



**1. MAYORAL OVERVIEW: 2017/18 FINAL BUDGET**

The Final Budget of the Municipality must be presented to Council before 31 May 2017 for adoption.

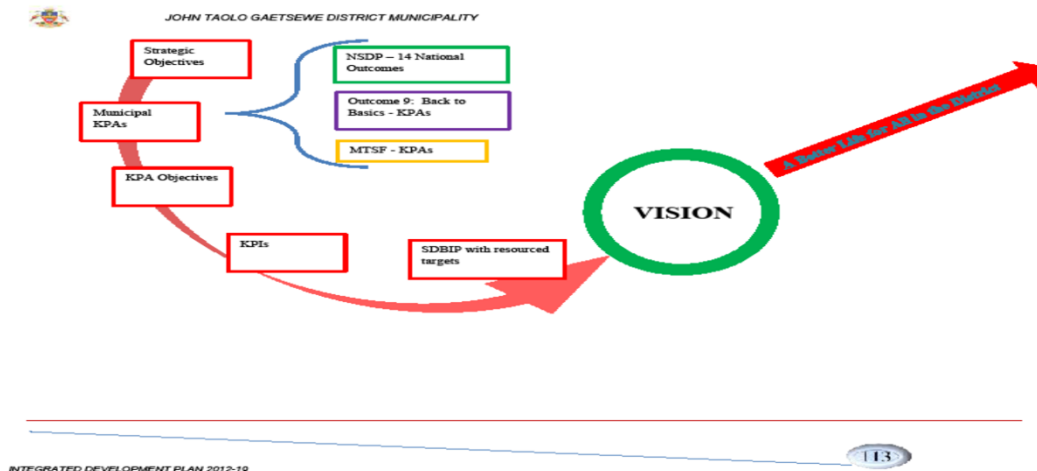
As required by legislation, the Integrated Development Plan (IDP) will be adopted by Council after consultation with stakeholders and addresses the challenges and achievements of the year under review.

Council continues to operate under strenuous financial conditions and thereby to do more with limited resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms. The Budget Steering Committee have worked hard to try and also assist in enforcing implementation of the cost containment to reduce expenditure in order to have our budget to comply the mSCOA regulations. Given the fact that we operate under limited resources, the municipality will have to do more with less and work harder and smarter. As a municipality we need to utilize our financial resources efficiently and effectively and also as part of the cost containment measures, reduce expenditure on non-essential services. For survival, the municipality will have to look at ways through which we can provide services and generate income in order to achieve being financial sustainable.

**LINKAGES BETWEEN ANNUAL BUDGET, IDP AND THE POLITICAL PRIORITIES AT THE NATIONAL, PROVINCIAL, DISTRICT AND LOCAL MUNICIPALITIES**

The process of compilation of a new IDP for another five year cycle has been culminated into an IDP Lekgotla held on 15th and 16th of March 2017. The IDP/Budget Roadshows were held with the community on the 16 - 19 May 2017 and also taken into consideration. The participation process in the District Municipality depend on the participation of the Local Municipalities and sector departments. This is recognized in the Process Plan of each local municipality, which decide on its own process and where necessary the District Municipality provided assistance through its Planning Centre. The municipality has aligned its priorities with the 14 national outcomes in the MTSF of the Government as based on the NSDP. Priorities are further aligned to the six KPA's for local government.

The following flowchart is an illustration of the alignment between these plans and the municipal priorities, KPA's, service delivery objectives, KPI's and annual targets.



## **SUMMARY OF ANY MATERIAL AMENDMENTS MADE TO THE ANNUAL BUDGET AFTER CONSULTATION PROCESS**

There were no material changes made to the final budget after consultation with the community by the management team and the budget steering committee. The budget is zero-based meaning there will be no deficit for the final budget 2017/18. In the case that there is a surplus for the amount of R946 000 is to fund the purchase of movable assets (vehicle and disaster management equipment). Final budget 2017/18 were made to cut costs on the non-essential services (S&T, catering services, forums etc.) with the aim to reduce expenditure. The reduction on non-essential services were done to comply with Circular 82 from National Treasury on cost containment measures.

- No changes were made to our Priorities, Vision, Mission and Values
- Employee related costs had a significant impact on the overall Final budget.
- The Final Budget is aligned to be mSCOA compliant

### **2. EXECUTIVE SUMMARY: 2017/18 FINAL BUDGET**

The application of sound financial management principles for the compilation of the John Taolo District Municipality budget 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.

In compiling this financial plan, priority was given to the service delivery departments namely Basic Services, Community Development Services and Local Economic Development (LED). The 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 programmes.

All views from the Local Municipalities, National and Provincial Treasuries and other relevant provincial and national departments has been considered and the municipality will also follow the requirements of Section 16 of the MFMA in compilation of this budget in order to present the final budget to all relevant stakeholders.

#### **2.1. DEVELOPMENTAL CHALLENGES**

The John Taolo Gaetsewe District Municipality faces huge developmental challenges, which revolve around finding ways to obtain additional funding sources to meet basic, social and economic needs of the people of John Taolo Gaetsewe District.

**The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:**

- To allocate limited funding to achieve a balance between the needs and requirements of the various strategic focus areas relevant to the Municipality's powers and functions as identified in the IDP consultative process. The municipality continues to be grant dependent with 97,5% of its budget being funded from grants and subsidies and the remainder revenue sources being expected from investments and the Local Municipalities (Audit and Risk Shared Services).
- Wage increases for municipal staff that continue to exceed the wage bill limitation and inflation, as well as the need to fill critical vacancies;
- Ability to provide support to Local Municipalities within the District, given limited capacity/resources in terms of funding
- The increase in total expenditure on salaries which continue to exceed the norm of 32% of the total budget
- The need to fill critical posts
- Grant dependency
- New mSCOA MTREF is a challenge to all stakeholders due to change management and budgeting formats

#### **2.3. ASSUMPTIONS OF THE 2017/18 FINAL BUDGET**

Great strides have been made to ensure alignment of the budget with the IDP, national and provincial priorities. The budget for the current MTREF aims to address strategic focus areas and primary objectives within the available resources as contained in the IDP.

Recently released Budget Circular No. 85 for 2017/18 MTREF dated 9 December 2016 and Budget Circular No. 86 for 2017/18 MTREF dated 14 March 2017 where also considered.

MFMA: Municipal Budget and Reporting Regulations (MBRR) and MFMA: Regulations on Municipal Standard Chart of Accounts (mSCOA) were considered as the legislative framework

No provisions for rates, taxes and surcharges were made as the municipality is not providing services directly to the community except for the tariffs on the services provided by community development services.

No valuation roll for rates and taxes

The 2016/17 Mid-year Annual Financial Statements have been used to compile the A6 - Financial Position of the Municipality.

The current cash flow, inclusive of the outstanding commitments and investments have been taken into account to compile the A7 - Cash Flow Statement.

There is a decrease on the Remuneration for Public Office Bearers (Councillors) because a separate item under operating cost (General Expenses) on mSCOA must be used for the Sitting Allowance for Councillors not directly elected to John Taolo Gaetsewe District Municipality.

A decrease on employee related costs for employees by placing a moratorium on vacant posts.

Section 28 of the MFMA was also used as a guide to the compilation of the 2017/18 Final Budget.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Final Budget

	<b>BUDGET YEAR 2017/18</b>	<b>BUDGET YEAR 2018/19</b>	<b>BUDGET YEAR 2019/20</b>	<b>TOTAL OVER MTREF</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>TOTAL OPERATING REVENUE</b>	R 82 374 000	R 94 367 000	R 98 174 000	R 274 915 000
<b>TOTAL OPERATING EXPENDITURE</b>	R 81 428 000	R 85 606 000	R 90 583 000	R 257 617 000
<b>SURPLUS/(DEFICIT)</b>	<b>R 946 000</b>	<b>R 8 761 000</b>	<b>R 7 591 000</b>	<b>R 17 298 000</b>
<b>CAPITAL BUDGET</b>	<b>R 946 000</b>	<b>R 150 000</b>	<b>R 151 000</b>	<b>R 1 247 000</b>

Total surplus of R946 000 will be used to fund the capital expenditure for 2017/18 for the purchase of movable assets (vehicle and disaster management equipment).

As per MFMA, Section 18 for funding of expenditure:

1. An annual budget may only be funded from:
  - (a) realistically anticipated revenues to be collected;
  - (b) cash-backed accumulated funds from previous years' surpluses not committed
  - (c) borrowed funds, but only for the capital budget referred to in section 17(2)
2. Revenue projections in the budget must be realistic taking into account:
  - (a) projected revenue for the current year based on collection levels to date; and
  - (b) actual revenue collected in previous financial years.

### **3. OPERATING REVENUE FRAMEWORK**

For John Taolo Gaetsewe 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.

It is evident from the below table that the municipality continues to be grant dependent, with all revenue sources that is mainly from the allocations as per DORA. The municipality experiencing challenges with regard to revenue enhancement as we do not direct services to the communities. Aggressive funding strategies needs to be developed in order to turn the situation around.

Provision has been made in the 2017/18 SDBIP for the municipality to develop and implement the revenue enhancement strategy, which will take into consideration the following key components:

- National Treasury's guidelines and macroeconomic policy
- Municipality growth and continued economic development
- Determining the tariff escalation rate by establishing/calculating the revenue requirements for each service
- Increase ability to extend new services and recover costs
- Tariff policies of the Municipality

### 3.1 OPERATING REVENUE CLASSIFIED BY MAIN SOURCE (A4 & SA1)

TOTAL OPERATING BUDGET SUMMARY	BUDGET YEAR 2017/18	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	TOTAL OVER MTREF
<b>SUMMARY OF REVENUE PER TYPE</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
District: Planning Tribunal And Appeals Authority	(R 225 000)	(R 225 000)	(R 225 000)	(R 675 000)
Audit Shared Services	(R 1 286 254)	(R 1 375 843)	(R 1 467 898)	(R 4 129 995)
Risk Management Shared Services	(R 275 880)	(R 292 157)	(R 309 102)	(R 877 139)
<b>SUB TOTAL</b>	<b>(R 1 787 134)</b>	<b>(R 1 893 000)</b>	<b>(R 2 002 000)</b>	<b>(R 5 682 134)</b>
<b>- Sundry Income</b>				
Rental Of Facilities	(R 105 866)	(R 116 453)	(R 128 098)	(R 350 417)
Interest on external investments	(R 203 000)	(R 214 547)	(R 227 446)	(R 644 993)
Other Income	R 0	R 0	R 0	R 0
Accumulated cash backed surplus funds	R 0	R 0	R 0	R 0
<b>SUB TOTAL</b>	<b>(R 308 866)</b>	<b>(R 331 000)</b>	<b>(R 355 544)</b>	<b>(R 995 410)</b>
<b>Government grant and subsidies</b>				
Equitable share	(R 30 074 000)	(R 31 943 000)	(R 33 349 000)	(R 95 366 000)
RSC Replacement Levy	(R 38 232 000)	(R 49 561 000)	(R 51 018 000)	(R 138 811 000)
Special Support for Councillor remuneration	(R 3 493 000)	(R 3 699 000)	(R 3 906 000)	(R 11 098 000)
Finance Management Grant	(R 1 250 000)	(R 1 000 000)	(R 1 260 000)	(R 3 510 000)
Disaster Management Grant (NEAR)	(R 350 000)	(R 368 000)	(R 389 000)	(R 1 107 000)
EPWP Grant	(R 1 000 000)	R 0	R 0	(R 1 000 000)
Infrastructure Skills Development Grant	(R 3 200 000)	(R 3 500 000)	(R 3 696 000)	(R 10 396 000)
Rural Road Asset Management Grant	(R 1 979 000)	(R 2 072 000)	(R 2 198 000)	(R 6 249 000)
Disaster Housing	(R 700 000)	R 0	R 0	(R 700 000)
<b>SUB TOTAL</b>	<b>(R 80 278 000)</b>	<b>(R 92 143 000)</b>	<b>(R 95 816 000)</b>	<b>(R 268 237 000)</b>
<b>TOTAL REVENUE</b>	<b>(R 82 374 000)</b>	<b>(R 94 367 000)</b>	<b>(R 98 173 544)</b>	<b>(R 274 914 544)</b>

### 4. OPERATING EXPENDITURE FRAMEWORK (A4 & SA1)

#### 4.1 OPERATING EXPENDITURE BY TYPE

	BUDGET YEAR 2017/18	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	TOTAL OVER MTREF
<b>Total operating budget</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Employee Related Costs	R 55 928 000	R 59 444 000	R 62 846 000	R 178 218 000
Councillors Remuneration	R 3 737 000	R 3 957 000	R 4 187 000	R 11 881 000
Depreciation	R 927 000	R 982 000	R 1 039 000	R 2 948 000
Finance Charges	R 430 000	R 455 000	R 482 000	R 1 367 000
Contracted Services	R 7 363 000	R 7 797 000	R 8 249 000	R 23 409 000
Grants and Subsidies paid	R 400 000	R 424 000	R 448 592	R 1 272 592
Audit Fees	R 2 527 000	R 2 676 093	R 2 830 306	R 8 033 399
General Expenses	R 8 620 000	R 8 636 000	R 9 206 000	R 26 461 999
Other Materials	R 1 496 000	R 1 235 000	R 1 295 000	R 4 026 000
<b>TOTAL EXPENDITURE</b>	<b>R 81 428 000</b>	<b>R 85 606 093</b>	<b>R 90 582 898</b>	<b>R 257 616 990</b>
<b>TOTAL (SURPLUS)/DEFICIT</b>	<b>(R 946 000)</b>	<b>(R 8 760 907)</b>	<b>(R 7 590 646)</b>	<b>(R 17 297 553)</b>

**EMPLOYEE RELATED COSTS (SA22)**

	BUDGET YEAR 2017/18	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	TOTAL OVER MTREF
	R	R	R	R
Basic salary	R 38 379 000	R 40 828 000	R 43 150 000	R 122 357 000
Travel allowance	R 2 537 000	R 2 686 000	R 2 842 000	R 8 065 000
Cell phone Allowance	R 281 000	R 298 000	R 315 000	R 894 000
Housing Allowance	R 1 694 000	R 1 794 000	R 1 898 000	R 5 386 000
Performance bonuses	R 2 591 000	R 2 744 000	R 2 903 000	R 8 238 000
Other benefits	R 2 066 000	R 2 028 000	R 2 146 000	R 6 240 000
Pension & UIF contribution	R 5 542 000	R 6 061 000	R 6 413 000	R 18 016 000
Medical aid contribution	R 2 838 000	R 3 005 000	R 3 179 000	R 9 022 000
<b>Total Employee Related Costs</b>	<b>R 55 928 000</b>	<b>R 59 444 000</b>	<b>R 62 846 000</b>	<b>R 178 218 000</b>

**5. OPERATING REVENUE BY VOTE (A3 & SA26)**

	BUDGET YEAR 2017/18	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	TOTAL OVER MTREF
	R	R	R	R
<b>Operating revenue by vote</b>				
Budget and Treasury Office	(R 74 920 000)	(R 88 038 000)	(R 91 450 000)	(R 254 408 000)
Community and Development Services	(R 1 925 000)	(R 389 000)	(R 441 000)	(R 2 755 000)
Local Economic Development	(R 350 000)	(R 368 000)	(R 389 000)	(R 1 107 000)
Infrastructure Services / Basic Services - PMU	(R 5 179 000)	(R 5 572 000)	(R 5 894 000)	(R 16 645 000)
<b>TOTAL</b>	<b>(R 82 374 000)</b>	<b>(R 94 367 000)</b>	<b>(R 98 174 000)</b>	<b>(R 274 915 000)</b>

**5.1 CAPITAL EXPENDITURE BY VOTE (A5)**

	BUDGET YEAR 2017/18	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	TOTAL OVER MTREF
	R	R	R	R
Office of the Mayor and Speaker	R 797 000	R 0	R 0	R 797 000
Community Development	R 149 000	R 150 000	R 151 000	R 450 000
<b>TOTAL EXPENDITURE</b>	<b>R 946 000</b>	<b>R 150 000</b>	<b>R 151 000</b>	<b>R 1 247 000</b>

**5.2. CAPITAL FUNDING BY SOURCE (A5)**

	BUDGET YEAR 2017/18	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	TOTAL OVER MTREF
	R	R	R	R
National Government	R 946 000	R 150 000	R 151 000	R 1 247 000
<b>TOTAL FUNDING</b>	<b>R 946 000</b>	<b>R 150 000</b>	<b>R 151 000</b>	<b>R 1 247 000</b>

**6. GOVERNMENT GRANTS AND SUBSIDIES - NATIONAL**

	BUDGET YEAR 2017/18	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	TOTAL OVER MTREF
	R	R	R	R
- Equitable share	(R 30 074 000)	(R 31 943 000)	(R 33 349 000)	(R 95 366 000)
- RSC Replacement Levy	(R 38 232 000)	(R 49 561 000)	(R 51 018 000)	(R 138 811 000)
-Special support for councillors	(R 3 493 000)	(R 3 699 000)	(R 3 906 000)	(R 11 098 000)
- Finance Management Grant	(R 1 250 000)	(R 1 000 000)	(R 1 260 000)	(R 3 510 000)
- EPWP Grant	(R 1 000 000)	R 0	R 0	(R 1 000 000)
- Infrastructure Skills Development Grant	(R 3 200 000)	(R 3 500 000)	(R 3 696 000)	(R 10 396 000)
- Rural Road Asset Management Grant	(R 1 979 000)	(R 2 072 000)	(R 2 198 000)	(R 6 249 000)
<b>TOTAL</b>	<b>(R 79 228 000)</b>	<b>(R 91 775 000)</b>	<b>(R 95 427 000)</b>	<b>(R 266 430 000)</b>

**6.1 GOVERNMENT GRANTS AND SUBSIDIES - PROVINCIAL**

	BUDGET YEAR 2017/18	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	TOTAL OVER MTREF
	R	R	R	R
- Disaster Management Grant (NEAR)	(R 350 000)	(R 368 000)	(R 389 000)	(R 1 107 000)
- Housing Grant	(R 700 000)	R 0	R 0	(R 700 000)
<b>TOTAL</b>	<b>(R 1 050 000)</b>	<b>(R 368 000)</b>	<b>(R 389 000)</b>	<b>(R 1 807 000)</b>

**7. MAJOR CAPITAL PROJECTS FUNDED OVER THE MTREF -2017/18**

The following are the main projects and programs budgeted for by the municipality over the MTREF 2016/17

	BUDGET YEAR 2017/18	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	TOTAL OVER MTREF
	R	R	R	R
Motor Vehicles	R 797 000	R 0	R 0	R 797 000
Disaster Management Equipment	R 149 000	R 150 000	R 151 000	R 450 000
<b>TOTAL</b>	<b>R 946 000</b>	<b>R 150 000</b>	<b>R 151 000</b>	<b>R 1 247 000</b>

**PART 2 : SUPPORTING DOCUMENTS**

**2.2 SUPPORTING TABLES**

Refer to SA1 to SA38. All the applicable supporting tables has been completed and reconciled for 2017/18 Final Budget and the two outer years.

**2.3 QUALITY CERTIFICATE**

Please see the attached.