



# Fezile Dabi

District Municipality

## ANNUAL BUDGET

2018/19 TO 2020/21

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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## PART 1- DRAFT ANNUAL BUDGET

### 1.1 MAYOR'S REPORT

#### 1.1.1. Mayoral Budget Speech

The budget speech is attached as a separate document.

### 1.2 COUNCIL RESOLUTIONS

On the 31 May 2018 the Council of Fezile Dabi District Municipality scheduled a meeting to approve the annual budget for the year 2018/19.

**(a) That the following policies need Council approval.**

- (i) Budget Reporting policy;
- (ii) Budget Virement policy;
- (iii) Funding and Reserves policy;
- (iv) Assets Management policy;
- (v) Funding and Reserve policy;
- (vi) Banking and Investment policy;

- Approval of the annual budget of the municipality, and specifically appropriately the amounts to different votes, and for single-year and multi-year capital expenditures note should be taken that Fezile Dabi district municipality does not have infrastructural assets and therefore multi-year budgeting on capital expenditure is not applicable)
- Approval of measurable performance objectives for the annual budget for each year of the medium term revenue and expenditure framework

**(b) That the annual budget documentation for 2018/19 – 2020/21 as outlined in the budget regulations be submitted to National and Provincial government or organ of state after Approval by Council.**

*The aforesaid information is set out in detail on Circular 91 Schedule A1 – mSCOA Implementation December 2017 budget tables, other supporting documents.*

### 1.3 EXECUTIVE SUMMARY

#### TOTAL REVENUE BY SOURCE

TOTAL REVENUE BY SOURCE	Annual Budget 18/19	Budget 2019/20	Budget Year 2020/21
Operating Grants and Subsidies	152 376 000	157 633 000	162 512 000
Interest earned - External investments	8 837 160	9 314 367	9 826 657
Other Income	1 012 000	1 066 648	1 125 314
Transfer from accumulated Surplus (CRR)	0	2 441 403	8 414 533
<b>TOTAL</b>	<b>162 225 160</b>	<b>170 455 418</b>	<b>181 878 503</b>

#### Revenue Notes

- Operating Grants and Subsidies are as per Division of Revenue Act (Gazetted 2018).
- Interest was calculated based on Current Interest rates taking Inflation into account.
- Other income consist of telephone deductions from employees and tender deposit, refund from insurance and skills levy from SETA.
- A transfer of R 0 will be taken from the previous year's accumulated surplus account to balance the current financial year budgeted projections (CRR Policy)

TOTAL EXPENDITURE BY SOURCE	Annual Budget 2018/19	Budget 2019/20	Budget Year 2020/21
Employees' Salaries and Allowances	82 112 900	86 181 189	92 730 959
Employees Social Contributions	16 511 000	17 355 680	18 674 712
Remuneration for Councillors	7 787 000	8 171 755	8 576 663
General Expenses - Departments	38 071 760	40 121 845	42 221 867
General Expenses - Financial Services	2 024 000	2 045 044	2 175 013
General Expenses - Contracted Services	3 405 000	3 509 470	3 788 791
Infrastructural Projects Local Municipalities	2 188 000	2 317 000	2 451 000
Repairs and Maintenance	1 775 500	1 871 535	1 974 549
Depreciation and Amortization	3 500 000	3 689 000	3 891 895
Transfer to and from Provisions	2 000 000	2 108 000	2 223 940
Capital Expenditure	2 850 000	3 003 900	3 169 115
<b>TOTALS</b>	<b>162 225 160</b>	<b>170 455 418</b>	<b>181 878 503</b>

## **Expenditure Notes**

- Employee related costs, The South African Local Government Bargaining Council entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018 has come to an end. The process is under consultation; therefore, in the absence of other information from the South African Local Government Bargaining Council Consumer Price Inflation of 5.3% plus a Real GDP growth of 1, 5% was used to prepare the salaries budget for 2018/19 financial year.  
**The previous years were:**
  - 2017/18 Financial Year – average CPI of 5.3% (Feb 2016 – Jan 2017) + 1 per cent
  - 2015/16 Financial Year – 7 per cent
  - 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent
- Remuneration of councillors are in accordance with the Government Gazette on the Remuneration of the Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published by Department of Cooperative Governance.
- General expenses for the 2018/19 were based on the departmental inputs in line with their IDP objectives of each department. The 2019/20 & 2020/21 calculations were based on Consumer Price Index of 5.4% 2019/20 and 5.5% 2020/21 published on the MFMA Circular no. 91.
- In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures.
- Repairs and maintenance do not have the same impact as in the case of local municipalities. It is our submission that 1.09% of the budgeted amount is sufficient to cover Repairs and Maintenance.

## **Other challenges facing the municipality**

- The continued negative effect of the economic downturn;
- The dependency on grants available for funding; operating grants and subsidies have decreased by 0.42% from 2013/14 to 2018/19
- Overhead cost growing at a higher rate than income;
- Weaker outlook as a result of lower commodity prices, drought and diminished business and consumer confidence;
- Persistent high unemployment remains one of our pressing challenges;
- A provision for contribution to the capital replacement reserve (CRR) in the operating budget has been made in order to grow our reserve;

**These circumstances make it essential for the municipality to reprioritize expenditure and implement stringent cost – containment measures.**

### **MFMA Circulars**

National Treasury sent out MFMA Circular No. 91 on 07 March 2018(mSCOA Implementation) and No. 89 on 08 December 2017 providing guidance to municipalities on their 2018/19 budgets and Medium Term Revenue and Expenditure Framework (MTREF). Circular No.86 and 85 remind us of the key focus areas for the 2017/18 budget process, and that it must be read together with MFMA Circulars no 48,51,54,55,67,70,78,and 79. It is essential reading material in order to understand the background to this budget. National Treasury has also set out the requirements for funding the budget and producing a credible budget.

## **1.4 ANNUAL BUDGET OVERVIEW OF THE 2018/19 MTREF**

This section provides an overview of the Fezile Dabi District Municipality's 2018/19 to 2020/21 MTREF. It includes an assessment of how the budget links with the national and provincial government context along with a view of the fiscal position of Fezile Dabi District Municipality.

The municipality's budget must be seen within the context of the policies and financial priorities of national, provincial and local government. In essence, the spheres of Government are partners in meeting the service delivery challenges faced at Fezile Dabi District Municipality. Fezile Dabi District Municipality cannot alone meet these challenges. It requires support from others spheres of Government through the direct allocation of resources as well as the achievement of their own policies.

According to Circular No 91, the following headline macro-economic forecast must be taken into consideration when preparing 2018/19 budgets and MTREF:

<b>Fiscal Year</b>	<b>2017/18 Estimate</b>	<b>2018/19 Forecast</b>	<b>2019/20 Forecast</b>	<b>2020/21 Forecast</b>
CPI Inflation	5.3%	5.3%	5.4%	5.5%
Real GDP growth	1.0%	1.5%	1.8%	2.1%

Source: 2018 Budget Review.

The budget process in Fezile Dabi District Municipality followed the requirements of the MFMA. A Table of key deadlines was prepared for tabling in Council by the Executive Mayor on the 30 August 2017.

A budget Committee was established to examine, review and prioritize budget proposals from departments.

The MFMA requires municipalities to set out measurable performance objectives when tabling their budgets. These "key deliverables" link the financial inputs of the budget to service delivery on the ground.

As a further enhancement to this, quarterly service targets and monthly financial targets are contained in the Service Delivery and Budget Implementation Plan (SDBIP). This must be approved by the Mayor within 28 days after the approval of the final budget and forms the basis for the Municipality's in year monitoring.

In view of the aforementioned, the following table is a consolidated overview of the proposed MTREF:

**Table 1 Consolidated Overview of the 2018/19 MTREF:  
AGGREGATE TOTAL**

<b>DETAILS</b>	<b>ORIGINAL BUDGET 2017/18</b>	<b>REVISED BUDGET2017/18</b>	<b>ANNUAL BUDGET 2018/19</b>	<b>DIFFERENCE</b>
Total Operating Income	154 469 000	189 239 300	161 963 000	(16.84)
Total Expenditure	157 597 000	197 120 350	161 963 000	(21.71%)
Surplus/(Deficit)	(3 128 000)	(7 881 050)	0	0%
Total Capital Expenditu	732 000	992 000	2 850 000	65.19%
Capital Replacement R	(2 396 000)	(6 889 050)	(0)	(0)

The surplus/ (deficit) in the above table differs from that in the SA Tables, as the SA Tables does not take into account the appropriations.

For Fezile Dabi District Municipality to continue maintaining /improving the quality of services provided to its citizens it needs to generate the required revenue.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines ,Circular No 85 & 86

**Table 2 Summary of Revenue Classes by Main Revenue Sources  
SUMMARY OF INCOME BY SOURCE 2018/19**

<b>DETAILS</b>	<b>ORIGINAL BUDGET 2017/18</b>	<b>REVISED BUDGET2017/18</b>	<b>ANNUAL BUDGET 2018/19</b>	<b>DIFFERENCE</b>
Interest earned	6 100 000	9 600 000	8 837 160	(8.63%)
Interest earned on o/s debtors	0	0	0	0%
Operating Grants & Subsidies	147 754 000	178 834 000	152 376 000	(13.45%)
Other Income	615 000	805 300	1 012 000	(7.37%)
<b>TOTAL INCOME</b>	<b>154 469 000</b>	<b>189 239 300</b>	<b>162 225 160</b>	<b>(16.84%)</b>

The following table gives a breakdown of the various grants allocated to Fezile Dabi District Municipality over the medium term:

**Table 3 Grants Allocation**

**Medium –Term Estimates**

<b>DETAILS</b>	<b>ORIGINAL BUDGET 2018/19</b>	<b>REVISED BUDGET2019/20</b>	<b>ANNUAL BUDGET 2020/21</b>
<b>Equitable Share</b>	9 131 000	10 142 000	10 988 800

<b>Local Government Financial Management Grant</b>	1 000 000	1 000 000	1 000 000
<b>Municipal Systems Improvement Grant</b>	-	-	-
<b>Rural Roads Asset Management Systems Grant</b>	2 188 000	2 317 000	2 451 000
<b>Expanded Public Works Programme Integrated Grant</b>			
<b>RSC Levy Replacement Grants</b>	140 057 000	144 174 000	148 073 000
<b>TOTAL INCOME</b>	<b>152 376 000</b>	<b>157 633 000</b>	<b>162 512 000</b>

#### 1.4 – Operating Expenditure Framework

The expenditure framework for the 2018/19 budget and MTREF is informed by the National Treasury's guidelines and the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed
- reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services;
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.

The operating expenditure decreased from R197.7 million (2017/18) to R161.9 million in 2018/19.



The following table is a summary of the 2018/19 MTREF (classified by main expenditure by category)

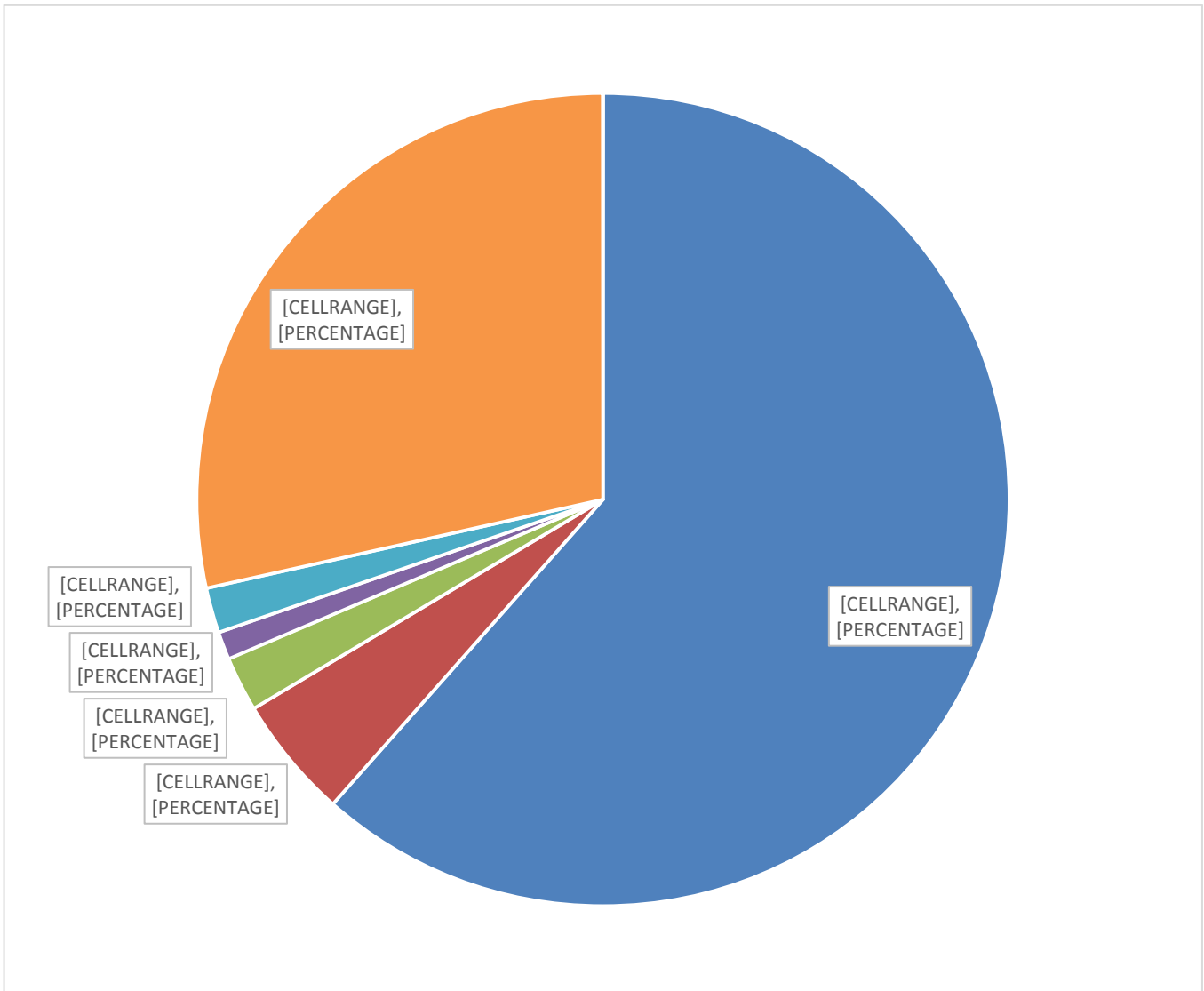
**Table 4: Summary of operating expenditure by category**

<b>DETAILS</b>	<b>ORIGINAL BUDGET 2017/18</b>	<b>REVISED BUDGET 2017/18</b>	<b>ANNUAL BUDGET 2018/19</b>	<b>DIFFERENCE</b>
Employee Related Cost	96 349 000	96 199 200	98 623 900	2.46%
Remuneration of councillors	7 543 000	7 787 000	7 787 000	0%
Depreciation & asset impairment	4 500 000	3 500 000	3 500 000	0%
Repairs and Maintenance	1 793 500	1 779 600	1 775 500	(0.23%)
Capital Expenditure	732 000	992 000	2 850 000	65.19%
General Expenditure	46 679 500	84 159 500	45 688 760	(84.20%)
Provisions (leave, Long-Service)	0	3 703 050	2 000 000	(85.15%)
<b>TOTAL EXPENDITURE</b>	<b>157 597 000</b>	<b>198 120 350</b>	<b>162 225 160</b>	<b>(22.13%)</b>

- An increase has been made for all employee remuneration on estimation of consumer price inflation (5.3%) + and real GDP growth (1.5%) =6.8% increase. The estimates was used to budget for salaries because of the absence of unavaible new agreement on salaries negotiations from unions and bargaining council are still unfolding.
- Councillor remuneration Remuneration of Public Bearers Act. On Aggregate increased by 0%
- Provision for depreciation and asset impairment is informed by the municipality's asset management policy.
- Repairs and maintenance do not have the same impact as in the case of local municipalities. It is our submission that 1.09% of the budgeted amount is sufficient to cover Repairs and Maintenance.
- Capital expenditure comprises of office furniture and equipment has increased dramatically because of Hazzmat Equipment in Fire services and Mayoral Vehicle.
- General expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. This makes up 6.40% of operating expenditure.

The following table gives a breakdown of the main expenditure categories for the 2018/19 financial year.

### Operating Expenditure Chart



Employee Related Cost	98 623 900	<b>61%</b>
Remuneration of councillors	7 78 7000	<b>5%</b>
Depreciation & asset impairment	3 500 000	<b>2%</b>
Repairs and Maintenance	1 775 500	<b>1%</b>
Capital Expenditure	2 850 000	<b>2%</b>
General Expenditure	45 688 760	<b>28%</b>

Provisions	2 000 000	1%
<b>TOTAL EXPENDITURE</b>	<b>162 225 160</b>	

## 1.5 ANNUAL BUDGET TABLES

### Background on the main budget tables

*(Budget main tables A1 to A10)*

- **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). The table provides an overview of the amounts to be approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance.
- Financial management reforms emphasize 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:
- The operating surplus/deficit (after Total Expenditure) is negative over the MTREF and is being funded from short term investments and positive bank balances.
- Capital expenditure is funded from internally generated funds (positive cash balances)
- Total revenue is R162 million in 2018/19 and escalates to R168 million by 2019/20. This represents a year-on-year increase of 3.57% for the 2019/20 financial year and 2.80% for the 2020/21 financial year.
- Transfers recognized: It needs to be noted that in real terms the grants receipts from national government are growing slightly over the MTREF by 3.03% (2018/19), 3.33% (2019/20), and 3% (2020/21)
- Capital Budget The capital budget increased from R 992 000 (2017/18) to R 2 850 000 in 2018/19. Total capital budget will be spent on furniture; other equipment; and computer software, vehicle.
- The Budget Committee went through several stages of prioritizing the capital budget to contain the budget within the available funding.

- **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 enable the National Treasury to compile government's reports.

- **Table A3** is a view of the budgeted financial performance in relation to revenue and expenditure by vote

**Table A3: Summary of operating expenditure by Vote**

<b>DETAILS</b>	<b>ORIGINAL BUDGET 2017/18</b>	<b>REVISED BUDGET2017/18</b>	<b>ANNUAL BUDGET 2018/19</b>	<b>DIFFERENCE</b>
Council General	11 379 000	12 555 300	11 865 000	(5.82%)
Executive Mayor	9 827 000	11 850 050	10 287 000	(15.19%)
Speaker	5 417 000	5 652 800	5 618 260	(0.615%)
Mayoral Committee	4 822 000	3 575 000	3 575 000	0%
Municipal Manager	23 247 000	23 463 000	22 351 360	(4.97%)
Finance	18 496 000	24 299 000	21 185 820	(14.69%)
Information Technology	3 379 000	3 406 000	2 966 000	(14.83%)
Project Management	5 578 000	5 617 000	5 845 000	3.90%
Corporate Support Service	21 192 000	22 494 000	22 115 820	(1.71%)
Fire & Emergency	11 660 000	10 846 000	10 738 000	(1.01%)
Disaster Management	6 200 000	6 282 000	4 842 000	(33.63%)
Local Economic Dev	11 864 000	13 024 000	13 842 080	5.91%
Environmental Health	19 229 000	18 409 200	17 555 820	(4.86%)
Environmental Management	2 392 000	2 392 000	4 400 000	45.64
<b>TOTAL EXPENDITURE BY VOTE</b>	<b>154 682 000</b>	<b>163 865 350</b>	<b>157 187 160</b>	<b>(4.25)</b>

• **Table A4** Total revenue is R162.2 million 2018/19 and escalates to R 168 million by 2019/20. This represents a year-on-year increase of 3.57% for the 2019/20 financial year; 3.57% for the 2019/20 financial year and 2.89% 2020/21 financial year

• Transfers recognized-operating, includes the local government equitable share and levy replacement grant, other operating grants from national and provincial government.

- An increase has been made for all employee remuneration based on inflation plus real GDP growth 6.8% on the unavailability of new agreement.
- Councillors remuneration: Remuneration of Public Bearers Act no Upper limit has been set to date the budget is based on actual estimate.
- Provision for depreciation and asset impairment is informed by the municipality's asset management policy.
- Repairs and maintenance do not have the same impact as in the case of local municipalities. It is our submission that 1.09% of the budgeted amount is sufficient to cover Repairs and Maintenance.
- Capital expenditure comprises of office furniture and equipment has decreased dramatically. But when adding Rural Roads Management Grant this Category of expenditure show a slight increase
- General expenditure comprises of various line items relating to the daily operations of the municipality.

- **Table A5** is a breakdown of the capital programme in relation to capital expenditure by municipal vote ( single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget.
- Capital Budget The capital budget increased from R 732 000 (2017/18) to R 2 850 000 in 2018/19. Total capital budget will be spent on furniture; other equipment; and computer software.
- The Budget Committee went through several stages of prioritizing the capital budget to contain the budget within the available funding.
- The capital programme is funded from the Capital Replacement Reserve.

**Table A5 & A5A** is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

- An amount of R2 183 000 for 201718, R2 308 000 and R2 437 000 is from national government for the Rural Roads Assets Management System within the District.

- **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).
- 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” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- Table 6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items,
- including:
  - Call investments deposits;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the budgeted financial performance or the capital budget will inevitably impact on the budgeted financial position



- **Table A7** budgeted cash flow statement is the first measurement in determining if the budget is funded, it shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
  
- The cash flow management and forecasting is a critical step in determining if the budget is funded over medium-term. The table above is consistent with international standards of good financial management practice and also improves understandability 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, also enables cash from “debtors and other” to provide for as cash inflow based on actual performance.
  - Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).
  
- The above table shows a decrease in the cash and cash equivalents to R68.2 million for 2018/19 financial year. The negative cash position will decrease to R52.2 million. In the past performances, the municipality used to have Positive cash flow position.

**Decrease /Increase reconciliation**

Opening balance            R 68.2 million  
 Less capital expenditure (R 0) thousand  
 Less transfer to operations (R 16) million  
 = Net cash at end of 1819 fin year 52.2 million

- **Table 8** The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – funding a municipal budget in accordance with sections 18 and 19 of the MFMA. The 2018/2019 budget is showing a positive outcome.
- From the above table it can be seen that the cash and investments available total R52.2million in the 2018/19 financial year. The following is a breakdown of the application of this funding:
  - Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the revenue fund at the end of the financial year. In the past these have been allowed to ‘roll-over’ and be spent in the ordinary course of business, but this practice has been discontinued.
  - Provision for statutory requirements including VAT owing due to timing differences resulting from year-end obligations. The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due.
  - This liability is informed by all provisions.
  - The level of cash-backing is directly informed by the municipality’s cash backing policy.
  - It can be concluded that the council has a surplus against the cash backed and accumulated surpluses reconciliation.

- **Table A9 Assets Management** Capital expenditure comprises of office furniture and equipment has decreased dramatically.
- An amount of R2 188 000 for 2018/19, R2 317 000 for 2019/20 and R2 451 000 for 2020/21 is from national government for the Rural Roads Assets Management System within the District.
  
- **Table A10** has not been completed as the district municipality does not render any basic services

PART 2- SUPPORTING DOCUMENTS

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

<b>PAST ACTIVITIES</b>	<b>DATE</b>
Approval of the consolidated IDP and Budget process plan by council	31 August 2017
Budget steering committee (S 72 report and working session on the Adjustment budget for 2017/18)	08 February 2018
Approval of the adjustment budget	23 February 2018
Publication of the Adjustment budget 2017/18 (Budget documents distributed in local libraries and local municipalities within the district)	05 March 2018
IDP steering committee	09 March 2018
Finance Portfolio committee meeting MPAC meeting ( noting the tabling of the draft budget 2018/19)	22 March. But the meeting was postponed no new date has been set
Mayoral committee meeting ( noting the tabling of the draft budget 2018/19)	23 March 2018

<b>PAST ACTIVITIES</b>	<b>DATE</b>
IDP & Budget steering committee (ensuring a realistically funded Draft budget 2017/18)	29 March 2017
Council meeting (tabling of the draft budget 2017/18)	31 March 2017
Adherence to the internal MFMA compliance calendar for the Month of April (submission and publication of documents)	05 April 2017
Public Participation meetings (Draft IDP and Draft budget 2018/19)	17 April 2018 Mafube 19 April 2018 Metsimaholo 25 April 2018 Ngwathe 26 April 2018 Moqhaka (Postponed due to riots)
Budget steering committee meeting (consideration of the public participation report)	05 May 2018
Finance Portfolio committee meeting	
Mayoral committee meeting (noting the approval of the annual budget 2018/19)	
Council meeting (approval of the annual budget 2018/19)	

Adherence to the internal MFMA compliance calendar for the Month of May 2018 (submission and publication of documents)	
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## **2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN**

There is an active team in charge of the alignment on the strategic documents, which deals with the following; intergrated development planning, annual budgets, performance management, reporting, monitoring and evaluation.

### SA4

This table shows the reconciliation of IDP strategic objectives and budget (revenue)

### SA5

This table shows the reconciliation of IDP strategic objectives and budget (operating expenditure)

### SA6

This table shows the reconciliation of IDP strategic objectives and budget (capital expenditure)

*(supporting tables SA4, SA5, SA6)*

## **.3 MEASURABLE PERFORMANCE OBJECTIVES**

Table SA7 is linked to Table A10 which outlines the basic service delivery measurement, no information has been captured on these tables, the information relates to household service targets on water, sanitation/ sewerage, energy and refuse.

## **2.4 OVERVIEW OF BUDGET-RELATED POLICIES**

Council must take note that the following policies relate to the budget and its implementation:

Budget and Reporting Policy	(Reviewed no changes made)
Asset management Policy	(Reviewed no changes made)
Supply Chain Management Policy	(Reviewed no changes made)
Budget Virement Policy	(Reviewed and changes were made to accommodate the mSCOA)
Banking and Investment Policy	(Reviewed no changes made)
Funding and reserves Policy	(Reviewed no changes made)

The above policies can also be accessed from [www.feziledabi.gov.za](http://www.feziledabi.gov.za)

## **2.5 OVERVIEW OF BUDGET ASSUMPTIONS**

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. Documentation of the assumptions used in preparing the budget assists understanding of the information. This section provides a comprehensive summary of all the assumptions used in preparing the budget.

## Revenue assumptions

### Operating grants and subsidies

**R 152,376,000**

Operating grants and subsidies are as per the Division of Revenue Act

### Interest earned on external investments

Investment	R 5 400 000
Interest on Current Account	<u>R3 437 160</u>
Total Interest for the year	<u>R 8 837 160</u>

The interest earned on external investments is based on the assumption that the average interest rate range from 6-7 % on the investments in the next financial year and these are short term investments.

### Other Income

R 1 012 000

Description	Amount (R)
Insurance Claims Received	10 000.00
Skills levy- seta	90 000.00
Private Telephone Deductions	892 000.00
Tender deposits	20 000.00
<b>TOTAL</b>	<b>1 012 000.00</b>

- Assumptions used for projecting some of the above figures are based on averaging methods and the most appropriate average was used to come up with the estimation
- Sales on tender documents is expected to be as follows:
  - 443 documents @ R40, 2 documents @ R250 and 12 documents @ R150 which gives a total of
  - R 20 020 (*users of this document should take note of a rounding error amounting to R 20*)

## Expenditure assumptions

An increase of 6.8% on employee's related costs (excluding updates on salary notches) and 0.00% on Remuneration of councilors has been applied; in the absence of other information

contained in circular 91 which has been issued after the tabling of the National budget the aforesaid estimates are as per circular.

All other General and Capital Expenses have been budgeted in line with the user's Inputs, applying the combination of Zero-Based and Incremental Budgeting approaches, projected cost of living increase adjustments as well as taking into account previous years' circulars, circular 59, circular 74 and application of circular 75 and 80, 86 will also be effected as well during the steering committee session.

## **2.6 OVERVIEW OF BUDGET FUNDING**

### **Funding the Budget**

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipates revenues to be collected
- Cash- backed accumulated funds from previous years 'surpluses not committed for other purposes; and
- Borrowed funds, but only for capital budget referred to in section 17(2)

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

Under old budget formats a 'balanced' income generated approach was key objective and this assisted in ensuring that outflows were matched by inflows, provided revenue collections were realistic . However, GRAP compliant budgets necessitate that budget 'balancing' be much more comprehensive.

New budgeting and accounting formats (mSCOA) demand that the budgeted Statement of Financial Performance, the Budgeted Statement of Financial Position and the Budgeted Statement of Cash Flows must be considered simultaneously to ensure effective financial management and sustainability to ensure that the budget is funded.

**Total revenue** **R 162 225 160**

Table A7 and Table A8 - budget main tables indicate the detailed funding of the budget, derived from the said tables there is a budget deficit amounting to **R 0**, thus there is a scheduled meeting to take place on the 23 of March 2018 (Mayoral committee) in order to ensure that the budget is funded from realistically anticipated sources of revenue and that prioritization takes place to avoid budget deficits.

### **Credible Budget**

Amongst other things, a credible budget is a budget that:

- Funds only activities consistent with the revised IDP and vice versa, ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions;

- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in short term, medium and long term);and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

A budget set out certain service delivery levels and associated financial implications. Therefore the community should realistically expect to receive these promised service delivery levels and understand the associated financial implications. Major under spending due to collection of revenue or poor planning is a clear example of a budget that is not credible and unrealistic.

Furthermore, budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and fairly close to the final approved budget.

## **2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES**

### Table S A19

This table outlines the expenditure on transfers and grant programmes

*(Please turn over for attached table S A19)*

## **2.8 COUNCILLORS AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS**

### Table S A22

This table gives a summary of councilor and staff benefits *(was updated in line with circular 86 issued recently)*

### Table S A23

This table gives a summary of salaries, allowances & benefits for political office bearers/councillors/senior managers *(was updated in line with circular 86 issued recently)*

### Table S A24

This table gives a summary of personnel numbers *(was updated in line with circular 86 issued recently)*

*(S A22, S A23 and S A 24)*

## MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

### Table S A25

This table shows the consolidated budgeted monthly revenue and expenditure



Table S A26

This table shows the consolidated budgeted monthly revenue and expenditure by municipal vote  
Table S A27

This table shows the consolidated budgeted monthly revenue and expenditure by standard classification

Table S A28

This table shows the consolidated budgeted monthly capital expenditure by municipal vote  
Table S A29

This table shows the consolidated budgeted monthly capital expenditure by standard classification

Table S A30

This table shows the consolidated monthly budget cash flow  
Table S A34a

This table show the capital expenditure on new assets by assets class  
Table S A34c

This table shows the consolidated repairs and maintenance expenditure by assets class  
Table S A34d

This table shows the consolidated depreciation by assets class  
Table S A35

This table shows the consolidated future financial implication of the capital budget  
Table S A36

This table shows the consolidated detailed capital budget

*(S A25, S A26, S A27, S A28, S A29 and S A30)  
(S A34a, SA34c, S A35and S A36)*

**2.9 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS- INTERNAL DEPARTMENTS**

The draft budget divided in quarterly periods and meant for strategic implementation will be contained in the draft SDBIP 2018/19.

**2.10 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

Contracts with future budgetary implications will be considered during the prioritizing process to take place and will be accounted for.

## 2.11 CAPITAL EXPENDITURE

### DETAILS

<u>DEPARTMENTS AND DESCRIPTIONS</u>	<u>BUDGETED AMOUNT</u>
<b>Council General</b>	
Furniture & Equipment	R 0
<b>Executive Mayor</b>	
Furniture & Equipment	R 0
Vehicles	R 800 000
<b>Office of the Speaker</b>	
Furniture & Equipment	R 0
<b>Mayoral Committee</b>	
Furniture & Equipment	R 0
<b>Municipal Manager</b>	
Furniture & Equipment	R 0
<b>Financial Services</b>	
Vehicles	R 0
Replacement of Executive Mayor Vehicle	R 0
<b>Information Technology</b>	
IT Equipment	R 450 000
<b>Project Management &amp; Public Works</b>	
Provision for Replacement of old Plant Property and Equipment	R 0
Reception waiting area at Mayor's office	R 0
Convert own building to be energy efficient Phase 1	R 0
Make provision to convert garage at Main Building into new records area	R 0
New Satellite Fire Station Building in Viljoenskroon	R 0
New Satellite Fire Station Building in Villiers	R 0
<b>Corporate Support Services</b>	

Furniture & Equipment	R 0
<b>Fire Services</b>	
Furniture & Equipment	R 0
Vehicles (grass fire unit for the District unimoq)	R 0
Fire Engine for the District and rescue equipment for local municipalities	R 0
Hazzmat Unit	R 1 400 000
<b>Disaster Management</b>	
Furniture & Equipment	R 0
Vehicles	R 0
Equipment	R 0
<b>Local Economic Development</b>	
Furniture & Equipment	R 0
<b>Environmental Health and Emergency Services</b>	
Sampling Equipment for Environmental Health Practioners	R 200 000
<b>TOTAL</b>	<b>R 2 850 000</b>

## **Table S A 15**

### **Investment particulars by type**

The investment that the municipality hold in 201819 financial year is estimated to the amount of R52 million which is re-invested to back up the following commitments.

- (i) Postretirement benefits obligation.
- (ii) Long service awards.
- (iii) Provision for Leave Sold.
- (iv) Retention creditors.
- (v) Unspent conditional grants.
- (vi) Trade payables.
- (vii) Accruals.
- (viii) Provision for VAT.

PART 2.1

Municipal Managers Quality Certificate

Enquiries: Mr. G Mashiyi  
Telephone: (016) 970 8625  
E-mail address: Gcobanim@feziledabi.gov.za

**QUALITY CERTIFICATE**

I, Ms. Molibeli Lindi, Municipal Manager of Fezile Dabi District Municipality hereby certify that the 2017/2018 Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the Annual Budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

Print Name: \_\_\_\_\_  
Municipal Manager of Fezile Dabi District Municipality (DC20)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## BUDGET POLICIES

- (i) BUDGET REPORTING POLICY
- (ii) BUDGET VIREMENT POLICY

**ANNUAL BUDGET 2017/18 OLD VERSION 2.8**