

# JOE GQABI DISTRICT MUNICIPALITY



## 2018/19 TO 2020/21 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

**(Draft Budget for Approval by Council)**

**27 March 2018**

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## **Part 1 – Annual Budget**

### **1.1 Mayor's Report**

To be distributed during the Council meeting.

## 1.2 Council Resolutions

1. The Council of Joe Gqabi District Municipality, acting in terms of section 16 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) tables:
  - 1.1. The annual budget of the municipality for the financial year 2018/19 and indicative allocations for the two projected outer years 2019/20 and 2020/21; and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15.
  - 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are tabled as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 16;
    - 1.2.2. Budgeted Cash Flows as contained in Table 17; and
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23;
2. The revised Integrated Development Plan (IDP) is tabled as reflected in the agenda.
3. The Council of Joe Gqabi District Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the tariffs for the provision of water and sanitation.
4. The measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.
5. The Budget related policies including any amendments are tabled for the budget year 2018/19.
6. The Department of Roads allocation of R40.2 million, R12 million on Water Working for Water/Wetlands will only be spend once the money has been transferred to the primary bank account of Joe Gqabi District Municipality. There are signed SLA's in place for the abovementioned grants:

### 1.3 Executive Summary

This section contains an Executive Summary of the Joe Gqabi District Municipality's (JGDM) Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

National Treasury's MFMA Circular No.89 and 91 was used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- Wage increases is anticipated to exceed consumer inflation;
- Affordability of capital projects – Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant, Water Services Infrastructure Grant and Municipal Water Infrastructure Grant funding were allocated towards developing of new capital infrastructure assets;
- Outstanding Service Level Agreements; and
- The increase in the Value Added Tax percentage

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water, employee related costs and other costs drivers. In addition, tariffs need to move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- Working for Water and Department of Roads and Transports grants are not Gazetted but have been included in the budget. All other grant funding, allocated has been Gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2018/19 MTREF**

SUMMARY OF THE INCOME AND EXPENDITURE				
	Adjusted Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Total Revenue (excluding capital transfers and contributions)	554 315 598,00	549 521 680,00	510 288 930,45	564 426 382,27
Total Expenditure	535 688 287,47	551 276 767,41	535 154 549,67	585 069 418,64
<b>Surplus / (deficit) - Operational</b>	<b>18 627 310,53</b>	<b>(1 755 087,41)</b>	<b>(24 865 619,22)</b>	<b>(20 643 036,36)</b>
Total Capital Expenditure	218 488 636,00	209 816 416,00	244 589 000,96	240 210 565,02
Total Capital Funding - from Provincial and National Government	215 712 338,00	205 500 000,00	243 024 600,00	238 552 300,00
	(2 776 298,00)	(4 316 416,00)	(1 564 400,96)	(1 658 265,02)
<b>Surplus / (deficit) - Total</b>	<b>15 851 012,53</b>	<b>(6 071 503,41)</b>	<b>(26 430 020,18)</b>	<b>(22 301 301,38)</b>
<b>Adding back Non-Cash items:</b>				
Accumulated depreciation	46 371 942,00	49 456 514,65	52 408 937,46	55 553 473,71
<b>Surplus / (deficit) - Total Cash</b>	<b>62 222 954,53</b>	<b>43 385 011,24</b>	<b>25 978 917,28</b>	<b>33 252 172,33</b>

Total Revenue has decreased by 2 percent or R 15 million for the 2018/19 financial year when compared to the 2015/16 Adjustments Budget.

Total operating expenditure for the 2018/19 financial year has been appropriated at R 549.5 million, which represents an 2.9 percent increase as compared to the 2017/18 Adjustment Budget.

The capital budget amounts to R209.8 million for 2018/19, which represents an 3.9 percent decrease as compared to the 2017/18 Adjustment Budget.

## 1.4 Operating Revenue Framework

JGDM is heavily reliant on grants. The service charges are not making meaningful contribution to the revenue in the short-term, which warranted the proposal of new tariffs. This should improve in the medium term.

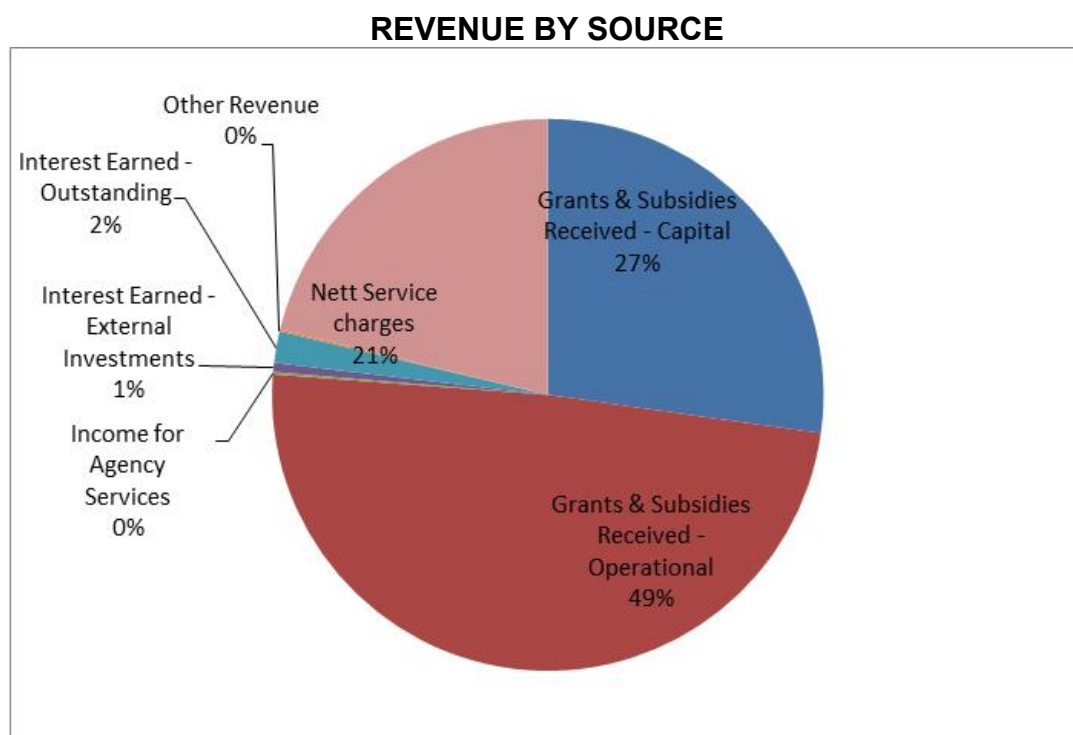
The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	106 558	106 558	106 558	106 558	115 401	125 862	133 413
Service charges - sanitation revenue	2	-	-	-	28 838	28 838	28 838	28 838	44 599	37 509	39 759
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other											
Rental of facilities and equipment					9	9	9	9	9	10	10
Interest earned - external investments					4 040	4 040	4 040	4 040	4 030	4 272	4 528
Interest earned - outstanding debtors					13 078	15 386	15 386	15 386	13 863	14 694	15 576
Dividends received					-	-	-	-	-	-	-
Fines, penalties and forfeits					-	-	-	-	-	-	-
Licences and permits					-	-	-	-	-	-	-
Agency services					992	992	992	992	1 044	254	270
Transfers and subsidies					355 444	397 599	397 599	397 599	369 726	326 787	369 915
Other revenue	2	-	-	-	388	893	893	893	850	901	955
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>					<b>509 348</b>	<b>554 316</b>	<b>554 316</b>	<b>554 316</b>	<b>549 522</b>	<b>510 289</b>	<b>564 426</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

**Fig 1: Revenue by main revenue source**



**Table 3 Percentage growth in revenue by main revenue source**

Description	Adjusted Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Grants & Subsidies Received - Capital	215 712 338,00	205 500 000,00	243 024 600,00	238 552 300,00
Grants & Subsidies Received - Operational	397 599 400,00	369 726 000,00	326 787 400,00	369 914 760,00
Income for Agency Services	992 000,00	1 044 000,00	254 400,00	269 664,00
Interest Earned - External Investments	4 040 000,00	4 030 000,00	4 271 800,00	4 528 108,00
Interest Earned - Outstanding	15 386 333,00	13 862 680,00	14 694 440,80	15 576 107,25
Other Revenue	901 575,00	859 000,00	910 540,00	965 172,40
Nett Service charges	135 396 290,00	160 000 000,00	163 370 349,65	173 172 570,63
Service Charges	164 266 959,00	220 000 000,00	226 970 349,65	240 588 570,63
Less: Revenue Foregone	(28 870 669,00)	(60 000 000,00)	(63 600 000,00)	(67 416 000,00)
<b>Grand Total</b>	<b>770 027 936,00</b>	<b>755 021 680,00</b>	<b>753 313 530,45</b>	<b>802 978 682,27</b>

Operating grants and transfers amount to R 369.7 million in the 2018/19 Draft Budget, which represents and a decreases of R 27.8 million in the 2017/18 Adjustment Budget. The decrease is largely due to the a larger amount from the MIG funded grant being used on operating water and sanitation projects in the 2017/18 Adjustment Budget.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

DC14 Joe Gqabi - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		-	-	-	-	-	-	316 096	312 636	354 915
Local Government Equitable Share								258 283	273 008	295 103
Road Asset Management Systems Grant [Schedule 5B]								2 185	-	-
Expanded Public Works Programme Integrated Grant [Schedule 5B]								2 254	-	-
Local Government Financial Management Grant [Schedule 5B]								1 320	1 785	1 510
Municipal Infrastructure Grant [Schedule 5B]								47 054	37 843	58 302
DBSA								5 000	-	-
<b>Provincial Government:</b>		-	-	-	-	-	-	52 200	12 720	13 483
Department of Environmental Affairs								12 000	12 720	13 483
Department of Roads and Public Works								40 200	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Other grant providers:</b>		-	-	-	-	-	-	1 430	1 431	1 517
Private Enterprises								1 430	1 431	1 517
<b>Total Operating Transfers and Grants</b>	5	-	-	-	-	-	-	369 726	326 787	369 915
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		-	-	-	-	-	-	165 500	243 025	238 552
Municipal Infrastructure Grant [Schedule 5B]								106 500	119 025	107 732
Regional Bulk Infrastructure Grant (Schedule 5B)								-	40 000	42 200
Water Services Infrastructure Grant [Schedule 5B]								59 000	84 000	88 620
Other capital transfers/grants [insert desc]										
<b>Provincial Government:</b>		-	-	-	-	-	-	40 000	-	-
Provincial Treasury								40 000	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
Private Enterprises										
<b>Total Capital Transfers and Grants</b>	5	-	-	-	-	-	-	205 500	243 025	238 552
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		-	-	-	-	-	-	575 226	569 812	608 467



Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs, Value added tax increase and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6.45 percent. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment. The basic charges and consumption charges on conventional meters and that on pre-paid meters were increased by 8 and 6 percent respectively.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

## 1.5 Operating Expenditure Framework

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

- The asset renewal strategy and the repairs and maintenance plan;
- 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;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

**Table 5 Summary of operating expenditure by standard classification item**

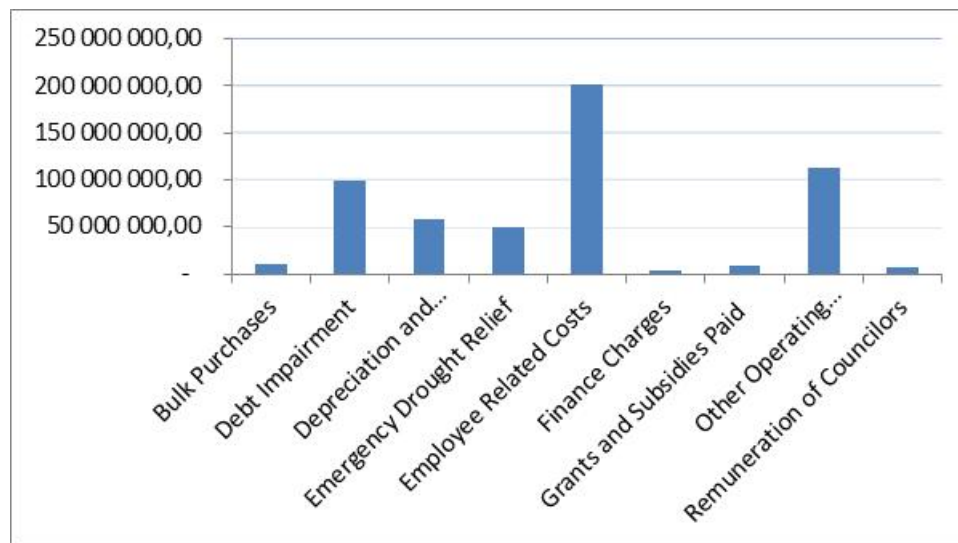
DC14 Joe Gqabi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Expenditure By Type</b>											
Employee related costs	2	-	-	-	186 951	190 651	190 651	190 651	202 071	214 196	227 048
Remuneration of councillors					7 242	5 572	5 572	5 572	6 305	6 683	7 084
Debt impairment	3				20 875	20 875	20 875	20 875	58 358	61 860	65 571
Depreciation & asset impairment	2	-	-	-	46 921	46 372	46 372	46 372	49 457	52 409	55 553
Finance charges					2 294	1 003	1 003	1 003	3 378	3 581	3 796
Bulk purchases	2	-	-	-	9 000	9 000	9 000	9 000	9 730	10 314	10 933
Other materials	8										
Contracted services		-	-	-	111 507	152 927	152 927	152 927	99 541	73 764	96 390
Transfers and subsidies		-	-	-	16 505	11 825	11 825	11 825	9 305	9 863	10 455
Other expenditure	4, 5	-	-	-	116 976	97 462	97 462	97 462	113 132	102 486	108 241
Loss on disposal of PPE											
<b>Total Expenditure</b>		-	-	-	<b>518 272</b>	<b>535 688</b>	<b>535 688</b>	<b>535 688</b>	<b>551 277</b>	<b>535 155</b>	<b>585 069</b>

**Table 6 Percentage growth in expenditure by main expenditure type**

Description	Adjusted Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Bulk Purchases	9 000 000,00	9 730 000,00	10 313 800,00	10 932 628,00
Contracted Services	152 926 854,58	99 540 887,08	73 763 809,47	96 389 638,04
Debt Impairment	20 875 142,00	58 358 060,49	61 859 544,12	65 571 116,77
Depreciation and Amortisation	46 371 942,00	49 456 514,65	52 408 937,46	55 553 473,71
Employee Related Costs	190 651 379,77	202 071 467,30	214 195 755,34	227 047 500,66
Finance Charges	1 003 380,42	3 378 000,00	3 580 680,00	3 795 520,80
Grants and Subsidies Paid	11 825 000,00	9 305 000,00	9 863 300,00	10 455 098,00
Other Operating expenditure	97 462 104,93	113 132 190,74	102 485 797,30	108 240 541,13
Remuneration of Councilors	5 572 483,76	6 304 647,14	6 682 925,97	7 083 901,53
<b>Total</b>	<b>535 688 287,47</b>	<b>551 276 767,41</b>	<b>535 154 549,67</b>	<b>585 069 418,64</b>

**Fig 2: Expenditure by major type**



The budgeted allocation for employee related costs for the 2018/19 financial year totals R 202 million, which equals 37 percent of the total operating expenditure. The South African Local Government Bargaining Council have not reached an agreement with the Trade Unions and in the absence of a Wage Collective Agreement, employee costs have provisionally been increased by 7%.

The cost associated with the remuneration of Councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on Annual Financial Statements for the year ended June 2017, the 2017/18 Financial Year collection rate and the Debt Write-off Policy of the Municipality. For the 2018/19 financial year this amount equates to R 58 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

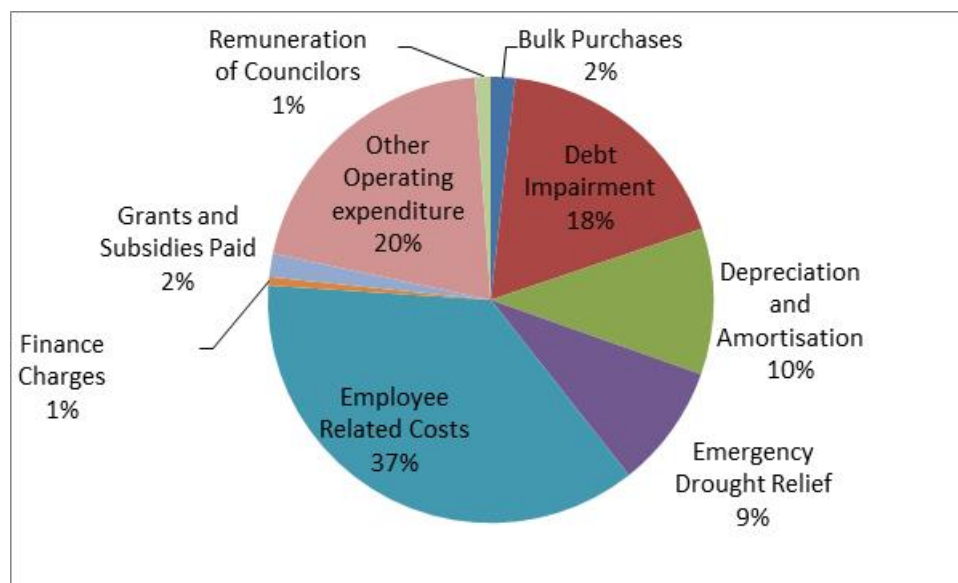
Provision for depreciation and asset impairment has been informed by the Municipality’s Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 49.4 million for the 2018/19 financial year and equates to 9 percent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges (R 3.3 million) equates to 1 percent of the operating expenditure excluding annual redemption for 2018/19 financial year.

Bulk Purchases are allocated R 9.4 million for 2018/19 financial year, which represents an 8 percentage increase from the 2018/19 adjustment budget

Repairs and Maintenance allocation is R 31 million (excluding the employee costs of departments responsible for repairs and maintenance) for the 2018/19 financial year. The portion reflective as repairs and maintenance is only 6 percent of total operational expenditure, however bulk of the cost associated with repairs and maintenance comprises of employee costs. This is however not included due to the municipality not operating on a job costing basis.

**Fig 3: Expenditure by major type – 2018/19**



### **Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality’s Indigent Policy. The qualifying indigents will be provided with 6kl of water per month

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote, functional classification and funding:

**Table 7 2017/18 Medium-term capital budget per vote**

DC14 Joe Gqabi - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - INSTITUTIONAL SUPPORT ADVANCEMEN		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - TECHNICAL SERVICES		-	-	-	254 155	150 904	150 904	215 404	146 500	159 025	149 932
Vote 7 - WATER SERVICE PROVISION		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	254 155	150 904	150 904	215 404	146 500	159 025	149 932
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	191	-	-	-	-	-	-
Vote 2 - INSTITUTIONAL SUPPORT ADVANCEMEN		-	-	-	1 340	895	895	895	980	827	876
Vote 3 - CORPORATE SERVICES		-	-	-	690	1 190	1 190	1 190	40	42	45
Vote 4 - FINANCIAL SERVICES		-	-	-	25	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	1 145	-	-	-	3 055	58	62
Vote 6 - TECHNICAL SERVICES		-	-	-	1 000	1 000	1 000	1 000	241	637	675
Vote 7 - WATER SERVICE PROVISION		-	-	-	-	-	-	-	59 000	84 000	88 620
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	-	4 391	3 085	3 085	3 085	63 316	85 564	90 278
<b>Total Capital Expenditure - Vote</b>		-	-	-	258 546	153 989	153 989	218 489	209 816	244 589	240 211
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	2 236	2 085	2 085	2 085	1 020	869	921
Executive and council					50	-	-	-			
Finance and administration					2 055	2 085	2 085	2 085	1 020	869	921
Internal audit					131	-	-	-			
<b>Community and public safety</b>		-	-	-	1 145	-	-	-	3 055	58	62
Community and social services											
Sport and recreation											
Public safety									3 000	-	-
Housing											
Health					1 145	-	-	-	55	58	62
<b>Economic and environmental services</b>		-	-	-	1 010	1 000	1 000	1 000	146 741	159 662	150 607
Planning and development					1 010	1 000	1 000	1 000	146 741	159 662	150 607
Road transport											
Environmental protection											
<b>Trading services</b>		-	-	-	254 155	213 000	213 000	213 000	59 000	84 000	88 620
Energy sources											
Water management					208 555	184 500	184 500	184 500	39 000	84 000	88 620
Waste water management					45 600	28 500	28 500	28 500	20 000		
Waste management											
<b>Other</b>						2 404	2 404	2 404			
<b>Total Capital Expenditure - Functional</b>	3	-	-	-	258 546	218 489	218 489	218 489	209 816	244 589	240 211
<b>Funded by:</b>											
National Government					174 155	135 384	135 384	135 384	165 741	243 662	239 227
Provincial Government					80 000	80 000	80 000	80 000	40 000		
District Municipality											
Other transfers and grants											
<b>Transfers recognised - capital</b>	4	-	-	-	254 155	215 384	215 384	215 384	205 741	243 662	239 227
<b>Public contributions &amp; donations</b>	5										
<b>Borrowing</b>	6										
<b>Internally generated funds</b>					4 391	3 105	3 105	3 105	4 075	928	983
<b>Total Capital Funding</b>	7	-	-	-	258 546	218 489	218 489	218 489	209 816	244 589	240 211



## Explanatory notes to MBRR Table A1 - Budget Summary

1. 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).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises 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:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.

**Table 9 MBRR NT A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

DC14 Joe Gqabi - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue - Functional</b>										
<i><b>Governance and administration</b></i>		-	-	-	260 873	234 816	234 816	439 435	459 100	491 979
Executive and council		-	-	-	-	-	-	1 080	1 060	1 124
Finance and administration		-	-	-	260 873	234 816	234 816	438 355	458 040	490 855
Internal audit		-	-	-	-	-	-	-	-	-
<i><b>Community and public safety</b></i>		-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>		-	-	-	63 079	64 079	64 079	256 587	210 213	222 380
Planning and development		-	-	-	10 307	11 307	11 307	201 158	197 239	208 627
Road transport		-	-	-	40 940	40 940	40 940	43 189	-	-
Environmental protection		-	-	-	11 832	11 832	11 832	12 240	12 974	13 753
<i><b>Trading services</b></i>		-	-	-	439 551	471 134	471 134	59 000	84 000	88 620
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	315 113	359 741	359 741	39 000	84 000	88 620
Waste water management		-	-	-	124 438	111 393	111 393	20 000	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i><b>Other</b></i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	-	-	-	763 503	770 028	770 028	755 022	753 314	802 979
<b>Expenditure - Functional</b>										
<i><b>Governance and administration</b></i>		-	-	-	160 115	156 618	156 618	252 268	267 775	283 459
Executive and council		-	-	-	26 061	24 072	24 072	23 291	24 688	26 170
Finance and administration		-	-	-	130 667	129 107	129 107	226 454	240 412	254 455
Internal audit		-	-	-	3 387	3 439	3 439	2 523	2 674	2 835
<i><b>Community and public safety</b></i>		-	-	-	32 750	28 690	28 690	35 724	37 868	40 140
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	20 703	14 981	14 981	22 625	23 982	25 421
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	12 048	13 709	13 709	13 099	13 885	14 718
<i><b>Economic and environmental services</b></i>		-	-	-	118 683	117 898	117 898	131 303	91 442	115 116
Planning and development		-	-	-	66 903	64 664	64 664	76 091	60 568	82 389
Road transport		-	-	-	40 180	41 634	41 634	43 212	18 154	19 243
Environmental protection		-	-	-	11 600	11 600	11 600	12 000	12 720	13 483
<i><b>Trading services</b></i>		-	-	-	206 724	232 482	232 482	131 981	138 070	146 354
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	104 580	98 938	98 938	103 814	109 453	116 020
Waste water management		-	-	-	102 143	133 544	133 544	28 167	28 618	30 335
Waste management		-	-	-	-	-	-	-	-	-
<i><b>Other</b></i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	-	-	-	518 272	535 688	535 688	551 277	535 155	585 069
<b>Surplus/(Deficit) for the year</b>		-	-	-	245 231	234 340	234 340	203 745	218 159	217 909

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. 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 enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Finance and Asset Management.

**Table 10 MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

DC14 Joe Gqabi - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>	1									
Vote 1 - MANAGEMENT SERVICES		-	-	-	2 010	3 010	3 010	1 430	1 431	1 517
Vote 2 - INSTITUTIONAL SUPPORT ADVANCEMEN		-	-	-	957	957	957	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	2 397	2 600	2 600	359	381	403
Vote 4 - FINANCIAL SERVICES		-	-	-	244 440	215 871	215 871	437 996	457 660	490 452
Vote 5 - COMMUNITY SERVICES		-	-	-	11 832	11 832	11 832	12 240	12 974	13 753
Vote 6 - TECHNICAL SERVICES		-	-	-	501 866	535 757	535 757	243 997	196 868	208 234
Vote 7 - WATER SERVICE PROVISION		-	-	-	-	-	-	59 000	84 000	88 620
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	-	-	-	<b>763 503</b>	<b>770 028</b>	<b>770 028</b>	<b>755 022</b>	<b>753 314</b>	<b>802 979</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - MANAGEMENT SERVICES		-	-	-	46 224	43 832	43 832	35 330	37 450	39 697
Vote 2 - INSTITUTIONAL SUPPORT ADVANCEMEN		-	-	-	18 693	12 816	12 816	27 830	29 500	31 270
Vote 3 - CORPORATE SERVICES		-	-	-	51 849	54 468	54 468	53 231	56 425	59 810
Vote 4 - FINANCIAL SERVICES		-	-	-	60 097	61 789	61 789	155 425	165 121	174 646
Vote 5 - COMMUNITY SERVICES		-	-	-	64 059	56 019	56 019	66 326	70 306	74 524
Vote 6 - TECHNICAL SERVICES		-	-	-	277 350	306 764	306 764	99 755	58 001	79 668
Vote 7 - WATER SERVICE PROVISION		-	-	-	-	-	-	113 379	118 352	125 453
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	-	-	-	<b>518 272</b>	<b>535 688</b>	<b>535 688</b>	<b>551 277</b>	<b>535 155</b>	<b>585 069</b>
<b>Surplus/(Deficit) for the year</b>	2	-	-	-	<b>245 231</b>	<b>234 340</b>	<b>234 340</b>	<b>203 745</b>	<b>218 159</b>	<b>217 909</b>

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the updated organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.



**Table 11 MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure)**

DC14 Joe Gqabi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	106 558	106 558	106 558	106 558	115 401	125 862	133 413
Service charges - sanitation revenue	2	-	-	-	28 838	28 838	28 838	28 838	44 599	37 509	39 759
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other											
Rental of facilities and equipment					9	9	9	9	9	10	10
Interest earned - external investments					4 040	4 040	4 040	4 040	4 030	4 272	4 528
Interest earned - outstanding debtors					13 078	15 386	15 386	15 386	13 863	14 694	15 576
Dividends received											
Fines, penalties and forfeits											
Licences and permits											
Agency services					992	992	992	992	1 044	254	270
Transfers and subsidies					355 444	397 599	397 599	397 599	369 726	326 787	369 915
Other revenue	2	-	-	-	388	893	893	893	850	901	955
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>					<b>509 348</b>	<b>554 316</b>	<b>554 316</b>	<b>554 316</b>	<b>549 522</b>	<b>510 289</b>	<b>564 426</b>
<b>Expenditure By Type</b>											
Employee related costs	2	-	-	-	186 951	190 651	190 651	190 651	202 071	214 196	227 048
Remuneration of councillors					7 242	5 572	5 572	5 572	6 305	6 683	7 084
Debt impairment	3				20 875	20 875	20 875	20 875	58 358	61 860	65 571
Depreciation & asset impairment	2	-	-	-	46 921	46 372	46 372	46 372	49 457	52 409	55 553
Finance charges					2 294	1 003	1 003	1 003	3 378	3 581	3 796
Bulk purchases	2	-	-	-	9 000	9 000	9 000	9 000	9 730	10 314	10 933
Other materials	8										
Contracted services					111 507	152 927	152 927	152 927	99 541	73 764	96 390
Transfers and subsidies					16 505	11 825	11 825	11 825	9 305	9 863	10 455
Other expenditure	4, 5	-	-	-	116 976	97 462	97 462	97 462	113 132	102 486	108 241
Loss on disposal of PPE											
<b>Total Expenditure</b>					<b>518 272</b>	<b>535 688</b>	<b>535 688</b>	<b>535 688</b>	<b>551 277</b>	<b>535 155</b>	<b>585 069</b>
<b>Surplus/(Deficit)</b>					<b>(8 924)</b>	<b>18 628</b>	<b>18 628</b>	<b>18 628</b>	<b>(1 755)</b>	<b>(24 866)</b>	<b>(20 643)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)					254 155	215 712	215 712	215 712	205 500	243 025	238 552
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>					<b>245 231</b>	<b>234 340</b>	<b>234 340</b>	<b>234 340</b>	<b>203 745</b>	<b>218 159</b>	<b>217 909</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>					<b>245 231</b>	<b>234 340</b>	<b>234 340</b>	<b>234 340</b>	<b>203 745</b>	<b>218 159</b>	<b>217 909</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>					<b>245 231</b>	<b>234 340</b>	<b>234 340</b>	<b>234 340</b>	<b>203 745</b>	<b>218 159</b>	<b>217 909</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>					<b>245 231</b>	<b>234 340</b>	<b>234 340</b>	<b>234 340</b>	<b>203 745</b>	<b>218 159</b>	<b>217 909</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R755 million in 2018/19.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and other expenditure are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 12 MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - INSTITUTIONAL SUPPORT ADVANCEMEN		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - TECHNICAL SERVICES		-	-	-	254 155	150 904	150 904	215 404	146 500	159 025	149 932
Vote 7 - WATER SERVICE PROVISION		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	254 155	150 904	150 904	215 404	146 500	159 025	149 932
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	191	-	-	-	-	-	-
Vote 2 - INSTITUTIONAL SUPPORT ADVANCEMEN		-	-	-	1 340	895	895	895	980	827	876
Vote 3 - CORPORATE SERVICES		-	-	-	690	1 190	1 190	1 190	40	42	45
Vote 4 - FINANCIAL SERVICES		-	-	-	25	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	1 145	-	-	-	3 055	58	62
Vote 6 - TECHNICAL SERVICES		-	-	-	1 000	1 000	1 000	1 000	241	637	675
Vote 7 - WATER SERVICE PROVISION		-	-	-	-	-	-	-	59 000	84 000	88 620
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	-	4 391	3 085	3 085	3 085	63 316	85 564	90 278
<b>Total Capital Expenditure - Vote</b>		-	-	-	258 546	153 989	153 989	218 489	209 816	244 589	240 211
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	2 236	2 085	2 085	2 085	1 020	869	921
Executive and council					50	-	-	-			
Finance and administration					2 055	2 085	2 085	2 085	1 020	869	921
Internal audit					131	-	-	-			
<b>Community and public safety</b>		-	-	-	1 145	-	-	-	3 055	58	62
Community and social services											
Sport and recreation											
Public safety									3 000	-	-
Housing											
Health					1 145	-	-	-	55	58	62
<b>Economic and environmental services</b>		-	-	-	1 010	1 000	1 000	1 000	146 741	159 662	150 607
Planning and development					1 010	1 000	1 000	1 000	146 741	159 662	150 607
Road transport											
Environmental protection											
<b>Trading services</b>		-	-	-	254 155	213 000	213 000	213 000	59 000	84 000	88 620
Energy sources											
Water management					208 555	184 500	184 500	184 500	39 000	84 000	88 620
Waste water management					45 600	28 500	28 500	28 500	20 000		
Waste management											
<b>Other</b>						2 404	2 404	2 404			
<b>Total Capital Expenditure - Functional</b>	3	-	-	-	258 546	218 489	218 489	218 489	209 816	244 589	240 211
<b>Funded by:</b>											
National Government					174 155	135 384	135 384	135 384	165 741	243 662	239 227
Provincial Government					80 000	80 000	80 000	80 000	40 000		
District Municipality											
Other transfers and grants											
<b>Transfers recognised - capital</b>	4	-	-	-	254 155	215 384	215 384	215 384	205 741	243 662	239 227
<b>Public contributions &amp; donations</b>	5										
<b>Borrowing</b>	6										
Internally generated funds					4 391	3 105	3 105	3 105	4 075	928	983
<b>Total Capital Funding</b>	7	-	-	-	258 546	218 489	218 489	218 489	209 816	244 589	240 211

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 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.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R 63.3 million for the 2018/19 financial year.
4. Multi-year capital expenditure has been appropriated at R 146.5 million for the 2018/19 financial year.
5. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
6. The capital programme is funded from capital and national and provincial grants and external loans. For 2017/18, capital transfers totals R 222.4million.

**Table 13 MBRR NT A6 - Budgeted Financial Position**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>ASSETS</b>											
<b>Current assets</b>											
Cash					2 273	2 579	2 579	2 579	1 189	1 108	942
Call investment deposits	1	-	-	-	630	630	630	630	343	487	829
Consumer debtors	1	-	-	-	85 991	85 991	85 991	85 991	131 951	161 438	198 735
Other debtors					31 275	31 275	31 275	31 275	31 775	32 275	31 475
Current portion of long-term receivables					-	-	-	-	-	-	-
Inventory	2				3 178	3 178	3 178	3 178	2 378	1 578	1 228
<b>Total current assets</b>		-	-	-	123 347	123 653	123 653	123 653	167 636	196 887	233 209
<b>Non current assets</b>											
Long-term receivables					-	-	-	-	-	-	-
Investments					3 305	3 305	3 305	3 305	3 305	3 305	3 305
Investment property					2 534	2 534	2 534	2 534	2 534	2 534	2 534
Investment in Associate					-	-	-	-	-	-	-
Property, plant and equipment	3	-	-	-	1 704 252	1 664 840	1 664 840	1 664 840	1 825 020	2 017 252	2 201 965
Agricultural					-	-	-	-	-	-	-
Biological					-	-	-	-	-	-	-
Intangible					880	234	234	234	415	362	307
Other non-current assets					-	-	-	-	-	-	-
<b>Total non current assets</b>		-	-	-	1 710 971	1 670 913	1 670 913	1 670 913	1 831 273	2 023 453	2 208 110
<b>TOTAL ASSETS</b>		-	-	-	1 834 318	1 794 566	1 794 566	1 794 566	1 998 909	2 220 340	2 441 319
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1				-	-	-	-	-	-	-
Borrowing	4	-	-	-	2 684	2 684	2 684	2 684	2 147	1 718	1 374
Consumer deposits					890	890	890	890	900	915	915
Trade and other payables	4	-	-	-	71 392	31 641	31 641	31 641	23 708	14 364	4 801
Provisions					22 909	22 909	22 909	22 909	22 922	22 822	21 322
<b>Total current liabilities</b>		-	-	-	97 876	58 124	58 124	58 124	49 678	39 820	28 413
<b>Non current liabilities</b>											
Borrowing		-	-	-	11 552	11 552	11 552	11 552	9 562	10 996	13 073
Provisions		-	-	-	39 246	39 246	39 246	39 246	50 281	61 978	74 376
<b>Total non current liabilities</b>		-	-	-	50 799	50 799	50 799	50 799	59 843	72 973	87 450
<b>TOTAL LIABILITIES</b>		-	-	-	148 674	108 923	108 923	108 923	109 521	112 793	115 863
<b>NET ASSETS</b>	5	-	-	-	1 685 643	1 685 643	1 685 643	1 685 643	1 889 388	2 107 547	2 325 457
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)	4				1 685 643	1 685 643	1 685 643	1 685 643	1 889 388	2 107 547	2 325 457
Reserves		-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	-	-	-	1 685 643	1 685 643	1 685 643	1 685 643	1 889 388	2 107 547	2 325 457

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. 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).
2. 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.
3. 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.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 14 MBRR NT A7 - Budgeted Cash Flow Statement**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates					-	-	-	-	-	-	-
Service charges					101 604	53 342	53 342	53 342	69 868	86 933	85 531
Other revenue					1 389	1 894	1 894	1 894	1 903	1 165	1 235
Government - operating	1				355 444	396 599	396 599	396 599	369 726	326 787	369 915
Government - capital	1				254 155	213 000	213 000	213 000	205 500	243 025	238 552
Interest					4 040	4 040	4 040	4 040	4 030	4 272	4 528
Dividends					-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees					(437 074)	(427 839)	(427 839)	(427 839)	(427 678)	(405 089)	(446 859)
Finance charges					-	-	-	-	-	-	-
Transfers and Grants	1				(16 505)	(11 825)	(11 825)	(11 825)	(9 305)	(9 863)	(10 455)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	-	263 054	229 211	229 211	229 211	214 045	247 229	242 447
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE					-	-	-	-	-	-	-
Decrease (increase) in non-current debtors					-	-	-	-	-	-	-
Decrease (increase) other non-current receivables					-	-	-	-	-	-	-
Decrease (increase) in non-current investments					-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets					(258 546)	(218 489)	(218 489)	(218 489)	(209 816)	(244 589)	(240 211)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	(258 546)	(218 489)	(218 489)	(218 489)	(209 816)	(244 589)	(240 211)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans					-	-	-	-	-	-	-
Borrowing long term/refinancing					-	-	-	-	-	-	-
Increase (decrease) in consumer deposits					-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing					(4 026)	(4 026)	(4 026)	(4 026)	(5 905)	(2 577)	(2 061)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	(4 026)	(4 026)	(4 026)	(4 026)	(5 905)	(2 577)	(2 061)
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	-	-	482	6 696	6 696	6 696	(1 677)	64	175
Cash/cash equivalents at the year begin:	2				(3 488)	(3 488)	(3 488)	(3 488)	3 209	1 532	1 595
Cash/cash equivalents at the year end:	2				(3 006)	3 209	3 209	3 209	1 532	1 595	1 770

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor and/or MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

### 2.2 Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule in August 2017. In accordance with the original budget time schedule the Draft IDP and annual budget for 2018/19 have to be adopted by Council on 29 March 2018. This date has however been updated to 27 March 2018.

#### 2.2.1 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, financial modelling to ensure affordability and long-term financial sustainability, was undertaken. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, tariff increases, household debt).
- The approved 2016/17 adjustments budget and performance against the SDBIP.
- Cash Flow Management Strategy.
- Debtor payment levels.
- Loan and investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 66 has been taken into consideration in the planning and prioritisation process.

## **2.2.2 Community Consultation**

The draft 2018/19 MTREF will be tabled before Council for community consultation. Thereafter it will be published on the municipality's website, and hard copies made available at, municipal notice boards and various municipal offices.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs, by no later than 3 April 2018.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2018/19 MTREF

## **2.3 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

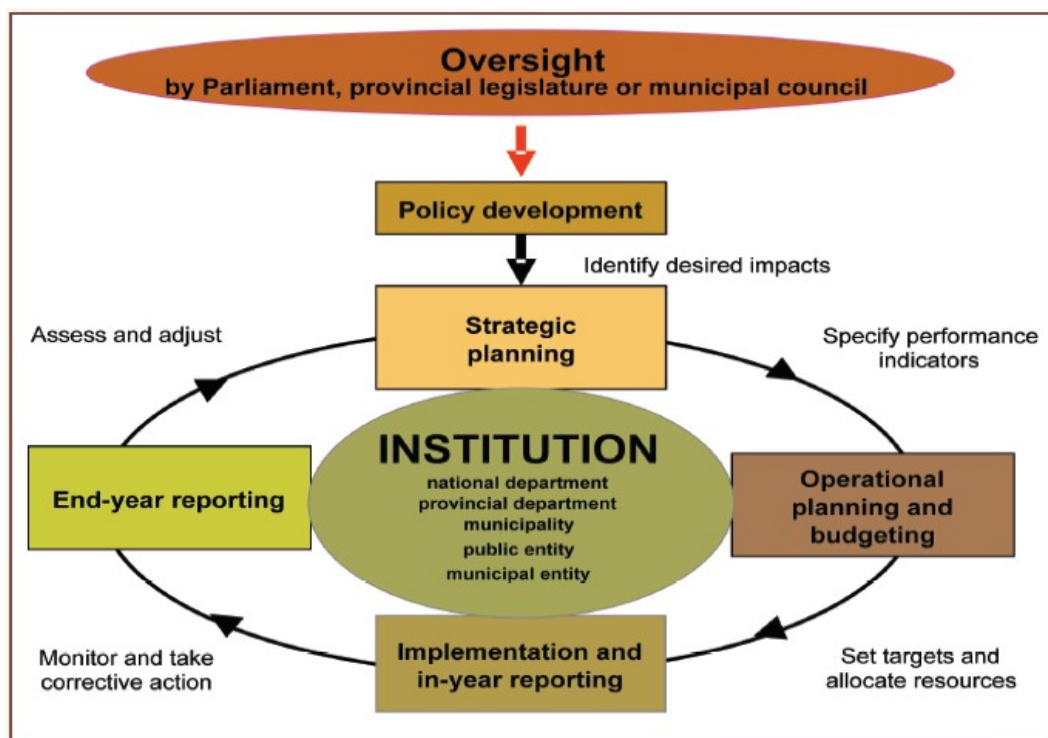
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the five key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- Spatial rationale and analysis.
- Institutional development and transformation.
- Local economic development.
- Infrastructure and service delivery.
- Good governance.
- Financial viability.

## 2.4 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

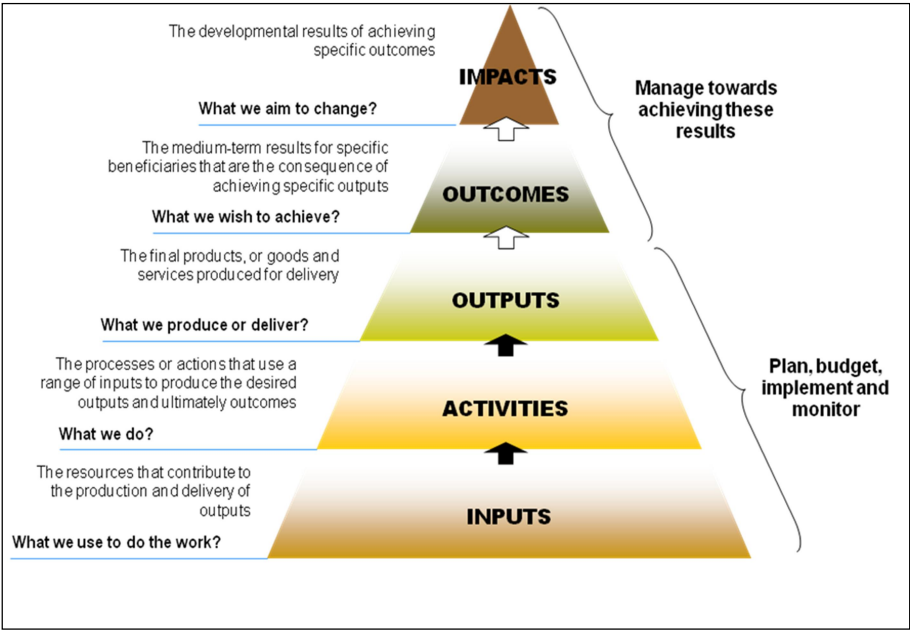
At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:





The following table sets out the municipality's main performance objectives and benchmarks for the 2018/19 MTREF.

**Table 15 MBRR NT SA8 – Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0,0%	0,0%	0,0%	1,2%	0,9%	0,9%	0,9%	1,7%	1,2%	1,0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0,0%	0,0%	0,0%	4,1%	3,2%	3,2%	3,2%	5,2%	3,4%	3,0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	-	-	-	1,3	2,1	2,1	2,1	3,4	4,9	8,2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	-	-	-	1,3	2,1	2,1	2,1	3,4	4,9	8,2
Liquidity Ratio	Monetary Assets/Current Liabilities	-	-	-	0,0	0,1	0,1	0,1	0,0	0,0	0,1
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0,0%	0,0%	0,0%	75,0%	39,4%	39,4%	39,4%	43,7%	53,2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0,0%	0,0%	0,0%	75,0%	39,4%	39,4%	39,4%	43,7%	53,2%	49,4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0,0%	0,0%	0,0%	23,0%	21,2%	21,2%	21,2%	29,8%	38,0%	40,8%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		0,0%	0,0%	0,0%	-2281,6%	898,8%	898,8%	898,8%	1449,6%	835,2%	225,8%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
	Total Volume Losses (kℓ)										
Water Distribution Losses (2)	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	36,7%	34,4%	34,4%	34,4%	36,8%	42,0%	40,2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	9,7%	8,5%	8,5%	8,5%	9,6%	11,0%	10,5%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	-	-	-	19,1	19,1	19,1	15,8	26,3	27,8	29,5
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0,0%	0,0%	0,0%	86,6%	86,6%	86,6%	86,6%	102,3%	118,6%	132,9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	-	-	(0,1)	0,1	0,1	0,1	0,0	0,0	0,0

## 2.5 Performance indicators and benchmarks

### 2.5.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Joe Gqabi District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2018/19 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 1.2 percent in 2017/18 to 1.7 percent in 2018/19. This increase can be attributed to the estimated front loading loans budgeted for. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality will eventually reach its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

#### 2.5.1.1 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. The ratio has been consistent at 0.04 percent.

#### 2.5.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2018/19 MTREF the current ratio is 3.4:1. The estimated levels are better than industry norms.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2017/18 financial year original budget the ratio was 1.2 and it has improved to 2.1 in the adjustment budget and improved to 3.4 in the 2018/19 financial year. A negative liquidity ratio needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will always have to be set at a minimum of 1 which will be exceeded in the MTREF.

#### 2.5.1.3 Other Indicators

- Employee costs as a percentage of operating revenue continues to remain relatively unchanged over the MTREF. This is however not accurate and would most likely change due to an agreement not being reached between SALGA and the trade unions.

### 2.5.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

A summary of the free basic services package is set out below:

- All registered indigents, including consumers in the rural areas, will receive 6 kl of water per month fully subsidised.
- All registered indigents, including consumers in the rural areas, will only be charged a flat rate for Water and Sanitation consumption and not a step tariff.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## **2.6 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **2.6.1 Review of credit control and debt collection procedures/policies**

The Credit Control and Debt Collection Policy has been approved by Council in May 2012. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the increasing of the credit periods for the down payment of debt. In addition emphasis will be placed on latest legislation changes and court rulings to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2018/19 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 40 percent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. A service provider, to specifically deal with historical debt, is to be appointed.

### **2.6.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### **2.6.3 Supply Chain Management Policy**

No changes were made to the existing Supply Chain Management Policy.

### **2.6.4 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. With the implementation of mSCOA, virements from repairs and maintenance to operating expenditure will not be possible. This is to improve the municipality's ratio to Property, plant and equipment or total operating expenditure, which has been below the recommended threshold in recent years.

### **2.6.5 Cash Management and Investment Policy**

No changes were made to the Municipality's Cash Management and Investment Policy. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

### **2.6.6 Tariff Policy**

The Municipality's tariff policy provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation over the next two years.

## **2.7 Overview of budget assumptions**

### **2.7.1 External factors**

Owing to the economic slowdown, financial resources are limited. This has resulted in declining cash inflows. This together with the increase in the Value Added Tax rate has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **2.7.2 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. The wage agreement negotiated by SALGBC.

### **2.7.3 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

### **2.7.4 Salary increases**

In the absence of a collective agreement regarding salaries/wages, the estimated salary increase is 7%, as budgeted for the 2018/19 financial year.

### **2.7.5 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure Development
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Strengthening financial management in public sector

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## 2.7.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2018/19 MTREF of which performance has been factored into the cash flow budget.

## 2.8 Overview of budget funding

### 2.8.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

**Table 16 Breakdown of the operating revenue over the medium-term**

Description	Adjusted Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Grants & Subsidies Received - Capital	215 712 338,00	205 500 000,00	243 024 600,00	238 552 300,00
Grants & Subsidies Received - Operational	397 599 400,00	369 726 000,00	326 787 400,00	369 914 760,00
Income for Agency Services	992 000,00	1 044 000,00	254 400,00	269 664,00
Interest Earned - External Investments	4 040 000,00	4 030 000,00	4 271 800,00	4 528 108,00
Interest Earned - Outstanding	15 386 333,00	13 862 680,00	14 694 440,80	15 576 107,25
Other Revenue	901 575,00	859 000,00	910 540,00	965 172,40
Nett Service charges	135 396 290,00	160 000 000,00	163 370 349,65	173 172 570,63
Service Charges	164 266 959,00	220 000 000,00	226 970 349,65	240 588 570,63
Less: Revenue Foregone	(28 870 669,00)	(60 000 000,00)	(63 600 000,00)	(67 416 000,00)
<b>Grand Total</b>	<b>770 027 936,00</b>	<b>755 021 680,00</b>	<b>753 313 530,45</b>	<b>802 978 682,27</b>

### 2.8.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2017/18 medium-term capital programme:

**Table 17 Sources of capital revenue over the MTREF**

Source of Funding	Budget 2018/19	Budget 2019/20	Budget 2020/21
National Government	165 741 416,00	243 661 500,96	239 227 415,02
Provincial Government	40 000 000,00		
Internally generated funds	4 075 000,00	927 500,00	983 150,00
	209 816 416,00	244 589 000,96	240 210 565,02

The capital programme is funded from National and Provincial Grants and transfers, as well as internally generated funds.

### 2.8.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below 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, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 18 MBRR NT A7 - Budget cash flow statement**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates					-	-	-	-	-	-	-
Service charges					101 604	53 342	53 342	53 342	69 868	86 933	85 531
Other revenue					1 389	1 894	1 894	1 894	1 903	1 165	1 235
Government - operating	1				355 444	396 599	396 599	396 599	369 726	326 787	369 915
Government - capital	1				254 155	213 000	213 000	213 000	205 500	243 025	238 552
Interest					4 040	4 040	4 040	4 040	4 030	4 272	4 528
Dividends					-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees					(437 074)	(427 839)	(427 839)	(427 839)	(427 678)	(405 089)	(446 859)
Finance charges					-	-	-	-	-	-	-
Transfers and Grants	1				(16 505)	(11 825)	(11 825)	(11 825)	(9 305)	(9 863)	(10 455)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	-	<b>263 054</b>	<b>229 211</b>	<b>229 211</b>	<b>229 211</b>	<b>214 045</b>	<b>247 229</b>	<b>242 447</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE					-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors					-	-	-	-	-	-	-
Decrease (increase) other non-current receivables					-	-	-	-	-	-	-
Decrease (increase) in non-current investments					-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets					(258 546)	(218 489)	(218 489)	(218 489)	(209 816)	(244 589)	(240 211)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	<b>(258 546)</b>	<b>(218 489)</b>	<b>(218 489)</b>	<b>(218 489)</b>	<b>(209 816)</b>	<b>(244 589)</b>	<b>(240 211)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans					-	-	-	-	-	-	-
Borrowing long term/refinancing					-	-	-	-	-	-	-
Increase (decrease) in consumer deposits					-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing					(4 026)	(4 026)	(4 026)	(4 026)	(5 905)	(2 577)	(2 061)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	<b>(4 026)</b>	<b>(4 026)</b>	<b>(4 026)</b>	<b>(4 026)</b>	<b>(5 905)</b>	<b>(2 577)</b>	<b>(2 061)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	-	-	<b>482</b>	<b>6 696</b>	<b>6 696</b>	<b>6 696</b>	<b>(1 677)</b>	<b>64</b>	<b>175</b>
Cash/cash equivalents at the year begin:	2				(3 488)	(3 488)	(3 488)	(3 488)	3 209	1 532	1 595
Cash/cash equivalents at the year end:	2				(3 006)	3 209	3 209	3 209	1 532	1 595	1 770

## 2.8.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 72 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 19 MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	-	-	-	(3 006)	3 209	3 209	3 209	1 532	1 595	1 770
Other current investments > 90 days		-	-	-	5 909	0	0	0	0	0	0
Non current assets - Investments	1	-	-	-	3 305	3 305	3 305	3 305	3 305	3 305	3 305
<b>Cash and investments available:</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>6 208</b>	<b>6 514</b>	<b>6 514</b>	<b>6 514</b>	<b>4 837</b>	<b>4 901</b>	<b>5 076</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	1 006	1 006	1 006	1 006	604	592	580
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	-	-	-	(12 000)	(13 585)	(13 585)	(13 585)	(44 648)	(81 893)	(101 140)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(10 994)</b>	<b>(12 579)</b>	<b>(12 579)</b>	<b>(12 579)</b>	<b>(44 045)</b>	<b>(81 301)</b>	<b>(100 560)</b>
<b>Surplus(shortfall)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>17 202</b>	<b>19 093</b>	<b>19 093</b>	<b>19 093</b>	<b>48 882</b>	<b>86 202</b>	<b>105 636</b>

## 2.8.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.



#### *2.8.5.1 Cash/cash equivalent position*

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

#### *2.8.5.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *2.8.5.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

#### *2.8.5.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.



*2.8.5.5 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

*2.8.5.6 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

*2.8.5.7 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

*2.8.5.8 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

*2.8.5.9 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a existing asset renewal/upgrading project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 2.9 Expenditure on grants and reconciliations of unspent funds

Table 21 MBRR SA19 - Expenditure on transfers and grant programmes

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		-	-	-	-	-	-	316 096	312 636	354 915
Local Government Equitable Share								258 283	273 008	295 103
Road Asset Management Systems Grant [Schedule 5B]								2 185	-	-
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]								2 254	-	-
Local Government Financial Management Grant [Schedule 5B]								1 320	1 785	1 510
Municipal Infrastructure Grant [Schedule 5B]								47 054	37 843	58 302
DBSA								5 000	-	-
0										
<b>Provincial Government:</b>		-	-	-	-	-	-	52 200	12 720	13 483
Department of Environmental Affairs								12 000	12 720	13 483
Department of Roads and Public Works								40 200	-	-
0										
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Other grant providers:</b>		-	-	-	-	-	-	1 430	1 431	1 517
<i>Private Enterprises</i>								1 430	1 431	1 517
<b>Total operating expenditure of Transfers and Grants</b>		-	-	-	-	-	-	369 726	326 787	369 915
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		-	-	-	-	-	-	165 500	243 025	238 552
Municipal Infrastructure Grant [Schedule 5B]								106 500	119 025	107 732
Regional Bulk Infrastructure Grant (Schedule 5B)								-	40 000	42 200
Water Services Infrastructure Grant [Schedule 5B]								59 000	84 000	88 620
Other capital transfers/grants [insert desc]										
<b>Provincial Government:</b>		-	-	-	-	-	-	40 000	-	-
Provincial Treasury								40 000	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<i>Private Enterprises</i>										
<b>Total capital expenditure of Transfers and Grants</b>		-	-	-	-	-	-	205 500	243 025	238 552
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		-	-	-	-	-	-	575 226	569 812	608 467



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Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Total Upgrading of Existing Assets</b>	6	-	-	-	-	-	-	146 500	159 025	149 932
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	88 567	131 025	134 200
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	57 933	28 000	15 732
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	146 500	159 025	149 932
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>		-	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>		-	-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>		-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>		-	-	-	-	-	-	-	-	-
<b>Libraries</b>		-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	-	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	78 000	36 845	36 845	147 567	215 025	222 820
<i>Sanitation Infrastructure</i>		-	-	-	23 800	23 800	23 800	57 933	28 000	15 732
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	101 800	60 645	60 645	205 500	243 025	238 552
Community Facilities		-	-	-	1 000	1 000	1 000	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	1 000	1 000	1 000	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	646	-	-	230	32	34
<b>Intangible Assets</b>		-	-	-	646	-	-	230	32	34
<b>Computer Equipment</b>		-	-	-	755	975	975	991	1 432	1 518
<b>Furniture and Office Equipment</b>		-	-	-	390	280	280	95	101	107
<b>Machinery and Equipment</b>		-	-	-	500	1 000	1 000	-	-	-
<b>Transport Assets</b>		-	-	-	1 100	990	990	3 000	-	-
<b>Libraries</b>		-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		-	-	-	106 191	64 890	64 890	209 816	244 589	240 211

**Joe Gqabi District Municipality – 2018/19 Draft Budget and MTREF (for Approval by Council)  
(27 March 2018)**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
<i>Roads Infrastructure</i>										
<i>Storm water Infrastructure</i>										
<i>Electrical Infrastructure</i>										
<i>Water Supply Infrastructure</i>								157 567	195 025	202 820
<i>Sanitation Infrastructure</i>								47 933	48 000	35 732
<i>Solid Waste Infrastructure</i>										
<i>Rail Infrastructure</i>										
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>										
<b>Infrastructure</b>		-	-	-	-	-	-	205 500	243 025	238 552
<i>Community Facilities</i>										
<i>Sport and Recreation Facilities</i>										
<b>Community Assets</b>		-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>										
<i>Revenue Generating</i>										
<i>Non-revenue Generating</i>										
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>										
<i>Housing</i>										
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>										
<i>Servitudes</i>										
<i>Licences and Rights</i>								230	32	34
<b>Intangible Assets</b>		-	-	-	-	-	-	230	32	34
<b>Computer Equipment</b>								991	1 432	1 518
<b>Furniture and Office Equipment</b>								95	101	107
<b>Machinery and Equipment</b>										
<b>Transport Assets</b>								3 000	-	-
<b>Libraries</b>										
<b>Zoo's, Marine and Non-biological Animals</b>										
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	-	-	-	-	-	209 816	244 589	240 211

## 2.12 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and is intending to employ interns to undergo training in various divisions of the Budget and Treasury Office.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2018/19 MTREF on 27 March 2018 directly aligned and informed by the 2018/19 MTREF.
6. Annual Report  
Annual report has been compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training  
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.



## 2.13 Municipal manager's quality certificate

I \_\_\_\_\_, Municipal Manager of Joe Gqabi District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature

\_\_\_\_\_  
ZA Williams  
Municipal Manager  
Joe Gqabi District Municipality (DC14)

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