

STRICTLY CONFIDENTIAL

**EXECUTIVE SUMMARY**

**SUBMISSION TO** : Mayoral Committee & Council

**DIVISION REQUESTING THE SUBMISSION** : Finance

**TITLE OF THE SUBMISSION**

Final BUDGET 2017-18

**1. SOLUTION REQUIRED**

Approval	X
Information	

**2. PURPOSE**

To table the draft annual budget for the 2017/18 Multi Term Revenue and Expenditure Framework (MTREF).

**3. BACKGROUND**

**In terms of the section 24 of the Municipal Finance Management Act (Act No.58 of 2003) (MFMA):**

- (1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.
- (2) An annual budget:
  - a) Must be approved before the start of the budget year;
  - b) Is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
  - c) Must be approved together with the adoption of resolutions as may be necessary-
    - i. Imposing any municipal tax for the budget year;
    - ii. Setting any municipal tariffs for the budget year;
    - iii. Approving measurable performance objectives for revenue for each source and for each vote in the budget;
    - iv. Approving any changes to the municipality's integrated development plan; and
    - v. Approving any changes to the municipality's budget related policies.
- (3) The accounting officer of a municipality must submit the approved budget annual budget to the National Treasury and the relevant provincial treasury.

**5. ATTACHMENTS:**

**ANNEX A - Budget summary**

**ANNEX B – Circular 86**

**6. RECOMMENDATION**

That Council approves the 2017/18 final budget.

## **ANNEX A – Budget summary**

### **DISCUSSION**

#### **Overview of the Budget Process**

As required by section 21 (1) of the MFMA Council approved an IDP/ Budget Process Plan for the 2017/18 Financial Year in August 2016. The plan outlined schedule of key deadlines for the review of the IDP and adoption of the budget.

Various consultation processes were held with stakeholders in terms of the process plan, at public participation engagements, during the second half of the financial year. Furthermore, engagements were held to discuss the IDP priorities and budget formulation and implementation. Inter-alia, the municipality considered National Treasury's budget circular 86, which provided guidance and assumptions.

#### **1. Budget assumptions**

- The budget has been prepared in line with circular no. 86 which aims to support municipalities with giving effect to National Treasury's Municipal Budget and Reporting Regulations within the current economic climate.
- Circular 86's key focus is the implementation of municipal Standard Chart of Accounts and addressing municipal revenue generation challenges.

The following CPI's were used to project expenditure for the 2017/18 financial year as well as the two subsequent years:

<b>Item</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Salaries	7.4%	7.4%	6.7%
General expenditure	6.4%	6.4%	5.7%

#### **2. FUNDING OF THE BUDGET**

In terms of section 18(1)(a)(b)(c) of the MFMA, an annual budget may only be funded from realistically anticipated revenues to be collected; cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and borrowed funds, but only for the capital budget referred to in section 17(2).

#### **3. Tariff increases**

It is well understandable that the municipality's ability to fund its operations is also based on its own generated revenue. MFMA circular 58 advises municipalities to apply cost-reflective tariffs. The following tariff increments are proposed to be effected in the 2017/18 financial year.

Assessment Rates	-	6.4%
Electricity	-	1.88%
Water	-	10.2%
Sanitation	-	6.4%
Refuse	-	6.4%
Other income	-	6.4%

The electricity tariff application is in line with NERSA's guidelines and as a result should be approved by them.

NERSA has proposed 0.31% increase on bulk electricity purchases.

#### **4. Revenue**

Proposed revenue for the 2017/18 financial year is as follows:

Revenue	Adjustment Budget R'000 2016/17	Budget R'000 2017/18	Per. increase
Property rates	98 249	104,446	5.3
Service charges - Electricity revenue	288,285	291,261	3.0
Service charges - Water revenue	98,856	104,598	9.1
Service charges - Sanitation revenue	27,308	26,643	6.4
Service charges - Refuse revenue	30,099	30,370	12.0
Other Service Charges	1,302	1,358	7.2
Rental of facilities	4,727	4,842	1.0
Interest earned: investments	1,674	1,250	-25.3
Interest earned: Outstanding debtors	6,656	10,716	61.0
Fines	46,518	45,902	-1.3
Other Income	7,377	1,216	-62.4
Operational Transfers	102,471	121,014	18.1
<b>Total Revenue</b>	<b>713,571</b>	<b>743,674</b>	<b>5.5</b>

#### **5. Expenditure**

Proposed expenditure for the financial year is as follows:

Expenditure	Adjustment Budget R'000 2016/17	Budget R'000 2017/18	Per increase
Employee cost	155,324	160,143	3.1
Councillors remuneration	9,819	10,170	3.6
Debt Impairment	98,403	100,373	2.0
Depreciation	41,808	41,742	-0.2
Finance charges	10,346	10,053	-2.8

Bulk purchases – Electricity & Water	276,671	283,672	1.4
Repairs and maintenance	24,777	24,797	0.1
Contracted services	600	790	31.7
Other Expenditure	86,004,299	99,246,913	15.4
<b>Total Expenditure</b>	<b>703,753,303</b>	<b>730,986,503</b>	<b>3.9</b>

## **6. Capital Budget**

The Capital Budget amounts to R95 562 925 and is funded as follows:

<b>Description</b>	<b>Adjustment Budget 2016/17 R'000</b>	<b>Draft Budget 2017/18 R'000</b>	<b>Weighting</b>
<i>Lesedi L.M. (own funded)</i>	4,183,970	R16,877,925	18%
National Government funded	39,060,104	R78,685,000	82%
<b>TOTAL</b>	<b>43,244,074</b>	<b>R95 562 925</b>	<b>100%</b>