

Medium Term Revenue and Expenditure Framework (MTREF) budget for 2018/19 to 2020/21 Financial Years.

1. Purpose

The purpose of the report is to request Portfolio to adopt the Draft Annual Budget for 2018/19 to 2020/21 Medium Term Revenue and Expenditure Framework (MTREF), as well as budget related policies and tariffs.

2. Background

In term of Section 24(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003, the council of the municipality must for each year approve an annual budget for the municipality before the start of the financial year.

3. Budget Summary

Municipality applied the guideline provided by National Treasury on Circular 91 of MFMA released on the 8th of March 2018. It has considered cost cutting measures to ensure that service delivery and payments of services will be implemented by this budget.

Operational and Capital Revenue

REVENUE				
OPERATIONAL REVENUE				
SOURCE	2017/18 ADJUSTED BUDGET	DRAFT BUDGET 2018/19	DRAFT BUDGET 2019/20	DRAFT BUDGET 2020/21
		5.3% + 2%	5.50%	5.60%
Equitable Share	68,976,000.00	86,028,000.00	93,557,000.00	103,553,000.00
Financial Management Grant	2,145,000.00	2,215,000.00	2,680,000.00	3,112,000.00
Property rates	28,259,120.98	30,322,036.81	31,989,748.84	33,781,174.77
Service charges - electricity revenue (NERSA guidelines)	73,925,044.22	78,981,517.24	83,325,500.69	87,991,728.73
Service charges - water revenue (Magalies 11.2% + 1%)	18,369,628.83	20,610,723.55	21,744,313.34	22,961,994.89
Service charges - sanitation revenue	17,601,242.13	18,886,132.81	19,924,870.11	21,040,662.84
Service charges - refuse revenue	14,460,325.73	15,515,929.51	16,369,305.63	17,285,986.75
Rental of facilities and equipment	417,863.42	448,367.45	473,027.66	499,517.21
Interest earned - external investments	71,335.26	76,542.73	80,752.58	85,274.73
Interest earned - outstanding debtors	21,204,994.28	22,752,958.86	24,004,371.60	25,348,616.41
Fines, penalties and forfeits	133,700.00	143,460.10	151,350.41	159,826.03
Licences and permits	5,227,863.41	5,609,497.44	5,918,019.80	6,249,428.91
Transfers and subsidies (Human Settlements Development Grant; Expanded Public Works Programme Intergrated Grant; Intergrated National Electrification Programme Grant [Department and DoRA])	1,008,000.00	43,871,000.00	46,028,000.00	44,532,000.00
Other revenue	38,811,171.89	41,644,387.44	43,934,828.75	46,395,179.16
Gains on disposal of PPE	-	-	-	-
TOTAL OPERATIONAL REVENUE	290,611,290.15	367,105,553.93	390,181,089.40	412,996,390.41

REVENUE				
CAPITAL REVENUE				
SOURCE	2017/18 ADJUSTED BUDGET	DRAFT BUDGET 2018/19	DRAFT BUDGET 2019/20	DRAFT BUDGET 2020/21
Municipal Infrastructure Grant	33,759,000.00	32,612,000.00	33,228,000.00	34,932,000.00
TOTAL CAPITAL REVENUE	33,759,000.00	32,612,000.00	33,228,000.00	34,932,000.00
TOTAL OPERATIONAL AND CAPITAL REVENUE	324,370,290.15	399,717,553.93	423,409,089.40	447,928,390.41

Operational and Capital Expenditure

OPERATIONAL EXPENDITURE				
	2017/18 ADJUSTED BUDGET	DRAFT BUDGET 2018/19	DRAFT BUDGET 2019/20	DRAFT BUDGET 2020/21
		5.30%	5.50%	5.60%
Employee Related Costs(7.4%)	124,162,372.20	133,350,387.74	143,218,316.43	153,816,471.85
Remuneration of Councillors(7.4%)	9,365,307.07	10,058,339.79	10,802,656.94	11,602,053.55
Debt Impairment	6,311,435.20	6,645,941.27	7,011,468.04	7,404,110.25
Depreciation and Asset Impairment	26,286,258.04	27,679,429.72	29,201,798.35	30,837,099.06
Finance Charges	14,938,714.26	15,730,466.12	16,595,641.75	17,524,997.69
Bulk purchases	52,178,428.54	54,943,885.25	57,965,798.94	61,211,883.68
Contracted Services	16,886,239.02	17,781,209.69	18,759,176.22	19,809,690.09
Repairs and maintenance	12,404,178.80	13,396,513.10	14,468,234.15	15,625,692.88
Other expenditure	60,064,905.63	63,248,345.63	66,727,004.64	70,463,716.90
TOTAL OPERATING EXPENDITURE	322,597,838.76	342,834,518.30	364,750,095.46	388,295,715.94

CAPITAL EXPENDITURE				
PROJECT DESCRIPTION	FUNDER	DRAFT BUDGET 2018/19	DRAFT BUDGET 2019/20	DRAFT BUDGET 2020/21
Rooiberg Water Supply	WSIG	7,000,000.00	6,000,000.00	6,300,000.00
Leeupoort/ Raphuti Water Supply	WSIG	5,400,000.00	-	-
Development Of Groundwater For Thabazimbi And Regorogile	WSIG	7,200,000.00	6,000,000.00	5300000
Northam Construction Of A New WWTW	ANGLO AMERICAN	84,000,000.00	-	-
Implementation of Integrated National Electrification Project	INEP/DoE	10,000,000.00	-	-
Energy Efficiency Demand Side Management - Northam	TLM	6,000,000.00	-	-
Replacement Of 11kv And 6.6kv Switch Gears	TLM	10,000,000.00	10,000,000.00	-
Upgrading Of Mini Substations	TLM	10,000,000.00	5,000,000.00	-
Northam Extension 7 Upgrading Of Internal Streets	MIG	8,400,000.00	15,000,000.00	17000000
Raphuti Paving Of Internal Streets	MIG	6,000,000.00		
Northam Ext.2 Upgrading Of Internal Street	MIG	7,635,000.00		
Regorogile Ext 3 Paving Of Internal Streets	MIG	8,400,000.00	-	-
Office space renovation/reconstruction	TLM	800,000.00		
Civic Centre	TLM	80,000,000.00		
Branding & Marketing Material	TLM	1,600,000.00		
Landfill Sites	TLM	50,000,000.00		
Facilitation Argricultural Support	TLM	50,000.00	100,000.00	110,000.00
Resuscitation of the TLM Botswana Memorandum of Agreement	TLM	50,000.00		
Promotion of Tourism	TLM	50,000.00		
Implementataion of SPLUMA 2013	TLM	2,000,000.00		
Completion of Township Establishment Projects	TLM	1,160,000.00		
Township Establishment of Rosseauspoort 319 KQ	TLM	1,000,000.00		
Formalisation of Skierlik Informal Settlements	TLM	500,000.00		
TOTAL CAPITAL EXPENDITURE		307,245,000.00	42,100,000.00	28,710,000.00

TOTAL OPERATIONAL AND CAPITAL EXPENDITURE	322,597,838.76	650,079,518.30	406,850,095.46	417,005,715.94
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Operating surplus

The total operating expenditure is R343 million and the total operating revenue is R367 million, therefore the operating surplus is R24 million. See the table below:

OPERATIONAL SURPLUS/SHORTFALL

Description	2017/18 ADJUSTED BUDGET	DRAFT BUDGET 2018/19	DRAFT BUDGET 2019/20	DRAFT BUDGET 2020/21
		5.40%	5.50%	5.60%
Total Expenditure	322,597,838.76	342,834,518.30	364,750,095.46	388,295,715.94
Total Income	290,611,290.15	367,105,553.93	390,181,089.40	412,996,390.41
Surplus/ (Shortfall)	(31,986,548.61)	24,271,035.63	25,430,993.94	24,700,674.46

3. Discussions

Detail budget report is attached with all budget related documents that includes Tariffs and Budget related policies.

List of annexures

- Annexure 1 – Tariff book for 2018/19
- Annexure 2 – Property rates policy 2018/19
- Annexure 3 – Virement Policy 2018/19
- Annexure 4 – Indigents Policy 2018/19
- Annexure 5 – Tariff policy 2018/19
- Annexure 6 – Credit control policy 2018/19
- Annexure 7 – Asset Management Policy 2018/19
- Annexure 8 – Supply Chain Management 2018/19
- Annexure 9 – Credit control By-law 2018/19
- Annexure 10 – Cash Management and Investment Policy 2018/19
- Annexure 11 – Borrowing Framework Policy 2018/19
- Annexure 12 – Funding and Reserves Policy 2018/19

4. Budget Resolutions

- 4.1 That the Portfolio Committee to note the report.