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LOCAL MUNICIPALITY

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Mohokare Local Municipality

Budget 2018/19
to 2020/21

Medium Term Revenue and Expenditure Framework

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Glossary

Adjustment Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

AFS – Annual Financial Statements

Budget – The financial plan of the Municipality

Budget related Policy – Policy of a municipality affecting or affected by the budget, examples include the tariff policy, rates policy and credit control and debt collection policy.

Capital Expenditure – Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO – Chief Financial Officer

DoRA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting and the basis on which the AFS are prepared.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

KPI's – Key Performance Indicators. Measures of service output and/or outcome.

MFMA – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal finance management.

MFREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

NT – National Treasury

Net assets – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of revenue or expenses, such as an increase in the values of Property, Plant and Equipment where there is no inflow or outflow of resources, are accounted for in net assets.

Operating expenditure – Spending on the day to day expense of the municipality such as salaries and wages.

Rates – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed ratable value of the property is multiplied by the predetermined rate.

R&M – Repairs and maintenance on property, plant and equipment.

SCM – Supply Chain Management

SDBIP – Service Deliver and Budget Implementation Plan. A detailed plan comprising of quarterly performance targets and monthly budget estimates.

Strategic objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement Policy – The policy that sets out the rules of budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an adjustment budget.

mSCOA – Municipal Standard Chart of Accounts.

PART 1 – ANNUAL BUDGET

1.1 Mayor's report

See report attached

1.2 Resolutions

See council resolution attached

1.3 Executive Summary

Introduction

In assisting in the compilation of this MTREF, National Treasury MFMA Circulars No. 86, 89 and 91 were used where necessary.

Background

In the 2017 Medium Term Budget Policy Statement, the Minister of Finance stated that, improving the country's economic growth in the period remains the biggest challenge. This undoubtedly echoes the sentiments expressed in the previous year's annual budget circular, that the South African economic outlook is bleak.

GDP growth forecast of 1.3 per cent in the 2017/18 budget was revised down to 0.7 per cent. The rate of recovery will be slow and at this time, it is anticipated that growth of 1.9 per cent may be reached by 2020.

Notably, the anticipated economic improvements, employment opportunities and business recovery have not materialised hence the economy remains unstable.

In summary, the country's tax collection targets have not been met and this means that the fiscus has less funds available to allocate across the various spheres of government. Unfortunately, a similar decline cannot be measured in expenditure and this means that deficits are growing.

South Africa has experienced a period of protracted economic weakness which diminishes private investment. This may be attributed to domestic constraints, associated to political uncertainty, and declining business and consumer confidence. The local economy is beginning to recover after a short recession in early 2017 however the improvement is insufficient. Growth has remained stagnant at less than 2 per cent and unemployment remains high at 26.7 per cent. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.

The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. The drought experienced in several provinces poses a significant risk to agriculture and tourism for the period ahead, and this may threaten jobs in these sectors.

This economic challenges will continue to exert pressure on municipal revenue generation and collection levels hence a conservative approach is advised for revenue projections. Municipalities affected by the drought should also consider its impact on revenue generation. In addition, municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

Budget Summary

The budget for the 2018/19 financial year is at a surplus of R90,056 million. A provision of R7,045 million was provided for the rendering of free basic services. Details on the calculation of this amount are available in the detailed discussion of the budget further on in this document.

Financial position and MTREF strategy

The financial position of Mohokare Local Municipality is such that the funding of the service delivery program depends on a steady flow of cash. The salary component should be curtailed and steps to be taken to ensure that there is not a waste of man-power anywhere.

The budget is based on an average payment level of 45%. This is based on the premise of an improvement in the management of debt. We are confident that we can reach this level as several debt management strategies (i.e. the handing over of debtors, installing of water meters with restrictors, etc.) has already commenced during the 2014/15 financial year. We believe that our credit control measures are not harsh, but measured and targeted and backed up by good data management.

Capital Budget

The capital budget for the 2018/19 financial year totals to R96,6 million of which R95,8 million is funded from National and Provincial grants and R776 thousand from internally generated funds. Find below an extract of the projects to be funded from the 2018/19 capital budget:

Description of project	Capital budget
Roleleathunya: Construction of the sports ground	R 796 860.00
Rouxville/Roleleathunya: Construction of gatehouse, ablution facility and fencing the cemetery	R 137 904.15
Smithfield/Mofulatshepe: Erection of fence at the cemetery, construction of gatehouse and ablution facilities	R 152 500.00

Rouxville/Roleleathunya: Construction of 1.7km paved road and related storm water phase 1	R 4 847 340.28
Zastron/Matlakeng: Construction of 600m paved road and related storm water for Zama street	R 124 550.25
Rouxville/Roleleathunya: Installation of 5 high mast lights in Thokoza	R 93 458.38
Rouxville/Roleteathunya: Upgrading of the Waste Water Sewerage Treatment works	R 2 416 758.52
Rouxville/Roleleathunya: Upgrading of the Landfill site	R 3 343 810.12
Rouxville/Roleleathunya: Construction of paved 2km access road and related storm water - phase 2	R 4 909 418.32
Upgrading of the Rouxville / Roleleathunya Water Treatment Works	R 12 543 741.64
Construction of the 27km raw bulk water pipeline from the Orange River to Paisley dam in Rouxville	R 17 456 258.36
Phase 2: Construction of a new Main substation with Switchgears in Zastron	R 500 000.00
Phase 1: Upgrading of the Zastron WTW	R 8 412 965.34
Phase 2: Upgrading of the Zastron WTW	R 15 745 745.31
Equipping of the Rouxville Raw water pump stations	R 14 987 123.36
Smithfield Bulk water	R 7 817 424.63
Equipping of the 2 raw water pump stations in Zastron	R 1 536 741.36

Operating Expenditure

Building on cost containment guidelines approved by Cabinet in October 2013 and the draft cost containment regulations (February 2018), government at all levels will need to identify opportunities to increase efficiency and reduce waste. At a national level, the budget will pay particular attention to reducing line items that are not critical to service delivery to reinforce cost containment. Municipalities are urged to implement the cost containment measures on the focus areas namely:

- use of consultants;
- vehicles used for political office bearers;
- no credit cards;
- travel and subsistence;
- domestic accommodation;
- advertising;
- sponsorships;
- catering; and
- events costs

Municipalities must prioritise the provision of basic services such as electricity, water, sanitation and refuse removal in their MTREF budgets. Municipality may only budget for non-core functions if:

- The function is listed in Schedule 4B and 5B of the Constitution;
- The function is assigned to municipality in terms of national and provincial legislation;
- The municipality has prioritised the provision of basic services; and
- It does not jeopardise the financial viability of the municipality.

The budget for the 2018/19 financial year eliminates all non-priority spending and will be monitored closely to ensure that overspending is limited to the minimum.

Table 1.1 below, is an extract from Table A4 of the budget. The schedule indicates the relation between the various expenditure items as budgeted for.

Extract from Table A4 Budgeted Financial Performance (revenue and expenditure)

Table 1.1

Description	2018/19 Medium term Revenue & Expenditure Framework			2018/19 Medium term Revenue & Expenditure Framework		
R thousand	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Expenditure By Type						
Employee related costs	72 061	74 943	77 941	35.82%	35.69%	35.57%
Remuneration of councillors	4 148	4 314	4 487	2.06%	2.05%	2.05%
Debt Impairment	22 691	23 598	24 542	11.28%	11.24%	11.20%
Depreciation & asset impairment	31 721	32 989	34 309	15.77%	15.71%	15.66%
Finance charges	4 879	5 074	5 277	2.43%	2.42%	2.41%
Bulk purchases	26 693	28 161	29 710	13.27%	13.41%	13.56%
Other materials	13 450	13 967	14 529	6.69%	6.65%	6.63%
Contracted services	6 695	7 342	7 963	3.33%	3.50%	3.63%
Other expenditure	18 846	19 600	20 384	9.37%	9.33%	9.30%
Total Expenditure	**201 183**	**209 989**	**219 141**	**100.00%**	**100.00%**	**100.00%**

The expenditure on salaries is set at 35.82% of the operating expenditure.

In relation to budgeted operating income from own generated funds (refer to table 1.2) which amounts to R84 million (excluding electricity), the relation of salary expense to operating income amounts to 85,8%. This indicates that income from own generated funds should be monitored closely to ensure that Mohokare Local Municipality is not reliant on equitable share to fund the salary bill.

Operating Revenue

Local government is in essence funded from three sources. Assessment rates, revenues from trading services and transfers from national government.

The following schedule sets out the various revenue components of Mohokare Local Municipality's operating budget.

Extract from Table A4 Budgeted Financial Performance (revenue and expenditure)

Table 1.2

Description	2018/19 Medium term Revenue & Expenditure Framework			2018/19 Medium term Revenue & Expenditure Framework		
R thousand	**Budget Year 2018/19**	**Budget Year +1 2019/20**	**Budget Year +2 2020/21**	**Budget Year 2018/19**	**Budget Year +1 2019/20**	**Budget Year +2 2020/21**
Revenue By Source						
Property rates	7 981	8 380	8 799	4.28%	4.30%	4.23%
Services charges - electricity revenue	36 129	34 938	37 081	19.37%	17.91%	17.83%
Services charges - water revenue	11 592	12 171	12 780	6.21%	6.24%	6.15%
Services charges - sanitation revenue	10 576	11 104	11 660	5.67%	5.69%	5.61%
Services charges - refuse revenue	6 706	7 041	7 393	3.60%	3.61%	3.56%
Services charges - other	–	–	–	0.00%	0.00%	0.00%
Rental pf facilities and equipment	955	1 003	1 053	0.51%	0.51%	0.51%
Interest earned - external investments	900	945	992	0.48%	0.48%	0.48%
Interest earned - outstanding debtors	8 745	9 182	9 641	4.69%	4.71%	4.64%
Dividens received	10	11	11	0.01%	0.01%	0.01%
Fines, penalties and forfeits	18 900	19 845	20 837	10.13%	10.17%	10.02%
Licences and permits	15	16	17	0.01%	0.01%	0.01%
Tranfers and subsidies	66 393	71 954	78 233	35.59%	36.88%	37.62%
Other revenue	17 630	18 512	19 437	9.45%	9.49%	9.35%
Total Revenue (excluding capital tranfers and contributions	**186 531**	**195 102**	**207 934**	**100.00%**	**100.00%**	**100.00%**

National, Provincial and District priorities

The Municipality's budget must always be seen within the context of the policies and financial priorities of National and Provincial government. All spheres of Government are partners in meeting the service delivery challenges we face in Mohokare and the municipality cannot meet these challenges alone. South Africa has achieved considerable success in reaching the current level of macro-economic stability, but our own local economy is still plagued with high levels of unemployment and poverty.

The following table sets out the allocations to Mohokare Local Municipality as per the National Division of Revenue Act for the MTREF period:

Extract from table SA18 Transfers and grant receipts:

Table 1.3

FS163 Mohokare - Supporting Table SA18 Transfers and grant receipts

Description	2018/19 Medium term Revenue & Expenditure		
R thousand	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Receipts			
Operating Transfers and Grants			
National Government:	65 193	73 454	81 347
Local Government Equitable Share	61 723	67 819	73 566
Finance Management	1 970	2 435	2 867
EPWP Incentive	1 000		
Integrated National Electrification Programme	500	3 200	4 914
Total Operating Transfers and Grants	**65 193**	**73 454**	**81 347**
Capital Tranfers and Grants			
National Government:	104 208	67 991	56 801
Municipal Infrastructure Grant (MIG)	17 708	17 991	18 776
Regional Bulk Infrastructure	38 000	20 000	10 000
Water Services Infrastructure Grant	48 500	30 000	28 025
Total Capital Transfers and Grants	**104 208**	**67 991**	**56 801**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**169 401**	**141 445**	**138 148**

Conclusion

The 2018/19 budget for Mohokare Local Municipality is the second budget to be prepared by the current Council.

All efforts have been made, including a successful consultative period, to ensure that this budget mitigates as far as possible the rate and tariff burden on our domestic and business customers and also allows for the necessary funds to be available to attain a funded budget for the 2018/19 period.

1.4 Annual Budget Tables

Find below a brief discussion of the annual tables as per the requirements of Municipal Budget and Reporting Regulations:

a) Table A1: Budgeted Summary

The surplus reported is brought on by the large amount of conditional capital grants allocated to the Municipality for the financial year. As the relating expenditure which are incurred using said recognised grants are capitalised as work-in-progress and the relating revenue is recognised in the statement of Financial Performance, the user of the financial information should not be under the impression that the amount is available to apply to other areas as the revenue recognised are to be used to pay the corresponding contractor/engineer in respect of the specific capital project.

b) Table A2: Budget Financial Performance (revenue & expenditure by functional classification)

As the main purpose of the Municipality is to deliver services to the consumers, the major portion of revenue is generated from trading services. Expenditure is budgeted for to focus on service delivery and limit non-priority spending to the absolute minimum. As reported above, the budgeted surplus correlates with the capital grant allocation of the Municipality for the financial year.

c) Table A3: Budget Financial Performance (revenue & expenditure by municipal vote)

The main contributer to municipal revenue is the Technical Services Department (also where the bulk of capital grant funding is being applied in order to maintain, renew, replace and construct service delivery related municipal assets). Finance also makes a significant contribution with items such as Property rates and taxes, VAT receivable as well as interest income that falls within the budget of the department. Included in the revenue budget of the Community Services Department are under more the revenue budgeted for to be received from Traffic Fines as well as the portion of capital grant funding to be applied to community related asset renewals, replacements and constructions.

Expenditure budgeted for correlates to the revenue budget with the main expenditures falling within the finance department where several of the operational functions of the municipality are housed.

Technical services again show a large budget as the bulk of service delivery are performed by the divisions said department.

d) Table A4: Budget Financial Performance (revenue & expenditure)

Refer to the discussions above.

e) Table A5: Budgeted Capital Expenditure by vote, functional classification and funding

95% of the total capital budget are being utilised in the Technical Services Department. The main area where conditional capital grants will be applied in the 2018/19 financial year is the water division, focussing mainly on bulk supply. The full breakdown of how the conditional grant funding are to be applied are set out on page 6 and 7 of this document.

f) Table A6: Budget Financial Position

Liquidity remains a concern as the low collection rate on trade receivables remains an issue. In order to ensure that the Municipality are able to meet its financial obligations as it falls due along with the repayment of old outstanding debt (trade and third party related), a close watch should be kept on the spending of the Municipality.

The increase in non-current assets are brought along by the budgeted Work in Progress to be completed during the financial year.

g) Table A7: Budget Cash Flow

The municipal cash flow is under severe pressure due to the amount of outstanding consumer debtors to be collected as well as the significant amount pertaining to outstanding creditors. Close monitoring of expenditure incurred during the 2018/19 financial year should be done to ensure that budgeted amounts are not overspent.

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of 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.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016 a time schedule that sets out the process to revise the IDP and prepare the annual budget.

The Mayor tabled the required IDP process plan and budget time schedule in line with the applicable legislation.

The community and other stakeholders were consulted during the review of Integrated Development Plan which informed this annual budget. Further consultation took place during April and May 2018. Plans are in place for Council to consider approval of the IDP and annual budget at least 30 days before the start of a new financial year, as required by the Municipal Finance Management Act.

2.2 Overview of alignment of annual budget with Integrated Development Plan

The municipality has improved in terms of aligning its integrated development plan; annual budget and service delivery & budget implementation plan. The integration has improved due to the mSCOA that was implemented on 1 July 2017.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the predetermined strategic objectives and priorities in accordance with legislative requirements and good business practices as informed by the National Framework for Managing Program Performance Information. The measurable performance objectives will be included in the service delivery and budget implementation plan when it is submitted to the Council for approval.

2.4 Overview of budget related policies

The budget related policies, as attached, formed the basis of the proposed budget. The salient points of the proposed budget that are that the budget must be cash-funded, tariff adjustments must be fair, employee related costs must me all-inclusive and the conditions of all provisions must be met with cash where required.

2.5 Overview of budget assumptions

Budgets are prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year. In compiling the 2017-18 Annual Budget, the following key issues and assumptions were taken into consideration and modelled into the budget planning process:

(a) Economic climate and poverty levels within the municipality will remain the same / constant for major part of the financial year given the limited economic activities with the vicinity;

(b) Cash flow projections will be strictly maintained to ensure the municipality's ability to meet its financial obligations;

(c) The budget is prepared in the assumption that no allocations as per 2018 Annual Division of Revenue Act will be withheld / offset / paid back to the National Revenue Fund.

(d) Operational costs will be maintained at current levels or reduced as cost containment measures and where there is material decrease in revenue collection rate, expenditure will have to be reduced at the same proportion;

2.6 Overview of budget funding

Past performance

During the past three years, Mohokare Local Municipality improved their audit opinion from a qualified audit opinion in 2012/13 and 2013/14 to an unqualified audit opinion in 2014/15 and 2015/16. During 2016/17, the audit opinion has however regressed to a disclaimer of opinion due to factors brought on by the migration to a new financial system.

Mohokare Local Municipality has experienced severe cash flow problems during the past years due to the withholding of a total of R11,5 million from equitable share by National Treasury as a result the roll-over of a conditional grant from 2015/16 which were disallowed. This impacted the cash flow of Mohokare Local Municipality negatively to such an extent that Mohokare Local Municipality had to make use of an overdraft facility from the bank to be able to meet the basic service delivery needs in the previous financial year.

This in turn requires Mohokare Local Municipality to cut all non-priority spending to the absolute minimum during the 2018/19 financial period as well as the two MTREF outer-years to be able to repay long outstanding creditors.

Budget summary

Due to the impact of the above mentioned factors Mohokare Local Municipality's budget for the 2018/19 financial year has to be monitored closely to ensure that over expenditure does not occur.

Council is requested to assist the municipality by setting the example of limiting unnecessary spending.

Economically Mohokare Local Municipality remains weak. Fundamentally we are an agriculture and tourist region near the Lesotho border. Funds has been availed for the LED Unit to maximize the potential of the municipality.

Cash flow

For the past years, Mohokare was handicapped with a poor cash-flow. This has resulted in poor maintenance of especially the infrastructure. The pot-holes in various towns are a matter of concern.

The cash flow of Mohokare Local Municipality should be monitored closely in the 2018/19 financial year to ensure that the municipality is able to meet its obligations and is able to pay outstanding creditors (from the previous financial year as well as for the current financial year) as they fall due.

Capital Budget

The capital budget for the 2018/19 financial year totals to R96,599 million of which R95,823 million is funded from National and Provincial grants and R 776 thousand from internally generated funds.

Operating Expenditure

Employee related costs

The budgeted salary increase of 7% is in line with the National Treasury prescriptions as well as the increase set by the bargaining council agreement which is 7.%.

In relation to budgeted operating income from own generated funds (refer to table 1.2) which amounts to R84,009 million (excluding electricity), the relation of salary expense to operating income amounts to 85,8%. This indicates that income from own generated funds should be monitored closely to ensure that Mohokare Local Municipality is not reliant on equitable share to fund the salary bill.

The following items are under more included in the line item “other expenditure”:

- Insurance
- Uniforms and protective clothing
- Subsistence and travelling
- Legal costs
- License and internet fees
- Printing and stationery
- Telephone costs
- Advertising costs
- Water chemicals
- Training expenses
- Electricity expenses
- Fuel and Oil expenses

Free Basic Services

The budget for the 2018/19 financial year contains a provision of R7,045 million for free basic services. These services are off-set from the equitable share.

The calculation of the amount provided for free basic services was determined by taking the following into account:

- The proposed tariffs regarding sewerage, refuse and water;
- The current year tariff for electricity (as confirmed with Eskom’s Free Basic Electricity Department) increased by the NERSA proposed tariff increase;
- The amount of 6kl of free water per indigent household per month;
- The amount of 50kWh of free electricity per indigent household per month;
- The budgeted amount of 1,500 indigent households for the 2018/19 financial

Operating Revenue

Local government is in essence funded from three sources: assessment rates, revenues from trading services (the majority is water in the case of Mohokare Local Municipality) and transfers from National Government.

The percentage of revenue from the various sources are as follows:

Source of income	Amount	Percentage
Self-generated income (incl. electricity)	R120,138 million	41.25%
Operating Grants	R66,393 million	22.80%
Capital Grants	R104,708 million	35.95%
Total	**R291,239 million**	**100.00%**

The municipality is still greatly reliant on grants as set out above.

Tariff implications of the annual budget

Council has taken into consideration the guidelines of the Municipal Budget Circular for the 2018/19 MTREF when preparing the budget. National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interest of poor households, other customers and ensuring the financial sustainability of the municipality. For this reason, a proposed increase in line with inflation (6%) are recommended.

The following calculations was performed to support the proposed tariff increases as per the attached draft tariff list.

Property Rates

The calculation for property rates was done with the following taken into account:

- A new valuation roll was implemented on 01 July 2015.
- We performed a zero based calculation in terms of the budgeted revenue to be received in respect of property rates
- We used the new valuation roll together with the proposed tariffs for each of the stakeholder groups and determined the amount of revenue to be budgeted for the 2018/19 as well as the MTREF outer-years.
- Property rate rebates (per the historic trend as identified by inspecting previous financial years) was adjusted to be in line with the property rates as budgeted.

Water, sanitation and refuse removal rates

The increase in the tariffs of water, sanitation and refuse removal are explained below:

The following approach was used in all calculations.

- The figures per the audited 2016/17 AFS has been used as a base for the cost per unit calculations
- We determined the total cost allocated to each of the three units (water, refuse and sanitation)

- We obtained the number of households in Mohokare Local Municipality

Other operating revenue considerations

- Electricity charges has been increased in accordance with the NERSA guidelines as set out in Circular 91
- Interest on arrears has been included in the 2018/19 budget as well as for the MTREF outer years.
- The budget for traffic fines was increased based on the actual fines issued during the 2016/17 financial year (Traffic fines to the value of R25 million was issued)
- All figures relating to the outer years was reviewed to ensure that it is in line with the 2018/19 budgeted projections.

2.7 Expenditure on allocations and grant programs

It is the intention of the municipality to spend all of its grant allocations within the current year according to the conditions of such allocations / grants. Performance review will be done during the mid-year budget assessment and where under spending is foreseeable; the necessary procedure will be followed to ensure that spending is done 100%.

DORA GRANTS ALLOCATIONS FOR MOHOKARE MUNICIPALITY FOR 18/19 MTREF

DORA GRANT	ALLOCATED AMOUNT
Equitable Share	R 61 723 000
Water Services Infrastructure Grant	R 48 500 000
Municipal Infrastructure Grant	R 17 708 000
Expanded Public Works Programme	R 1 000 000
Financial Management Grant	R 1 970 000
Regional Bulk Infrastructure Grant	R 38 000 000
Integrated Electrification Programme Grant	R 500 000

All the grants allocated are conditional i.e. have to meet an obligation except Equitable Share grant which is unconditional.

2.8 Allocations and grants made by the municipality

The 2018/19 MTREF doesn’t have any allocation and grants made by the municipality.

2.9 Councillor and board member allowances and employee benefits

The Municipal System Act, section 66(1) requires the Municipal Manager to approve a staff establishment for the municipality within a policy framework determined by the municipal council and subject to any applicable legislation. The act further requires the Municipal Manager to provide a job description for each post on the staff establishment and to attach to those posts the remuneration and other conditions of service as may be determined in accordance with any applicable labour legislation.

(a) Employee costs will increase from **R 69 138 000** (2017-18 adjustment budget) to **R 72 061 000** the CPI increase of 5,3% as per the circular was taken into consideration.

(b) The Council Remuneration of **R 4 148 000** for 17/18 was budgeted taking into consideration **the government gazette on the MFMA as stipulated in circular 91.**

2.10 Monthly targets for revenue, expenditure and cash flow

The municipality has not over the years been in a position to bill all its budgeted revenue.

This meant that the municipality had to prioritise its spending as the spending is informed by availability of cash. Therefore, the spending on operational expenditure has been marginally less than anticipated due to cash flow constraints. The municipality still has to take into consideration the payments agreements it has entered into with its outstanding creditors especially for third parties (SALA Pension Fund, SAMWU Provident Fund and the South African Revenue Services).

2.11 Annual budgets and service delivery and budget implementation plans – internal departments

The departmental service delivery implementation plans are at a draft stage and will be completed after adoption of the annual budget in order to form the high level of the municipal service delivery and budget implementation plan to be approved by the mayor, 28 days after the annual budget has been approved.

2.12 Contracts having future budgetary implications

The municipality does not intend to enter into contracts that have future budgetary implications. In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation or Adjudication committees must obtain formal financial comments from the Budget and Treasury Office.

2.13 Capital expenditure details

The total capital expenditure budget of the municipality is **R 96 598 600.**

Water Services Infrastructure Grant is allocated at **R 48 500 000** and the Regional Bulk Infrastructure Grant is allocated at **R 38 000 000**. Municipality is also allocated **R1 000 000** in relation to Expanded Public Works Programme.

The other balance on the Municipal Infrastructure Grant amounting to **R 17 708 000** will be funding the Project Management Unit related costs. Below are planned projects for the coming financial year:

- Project Management Unit **R 885 400**

Roleleathunya: Construction of the sports ground	R 796 860.00
Rouxville/Roleleathunya: Construction of gatehouse, ablution facility and fencing the cemetery	R 137 904.15
Smithfield/Mofulatshepe: Erection of fence at the cemetery, construction of gatehouse and ablution facilities	R 152 500.00
Rouxville/Roleleathunya: Construction of 1.7km paved road and related storm water phase 1	R 4 847 340.28
Zastron/Matlakeng: Construction of 600m paved road and related storm water for Zama street	R 124 550.25
Rouxville/Roleleathunya: Installation of 5 high mast lights in Thokoza	R 93 458.38
Rouxville/Roleteathunya: Upgrading of the Waste Water Sewerage Treatment works	R 2 416 758.52
Rouxville/Roleleathunya: Upgrading of the Landfill site	R 3 343 810.12
Rouxville/Roleleathunya: Construction of paved 2km access road and related storm water - phase 2	R 4 909 418.32

2.14 Legislation compliance

The Municipality have experienced difficulty in reporting to National Treasury within the legislated timeframes. These difficulties were mainly brought on by the conversion to mSCOA at 1 July 2017, which caused a backlog on the municipality's financial system. All challenges were reported to both National and Provincial Treasury.

2.15 Other supporting documents

The documents mentioned below are attached as annexures to the annual budget:

Budget related Policies

The detailed policies themselves are included in this section of the budget documentation.

The following policies are included in the folder "Budget Policies"

Budget-related policies:

1. Indigent Policy
2. Rates Policy
3. Credit Control Policy
4. Tariff Policy
5. Debt Management Plan
6. Debt write-off Policy
7. Revenue Enhancement Strategy

Other Finance Policies:

8. Banking and Investment Policy
9. Budget Policy
10. Virement Policy

GRAP Related Policies:

11. Accounting Policy
12. Asset Management Policy
13. Supply Chain Management Policy

Rates and Tariffs Schedule

The 2018/19 draft tariff list is included.

Other supporting documents

MFMA Budget Circulars:

- MFMA Budget Circular No 86
- MFMA Budget Circular No 89
- MFMA Budget Circular No 91

Division of Revenue Act Bill 2018

2.16 Municipal Manager's Quality Certificate

The Municipal Manager's quality certificate as required by the Municipal Budget and Reporting Regulations is attached.