**A1631 FINAL ANNUAL OPERATING AND CAPITAL MTREF FOR 2017/2018 TO 2019/20 PERIOD FOR SEDIBENG DISTRICT MUNICIPALITY**

 **(5/1/1) (2017/2018) Cluster: Finance**

 **Portfolio: Finance**

 PURPOSE

To table a high level synopsise on the Annual Operating and Capital MTREF for the 2017/2018 to 2019/20 financial period in terms of Section 16(2) of the MFMA.

 BACKGROUND

National Treasury prescribes the guidelines of the MTREF period through a sustained and viable process as taken from the priorities of the countries National Development Plan. This is confined to our Growth and Development Strategy (as revised) and Council’s 5-Year IDP. In addition the Gauteng Province has pronounced on plans to Transform, Modernise and Re-Industrialise (TMR) the beauty and resiliency of the province. This plans are confined in a ten pillar vision by the Premier which states the following:

* *Radical economic transformation;*
* *Decisive spatial transformation;*
* *Accelerating social transformation;*
* *Transformation of the state and governance;*
* *Modernisation of the economy;*
* *Modernisation of the public service and the state;*
* *Modernisation of human settlements and urban development;*
* *Modernisation of the public transport and other infrastructure;*
* *Re-industrialising Gauteng as the country’s economic hub; and*
* *Taking the lead in Africa’s new industrial revolution.*

The reporting requirements of this budget are disclosed in terms of the MFMA Circulars 48, 51, 54, 55, 58, 66, 67, 70, 74, 78, 79, 85 and 86 as well as the Municipal Budget and Reporting Regulations (MBRR GN 393 of 2009) and the Municipal Standard Chart of Accounts Regulations (MSCOA GNR. 312 of 2014).

Budgeting Approach

In order for Council to see improvement in the economic health of theSedibeng District Municipality, Council needed to adopt a conservative budgeting approach.The municipality’s expenditure currently exceeds their income, and this trend has seen the depletion of the municipal cash-backed reserves over the last five years. The municipality must now take on radical cost containment measuresas part of the implementation of the 2017/2018 budget, with an appetite to bridge the growing gap between municipal revenue and municipal operational expenditure.

For the compilation of the 2017/2018 MTREF, the municipality has had to incorporate the shrinking revenue base (primarily composed of grants & subsidies), while also having to accommodateoperational expenditure growing at a rate of CPI with salaries & employee-related costs growing at above CPI (due to the collective bargaining agreement).

The implementation of the Municipal Standard Chart of Accounts (MSCOA), has also assisted the municipality in moving away from cost line budgeting towards project-based budgeting.

 Budget DISCUSSION

The Draft Annual Budget is strategically aligned to the Integrated Development Plan (IDP) 2017/2021 five-year strategyand provides the financial framework to the strategic objectives and targets for the upcoming three years. The budgetmust thus conform to the key objectives and strategies of the Sedibeng District Municipality. In this process the Finance Cluster met individually with the MMCs, EDs and HODs (or their duly delegated representatives) of all Clusters. As a result of the limited resources (as determined by National Treasury by means of the equitable share allocation) the budget had to be drawn up within those tight constraints based on the decline of this major revenue source over the last seven years.

During the 2017/2018 budget process, Clusters were tasked to provide their budgetary requests as per their needs analysis, using the MSCOA project-based approach, and in alignment to IDP key performance areas. Incremental based budgeting was only used for expenses which have existing obligations, such as employee-related costs.

The budget was compiled based on a trend analysis taking into consideration the anticipated revenue realisable in the 2017/18 financial year. Contractual obligations such as salaries and contracted services were first determined whereby general expenses were reduced in an effort to obtain a balanced budget.Minimal allocations have beenmade for capital purposes due to these restricted revenue streams and lack of internal reserves.

Public Participation Engagements

After the tabling of the draft MTREF 2017/2018 at the 96th Council Sitting held on 29 March 2017, the municipal manager duly made the consolidated three year draft Capital and Operational Budget public for public consultation and submission to National Treasury, Gauteng Treasury and the MEC in terms of Section 22 and 23 of MFMA (56/2003). Engagements were held during the month of April & May 2017to this effect.

The Executive Mayor held the IDP Business Breakfast Engagement on 04 May 2017 with business communities and stakeholders.

There was also a budget assessment held with Gauteng Provincial Treasury on 15 May 2017 with the Acting Chief Operations Officer, the Acting Chief Financial Officer and the Acting Director: Financial Management & Budgets to discuss the credibility, relevance and sustainability of the municipal budget.

FINANCING OF OPERATING ACTIVITIES

The budget on financial performance (previously income and expenditure statement) has been drawn up on the GRAP (Generally Recognised Accounting Practices) principles of accounting where provision for depreciation has been taken into account.

The following should be noted:

 1. Indicative Macroeconomic Forecasts

 Municipalities are expected to levy their tariffs taking into account their local economic conditions, affordability levels and remain broadly in line with macro-economic policy. Municipalities must also take account the policy and recent developments in government sectors relevant to their local communities. Tariff increases must be thoroughly substantiated in the municipal budget documentation for consultation with the community.

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| --- | --- | --- | --- | --- |
| ***Fiscal year***  | ***2016/17*** | ***2017/18*** | ***2018/19*** | ***2019/20*** |
|  | ***Estimate*** | ***Forecast***  | ***Forecast***  | ***Forecast***  |
| *CPI Inflation*  | 6,4% | 6,4% | 5,7% | 5,6% |

*Source: MFMA Circular 86*

*NB: The reclining growth of the equitable share from National Treasury coupled with the increase towards personnel costs over the last 7 years has had a negative impact on the Municipality meeting its short-term obligations towards the operations and programmes of the District.*

*National Treasury has further introduced a new funding model for district municipalities which has further reduced the municipality’s equitable share allocation for 2017/2018. Effectively, there has only been a R3,897,000or 1,55% growth from 2016/2017 to 2017/2018.*

 2. Transfers to Municipalities

Section 214 of the Constitution provides for national government to transfer resources to municipalities in terms of the Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions. Transfers to municipalities from national government are supplemented with transfers from provincial government. The two spheres of government must gazette these allocations as part of the budget implementation process. The DoRA and Section 37 of the MFMA further requires transfers between district and local municipalities to be made transparent and reflected in the budgets of both transferring and receiving municipalities.

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| --- | --- | --- | --- |
| ***National Allocation as per DORA Bill,*** *Government Gazette No. 40610 of 10 February 2017* | **2017/2018Allocation****R’000** | **2018/2019****Forward Estimate****R’000** | **2019/2020Forward Estimate****R’000** |
| Equitable Share | 254,779 | 258,764 | 266,791 |
| Local Government Financial Management Grant | 1,250  | 1,250  | 1,250 |
| Municipal Systems Improvement Grant | 0 | 3,123 | 0 |
| Extended Public Works Program Integrated Grant | 2,490 | 0 | 0 |
| Rural Roads Asset Management Systems Grant | 2,431 | 2,560 | 2,703 |
| **TOTAL ALLOCATION GAZETTED** | **260,950** | **265,697** | **270,744** |

|  |  |  |  |
| --- | --- | --- | --- |
| ***Provincial Allocation as per Provincial Notice 203 of 2017,*** *Provincial Gazette Extraordinary No. 68 of 14 March 2017* | **2017/2018Allocation****R’000** | **2018/2019****Forward Estimate****R’000** | **2019/2020Forward Estimate****R’000** |
| HIV and AIDS | 7,790 | 8,288 | 9,817 |
| **TOTAL ALLOCATION GAZETTED** | **7,790** | **8,288** | **9,817** |

3. Key Legal Provisions to be Strictly Enforced

 All municipalities must prepare budgets, adjustments budgets and in-year reports for the 2017/18 financial year in accordance with the Municipal Budget and Reporting ***AND*** Municipal Standard Chart of Accounts Regulations. In this regard, municipalities must comply with both:

* The formats set out in Schedules A, B and C of the regulations; and
* The relevant attachments to each of the Schedules (the Excel Formats).

All municipalities must do a funding compliance assessment of their 2017/18 budgets in accordance with the guidance given in MFMA Circular 80 and the Municipal Standard Chart of Accounts Regulations, GN 312 of 2014, before tabling their budget, and where necessary revise their budget submissions to comply with a properly funded budget.

The deadline for tabling municipal budgets for consideration for approval is thirty (30) days before the commencement of the budget year as per Section 24(1) of the MFMA.

The deadline for the submission to National Treasury, MEC, DLG, AG and SALGA of approved budgets is ten working days after Council approves the annual budget.

4. Operating Income

The service charges and rental income have been increased by 6% in accordance with the guidelines as prescribed by National Treasury.

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| **DESCRIPTION** | **Budget by Source** **R** | **BUDGET 17/18** **R** | **%** |
| **A. OPERATING REVENUE BY SOURCE** |  |   |  |
| *Rental Of Facilities And Equipment* |  | *8,620,490* | *2.36%* |
| Fresh Produce Market | 8,000,000 |  |  |
| Maintenance & Cleaning | 484,800 |  |  |
| Heritage (Teknorama Sales) | 16,960 |  |  |
| Vereeniging Theatre | 93,000 |  |  |
| Mphatlalatsane Theatre | 26,000 |  |  |
| *Interest Earned - External Investments* |  | *1,680,000* | *0.46%* |
| Finance Cluster - Financial Management | 1,680,000 |  |  |
| *Licenses And Permits* |  | *73,919,504* | *20,27%* |
| License Services Centre - Support | 0 |  |  |
| License Services Centre - Vereeniging | 24,305,724 |  |  |
| License Services Centre - Vanderbijlpark | 22,872,104 |  |  |
| License Services Centre - Meyerton | 17,955,516 |  |  |
| License Services Centre - Heidelberg | 8,786,160 |  |  |
| *Government Grants And Subsidies* |  | *268,740,000* | *73,70%* |
|  Finance Cluster - Financial Management (Equitable Share, FMG, MSIG, EPWP, Transformation) | 258,519,000 |  |  |
| TIE – Infrastructure rural roads | 2,431,000 |  |  |
| Community Services Cluster - HIV & AIDS | 7,790,000 |  |  |
| *Revenue From Agency Services* |  | *7,953,306* | *2.18%* |
| Corporate Services Cluster - IT Emfuleni | 7,953,306 |  |  |
| Corporate Services Cluster - IT Midvaal | 0 |  |  |
| *Other Revenue (Minor Tariffs)* |  | *3,624,143* | *0.99%* |
| Finance Cluster - Financial Management & Tender Income | 217,158 |  |  |
| Corporate Services Cluster - Human Resources Administration (SDL) | 406,985 |  |  |
| Telephone Income | 0 |  |  |
| Vereeniging Airport (Airfield Fuel and Usage Fees) | 3,000,000 |  |  |
| *Gain on disposal of PPE* |  | *100,000* | *0.03%* |
|  |  |  |  |
| **Total Operating Revenue by Source** |  | **364,637,443** |  |

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| --- | --- | --- |
| **DESCRIPTION** | **%** | **BUDGET 17/18****R** |
| **B. OPERATING EXPENDITURE BY CATEGORY** |  |   |
| Employee related costs | 65.0% |  253,277,385  |
| Remuneration of councillors | 3.2% |  12,668,328  |
| Depreciation & asset impairment | 4.3% |  16,896,075 |
| Contracted services | 9.3% |  32,743,138  |
| Transfers and grants | 0.0% |  -  |
| Other expenditure | 18.2% |  70,307,952  |
| **Total Operating Expenditure** |  | **385,892,878** |
| **Operating Surplus / (Deficit) A - B** | **6.5%** | **21,256,125** |

5. Employee and Councillor Related Costs(68.2%)

 Attention is drawn to the current trend of the steep growth in employee-related expenditure for the total organisation.

Salaries & councillor allowances are projected at R265millionfor the 2017/2018 financial year. There is a three-year collectivelabour salary agreement (SALGA & SALGBC) currently in place and according to circular 86 the estimated increase for salaries & wages is CPI + 1% = 6,4% + 1% = 7,4%. Limited provision for vacancies (new posts and attritions) was made for all Clusters as part of existing recruitment processes to fill critical key posts. Subsequent to the tabling of the draft MTREF 2017/2018, the Executive have taken a decision to place a moratorium on the filling of future vacant posts in an effort to reduce the substantial salary bill.

Council must note that although employee related costs have grown by 7,4%, the provisional equitable share allocation has only grown by 1,55% leaving Council to fund a deficit of 6,1%. This deficit has had to be filled by reducing other operational expenditure, potentially reducing Council’s ability to render services but still able to fulfil our coordinating role based on our current human capital on powers and functions for the District.

During the GPT budget assessment engagement, COGTA was requested to assist the municipality with an organisational design review in order to conduct a skills audit of the existing structure of the municipality and to determine the best value-for-money option for the existing employee related costs.

6. Depreciation (4.33%)

In accordance with the GRAP principles and standards and the prescription of the approved asset management policy, depreciation on all assets needs to be provided for within the statement of financial performance. This will allow Council to charge consumers during the useful life of the asset on a proportionate basis and not at the date of acquiring the asset.

The amount provided for the 2017/2018 financial year amounts to R17million, which is meant to be cash generated in order toserve as capital replacement reserves to maintain the assets for the outer years of 2018/19 and 2019/20.

7. Repair and maintenance (2.15%)

Repairs and maintenance will be for current buildings occupied by Sedibeng District Council as well as the movable assets on the asset register. An amount of R8,4million has been provided, which equates to 2.15% of the total budget of Council. This is a R3, 8million increase on the 2016/2017 adjustment budget.

Repairs and maintenance of Council’s assets are allocated as follows:

|  |  |
| --- | --- |
| ***REPAIR AND MAINTENANCE*** | *R’000* |
| Maint - buildings fences & sitesMaint - network / infrastructureMaint - plant equipment & furnitureMaint - vehicles | 3,1444,479350400 |

8. Contracted services (9.27%)

Contracted services have been determined by the need for services to be rendered by service providers and taking the current obligations into account.

The top user-departments are stated below:

|  |  |
| --- | --- |
| ***CONTRACTED SERVICES*** | ***R'000*** |
| Security Services | 10,004 |
| Municipal Health Services | 19,001 |
| Internal Audit | 1,256 |
| Maintenance & Cleaning | 3,426 |
| Taxi Rank Cleaning | 660 |
| Fresh Produce Market | 515 |
| Information Technology | 421 |
| Heritage | 384 |

9. General Expenses (17%)

The general expenditure budget has been drawn up in order to assist the employees of Council to provide them with the necessary tools and consumables to achieve the deliverables as set in the NDP, TMR, GDS and IDP, while remaining within the constraints of the municipality’s limited revenue sources. The budget has also been drawn up taking into consideration that the main purpose of the District is to plan and co-ordinate, whereas the service delivery execution process will be performed at a local municipality level.

Note should be taken that there has been a decreaseof R3,9 million in general expenditure budgeted from 2017/2018compared to the 2016/2017adjustment budget due compensating for the decline in the growth of the equitable share and salary budget increase, which has grown above the equitable share growth.

Council are advised to review training and development costs in terms of the operational and service delivery requirements of Council, and a concerted effort be made immediately to approach the various SETA’s to gain LGSETA discretionary grant funding as income before the approval of the final budget for 2017/2018 by Council.

It should also be noted that without these LGSETA discretionary grant funding, the municipality cannot afford to implement their internal training and development programme over the MTREF, reducing ability to achieve IDP outcomes for *Releasing Human Potential*.

10. Implementation of MSCOA

The SCOA (Standard Chart of Accounts) must also be implemented in full before the deadline of 1 July 2017 and therefor an amount of R3,2 million was provided for in the capital budget. The tabled 2017/2018 MTREF has been drafted in MSCOA format (version 6.1), and the municipality has received feedback from National Treasury on the technical soundness of the draft MTREF, and do not anticipate there to be significant challenges with the transition over to MSCOA on 01 July 2017.

INVESTMENT INto Capital

The total Capital investment for 2017/2018 will be R6million whereby the full amount will be funded from our internal provisions(**See Annexure “D”**). Clusters are encouraged to source grant funding for futurecapital projects. Donor and Grant Funding must also be considered for planned projects as outlined in the IDP to ensure that it is properly funded before the final 2017/18 budget is approved by Council.

During the budget assessment engagement with Provincial Treasury, an appeal was made by the municipality to explore capital investment options available to the municipality for increasing the revenue-generating capacity of existing municipal functions such as the Vaal Aerodrome, the two Theatres, the City Hall and the Fresh Produce Market.

Further engagement has also been held by the municipality with the HOD of the Gauteng Provincial Department Roads & Transport on infrastructure refurbishment of the Licensing Service Centres which are currently being leased from the local municipalities.

Council must take note that as the municipality currently no longer holds cash-backed reserves, Council will not have the ability to fund future capital projects and programmes from internal sources of funding.

 Annual Procurement Plans:

On matters relating to financial investment activities into operational, maintenance, repair, improvement and additions to property, plant and equipment, as well as Council programmes, it has been recommended that Clusters prepare their procurement plans with the purpose of regular monitoring and reporting on the performance of the organisation against these procurement plans.

This process is required as per the MEC Finance’s directive of 2014 whereby approved annual procurement plans must be submitted to Gauteng Provincial Treasury by no later than 31 July annually for reporting and monitoring purposes.

BUDGET STEERING COMMITTEE

In terms of the Municipal Budget and Reporting Regulations no. 4, the Executive Mayor must establish a *budget steering committee* (Budget Panel) to provide technical assistance to the Executive Mayor in discharging her responsibilities as per section 53 MFMA. TheMMC: Finance together with the Finance Cluster consulted extensively internally during the drafting of this annual budget and as a result, presented to the Executive Mayor with a budget that is aligned to the strategic objectives of Council’s IDP as well as conformed to MFMA requirements.Council would have noted that thedraft tabled 2017/2018 MTREF was not balanced, and after exploring various options, it was proposed thatCouncil consider the option of applying for an overdraft credit facility with the municipal bankers, to cover a cash shortfall in the operations of the municipality for the 2017/2018 financial year. Of some of the concerns raised by Provincial Treasury during their budget assessment, was the high trade creditors at the time of reporting (March 2017). The municipality then indicated to Provincial Treasury during the discussion that there are also high trade debtors, which is directly related to inter-council indebtedness. Should the municipality, with Provincial Treasury’s support, recover these *outstanding inter-council indebtedness*, as well as together with the *cost containment* measures, the municipality would experience a cash flow injection, hence, reducing the necessity to utilise the overdraft credit facility.

It must be further noted by Council that this overdraft credit facility is subject to the stringent requirements of MFMA section 45, and is for the provision of short-term debt purposes only. The municipality may only exercise the overdraft credit facility by way of a resolution of the municipal council, signed by the Executive Mayor, has approved the debt agreement; and the accounting officer has signed the agreement which creates or acknowledges the debt.

***CHAPTER 6***

***DEBT***

 ***Short-term debt***

 *45. (1) A municipality may incur short-term debt only in accordance with and subject to the provisions of this Act and only when necessary to bridge —*

 *(a) shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or*

 *(b) capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.*

 *(2) A municipality may incur short-term debt only if —*

 *(a) a resolution of the municipal council, signed by the mayor, has approved the debt agreement; and*

 *(b) the accounting officer has signed the agreement or other document which creates or acknowledges the debt.*

 *(3) For the purpose of subsection (2)(a), a municipal council may —*

 *(a) approve a short-term debt transaction individually; or*

 *(b) approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that —*

1. *the credit limit must be specified in the resolution of the council;*
2. *the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and*
3. *if the council approves a credit facility that is limited to emergency use, the accounting officer must notify the council in writing as soon as practical of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as options for repaying such debt.*

 *(4) A municipality —*

 *(a) must pay off short-term debt within the financial year; and*

 *(b) may not renew or refinance short-term debt, whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.*

 *(5) (a) No lender may wilfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of subsection (4)(a).*

 *(b) If a lender wilfully extends credit to a municipality in contravention of paragraph (a), the municipality is not bound to repay the loan or interest on the loan.*

 *(6) Subsection (5)(b) does not apply if the lender —*

 *(a) relied in good faith on written representations of the municipality as to the purpose of the borrowing; and*

 *(b) did not know and had no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.*

The municipality furthermore, should continue to openly and actively engage with Provincial and National Treasuries on matters of revenue enhancement so as to avert the actual need for exercising the overdraft credit facility.

 Other proposals arising from discussions at the Budget Panel and Provincial budget assessment, highlighted several operational issues for future evaluation and assessment, with the possibility of increasing revenue generation in the upcoming financial year. These included:

* Further inter-governmental engagements on the future long-term funding of the Sharpeville Heritage Precinct now that has been recognised as a National heritage site, as well as on the Boipatong Memorial;
* Further inter-governmental discussion over the provision of funding for the Disaster Management function with specific reference to Schedule 4 – Part A of the Constitution (108/1996) and the requirements of the Disaster Management Act Chapter 5;
* The short to medium term revenue model for the funding of the Regional Tourism Organisation (RTO);
* The medium term outlook for the NDPG unit in SPED now that the funding has been relocated to the local municipalities;
* The apportioning of the Novell (IT network) license to the local municipalities; and
* To conduct inter-governmental engagements on potential infrastructure / repairs & maintenance funding for:
	+ Refurbishing the Taxi Ranks;
	+ Refurbishing Licensing Service Centres;
	+ Museums;
	+ Theatres; and
	+ Municipal Administrative buildings.

At the time of preparing this MTREF to be tabled, the municipality had also not as yet finalised other avenues of cost reduction, which could also potentially reduce the deficit gap between the operational revenue and the operational expenditure. These include:

* Potential revenue generation from the existing fibre optic network;
* Review the funding model of the districtwide IT service;
* Cost reduction of contracted services through participation in National Treasury transversal contracts for goods, services and commodities such as:
	+ Provision of mobile communication service and devices;
	+ Leasing of labour saving office equipment devices; and
	+ Subscription for digital satellite television services.
* Amendments to overtime working conditions for staff earning above the Department of Labour threshold (in consultation with Labour Representatives) to reduce costs and improve quality of working conditions of the affected staff members;
* Reviewing office space lease agreements as and when they become due for renewal with the intention to reduce rental expenditure;
* Intensify efforts to source corporate social responsibility funding and/or philanthropic funding for the Executive Mayor’s programmes such as the external student financial aid scheme;
* Seek intervention from Department of Labour and COGTA on the lack of disbursement of LGSETA skills development funding from the discretionary grant.

 ALIGNMENT WITH COUNCIL STRATEGIES

This report is aligned to the Reviewed IDP for 2017/2021, the district’s GDS-3, Municipal Budget and Reporting regulations GN 393 of 2009, Municipal Standard Chart of Accounts Regulations, GN 312 of 2014 as well as circulars 48, 51, 54, 55, 58, 66, 67, 70, 74, 78, 79, 85 and 86 of National Treasury.

 It must be noted by Council that Council have yet to adopt the cost containment prescripts of MFMA Circular 82 (updated November 2016) prescribed by the Minister Finance under MFMA section 168. Alignment of the 2017/2018 MTREF to these cost containment measures will seek to improve the overall credibility and sustainability of the budget.

Council Budget Related Policies

The MTREF for 2017/2018 has been drawn up in alignment with the following financial & budget related policies (as reviewed and adopted Council Resolution 90th A1532 held on 08 June 2016):

* Cash Handling Policy
* Management of Foreign Exchange Policy
* Cash Management & Investment Policy (as amended A1579)
* Revenue Management Policy
* Debt Management Policy
* Sundry Tariff Policy
* Loans Policy
* Fixed Asset Management Policy
* Capital Projects and Infrastructure Development Policy
* Strategic Budget Policy
* Long Term Financial Plan Policy
* Budget Oversight Policy
* Virement Policy
* Unforeseen and Unavoidable Expenses Policy
* Supply Chain Management Policy & Procedures
* Unauthorised, Irregular, Fruitless & Wasteful Expenditure Policy
* Accounts Payable Policy
* Payroll Management Policy
* Subsistence & Travel Policy
* Funding & Reserves Policy
* Journal Entry Policy
* Vaal Teknorama Policy
* Acting Allowance Policy
* Donation Policy

During the budget process, these policies were reviewed and found to still be applicable with no requirement for amendments.

 FINANCIAL IMPLICATIONS

The total estimated operating revenue of R 364,637,443;

The total estimated operating expenditure of R 385,893,000;

resulting in an operational deficit of R 21,256,000; and

The total estimated Capital Budget of R 6,000,000.

Section 18 of the MFMA act needs to be adhered to when looking at the budget funding requirements. This section indicates the following:

“18*. (1) An annual budget may only be funded from —*

*(a) realistically anticipated revenues to be collected;*

*(b) cash-backed accumulated funds from previous years’ surpluses not committed for other purposes; and*

*(c) borrowed funds, but only for the capital budget referred to in Section 17(2).*

*(2) Revenue projections in the budget must be realistic, taking into account —*

*(a) projected revenue for the current year based on collection levels to date; and*

 *(b) actual revenue collected in previous financial years*.”

The Committee must take note that as tabled, the 2017/2018 MTREF is not in balance, and as a result the municipality will seek an overdraft credit facility not exceeding R25million to bridge the cash shortfall in the operational expenditure only when the need arises and subject to Council approval.

The following Annexures are attached:

Annexure “A-1” A Schedule & Budget Summary (non-MSCOA format)

Annexure “A-2” Budget Summary (MSCOA format)

Annexure “B” Budgeted Financial Performance by Classification (NT)

Annexure “C” Budgeted Financial Performance by Vote (Cluster)

Annexure “D” Budgeted Capital Expenditure

Annexure “E” Tariff of Charges

LEGAL IMPLICATIONS

The budget has been drawn up in line with the MFMA, Act 56 of 2003 (SS 16-17) which inter alia states:

 *“The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.”*

**RECOMMENDED**

1. THAT the report on Tabled Final Annual Operating and Capital MTREF for 2017/2018 to 2019/2020, be hereby approved.

2. THAT the inputs and comments received during public participation processes from Gauteng Provincial Treasury, National Treasury, MEC for Local Government, the local municipalities, the public and other stakeholders be duly noted and recorded.

3. THAT the final capital and operating budget for 2017/2018 be approved as per Annexure “A” to “E” in accordance with the requirements as set out in the MFMA: Municipal Budget and Reporting Regulations (MBRR GN 393 of 2009) and MFMA: Municipal Standard Chart of Accounts Regulations (MSCOA GNR. 312 of 2014).

4. THAT the proposed tariffs for all services as per Annexure “F” be approved in terms of the Tariff Policy and Section 75A of the Local Government Municipal Systems Act, No 32 of 2000.

5. THAT the consolidated three year final Capital and Operational Budget as per Annexure “A” to “F” be submitted to National Treasury, MEC for Finance, MEC for Local Government, Auditor-General and SALGA within ten working days of Council approval of the annual budget as per Regulation 18 of the MFMA: Municipal Budget and Reporting Regulations (MBRR GN 393 of 2009).

6. THAT the Council delegate the Executive Mayor to escalate the following inter-governmental issues to the platform of the Premier’s Coordinating Forum (PCF):

* 1. The future long-term funding of the Sharpeville Heritage Precinct now that has been recognised as a National heritage site, as well as on the Boipatong Memorial;
	2. The provision of funding for the Disaster Management function with specific reference to Schedule 4 – Part A of the Constitution (108/1996);

 Potential infrastructure funding for:

 i. Refurbishing the taxi ranks;

 ii. Refurbishing licensing service centres;

 iii. Museums;

 iv. Theatres; and

 v. Municipal Administrative buildings.

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