



<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		(933)							-	-	-
Decrease (Increase) in non-current debtors									9,436	9,946	10,493
Decrease (increase) other non-current receivables		7,573							-	-	-
Decrease (increase) in non-current investments			(417)	(449)					-	-	-
<b>Payments</b>											
Capital assets		(71,737)	(40,100)	(68,831)	(144,013)	(20,653)	(164,667)	(164,667)	(134,489)	(129,461)	(143,464)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(65,097)</b>	<b>(40,516)</b>	<b>(69,281)</b>	<b>(144,013)</b>	<b>(20,653)</b>	<b>(164,667)</b>	<b>(164,667)</b>	<b>(125,053)</b>	<b>(119,515)</b>	<b>(132,971)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		(384)							-	-	-
Borrowing long term/refinancing		421	(292)	(292)					-	-	-
Increase (decrease) in consumer deposits									(598)	(630)	(665)
<b>Payments</b>											
Repayment of borrowing									(696)	(734)	(773)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>37</b>	<b>(292)</b>	<b>(292)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,294)</b>	<b>(1,364)</b>	<b>(1,438)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(10,191)</b>	<b>53,566</b>	<b>(21,595)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>8,143</b>	<b>8,624</b>	<b>9,099</b>
Cash/cash equivalents at the year begin:	2	29,779	19,588	73,154	(51,559)	165,195	113,636	113,636	118,422	126,565	135,189
Cash/cash equivalents at the year end:	2	19,588	73,154	51,559	(51,559)	165,195	113,636	113,636	126,565	135,189	144,289

- The budgeted cash flow statement is the first measurement in determining whether the budget is funded or not.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget as per the SDBIP and procurement plan.
- The decrease in debtors was determined by calculating the movement between the closing balance in the AFS of R76 018 795 which is the opening balance in the 2017/18 financial year and R66 582 422.34 which is the closing balance for May 2018.
- The repayment of borrowings of R696 016 relate to the budgeted interest on loan.
- The decrease in the consumer deposits was determined by looking at the movement between the closing balance in the AFS for the 2016/17 financial year and the closing balance in May 2018. The closing balance in the AFS was R597 869 and the closing balance in May 2018 was R0.
- From the above table, it can be seen that the budget is fully funded.

## 6. Statement of financial position

EC153 Ngquza Hills - Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		1,135	1,235	3,242	28,249	28,249	28,249	28,249	56,266	59,305	62,566
Call investment deposits	1	18,453	71,919	48,317	92,552	92,552	92,552	92,552	104,899	110,564	116,645
Consumer debtors	1	4,830	7,630	12,748	60,238	60,238	60,238	60,238	67,804	71,465	75,396
Other debtors		7,634	19,003	42,442	38,419	38,419	38,419	38,419	67,804	71,465	75,396
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	16,627	15,456	23,089	15,456	15,456	15,456	15,456	309	326	344
<b>Total current assets</b>		<b>48,679</b>	<b>115,243</b>	<b>129,838</b>	<b>234,915</b>	<b>234,915</b>	<b>234,915</b>	<b>234,915</b>	<b>297,082</b>	<b>313,125</b>	<b>330,346</b>
<b>Non current assets</b>											
Long-term receivables											
Investments											
Investment property		459,341	439,967	439,817	439,967	439,967	439,967	439,967	439,967	463,725	489,230
Investment in Associate											
Property, plant and equipment	3	454,239	512,883	548,399	491,302	491,302	491,302	491,302	570,439	601,243	634,311
Agricultural											
Biological											
Intangible											
Other non-current assets		5,123	5,540	5,989	22,597	22,597	22,597	22,597	36,660	38,640	40,765
<b>Total non current assets</b>		<b>918,703</b>	<b>958,389</b>	<b>994,205</b>	<b>953,866</b>	<b>953,866</b>	<b>953,866</b>	<b>953,866</b>	<b>1,047,066</b>	<b>1,103,607</b>	<b>1,164,306</b>
<b>TOTAL ASSETS</b>		<b>967,382</b>	<b>1,073,632</b>	<b>1,124,043</b>	<b>1,188,781</b>	<b>1,188,781</b>	<b>1,188,781</b>	<b>1,188,781</b>	<b>1,344,148</b>	<b>1,416,732</b>	<b>1,494,652</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	- 1										
Borrowing	4	310	292	195	-	-	-	-	-	-	-
Consumer deposits					115	-	115	115	-	-	-
Trade and other payables	4	19,629	33,501	29,319	35,444	35,444	35,444	35,444	2,265	2,387	2,519
Provisions		5,840	8,069	10,127	59,144	-	59,144	59,144	59,144	62,338	65,767
<b>Total current liabilities</b>		<b>25,779</b>	<b>41,861</b>	<b>39,641</b>	<b>94,703</b>	<b>35,444</b>	<b>94,703</b>	<b>94,703</b>	<b>61,409</b>	<b>64,726</b>	<b>68,286</b>

Non-current liabilities											
Borrowing		7,313	7,021	6,826	6,826	6,826	6,826	6,826	7,056	7,437	7,846
Provisions		3,868	4,272	4,618	-	-	-	-	-	-	-
<b>Total non current liabilities</b>		<b>11,181</b>	<b>11,293</b>	<b>11,444</b>	<b>6,826</b>	<b>6,826</b>	<b>6,826</b>	<b>6,826</b>	<b>7,056</b>	<b>7,437</b>	<b>7,846</b>
<b>TOTAL LIABILITIES</b>		<b>36,960</b>	<b>53,155</b>	<b>51,085</b>	<b>101,529</b>	<b>42,270</b>	<b>101,529</b>	<b>101,529</b>	<b>68,465</b>	<b>72,162</b>	<b>76,131</b>
<b>NET ASSETS</b>	5	<b>930,422</b>	<b>1,020,478</b>	<b>1,072,958</b>	<b>1,087,251</b>	<b>1,146,510</b>	<b>1,087,251</b>	<b>1,087,251</b>	<b>1,275,683</b>	<b>1,344,570</b>	<b>1,418,521</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		930,422	1,020,478	1,072,958	1,087,251	1,146,510	1,087,251	1,087,251	1,275,683	1,344,570	1,418,521
Reserves	4	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>930,422</b>	<b>1,020,478</b>	<b>1,072,958</b>	<b>1,087,251</b>	<b>1,146,510</b>	<b>1,087,251</b>	<b>1,087,251</b>	<b>1,275,683</b>	<b>1,344,570</b>	<b>1,418,521</b>

- The statement of financial position was prepared using the actuals as at 31<sup>st</sup> May 2018.
- The borrowings of R7 056million refers to the existing loan that the municipality has with DBSA.
- The purpose of statement of financial position is to inform the reader about the current status of the municipality as of the date listed on the statement of financial position. The information is used to estimate the liquidity, funding and debt position of the municipality. From the above table it can be seen that the municipality’s assets are greater than the liabilities or the municipality is not dependent on liabilities.

Summary document of the 2018/19- 2020/21

EC153 Ngquza Hills - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	16,101	19,667	21,368	29,628	-	29,628	29,628	28,628	30,174	31,834
Service charges	264	922	1,119	1,219	-	1,219	1,219	1,286	1,355	1,430
Investment revenue	3,207	6,405	7,953	28,180	29,624	57,805	57,805	41,099	43,319	45,701
Transfers recognised - operational	157,041	205,725	200,211	214,481	-	214,481	214,481	231,918	253,096	272,960
Other own revenue	14,330	7,887	7,676	35,584	(19,912)	15,672	15,672	12,858	13,552	14,297
	190,942	240,605	238,327	309,092	9,712	318,804	318,804	315,789	341,496	366,222
<b>Total Revenue (excluding capital transfers and contributions)</b>										
Employee costs	75,953	83,579	91,911	127,870	(11,567)	116,303	116,303	143,497	151,246	159,564
Remuneration of councillors	16,779	17,825	18,984	19,960	-	19,960	19,960	22,954	24,194	25,524
Depreciation & asset impairment	31,194	36,136	40,333	-	39,526	39,526	39,526	41,000	43,214	45,591
Finance charges	537	578	388	106	(0)	106	106	1,173	1,236	1,304
Materials and bulk purchases	-	15,166	17,644	11,841	(3,657)	8,184	8,184	14,472	15,254	16,093
Transfers and grants	-	-	-	-	-	-	-	4,000	4,216	4,448
Other expenditure	97,135	53,935	79,520	75,738	8,783	84,521	84,521	83,528	88,039	92,881
<b>Total Expenditure</b>	221,598	207,218	248,781	235,515	33,085	268,600	268,600	310,625	327,399	345,406
<b>Surplus/(Deficit)</b>	(30,656)	33,387	(10,453)	73,576	(23,372)	50,204	50,204	5,164	14,097	20,816
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	82,076	68,217	61,832	69,937	-	69,937	69,937	79,326	62,706	67,094
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
	51,420	101,604	51,379	143,513	(23,372)	120,141	120,141	84,490	76,803	87,910
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>										
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	51,420	101,604	51,379	143,513	(23,372)	120,141	120,141	84,490	76,803	87,910
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	96,048	104,529	99,688	144,013	20,655	164,668	164,668	134,489	129,461	143,464
Transfers recognised - capital	96,048	104,529	99,688	69,937	-	69,937	69,937	79,326	62,706	67,094
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	74,076	20,655	94,731	94,731	55,163	66,755	76,370
<b>Total sources of capital funds</b>	96,048	104,529	99,688	144,013	20,655	164,668	164,668	134,489	129,461	143,464

<b>Financial position</b>										
Total current assets	48,679	115,243	129,838	234,915	234,915	234,915	234,915	297,082	313,125	330,346
Total non current assets	918,703	958,389	994,205	953,866	953,866	953,866	953,866	1,047,066	1,103,607	1,164,306
Total current liabilities	25,779	41,861	39,641	94,703	35,444	94,703	94,703	61,409	64,726	68,286
Total non current liabilities	11,181	11,293	11,444	6,826	6,826	6,826	6,826	7,056	7,437	7,846
Community wealth/Equity	930,422	1,020,478	1,072,958	1,087,251	1,146,510	1,087,251	1,087,251	1,275,683	1,344,570	1,418,521
<b>Cash flows</b>										
Net cash from (used) operating	54,870	94,374	47,977	144,013	20,653	164,667	164,667	134,490	129,503	143,509
Net cash from (used) investing	(65,097)	(40,516)	(69,281)	(144,013)	(20,653)	(164,667)	(164,667)	(125,053)	(119,515)	(132,971)
Net cash from (used) financing	37	(292)	(292)	-	-	-	-	(1,294)	(1,364)	(1,438)
Cash/cash equivalents at the year end	19,588	73,154	51,559	(51,559)	165,195	113,636	113,636	126,565	135,189	144,289
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	19,588	73,154	51,559	120,801	120,801	120,801	120,801	161,165	169,868	179,211
Application of cash and investments	4,268	620	(25,871)	(63,660)	(64,705)	(63,212)	(63,212)	(133,343)	(140,543)	(148,273)
Balance - surplus (shortfall)	15,320	72,534	77,430	184,460	185,505	184,012	184,012	294,508	310,411	327,484
<b>Asset management</b>										
Asset register summary (WDV)	952,850	988,216	931,269	931,269	931,269	931,269		1,010,406	1,064,968	1,123,541
Depreciation	31,194	36,136	40,333	-	39,526	39,526		41,000	43,214	45,591
Renewal of Existing Assets	-	-	-	-	-	-		-	-	-
Repairs and Maintenance	22,755	15,166	17,644	11,325	(4,080)	7,246		14,472	15,254	16,093
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	6,667	6,667	7,027	7,414
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	251	251	264	279

- The Income was reported to be = R 395 115 038.24 ( All allocations and own revenue)
- Employee Costs = R 166 451 383 (Including remuneration for councilors)
- Repairs = R 14 472 277
- Gross Expenditure = R 445 115 038.24 which includes non-cash items of R50 000 000, which means that our budget is fully funded.
- Our Capital Expenditure of R134 489 984.98 will be funded by the National Capital transfers and own revenue which were illustrated in table 4.

## Part 2 – Supporting Documentation

### 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 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 Municipality 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.

### 2.2 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 2017) a time schedule that sets out the process to revise the IDP and prepare the budget.

### 2.3 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. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed 3 interns undergoing training in various divisions of the Financial Services Department. They were five but 2 of them resigned and we are going to advertise for the two vacant posts.
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 has been finalized and tabled to council with the Annual Draft budget.
- 6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.

**2.4 MSCOA CHALLENGES**

- Asset register module is partially functional

**Remedial:** Continuously reminding the vendor to update the system and get the templates from treasury that will align the asset register

- Interface Munisoft and Payday is still done manual resulting in differences in personnel balances.

**Remedial:** A dedicated team is working on integrating the two systems

- MBRR Schedules (A, B&C) cannot be extracted from the MSCOA municipal financial system.

**Remedial:** A delegation was also sent to Munsoft for alignment of accounts.

- No formal training was done by our system vendors to the staff

**Remedial:** The municipality will organize a training for every end-user to be done by Munisoft.

**Print Name:** .....

**Municipal Manager of Ingquza Hill Local Municipality (EC 153)**

**Signature:** .....

**Date:** .....

## **PART 3- MAYOR'S BUDGET SPEECH**

### **2018/19 budget utilization**

**Our budget is drawn based on the national trends and development which include amongst others:**

- **Inflation rate**
- **Implementation of Free tertiary education**
- **National expenditure patterns**
- **National Budget Deficit**

### **1. Basic Service delivery**

Service delivery is the core function which clearly defines the existence and establishment of Local government sphere.

#### **On Infrastructure**

##### **Roads**

During our term of office as per our resolution of the strategic planning session we targeted to build 200 km of new access roads and rehabilitate 500 km of the existing ones.

In 2016/17 we have constructed 49 kilometers of new access roads and maintained 32 old roads in 32 wards of Ingquza Hill Local Municipality. This implies that our rural areas are connected to the towns and there is high level of accessibility and communication.

We are going to surface roads in both towns with R20 million

##### **Office space**

We are continuing with the building of our offices at Flagstaff and this project is a multi-phased one. Regardless of the challenges of labour unrest and bad weather, we remain optimistic to complete and open the project by October 2018.

We have invested twenty million rand (20 m) to start the construction of offices in Lusikisiki which is 7440 m2.



## **Driver's license Testing Centre and Vehicle testing Centre**

We have finished the construction of the Driver's License and Vehicle testing centers. We have invested R21 million rands during 2015/16 and the last two million rands was committed in 2016/17 to finish the project. The project is awaiting the approval by department of transport.

## **Electrification**

In 2017 SOMA we promised the Electrification of the following wards: 13, 14,17,30,23 at a cost of eighteen million rand (18 000 000) and we have done that. We have installed 10 High mast lights at ward 6, 15 & 19 to curb the high rate of crime and are functioning. In 2018/19 we are going to install another 10 high masts in all the crime prevalent areas. We will also improve 5, 6 km of street lights in both towns.

We have established an Electricity committee to deal with challenges of delays in the electrification which some are Eskom related and some attributed to rough terrain and Environmental Impact assessment (EIA).

We will continue with the construction of town halls in ward 6 and ward 19 using an amount of about one million, one hundred and fifty eight thousand, six hundred and fifteen rand and ninety seven cents (1,158,615.97)

## **2018/19 new infrastructure projects**

Honorable Speaker, we continue to deliver quality Access roads to improve the socio-economic conditions of our people.

We have purchased and awaiting delivery of an additional plant which has costed fourteen million (14 m) which is comprised of four tipper trucks, Grader and TLB which will make things easier as we shall dedicate one plant in road maintenance and one on road construction

We are going to construct 9 new access roads and surface our towns utilizing a tune of twelve million rand (12, 000.000)

We are going to construct multipurpose sport fields in identified cluster which is ward 3 which will assist both out of school and school youth to a tune of eight million five hundred and fifty rand only ( R8 550 000.00)

By 2018/19 we will continue building new community **halls** at ward 6 and ward 27 at one Million four, hundred Rand (1,4 m)

We shall also put 10 **High Mast lights** in the crime prevalent areas which will cost us seven million, one hundred thousand rand (R7, 100, 000m)

We will improve street lighting in our towns which shall cost us a tune of two million, two hundred and forty eight thousand five hundred rand (22 000 000.00)

We shall construct a plant site and diesel tanker site with a tune of one million, one hundred and fifty thousand rand (1,150,000.00)

#### **4. Financial viability and Management**

Our Municipality as we know is one of the small, rural, underdeveloped one that has low revenue base. It relies heavily on grants from National fiscus and has property rates and refuse removal charges as their main revenue. We are still struggling to get Electricity distribution license from National Energy Regulator of South Africa.

**We have established a revenue collection committee which will assist in increasing our own revenue. This committee will also look at strategies on revenue collection and building relationship and inculcating the culture of payment**

Despite all these challenges cited above, the Municipality was able to deliver services to its citizens. This has been made possible by the austerity measures that were implemented by the council, and the fact that there were savings that were made through the general expenses, that were avoided as they could not bring down the Municipality even if they were not incurred.

We had ensured that we plan our activities properly and avoided the implementation of the programmes that were outside our plans and powers and functions of the Municipality.

The Municipality has been able to pay the creditors within 30 days. The municipality has a reliable and credible fixed asset register. We have been able to collect revenue through the implementation of debt collection and credit control policy.

The municipality has always ensured that it has a credible budget that is cash backed no matter how small it is. This has assisted the municipality to implement all projects and programmes that it had planned to do, as reflected in the Service Delivery and Budget Implementation Plan (SDBIP).

The Municipality has ensured that it has credible and reliable monthly, quarterly and annual financial reports. This has resulted in our Municipality getting four consecutive unqualified audit opinion with findings and the fifth and sixth ones 2014/15, 2015/16 and 2016/17 consecutively being the unqualified audit opinions with no findings which is called a Clean Audit.

Our Municipality has been always having no findings on Supply Chain Management for the last 5 consecutive years.

We shall continue with this good work in striving to sustain the Clean Audit despite the challenges of Directors and Managers going for greener pastures and new budget approach mSCOA which we are working hard on through trainings and workshops for both councilors and employees as promised in the last SOMA in 2017. We managed to put our mSCOA budget on the system by 1<sup>st</sup> July 2017 together with our procurement plan deduced from the SDBIP which were all adopted by the council.

We will continue with the good work as we employ qualified, educated and capacitated managers who are responding to the challenges of the time. We also provide trainings and capacity building programmes for our managers to be financially conscious through a programme called CPMD.

## ***PART 4: Quality certificate and budget locking certificate***





























