

OFFICE OF THE MAYOR

31 March 2017

For submission to Council

TABLING OF THE 2017/18 ANNUAL BUDGET

**PURPOSE**

To present to Council the draft budget for 2017/18 financial year

**BACKGROUND**

In terms of section 16(1) of the Local Government Municipal Finance Management Act 56 of 2003, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

- (2) In order for the municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

## FINANCIAL IMPLICATIONS

Implications in line with provision made in the draft budget

Revenue by Type	Budget year 2017/18	Budget year +1 2018/19	Budget year +2 2019/20	% of total Income	% of total Income	% of total Income
Property Rates	8 172 273	8 662 609	9 182 366	4%	3%	3%
Refuse Removal	7 584 753	8 039 838	8 522 229	3%	3%	3%
Water Levies	12 235 637	12 969 775	13 747 962	5%	5%	5%
Grants	127 191 000	163 317 000	168 346 000	56%	60%	60%
Electricity Sales	37 114 529	39 341 401	41 701 885	16%	15%	15%
Sewerage Levies	12 170 570	12 900 804	13 674 852	5%	5%	5%
Rental Income	893 071	946 655	1 003 454	0%	0%	0%
Finance Charges	6 919 167	7 352 317	7 813 256	3%	3%	3%
Traffic Fines	2 500 000	2 750 000	3 025 000	1%	1%	1%
VAT Receivable	12 500 000	13 250 000	14 045 000	5%	5%	5%
Other Income	1 002 419	1 062 945	1 127 140	0%	0%	0%
	228 283 419	270 593 344	282 189 143	100%	100%	100%

	Budget year 2017/18	Budget year +1 2018/19	Budget year +2 2019/20	% of total expenditure	% of total expenditure	% of total expenditure
Expenditure						
Employee related costs	66 533 136	70 325 525	74 263 754	25%	23%	23%
Remuneration of councillors	4 108 861	4 343 066	4 586 277	2%	1%	1%
Debt Impairment	16 169 740	17 786 714	19 565 385	6%	6%	6%
Free basic services	8 304 800	8 803 088	9 331 273	3%	3%	3%
Depreciation and asset impairment	31 340 970	32 908 019	34 553 420	12%	11%	11%
Finance Charges	2 265 503	2 397 337	2 534 447	1%	1%	1%
Bulk purchases	23 562 960	24 953 174	26 400 458	9%	8%	8%
Contracted services	4 350 000	4 598 450	4 856 493	2%	1%	1%
Other expenditure	40 581 253	41 952 925	44 432 581	15%	13%	14%
Capital expenditure	72 639 200	104 221 155	104 858 460	27%	33%	32%
Total expenditure	269 836 423	312 289 452	325 382 529	100%	100%	100%
Surplus/(Deficit)	-41 553 004	-41 696 108	-43 193 386			
Non-cash expenses	32 690 970	34 337 669	36 065 990			
Cash surplus/(shortage)	-8 862 034	-7 358 439	-7 127 397			

From the above schedule it shows that the Municipality is under severe cash flow constraints.

The Municipality also has outstanding creditors to an amount of R45 million which will put further pressure on the cash flow constraints experienced.

The pressures experienced at the Municipality is mainly caused by the poor collection rate on accounts billed for services that were delivered. This will be addressed in the coming years by implementing strict credit control policies that has been taken into account when the budget was

performed. Once a steady cash flow can be maintained from the collections on services delivered, the outstanding creditors can be addressed.

Stricter controls will also be implemented on operational expenditures incurred by the Municipality. These controls will limit the unauthorized, irregular and fruitless & wasteful expenditures to a minimum.

### **LEGAL IMPLICATIONS**

Local Government Municipal Finance Management Act No. 56 of 2003  
Treasury Circulars No. 85 & 86

### **PARTIES CONSULTED**

Municipal Manager  
Management  
Councilors


### **RECOMMENDATION**

Council is requested to approve the draft budget for the financial year 2017/18 as well as the two projected outer years 2018/19 and 2019/20 as further set out in the following annexures:

- |   |                |
|---|----------------|
| a. Table B1 - Financial performance standard classification | See Annexure A |
| b. Table B2 – Financial performance – by municipal vote     | See Annexure B |
| c. Capital project list for 2017/18                         |                |
| d. Operational project list 2017/18                         |                |

Council to take note that the draft budget for the financial year 2017/18 is in MSCOA as set out by the National Treasury circular 85

**Submitted by:**

  
NI MEHLOMAKULU  
MAYOR