

SCHEDULE A

DRAFT ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF ALFRED NZO DISTRICT MUNICIPALITY

DRAFT ANNUAL BUDGET OF
ALFRED NZO DISTRICT
MUNICIPALITY

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

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Draft Annual Budget

**EXECUTIVE MAYOR, CLLR. S. MEHLOMAKHULU’S POLICY SPEECH DURING
TABLING OF THE 2018/19 IDP/BUDGET OF THE ALFRED NZO DISTRICT
MUNICIPALITY TO THE SITTING OF SPECIAL COUNCIL MEETING HELD AT
ALFRED NZO DISTRICT MUNICIPALITY COUNCIL CHAMBERS ON THE
28 MARCH 2018**



VISION

**A District whose communities are self-sustaining and enjoy a good quality life,
equitable access to basic services and socio-economic opportunities.**

MISSION

**To be a responsive and capable institution that effectively delivers basic services and innovative
development programmes with a strong orientation to rural development in partnership with its
communities and other social partners.**



MARCH 2018

Honourable Speaker of the Council

Chief Whip of the Majority Party and the Whippery

Deputy Executive Mayor

Members of the Mayoral Committee

Chairperson of MPAC

Councillors

Traditional Leaders

Board Members of ANDA

Chairperson of the Audit Committee

Municipal Manager

Senior Managers and Managers

Alfred Nzo Development Agency CEO

All our officials present here today

lindwendwe nabahlali abasizimasileyo phaya kwi gallery

Members of the media

Madam Speaker and the Council

We gather here in the month of March which was declared in the new democratic era as Human Rights Day to honour those who fought for our liberation and to celebrate the many rights guaranteed under the Constitution of the Republic. Over the month all South Africans are encouraged to pay tribute to those who sacrificed their lives during the liberation struggle.

The 2018 National Human Rights Day, was held under the theme:

The year of Nelson Rolihlahla Mandela: promoting and deepening a human rights culture across society”,

It coincides with the centenary of former President Nelson Mandela.

The centenary provides an opportunity to honour President Mandela's memory by striving to ensure his vision of human rights and dignity for all South Africans is realised and celebrate his selfless role in fighting for equal rights for all South Africans.

We are also three month after we have concluded the centenary of another human rights activist, our own Son of the Soil, Oliver Reginald Tambo.

Madam Speaker, I am at pain that in this very month, we have lost a five year old child, Lumko Mkhethwa, who fell into a pit toilet at a Luna Primary School in Mbizana. This has put us in eyes of world in a very bad light. It also raises question about our speed as government in resolving a matter of basic infrastructure that restores human rights and dignity of our communities.

We wish to once again send our heartfelt condolences to the Mkhethwa family and the entire Luna Primary School. As the District Municipality, we will be assisting the Department of Education where we can to ensure that our schools have safe sanitation facilities.

I wish to also affirm our communities that Alfred Nzo District Municipality is working very hard to ensure that this regrettable event does not happen again, particularly where we have authority for such infrastructure.

It is also concerning that we also experienced series of human rights violations and abuse of women in many parts of the District in the past 9 months that involve senseless and heartless killings of our mothers, sisters and our children. The most recent incident is the murder of a 40 year old Nothabile Mramba and her 10 year old child. They were strangled to death at their house in Sikhulu village at Ward 11 in Ntabankulu. This is one of many cases which we urge Police to resolve with speed. Our municipality has contributed in ensuring that the deceased are buried with dignity as per our disaster policies.

We also urge Police to continue monitoring and bringing stability to Nowalala village in Ntabankulu where there has been ongoing human rights violation in that Ward. As government, we can never tolerate the continuous torture of residents by people who commit criminal activities to destabilise the community.

As Deputy President has correctly put it; we must use the Human Right Month to replicate on the dreams and aspirations of Tata uMadiba who taught us to respect basic human rights and commitment to the rule of law.

Madam Speaker and the Council, this is a very important moment for us as the Council of this municipality as are in the phase of crafting critical documents that intend to respond to basic service provision and delivery needs of our communities which we will be presenting to communities we serve, for their final inputs.

I am humbled by the fact that despite all the uncertainties and hardships this municipality is faced with, we are still committed to steer the ship to calmer waters. Collectively we can indeed direct this municipality in the right direction.

Madame Speaker

We are operating in a challenging environment as the municipality, where communities are expecting us to advance the provision of basic services to them, whilst on the other side we are faced with the narrowing fiscal envelope which necessitate us come up new innovations in addressing increasing demand for service delivery by our communities.

As we table this draft programme of action, we are still faced financial challenges as the municipality and therefore we will continue implementing cost containment measures. We will continue with business unusual as we did in this ending financial year.

At the dawn of the 2017/18 financial year the ANDM Council endorsed our Integrated Development Plan (IDP) Process Plan which was a document aimed at providing guidance with regards to how the municipality will embark on the review of its service delivery agenda as set out in the IDP. The IDP Process Plan gave into effect 5 critical phases which include the:

- Analysis Phase,
- Strategies Phase,
- Project Phase,
- Integration and Approval Phase

My Honourable Council, it is with great enthusiasm that I can assure this Council that we have almost come full circle in the implementation of the IDP Process Plan with only a need to conclude the Integration and Approval Phase. I am confident that we have dealt with this process effectively and that in line with articulated deadline for final approval of the IDP, we are on track and we will be able to fulfill this legislative requirement.

As part of the review process it was also pleasing to note that despite service delivery challenges related mainly to financial constraints facing the institution, the ANDM Council as representatives of our communities remained consistent in our understanding of the ANDM service delivery agenda. This culminated into consensus in relation to an unchanged vision, mission and goals of the institution.

When our Council first came into office and developed our IDP Vision it conceded to the following vision:

“A District whose communities are self-sustaining and enjoy a good quality life, equitable access to basic services and socio-economic opportunities”

We further agreed that our mission entailed being ***“a responsive and capable institution that effectively delivers basic services and innovative development programmes with a strong orientation to rural development in partnership with its communities and other social partners”***

To achieve this our municipality identified the following KPA aligned goals:

1. Inclusive Growth and Development
2. Basic Service Delivery and Community Empowerment

3. Effective Public Participation, Good Governance and Partnerships
4. A Capable and Financially Viable Institution

I would like to commend the ANDM Council in its sterling work in reviewing our IDP.

When reviewing our service delivery plans for the 2018/19 Financial Year I acknowledge deep disappointment in realising that, there is a very minimal number of service delivery initiatives that are new, instead a great proportion of our initiatives as articulated in our IDP our continuing multi-year projects. This means as an institution we still have a long way to go in fulfilling our promise to the people of Alfred Nzo. To deal with this challenge, I am pleased to indicate that I have mandated our Accounting Officer to intensify and drive the financial recovery process of this institution and further explore alternative funding opportunities that would assist in ensuring that this municipality advances and fast-tracks service delivery implementation.

Within the context of setting long-term plans for the municipality, members of our Council will be aware of our current engagement to craft a District Development Plan – Vision 2035. I am honoured to update the Council that this important initiative is progressing well, a number of engagement sessions have been held throughout the District at local municipal level to ensure stakeholder buy-in. As we approach the final stages of the development of the District Development Plan I am relieved that it will be concluded at time preceding our State of the District Address and such it will act as a critical informant of our SODA.

Madame Speaker, I am presenting this draft IDP-Budget as informed by the policy pronouncements made by the national and provincial government which aimed at advancing the national development plan that sets our developmental agenda.

As we table our second budget since we took the reins, I am happy that we seem to come closer to surviving the storm esifikele kuso xa besingena kweli Bhunga.

The draft budget that I am presenting reflects a surplus of R7.3 million which is intended to reduce the municipal debt, (creditors / Accruals) that the municipality is currently owing. We believe that this is not enough as we need about R23 million to ensure that our municipality is cleared of the previous ills in terms of municipal creditors and debts.

The proposed Draft Annual Budget for ANDM is as follows:

Total Operating Income	R (1 197 680 808)
Total Operating Expenditure	R 658 060 020
Total Capital Expenditure	<u>R 532 360 740</u>
(Surplus)/Deficit	<u>R (7 320 048)</u>

Revenue

The municipality is still grant dependant; own revenue is 4% of the total budgeted operational revenue and that is R46 023 808.

The revenue enhancement strategy is currently being reviewed, which will look at an all-inclusive approach, in terms of what the municipality can explore in order to increase our revenue base.

The budget also indicates that the district municipality is highly dependent on grants as it has received R571.3 million on conditional grants and R455.6 million from equitable share and R54.6 million for RSC Levies.

Honourable Councillors

The inflation forecast used as basis for the adjustment of our municipal tariff has been applied as per the National Treasury guidelines. In this regard a tariff increase of 6 % from 01 July 2018 for water is recommended and a tariff increase of 6% for sanitation. This is based mainly on the Consumer Price Index (CPI) as projected by the National Treasury.

Expenditure

The municipality is still under duress as we are still unable to pay our creditors within 30 days as required by the MFMA. This has been attested to by the Auditor General in our audit report for the financial year 2016/2017.

Fellow Councilors,

We will not stop our belt tightening endeavors as this council, so that we restore the dignity and financial muscle of this municipality. We further understand that this journey is rather thorny as it means that at times our very basic needs are not met due to these financial constraints. We have halted catering in all our meetings, which in its form means that councilors who may have travelled long distanced to attend such meetings, may be seriously disadvantaged. In a quest to ensure that the financial muscle is restored the municipality had implemented the following:

- Limited travelling to only those urgent and important meetings
- Accommodation limited to R1200 and meals limited to R250
- Reduced overtime and standby allowance which has resulted in huge savings and assisted with cash flows
- Travel arrangements have been done internally reducing the costs charged by travel agents
- A moratorium on vacant posts was declared by council
- S&T claims for personnel and councilors limited to 1000km per month

The expenditure for the current financial year (2017/18) was hugely affected by the inconsistent and lack of cash flows. Our municipality was cash trapped and therefore it was cumbersome to implement our SDBIP. Some targets were discarded due to lack of cash flows.

Madame Speaker, we cannot ignore the fact that the Value Added Tax has been increased, effective from 1 April 2018. This will heavily affect our current commitments as well as the budget I am presenting today. An increase of Vat from 14% to 15 % was announced by the Former Minister of Finance during the Budget Speech.

Honourable Speaker

The budgeted allocation for employee related costs continues to go up every year as it was R240 million in 2017/18 financial year and it increases to R278 million for 2018/19.

The increase for the salaries has been maintained at last years' percentage increase and will be updated as soon as the collective agreement has been concluded.

Salaries constitute 42% of the operational budget which equates to 61% of the Equitable Share.

Honorable Councillors

Included in the budget provision is an amount of R20 million (2018/19), which has been allocated to the Alfred Nzo Development Agency so it can play its role in the developmental agenda of our district.

Distinguished guests

On the other aside, operations and maintenance are a critical component towards our strides to provide reliable and quality services to our communities and in this regard we have put aside R51 million towards repairs and maintenance of the water and sanitation infrastructure.

This is plausible as it is exactly 8% of the operational budget.

Madame Speaker

We allocated R8.3 million towards implementation of various job creation initiatives (EPWP) that will be implemented throughout the district, lenkqubo izakuthi incedise ukususa ikati eziko kumakhaya amaninzi kwiidolophu neelali zesithili sethu.

This will also be assisted by various implementation of water and sanitation projects wherein we ensure that local people benefit from employment opportunities that brought through these projects in their communities.

In our attempt to reduce backlog and ensuring that our communities have access to clean drinking water and sanitation that bring back their dignity, we have allocated Infrastructure Development and Municipal Service Directorate R751 million including salaries and operations. R504 million is directly attributed to service delivery through capital expenditure.

We have, in ensuring that we provide effective disaster management responses and rescue efforts, we have allocated Community Development Services R83.8 million.

Corporate Services is allocated an amount of R71.9 million to continue implementing various skills development initiatives among young people of the district and ensure that our municipality is continuing to function so that we can be able to provide basic services to our communities.

Kwizame zethu zokulwa nendlala nentswelo ngqesho, we will go ahead with the implementation of Agri-parks initiative which is aimed at resuscitating the agricultural sector in our district. Sizakuvuselela namanye amaphulo ajolise ekukhuliseni uqoqosho lwesithili. In this regard we have allocated R8 million for Planning and Economic development.

Honourable Councillors,

We are a district that is mainly populated by young people and in all our development initiatives we ought to be bias towards their development. All our programmes will target the youth, the disabled, women and people affected and infected by HIV/AIDS.

Madam Speaker, as guided by Chapter 5, Section 25 of the Municipal Systems Act, 2000, as amended I present to this house the Draft budget for 2018/19 financial year, MTREF.

In conclusion Madame, Speaker and the Council,

I therefore recommend that:

1. The Council adopts the draft budget in line with section 24 of the Municipal Finance Management Act, (Act 56 of 2003) as presented to the Council.
2. The proposed Draft Annual Budget for ANDM is as follows:

Total Operating Income	R (1 197 680 808)
Total Operating Expenditure	R 658 060 020
Total Capital Expenditure	R 532 360 740
(Surplus)/Deficit	R (7 320 048)

Madame Speaker,

Furthermore, the Council, acting in terms of section 75(a) of the Local Government: Municipal Systems Act (Act 32 of 2000 as amended) adopts with effect from 01 July 2018 the draft tariffs for the supply of water, the draft tariffs for sanitation services and all other tariffs as entailed in the municipality's tariff policy.

Madame Speaker, Honourable Councillors and citizens of the district

I present to you the Alfred Nzo District Municipality's programme of action.

The task assigned is performed!

I thank you

2.1 Budget Resolutions

On 28 March 2018 a sitting of the Council of Alfred Nzo District Municipality met in the Council Chambers to consider the draft annual budget and draft Integrated Development Plan of the municipality for the financial year 2018/19. A Council sitting of 29 March 2018 will further take the following resolutions:

1. In line with section 24 of the Municipal Finance Management Act, (Act 56 of 2003), council resolved to adopt:
 - a. The draft annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
 - b. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - c. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - d. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - e. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding
 - f. Budget Related Policies

2. The Council meeting, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000 as amended) further recommended noting of the following:
 - a. The Draft Tariffs for the supply of water be approved at 6% increase
 - b. The draft tariffs for the sanitation services be approved at 6%

2. Executive Summary

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

The district municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programs so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in partial savings to the district municipality. Key areas where savings were realized were on telephone and internet usage, printing, overtime, workshops, traveling and accommodation, and catering.

It is planned that in order to realize the revenue provisions as outlined in the budget, the district municipality needs to embark on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. As a result the Credit Control and Debt Collection Policy has been reviewed to accommodate the latter whilst there were no changes in other budget related policies. Furthermore, the district municipality needs to undertake various customer care initiatives to ensure that the district municipality truly involves all citizens in the process of ensuring a people lead government. Also Tariffs have been set taking cognisance of the inflation rate and current collection levels as well as National Treasury guidelines. Tariffs have been increased at 6% across the board.

It should also be mentioned that the municipality managed to obtain the Qualified Audit Opinion for the 16/17 financial as presented by the Auditor General in the Council, the municipality has maintained the qualification opinion for 4 consecutive years after it has been receiving Disclaimer Audit Opinions for the last 4 years.

The ANDM, in its Council sitting of the 31 August 2017, tabled the IDP/Budget process plan with its time schedules of key dates and activities to be followed when preparing the 18/19 MTREF budget. This is in line with Chapter 4 and Section 21 (1) of the MFMA. The IDP is aligned with the budget, and projects and programmes in the IDP are the same as those in the budget for the current year (2018/2019) and the two outer years.

The horizontal alignment will be between the district and local municipalities to ensure that planning activities and processes were coordinated and addressed jointly when dealing with IDP/Budget process plan. Vertical alignment on the other hand between local government, the province and national governments as well as parastatals or service providers to ensure that the IDPs are in line with the national and provincial policies and strategies has been certified, so that it is considered for the allocation of departmental budgets and conditional grants.

In the previous years, when the municipality had only two local municipalities, major strides were made to reduce the water services backlogs, however after 2011 elections the backlog figures increased with the inclusion of the two new local municipalities. Even though the two local municipalities came with backlogs, the municipality continued to

deliver the service especially with regards to provision of sanitation services i.e. VIP toilets in rural areas.

The provision of services especially with respect to sanitation has been on the constant increase as opposed to water. This is mainly due to the fact that the provision of sanitation facilities i.e. VIP toilets is quick to implement while water services have a lot of statutory requirements that need to be adhered to before any construction work can commence.

Furthermore the municipality has identified a gap in supporting indigents within the municipality. Local municipalities will be taken on board in order to consolidate a comprehensive indigent register. The indigents will then be financed through the equitable share.

National Treasury's MFMA Circular's No. 51, 54, 58, 59, 66, 67, 70,72, 74 , 75, 79, 85, 90 and 91 were 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 resulting in a weakened global economic outlook and a pattern of slow growth;
- Downward revision of South Africa's gross domestic product (GDP) forecast for 2018/19; and as well as possible downward rating of SA economic statuses;
- Increase in VAT as announced by the Minister of Finance
- Aging and poorly maintained water and sanitation infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water (due to tariff increase by the Department of Water Affairs), which is placing upward pressure on service tariffs to residents.
- Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects; and
- Continued budget provisions being made for unfunded mandates (Municipal Health Services).

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 used as the upper limits for the new baselines for the 2018/19 draft annual budget, and as well as MFMA circulars;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- 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 and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- Increase in VAT
- There will be no budget allocated to national and provincial unfunded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Going back to basics and reduction of expenditure on nice to have's.
- Continuous implementation of cost cutting measures as approved by the Council

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.a Consolidated Overview of the 2018/19 MTREF

	Medium Term Revenue & Expenditure Framework (MTREF)			
	2017/2018	BUDGET YR. 1 2018/2019	BUDGET YR. 2 2019/2020	BUDGET YR. 3 2020/2021
	ADJUSTED BUDGET	DRAFT ANNUAL BUDGET	DRAFT ANNUAL BUDGET	DRAFT ANNUAL BUDGET
Total Revenue	1 103 139 904	1 197 680 808	1 193 987 094	1 348 562 844
Total Operating Expenditure	-547 790 803	-658 060 020	-692 285 642	-726 810 988
Surplus / Deficit for the Year	533 926 420	532 300 740	488 268 139	577 831 441
Total Capital Expenditure	-533 926 420	-532 300 740	-488 268 139	-577 831 441
NET SURPLUS/(DEFICIT)	-21 422 681	-7 320 048	-13 433 314	-43 920 415

REVENUE SOURCES 2018 – 2019		
<i>INTERNAL FUNDS</i>	46 023 808	3.84%
<i>GRANTS -NT / PT</i>	571 313 000	47.70%
<i>EQUITABLE SHARE</i>	510 344 000	42.62%
<i>OPERATING RESERVES / INVESTMENTS</i>	70 000 000	5.84%
Total expenditure	1 197 680 808	100%

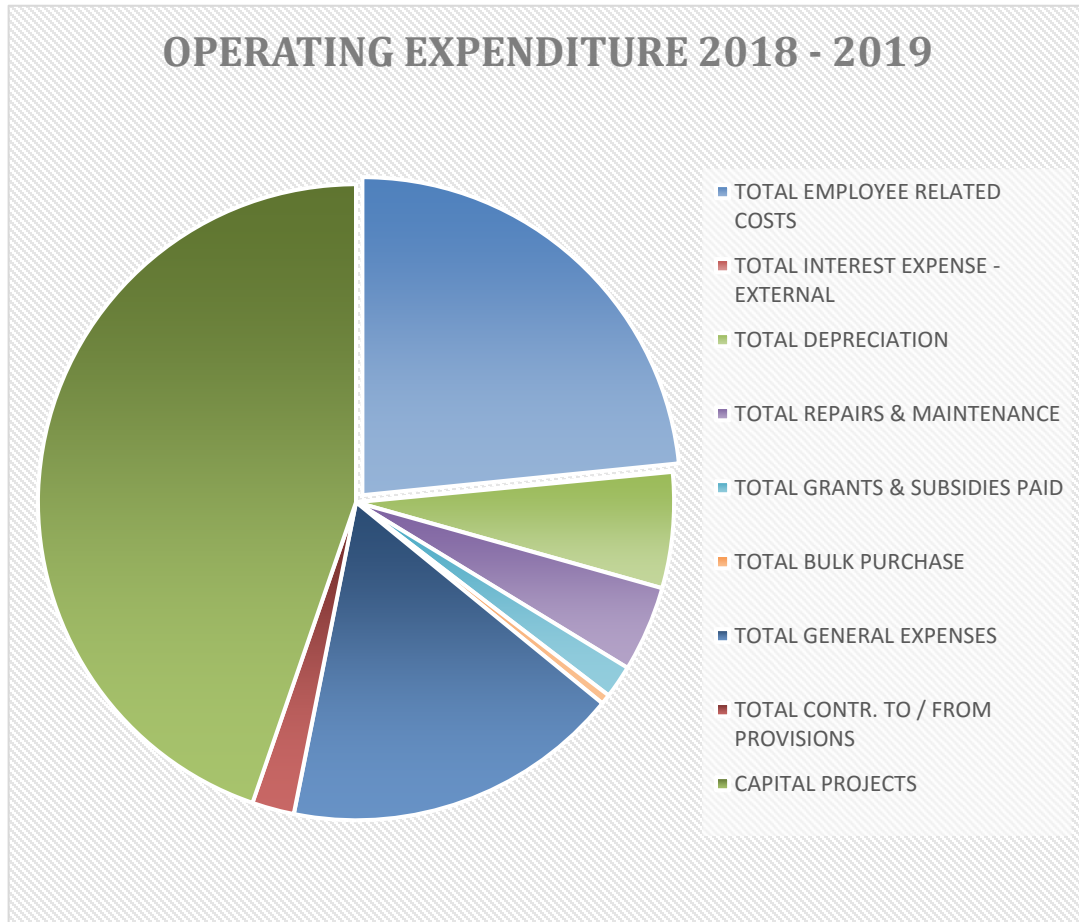
EXPENDITURE ALLOCATIONS

Table 1 C

OPERATING EXPENDITURE

DESCRIPTION	AMOUNT	% TO OPEX	% TO TOT BUDGET
TOTAL EMPLOYEE RELATED COSTS	278 628 276	42.34%	23.41%
TOTAL INTEREST EXPENSE - EXTERNAL	808 111	0.12%	0.07%
TOTAL DEPRECIATION	70 000 000	10.64%	5.88%
TOTAL REPAIRS & MAINTENANCE	51 888 949	7.89%	4.36%
TOTAL GRANTS & SUBSIDIES PAID	20 000 000	3.03%	1.68%
TOTAL BULK PURCHASE	6 000 000	0.91%	0.50%
TOTAL GENERAL EXPENSES	205 234 684	31.19%	17.24%
TOTAL CONTR. TO / FROM PROVISIONS	25 500 000	3.88%	2.14%
CAPITAL PROJECTS	532 300 740	0.00%	44.72%
TOTAL BUDGET	1 190 360 760	100%	100%

EXPENDITURE ALLOCATIONS IN TERMS OF PIE CHART



ALFRED NZO DISTRICT MUNICIPALITY DRAFT ANNUAL BUDGET BUDGET 2018 - 2019 MTREF SUMMARY - ALL DEPARTMENTS						
DRAFT ANNUAL BUDGET 2017 - 2018	BUDGET YR. 1 2017/2018			BUDGET YR.1	BUDGET YR.2	BUDGET YR.3
				2018/2019 Medium Term Revenue & Expenditure		
	ORIGINAL BUDGET	MID-TERM ADJUSTED BUDGET	PRE - AUDITED (ACTUALS)	DRAFT BUDGET 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
DESCRIPTIONS	R	R	R	R	R	R
INTERNAL FUNDS (OWN REVENUE)	(36 037 251)	(32 915 904)	-	(46 023 808)	(48 509 094)	(51 177 094)
GRANTS - NT / PT	(565 168 000)	(563 043 000)	(422 684 735)	(571 313 000)	(516 224 000)	(616 961 000)
EQUITABLE SHARE	(437 586 000)	(437 181 000)	(327 785 000)	(510 344 000)	(555 404 000)	(602 513 000)
OPERATING RESERVES / INVESTMENTS	(55 000 000)	(70 000 000)	(55 000 000)	(70 000 000)	(73 850 000)	(77 911 750)
TOTAL OPERATING REVENUE	(1 093 791 251)	(1 103 139 904)	(805 469 735)	(1 197 680 808)	(1 193 987 094)	(1 348 562 844)

Total Revenue (R1 197 billion) has been increased by 9.5 % from the original budget and an increase of grants from R565m to R571m. The Internal Funding for R46m comprises of own revenue. Internal funding has increased compared to the previous financial years due to fact that funds that will not be used immediately are invested in different banking institutions. Equitable share has increased from R437million to R510 million, this amount includes R54 million for RSC levies as gazetted by DORA. Operating reserves, this is the non-cash item for depreciation, increased from R55m to R70m to avoid unauthorized expenditure.

ALFRED NZO DISTRICT MUNICIPALITY DRAFT ANNUAL BUDGET BUDGET 2018 - 2019 MTREF SUMMARY - ALL DEPARTMENTS						
DRAFT ANNUAL BUDGET 2017 - 2018	BUDGET YR. 1 2017/2018			BUDGET YR.1	BUDGET YR.2	BUDGET YR.3
				2018/2019 Medium Term Revenue & Expenditure		
	ORIGINAL BUDGET	MID-TERM ADJUSTED BUDGET	PRE - AUDITED (ACTUALS)	DRAFT BUDGET 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
DESCRIPTIONS	R	R	R	R	R	R
OPERATING EXPENDITURE						
TOTAL EMPLOYEES RELATED COST	261 938 199	240 071 951	128 842 879	278 628 276	293 595 153	308 838 395
TOTAL INTEREST EXPENSE - EXTERNAL	888 000	888 000	233 318	808 111	851 749	898 595
TOTAL DEPRECIATION	55 000 000	70 000 000	37 859 158	70 000 000	73 780 000	77 837 900
TOTAL REPAIRS & MAINTENANCE	21 200 000	22 070 862	11 478 688	51 888 949	54 690 952	57 698 954
TOTAL GRANTS AND SUBSIDIES PAID	20 000 000	20 000 000	14 365 510	20 000 000	21 080 000	22 239 400
TOTAL BULK PURCHASE	3 000 000	4 643 636	2 867 583	6 000 000	6 324 000	6 671 820
TOTAL LOSS ON DISPOSAL OF PPE	-	-	-	-	-	-
TOTAL GENERAL EXPENSES	146 864 983	167 616 353	75 612 829	205 234 684	215 086 788	224 270 688
TOTAL CONTR TO/FROM PROVISIONS	22 500 000	22 500 000	13 578 980	25 500 000	26 877 000	28 355 235
TOTAL OPERATING EXPENDITURE	531 391 182	547 790 803	284 838 945	658 060 020	692 285 642	726 810 988
OPERATING (SURPLUS) / DEFICIT	531 391 182	547 790 803	284 838 945	658 060 020	692 285 642	726 810 988
CAPITAL PROJECTS	532 273 748	533 926 420	315 204 350	532 300 740	488 268 139	577 831 441
TOTAL EXPENDITURE	1 063 664 930	1 081 717 223	600 043 295	1 190 360 760	1 180 553 780	1 304 642 429
TOTAL BUDGET (SURPLUS) /DEFICIT	(30 126 321)	(21 422 681)	(205 426 440)	-7 320 048.07	(13 433 314)	(43 920 415)

Total operating expenditure for the 2018/19 financial year has been appropriated at 658 million and translates into a percentage increase of 20 per cent from 2017/18 adjusted budget. Operating expenditure continues to increase in the outer year during 2019/20 and 2020/21. This has been caused amongst other factors by the increase in VAT as announced by the Minister of Finance. An operating surplus of R7m, R13m and R43m has been budgeted for over the MTREF.

As much as the municipality experiences pressures from key departments and a spiraling growth in personnel costs coupled with necessary provisions to be made in lieu of depreciation and repairs and maintenance, year on year growth in the district municipality's budget over the MTREF is less than 5%.

The capital budget of R532 million for 2018/19 has decreased by 0.30% from the 2017/18 Adjustment Budget. This decrease is mainly caused by the decline in the DORA allocation for funding, specifically the MIG. Also, due to exhausted reserves base that has been pre-dominantly utilized in the previous financial years to finance capital expenditure, provision made from internal reserves has drastically been reduced and fully utilized in MIG projects and frontloading funding since the funding from DBSA frontloading was not approved and as such reserves have been fully whopped. However, continuing to finance such project need additional funding source and as such senior managers have to be grant hunters so as to boost the financial distress.

The capital program decreases to R 448 million in the 2019/20 financial year and then increase to R 577 million during 2020/21. Also, a portion of the capital budget will be funded from revenue generating projects including implementation of revenue enhancement strategy as well as the RSC levy allocation from Equitable Share. In terms of GRAP format Capital Grants receivable are included in the Operating Budget. Capital Expenditure are not included in Operating Budget. Also in terms of mSCOA, operational costs for the implementation of that project are budgeted under that project be it capital or operational.

Operating expenditure is the day to day management items of the Municipality, i.e.: Salaries and Wages, Repairs and Maintenance, Debt Servicing, Depreciation on Assets, Insurance, Electricity, Telephone, Subsistence and Travelling Allowances, Fuel etc. The total budget amounts to R658 060 020. Also the Council of Alfred Nzo District Municipality has approved the Cost Cutting Measures as part of adhering to Circular 82 – Cost Containment Measures issued by National Treasury as well as draft Cost Containment Regulations as published by Government Gazette No.16022018, as a result items like catering, Subsistence and Travelling and Conference fees have been reduced drastically.

Table 1 hereunder summarizes the budget per department. General Managers must manage their own budgets consulting with the Chairpersons of the Standing Committees and the Standing Committees where necessary. Allocations per line item are done by the departments themselves, as long as they don't exceed the amounts allocated per Table.

1. Table 1 which is Consolidated Overview of the 2018/19 Medium Term Revenue Expenditure Forecast.

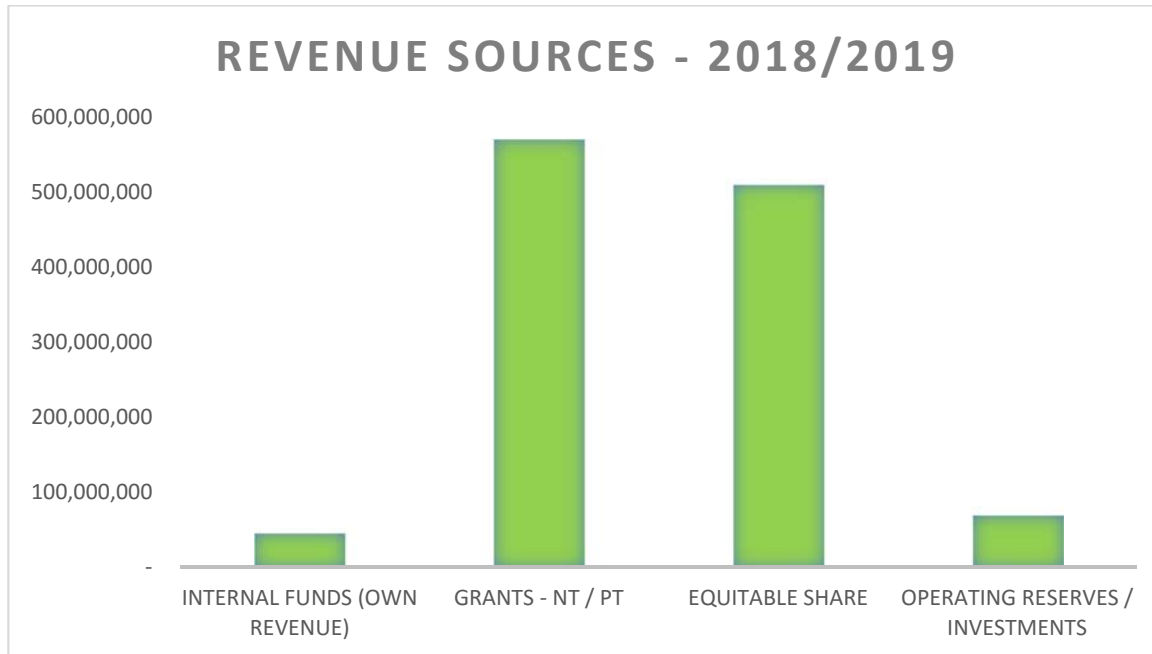
TOTAL DEPARTMENTAL BUDGETS			
ITEM NAME	ORIGINAL BUDGET 2017/2018	MID-TERM ADJUSTMENT BUDGET 2017/2018	DRAFT ANNUAL BUDGET 2018/2019
Executive and Council	12 938 363	12 820 676	12 633 058
Speaker	2 695 500	2 695 500	2 880 000
Chief Whip	475 000	475 000	425 000
Municipal Manager	47 590 656	43 178 566	48 466 245
Special Programs Unit	4 400 000	4 400 000	4 450 000
Planning and LED	36 373 364	35 481 799	38 697 520
BTO	130 873 530	154 982 361	175 851 788
IDMS	701 041 016	699 340 248	751 181 883
Community Services	68 934 292	69 522 653	83 832 317
Corporate Services	58 343 209	58 820 420	71 942 949
TOTAL BUDGET	1 063 664 930	1 081 717 223	1 190 360 760

3. Operating Revenue Framework

Table 2 Summary of revenue classified by main revenue source

REVENUE SOURCES - 2017 / 2018		
DESCRIPTION	AMOUNT	%
INTERNAL FUNDS (OWN REVENUE)	46 023 808	3.15%
GRANTS - NT / PT	571 313 000	49.44%
EQUITABLE SHARE	510 344 000	38.28%
OPERATING RESERVES / INVESTMENTS	70 000 000	9.13%
TOTAL OPERATING REVENUE	1 197 680 808	100.00%

REVENUE SOURCES IN TERMS OF GRAPH



Implementing a revenue enhancement turnaround strategy is the only plan to be implemented to achieve better revenue outcomes, by critically reviewing the current revenue management business models and processes being applied within the Alfred Nzo District Municipality.

To effectively deal with the current challenges, ANDM must plan and implement effective and integrated revenue enhancement strategies. To improve on the current business model it is important to identify all the critical elements that currently affect municipal revenue performance.

This review process will provide a sound platform for effective planning. The need for an integrated approach should not be taken lightly. Isolated projects that focus on symptoms like debt and access to services, rather than root cause further compound the current crisis.

For the district municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the district municipality and continued economic development;

- Efficient revenue management, which aims to ensure approximately 60% per cent of annual collection rate for key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services (water and sanitation);
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;

3.1 Conventional Water Meter & Prepaid Water Meter Maintenance

To ensure that the prepaid water meters installed are maintained and kept in working order, the maintenance of these meters is critical, in future we expect to see an increase in water meter maintenance. The maintenance process required that the correct procedures are followed to ensure that should the Auditor General (AG) require any information, all will be available. These procedures included: - Logging on the maintenance issue, issuing of a Works Order, recording the action taken by the visiting plumbers, this could include: Possible materials used; the labelling and storage of each meter being removed; recording of the prepaid meter number replaced; completion of the warranty form if required, register GPS Coordinates; register Time and Date of action, pairing of User Interface units of consumers.

DC44 Alfred Nzo - Table A1 Consolidated Budget Summary

Description	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
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	18 777	25 668	19 257	23 586	22 031	22 031	22 031	27 653	29 146	30 749
Investment revenue	27 160	11 871	8 000	10 000	10 000	10 000	10 000	17 079	18 001	18 991
Transfers recognised - operational	374 159	480 062	566 836	467 480	464 950	464 950	464 950	536 743	570 619	628 123
Other own revenue	3 346	5 392	64 124	57 451	70 885	70 885	70 885	71 292	75 212	79 348
Total Revenue (excluding capital transfers and contributions)	423 441	522 994	658 216	558 517	567 866	567 866	567 866	652 767	692 978	757 212
Employee costs	189 602	198 473	224 244	251 940	230 191	230 191	230 191	267 285	281 640	297 337
Remuneration of councillors	8 626	8 688	9 340	9 998	9 881	9 881	9 881	10 293	10 849	11 446
Depreciation & asset impairment	51 430	58 862	55 000	55 000	70 000	70 000	70 000	70 000	73 780	77 838
Finance charges	1 641	6 529	-	888	888	888	888	808	852	899
Materials and bulk purchases	33 189	48 215	4 154	24 200	26 714	26 714	26 714	57 889	61 015	64 371
Transfers and grants	79 492	43 906	-	20 000	20 000	20 000	20 000	20 000	21 080	22 239
Other expenditure	167 218	190 742	20 000	118 755	190 116	190 116	190 116	231 785	243 070	252 682
Total Expenditure	531 198	555 416	312 739	480 781	547 791	547 791	547 791	658 060	692 286	726 811
Surplus/(Deficit)	(107 757)	(32 422)	345 478	77 736	20 075	20 075	20 075	(5 293)	692	30 401
Transfers and subsidies - capital (monetary alloc	445 782	422 206	-	535 274	535 274	535 274	535 274	544 914	501 009	591 351
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	338 025	389 785	345 478	613 010	555 349	555 349	555 349	539 621	501 701	621 752
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	338 025	389 785	345 478	613 010	555 349	555 349	555 349	539 621	501 701	621 752
Capital expenditure & funds sources										
Capital expenditure	508 010	527 549	583 296	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Transfers recognised - capital	476 583	500 261	571 916	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	31 427	24 728	-	-	-	-	-	-	-	-
Total sources of capital funds	508 010	524 989	571 916	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Financial position										
Total current assets	198 045	80 143	60 138	484 823	592 168	592 168	592 168	562 017	607 999	656 097
Total non current assets	2 855 446	2 855 446	2 859 369	10 000	951 200	951 200	951 200	479 380	432 489	518 985
Total current liabilities	172 760	172 760	200 005	-	998 617	998 617	998 617	26 308	27 729	29 254
Total non current liabilities	19 717	19 717	1 005 057	-	-	-	-	-	-	-
Community wealth/Equity	2 743 113	2 743 113	1 714 445	494 823	544 751	544 751	544 751	1 015 088	1 012 759	1 145 828
Cash flows										
Net cash from (used) operating	1 302 681	1 481 911	571 783	562 400	555 349	555 349	555 349	635 121	602 358	727 945
Net cash from (used) investing	-	119 298	(1 496 783)	(532 274)	(533 926)	(533 926)	(533 926)	(532 301)	(488 268)	(577 831)

Net cash from (used) financing	-	542	967 767	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	1 437 284	1 675 573	42 767	66 496	21 423	21 423	21 423	139 189	253 280	403 393
Cash backing/surplus reconciliation										
Cash and investments available	126 606	36 375	163 193	473 623	470 097	470 097	470 097	501 707	544 432	589 034
Application of cash and investments	(11 223)	116 159	174 110	55 000	957 729	957 729	957 729	70 000	73 850	77 912
Balance - surplus (shortfall)	137 829	(79 784)	(10 917)	418 623	(487 632)	(487 632)	(487 632)	431 707	470 582	511 122
Asset management										
Asset register summary (WDV)	2 393 623	2 864 778	1 814 076	2 334 188	-	-	-	-	-	-
Depreciation	47 964	39 607	-	55 000	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	29 111	-	-	21 200	19 750	19 750	-	51 959	54 765	57 777
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	24	24	24	100	-	-	-	-	-	-
Sanitation/sew erage:	28	-	28	-	-	-	-	-	-	-
Energy :	3	-	4 161	-	-	-	-	-	-	-
Refuse:	232	-	226	-	-	-	-	-	-	-

Only revenue generated from water and sanitation service charges forms a significant percentage of own generated revenue. Such revenue totals R27 million (2018/19), R29 million (2019/20) and R30 million (2020/21) over the MTREF. The district municipality is intending to perform a water meter audit during the 18/19 financial year. Linked to this project is a data cleansing project. The meter audit will be performed so as to identify all faulty meters to either fix or replace them for all consumers who do not have functioning water meters.

Likewise with all other rural district municipalities, our District municipality significantly relies on grants to finance both its operations and capital expenditure without which it could cease to exist. The implementation of revenue enhancement strategy is imperative in ensuring increase in ANDM's internal revenue.

Included in programs budgeted for that continue to be unfunded mandates is Municipal Health Services. The agreement signed between the district municipality and the relevant department has come to an end on the 16/17 financial year and this program is funded internally. Until the district municipality realizes the portion of grant to finance expenditure that goes with this function, continuing to finance it internally will remain an unfunded mandate. As a result of this anomaly and as required by the Municipal Budget and Reporting Regulations, the 2018/19 budget has not accounted for any grant to be received in lieu of this function as it has not been gazetted in the Provincial Gazette.

Operating grants and transfers totals R536 million in the 2018/19 financial year and increases to R570 million in 2019/20 and steadily increases again to R628 million in 2020/21. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

			BUDGET YR.1	BUDGET YR.2	BUDGET YR.3
2018/19 Medium Term Revenue & Expenditure Framework					
	ORIGINAL BUDGET	APPROVED ADJUSTMENT BUDGET	PROPOSED DRAFT ANNUAL BUDGET 2018 - 2019	Budget Year +1 2019/20	Budget Year +1 2020/2021
GRANTS RECEIVED					
Equitable Share (14000/14001)	- 437 586 000.00	- 437 181 000.00	- 455 683 000.00	- 495 923 000.00	- 537 857 000.00
RSC Levies Replacement			- 54 661 000.00	- 59 481 000.00	- 64 656 000.00
FMG. (14000/16100)	- 1 795 000.00	- 1 795 000.00	- 1 865 000.00	- 1 790 000.00	- 10 844 000.00
MSIG (14000/16107)	- 2 425 000.00	-	-	-	-
EPWP (14000/16108)	- 10 280 000.00	- 10 280 000.00	- 10 844 000.00	-	-
MIG. (14000/16111)	- 382 989 000.00	- 382 989 000.00	- 367 914 000.00	- 376 009 000.00	- 398 401 000.00
Regional Bulk Infrastructure Grant (14000/16113)	- 40 000 000.00	- 40 000 000.00	- 67 000 000.00	- 35 000 000.00	- 98 000 000.00
WSIG (14000/16122)	- 110 000 000.00	- 110 000 000.00	- 110 000 000.00	- 90 000 000.00	- 94 950 000.00
Infrastructure Skills Development Grant. (14000/16128)	- 5 394 000.00	- 5 394 000.00	- 5 400 000.00	- 5 000 000.00	- 6 200 000.00
Energy Efficient Demand Side Management (14000/16136)	- 5 000 000.00	- 5 000 000.00	- 6 000 000.00	- 6 000 000.00	- 6 000 000.00
Rural Road Asset Management Grant (14000/16115)	- 2 285 000.00	- 2 285 000.00	- 2 290 000.00	- 2 425 000.00	- 2 566 000.00
LG Seta Mandatory (14000/)	- 5 000 000.00	- 5 000 000.00	-	-	-
LG Seta Refund. (14000/17006)	- 300 000.00	- 300 000.00	-	-	-
TOTAL GRANTS RECEIVED	- 1 003 054 000.00	- 1 000 224 000.00	- 1 081 657 000.00	- 1 071 628 000.00	- 1 219 474 000.00

4. Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective. As a district municipality, plans are that once the water meter audit exercise is completed as well as installation of water meters, a tariff determination exercise will be performed for full implementation during the 2018/19 financial year.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 6 per cent from 1 July 2018 for water is proposed. This is based primarily on the CPI inflation rate of 6.1 per cent as projected by the National Treasury. In addition once credible systems are put in place it is expected that 6 kℓ water per 30-day period will again be granted free of charge to all qualifying residents.

4.1. Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2018 is also proposed. This is based on the input cost assumptions related to water. The proposed tariff increases remain the same as those proposed in the current year. Due to prevailing economic conditions, increasing these beyond the current inflation rate would impact negatively on consumer's ability to service their debts.

5.2 Operating Expenditure Framework

The District 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;
 - Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
 - Ensuring that the district municipality implements the back to basics exercise so as to reduce non-priority spending.

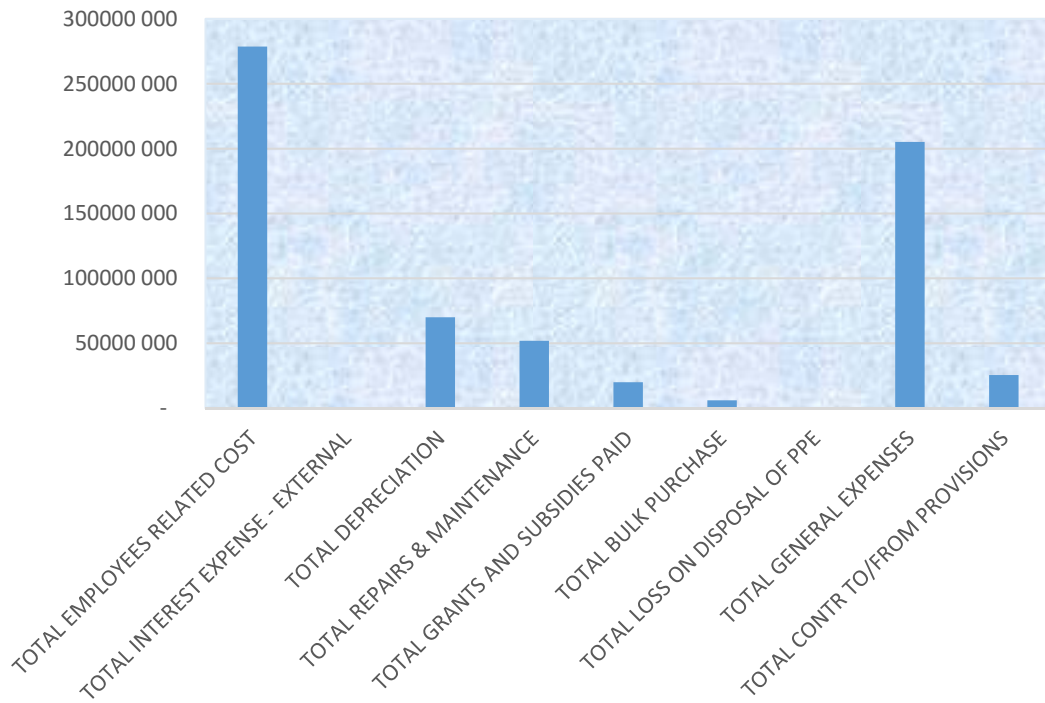
The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure)

DC44 Alfred Nzo - Table A4 Consolidated 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
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	16 960	25 668	16 748	20 054	18 484	18 484	18 484	23 893	25 183	26 568
Service charges - sanitation revenue	2	1 816	-	2 509	3 532	3 547	3 547	3 547	3 760	3 963	4 181
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other											
Rental of facilities and equipment		184	234	131	401	352	352	352	440	463	489
Interest earned - external investments		27 160	871	8 000	10 000	10 000	10 000	10 000	17 079	18 001	18 991
Agency services		31	20			-	-	-			
Transfers and subsidies		374 159	480 062	566 836	467 480	464 950	464 950	464 950	536 743	570 619	628 123
Other revenue	2	3 131	5 138	63 993	57 050	70 533	70 533	70 533	70 853	74 749	78 860
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		423 441	522 994	658 216	558 517	567 866	567 866	567 866	652 767	692 978	757 212
Expenditure By Type											
Employee related costs	2	189 602	198 473	224 244	251 940	230 191	230 191	230 191	267 285	281 640	297 337
Remuneration of councillors		8 626	8 688	9 340	9 998	9 881	9 881	9 881	10 293	10 849	11 446
Debt impairment	3	13 543	22 129	20 000	22 500	22 500	22 500	22 500	25 500	26 877	28 355
Depreciation & asset impairment	2	51 430	58 862	55 000	55 000	70 000	70 000	70 000	70 000	73 780	77 838
Finance charges		1 641	6 529		888	888	888	888	808	852	899
Bulk purchases	2	4 078	5 350	4 154	3 000	4 644	4 644	4 644	6 000	6 324	6 672
Other materials	8	29 111	42 865		21 200	22 071	22 071	22 071	51 889	54 691	57 699
Contracted services		41 100	31 034	-	-	73 715	73 715	73 715	99 856	105 248	108 391
Transfers and subsidies		79	43 906	-	20 000	20 000	20 000	20 000	20 000	21 080	22 239
Other expenditure	4, 5	112 238	133 172	-	96 255	93 901	93 901	93 901	106 429	110 946	115 936
Loss on disposal of PPE		337	4 408								
Total Expenditure		531 198	555 416	312 739	480 781	547 791	547 791	547 791	658 060	692 286	726 811
Surplus/(Deficit)		(107 757)	(32 422)	345 478	77 736	20 075	20 075	20 075	(5 293)	692	30 401
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		445 782	422 206		535 274	535 274	535 274	535 274	544 914	501 009	591 351

Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		338 025	389 785	345 478	613 010	555 349	555 349	555 349	539 621	501 701	621 752
Taxation											
Surplus/(Deficit) after taxation		338 025	389 785	345 478	613 010	555 349	555 349	555 349	539 621	501 701	621 752
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		338 025	389 785	345 478	613 010	555 349	555 349	555 349	539 621	501 701	621 752
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		338 025	389 785	345 478	613 010	555 349	555 349	555 349	539 621	501 701	621 752

EXPENDITURE ALLOCATIONS - 2018 / 2019



The budgeted allocation for employee related costs for the 2018/19 financial year totals R278.6 million, which equals 42 per cent of the total operating expenditure. Salary increases have been factored into this budget at a percentage increase of 7.36 per cent for the 2018/19 financial year maintaining last year's percentage as per SALGA Bargaining Council. An annual increase of 5.4 and 5.5 per cent has been included in the two outer years of the MTREF (CPI plus 1%). As part of the District Municipalities cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards.

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 district municipality's budget and a provision of 7.36 percent has accordingly been made to cushion such costs.

A significant provision has been made in lieu of depreciation expense (R70 million – 2018/19, R73 million – 2019/20 and R77 million – 2020/21 respectively). This is in line with the continued capital infrastructure program being implemented by the district municipality on an annual basis. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. It must also be noted that the implementation of GRAP 17 accounting standard has meant bringing a range of assets

previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

The district municipality has made a provision of R51 million in the 2018/19 budget for repairs and maintenance. This is in line with the National Treasury's requirement of 8% of the total operating cost, provision to be made from the Total Property, Plant and Equipment (PPE) in line with MFMA circular number 55. This is however a significant increase of R29 million from the provision made in the current draft annual budget (R51 million) vs adjustments budget.

As part of the review of the local government infrastructure grant framework, National Treasury has announced in the 2016 Division of Revenue Bill that the rules in the municipal infrastructure grant (MIG) framework will be amended to allow funds to be used to refurbish and replace infrastructure in the future. This will assist municipalities in the long-run as they do not have sufficient funding to make such provisions from their own budgets.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital).

Bulk purchases are directly informed by the purchase of water from the Department of Water Affairs (DWA). The total provision made in lieu of bulk water purchases during 2018/19 is R6 million.

6. Capital expenditure

Table 5 Summary of Capital Expenditure Municipal Vote

DC44 Alfred Nzo - Table A5 Consolidated 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
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	-	550	600	600	600	-	-	-
Vote 2 - Planning and Development		-	-	-	100	70	70	70	-	-	-
Vote 3 - Budget and Treasury		29 396	-	1 930	1 912	1 705	1 705	1 705	-	-	-
Vote 4 - Technical Services		476 583	-	545 457	520 112	522 496	522 496	522 496	-	-	-
Vote 5 - Community Services		-	-	6 550	1 650	1 050	1 050	1 050	-	-	-
Vote 6 - Corporate Services		2 031	-	15 000	7 950	8 006	8 006	8 006	-	-	-
Capital multi-year expenditure sub-total	7	508 010	-	568 937	532 274	533 926	533 926	533 926	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	-	550	600	600	600	106	111	118
Vote 2 - Planning and Development		-	-	-	100	70	70	70	70	74	78
Vote 3 - Budget and Treasury		29 396	-	-	1 912	1 705	1 705	1 705	14 600	15 388	16 235
Vote 4 - Technical Services		476 583	-	-	520 112	522 496	522 496	522 496	504 325	458 782	546 723
Vote 5 - Community Services		-	-	-	1 650	1 050	1 050	1 050	2 700	2 846	3 002
Vote 6 - Corporate Services		2 031	-	-	7 950	8 006	8 006	8 006	10 500	11 067	11 676
Capital single-year expenditure sub-total		508 010	-	-	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Total Capital Expenditure - Vote		1 016 020	-	568 937	1 064 547	1 067 853	1 067 853	1 067 853	532 301	488 268	577 831
Capital Expenditure - Functional											
Governance and administration		31 427	2 560	4 830	10 412	10 311	10 311	10 311	25 206	26 567	28 028
Executive and council		-	-	2 900	550	600	600	600	106	111	118
Finance and administration		31 427	2 560	1 930	1 912	1 705	1 705	1 705	14 600	15 388	16 235
Internal audit		-	-	-	7 950	8 006	8 006	8 006	10 500	11 067	11 676
Community and public safety		-	-	6 550	1 650	1 050	1 050	1 050	2 700	2 846	3 002
Community and social services		-	-	6 550	1 500	900	900	900	200	211	222
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	150	150	150	150	2 500	2 635	2 780
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	100	70	70	70	70	74	78
Planning and development		-	-	-	100	70	70	70	70	74	78
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		476 583	524 989	571 916	520 112	522 496	522 496	522 496	504 325	458 782	546 723
Energy sources		-	-	-	-	-	-	-	-	-	-
Water management		476 583	524 989	571 916	520 112	522 496	522 496	522 496	504 325	458 782	546 723
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	508 010	527 549	583 296	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Funded by:											
National Government		476 583	500 261	571 916	531 974	533 626	533 626	533 626	532 301	488 268	577 831
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	300	300	300	300	-	-	-
Transfers recognised - capital	4	476 583	500 261	571 916	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		31 427	24 728	-	-	-	-	-	-	-	-
Total Capital Funding	7	508 010	524 989	571 916	532 274	533 926	533 926	533 926	532 301	488 268	577 831

For 2018/19 a total budget of R504 million has been appropriated for the development of infrastructure which equates to a 94 per cent of the total capital budget of ANDM included projects to be funded internally.

Whilst it makes sense to finance projects internally, consideration should be made to the extent of internal funds available to finance such projects.

7.1 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.

7.2 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 detail reconciliation of the cash backed reserves/surpluses will be provided in the final budget. Attached is the provisional report.

DC44 Alfred Nzo Supporting Table SA10 Funding measurement

Total Operating Revenue			423 441	522 994	658 216	558 517	567 866	567 866	567 866	652 767	692 978	757 212
Total Operating Expenditure			531 198	555 416	312 739	480 781	547 791	547 791	547 791	658 060	692 286	726 811
Operating Performance Surplus/(Deficit)			(107 757)	(32 422)	345 478	77 736	20 075	20 075	20 075	(5 293)	692	30 401
Cash and Cash Equivalents (30 June 2012)										139 189		
Revenue												
% Increase in Total Operating Revenue				23.5%	25.9%	(15.1%)	1.7%	0.0%	0.0%	15.0%	6.2%	9.3%
% Increase in Property Rates Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Electricity Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges				36.7%	(25.0%)	22.5%	(6.6%)	0.0%	0.0%	25.5%	5.4%	5.5%
Expenditure												
% Increase in Total Operating Expenditure				4.6%	(43.7%)	53.7%	13.9%	0.0%	0.0%	20.1%	5.2%	5.0%
% Increase in Employee Costs				4.7%	13.0%	12.4%	(8.6%)	0.0%	0.0%	16.1%	5.4%	5.6%
% Increase in Electricity Bulk Purchases				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)					1010108.185	508969.3657				38183602.57		
Average Cost Per Councillor (Remuneration)					153119.2951	204048.216				0		
R&M % of PPE		1.0%	0.0%	0.0%	0.0%	0.0%	2.1%	2.1%		11.2%	13.2%	11.6%
Asset Renewal and R&M as a % of PPE		1.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Debt Impairment % of Total Billable Revenue		72.1%	86.2%	103.9%	95.4%	102.1%	102.1%	102.1%		92.2%	92.2%	92.2%
Capital Revenue												
Internally Funded & Other (R'000)			31 427	24 728	-	-	-	-	-	-	-	-
Borrowing (R'000)			-	-	-	-	-	-	-	-	-	-
Grant Funding and Other (R'000)			476 583	500 261	571 916	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Internally Generated funds % of Non Grant Funding			100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing % of Non Grant Funding			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding			93.8%	95.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Capital Expenditure												
Total Capital Programme (R'000)			508 010	527 549	583 296	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Asset Renewal			-	-	-	-	-	-	-	-	-	-
Asset Renewal % of Total Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash												
Cash Receipts % of Rate Payer & Other			260.9%	115.0%	37.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash Coverage Ratio			0	0	0	0	0	0	0	0	0	0
Borrowing												
Credit Rating (2009/10)										0		
Capital Charges to Operating			0.3%	1.1%	10.3%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%
Borrowing Receipts % of Capital Expenditure			0.0%	0.0%	(33570.2%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves												
Surplus/(Deficit)			137 829	(79 784)	(10 917)	418 623	(487 632)	(487 632)	(487 632)	431 707	470 582	511 122
Free Services												
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
High Level Outcome of Funding Compliance												
Total Operating Revenue			423 441	522 994	658 216	558 517	567 866	567 866	567 866	652 767	692 978	757 212
Total Operating Expenditure			531 198	555 416	312 739	480 781	547 791	547 791	547 791	658 060	692 286	726 811
Surplus/(Deficit) Budgeted Operating Statement			(107 757)	(32 422)	345 478	77 736	20 075	20 075	20 075	(5 293)	692	30 401
Surplus/(Deficit) Considering Reserves and Cash Backing			137 829	(79 784)	(10 917)	418 623	(487 632)	(487 632)	(487 632)	431 707	470 582	511 122
MTREF Funded (1) / Unfunded (0)	15	1	0	0	1	0	0	0	0	1	1	1
MTREF Funded ✓ / Unfunded ✗	15	✓	✗	✗	✓	✗	✗	✗	✗	✓	✓	✓

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.

7.3 Monthly average payments covered by cash or cash equivalents/ Cash flow Statement

DC44 Alfred Nzo - Supporting Table SA30 Consolidated budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash Receipts By Source														1		
Property rates													-			
Service charges - electricity revenue													-			
Service charges - water revenue	1 991	1 991	1 991	1 991	1 991	1 991	1 991	1 991	1 991	1 991	1 991	1 991	1 991	23 893	25 183	26 568
Service charges - sanitation revenue	313	313	313	313	313	313	313	313	313	313	313	313	313	3 760	3 963	4 181
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	-	-	-	-			
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-			
Rental of facilities and equipment	37	37	37	37	37	37	37	37	37	37	37	37	37	440	463	489
Interest earned - external investments	1 423	1 423	1 423	1 423	1 423	1 423	1 423	1 423	1 423	1 423	1 423	1 423	1 423	17 079	18 001	18 991
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-			
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-			
Fines, penalties and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-			
Licences and permits	-	-	-	-	-	-	-	-	-	-	-	-	-			
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-			
Transfer receipts - operational	44 729	44 729	44 729	44 729	44 729	44 729	44 729	44 729	44 729	44 729	44 729	44 729	44 729	536 743	570 619	628 123
Other revenue	5 904	5 904	5 904	5 904	5 904	5 904	5 904	5 904	5 904	5 904	5 904	5 904	5 904	70 853	74 749	78 860
Cash Receipts by Source	54 397	54 397	54 397	54 397	54 397	54 397	54 397	54 397	54 397	54 397	54 397	54 397	54 397	652 767	692 978	757 212
Other Cash Flows by Source																
Transfer receipts - capital	45 410	45 410	45 410	45 410	45 410	45 410	45 410	45 410	45 410	45 410	45 410	45 410	45 410	544 914	501 009	591 351
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)																
Proceeds on disposal of PPE																
Short term loans																
Borrowing long term/refinancing																
Increase (decrease) in consumer deposits																
Decrease (Increase) in non-current debtors																
Decrease (increase) other non-current receivables																
Decrease (increase) in non-current investments																
Total Cash Receipts by Source	99 807	99 807	99 807	99 807	99 807	99 807	99 807	99 807	99 807	99 807	99 807	99 807	99 807	1 197 681	1 193 987	1 348 563
Cash Payments by Type																
Employee related costs	22 274	22 274	22 274	22 274	22 274	22 274	22 274	22 274	22 274	22 274	22 274	22 274	22 274	267 285	281 640	297 337
Remuneration of councillors	858	858	858	858	858	858	858	858	858	858	858	858	858	10 293	10 849	11 446
Finance charges	67	67	67	67	67	67	67	67	67	67	67	67	67	808	852	899
Bulk purchases - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-			
Bulk purchases - Water & Sewer	500	500	500	500	500	500	500	500	500	500	500	500	500	6 000	6 324	6 672
Other materials	4 324	4 324	4 324	4 324	4 324	4 324	4 324	4 324	4 324	4 324	4 324	4 324	4 324	51 889	54 691	57 699
Contracted services	8 321	8 321	8 321	8 321	8 321	8 321	8 321	8 321	8 321	8 321	8 321	8 321	8 321	99 856	105 248	108 391
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-			
Transfers and grants - other	1 667	1 667	1 667	1 667	1 667	1 667	1 667	1 667	1 667	1 667	1 667	1 667	1 667	20 000	21 080	22 239
Other expenditure	8 869	8 869	8 869	8 869	8 869	8 869	8 869	8 869	8 869	8 869	8 869	8 869	8 869	106 429	110 946	115 936
Cash Payments by Type	46 880	46 880	46 880	46 880	46 880	46 880	46 880	46 880	46 880	46 880	46 880	46 880	46 880			

NET INCREASE/(DECREASE) IN CASH HELD	8 568	8 568	8 568	8 568	8 568	8 568	8 568	8 568	8 568	8 568	8 568	8 568	665 380	705 719	770 731
Cash/cash equivalents at the month/year begin:	36 369	44 938	53 506	62 074	70 643	79 211	87 779	96 348	104 916	113 484	122 053	130 621	36 369	701 749	1 407 468
Cash/cash equivalents at the month/year end:	44 938	53 506	62 074	70 643	79 211	87 779	96 348	104 916	113 484	122 053	130 621	139 189	701 749	1 407 468	2 178 200

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. It is especially important to consider the position should the municipality be faced with an expected disaster that threatens revenue collection such as water or service charges boycotts. As part of the 2018/2019 MTREF the municipalities decrease in cash position causes the ratio to move downwards and then increase slightly for outer years. As indicated above the Municipality aims to archive 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.

The repayment of R 120 million loan from DBSA is illustrated above to be R808 thousand. ANDM cash flow is negative showing a decrease in internal funding. The balance of R665 million the two outer years analyses of cash flow shows an increase in cash balance which is R705 million for 2019/20 and R770 million for 2021/21. The surplus of R7million will assist in enhancing cash flows. This will therefore assist in reducing the municipal debt, (creditors / Accruals) and strategically allocated based on available cash at the time of payment.

7.4 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.

7.5 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.

7.6 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. It can be seen that a 100 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days of which this is not the case with the ANDM due to financial constraints except for the grant funded projects.

7.7 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

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 per cent 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.

7.8 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

7.9 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.

7.10 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 renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability.

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 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.

Total Operating Revenue		423 441	522 994	658 216	558 517	567 866	567 866	567 866	652 767	692 978	757 212
Total Operating Expenditure		531 198	555 416	312 739	480 781	547 791	547 791	547 791	658 060	692 286	726 811
Operating Performance Surplus/(Deficit)		(107 757)	(32 422)	345 478	77 736	20 075	20 075	20 075	(5 293)	692	30 401
Cash and Cash Equivalents (30 June 2012)									139 189		
Revenue											
% Increase in Total Operating Revenue			23.5%	25.9%	(15.1%)	1.7%	0.0%	0.0%	15.0%	6.2%	9.3%
% Increase in Property Rates Revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Electricity Revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges			36.7%	(25.0%)	22.5%	(6.6%)	0.0%	0.0%	25.5%	5.4%	5.5%
Expenditure											
% Increase in Total Operating Expenditure			4.6%	(43.7%)	53.7%	13.9%	0.0%	0.0%	20.1%	5.2%	5.0%
% Increase in Employee Costs			4.7%	13.0%	12.4%	(8.6%)	0.0%	0.0%	16.1%	5.4%	5.6%
% Increase in Electricity Bulk Purchases			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)				1010108.185	508969.3657				38183602.57		
Average Cost Per Councillor (Remuneration)				153119.2951	204048.216				0		
R&M % of PPE		1.0%	0.0%	0.0%	0.0%	2.1%	2.1%		11.2%	13.2%	11.6%
Asset Renewal and R&M as a % of PPE		1.0%	0.0%	0.0%	1.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Debt Impairment % of Total Billable Revenue		72.1%	86.2%	103.9%	95.4%	102.1%	102.1%	102.1%	92.2%	92.2%	92.2%
Capital Revenue											
Internally Funded & Other (R'000)		31 427	24 728	-	-	-	-	-	-	-	-
Borrowing (R'000)		-	-	-	-	-	-	-	-	-	-
Grant Funding and Other (R'000)		476 583	500 261	571 916	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Internally Generated funds % of Non Grant Funding		100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing % of Non Grant Funding		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding		93.8%	95.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Capital Expenditure											
Total Capital Programme (R'000)		508 010	527 549	583 296	532 274	533 926	533 926	533 926	532 301	488 268	577 831
Asset Renewal		-	-	-	-	-	-	-	-	-	-
Asset Renewal % of Total Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash											
Cash Receipts % of Rate Payer & Other		260.9%	115.0%	37.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash Coverage Ratio		0	0	0	0	0	0	0	0	0	0
Borrowing											
Credit Rating (2009/10)									0		
Capital Charges to Operating		0.3%	1.1%	10.3%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%
Borrowing Receipts % of Capital Expenditure		0.0%	0.0%	(33570.2%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves											
Surplus/(Deficit)		137 829	(79 784)	(10 917)	418 623	(487 632)	(487 632)	(487 632)	431 707	470 582	511 122
Free Services											
Free Basic Services as a % of Equitable Share		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
High Level Outcome of Funding Compliance											
Total Operating Revenue		423 441	522 994	658 216	558 517	567 866	567 866	567 866	652 767	692 978	757 212
Total Operating Expenditure		531 198	555 416	312 739	480 781	547 791	547 791	547 791	658 060	692 286	726 811
Surplus/(Deficit) Budgeted Operating Statement		(107 757)	(32 422)	345 478	77 736	20 075	20 075	20 075	(5 293)	692	30 401
Surplus/(Deficit) Considering Reserves and Cash Backing		137 829	(79 784)	(10 917)	418 623	(487 632)	(487 632)	(487 632)	431 707	470 582	511 122
MTREF Funded (1) / Unfunded (0)	15	1	0	0	1	0	0	0	1	1	1
MTREF Funded ✓ / Unfunded ✗	15	✓	✗	✗	✓	✗	✗	✗	✓	✓	✓

8 Municipal manager's quality certificate

I, municipal manager of Alfred Nzo District Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 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.

Print Name_____

Municipal manager of Alfred Nzo District Municipality (DC44)

Signature_____

Date_____