



Fezile Dabi

District Municipality

DRAFT ANNUAL BUDGET

2019/20 TO 2021/22

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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PART 1 - ANNUAL BUDGET

1.1 MAYOR'S REPORT

1.1.1. Mayoral Budget Speech

The budget speech is attached as a separate document.

1.2 COUNCIL RESOLUTIONS

On the 29 March 2019 the Council of Fezile Dabi District Municipality scheduled a meeting to take note of the draft budget for the year 2019/20. The following resolution are contained in item agenda of the Council Meeting to be held on 29 March 2019:

- (a) That the following policies be reviewed**
- i. Budget and Reporting Policy
 - ii. Asset management Policy
 - iii. Supply Chain Management Policy
 - iv. Budget Virement Policy
 - v. Banking and Investment Policy
 - vi. Funding and reserves Policy
- Approval of the annual budget of the municipality, and specifically appropriately the amounts to different votes, and for single-year and multi-year capital expenditures
note should be taken that Fezile Dabi district municipality does not have infrastructural assets and therefore multi-year budgeting on capital expenditure is not applicable)
 - Approval of measurable performance objectives for the annual budget for each year of the medium term revenue and expenditure framework
- (b) That the annual budget documentation for 2019/20 – 2021/22 as outlined in the budget regulations be submitted to National and Provincial government or organ of state after approval by Council.**

The aforesaid information is set out in detail on Circular 86 Schedule A1 – mSCOA Implementation 09 December 2016 budget tables, other supporting documents and as per the recommendations made to Mayco and Council

1.3 EXECUTIVE SUMMARY

TOTAL REVENUE BY SOURCE

TOTAL REVENUE BY SOURCE	Draft Budget 2019/20	Budget 2020/21	Budget 2021/22	% Change	% Change
Operating Grants and Subsidies	157 877 000	162 652 000	168 023 000	2.94%	3.20%
Interest earned - External investments	7 000 000	7 000 000	7 000 000	0.00%	0.00%
Other Income	704 000	704 000	704 000	0.00%	0.00%
Transfer from accumulated Surplus (CRR)					
TOTAL	165 581 000	170 356 000	175 727 000	2.80%	3.06%

Revenue Notes

- Operating Grants and Subsidies are as per Division of Revenue Act (Gazetted 2019).
- Interest was calculated based on Current Interest rates taking Inflation into account.
- Other income consist of telephone deductions from employees and tender deposit, refund from insurance and skills levy from LGSETA.

EXPENDITURE

TOTAL EXPENDITURE BY TYPE	Draft 2019/20	Year 2020/21	Year 2021/22	% Change- 2019/20 to 2020/21	% Change- 2020/21 to 2021/22
SM - SALARIES ALLOW AND SERV BEN	7 284 000	7 503 000	7 727 000	2.92%	2.90%
SM - SOCIAL CONTRIBUTIONS	23 000	23 000	23 000	0.00%	0.00%
MS - SALARIES ALLOW AND SERV BEN	81 929 000	86 844 000	92 056 000	5.66%	5.66%
MS - SOCIAL CONTRIBUTIONS	18 184 000	19 314 895	20 471 569	5.86%	5.65%
MS - POST RETIREMENT BENEFITS	2 000 000	2 060 000	2 122 000	2.91%	2.92%
COUNCILLORS ALLOWANCES	8 396 000	8 648 000	8 907 000	2.91%	2.91%
OUTSOURCE SERVICES	1 931 000	1 964 000	1 997 000	1.68%	1.65%
CONSULTANTS AND PROFESSIONAL SF	7 668 000	7 814 000	8 016 000	1.87%	2.52%
CONTRACTORS	7 280 000	7 397 000	7 516 000	1.58%	1.58%
OPERATIONAL COST	22 174 000	22 883 000	23 629 000	3.10%	3.16%
INVENTORY	1 754 000	1 807 000	1 861 000	2.93%	2.90%
OPERATING LEASES	1 890 000	1 947 000	2 005 000	2.93%	2.89%
OPERATIONAL : ALLOCATIONS IN KIN	1 710 000	1 761 000	1 813 000	2.90%	2.87%
OPERATIONAL : MONETARY	350 000	361 000	372 000	3.05%	2.96%
OPERATIONAL : MONETARY	1 300 000	1 303 000	1 306 000	0.23%	0.23%
DEPRECIATION & AMORTISATION	2 620 000	2 699 000	2 781 000	2.93%	2.95%
INTANGIBLE ASSET COST	110 000	113 000	116 000	2.65%	2.59%
PPE COST	2 440 000	158 000	176 000	-1444.30%	10.23%
PPE COST COMPUTER EQUIPMENT	450 000	450 000	450 000	0.00%	0.00%
TOTALS	169 493 000	175 049 895	183 344 569	3.17%	4.52%

Expenditure Notes

- Employee related costs, The South African Local Government Bargaining Council entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2018 to 30 June 2020. The preparation of the 2019/20 MTREF constitutes implementation of the second year of the agreement which municipalities must implement as follows:
- Employee related cost constitutes implementation of the last year agreement which municipalities must implement as follows:
- 2019/20 Financial Year forecast CPI as per National Treasury of 5.2 + 1.5 per cent.
- Remuneration of councillors are in accordance with the Government Gazette on the Remuneration of the Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published by Department of Cooperative Governance.
- General expenses for the 2019/20 were based on the departmental inputs in line with their IDP objectives of each department. The 2020/21 & 2021/22 calculations were based were based on an increase of maximum three percent in line with the increase of the equitable share.
- In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures.
- Repairs and maintenance do not have the same impact as in the case of local municipalities. The budget allocated to repairs and maintenance is R 1,5m and it is our submission that 0.90% of the budgeted amount is sufficient to cover Repairs and Maintenance.

Other challenges facing the municipality

- The continued negative effect of the economic downturn;
- The municipality is 95.35% dependant on grants during 2019/2020 and 95.48% dependant grants for the 2020/21 financial year
- Overhead cost growing at a higher rate than income;
- Weaker outlook as a result of lower commodity prices, drought and diminished business and consumer confidence;
- Persistent high unemployment remains one of our pressing challenges;
- A provision for contribution to the capital replacement reserve (CRR) in the operating budget has been made in order to grow our reserve;

These circumstances make it essential for the municipality to reprioritize expenditure and implement stringent cost – containment measures.

MFMA Circulars

National Treasury sent out MFMA Circular No. 86 on 08 March 2017(mSCOA Implementation) and No. 85 on 09 December 2016 providing guidance to municipalities on their 2019/20 budgets and Medium Term Revenue and Expenditure Framework (MTREF). Circular No.86 and 85

remind us of the key focus areas for the 2016/17 budget process, and that it must be read together with MFMA Circulars no 48,51,54,55,67,70,78,79,82,91 and 94. It is essential reading material in order to understand the background to this budget. National Treasury has also set out the requirements for funding the budget and producing a credible budget.

1.4 ANNUAL BUDGET OVERVIEW OF THE 2019/20 MTREF

This section provides an overview of the Fezile Dabi District Municipality’s 2019/20 to 2021/22 MTREF. It includes an assessment of how the budget links with the national and provincial government context along with a view of the fiscal position of Fezile Dabi District Municipality.

The municipality’s budget must be seen within the context of the policies and financial priorities of national, provincial and local government. In essence, the spheres of Government are partners in meeting the service delivery challenges faced at Fezile Dabi District Municipality. Fezile Dabi District Municipality cannot alone meet these challenges. It requires support from others spheres of Government through the direct allocation of resources as well as the achievement of their own policies.

According to Circular No 94, the following headline macro-economic forecast must be taken into consideration when preparing 2019/20 budgets and MTREF:

Fiscal Year	2018/19 Estimate	2019/20 Estimate	2020/21 Forecast	2021/22 Forecast
CPI Inflation	4.7%	5.2%	5.4%	5.4%
Real GDP growth	0.7%	1.5%	1.7%	2.1%

Source: 2019 Budget Review.

The budget process in Fezile Dabi District Municipality followed the requirements of the MFMA. A Table of key deadlines was prepared for tabling in Council by the Executive Mayor on the.

A budget Committee was established to examine, review and prioritize budget proposals from departments.

The MFMA requires municipalities to set out measurable performance objectives when tabling their budgets. These “key deliverables” link the financial inputs of the budget to service delivery on the ground.

As a further enhancement to this, quarterly service targets and monthly financial targets are contained in the Service Delivery and Budget Implementation Plan (SDBIP). This must be approved by the Mayor within 28 days after the approval of the final budget and forms the basis for the Municipality’s in year monitoring.

In view of the aforementioned, the following table is a consolidated overview of the proposed MTREF:

**Table 1 Consolidated Overview of the 2019/20 MTREF:
AGGREGATE TOTAL**

DETAILS	ORIGINAL BUDGET 2018/19	REVISED BUDGET 2018/19	DRAFT BUDGET 2019/20	% Change From Revised Budget
Total Income	-162 225 160	-168 780 000	-165 581 000	-1.90%
Total Expenditure	158 231 160	173 659 600	166 493 000	-4.13%
Surplus/(Deficit)	-320 456 320	-342 439 600	-332 074 000	-3.03%
Total Capital Expenditure	2 960 000	3 910 000	3 000 000	-23.27%
Capital Replacement R	-	-3 910 000	-3 000 000	-23.27%

The surplus/ (deficit) in the above table differs from that in the SA Tables, as the SA Tables does not take into account the appropriations.

For Fezile Dabi District Municipality to continue maintaining /improving the quality of services provided to its citizens it needs to generate the required revenue.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines ,Circular No 85,86,91 and 94

Table 2 Summary of Revenue Classes by Main Revenue Sources

SUMMARY OF INCOME BY SOURCE 2019/20

DETAILS	ORIGINAL BUDGET 2018/19	REVISED BUDGET 2018/19	DRAFT BUDGET 2019/20	DIFFERENCE
Interest earned	8 837 160	7 000 000	7 000 000	0.00%
Interest earned on o/s debtors	-	-	-	0%
Operating Grants & Subsidies	152 376 000	161 280 000	157 877 000	-2.11%
Other Income	1 012 000	500 000	504 000	0.80%
TOTAL INCOME	162 225 160	168 780 000	165 381 000	-2.01%

The following table gives a breakdown of the various grants allocated to Fezile Dabi District Municipality over the medium term:

Table 3 Grants Allocation

Medium-Term Estimates					
DETAILS	DORA 2019/20	DORA 2020/21	DORA 21/22	% Change	% Change
Equitable Share	10 385 000	11 128 000	11 947 000	6.68%	6.86%
Local Government Financial Management Grant	1 000 000	1 000 000	1 264 000	0.00%	20.89%
Municipal Systems Improvement Grant	-	-	-		
Rural Roads Asset Management Systems Grant	2 318 000	2 451 000	2 586 000	5.43%	5.22%
Expanded Public Works Programme Integrated Grant					
RSC Levy Replacement Grants	144 174 000	148 073 000	152 226 000	2.63%	2.73%
TOTAL INCOME	157 877 000	162 652 000	168 023 000	2.94%	3.20%

1.4 – Operating Expenditure Framework

The expenditure framework for the 2019/20 budget and MTREF is informed by the National Treasury's guidelines and the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed
- reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services;
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.

The operating expenditure decreased from R173.65million (2018/19) to R166.49 million in 2019/20.

The following table is a summary of the 2019/20 MTREF (classified by main expenditure by mSCOA category)

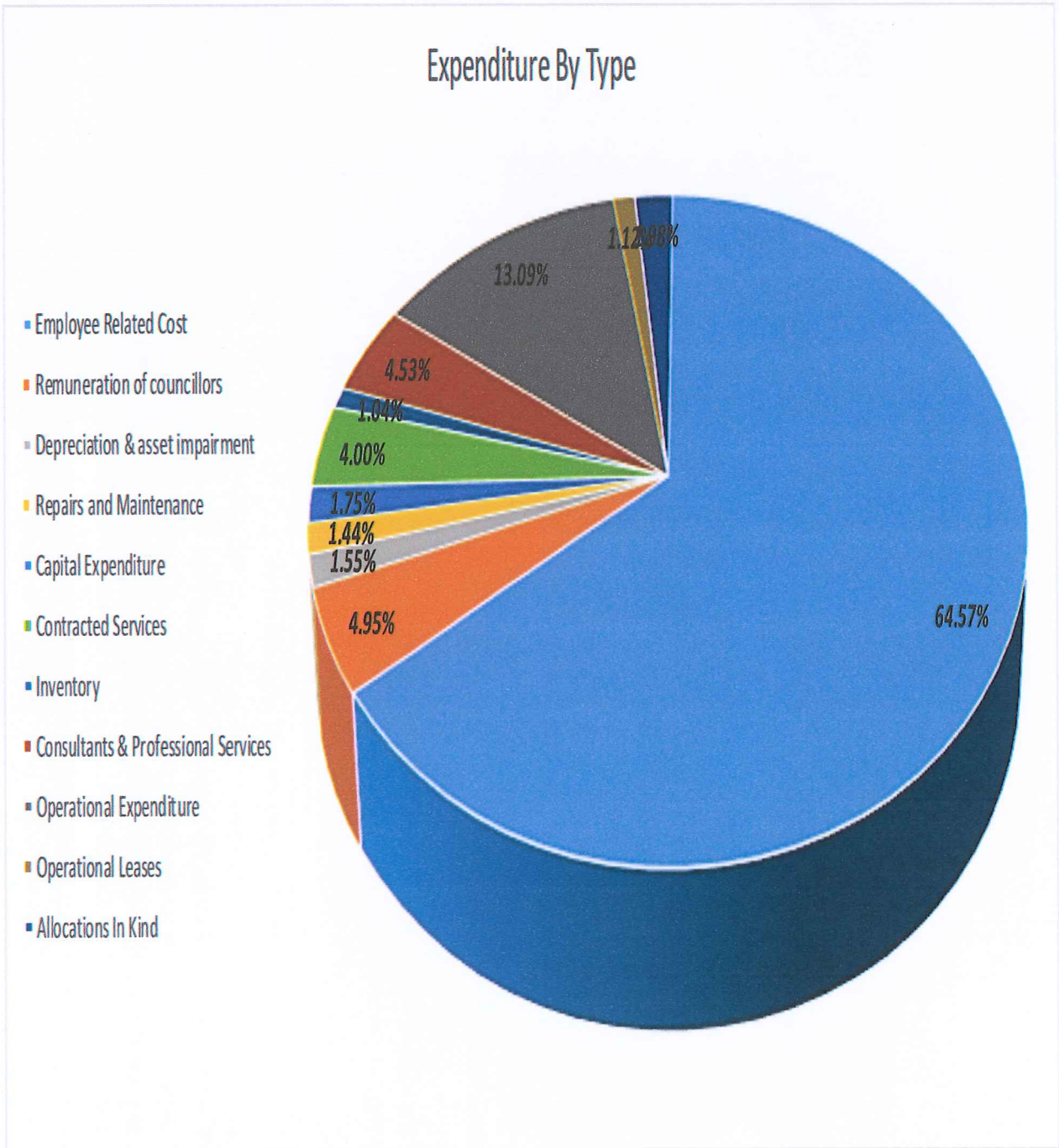
Table 4: Summary of operating expenditure by category

DETAILS	ORIGINAL BUDGET 2018/19	REVISED BUDGET 2018/19	DRAFT BUDGET 2019/20	Percentage of Expenditure
Employee Related Cost	109 420 000	115 744 895	122 399 569	64.57%
Remuneration of councillors	8 396 000	8 648 000	8 907 000	4.95%
Depreciation & asset impairment	2 620 000	2 699 000	2 781 000	1.55%
Repairs and Maintenance	2 440 000	2 290 000	2 359 000	1.44%
Capital Expenditure	2 960 000	3 910 000	3 000 000	1.75%
Contracted Services	6 771 000	7 071 000	7 154 000	4.00%
Inventory	1 754 000	1 807 000	1 861 000	1.04%
Consultants & Professional Services	7 668 000	7 814 000	8 016 000	4.53%
Operational Expenditure	22 174 000	22 883 000	23 629 000	13.09%
Operational Leases	1 890 000	1 947 000	2 005 000	1.12%
Allocations In Kind	3 360 000	3 425 000	3 491 000	1.98%
TOTAL EXPENDITURE	169 453 000	178 238 895	185 602 569	

- An increase has been made for all employee remuneration due to salary agreement by 5.75%
- Councillor remuneration as per Remuneration of Public Bearers Act. On Aggregate increased by 3%
- Provision for depreciation and asset impairment is informed by the municipality's asset management policy.
- Repairs and maintenance do not have the same impact as in the case of local municipalities. The budget allocated to repairs and maintenance is R 1,5m and it is our submission that 0.90% of the budgeted amount is sufficient to cover Repairs and Maintenance.
- Capital expenditure comprises of office furniture and equipment has decreased dramatically.
- General expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. This makes up 1.78% of operating expenditure.

The following graph indicate a breakdown of the main expenditure categories for the 2019/20 financial year.

Operating Expenditure Chart



1.5 ANNUAL BUDGET TABLES

Background on the main budget tables

(Budget main tables A1 to A10)

- **Table A1** is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance.
- Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
- The operating surplus/deficit (after Total Expenditure) is negative over the MTREF and is being funded from short term investments and positive bank balances.
- Capital expenditure is funded from internally generated funds (positive cash balances)
- Total revenue is R165.58 million in 2019/20 and escalates to R170.35 million by 2020/21. This represents a year-on-year increase of 2.8% for the 2020/21 financial year and 3.60% for the 2021/22 financial year.
- Transfers recognized: It needs to be noted that in real terms the grants receipts from national government are growing slightly over the MTREF by 3.6% (2019/20), 2.94% (2020/21), and 3.2% (2021/22)
- Capital Budget The capital budget decreased R3 910 000 (2018/19) to R2 000 000 in 2019/20. Total capital budget will be spent on furniture, replacement of fleet vehicles, other equipment; and computer software.
- The Budget Committee went through several stages of prioritizing the capital budget to contain the budget within the available funding.
- **Table A2** is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification, the modified GFS standard classification divides the municipal services into 15 functional areas.
- Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable the National Treasury to compile government's reports.
- **Table A3** is a view of the budgeted financial performance in relation to revenue and expenditure by vote

Table A3: Summary of operating expenditure by Vote

DETAILS	ORIGINAL BUDGET 2018/19	REVISED BUDGET 2018/19	DRAFT BUDGET 2019/20	% Change From Revised Budget
Council General	12 017 000	12 406 000	12 809 000	3.25%
Executive Mayor	12 052 000	12 479 195	12 924 067	3.56%
Speaker	6 678 000	6 987 170	7 307 440	4.58%
Mayoral Committee	3 883 000	4 000 000	4 120 000	3.00%
Municipal Manager	25 693 500	27 286 738	28 855 062	5.75%
Finance	18 655 000	19 564 575	20 513 110	4.85%
Information Technology	3 092 000	3 219 495	3 351 745	4.11%
Project Management	8 862 000	9 280 560	9 716 214	4.69%
Corporate Support Service	22 950 000	24 052 000	25 208 000	4.81%
Fire & Emergency	11 063 000	11 672 000	12 314 000	5.50%
Disaster Management	4 775 500	5 034 000	5 309 000	5.46%
Local Economic Dev.	13 846 000	14 510 000	15 208 000	4.81%
Environmental Health	18 897 000	19 938 000	21 036 000	5.51%
Environmental Management	4 029 000	4 107 000	4 263 000	3.80%
TOTAL EXPENDITURE BY VOTE	166 493 000	174 536 733	182 934 636	4.81%

• **Table A4** Total revenue is R165.58 million 2019/20 and escalates to R 170.35 million by 2020/21. This represents a year-on-year increase of 3.6% for the 2019/20 financial year; 3.00% for the 2020/21 financial year and 3.12% 2021/22 financial year

- Transfers recognized-operating, includes the local government equitable share and levy replacement grant, other operating grants from national and provincial government.
 - An increase has been made for all employee remuneration due to salary agreement by 7.3%
 - Councillor remuneration as per Remuneration of Public Bearers Act. On Aggregate increased by 3%
 - Provision for depreciation and asset impairment is informed by the municipality's asset management policy.
 - Repairs and maintenance do not have the same impact as in the case of local municipalities. The budget allocated to repairs and maintenance is R 1,5m and it is our submission that 0.90% of the budgeted amount is sufficient to cover Repairs and Maintenance.
 - Capital expenditure comprises of office furniture and equipment has decreased dramatically. But when adding Rural Roads Management Grant this Category of expenditure show a slight increase
 - General expenditure comprises of various line items relating to the daily operations of the municipality.
- **Table A5** is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single-year appropriations); capital expenditure by standard

classification; and the funding sources necessary to fund the capital budget.

- Capital Budget The capital budget decreased from R3 910 000 (2018/19) to R3 000 000 in 2019/20. Total capital budget will be spent on furniture; other equipment; and computer software.
- The Budget Committee went through several stages of prioritizing the capital budget to contain the budget within the available funding.
- The capital programme is funded from the Capital Replacement Reserve.
- Table A5 & A5A is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- An amount of R2 183 000 for 2019/20, R2 451 000 and R2 586000 is from national government for the Rural Roads Assets Management System within the District.
- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- Table 6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the budgeted financial performance or the capital budget will inevitably impact on the budgeted financial position
- Table A7 budgeted cash flow statement is the first measurement in determining if the budget

is funded, it shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

- The cash flow management and forecasting is a critical step in determining if the budget is funded over medium-term. The table above is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:
 - Clear separation of receipts and payments within each cash flow category.
 - Clear separation of capital and operating receipts from government, also enables cash from “debtors and other” to provide for as cash inflow based on actual performance.
 - Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

- **Table 8** The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – funding a municipal budget in accordance with sections 18 and 19 of the MFMA. The 2017/2018 budget is showing a positive outcome.

- From the above table it can be seen that the cash and investments available total R62.4million in the 2019/20 financial year. The following is a breakdown of the application of this funding:
 - Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the revenue fund at the end of the financial year. In the past these have been allowed to ‘roll-over’ and be spent in the ordinary course of business, but this practice has been discontinued.
 - Provision for statutory requirements including VAT owing due to timing differences resulting from year-end obligations.
 - The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due.
 - This liability is informed by all provisions.
 - The level of cash-backing is directly informed by the municipality’s cash backing policy.
 - It can be concluded that the council has a surplus against the cash backed and accumulated surpluses reconciliation.

- **Table A9 Assets Management** Capital expenditure comprises of office furniture and equipment has decreased dramatically.
- An amount of R2 318 000 for 2019/20, R2 451 000 for 2020/21 and R2 586 000 for 2021/22 is from national government for the Rural Roads Assets Management System within the District.

- **Table A10** has not been completed as the district municipality does not render any basic services

PART 2 - SUPPORTING DOCUMENTS

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

PAST ACTIVITIES	DATE
Approval of the consolidated IDP and Budget process plan by council	
Budget steering committee (S 72 report and working session on the Adjustment budget for 2018/19)	25 January 2019
Approval of the adjustment budget	28 February 2019
Publication of the Adjustment budget 2016/17 (Budget documents distributed in local libraries and local municipalities within the district)	
IDP steering committee	
Finance Portfolio committee meeting MPAC meeting (noting the tabling of the draft budget 2019/20)	
Mayoral committee meeting (noting the tabling of the draft budget 2019/20)	

PAST ACTIVITIES	DATE
IDP & Budget steering committee (ensuring a realistically funded Draft budget 2019/20)	
Council meeting (tabling of the draft budget 2019/20)	31 March 2019
Adherence to the internal MFMA compliance calendar for the Month of April (submission and publication of documents)	
Public Participation meetings (Draft IDP and Draft budget 2019/20)	
Budget steering committee meeting (consideration of the public participation report)	

Finance Portfolio committee meeting	
Mayoral committee meeting (noting the approval of the annual budget 2019/20)	
Council meeting (approval of the annual budget 2019/20)	
Adherence to the internal MFMA compliance calendar for the Month of May 2017 (submission and publication of documents)	

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

There is an active team in charge of the alignment on the strategic documents, which deals with the following; integrated development planning, annual budgets, performance management, reporting, monitoring and evaluation.

SA4

This table shows the reconciliation of IDP strategic objectives and budget (revenue)

SA5

This table shows the reconciliation of IDP strategic objectives and budget (operating expenditure)

SA6

This table shows the reconciliation of IDP strategic objectives and budget (capital expenditure)

(Supporting tables SA4, SA5, SA6)

2.3 MEASURABLE PERFORMANCE OBJECTIVES

Table SA7 is linked to Table A10 which outlines the basic service delivery measurement, no information has been captured on these tables, the information relates to household service targets on water, sanitation/ sewerage, energy and refuse.

2.4 OVERVIEW OF BUDGET-RELATED POLICIES

Council must take note that the following policies relate to the budget and its implementation is currently under review and will be submitted with the final budget approval:

Budget and Reporting Policy *(Under Review)*

Asset management Policy *(Under Review)*

Supply Chain Management Policy *(Under Review)*

Budget Virement Policy	<i>(Under Review)</i>
Banking and Investment Policy	<i>(Under Review)</i>
Funding and reserves Policy	<i>(Under Review)</i>

The above policies can also be accessed from www.feziledabi.gov.za

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. Documentation of the assumptions used in preparing the budget assists understanding of the information. This section provides a comprehensive summary of all the assumptions used in preparing the budget.

Revenue assumptions

Operating Grants and Subsidies	
LOCAL GOV FIN MANAG GRANT	1 000 000
FUEL LEVY	144 174 000
EQUITABLE SHARE	10 385 000
MUNICIPAL INFRASTR GRANT	-
RURAL ROAD ASS MAN SYS GRANT	2 318 000

Operating grants and subsidies are as per the Division of Revenue Act

Interest earned on external investments

Interest earned - External investments	7 000 000
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The interest earned on external investments is based on the assumption that the average interest rate range from 6-7 % on the investments in the next financial year and these are short term investments.

Other Income

R 504 000.00

Description	Amount (R)
Insurance Claims Received	10 000
Skills levy- seta	70 000
Private Telephone Deductions	400 000
Tender deposits	24 000
TOTAL	504 000

- Assumptions used for projecting some of the above figures are based on averaging methods and the most appropriate average was used to come up with the estimation
- Sales on tender documents is expected to be as follows:
 - 443 documents @ R40, 2 documents @ R250 and 12 documents @ R150 which gives a total of
 - R 20 020 (*users of this document should take note of a rounding error amounting to R 20*)

Expenditure assumptions

An increase of 6.0% on employee's related costs (excluding updates on salary notches) and 3.00% on Remuneration of councillors has been applied; in the absence of other information contained in circular 94 which has been issued after the tabling of the National budget the aforesaid estimates are as per circular.

All other General and Capital Expenses have been budgeted in line with the user's Inputs, applying the combination of Zero-Based and Incremental Budgeting approaches, projected cost of living increase adjustments as well as taking into account previous years' circulars, circular 59, circular 74 and application of circular 75,80, 86, 94 will also be effected as well during the steering committee session.

2.6 OVERVIEW OF BUDGET FUNDING

Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipates revenues to be collected
- Cash- backed accumulated funds from previous years 'surpluses not committed for other purposes; and
- Borrowed funds, but only for capital budget referred to in section 17(2)

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

Under old budget formats a 'balanced' income generated approach was key objective and this assisted in ensuring that outflows were matched by inflows, provided revenue collections were realistic. However, GRAP compliant budgets necessitate that budget 'balancing' be much more comprehensive.

New budgeting and accounting formats (mSCOA) demand that the budgeted Statement of Financial Performance, the Budgeted Statement of Financial Position and the Budgeted Statement of Cash Flows must be considered simultaneously to ensure effective financial management and sustainability to ensure that the budget is funded.

Total revenue

165 581 000

Table A7 and Table A8 - budget main tables indicate the detailed funding of the budget, derived from the said tables there is a budget deficit amounting to **R 912 000**, thus there will be a scheduled meeting in order to ensure that the budget is funded from realistically anticipated sources of revenue and that prioritization takes place to avoid budget deficits.

Credible Budget

Amongst other things, a credible budget is a budget that:

- Funds only activities consistent with the revised IDP and vice versa, ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions;
- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in short term, medium and long term);and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

A budget set out certain service delivery levels and associated financial implications. Therefore the community should realistically expect to receive these promised service delivery levels and understand the associated financial implications. Major under spending due to collection of revenue or poor planning is a clear example of a budget that is not credible and unrealistic.

Furthermore, budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and fairly close to the final approved budget.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Table S A19

This table outlines the expenditure on transfers and grant programmes

(Please turn over for attached table S A19)

2.8 COUNCILLORS AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

Table S A22

This table gives a summary of councillor and staff benefits *(was updated in line with circular 86 issued recently)*

Table S A23

This table gives a summary of salaries, allowances & benefits for political office bearers/councillors/senior managers *(was updated in line with circular 86 issued recently)*

Table S A24

This table gives a summary of personnel numbers *(was updated in line with circular 86 issued recently)*

(S A22, S A23 and S A 24)

MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table S A25

This table shows the consolidated budgeted monthly revenue and expenditure

Table S A26

This table shows the consolidated budgeted monthly revenue and expenditure by municipal vote

Table S A27

This table shows the consolidated budgeted monthly revenue and expenditure by standard classification

Table S A28

This table shows the consolidated budgeted monthly capital expenditure by municipal vote

Table S A29

This table shows the consolidated budgeted monthly capital expenditure by standard classification

Table S A30

This table shows the consolidated monthly budget cash flow

Table S A34a

This table show the capital expenditure on new assets by assets class

Table S A34c

This table shows the consolidated repairs and maintenance expenditure by assets class

Table S A34d

This table shows the consolidated depreciation by assets class

Table S A35

This table shows the consolidated future financial implication of the capital budget

Table S A36

This table shows the consolidated detailed capital budget

(S A25, S A26, S A27, S A28, S A29 and S A30)

(S A34a, SA34c, S A35and S A36)

2.9 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS- INTERNAL DEPARTMENTS

The draft budget divided in quarterly periods and meant for strategic implementation will be contained in the draft SDBIP 2019/20.

2.10 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Contracts with future budgetary implications will be considered during the prioritizing process to take place and will be accounted for.

2.11 CAPITAL EXPENDITURE DETAILS

DEPARTMENTS AND DESCRIPTIONS	BUDGETED AMOUNT
Council General	
Vehicles (Sedans) Fleet Replacement x 5	R 1 100 000
Financial Services	
Information Technology	
IT Equipment	R 450 000
Software	110 000
Project Management & Public Works	
Provision for Replacement of Airconditioners	R 140 000
Municipal Manager	
Electric Fencing - Mafube	R 200 000
Upgrading of Alarm Systems	R 200 000
Push to Talk Radios	R 100 000
Local Economic Development	
Koopies Greenhouse - Green House	R 500 000
Environmental Health and Emergency Services	
Equipment	R 200 000
TOTAL	R 3 000 000

Table S A 15

Investment particulars by type

The investment that the municipality hold in 2017/18 financial year is estimated to the amount of R62 million which is re-invested to back up the following commitments.

- (i) Postretirement benefits obligation.
- (ii) Long service awards.
- (iii) Provision for Leave Sold.
- (iv) Retention creditors.
- (v) Unspent conditional grants.
- (vi) Trade payables.
- (vii) Accruals.
- (viii) Provision for VAT.

QUALITY CERTIFICATE

I, Ms Lindi Molibeli, Municipal Manager of Fezile Dabi District Municipality hereby certify that the 2019/2020 Annual Draft Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the Annual Draft Budget and supporting documentation are consistent with the Draft Integrated Development Plan of the municipality.

Print Name: Lindi Molibeli
Municipal Manager of Fezile Dabi District Municipality (DC20)

Signature: [Handwritten Signature]

Date: 19/03/2019

