

ITEM C /05/2018
FINAL BUDGET 2018/2019, 2019/2020, AND 2020/2021 FINANCIAL YEARS
4/1/2 – 2018/2019

REPORT OF THE MUNICIPAL MANAGER

INTRODUCTION

The purpose of this report is to table the Final Budget for the 2018/2019 Medium Term Revenue and Expenditure Framework (MTREF) which takes into consideration ,where practical previous Budget Circulars addressing the format and guidelines to be approved. Further, to inform Council of key aspects that has influenced the compilation of the above-mentioned budget and to consider recommendations on the financing and approval of this budget. In addition preparation has been in compliance with the New Format Reform Initiatives Promulgated in terms of the Gazette No. 32141 Municipal Budget and Reporting Regulations (MBRR). Also to ensure that the Final Budget is prepared in compliance with the Regulations requirements of the Municipal Standard Chart of Accounts (mSCOA) – per MFMA Circular No. 80 and Government Gazette No. 37577 and addressing municipal revenue generation challenges. The Final Budget also has been prepared on the basis of limiting non-priority spending and implementing stringent cost –containment measures as per MFMA circular 82.

BACKGROUND

It must be noted that in addition to complying with the new format in terms of Gazette no 32141, the budget has been prepared in terms of the MFMA Circular no 91 issued on the 7th March 2018.

Further, the MFMA requires that the Final Budget be approved by Council 30 days before the start of the budget year to comply with the Regulations.

It must be highlighted that IDP/ Budget related consultations were undertaken whereby extensive deliberations were held and following on from these meetings, the 2018/19 MTREF Budget is being finalised.

The consultation workshops were held at all seven local municipalities as follows;

LOCAL MUNICIPALITY	DATES & TIME	TIME
Mkhondo	18 April 2018	14:00
Dipaleseng	25 April 2018	14:00
Dr Pixley Ka Isaka Seme	17 April 2018	14:00
Lekwa	25 April 2018	10:00
Msukaligwa	19 April 2018	14:00
Chief Albert Luthuli	18 April 2018	10:00
Govan Mbeki	19 April 2018	10:00

OVERVIEW OF THE BUDGET PROCESS AND THE ALIGNMENT OF THE ANNUAL BUDGET WITH THE IDP

It must be noted and as referred to above the next five year Integrated Development Plan (IDP) is also being prepared and this process will permit the District to re-examine plans and strategies to include strategic matters reflected in the IDP. Also, to ensure that these plans contain strategies that informs Institutional and Financial Planning through the entire budget process and are in line with key national and provincial government policies and programmes.

Further, the final annual budget will be fully aligned to the IDP process and will be linked to 12 outcomes of Government illustrated per the MFMA Circular no. 54 and the role of Local Government which include the following:

- Improve the quality of basic education
- Improve health and life expectancy
- All people in South Africa protected and feel safe
- Decent employment through inclusive economic growth
- A skilled and capable workforce to support inclusive growth
- An efficient, competitive and responsive economic infrastructure network
- Vibrant, equitable and sustainable rural communities and food security
- Sustainable human settlements and improved quality of household life
- A responsive, accountable, effective and efficient local government system
- Protection and enhancement of environmental assets and natural resources
- A better South Africa, a better and safer Africa and world
- A development-orientated public service and inclusive citizenship

BUDGET FOR FINANCIAL YEARS ENDING 2018/19, 2019/20 and 2020/21

Factors influencing the budget

The inflation forecast recommended in terms of the MFMA Circular No 91 when preparing the 2018/19 budget and MTREF projections are as follows:

<u>Year</u>		<u>Percentage</u>
2018/2019	-	5.3%
2019/2020	-	5.4%
2020/2021	-	5.5%

FUNDING CHOICES AND MANAGEMENT ISSUES IN TERMS OF CIRCULAR NO.91

The Circulars reflects on the following aspects:

The Salary and Wage Collective Agreement for the period 01 July 2015 to 30th 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 the salaries were increased by 10% for the 2018/2019 budget.

- General-Expenditure (Cost-containment measures and non-priority spending) – Municipalities to continue to implement the cost-containment measures on the six focus areas namely;
 - Consultancy fees
 - No credit cards
 - Travel and related costs
 - Advertising
 - Catering
 - Events costs and accommodation
- Furthermore, draft cost containment regulation has been issued by National Treasury on the 16th of February 2018 for comments. Comments on the Final regulations were due

on the 30 March 2018. The municipality drafted a Policy on cost containment which will be approved with the Final Budget now in May 2018.

- In terms of the regulation municipalities would be required to develop and implement cost containment policy to be approved with the budget.
- Municipalities are reminded to implement issues that were dealt with in previous circulars which are 48, 51, 54, 55, 66, 67 and 70.

INCOME PROJECTIONS OVER THE ENSUING YEARS

As illustrated per the table below is the Revenue Earning Projections in terms of the DORA Allocations, as well as corresponding expenditure allocations to be funded.

	BUDGET 2018/2019	BUDGET 2019/2020	BUDGET 2020/2021
REVENUE			
Interest Investments	(14 946 000)	(15 842 760)	(16 793 330)
Total Grants & Subsidies	(295 145 000)	(305 605 000)	(337 231 000)
DWA Funding	(159 440 000)	(309 631 000)	(338 407 000)
Income from Tariffs	(2 756 000)	(2 921 360)	(3 096 650)
Other Revenue	(371 180)	(393 450)	(417 050)
Contribution accumulated Surplus	(35 726 380)	(22 492 270)	(23 841 790)
TOTAL REVENUE	(508 384 560)	(656 885 840)	(719 786 820)
EXPENDITURE			
Allocations to Municipalities	3 900 000	13 470 240	20 000 000
RBIG Allocations to Municipalities	159 440 000	309 631 000	338 407 000
Departmental Allocations	56 565 040	51 122 040	51 351 040
Admin of the Act	250 322 270	265 341 580	281 262 180
Capital Expenditure	38 157 250	14 516 865	9 050 000
TOTAL EXPENDITURE			
	508 384 560	654 081 725	700 070 220
SURPLUS/(DEFICIT)	-	2 804 115	19 716 600

GRANT INCOME IN TERMS OF THE DIVISION OF REVENUE ACT (DORA)

Details	Budget 2018/19 R
<u>GRANTS</u>	
Equitable Share and Revenue Replacement Grant	282,406,000
Rural Roads Assets Management Systems Grant	2,314,000
Financial Management Grant	1,000,000
Expanded Public works Programme Grant	3,872,000
Infrastructure Skills Development Grant	5,553,000
Sub Total	295,145,000
Regional Bulk Infrastructure Grant	159,440,000
Total	454,585,000

OTHER INCOME

DESCRIPTION	BUDGET	BUDGET	BUDGET
	2018/2019	2019/2020	2020/2021
	R	R	R
DEPOSIT TENDERS	29,680	31,460	33,350
REFUND TELEPHONE	76,500	81,000	85,950
LGSETA INCOME	265,000	280,900	297,750
Total	371,180	393,450	417,050

The Revenue Replacement Grant and the Equitable Share, increases are approximately up to 2% per annum on a year-on-year basis. The unconditional grants are utilized to fund expenditure allocations in terms of the Administration of the act and departmental allocations.

The Department of Water and Sanitation (DWS) has agreed to allocate funding regarding the RBIG Projects are for the following Local Municipalities:

- Chief Albert Luthuli LM
- Msukaligwa LM
- Dipaleseng LM
- Mkhondo LM

Income from Tariffs

The tariff income earnings relate to income from the Laboratory operations and the Health monitoring operations on By-Laws for the MTREF period. Also, in this regard tariff income is likely to be earned from local municipalities and other stakeholders that will be utilising the services of the laboratory.

Interest & Other Income

Interest earnings are likely to be received from the major financial institutions where GSDM Investments are held. Other income comprises the sale of tenders and telephone recoupment, deposits on tenders etc.

EXPENDITURE PROJECTIONS OVER THE ENSUING YEARS

Outlined below are the overall expenditure projections for the ensuing years:-

EXPENDITURE			
Allocations to Municipalities	3 900 000	13 470 240	20 000 000
RBIG Allocations to Municipalities	159 440 000	309 631 000	338 407 000
Departmental Allocations	56 565 040	51 122 040	51 351 040
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Further, expenditure is applied with a view to addressing backlogs in mainly service delivery type of projects. The project expenditure referred to above mainly relate to Roads, Water, Sanitation, Electricity and Infrastructural Projects.

ALLOCATIONS TO LOCAL MUNICIPALITIES

Funding has also been provided for the Direct Allocations on behalf of Local Municipalities over the three year MTREF period. With regard to the Direct Allocations these amounts relate to project expenditure financed on behalf of the seven local municipalities, which predominantly relate to water quality testing projects.

Capital projects on behalf of local municipalities that have been identified amount to R808 million over the 2018/19 MTREF three year period as per attached documents.

With regard to the Departmental Allocations, funds were mainly applied towards bursaries, people with disabilities, municipal health, co-operatives, LED and Tourism ensuring that other subsidiary activities are performed adequately. The direct allocations must be prioritized and be in line with the powers and functions of the District Council.

DEPARTMENTAL MM	BUDGET	BUDGET	BUDGET
	2018/2019	2019/2020	2020/2021
GRANTS TRANSFER			
PROMOTION OF THE DISTRICT/COMM	1 600 000	1 600 000	1 600 000
PMS WORKSHOPS	200 000	200 000	200 000
IDP - NEW AND UPDATE			
TOTAL DEPARTMENTAL MM	1 800 000	1 800 000	1 800 000
DEPARTMENTAL ITS	BUDGET	BUDGET	BUDGET
	2018/2019	2019/2020	2020/2021
DEPARTMENTAL ITS			
HIGHMAST LIGTE	-		
COMMUNY HALLS	2 500 000	1 000 000	1 000 000
POTHOLE REPAIR - ALSPHAT	8 000 000	3 000 000	3 000 000
POTHOLE REPAIR - Corporatives	1 000 000		
HIRE OF EARTH MOVING EQUIPMENT			
VIP'S			
BOREHOLES	3 000 000		
WATER CONSERVATION AND DEMAND MAN	-		
ASSESMENT OF BOREHOLES OF GSDM	-		
DUE DILIGENT SECTION 78 OF MSA	-		
TOTAL DEPARTMENTAL ITS	14 500 000	4 000 000	4 000 000
DESCRIPTION	BUDGET	BUDGET	BUDGET
	2018/2019	2019/2020	2020/2021
DEPARTMENTAL CORPORATE SERVICES			
BURSARIES	1 500 000		
IT FOR THE REGION			
ISDG	5 553 000	6 500 000	6 000 000
TOTAL DEPARTMENTAL CORPORATE SERVICES	7 053 000	6 500 000	6 000 000

DESCRIPTION	BUDGET	BUDGET	BUDGET
	2018/2019	2019/2020	2020/2021
DEPARTMENTAL CSS			
MUNICIPAL HEALTH	1 300 000	1 940 000	2 056 000
REG LIBRARY & INFORMATION SERV	500 000	848 000	899 000
SAMSRA GAMES			
DISASTER MANGEMENT	1 000 000	1 548 000	1 641 000
ENVIROMENTAL SERVICES	1 149 000	5 458 000	5 785 000
TOTAL DEPARTMENTAL CSS	3 949 000	9 794 000	10 381 000
DEPARTMENTAL FINANCE			
EMERGENCY/CONTINGENCIES	500 000	500 000	500 000
OPERATION CLEAN AUDIT	1 000 000	1 000 000	1 000 000
TOTAL DEPARTMENTAL FINANCE	1 500 000	1 500 000	1 500 000
DEPARTMENTAL PLANNING			
REVENUE COLLECTION/DATA CLEANS	1 893 650	1 893 650	1 893 650
RURAL ROADS ASSET MAN SYSTEMS	2 314 000	2 451 000	2 593 000
TRADITIONAL AFFAIRS/PROJECTS	60 000	60 000	60 000
IDP - NEW AND UPDATE	350 000	350 000	350 000
LED, TOURISM AND AGRICULTURE	530 000	530 000	530 000
REGIONAL AIRPORT	1 700 000	1 700 000	1 700 000
REGIONAL AIRPORT (TRANSFER DUTY)	300 000		
PHEZUKOMKHONO - ALBERT LUTHULI	3 893 390	3 893 390	3 893 390
PHEZUKOMKHONO GSDM	3 872 000	4 000 000	4 000 000
CO - OPERATIVES	500 000	800 000	800 000
MUNICIPAL PLANNING SECTOR PLAN	250 000	250 000	250 000
RURAL AND AGRI DEVELOPMENT	500 000	500 000	500 000
FEASIBILITY STUDY	500 000	750 000	750 000
TOTAL DEPARTMENTAL PLANNING	16 663 040	16 428 040	16 570 040

DESCRIPTION	BUDGET	BUDGET	BUDGET
	2018/2019	2019/2020	2020/2021
DEPARTMENTAL OFFICE EXECUTIVE MAYOR			
DONATIONS	500 000	500 000	500 000
MAYORAL EXCELLANCE AWARDS	300 000	400 000	400 000
CO-ORDINATION HIV AND AIDS	700 000	700 000	700 000
YOUTH DEVELOPMENT	2 000 000	2 000 000	2 000 000
WOMEN'S DEVELOPMENT CAPACITY	200 000	200 000	200 000
RELIGIOUS AFFAIRS(MORAL REGENA	100 000	100 000	100 000
OFFICE - RIGHTS OF THE CHILD	500 000	500 000	500 000
PEOPLE WITH DISABILITY	250 000	250 000	250 000
MAYORAL IMBIZO'S	1 000 000	1 000 000	1 000 000
CULTURAL FESTIVALS(DONATIONS)	650 000	650 000	650 000
CULTURE, SPORT & RECREATION	1 100 000	1 000 000	1 000 000
GSDM MARATHON - ANNUAL EVENT	600 000	600 000	600 000
TOTAL DEPARTMENTAL OFFICE EXECUTIVE MAYOR	7 900 000	7 900 000	7 900 000
DEPARTMENTAL OFFICE SPEAKER			
CAPACITY BUILDING	600 000	600 000	600 000
COMMUNITY PARTICIPATION	2 300 000	2 300 000	2 300 000
VOTERS EDUCATION		-	-
TOTAL DEPARTMENTAL OFFICE SPEAKER	2 900 000	2 900 000	2 900 000
DEPARTMENTAL OFFICE CHIEF WHIP			
PROJECTS CHIEF WHIP	300 000	300 000	300 000
TOTAL DEPARTMENTAL OFFICE CHIEF WHIP	300 000	300 000	300 000
TOTAL	56 565 040	51 122 040	51 351 040

ADMINISTRATION OF THE ACT

Illustrated below is the Administration of the Act expenditure over the three year MTREF period.

Detail	Vote	Budget	Budget	Budget
		2018/2019	2019/2020	2020/2021
COUNCIL				
Executive Mayor & Mayoral Committee	100	9 663 100	10 242 880	10 857 450
Speaker, Chief Whip & Councillors	106	9 887 510	10 480 770	11 109 620
Council Support	096	16 588 880	17 584 220	18 639 280
TOTAL: Council		36 139 490	38 307 870	40 606 350
MUNICIPAL MANAGER				
Municipal Manager	101	7 471 110	7 919 370	8 394 530
Internal Audit	092	8 205 200	8 697 500	9 219 360
Communication	109	3 031 580	3 213 480	3 406 290
TOTAL: Municipal Manager		18 707 890	19 830 350	21 020 180

PLANNING & ECONOMIC DEVELOPMENT				
Planning Services	091	14 669 950	15 550 140	16 483 170
IDP	620	1 336 360	1 416 540	1 501 540
TOTAL: Planning & Economic Development		16 006 310	16 966 680	17 984 710
CORPORATE SERVICES				
Building	089 & 094	30 462 370	32 290 100	34 227 500
IT	095	12 573 480	13 327 880	14 127 560
Legal	097	5 462 160	5 789 880	6 137 290
Human Resources	098	8 597 620	9 113 460	9 660 280
Administration	099	21 220 270	22 493 490	23 843 110
TOTAL: Corporate Services		78 315 900	83 014 810	87 995 740
FINANCE				
Finance	107	17 111 010	18 137 670	19 225 930
Supply Chain Management	102	4 513 350	4 784 170	5 071 200
Budget and Treasury Office	610	1 983 200	2 102 200	2 228 330
MSIG	630	0	0	0
TOTAL: Finance		23 607 560	25 024 040	26 525 460
MUNICIPAL INFRASTRUCTURE & SERVICES				
Roads & Community Facilities	105	4 778 630	5 065 350	5 369 260
Infrastructure Maintenance	104	18 646 420	19 765 210	20 951 130
Water & Sanitation	093	13 402 640	14 206 780	15 059 200
TOTAL: Municipal Infrastructure & Services		36 827 690	39 037 340	41 379 590
COMMUNITY & SOCIAL SERVICES				
Community & Social Services	108	10 899 330	11 553 290	12 246 500
Municipal Health Services	103	22 091 980	23 417 510	24 822 550
Disaster Management	090	7 726 120	8 189 690	8 681 100
TOTAL: Community & Social Services		40 717 430	43 160 490	45 750 150
GRAND TOTAL		250 322 270	265 341 580	281 262 180

EXPENDITURE BREAKDOWN – With reference to the Administration of the Act Allocations

As referred to below are the expenditure categories relating to the Administration of the Act Financial figures.

Detail	Budget	Budget	Budget
	2018/2019	2019/2020	2020/2021
	R	R	R
Salaries and wages	126 124 360	133 691 780	141 713 340
Social Contributions	27 732 240	29 396 200	31 159 970
Councillor Allowances	13 632 790	14 450 760	15 317 800
Depreciation	21 219 130	22 492 270	23 841 790

Repair and Maintenance	10 954 600	11 611 880	12 308 610
General Expenditure	50 659 150	53 698 690	56 920 670
Total	250 322 270	265 341 580	281 262 180

FINANCING OF THE BUDGET

Outlined below is a summary of the Revenue and Expenditure for the three year MTREF Financial Years.

	BUDGET 2018/2019	BUDGET 2019/2020	BUDGET 2020/2021
REVENUE			
Interest Investments	(14 946 000)	(15 842 760)	(16 793 330)
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EXPENDITURE			
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TOTAL EXPENDITURE			
	508 384 560	654 081 725	700 070 220
SURPLUS/(DEFICIT)	-	2 804 115	19 716 600

CAPITAL BUDGET

The Capital Budget for the ensuing years are summarized as follows:

Description	BUDGET	BUDGET	BUDGET
	2018/2019	2019/2020	2020/2021
CAPITAL			
FURNITURE AND EQUIPMENT	1 000 000	1 000 000	1 000 000
COMPUTER EQUIPMENT	4 400 000	3 000 000	3 000 000
DISASTER CENTRE PIXLEY	21 000 000	4 666 865	-
LAB EQUIPMENT	3 850 000	3 850 000	3 050 000
YELLOW FLEET	-	1 000 000	1 000 000
DISASTER EQUIPMENT	1 500 000		
FIELD TEST KITS	500 000		
CSS VEHICLES (4X4)	700 000		
CSS VEHICLES(SEDANS)	1 000 000		
VEHICLES	1 000 000	1 000 000	1 000 000
JETPATCHER TRUCK	3 207 250		
TOTAL	38 157 250	14 516 865	9 050 000

RECOMMENDATIONS

1. That the Final Budget for 2018/2019, 2019/2020, and 2020/2021 **BE APPROVED**. Refer Annexures A – 1 to A – 18 relating to administration votes and B -1 to B – 2 relating to allocations to municipalities, C-1-14 relating to MFMA Circular 91 and D1-2 Departmental allocation and E1-18 A1 Schedule.
2. That the Final multi-year Annual Budget of Capital and Operating Expenditure for 2018/2019, 2019/2020, and 2020/2021, **BE APPROVED**.
3. That the projects for the Local Municipalities for the 2018/2019, 2019/2020, and 2020/2021 financial years, **be subjected to an annual review, BE APPROVED**.
4. That, the following budget related policies BE APPROVED :-
 - a) Supply Chain Management Policy
 - b) Cash Management and Investment Policy
 - c) Budget Policy
 - d) Fixed Assets Policy
 - e) Impairment of Sundry Debtors Policy
 - f) Virement Policy
 - g) Petty Cash Policy
 - h) Credit Control and Customer Care Policy
 - i) Donations
 - j) Cost Containment policy
 - k) Proposed Tariffs for Municipal Health and Environmental Services/ water quality
5. That, the Municipal Manager be delegated to authorize the Quality Certificate relating to the Annual Budget and supporting documentation , **BE APPROVED**.