



1. MAYORAL OVERVIEW: 2018/19 FINAL BUDGET

The Final Budget of the Municipality must be presented to Council before 31 May 2018 for adoption.

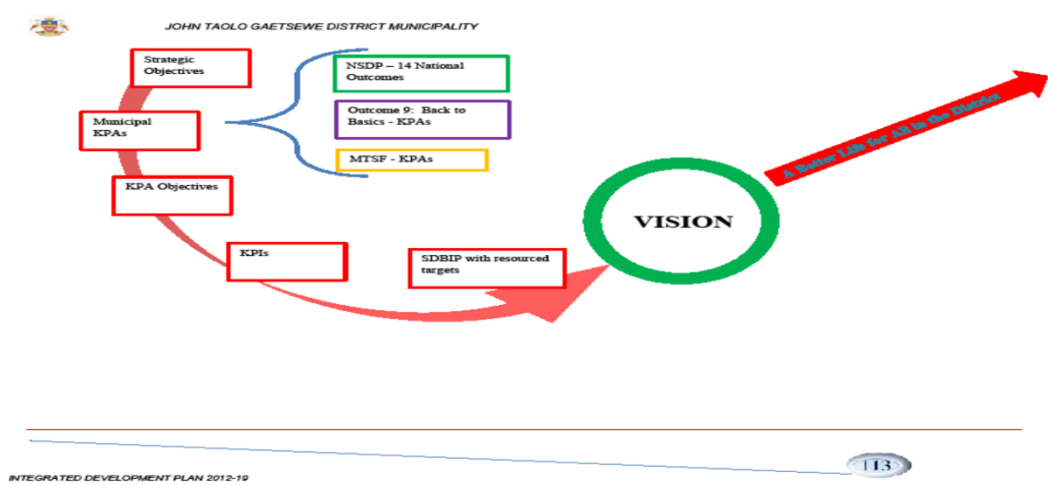
As required by legislation, the Integrated Development Plan (IDP) will be adopted by Council after consultation with stakeholders and addresses the challenges and achievements of the year under review.

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 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 7 - 9 February 2018. The IDP/Budget Roadshows were held with the community on the 22 - 24 May 2018 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 2018/19. In the case that there is a surplus for the amount of R770 000 is to fund the purchase of movable assets (vehicles, computer equipment, furniture and disaster management equipment). Final budget 2018/19 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 and cost containment measures have been put in place.
- The Final Budget is aligned to be mSCOA reforms to be compliant
- Grant Management are being emphasized to spent fully and allocate funds as per DORA requirements
- No new initiatives have been brought into the budget due to grant dependency
- District Municipal Health Services to introduce into market
- Rental of investment properties at market value.
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- The following Mayor's programmes have been brought into the budget to serve the community as follows:
 - To promote interest and rights of targeted groups
 - Public Participation Programmes
 - Civil Society Meetings for HIV/AIDS
 - District Aids Council and Local Municipalities
 - To govern municipal affairs

2. EXECUTIVE SUMMARY: 2018/19 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 2018/19 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 2018/19 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. 89 for 2018/19 MTREF dated 8 December 2017 and Budget Circular No. 91 for 2018/19 MTREF dated 8 March 2018 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 Adjusted 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. The S79 Chairperson remuneration for Public Office Bearers also has now separate items as per mSCOA Version 6.2

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 2018/19 Final Budget.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Final Budget

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
	R	R	R	R
TOTAL OPERATING REVENUE	R 100 409 000	R 102 622 000	R 107 277 000	R 310 308 000
TOTAL OPERATING EXPENDITURE	R 99 639 000	R 99 977 000	R 105 423 000	R 305 039 000
SURPLUS/(DEFICIT)	R 770 000	R 2 645 000	R 1 854 000	R 5 269 000
CAPITAL BUDGET	R 770 000	R 2 645 000	R 1 854 000	R 5 269 000

Total surplus of R770 000 will be used to fund the capital expenditure for 2018/19 for the purchase of movable assets (vehicle, computer equipment, furniture and disaster management equipment).

As per MFMA, Section 18 for funding of expenditure:

- An annual budget may only be funded from:
 - realistically anticipated revenues to be collected;
 - cash-backed accumulated funds from previous years' surpluses not committed
 - borrowed funds, but only for the capital budget referred to in section 17(2)
- Revenue projections in the budget must be realistic taking into account:
 - projected revenue for the current year based on collection levels to date; and
 - 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 2018/19 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)

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
TOTAL OPERATING BUDGET SUMMARY				
SUMMARY OF REVENUE PER TYPE	R	R	R	R
District: Planning Tribunal And Appeals Authority	(R 225 000)	(R 225 000)	(R 225 000)	(R 675 000)
Audit and Risk Management Shared Services	(R 3 648 896)	(R 3 911 617)	(R 4 208 899)	(R 11 769 412)
SUB TOTAL	(R 3 873 896)	(R 4 136 617)	(R 4 433 899)	(R 12 444 412)
- Sundry Income				
Rental Of Facilities	(R 216 000)	(R 231 552)	(R 249 150)	(R 696 702)
Interest on external investments	(R 251 898)	(R 270 035)	(R 290 557)	(R 812 490)
Other Revenue (Municipal Environmental Health Services)	(R 790 000)	(R 846 880)	(R 911 243)	(R 2 548 123)
Other Revenue (Sale of biological assets)	(R 1 253 250)	R 0	R 0	(R 1 253 250)
Accumulated cash backed surplus funds	R 0	R 0	R 0	R 0
SUB TOTAL	(R 2 511 148)	(R 1 348 467)	(R 1 450 950)	(R 5 310 565)
Government grant and subsidies				
Equitable share	(R 31 989 000)	(R 34 391 000)	(R 36 880 000)	(R 103 260 000)
RSC Replacement Levy	(R 38 513 000)	(R 51 018 000)	(R 52 398 000)	(R 141 929 000)
Special Support for Councillor remuneration	(R 3 703 000)	(R 3 917 000)	(R 4 133 000)	(R 11 753 000)
Additional RSC Levy	(R 11 048 000)	R 0	R 0	(R 11 048 000)
Municipal Systems Improvement Grant (MSIG)	R 0	R 0	R 0	R 0
Finance Management Grant (FMG)	(R 1 000 000)	(R 1 465 000)	(R 1 000 000)	(R 3 465 000)
Disaster Management Grant (NEAR)	(R 388 000)	(R 246 000)	(R 259 000)	(R 893 000)
Expanded Public Works Programme Grant (EPWP)	(R 1 000 000)	R 0	R 0	(R 1 000 000)
HIV/AIDS Grant	(R 500 000)	R 0	R 0	(R 500 000)
Infrastructure Skills Development Grant (ISDG)	(R 3 200 000)	(R 4 000 000)	(R 4 500 000)	(R 11 700 000)
Rural Road Asset Management Grant (RRAMS)	(R 1 983 000)	(R 2 100 000)	(R 2 222 000)	(R 6 305 000)
Human Settlements Grant	(R 700 000)	R 0	R 0	(R 700 000)
SUB TOTAL	(R 94 024 000)	(R 97 137 000)	(R 101 392 000)	(R 292 553 000)
TOTAL REVENUE	(R 100 409 044)	(R 102 622 084)	(R 107 276 849)	(R 310 307 977)

4. OPERATING EXPENDITURE FRAMEWORK (A4 & SA1)

4.1 OPERATING EXPENDITURE BY TYPE

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
Total operating budget	R	R	R	R
Employee Related Costs	R 61 935 000	R 66 903 000	R 71 633 000	R 200 471 000

Councillors Remuneration	R 4 145 000	R 4 431 000	R 4 730 000	R 13 306 000
Depreciation	R 2 954 000	R 3 167 000	R 3 408 000	R 9 529 000
Finance Charges	R 0	R 0	R 0	R 0
Other Materials	R 2 376 000	R 1 878 000	R 2 020 000	R 6 274 000
Contracted Services	R 10 922 000	R 8 719 000	R 8 192 000	R 27 833 000
Grants and Subsidies paid	R 200 000	R 214 000	R 231 000	R 645 000
Audit Fees	R 2 699 000	R 2 893 000	R 3 113 000	R 8 705 000
Other Expenses	R 14 408 000	R 11 772 000	R 12 096 000	R 38 275 999
TOTAL EXPENDITURE	R 99 639 044	R 99 977 000	R 105 423 000	R 305 038 999
TOTAL (SURPLUS)/DEFICIT	(R 770 000)	(R 2 644 920)	(R 1 854 423)	(R 5 269 343)

EMPLOYEE RELATED COSTS (SA22)

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
	R	R	R	R
Basic Salaries and Wages	R 36 024 296	R 39 204 013	R 42 063 930	R 117 292 239
Pension & UIF Contributions	R 5 803 568	R 6 204 014	R 6 622 785	R 18 630 367
Medical Aid Contributions	R 2 951 213	R 3 154 847	R 3 367 799	R 9 473 859
Overtime	R 419 885	R 448 857	R 479 115	R 1 347 857
Performance Bonus	R 965 021	R 1 031 607	R 1 101 241	R 3 097 869
Motor Vehicle Allowance	R 1 479 580	R 1 581 671	R 1 688 434	R 4 749 685
Cellphone Allowance	R 158 364	R 169 291	R 180 718	R 508 373
Housing Allowances	R 1 716 817	R 1 835 277	R 1 959 159	R 5 511 253
Other benefits and allowances	R 4 680 433	R 5 003 383	R 5 341 111	R 15 024 927
Payments in lieu of leave	R 645 346	R 689 875	R 736 441	R 2 071 662
Long Service Awards	R 212 918	R 227 609	R 242 973	R 683 500
Post-retirement benefit obligations	R 231 120	R 247 067	R 263 744	R 741 931
Total Employee Related Costs	R 55 288 561	R 59 797 511	R 64 047 450	R 179 133 522

5. OPERATING REVENUE BY VOTE (A3 & SA26)

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
	R	R	R	R
Corporate Services	R 0	R 0	R 0	R 0
Budget and Treasury	(R 87 974 148)	(R 91 292 587)	(R 94 950 707)	(R 274 217 442)
Basic Services and Infrastructure	(R 6 883 000)	(R 6 100 000)	(R 6 722 000)	(R 19 705 000)
Community and Development Services	(R 1 178 000)	(R 1 092 880)	(R 1 170 243)	(R 3 441 123)
Office of the Municipal Manager	(R 3 648 896)	(R 3 911 617)	(R 4 208 899)	(R 11 769 412)
Development and Planning	(R 225 000)	(R 225 000)	(R 225 000)	(R 675 000)
Mayor and Council	(R 500 000)	R 0	R 0	(R 500 000)
TOTAL	(R 100 409 044)	(R 102 622 084)	(R 107 276 849)	(R 310 307 977)

5.1 CAPITAL EXPENDITURE BY VOTE (A5)

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
	R	R	R	R
Capital Expenditure by Vote				
Corporate Services	R 400 000	R 2 218 500	R 800 000	R 3 418 500
Budget and Treasury	R 33 000	R 25 000	R 810 423	R 868 423
Basic Services and Infrastructure	R 57 000	R 191 420	R 84 000	R 332 420
Community and Development Services	R 70 000	R 210 000	R 0	R 280 000
Office of the Municipal Manager	R 75 000	R 0	R 0	R 75 000
Development and Planning	R 135 000	R 0	R 160 000	R 295 000
Mayor and Council	R 0	R 0	R 0	R 0
TOTAL CAPITAL EXPENDITURE	R 770 000	R 2 644 920	R 1 854 423	R 5 269 343

5.2. CAPITAL FUNDING BY SOURCE (A5)

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
	R	R	R	R
National Government	(R 57 000)	(R 71 420)	(R 84 000)	(R 212 420)
Provincial Government	(R 70 000)	R 0	R 0	R 0
Borrowing	R 0	R 0	R 0	R 0
Internally generated funds (Own Funds)	(R 643 000)	(R 2 573 500)	(R 1 770 423)	R 0
TOTAL CAPITAL FUNDING	(R 770 000)	(R 2 644 920)	(R 1 854 423)	(R 212 420)

6. GOVERNMENT GRANTS AND SUBSIDIES - NATIONAL

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
	R	R	R	R
Equitable share	(R 31 989 000)	(R 34 391 000)	(R 36 880 000)	(R 103 260 000)
- RSC Replacement Levy	(R 38 513 000)	(R 51 018 000)	(R 52 398 000)	(R 141 929 000)
- Special Support for Councillor remuneration	(R 3 703 000)	(R 3 917 000)	(R 4 133 000)	(R 11 753 000)
- Additional RSC Levy	(R 11 048 000)	R 0	R 0	(R 11 048 000)
Finance Management Grant (FMG)	(R 1 000 000)	(R 1 465 000)	(R 1 000 000)	(R 3 465 000)
Expanded Public Works Programme Grant (EPWP)	(R 1 000 000)	R 0	R 0	(R 1 000 000)
Infrastructure Skills Development Grant (ISDG)	(R 3 200 000)	(R 4 000 000)	(R 4 500 000)	(R 11 700 000)
Rural Road Asset Management Grant (RRAMS)	(R 1 983 000)	(R 2 100 000)	(R 2 222 000)	(R 6 305 000)
TOTAL	(R 92 436 000)	(R 96 891 000)	(R 101 133 000)	(R 290 460 000)

6.1 GOVERNMENT GRANTS AND SUBSIDIES - PROVINCIAL

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
	R	R	R	R

Disaster Management Grant (NEAR)	(R 388 000)	(R 246 000)	(R 259 000)	(R 893 000)
Disaster Management Grant (FIRE)	R 0	R 0	R 0	R 0
HIV/AIDS Grant	(R 500 000)	R 0	R 0	(R 500 000)
Human Settlements Grant	(R 700 000)	R 0	R 0	(R 700 000)
TOTAL	(R 1 588 000)	(R 246 000)	(R 259 000)	(R 2 093 000)

7. MAJOR CAPITAL PROJECTS FUNDED OVER THE MTREF -2018/19

The following are the main projects and programs budgeted for by the municipality over the MTREF 2018/19

	BUDGET YEAR 2018/19	BUDGET YEAR 2019/20	BUDGET YEAR 2020/21	TOTAL OVER MTREF
	R	R	R	R
Computer Software	R 55 000	R 175 000	R 0	R 230 000
Computer Equipment	R 257 000	R 789 920	R 244 000	R 1 046 920
Furniture and Office Equipment	R 23 000	R 100 000	R 0	R 123 000
Information and Communication Infrastructure	R 35 000	R 0	R 0	R 35 000
Other Assets	R 0	R 1 180 000	R 810 423	R 1 180 000
Transport Assets	R 400 000	R 400 000	R 800 000	R 800 000
TOTAL	R 770 000	R 2 644 920	R 1 854 423	R 3 414 920

PART 2 : SUPPORTING DOCUMENTS

2.2 SUPPORTING TABLES

Refer to SA1 to SA38. All the applicable supporting tables has been completed and reconciled for 2018/19 Final Budget and the two outer years.

2.3 QUALITY CERTIFICATE

Please see the attached.