



1. MAYORAL OVERVIEW: 2017/18 ADJUSTMENT BUDGET

The Adjustment Budget of the Municipality must be presented to Council before 28 February 2018 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.

SUMMARY OF ANY MATERIAL AMENDMENTS MADE TO THE ADJUSTMENT BUDGET AFTER CONSULTATION PROCESS

- There were no material changes made to the adjustment budget after consultations. The budget is zero-based meaning there will be no deficit for the adjustment budget 2017/18. Surplus of R1 231 000 is to fund the purchase of movable assets (vehicle, computer equipment and disaster management equipment). Adjustment budget 2017/18 were made to cut costs on the non-essential items with the aim to reduce expenditure. This 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
- The Adjustment Budget is aligned to be mSCOA compliant

2. EXECUTIVE SUMMARY: 2017/18 ADJUSTMENT 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 Adjustment 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 Adjustment MTREF is a challenge to all stakeholders due to change management and budgeting formats

2.2. ASSUMPTIONS OF THE 2017/18 ADJUSTMENT BUDGET

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

There is an increase on the Remuneration for Public Office Bearers (Councillors) and increase in separate items namely Remuneration of S79 Committee Members and Seating Allowance for Councillors as per the mSCOA segments. The increase is due to the grading of the Municipality in remunerating its Councillors from a Grade 2 to a Grade 3.

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

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

| | APPROVED BUDGET YEAR 2017/18 | ADJUSTED BUDGET YEAR 2017/18 | ADJUSTED BUDGET YEAR 2018/19 | ADJUSTED BUDGET YEAR 2019/20 |
|------------------------------------|---|---|---|-------------------------------------|
| | R | R | R | R |
| TOTAL OPERATING REVENUE | R 82 374 000 | R 82 428 000 | R 94 367 000 | R 98 174 000 |
| TOTAL OPERATING EXPENDITURE | R 81 428 000 | R 81 212 000 | R 85 606 000 | R 90 583 000 |
| SURPLUS/(DEFICIT) | R 946 000 | R 1 216 000 | R 8 761 000 | R 7 591 000 |
| CAPITAL BUDGET | R 946 000 | R 1 216 000 | R 150 000 | R 151 000 |

NARRATIVES/REASONS FOR ADJUSTMENTS

| PROJECT NAME | AMOUNT | REASON |
|---------------------------------|------------------|--|
| Fire Grant | (R94 990) | Additional grant for disaster management centre |
| Management Fees | (R725 818) | Increase in revenue received for management fees |
| Revenue from Investments | (R17 035) | Increase in revenue from investments |
| HIV/AIDS Grant | (R250 000) | Grant received to promote HIV/AIDS awareness in JTGD |
| Equitable Share | R 1 000 000 | Withheld by National Treasury of unspent grants |
| TOTAL | (R53 773) | |

OVERALL REVENUE INCREASE FROM R82 374 000 TO R82 427 773

EXPENDITURE PROJECTS

| PROJECT NAME | AMOUNT | REASON |
|---|------------------|---|
| Remuneration of Councillors | R 150 000 | Increase to accommodate Councillors backpay |
| Remuneration of Senior Managers | (R2 387 038) | Decrease in expenditure due to saving on vacant posts of Municipal Manager and Director: Corporate Services |
| Remuneration of Municipal Employee | (R1 102 379) | Decrease in expenditure due to savings on employee related cost of municipal employees |
| Operational Costs | R3 893 607 | Increase in overall operational costs |
| Contracted Services | R 770 952 | Increase in contracted services due to provision of the mSCOA migration. Valuations of biological assets and actuaries and property valuers |
| Materials | (R151 379) | Decrease in inventory materials |
| Transfers and subsidies paid | (R200 000) | |
| TOTAL | R 906 347 | |

OVERALL EXPENDITURE INCREASE FROM R81 290 426 TO R82 196 773

CAPITAL PROJECTS

| PROJECT NAME | AMOUNT | REASON |
|--------------------------------------|------------------|--|
| Acquisition of capital assets | R 15 000 | Adjusting EPWP grant to purchase tools and equipment |
| Acquisition of capital assets | R 150 000 | Adjusting Housing Grant to purchase computer equipment |
| Acquisition of capital assets | R 40 000 | Increase in capital to purchase float pump for disaster management centre |
| Acquisition of capital assets | R 55 000 | Adjusting from operational expenditure to capital to purchase ICT server for internal audit unit |
| Acquisition of capital assets | R 25 000 | Adjusting from operational expenditure to capital to purchase computer equipment |
| TOTAL | R 285 000 | |

OVERALL CAPITAL EXPENDITURE INCREASE FROM R946 000 TO R1 216 000